

FINANCIAL AND BUSINESS HIGHLIGHTS

The financial statements of the Company for the year ended 31 December 2005 were audited by PricewaterhouseCoopers Zhong Tian CPAs Ltd. Co. and PricewaterhouseCoopers who issued unqualified audit opinions on these financial statements.

I. PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE PRC (“the PRC Accounting Standards”)

1. Key Profitability Indicators of the Group (Unit: RMB'000)

Indicators	2005
Total profit	860,226
Net profit	659,248
Net profit after extraordinary items	675,407
Profit from principal operations	1,002,570
Other operating profit	8,963
Operating profit	872,534
Investment income	4,076
Subsidy income	0
Non-operating losses, net	-16,384
Net cash flows from operating activities	1,004,517
Net decrease in cash and cash equivalent	97,078

Notes: Extraordinary items deducted and amounts involved: (Unit: RMB'000)

Investment income	0
Non-operating income-disposal of fixed assets	-33
Non-operating expenses-disposal of fixed assets	16,653
Non-operating income other than disposal of fixed assets	-246
Non-operating expenses other than disposal of fixed assets	11
Impact of income tax on extraordinary items	-226
Total	16,159

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2. Key accounting data and financial indicators of the Group for the past five years up to the end of the reporting period: (Unit: RMB'000)

Items	2005	2004	2003	2002	2001
Income from principal operations	1,538,017	1,242,899	896,554	751,627	611,450
Net profit	659,248	404,403	283,265	258,393	248,119
Total assets	6,970,438	6,551,915	6,214,885	5,062,204	4,359,675
Shareholders' equities (excluding minority interests)	4,636,192	4,142,748	3,837,861	3,601,958	2,929,294
Earnings per share	0.40	0.24	0.17	0.16	0.18
Net assets per share	2.80	2.50	2.31	2.14	2.08
Adjusted net assets per share	2.80	2.50	2.31	2.14	2.07
Net cash flows from operating activities per share	0.61	0.55	0.33	0.30	0.30
Returns on net assets (fully diluted)	14.22%	9.76%	7.38%	7.18%	8.47%
Returns on net assets after extraordinary items (weighted average)	15.44%	10.34%	7.65%	8.20%	8.70%
Returns on net assets after extraordinary items (fully diluted)	14.57%	9.90%	7.42%	6.90%	8.50%

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3. Changes in shareholders' equities during the reporting period (unit:RMB)

	At beginning of period	Increase	Decrease	At end of period	Reasons for change
Share capital	1,658,610,000	—	—	1,658,610,000	—
Capital reserves	1,178,985,992.29	56,806.20	—	1,179,042,798.49	Increase in investment reserve
Surplus reserves	414,015,807.96	168,249,747.85	—	582,265,552.81	Appropriation to surplus reserves
Including:					
Statutory public welfare fund	194,783,079.47	78,058,194.46	—	272,841,273.93	Appropriation to statutory public welfare fund
Unappropriated profit	891,135,746.01	659,248,355.31	334,110,747.85	1,216,273,353.47	Profit appropriation in this year
Total shareholders' equities	4,142,747,546.26	827,554,909.36	334,110,747.85	4,636,191,707.77	

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II. PREPARED IN ACCORDANCE WITH HONG KONG FINANCIAL REPORTING STANDARDS (HKFRS)

Summary of results

For the year ended 31 December 2005

Unit: RMB'000

Year	2005	2004 (Restated)	2003 (Restated)	2002 (Restated)	2001 (Restated)
Turnover	1,494,704	1,200,868	874,192	727,634	601,925
Profit before income tax	890,006	619,267	441,666	382,218	319,162
Profit for the year attributable to the equity holders of the Company	686,103	479,800	343,521	301,631	261,614
Earnings per share (RMB)	0.4137	0.2893	0.2071	0.1819	0.1857

