安徽皖通高速公路股份有限公司

# ANHUI EXPRESSWAY COMPANY LIMITED

*(Incorporated in the People's Republic of China with limited liability as a joint stock limited company)*

**(Stock code: 995)**

## 2010 Interim Results Announcement

The Board of Directors of Anhui Expresway Company Limited (the "Company") is pleased to announce the interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010 ("the reporting period"). The unaudited accounts as set out in the interim results were reviewed by the Audit Committee of the Company.

Set out below are the unaudited condensed consolidated accounts prepared in accordance with the Hong Kong Accounting Standards of the Group for the first six months of 2010, together with comparative figures for the corresponding period in 2009:

## Condensed Consolidated Profit and Loss Account

*For the six months ended 30 June 2010*

*(Amounts expressed in thousands of Renminbi, except for earnings per share)*

| | *Note* | (Unaudited) 2010 | (Unaudited) 2009 |
|---|---|---|---|
| | | For the six months ended 30 June | |
| **Revenues** | | 1,177,212 | 1,380,455 |
| Cost of sales | | (512,901) | (796,098) |
| **Gross profit** | | 664,311 | 584,357 |
| Other gains -net | | 19,337 | 4,397 |
| Administrative expenses | | (83,501) | (63,656) |
| **Operating profit** | | 600,147 | 525,098 |
| Finance costs | | (74,837) | (22,111) |
| Share of profit of associates | | 857 | 503 |
| **Profit before income tax** | | 526,167 | 503,490 |
| Income tax expense | 3 | (123,909) | (110,118) |
| **Profit for the period** | | 402,258 | 393,372 |
| **Attributable to :** | | | |
| Equity holders of the Company | | 365,453 | 366,408 |
| Minority interest | | 36,805 | 26,964 |
| | | 402,258 | 393,372 |
| **Basic earnings per share for profit attributable to the equity holders of the Company during the period** (expressed in RMB per share) | 4 | 0.2203 | 0.2209 |
| **Dividends** | 5 | — | — |

**Condensed consolidated interim statement of comprehensive income**

*For the six months ended 30 June 2010*

*(All amounts in Renminbi thousands unless otherwise stated)*

| | (Unaudited) | (Unaudited) |
|---|---|---|
| | For the six months ended 30 June | |
| | 2010 | 2009 |
| Profit for the period | 402,258 | 393,372 |
| Other comprehensive income | — | — |
| Other comprehensive income for the period, net of tax | — | — |
| Total comprehensive income for the period | 402,258 | 393,372 |
| Total comprehensive income attributable to: | | |
| Equity holders of the Company | 365,453 | 366,408 |
| Minority interests | 36,805 | 26,964 |
| | 402,258 | 393,372 |

**Condensed Consolidated Balance Sheet**

*As at 30 June 2010*

*(Amounts expressed in thousands of Renminbi, except for earnings per share)*

| | Unaudited 30 June 2010 | Audited 31 December 2009 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | | |
| Concession intangible assets | 7,648,999 | 7,804,775 |
| Land use rights | 11,512 | 11,835 |
| Property, plant and equipment | 747,528 | 748,628 |
| Investment property | 36,747 | 33,724 |
| Intangible assets | 2,250 | 2,549 |
| Interest in associates | 27,725 | 26,869 |
| Available-for-sale financial assets | 18,000 | 18,000 |
| | 8,492,761 | 8,646,380 |
| **Current assets** | | |
| Inventories | 8,517 | 2,395 |
| Trade and other receivables | 27,385 | 23,087 |
| Cash and cash equivalents | 425,380 | 1,042,968 |
| | 461,282 | 1,068,450 |
| **Total assets** | 8,954,043 | 9,714,830 |
| **EQUITY** | | |
| **Capital and reserves attributable to the Company's equity holders** | | |
| Ordinary share capital | 1,658,610 | 1,658,610 |
| Share premium | 1,415,593 | 1,415,593 |
| Other reserves | 146,995 | 147,372 |
| Retained earnings | | |
| -Proposed final dividend | — | 331,722 |
| -Others | 2,229,915 | 1,864,085 |
| | 5,451,113 | 5,417,382 |
| **Minority interest** | 226,078 | 237,302 |
| **Total equity** | 5,677,191 | 5,654,684 |

| | Unaudited 30 June 2010 | Audited 31 December 2009 |
|---|---|---|
| **LIABILITIES** | | |
| **Non-current liabilities** | | |
| Long-term payable | 293,042 | 275,551 |
| Borrowings | 1,974,210 | 1,971,662 |
| Deferred income tax liabilities | 65,635 | 63,553 |
| Deferred income | 43,074 | 44,000 |
| | 2,375,961 | 2,354,766 |
| **Current liabilities** | | |
| Trade and other payables | 518,011 | 646,669 |
| Current income tax liabilities | 89,711 | 45,542 |
| Provision | 28,169 | 28,169 |
| Borrowings | 265,000 | 985,000 |
| | 900,891 | 1,705,380 |
| **Total liabilities** | 3,276,852 | 4,060,146 |
| **Total equity and liabilities** | 8,954,043 | 9,714,830 |
| **Net current liabilities** | (439,609) | (636,930) |
| **Total assets less current liabilities** | 8,053,152 | 8,009,450 |

