

I. MATERIAL LITIGATION AND ARBITRATION

The Company was not involved in any material litigation or arbitration during the reporting period.

II. MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS AND MERGERS

The Company was not involved in any material acquisition and disposals of assets and mergers during the reporting period

III. SIGNIFICANT CONNECTED TRANSACTIONS

Connected transactions in relation to daily operations

Unit: RMB'000

Connected parties	Contents of connected transactions	Price-making principles of connected transactions	Amounts of connected transactions	Percentage to the similar transactions	Method of payment
AEHC	To provide with management service of Expressway Networking Toll System	Made by negotiations through fair principles with reference to its costs	998	9.11%	Transfer accounts
Anlian Company	To provide with management service of Expressway Networking Toll System	Made by negotiations through fair principles with reference to its costs	498	4.55%	Transfer accounts
Anhui Kaiyuan	To pay for road maintenance expenses to Anhui Kaiyuan	Made by negotiations through fair principles with reference to its costs	14,016	15.71%	Transfer accounts
Anlian Real Estate	To pay for providing agency of importing asphalt service to Anlian Real Estate	Made by negotiations through fair principles with reference to its costs	836	100%	Transfer accounts

Details please see the Note 35 to the financial report in this annual report.

IV. CONFIRMATION BY THE INDEPENDENT DIRECTORS REGARDING CONNECTED TRANSACTIONS

Confirmation by the independent directors regarding connected transaction

The Independent non-directors of the Company have reviewed the above connected transactions above 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; and
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

During the reporting period, the Company was not involved in any material custody, subcontracting and leasing.

2. Material guarantee

During the reporting period, the Company did not provide guarantee for shareholders, connected persons, holding companies and other companies.

3. Financial entrustment

During the reporting period, the Company was not involved in any financial entrustment.

4. Entrusted Deposit and Overdue Fixed Deposit

During the reporting period, 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 BY THE COMPANY AND SHAREHOLDERS HOLDING MORE THAN 5% OF THE TOTAL CAPITAL

- (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) Particular undertakings made by the shareholders of non-circulating shares of the Company during the Share Segregation Reform and their implementation.

Name of shareholders	Particular commitments	The implementation of their undertakings
Anhui Expressway Holding Corporation	(1) The Shareholders of Non-circulating Shares have undertaken to pay relevant expenses arising from the Share Segregation Reform proportional to the respective percentages of the Company's Non-circulating Shares held by them immediately prior to the implementation of the Share Segregation Reform;	Implemented their undertakings carefully without breach.
	(2) Within 3 years from the implementation date of the Share Segregation Reform Proposal, the Shareholders of Non-circulating Shares undertook to sell their shares, if they need to, with the price not less than RMB8.28 (such price to be calculated on an ex-rights basis if dividends distribution, allotment of shares and capitalization of capital reserve are implemented); The proceeds from any sale by Shareholders of Non-circulating Share in breach of such undertaking shall be reverted to the Company's account for the benefit of all shareholders of the Company;	

Major Events

Name of shareholders	Particular commitments	The implementation of their undertakings
Huajian Transportation Economic Development Center	<p>(3) All Shareholders of Non-circulating Shares undertook that, during three continuous years immediately following the completion of implementation of the Reform Proposal, they should propose at the annual general meeting of the Company that the Company's dividends distributable in cash shall not be less than 60% of the period available for distribution to the shareholders for the corresponding periods and undertook to vote for such resolutions at the annual general meeting;</p> <p>(4) Shareholders of Non-circulating Shares undertook that, upon the completion of this Share Segregation Reform, they will make recommendation for formulation of long term incentive scheme, including the share incentive scheme, to the Board of Directors of the Company. Such long-term incentive scheme will be implemented by Board of Directors in accordance with the relevant regulation of the State or upon approval by the general meeting of shareholders;</p> <p>(5) In the future, Anhui Expressway Holding Corporation will continue to support the Company to purchase good-quality road assets owned by Anhui Expressway Holding Corporation, as always, pay attention to protect shareholders' interests.</p>	

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 2006 respectively at the 2005 Annual General Meeting. The fees paid to the above accountants for 2005 were as follows:

	Unit: RMB	
	2006 Audit fees	2005 Audit fees
PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd	800,000	630,000
PricewaterhouseCoopers Certified Public Accountants	800,000	630,000

Apart from the said fees, the Company did not pay any other fees to the auditors. Traveling and lodging expenses were paid by the auditors. As at 2006, they have provided services to the Company for 5 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.

IX. PRE-EMPTIVE RIGHTS

Neither the Articles of Association of the Company nor the PRC laws require the Company to offer pre-emptive rights to its existing shareholders for subscription of new shares according to the proportions of their shareholdings.

X. INTERNAL CONTROL OF THE COMPANY

Details of the perfection of internal control of the Company is defined in Section V "Corporate Governance Structure and Governance Report".