Summary of Assets

As at 31 December 2005

Unit: RMB'000

Year	2005	2004 (Restated)	2003 (Restated)	2002 (Restated)	2001 (Restated)
Total assets	7,836,196	7,358,964	6,929,945	5,702,473	4,942,532
Total liabilities	2,007,425	2,361,445	2,305,237	1,390,330	1,349,583
Equity (excluding minority interests)	5,628,696	4,796,389	4,416,106	4,119,946	3,404,043
Equity (excluding minority interests) per share (RMB)	3.3936	2.8918	2.6625	2.4840	2.4166

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III. MAJOR DIFFERENCE BETWEEN FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH DIFFERENT ACCOUNTING STANDARDS

Reconciliation between PRC and HKGAAP Accounts

	2005		2004 (Restated)	
	RMB'000		RMB'000	
	Net assets	Net profit	Net assets	Net profit
Amount reported in accordance with the PRC Accounting Standards	4,636,192	659,248	4,142,748	404,403
Adjustments made in accordance with HKFRS				
1. Valuation and depreciation of expressways and buildings (b)	833,551	60,519	773,032	89,182
2. Valuation and amortization of land use rights (b)	28,407	(1,400)	29,807	(1,400)
3. Accounting for enterprise safety fund (c)	25,284	14,504	10,780	10,780
4. Accounting for long-term payables (a)	421,843	(43,841)	—	—
5. Deferred taxation (d)	(316,582)	(2,927)	(159,979)	(23,165)
Amount as reported in accordance with HKFRS, restated (e)	<u>5,628,695</u>	<u>686,103</u>	<u>4,796,388</u>	<u>479,800</u>

Explanations for adjustments:

- (a) In the financial statements prepared in accordance with HKFRS, the adoption of HKAS 39 has resulted in a change in the accounting policy relating to the recognition and measurement of long-term payables to Xuancheng Highway Management Company Limited and AEHC. These long-term payables are initially recorded at fair value and subsequently stated at amortized costs with the difference between the proceeds and the redemption value being recognized in the income statement over the period of the borrowing using the effective interest methods. In prior years, these long-term payables were recorded at the proceeds received. The adjustments required for the adoption of this accounting standard are determined and recognized at 1 January 2005, without retrospective adjustments.



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- (b) In order to issue and list H shares, the non-current assets and land use rights of the Company, were revalued by a Chinese asset valuation institution and an international asset valuation institution on 30 April 1996 and 15 August 1996 respectively and were incorporated into the related statutory financial statements and the financial statements prepared in accordance with HKFRS. The value evaluated by the international institution was more than that evaluated by the Chinese institution by the amount of RMB319 million. Furthermore, depreciation of expressways and buildings was calculated according to unit-of-usage method in the financial statements prepared in accordance with HKFRS, whereas it was calculated according to the straight-line method in the statutory financial statements. Such differences led to differences in the results of operations for both the group and the Company throughout their useful life and therefore was regarded as the adjustment items.
- (c) According to the relevant rules and regulations as set out by the authorities, the Group has provided 1% for enterprise safety fund, which is based on the toll income for the reporting period in accordance with the relevant accounting principles and financial regulations applicable to PRC enterprise, which is classified as long term payable and will be offset during its utilization. In the financial statements prepared in accordance with HKFRS, such utilization will be classified as expenses, and accordingly, such discrepancy will affect the operational results of the Group, hence the above adjustments were made.
- (d) As a result of the differences in the above accounting disposals method, deferred taxation was adjusted accordingly.
- (e) Except for the accounting policy change for the long-term payables (Notes (a)), the adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of land use rights from property, plant and equipment to prepaid operating lease payment. The up-front prepayments made for the land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the Group accounted for the land use rights in relation to toll roads at cost less accumulated depreciation calculated to write off their costs on a units-of-usage basic whereby depreciation is provided based on the share of traffic volume for a particular period over the projected total traffic volume throughout the period of the lease, and accumulated impairment. This standard adopted by the Group requires retrospective application to the financial statements for the year ended 31 December 2004.