

In 2003, China's economy was battered by SARS and flooding. The GDP of the PRC was RMB11,669.4 billion, representing an increase of 9.1% over last year in real terms. The growth of the GDP in 2003 was the highest since 1997. The economy has entered a new cycle of growth.

Output of Anhui Province amounted to RMB397.32 billion for the year in 2003, representing an increase of 9.2% over last year and an increase rate of 0.3% when compared with the corresponding period of the previous year. The growth was the highest since 1998.

Benefited from the sustained growth of the PRC and Anhui Province's economies, development in the Company's toll expressway made better progress in 2003 over the previous year.

I. OPERATIONS OF THE COMPANY

1. Scope and operating conditions of its principal operations

The principal activities of the Company are the holding, operation and development of toll highways within and outside of Anhui Province in the PRC.

Since the turnover and results for the current year are principally derived from the operation of the toll highways of the Group in Anhui Province, the PRC, the turnover of the Group and its contribution to the operating profit were not analysed by business and geographical distribution.

In 2003, the various operations of the Company enjoyed substantial improvement. During the period under review, income from principal operations of the Company under the PRC Accounting Standards was RMB896,554,000, representing an increase of 19.28% over the previous year, which was mainly due to faster growth of the toll revenue.

Composition and percentage of revenue was as follows:
(prepared in accordance with the PRC Accounting Standards)

Projects	Revenue in 2003 (RMB'000)	Percentage of total revenue	Change over the corresponding period of previous year
Hening Expressway	361,498	40.32%	-1.16%
New Tianchang Section of National Trunk 205	65,820	7.34%	3.67%
Gaojie Expressway	199,838	22.29%	12.73%
Xuanguang Expressway	134,334	14.98%	21.85%
Lianhuo Expressway Anhui Section	68,518	7.63%	—
Revenue from other operations	66,546	7.42%	90.80%
Total	896,554	100%	19.28%

2. Operation of toll highways

In 2003, the operation of highways, the core operation of the Group, continued to achieve satisfactory performance. Traffic volume increased significantly and revenue from toll highways amounted to RMB830,008,000, representing 92.58% of the total revenue and an increase of 15.80% over last year.

Particulars of the major projects

Name of projects	Length (km)	Number of lanes	Number of toll stations	Number of service areas	Commencement of operation	Remaining term of operation
Hening Expressway	134	4	8	3	1991	22
New Tianchang Section of National Trunk 205	30	4	1	—	1997	23
Gaojie Expressway	110	4	3	3	1999	25
Xuanguang Expressway	84	4	4	—	1997	24
Lianhuo Expressway Anhui Section	54	4	5	1	2002	29

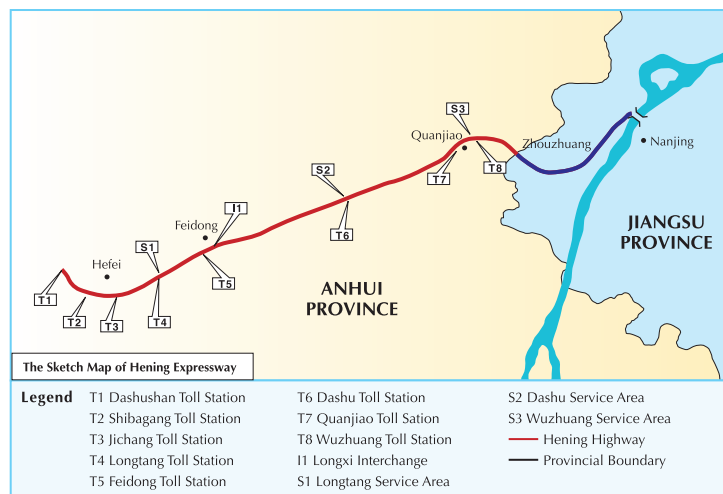
Comparable figures of average daily traffic volumes (day/units)

	Average daily mixed traffic volumes	Converted average daily traffic volumes for entire journey
Toll expressways		
Hening Expressway	17,524	11,076
New Tianchang Section of National Trunk 205	12,544	12,544
Gaojie Expressway	9,228	7,936
Xuanguang Expressway	5,150	5,716
Lianhuo Expressway Anhui Section	5,614	4,345

Brief introduction of each project

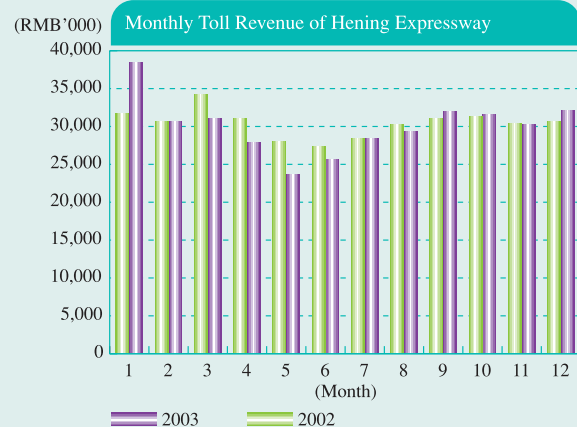
Hening Expressway

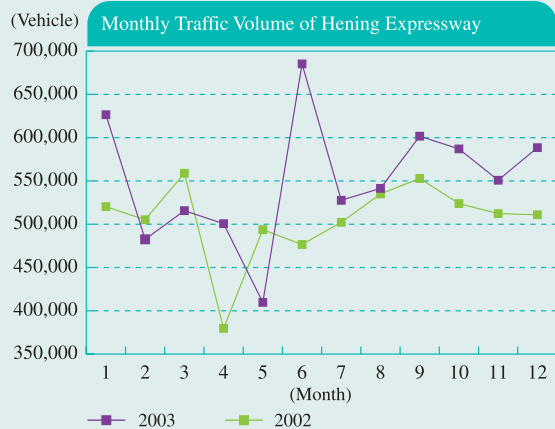
Hening Expressway is a 134-kilometer long dual carriageway four-lane toll expressway owned by the Company in Anhui Province linking Dashushan and Zhouzhuang. This expressway forms an integral part of the National Trunk Highway from Shanghai to Chengdu in Sichuan Province, which also forms part of the National Trunk 312 linking Shanghai and Yining in Xinjiang. It is currently a major source of profit and cash flow for the Company.