## Condensed Consolidated Statement of Changes in Equity

*For the six months ended 30 June 2010*
*(All amounts in Renminbi thousands unless otherwise stated)*

| | Attributable to equity holders of the Company | | | | | |
|---|---|---|---|---|---|---|
| | Ordinary share capital (Note 8) | Share premium (Note 8) | Other reserves (Note 9) | Retained earnings | Minority Interest | Total |
| **Balance at 1 January 2009 (audited)** | 1,658,610 | 1,415,593 | 74,064 | 1,983,161 | 220,221 | 5,351,649 |
| **Comprehensive income** | | | | | | |
| Profit for the half-year (unaudited) | — | — | — | 366,408 | 26,964 | 393,372 |
| Other comprehensive income (unaudited) | — | — | — | — | — | — |
| Total comprehensive income for the period ended 30 June 2009 (unaudited) | — | — | — | 366,408 | 26,964 | 393,372 |
| Profit appropriation (unaudited) | — | — | — | — | — | — |
| Others (unaudited) | — | — | (664) | 664 | — | — |
| Transactions with owners | | | | | | |
| 2008 final dividends (unaudited) | — | — | — | (381,480) | — | (381,480) |
| 2008 dividends to minority shareholder by subsidiary (unaudited) | — | — | — | — | (43,674) | (43,674) |
| Balance at 30 June 2009 (unaudited) | 1,658,610 | 1,415,593 | 73,400 | 1,968,753 | 203,511 | 5,319,867 |
| Balance at 1 January 2010 (audited) | 1,658,610 | 1,415,593 | 147,372 | 2,195,807 | 237,302 | 5,654,684 |
| Comprehensive income | | | | | | |
| Profit for the half-year (unaudited) | — | — | — | 365,453 | 36,805 | 402,258 |
| Other comprehensive income (unaudited) | — | — | — | — | — | — |
| Total comprehensive income for the period ended 30 June 2010 (unaudited) | — | — | — | 365,453 | 36,805 | 402,258 |
| Profit appropriation (unaudited) | — | — | — | — | — | — |
| Others (unaudited) | — | — | (377) | 377 | — | — |
| Transactions with owners | | | | | | |
| 2009 final dividends (unaudited) | — | — | — | (331,722) | — | (331,722) |
| 2009 dividends to minority shareholder by subsidiary (unaudited) | — | — | — | — | (51,411) | (51,411) |
| Difference between the carrying amount and undiscounted amount of interest free loan received from a minority shareholder, net of tax (unaudited) | — | — | — | — | 3,382 | 3,382 |
| **Balance at 30 June 2010 (unaudited)** | 1,658,610 | 1,415,593 | 146,995 | 2,229,915 | 226,078 | 5,677,191 |

**Condensed Consolidated Cash Flow Statement**

*For the six months ended 30 June 2010*

*(All amounts in Renminbi thousands unless otherwise stated)*

| | **(Unaudited)** | **(Unaudited)** |
|---|---|---|
| | **For the six months ended** | |
| | **2010** | **2009** |
| Cash flows from operating activities | | |
| Cash generated from operations | 550,295 | 264,549 |
| Interest paid | (14,898) | (60,682) |
| Income tax paid | (77,908) | (204,427) |
| Net Cash generated from/(used in) operating activities | 457,489 | (560) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (3,778) | (48,738) |
| Proceeds from sales of property, plant and equipment | 14,063 | 105 |
| Interest received | 4,159 | 2,060 |
| Dividend received | — | — |
| Net cash gererated from/(used in) operating activities | 14,444 | (46,573) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 135,000 | 2,260,000 |
| Repayments of borrowings | (855,000) | (1,870,000) |
| Cash generating from minority shareholder's contribution to a subsidiary | 13,500 | — |
| Dividends paid to minority shareholders | (51,411) | (43,674) |
| Dividends paid to the Company's shareholders | (331,722) | (381,480) |
| Net cash used in finacing activities | (1,089,633) | (35,154) |
| Net decrease in cash and cash equivalents | (617,700) | (82,287) |
| Cash and cash equivalents at beginning of the period | 1,042,968 | 531,235 |
| Exchange gains on cash and cash equivalents | 112 | — |
| Cash and cash equivalents at end of the period | 425,380 | 448,948 |

## Notes to the condensed consolidated financial information

**1. Basis of preparation**

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with HKAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with HKFRSs.

