

## I. MATERIAL LITIGATION AND ARBITRATION

The Company was not involved in any material litigation or arbitration during 2003.

## II. MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS AND MERGERS AND ACQUISITIONS

### The Acquisition of the Anhui Section of Lianhuo Expressway

The Company entered into an agreement with AEHC to acquire the Anhui Section of Lianhuo Expressway with the amount of RMB1.18 billion. In January 2003, the Company paid RMB526,960,000, which was raised from A shares issue, to AEHC for the acquisition of the Anhui Section of Lianhuo Expressway and the two parties completed the acquisition procedure of the Anhui Section of Lianhuo Expressway.

During the reporting period, the Company has paid the acquisition sum of RMB1,121,000,000 to AEHC according to the Acquisition Agreement.

At present, the Anhui Section of Lianhuo Expressway runs well and the traffic volumes increase stably. As at 31st December 2003, the total revenue of the Anhui Section of Lianhuo Expressway amounted to RMB68,518,000.

### Capital Increase and Acquisition Items Relating to Xuanguang Expressway Company Limited

(Details on the acquisition of interests in Xuanguang Company are set out in the section headed "Significant Investments Other Than the Proceeds" in "Report of the Board".)

## III. SIGNIFICANT CONNECTED TRANSACTIONS

For the year ended 31st December 2003, the Company has the following significant connected transactions:

1. Pursuant to the acquisition contract signed on 20 June 2001 and the supplementary acquisition contract signed on 28 March 2002 between the Company and AEHC, The Company acquired the Anhui Section of Lianhuo Expressway from AEHC for a total consideration of RMB1,180,000,000 effective from 1 January 2003. As at 31st December 2003, the Company has already made payments of RMB1,121,000,000 to AEHC, The remaining consideration of RMB59,000,000 will be paid by the end of July 2004.
2. The Company and AEHC entered into an agreement to provide AEHC with management service of Expressway Networking Toll System, the service fees of which totaled RMB3,080,000.
3. The Company and Anhui Anlian Expressway Company Limited ("Anlian Company"), a subsidiary of AEHC, entered into an agreement to provide Anlian Company with management service of Expressway Networking Toll System, the service fees of which totaled RMB1,500,000.
4. Wantong Technology, a subsidiary of the Company, and AEHC entered into an agreement to provide AEHC with installation service of toll system, the service fees of which totaled RMB5,109,000.

5. Capital Increase and Acquisition Transactions Relating to Xuanguang Expressway Company Limited (Details on the acquisition of interests in Xuanguang Company are set out in the section headed “Major investment other than the use of proceeds”)

As the PRC Partner is a substantial shareholder of the JV Company, the Acquisition constitutes a connected transaction to the Company under the Hong Kong Listing Rules, but not under the Listing Rules of Shanghai Stock Exchange.

#### IV. CONFIRMATION BY THE INDEPENDENT DIRECTORS REGARDING CONNECTED TRANSACTIONS

The Independent non-directors of the Company have reviewed the above connected transactions and confirmed that:

1. The transactions were carried out in the normal and usual course of business of the Company;
2. The transactions were carried out on normal commercial terms (as compared with transactions of similar nature carried out by the similar entities in the PRC) on terms that are fair and reasonable so far as the shareholders of the Company are concerned;
3. The transactions were carried out in accordance with the terms of agreement governing such transactions.

#### V. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

##### 1. Material custody, subcontracting and leasing items

For the year ended 31st December 2003, the Company was not involved in any material custody, subcontracting and leasing.

##### 2. Material guarantee

During the year ended 31st December 2003, the Company did not provide guarantee for shareholders, connected persons, holding companies and other companies.

##### 3. Financial entrustment

Beijing Haiwei Investment Company Limited, a subsidiary of the Company, entered into an agreement with Dongfang Securities Company Limited on 18th February 2003 to entrust the investment of RMB46,631,456.39 in the Treasury Bonds to it, which will expire on 31st December 2003 and has no guaranteed income. As at 31st December 2003, the Company had received all the investment cost and realized investment income of RMB1,482,242.42.

##### 4. Entrusted deposit and overdue fixed deposit

For the year ended 31st December 2003, the Company did not have any entrusted deposit with financial institutions in the PRC, neither has the Company experienced any incident of not being able to withdraw fixed deposits when they became mature.

## VI. COMMITMENTS

- (1) Pursuant to the Reorganization Agreement signed by the Company and AEHC on 12th October 1996, AEHC has undertaken that it will not participate in any businesses or activities, which will compete against the Company either directly or indirectly.
- (2) The Group has entered into an agreement on the construction of an office building in the Hefei New and Hi-tech Development Zone. The sum contracted but not yet paid was RMB19,000,000.

## VII. APPOINTMENT OF ACCOUNTANTS

PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co. Ltd and PricewaterhouseCoopers were approved to be appointed as the PRC auditors and Hong Kong auditors for 2003 respectively at the 2002 Annual General Meeting. The fees paid to the above accountants for 2003 were as follows:

	Unit: RMB	
	2003 Audit fees	2002 Audit fees
PricewaterhouseCoopers Zhong Tian	600,000	540,000
PricewaterhouseCoopers	600,000	540,000

Apart from the said fees, the Company did not pay any other fees and traveling and lodging expenses were paid by the auditors themselves. As at 2003, they have provided services to the Company for two years.

## VIII. PUNISHMENT BY REGULATORY AUTHORITIES

During the reporting period, neither the Company nor the Board of Directors and its directors were involved in any punishment by the regulatory authorities.

## National Trunk Highways



# The Map of the Highway Network of Anhui Province