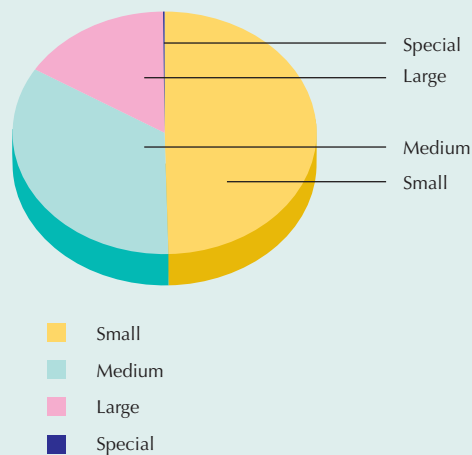
Toll Revenue

During the year, toll revenue amounted to RMB361,498,000, representing a decrease of 1.16% over last year.





Type ratios of vehicles of Hening Expressway in 2003

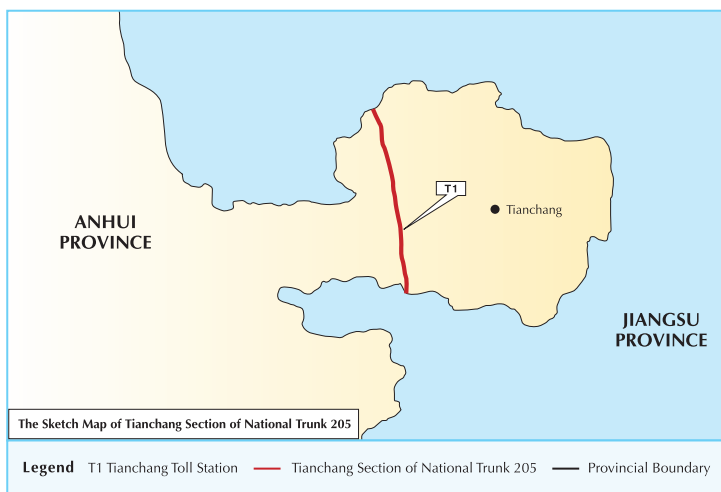


Traffic volume

During the year, the average traffic volumes of Hening Expressway were approximately 17,523 vehicles, representing a 2.67% increase over last year.

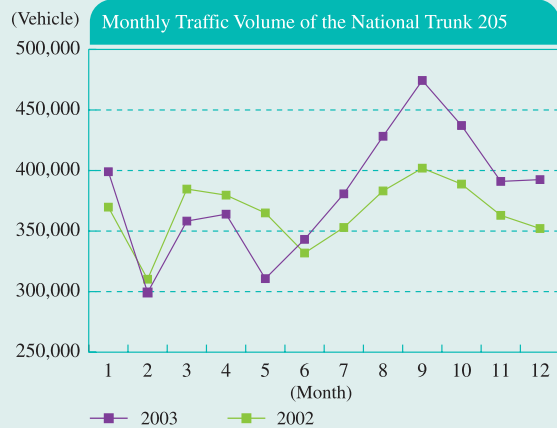
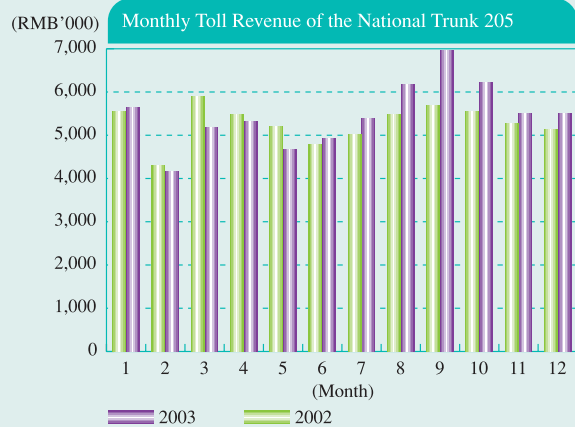
New Tianchang Section of National Trunk 205

The New Tianchang Section of National Trunk 205 is a dual carriageway four-lane vehicular highway of Class 1 standard of 30 kilometers long situated in Tianchang in Anhui Province. Tianchang Section is a part of National Trunk 205, which starts in Shanhaiguan, Hebei Province and ends in Guangzhou, Guangdong Province. This national trunk also forms part of the highway linking Lianyungang and Nanjing in Jiangsu Province.



Toll Revenue

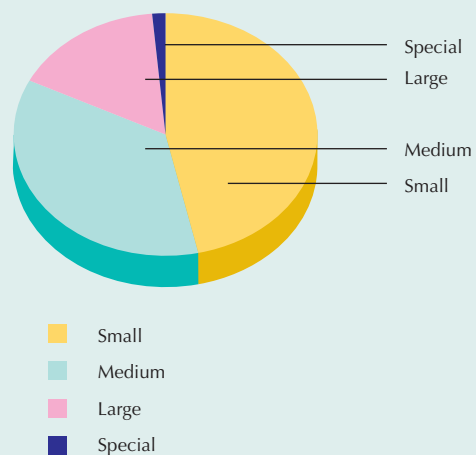
During the year, toll revenue amounted to RMB65,820,000 representing an increase of 3.67% over last year.