**2. Accounting policies**

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  As the Group dose not has acquisitions dated on or after the beginning of the first annual reporting period beginning on or after 1 July 2009, it is not expected to have a significant impact on the Group's financial statements.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

- HKFRS 1 (Revised), 'First-time adoption of HKFRSs'.
- HKAS 39 (Amendment), 'Eligible hedge items'.
- HK(IFRIC) - Int 17, 'Distributions of non-cash assets to owners'.
- HKFRS 1 (Amendment), 'Additional exemptions for first-time adopters'.
- HKFRS 2 (Amendment), 'Group cash-settled share-based payment transaction'.
- HKAS 32 (Amendment), 'Classification of rights issues'.
- HK(IFRIC) 19, 'Extinguishing financial liabilities with equity instruments'.
- Amendment to HKFRS 1, 'Limited exemption from comparative HKFRS 7 disclosures for first-time adopters'
- First improvements to International Financial Reporting Standards (2008) issued in October 2008 by the HKICPA.
- Second improvements to International Financial Reporting Standards (2009) issued in May 2009 by the HKICPA.

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- HKFRS 9, 'Financial instruments' addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group will apply HKFRS 9 from 1 January 2013. It is not expected to have a significant impact on the Group's financial statements.
- HKAS 24 (Revised) 'Related party disclosures' supersedes HKAS 24 'Related party disclosures' issued in 2003. The revised HKAS 24 is required to be applied from 1 January 2011. The Group will apply the revised HKAS 24 and provide the required disclosures where applicable from 1 January 2011.
- Amendment to HK(IFRIC) 14, 'Prepayments of a minimum funding requirement', which is effective for annual periods beginning on or after 1 January 2011. This is not currently relevant for the Group as it does not have such prepayments of a minimum funding requirement.
- Third improvements to International Financial Reporting Standards (2010) were issued in May 2010, by the HKICPA. All improvements are effective in the financial year of 2011. These improvements do not have any impact on the Group's financial statement since they are either not relevant or applicable to the Group.

## 3. Income tax expense

(a) Hong Kong profits tax

There were no Hong Kong profits tax liabilities as the Group did not earn any income assessable to Hong Kong profits tax.

(b) PRC Corporate Income Tax ("CIT")

The CIT rate applicable to the Company and its subsidiaries, associated companies is 25% for the six months ended 30 June 2010 (2009: 25%).

| | For the six months ended | |
|---|---|---|
| | **30 June 2010 (unaudited)** | **30 June 2009 (unaudited)** |
| Current income tax | 122,954 | 110,313 |
| Deferred income tax | 955 | (195) |
| | 123,909 | 110,118 |

(c) Withholding tax ("WHT") for dividend paid to foreign investors

According to the new CIT law and the detailed implementation regulations, foreign shareholders are subject to a 10% WHT for the dividend repatriated by the Company starting from January 1, 2008. For certain treaty jurisdictions such as Hong Kong which has signed tax treaties with the PRC, the WHT rate is 5%. According to Cai Shui [2008] Circular 1 jointly issued by the Ministry of Finance and the State Administration of Taxation on 22 February 2008, where the Company declares dividend in 2008 and beyond out of the cumulative retained earnings as of 31 December 2007 (i.e. 2007 retained earnings), such dividends earned by the foreign shareholders are exempted from WHT. For dividend which arises from the Company's profit earned after 1 January 2008, WHT is levied on the foreign shareholders.

In the six months ended 30 June 2010, WHT was levied on the foreign shareholders for the dividends earned in 2009.

## 4. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period. No diluted earnings per share is presented, as the Company has no dilutive potential shares.

| | For the six months ended | |
|---|---|---|
| | **30 June 2010 (unaudited)** | **30 June 2009 (unaudited)** |
| Profit attributable to equity holders of the Company | 365,453 | 366,408 |
| Weighted average number of ordinary shares in issue (thousands) | 1,658,610 | 1,658,610 |
| Basic earnings per share (expressed in RMB per share) | 0.2203 | 0.2209 |

## 5. Dividends

The final dividend in respect of 2009 of RMB 0.20 per share, amounting to a total dividend of RMB 331,722,000 was approved at the Annual General Meeting on 28 May 2010. It has been reflected as an appropriation of retained earnings for the six months ended 30 June 2010.

The directors did not recommend the payment of a dividend in respect of the six months ended 30 June 2010 (same period of 2009: nil).

## 6. Capital expenditure at the balance sheet date but not yet incurred is as follows:

| | **30 June 2010 (unaudited)** | **31 December 2009 (audited)** |
|---|---|---|
| Concession intangible assets | | |
| - Approved but not contracted for | 1,725,000 | 49,964 |
| - Contracted but not provided for | 788,000 | 98,622 |

## Interim Results and Dividends

During the reporting period, in accordance with the PRC Accounting Standards, the Group achieved a revenue of RMB1,024,697 thousand (Corresponding period in 2009: RMB856,715 thousand) , representing an increase of 19.61% compared with that of the corresponding period of last year. The total profit was RMB530,786 thousand (Corresponding period in 2009: RMB509,168 thousand) , representing an increase of 4.25% compared with that of the corresponding period of last year. Unaudited net profit attributable to shareholders of the parent company reached RMB368,566 thousand (Corresponding period in 2009: RMB371,056 thousand), representing a decrease of 0.67% compared with that of the corresponding period of last year. Basic earnings per share was RMB0.2222 (Corresponding period in 2009: RMB0.2237), representing a decrease of 0.67% compared with that of the corresponding period of last year.