Traffic volume

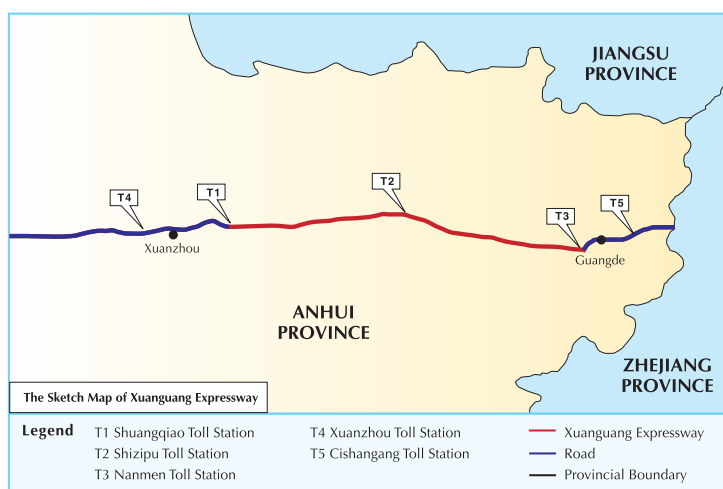
During the year, the average traffic volumes of New Tianchang Section of National Truck 205 were approximately 12,535 vehicles, representing a 4.38% increase over last year.

Type ratios of vehicles of National Trunk in 2003



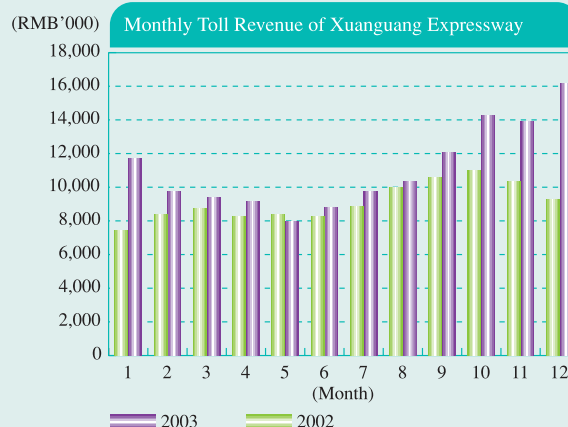
Xuanguang Expressway

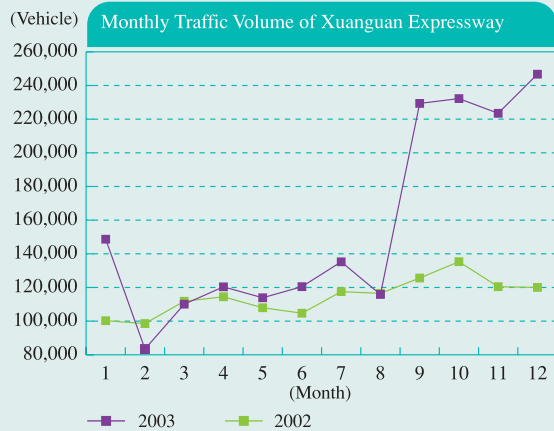
The Xuanzhou to Guangde Expressway is an existing dual carriageway four-lane expressway located in the south-eastern part of Anhui Province with total mileage of 84km constructed in two phases. Xuanzhou-guangde section, which is about 67 kilometers long, was opened to traffic in November 1997. Xuanzhou south ring road is a 17km long expressway, which links Xuanguang Expressway near Shuangqiao, Xuanzhou, was opened to traffic in July 2001 and merged into the Company in August 2003. This expressway starts from Xuanzhou in Anhui Province and ends near Jiepai, Guangde in Anhui Province and forms part of the National Trunk 318 extending from Shanghai to Nielamu in Tibet. National Trunk 318 is a key transport artery, linking the coastal regions with the inland and the western boarder of the PRC.



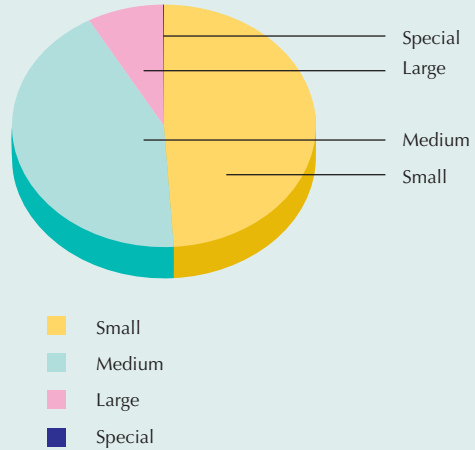
Toll Revenue

During the year, toll revenue amounted to RMB134,334,000, representing an increase of 21.85% over last year.





Type ratios of vehicles of Xuanguan Expressway in 2003

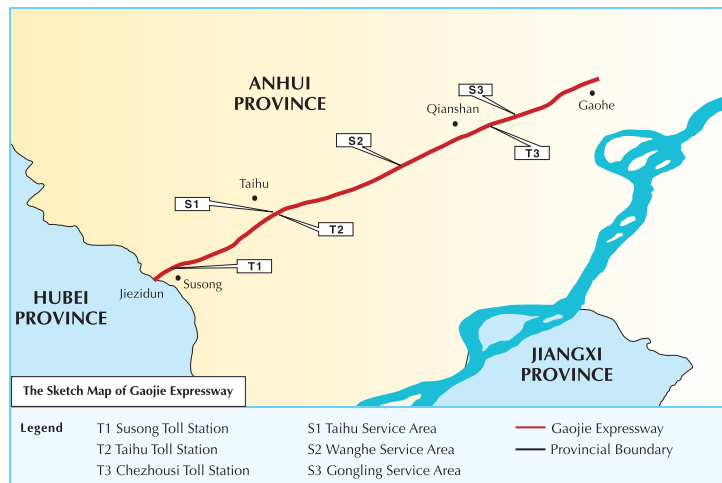


Traffic volume

During the year, the average traffic volumes of Xuanguan Expressway were approximately 5,139 vehicles, representing a 36.61% increase over last year.