In accordance with the Hong Kong Accounting Standards, the Group achieved a turnover of RMB1,177,212 thousand representing a decrease of 14.72% compared with that of the corresponding period of last year. Profit before taxation was RMB526,167 thousand, representing an increase of 4.50% compared with that of the corresponding period of last year. Unaudited profit attributable to equity holders of the Company was RMB365,453 thousand, representing a decrease of 0.26% compared with that of the corresponding period of last year. Basic earnings per share was RMB0.2203, representing a decrease of 0.26% compared with that of the corresponding period of last year.

The Board of Directors of the Company recommends that the Company will neither pay the dividends for six months as at 30 June 2010 nor transfer the capital surplus to share capital.

## Report of the Board of Directors

### Business Review (In accordance with the PRC Accounting Standards)

### 1. Toll Expressways

Company is principally engaged in holding, operating and developing the toll expressways and highways in and outside of Anhui Province. During the reporting period, the Company is principally engaged in operating and managing Hening Expressway (G40 Hushan Expressway Hening Section), Gaojie Expressway (G50 Huyu Expressway Gaojie Section), Xuanguang Expressway (G50 Huyu Expressway Xuanguang Section), Lianhuo Expressway Anhui Section (G30 Lianhuo Expressway Anhui Section), Ninghuai Expressway Tianchang Section and New Tianchang Section of National Trunk 205 with a total mileage of 426km.

| Items | Length (km) | Number of lanes | Number of toll stations | Number of service areas | Terms of operation |
|---|---|---|---|---|---|
| Hening Expressway (G40 Hushan Expressway Hening Section) | 134 | 4 (part of 8 Lanes) | 8 | 3 | Commencing from 16 August 1996 to 15 August 2026 |
| New Tianchang Section of National Trunk 205 | 30 | 4 | 1 | — | Commencing from 1 January 1997 to 31 December 2026 |
| Gaojie Expressway (G50 Huyu Expressway Gaojie Section) | 110 | 4 | 3 | 4 | Commencing from 1 October 1999 to 30 September 2029 |
| Xuanguang Expressway (G50 Huyu Expressway Xuanguang Section) | 84 | 4 | 4 | 2 | Commencing from 1 January 1999 to 31 December 2028 (South Ring Road: Commencing from 1 September 2003 to 31 December 2028) |

| Items | Length (km) | Number of lanes | Number of toll stations | Number of service areas | Terms of operation |
|---|---|---|---|---|---|
| Lianhuo Expressway Anhui Section (G30 Lianhuo Expressway Anhui Section) | 54 | 4 | 5 | 1 | Commencing from 1 January 2003 to 30 June 2032 |
| Ninghuai Expressway Tianchang Section | 14 | 6 | 1 | 1 | Commencing from 18 December 2006 to 17 June 2032 |

## Operations of Each Road

| | | Converted average daily traffic volumes for entire journey (vehicle) | | | Toll income (RMB'000) | | |
|---|---|---|---|---|---|---|---|
| **Items** | **Share of interests** | **First half of 2010** | **First half of 2009** | **Change (%)** | **First half of 2010** | **First half of 2009** | **Change (%)** |
| Hening Expressway | 100% | 19,691 | 14,937 | 31.83 | 401,240 | 320,797 | 25.08 |
| New Tianchang Section of National Trunk 205 | 100% | 6,418 | 5,277 | 21.62 | 27,981 | 18,734 | 49.36 |
| Gaojie Expressway | 100% | 11,695 | 10,185 | 14.83 | 250,730 | 211,989 | 18.28 |
| Xuanguang Expressway | 55.47% | 14,884 | 11,952 | 24.53 | 196,659 | 159,207 | 23.52 |
| Lianhuo Expressway Anhui Section | 100% | 7,550 | 6,531 | 15.60 | 82,558 | 83,445 | -1.06 |
| Ninghuai Expressway Tianchang Section | 100% | 15,159 | 13,303 | 13.95 | 29,763 | 26,676 | 11.57 |

| Items | Share of interests | Proportion of passenger vehicles to goods vehicles<br>First half of 2010 | <br>First half of 2009 | Toll income per vehicle (RMB)<br>First half of 2010 | <br>First half of 2009 | <br>Change (%) |
|---|---|---|---|---|---|---|
| Hening Expressway | 100% | 60:40 | 65:35 | 112.58 | 118.66 | -5.12 |
| New Tianchang Section of National Trunk 205 | 100% | 37:63 | 47:53 | 24.09 | 19.61 | 22.85 |
| Gaojie Expressway | 100% | 44:56 | 45:55 | 118.45 | 114.99 | 3.01 |
| Xuanguang Expressway | 55.47% | 57:43 | 58:42 | 73.00 | 73.60 | -0.82 |
| Lianhuo Expressway Anhui Section | 100% | 47:53 | 44:56 | 60.41 | 70.59 | -14.42 |
| Ninghuai Expressway Tianchang Section | 100% | 78:22 | 73:27 | 10.85 | 11.08 | -2.08 |

During the reporting period, resulted from the recovery of the macro-economy, traffic volumes of each road operated by the Group presented an increase in degree. In the first half of 2010, the toll income of the Group achieved RMB 988,931 thousand, representing an increase of 20.48% compared with the corresponding period of last year.