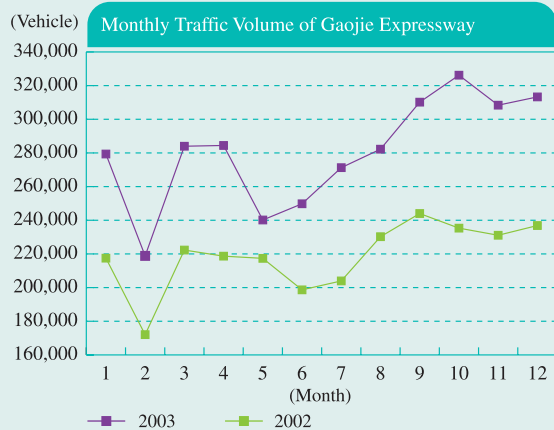
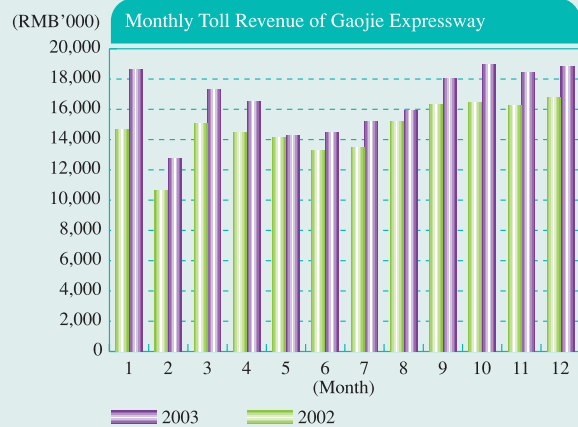
Gaojie Expressway

The Gaohe to Jieqidun Expressway, with a length of approximately 110 kilometers, is an existing dual carriageway four-lane expressway that forms part of the National Trunk System between Shanghai to Chengdu in Sichuan. The Expressway, originating from Gaohe Town, Huaining County, Anhui Province, links up with the Hening Expressway, operated by the Company, through the Heife-Anqing Highway and terminates at the border between Hunan and Anhui at Jieqidun, Susong County, Anhui Province. It further runs westward to link up with cities like Wuhan, Chongqing and Chengdu and is an important trunk road that links up the central and western region with the south-eastern coastal region.



Toll Revenue

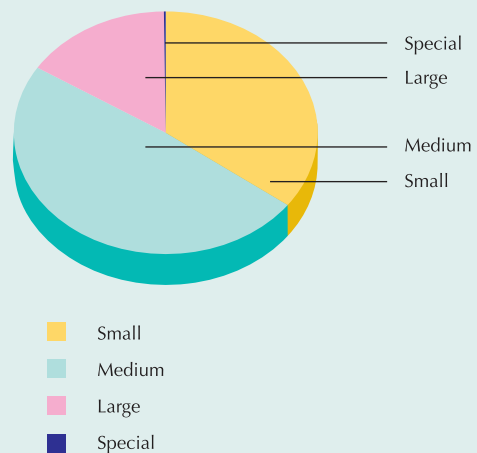
During the year, toll revenue amounted to RMB199,838,000, representing an increase of 12.73% over last year.



Traffic volume

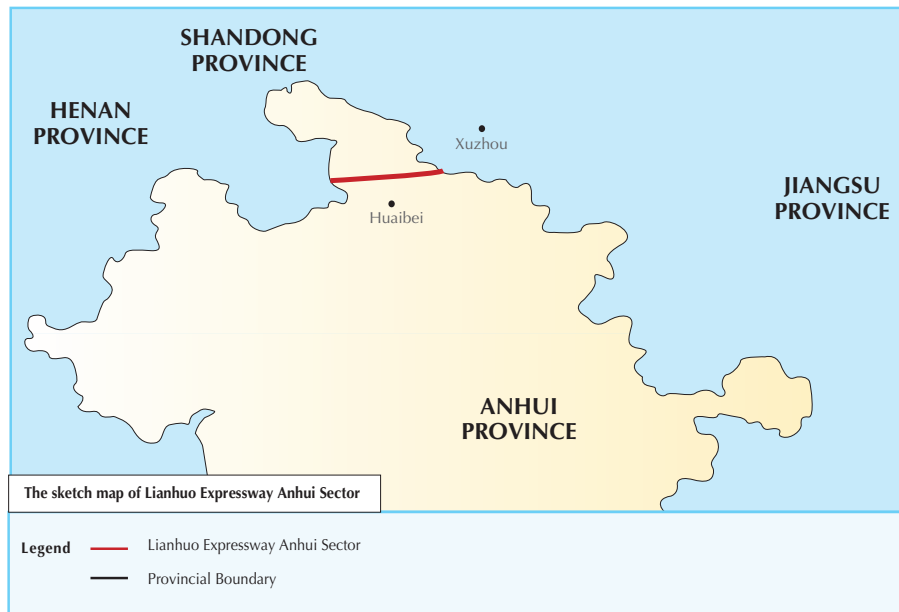
During the year, the average traffic volumes of Gaojie Expressway were approximately 9,221 vehicles, representing a 28.17% increase over last year.