During the reporting period, toll income and traffic volumes of Hening expressway and Gaojie Expressway both achieved a substantial increase resulted from the recovery of the macro-economy and completion of reconstruction.

Because of the increase of toll rates on goods vehicles with reference to their weight on Ninghuai Expressway Tianchang Section, New Tianchang Section of National Trunk 205 achieved a faster increase compared with Ninghuai Expressway Tianchang Section.

The increase of toll income of Xuanguang Expressway of Ninghuai Expressway Tianchang Section resulted from the natural increase of traffic volumes.

During the reporting period, traffic volumes of Lianhuo Expressway Anhui Section achieved an increase compared with the corresponding period of last year, however, the toll income decreased, which was mainly due to the decrease the proportion of goods vehicles resulting to the decrease the toll income per vehicle.

## 2. Project Investment

### Investment of fund-raising

According to the approval document (Zheng Jian Xu Ke No. [2009] 1074) issued by China Securities Regulatory Commission ("CSRC"), the Company successfully issued Corporate Bonds of RMB2 billion on 17-22 December 2009 through the internet and other ways. The proceeds of RMB 1.5 billion after deducting expenses was used to replace commercial bank loans and adjust the Company's financial structure, the remainings were used to supplement current funds.

During the reporting period, the proceeds has been fully used in accordance with the undertakings in the Prospectus.

### Investments of non-fund-raising

#### (1) Widening of four-lane to eight-lane of Hening Expressway

The widening of four-lane to eight-lane of Hening Expressway with the section of Dashushan to inter-connected interchange of Longxi commenced in August 2006. The widening works is to be completed within 3 years with a total length of 42.64 km. The total investment of the widening works is expected to be approximately RMB1,964 million. The project was completed in September 2009.

During the reporting period, RMB43 million was invested in the widening works, as at the end of the reporting period, the accumulated investment was RMB1,903 million.

#### (2) Reconstruction of Gaojie Expressway

The reconstruction of Gaojie Expressway was commenced at the end of 2007 with the budgetary estimate of RMB970 million within two years. The total investment of the reconstruction works is expected to be approximately RMB830 million. The project was completed in June 2009.

During the reporting period, RMB3 million was invested in the reconstruction works, as at the end of the reporting period, the accumulated investment was RMB820 million.

**(3) The construction of Wantong Expressway Hi-tech Industrial Park**

The budgetary estimate for the main project and follow-up project of Wantong Expressway Hi-tech Industrial Park was of approximately RMB298 million. The main project was commenced at the beginning of 2007 and completed at the end of 2009. The follow-up project is expected to be completed at the end of 2011 with budgetary estimate of RMB152 million.

During the reporting period, RMB16 million was invested in the reconstruction works, as at the end of the reporting period, the accumulated investment was RMB159 million.

**(4) Construction of Ningxuanhang Expressway Xuancheng-Ningguo Section**

Ningxuanhang Expressway Xuancheng-Ningguo Section is a part of Ningxuanhang Expressway Anhui Section with a total mileage of 44km and investment of RMB2,679 million, which began to be constructed in September 2009.

During the reporting period, RMB111 million was invested in the reconstruction works, as at the end of the reporting period, the accumulated investment was RMB236 million.

**Operation Results Analysis (in accordance with the PRC Accounting Standards)**

| **Key financial index** | **January-June 2010** | **January-June 2009** | **Change** |
|---|---|---|---|
| | *(RMB'000)* | *(RMB'000)* | *(%)* |
| Revenue | 1,024,697 | 856,715 | 19.61 |
| Operating costs | 321,475 | 238,899 | 34.57 |
| Administrative expenses | 82,997 | 63,430 | 30.85 |
| Finance costs | 71,182 | 20,320 | 250.31 |
| Operating profit | 515,608 | 506,790 | 1.74 |
| Net profit attributable to shareholders of parent company | 368,566 | 371,056 | -0.67 |

**Revenue**

During the reporting period, the Group achieved a revenue of RMB1,024,697 thousand, representing an increase of 19.61% compared with that of the corresponding period of last year. The increase of revenue was mainly due to the increase of toll income. The change of toll income of each road was due to the change of traffic volumes. For traffic volumes' analysis, please refer to previous "Business Operation Analysis".