Type ratios of vehicles of Gaojie Expressway in 2003



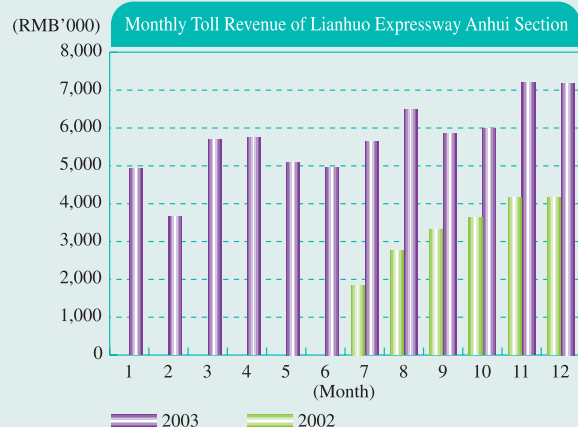
Lianhuo Expressway Anhui Section

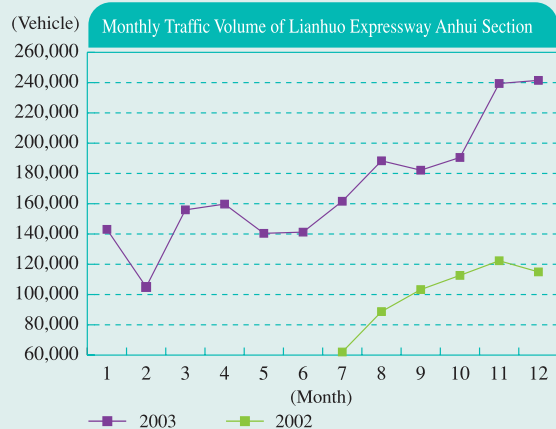
Lianhuo Expressway Anhui Section is a 54-kilometer long dual carriage four-lane toll expressway, part of the highway between Lianyungang and Huoerguosi in Anhui Province. Connecting with the highways located in Henan and Jiangsu Province and the expressways between Beijing and Fuzhou, it plays an important role in China's politics, economy, military affairs and National Truck Networks.



Toll Revenue

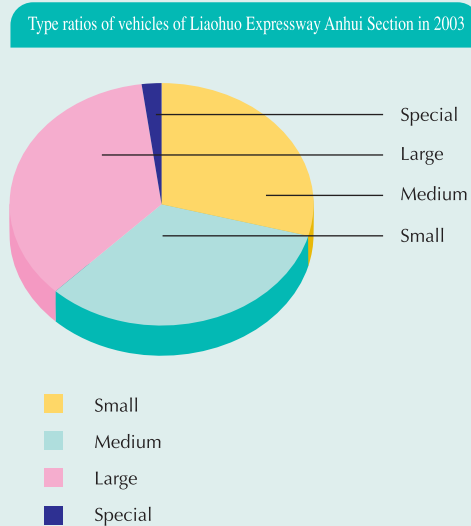
During the year, toll revenue amounted to RMB68,518,000, representing an increase of 244.21% over last year.





Traffic volume

During the year, the average traffic volumes of Lianhuo Expressway were approximately 5,603 vehicles, representing a 70.67% increase over last year.



3. Other businesses

In 2003, other operating income amounted to RMB66,546,000, representing an increase of 90.80% when compared with the corresponding period of the previous year.

4. Operating conditions and results of principal subsidiaries and investee companies of the Company (In accordance with the PRC Accounting Standards)

As at 31 December 2003, the Company's subsidiaries and associated companies were as follows:

Unit: RMB'000

Name of companies	Share of equity interests attributable to the Group	Registered capital	Total assets	Net profit	Principal operations
Gaojie Company	51%	300,000	1,634,466	57,794	Construction, management and operation of Gaojie Expressway
Xuanguang Company	55.47%	111,760	1,079,436	41,775	Construction, management and operation of Xuanguang Expressway
Wantong Technology	75.5%	20,000	55,271	1,703	Development and sales of software and hardware of roads toll-collection system and digital monitoring system
Haiwei Company	85.79%	50,000	49,960	1,222	Project investment management and investment consultation
Tianjin Information Port	52.85%	2,000	3,608	102	Development and sales of digital monitoring system and large information system
Kangcheng Pharmaceutical	65%	10,000	9,468	-550	Research, development and transfer of Western and Chinese medicine and scientific research results of medical apparatus and instruments
Expressway Advertisement	38%	3,800	8,735	986	Design, making, release and agency of domestic advertisements
Information Investment	18%	100,000	103,937	1,560	Information infrastructure investment, information technology service, information engineering consultation and supervision

Investment income from subsidiaries amounted to 10% to the net profit of the Group

Gaojie Company

On 13th May 1997, a joint venture agreement was entered into between the Company and AEHC, whereby Gaojie Company, a company incorporated in the PRC with limited liability, was established for the purpose developing, constructing and operating the expressway from Gaohe to Jiezdun. The operating period is 30 years commencing from 1st October 1999. The Company holds 30% of the equity interests.

On 10th November 2000, an agreement of equity transfer was entered into by the Company and AEHC. Pursuant to the agreement, 21% equity originally held by AEHC was transferred to the Company at a consideration of RMB387,240,000 on 31st December 2000. The Company owns 51% equity in Gaojie Company as its holding company since then.

The registered capital of Gaojie Company was RMB300,000,000 with total assets of RMB1,634,466,000 as at 31st December 2003 and net profit of RMB57,794,000 for the year ended.

Xuanguang Company

On 18th July 1998, a joint venture contract was entered into between the Company and Xuancheng City High Class Highway Construction and Management Company Limited (Formerly known as Xuancheng Area High Class Highway Construction and Management Company Limited) ("the PRC Partner"). Pursuant to the contract, Xuanguang Company, incorporated in the PRC with limited liabilities, was established on 25th July 1998 under the PRC Company Law in Anhui Province. The Company holds 51% equity interests in Xuanguang Company. Xuanguang Company is principally engaged in the operation of Xuanguang Expressway and Xuangzhou Toll Station and Cishangang Toll Station in Guangde and will receive fees in respect of the road and its ancillary and servicing facilities. The operation period is 30 years commencing from 25th July 1998.

The Company and the PRC Partner entered into a Capital Increase Agreement and Sale and Purchase Agreement on 11th August 2003. The Company holds 55.47% of the equity interests after the completion of the transactions.