**Composition and percentage of revenue (Including toll income and other business income) are as follows:**

| Name of the roads | January-June 2010 Principal business income (RMB'000) | Other business income (RMB'000) | As a percentage of the total income (%) | January-June 2009 Principal business income (RMB'000) | Other business income (RMB'000) | As a percentage of the total income |
|---|---|---|---|---|---|---|
| Hening Expressway | 418,400 | 1,693 | 40.99 | 330,613 | 5,200 | 37.69 |
| New Tianchang Section of National Trunk 205 | 27,981 | 57 | 2.74 | 18,734 | 149 | 2.88 |
| Gaojie Expressway | 261,687 | 726 | 25.61 | 220,107 | 4,147 | 27.46 |
| Xuanguang Expressway | 196,659 | 110 | 19.20 | 159,207 | 103 | 17.39 |
| Lianhuo Expressway Anhui Section | 84,711 | 230 | 8.29 | 85,732 | 4,144 | 12.10 |
| Ninghuai Expressway Tianchang Section | 32,370 | 73 | 3.17 | 28,385 | 194 | 2.48 |
| Total | 1,021,808 | 2,889 | 100 | 842,778 | 13,937 | 100.00 |

(Note: principal business income includes toll income and service area operation income.)

**Operating costs**

During the reporting period, the operating costs of the Group was RMB321,475 thousand, representing an increase of 34.57%. The increase of operating costs was mainly due to the completion of main project of widening of four-lane to eight-lane of Hening Expressway and reconstruction of Gaojie Expressway, the depreciation and amortization amount increased.

**Percentage of specific operating costs (%)**

| **Project of Costs** | **Depreciation and amortization** *(RMB'000)* | **Road maintenance expenses** *(RMB'000)* | **Other costs** *(RMB'000)* | **Total** *(RMB'000)* |
|---|---|---|---|---|
| First half of 2010 | 241,987 | 34,965 | 44,523 | 321,475 |
| First half of 2009 | 170,035 | 28,743 | 40,121 | 238,899 |
| Change | 71,952 | 6,222 | 4,402 | 82,576 |

**Administrative expenses**

During the reporting period, the Group's administrative expenses were RMB82,997 thousand, representing an increase of 30.85% compared with that of the corresponding period of last year, which was mainly due to the increase of staff wages and other management expenses.

**Finance costs**

During the reporting period, the Group's finance costs were RMB71,182 thousand, representing an increase of 250.31% compared with that of the corresponding period of last year, which was mainly because that the borrowings were not capitalized after the completion of the widening of Hening Expressway and reconstruction of Gaojie Expressway, when the interest capitalized amount of the above two projects was RMB45,490,800 at the corresponding period of last year.

### Operating profit

Owing to the above composite factors, the operating profit of the Group during the reporting period increased by 1.74% to RMB515,608 thousand. The operating profit margin of the Group during the reporting period was 50.32% (Corresponding period of 2009: 59.15%).

During the reporting period, revenue and operating profit margin of the Group are as follows:

*Unit: RMB'000*

| **Name of roads** | **Revenue** | **Operating costs** | **Operating profit margin** *(%)* | **Change in revenues** *(%)* | **Change in costs** *(%)* | **Change in operating profit margin** *(%)* |
|---|---|---|---|---|---|---|
| Hening Expressway | 420,094 | 141,590 | 48.39 | 25.10 | 82.78 | A decrease of 17.50 percent point |
| New Tianchang Section of National Trunk 205 | 28,037 | 12,215 | 34.83 | 48.48 | 13.42 | An increase of 8.15 percent point |
| Gaojie Expressway | 262,413 | 67,470 | 57.90 | 17.02 | 32.13 | A decrease of 10.48 percent point |
| Xuanguang Expressway | 196,769 | 48,274 | 55.35 | 23.51 | 17.29 | An increase of 4.28 percent point |
| Lianhuo Expressway Anhui Section | 84,941 | 38,640 | 33.58 | -5.49 | -14.35 | A decrease of 3.96 percent point |
| Ninghuai Expressway Tianchang Section | 32,443 | 13,286 | 41.22 | 13.52 | -0.32 | A decrease of 1.64 percent point |
| Total | 1,024,697 | 321,475 | 50.32 | 19.61 | 34.57 | A decrease of 8.83 percent point |

### Net profit

During the reporting period, the net profit of the Group was RMB404,623 thousand, net profit attributable to shareholders of the parent company was RMB368,566 thousand, representing an increase of 1.60% and -0.67% respectively compared with that of the corresponding period of last year. The basic earnings per share was RMB 0.2222 for the reporting period.

## Analysis of Financial Condition (in accordance with the PRC Accounting Standards)

### Total assets

As at the end of the reporting period, the total assets of the Group was RMB8,811,321 thousand, representing a decrease of 7.96% compared with that at the end of last year, which was mainly due to the decrease of monetary fund and decrease of net value of fixed assets and intangible assets after making depreciation and amortization.

### Current liabilities and short-term debt paying ability

As at 30 June 2010, the Group's current liabilities was RMB899,895 thousand (As at 31 December 2009: RMB1,704,613 thousand), of which RMB265,000 thousand was short term borrowings, RMB278,918 thousand was accounts payables, RMB50,672 thousand was interests payables, RMB58,768 thousand was staff wages payables, RMB95,462 thousand was tax payables, RMB122,905 thousand was other payables, (including RMB41,184 thousand of toll income collected on behalf of the inter-network settlement center, RMB36,781 thousand of deposit from engineering projects, RMB20,736 thousand was provision on central control maintenance expenses and other payables was RMB24,204 thousand), other current liabilities was RMB28,169 thousands. Pursuant to the current working capital conditions, the facilities not yet utilized and future funding arrangements, the Group expects that it will have sufficient funds to repay the amounts due to as mentioned above.

**Long-term liabilities and debt paying ability**

The Group's non-current liabilities were RMB2,354,614 thousand, including 5-year corporate bonds of RMB1,974,210 thousand and long-term minority payables of RMB293,042 thousand. The total issuance of corporate bonds was RMB2 billion with terms of 5 years. The corporate bonds were charged by simple interest annually starting from 17 December 2009 ending at 16 December 2014 with fixed annual interests of 5%, and paid interests annually, repay at maturity without redeeming. The long-term minority payables were free of interests and paid in accordance with the contract signed by the Group and minority shareholders. The non-current liabilities of the Group were as follows by paying terms (amount before discount):

| RMB'000 | Less than one year | 1 – 2 years | 2 – 5 years | More than 5 years |
|---|---|---|---|---|
| The Group | | | | |
| 30 June 2010 | | | | |
| Corporate bonds and relevant interests | 100,000 | 100,000 | 2,300,000 | |
| Long-term minority payables | | | 65,389 | 277,653 |

According to the above paying terms, operation cash flows expectation and funds arrangements, the management believed that the Group will have sufficient funds to repay the mature non-current liabilities.

**Shareholders' equities**

As at 30 June 2010, the Group's shareholders' equities (excluding minority interests) was RMB5,331,939 thousand, representing an increase of RMB37,398 thousand from that at the beginning of the year, which was mainly due to the accumulation of the Company's operating profit during the reporting period.

**Cash flows of the Group**

As at 30 June 2010, the Group's cash and cash equivalent were RMB425,380 thousand, representing a decrease of RMB617,588 thousand compared with that of the corresponding period last year.

During the reporting period, the Group's net operating cash inflow was RMB1,038,146 thousand, representing an increase of RMB174,353 thousand compared with that of the corresponding period last year and the increase rate was 20.18%, which was mainly because that during the reporting period, the Group's cash received from sales of goods increased by RMB175,882 thousand compared with that of the corresponding period last year, but cash paid for goods and services, tax payables and staff salaries increased respectively by RMB9,033 thousand, RMB-128,993 thousand and RMB2,374 thousand.

During the reporting period, the Group's net cash outflow used in investment was RMB304,989 thousand, which was mainly used in Widening of Hening Expressway, reconstruction of Gaojie Expressway and building of Wantong Expressway Hi-tech Industrial Park.

During the reporting period, the Group's net cash outflow from financing activities was RMB1,104,531 thousand, which was mainly due to the payment of bank loans of RMB869,999 thousand and distribution of dividends of RMB383,132 thousand.

The Group was awarded with good credit ratings. As at 30 June 2010, the total credit facilities granted during the year was RMB3,215 million, and the facilities not yet utilized were RMB2,950 million.

**Capital expenditures**

During the reporting period, the Group's capital expenditure totaled RMB173 million which was mainly composed of the Widening of Hening Expressway, reconstruction of Gaojie Expressway , construction of Ningxuanhang Expressway and building of Wantong Expressway Hi-tech Industrial Park, which was funded by the Group's own funds, proceeds from corporate bonds and bank loans.

As at the end of the reporting period, the capital expenditure commitment was RMB788 million contracted for but not necessarily confirmed in the financial statement (mainly used for construction of Ningxuanhang Expressway).

**Capital Structure**

| | As at 30 June 2010 | | As at 31 December 2009 | |
|---|---|---|---|---|
| | **Amount** | **Percentage** | **Amount** | **Percentage** |
| | *(RMB'000)* | *(%)* | *(RMB'000)* | *(%)* |
| Current liabilities | 899,895 | 10.22 | 1,704,613 | 17.81 |
| Long-term liabilities | 2,354,614 | 26.72 | 2,338,132 | 24.42 |
| Shareholders' equities | 5,331,939 | 60.51 | 5,294,541 | 55.30 |
| Minority interests | 224,873 | 2.55 | 236,400 | 2.47 |

In terms of interest rates:

| | **30 June 2010** | **31 December 2009** |
|---|---|---|
| | *(%)* | *(%)* |
| Fixed interest rate liabilities | 25.41 | 30.88 |
| Interest-free liabilities | 11.53 | 11.35 |
| Shareholders' equities attributable to the Company | 60.51 | 55.30 |
| Minority interests | 2.55 | 2.47 |

In 2009, the Group issued the corporate bonds of RMB2 billion, which resulted in the both change of proportion of current liabilities and non-current liabilities.The Group's current bank borrowings and bonds payables are all fixed rate liabilities. Fluctuation in interest rates will not have any material impact on the Group's operating results. The Group's floating interest liabilities are mainly general payables and long-term payables to minority shareholders of subsidiaries.