(Details on the acquisition of interests in Xuanguang Company are set out in the section headed "Major investment other than the use of proceeds".)

The registered capital of Xuanguang Company was RMB111,760,000 with total assets of RMB1,079,436,000 as at 31st December 2003 and net profit of RMB41,775,000 for the year then ended.

5. Principal customers and suppliers

As the principal customers of the Company are users of toll highways, whereas the principal suppliers of the Company are contractors of toll highways, there is no information on principal customers and suppliers to be disclosed further.

II. INVESTMENT OF THE COMPANY

1. The use of proceeds from A shares issue

The committed investment project	The planning investments (RMB'000)	The committed use of the proceeds	Planned status of the project	Actual usage of the proceeds	Status of the project
Lianhuo Expressway Anhui Section	1,180,000	Total proceeds	Having been open to traffic	Lianhuo Expressway Anhui Section	Finished in time

In 2002, the Company issued 250 million A shares and raised proceeds of RMB550,000,000. The net proceeds after the deduction of share issue expenses amounted to RMB526,960,000. The Company has settled the balance of consideration for the acquisition of Lianhuo Expressway Anhui Section in January 2003 with AEHC as financed by the net proceeds of RMB526,960,000 from A shares issue. Both parties completed the procedures for the delivery of title on Lianhuo Expressway Anhui Section.

As at 31st December 2003, the Company paid RMB1,121,000,000 to AEHC for the acquisition pursuant to the Acquisition Contract.

2. Major investment other than the use of proceeds

- (1) The Company commenced the reconstruction throughout Hening Expressway in early 2003. During the period under review, reconstruction of 62 kilometers in length was completed. During the year ended 31st December 2003, RMB389,452,000 in total was invested in the reconstruction.
- (2) The Acquisition of Equities in Xuanguang Company

Xuanguang Expressway Company Limited (the JV Company) is a subsidiary of the Company. Before the Capital Increase and Acquisition, the registered capital of the JV Company was RMB71.88 million, among which RMB36.66 million was owned as to 51% by the Company; and the remaining RMB35.22 million was owned as to 49% by Xuancheng Area High Class Highway Construction and Management Company Limited (the PRC Partner). In addition, the PRC Partner had a shareholder's loan of RMB317.01 million to the JV Company.

In order to implement the above transaction, the Company and the PRC Partner entered into a Capital Increase Agreement and Sale and Purchase Agreement on 11th August 2003. Pursuant to such agreements, the PRC Partner injected the assets of Xuanzhou South Ring Road to the JV Company at a consideration of RMB398.800 million, RMB39.880 million of which was capitalized as registered capital of the JV Company while the remaining RMB358.920 million was treated as shareholder's loan to the JV Company. Upon completion of the Capital Increase, the registered capital of the JV Company increased to RMB111.76 million, RMB36.66 million of which was owned as to 32.8% by the Company, and the remaining RMB75.10 million was owned as to 67.2% by the PRC Partner. Whereby, the PRC Partner had a shareholder's loan of RMB675.93 million to the JV Company.

Pursuant to the Sale and Purchase Agreement, the Company agrees to acquire from the PRC Partner its interests in Xuanguang Expressway, comprising registered capital of an amount of RMB25.335 million and shareholder's loan of RMB228.015 million. The Capital Increase and Acquisition has been completed and the registered capital of the JV Company was RMB111.76 million, RMB61.995 million of which was owned as to 55.47% by the Company, and the remaining RMB49.765 million was owned as to 44.53% by the PRC Partner. The shareholder's loans totaled to RMB920.18 million, RMB472.265 million of which was held by the Company and the remaining RMB447.915 million was held by the PRC Partner.

The implementation of this Transaction will contribute a lot to the Company's operation and income and spur the Company to make full use of the opportunity of the State's Developing the West policy to develop particularly the intra-provincial thorough fare project linking the east and west regions and the road network advantage, which will strengthen the Company's core competitive ability and future profitability.

III. ANALYSIS OF FINANCIAL CONDITION AND OPERATING RESULTS OF THE COMPANY (PREPARED IN ACCORDANCE WITH THE PRC ACCOUNTING STANDARDS)

1. Operating results

Unit: RMB				
Items	2003	2002	Fluctuations	Percentage
Revenue from principal operations	896,554,000.96	751,627,487.66	144,926,513.30	19.28%
Profit from principal operations	445,219,873.86	397,989,230.82	47,230,643.04	11.87%
Operating profit	367,751,161.40	325,036,633.25	42,714,528.15	13.14%
Total profit	366,876,443.81	324,805,926.29	42,070,517.52	12.95%
Net profit	283,264,544.99	258,392,601.47	24,871,943.52	9.63%

The increase of turnover was benefited from the significant increase of toll revenue.

The growth of profit from principal operation was lower than that of revenue from principal operations because of the increase of depreciation for Xuanzhou South Ring Road and Lianhuo Expressway (Anhui Section).

The increase of net profit was lower than that of total profit was because that the 2001 tax refunds received in 2002 was recorded as a deduction of the tax expenses. In 2003, the Company did not receive such refunds.

2. Assets, liabilities and equity

				Unit: RMB
Items	2003	2002	Fluctuations	Percentage
Total assets	6,214,884,813.73	5,062,203,678.57	1,152,681,135.16	22.77%
Total liabilities	2,168,433,320.81	1,268,049,226.98	900,373,093.83	71.00%
Total shareholders' equity	3,837,860,710.08	3,601,957,947.07	235,902,763.01	6.55%

In 2003, the assets of the Company increased 22.77% over last year mainly due to the fixed assets addition of Lianhuo Expressway (Anhui Section) and Xuanzhou South Ring Road.

The liabilities increased 71% over last year was mainly because the Company borrowed RMB627,000,000 loan for the reconstruction of Hening Expressway.