**Major Events**

1. **Material Litigation and Arbitration**

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

2. **Material Acquisition and Disposals of Assets and Mergers**

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

## 3. Material Connected Transactions

During the reporting period, details of connected transactions of the Group please see note 23 of the condensed consolidated statement in the Interim Report 2010 of the Company.

## 4. Holding equities in other listed companies and interests in financial enterprises

During the reporting period, the Company was not involved in holding equities in other listed companies or interests in financial enterprises.

## 5. 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 and other companies.

(3). Financial entrustment

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

(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 matured.

## 6. Implementation of commitments

Commitments and implementation of the Company and its real controllers with more than 5% equities during the reporting period.

| Commitments | Contents of commitments | Implementation of their commitments |
|---|---|---|
| Commitments of Share Segregation Reform | (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;<br>(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; | Implemented their undertakings carefully without breach. |

| Commitments | Contents of commitments | Implementation of their commitments |
|---|---|---|
| | (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;<br><br>(4) In the future, Anhui Expressway Holding Group Company Limited will continue to support the Company to purchase good-quality road assets owned by Anhui Expressway Holding Group Company Limited, as always, pay attention to protect shareholders' interests; | |

| Commitments | Contents of commitments | Implementation of their commitments |
|---|---|---|
| | (5) 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. | |

(1) Are there any unimplemented results commitments as of the disclosure date of interim report: no

(2) Are there any unimplemented assets injection or integration commitments as of the disclosure date of interim report: no

## Other Major Events

### 1. Code on Corporate Governance Practice

For the six months ended 30 June 2010, Directors of the Company confirmed that the Company has complied with the relevant requirements of the Appendix 14 "Code on Corporate Governance Practice" of the Listing Rules of the Stock Exchange of Hong Kong Limited ("Listing Rules")

### 2. Audit Committee

During the reporting period, the Audit Committee convened three meetings, which reviewed the 2009 Annual Results Report and Financial Statement prepared in accordance with the PRC and Hong Kong Accounting Standards, the 2010 First Quarterly Report, as well as the 2010 Interim Results Report and Unaudited Financial Statement prepared in accordance with the PRC and Hong Kong Accounting Standards.

3. **Independent Non-executive Director**

   The Company has appointed enough Independent Non-executive Directors with professional knowledge in accordance with Rules 3.10(1) and 3.10(2) of Listing Rules. The Company appointed 3 Independent Non-executive Directors, one of which is specialized in accounting and financial management.

4. **Model Code for Securities Transactions for Directors and Supervisors of the Company**

   For the six months ended 30 June 2010, the Company has adopted the code provisions on the trading of shares of the Company by relevant directors contained in the "Model Code for Securities Transactions by Directors and Supervisors of Listed Issuers" ("Model Code for Securities Transactions") as set out in the Appendix 10 of the "Listing Rules". After making specific enquiries of all directors and supervisors, the Company confirms that all directors and supervisors fully complied with the "Model Code for Securities Transactions".

5. **Purchase, Sale and Redemption of the Company's Shares**

   During the reporting period, the Company or any of its subsidiaries did not repurchase any of its listed shares, not purchased or re-sold any listed shares of the Company.

**Outlook**

In the second half of the year, it's expected that China's economy will maintain its stable and rapid growth with its continuous implementation of aggressive financial policy and flexible monetary policy and great efforts to promote the adjustment on the economic structure and the transformation of development method. This stable and rapid growth will create a favorable external environment for the economic development of Anhui Province. It is believed that the profitability of the Company will increase stably under the continuous economic development of the region.

All of the road assets of the Group are located in Anhui Province. Benefited from the stable and healthy economic development of Anhui Province, the gradual improvement of the expressway network in Anhui Province, the implementation of the policy to speed up the construction of traffic transportation infrastructures by the county and "Plan for Succeeding Industrial Transfer Demonstration Zone in Wanjiang City Group", it is expected that highway traffic volume will remain to increase in the second half of the year.

The Group will continue to focus on the investment on construction of and the operation management on toll roads. In addition to enhancing the management on road assets, the Group will expand the size of road assets to further increase its market share in the toll road market of Anhui Province, enhance it overall strengths and core competiveness and build the Company into a large toll road listed company featuring significant core business, healthy operation, sound governance structure and high management level.

By order of the Board
**Zhou Renqiang**
*Chairman*

Hefei, The PRC, 13 August 2010

**Documents Available for Inspection**
The original copy of the Interim Report and Interim Financial Report signed by the Chairman;

**Place of inspection:**
The Office of the Secretary to the Board of Directors
Anhui Expressway Company Limited
520, Wangjiang West Road, Hefei, Anhui Province, The PRC (postal Code: 230088)

*As at the date of this Announcement, the board of directors of the Company comprises: Zhou Renqiang, Li Yungui, Tu Xiaobei, Li Junjie, Liu Xianfu, Meng Jie, Leung Man Kit, Li Mei and Guo Shan*

*A detailed interim results announcement containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Listing Rules will be subsequently published on the Stock Exchange's website in due course: http://www.hkex.com.hk*