IV. PricewaterhouseCoopers and PricewaterhouseCooper Zhong Tian Certified Public Accountants Co., Ltd expressed a standard unqualified audit opinions on the financial statements of the Company.

V. USUAL OPERATION OF THE BOARD OF DIRECTORS

1. Board meetings during the reporting period and resolutions passed

Four board meetings of the Company were held in 2003:

- The following were considered and approved at the third meeting of the third Board held on 23rd April 2003:
 - It was agreed that the accounts of the Company published outside the PRC would be prepared in accordance with the Hong Kong accounting standards commencing from 2002;
 - The financial statements for 2002 prepared in accordance with the Hong Kong accounting standards and the PRC accounting standards respectively was approved;
 - The 2002 annual report was approved;
 - The draft announcement of the 2002 results and the annual report summary was approved;

- The profit appropriation proposal of RMB0.3 for every ten shares (tax included) for 2002 was approved;
- The report of the Board of Directors of the Company for 2002 was approved;
- The first quarterly report of the Company for 2003 was approved;
- The proposal for amendment of the Articles of Association was approved;
- The proposal on the grant of mandate to the Board for the allotment and issue of shares not exceeding 20% of overseas-listed foreign shares issued and outstanding was approved;
- The re-appointment of PricewaterhouseCoopers (Hong Kong certified public accountant) as the auditor of the Company in Hong Kong and the re-appointment of PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd (the PRC Accountant) as the statutory auditor of the Company was approved, and the Board was authorized to determine their remuneration;
- The 2002 Annual General Meeting would be held on 10th June 2003;
- The information disclosure management system of the Company was approved;
- The proposal of reconstruction project of Hening Expressway was approved.

The announcement for the resolutions was published on Shanghai Securities Post, China Securities Post, the South China Morning Post in Hong Kong and Wen Wei Po in Hong Kong on 24th April 2003.

2. The following items were considered and approved at the fourth meeting of the third Board held on 11th August 2003:
 - The agreement in relation to increase investment and shareholding in Xuan Guang Expressway Company Limited and the agreement in relation to the acquisition of interests in Xuan Guang Expressway Company Limited;
 - Mr. Xie Xinyu, the Secretary to the Board, was authorized to issue the announcement of connected transaction and the announcement of the acquisition of interests in Xuan Guang Expressway Company Limited;
 - The traffic toll forecast report, the operation and maintenance cost estimation report, the business valuation report and the summary of the relevant report letters of Xuanguang Expressway and southern ring section of Xuanguang Expressway was approved and accepted;
 - Mr. Xie Xinyu, the Company Secretary, and BNP Paribas Peregrine were authorized prepare and dispatch the relevant circulars to shareholders;

- The engagement of the relevant intermediate institution was approved, confirmed and ratified.

The announcement for the resolutions was published on Shanghai Securities Post, China Securities Post, the South China Morning Post in Hong Kong and Wen Wei Po in Hong Kong on 12th August 2003.

3. The following items were considered and approved at the fifth meeting of the third Board held on 22nd August 2003:

- The interim financial report of the Company for 2003 prepared in accordance with the Hong Kong and the PRC accounting standards was approved;
- The interim report of the Company for 2003 was approved;
- The interim results announcement for 2003 and the interim report summary for 2003 was approved.

The announcement for the resolutions was published on Shanghai Securities Post, China Securities Post, the South China Morning Post in Hong Kong and Wen Wei Po in Hong Kong on 23rd August 2003.

4. The following items were considered and approved at the sixth meeting of the third Board held on 29th October 2003:

- The third quarterly report of the Company for 2003 was approved.

The announcement for the resolutions was published on Shanghai Securities Post, China Securities Post, the South China Morning Post in Hong Kong and Wen Wei Po in Hong Kong on 30th October 2003.

2. Execution of resolutions passed at the General Meeting by the Board of Directors

During the reporting period, the Board of Directors duly executed out the contents of the following resolutions in accordance with the relevant law and regulations and the resolutions and authorities as passed in the General Meeting:

Execution of 2002 profit appropriations of the Company

As approved in the Annual General Meeting held in 2002, the Board of Directors of the Company recommended the payment of dividend of RMB49,758,300 with the payout of RMB0.3 for every 10 shares (tax included) on the basis of 1,658,610,000 shares in the total share capital at the end of 2002.

The Company published the announcement in respect of distribution of dividend of H shares on the South China Morning Post in Hong Kong and Wen Wei Po in Hong Kong on 11th June 2003. Dividends were paid to the holders of H shares on the basis of HKD0.028 per share. The dividends referred to above were paid on 24th June 2003.

The announcement for payment of A shares dividend was published on Shanghai Securities Post and China Securities Post on 7th July 2003. The record date for A shares was on 10th July 2003. The ex-dividend date was on 11th July 2003. The dividend payment date was on 17th July 2003. The dividends referred to above were paid in full.

Dividends for the holders of the listed A shares were distributed by the Shanghai branch of China Securities Registration and Clearing Corporation Limited. Dividends for the holders of the State-owned shares and the State-owned legal person shares were distributed directly by the Company. Dividends for the holders of H shares were distributed by Bank of China (Hong Kong) Trustees Limited on behalf of the Company.

VI. PROFIT APPROPRIATION PLAN OF 2003

Net profit as shown on the 2003 consolidated financial statements amounted to RMB283,264,544.99, with transfers of RMB38,584,784.66 and RMB33,190,944.57 to statutory surplus reserve and statutory public welfare fund respectively, the profit attributable to shareholders amounted to RMB737,457,233.33. Pursuant to relevant regulations of the State, the profit appropriation should be the lower of the profit appropriation calculated in accordance with the Hong Kong Accounting Standards and the PRC Accounting Standards. Accordingly, the profit attributable to shareholders amounted to RMB737,457,233.33. The Board of the Company recommended the payment of a final dividend of RMB99,516,600 on the basis of RMB0.60 for every 10 shares (tax included) based on the total share capital 1,658,610,000 shares.

VII. OTHER EVENTS DURING THE REPORTING PERIOD

1. The evaluation report prepared by the Company itself in respect of cash flow with related parties and external guarantee

Pursuant to the requirements under the “Notice concerning the regulation on the flow of funds between listed companies and their related parties and the provision of guarantees by listed companies to external parties” (Zheng Jian Fa [2003] No. 56), the Company seriously conducted a self examination report which was submitted to Hefei designated office of the CSRC. The related parties have not been in breach of the regulations for fund misappropriation within the Company. The Company has not provided any guarantee to other related parties with shareholding below 50%, any non-legal person entities or individuals.

2. The statement in specific details by the certified public accountant about the capital allocation between the Company’s controlling shareholder and other related parties

PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. stated in specific details about the capital allocation between the Company’s controlling shareholder and other related parties.

For the attention of the Board of Directors,
Anhui Expressway Company Limited

Dear Sirs,

We were engaged to audit the balance sheet as at 31st December 2003 and the profit and loss account and the cash flow statement for the year 2003 of Anhui Expressway Company Limited (the “Company”) in accordance with the Independent Auditing Standards of the Certified Public Accountants of the PRC. An audit report with unqualified opinion was issued on 11th March 2004 (PricewaterhouseCoopers Shen Zhi (2004) No. 1594).

Pursuant to the “Notice concerning the reporting of application of funds by and violation on rules for the provision of guarantee to the substantial shareholder and the related parties for listed companies” (Letter of the Listing Division [2003] No. 13, hereinafter referred to as the “Document No. 13”) and its supplementary statements, the “Notice concerning reporting the special audit concerning application of funds by and violation on rules for the provision of guarantee to the substantial shareholder and the related parties of listed companies” issued by the Hefei Securities Regulatory Special Advisor’s Office of the CSRC (Wan Zheng Jian Han Zhi [2003] No. 12, hereinafter referred to as the “Document No. 12”), the Company has prepared the investigation statements on the provision of guarantee to external parties by and application of funds for the Company as at 31st December 2003 (hereinafter referred to as the “Investigation Statements”) enclosed with this letter.

The Company accepts responsibility as to the truth, legality and completeness of the Investigation Statements as prepared and disclosed. We have reviewed the information set out in the Investigation Statements against the accounting information as examined by us during the course of audit on the financial statements of the Company for the year ended 31 December 2003, as well as the related information in the audited financial statement. Nothing has come to our attention that there is material inconsistency between such information. This letter is intended solely for the use of Hefei Securities Regulatory Special Advisor's Office of the CSRC for the purpose of commenting and analyzing on incurring, disclosing and rectifying application of funds by and violation on rules for the provision of guarantee to the substantial shareholder and the related parties for Anhui Expressway Company Limited in 2003, and for the purpose of reporting to the Listed Companies Compliance Division of the CSRC. It shall not be used for other purposes.

Annex 1: The investigation statement on the provision of guarantee to external parties by Anhui Expressway Company Limited

Annex 2: The investigation statement on the application of funds by Anhui Expressway Company Limited

PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd.
11th March 2004

Annex 1

Unit: Ten thousand dollars

	Name of parties guaranteed	Amount guaranteed	Form of guarantee	Period of guarantee	Date of Maturity guarantee	Overdue	Legal proceedings	Assumption of joint responsibility	Disclosure
Guarantee provided by the listed company for its substantial shareholders and related entities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Guarantee provided by subsidiary under the listed company to the substantial shareholders and related entities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

Total

Annex 2

Unit: Ten thousand dollars

	Form of application	Name of the parties receiving the assistance	Relation with the listed company	Amount of assistance as at 31st December 2003	Accumulated amount of assistance in 2003	Reason for providing the assistance	Repayment in 2003	Form of repayment (in cash/non-cash payment method)	Increase (decrease) of assistance
Application of funds by substantial shareholder of listed company	Accounts receivable	Anhui Expressway Holding Corporation ("AEHC")	The parent company of the Company	10	Debited: 4.7 Credited: 126.3	Transactions on sales and purchase	Accumulated repayments: 126.3	Cash: 126.3	(121.6)
	Other receivables	Anhui Expressway Holding Corporation	The parent company of the Company	385.5	Debited: 866 Credited: 535.6	Advance and provision of management services	Accumulated repayments: 535.6	Both parties agreed to set off other receivables against other payables: 535.6	330.4
Financial assistance to other related parties	Prepayments	Tianjin King Fiber Communication Technology Co., Ltd. ("King Fiber")	The associated company of a subsidiary of the Company	—	Debited: — Credited: 54.4	Transactions on sales and purchase	Accumulated repayments: 54.4	Cash: 54.4	(54.4)
	Other receivables	Anlian Expressway Co., Ltd.	The subsidiary of AEHC	2.3	Debit: 150.3 Credit: 300	Advance and provision of management services	Accumulated repayments: 300	Cash: 300	(149.7)
Total				397.8	Debit: 1,021 Credit: 1,016.3		Accumulated repayments: 1,016.3	Cash: 480.7 Both parties agreed to set off other receivables against other payables: 535.6	4.7

3. The statement in specific details and the independent opinion of Independent Directors on accumulated and current external guarantees

Pursuant to the principle as implied in “Notice concerning the regulation on the flow of funds between listed companies and their related parties and the provision of guarantees by listed companies to external parties”, the Independent Directors have conducted examination and implementation of policies towards the external guarantee provided by the Company in a serious manner. The Independent Directors find that the Company has not provided any guarantee to the controlling shareholder and other related parties as at the end of the reporting period.

By order of the Board
Wang Shui
Chairman

Hefei, Anhui, the PRC
11th March 2004