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深圳高速公路股份有限公司

SHENZHEN EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 548)

THIRD QUARTERLY REPORT OF 2007

This announcement is published simultaneously in Hong Kong and Shanghai. This quarterly report is prepared in accordance with relevant regulations of the China Securities Regulatory Commission ("CSRC") on Disclosure of Information in Quarterly Reports for Listed Companies. All financial information set out in this report has been prepared in accordance with China Accounting Standards for Business Enterprises ("CAS") and has not been audited. Shareholders of the Company and public investors should exercise caution when trading in the shares of the Company.

This announcement is made pursuant to the disclosure obligation under Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

1. IMPORTANT NOTICE

- 1.1 The board of directors, the supervisory committee and the directors, the supervisors, the senior management of Shenzhen Expressway Company Limited ("Company") warrant that the information in this report does not contain any false information, misleading statements or material omissions, and accept joint and several responsibilities for the truthfulness, accuracy and completeness of the content thereof.
- 1.2 Mr. Li Jing Qi and Mr. Liu Jun, directors, were unable to attend this board meeting in person due to work engagement, and had both appointed Mr. Wang Ji Zhong, a director, to attend and vote on their behalf; and Mr. Zhang Zhi Xue, an independent non-executive director, was unable to attend this board meeting in person due to work engagement, and had appointed Mr. Li Zhi Zheng, an independent non-executive director, to attend and vote on his behalf.
- 1.3 The financial statements for the three months ended 30 September 2007 ("Reporting Period" or "Period") contained in the third quarterly report of 2007 of the Company has not been audited. The financial statements for the Period of the Company have been prepared in accordance with CAS. The major differences between the financial statements prepared under CAS and Hong Kong Financial Reporting Standards ("HKFRS") are stated in 2.1.2.
- 1.4 Mr. Yang Hai, Chairman, Mr. Wu Ya De, President, Ms. Gong Tao Tao, Financial Controller and Mr. Sun Bin, General Manager of Finance Department, warrant the truthfulness and completeness of the financial statements contained in this quarterly report.

2. CORPORATE INFORMATION

2.1 Principal accounting data and financial indicators (prepared in accordance with CAS)

<i>(Unit: RMB)</i>	As at the end of the Reporting Period	As at the end of the previous year (Restated)	Increase/decrease at the end of the Reporting Period as compared to the end of the previous year
Total assets	14,527,621,124.40	9,898,854,985.29	46.76%
Equity holders' funds	6,863,006,497.59	6,630,315,401.96	3.51%
Net assets per share	3.15	3.04	3.51%

<i>(Unit: RMB)</i>	Beginning of the year to the end of the Reporting Period	Increase/decrease as compared to the corresponding period of the previous year
Net cash flow from operating activities	600,627,459.18	25.37%
Net cash flow from operating activities per share	0.275	25.37%

<i>(Unit: RMB)</i>	The Reporting Period	Beginning of the year to the end of the Reporting Period	Change of the Reporting Period as compared to the corresponding period of the previous year
Net profit	198,981,489.82	643,388,434.14	20.21%
Earnings per share - basic	0.091	0.295	20.21%
Earnings per share - diluted	0.091	0.295	20.21%
Earnings per share excluding non-recurring items - basic		0.228	
Return on equity	2.90%	9.37%	Increased 0.37 percentage point
Return on equity excluding non-recurring items	2.85%	7.25%	Increased 0.37 percentage point

Non-recurring item <i>(Unit: RMB)</i>	Beginning of the year to the end of the Reporting Period
Gain arising from acquisition of a subsidiary – excess of fair value of identifiable net assets acquired over cost of acquisition	127,206,338.51
Subsidy income	12,764,741.60
Interest on project payments paid on behalf of others	4,510,176.16
Gain on disposal of interest in Yungang Company	314,865.30
Collection of amounts paid for Ropeway Project	1,587,122.21
Net amount of other non-operating income and expenses	(110,950.83)
Income tax effect on non-recurring items	(659,883.80)
Total	145,612,409.15

2.1.1 Principal operating data

Toll highway	Percentage of interests held by the Group	Average daily mixed traffic volume (number of vehicles in thousands)		Average daily toll revenue (RMB'000)	
		Q3 2007	Change as compared to Q3 2006	Q3 2007	Change as compared to Q3 2006
Projects consolidated into the Group's financial statements^{*1}:					
Meiguan Expressway	100%	107	14.1%	983	6.0%
Jihe West	100%	70	22.2%	1,015	23.8%
Yanba A and B ^{*2}	100%	15	-17.9%	214	11.4%
Yanpai Expressway	100%	31	77.3%	430	51.7%
Projects not consolidated into the Group's financial statements:					
Jihe East	55%	96	26.5%	1,254	34.3%
Shuiguan Expressway	40%	117	37.6%	1,086	39.0%
Shuiguan Extension	40%	31	36.9%	200	42.5%
Yangmao Expressway	25%	15	22.0%	802	22.0%
Guangwu Expressway	30%	9	24.3%	276	26.3%
Jiangzhong Expressway	25%	41	48.6%	587	46.9%
GZ W2 Expressway ^{*3}	25%	7	N/A	193	N/A
Wuhuang Expressway	55%	29	23.6%	1,087	19.2%
Changsha Ring Road	51%	6	2.3%	64	20.1%
Nanjing Third Bridge	25%	17	39.3%	640	31.7%

^{*1} Qinglian Class 1 Highway is being reconstructed into an expressway. During the reconstruction, the highway will be closed by section for construction works, subject to project progress. Currently, Qinglian Class 1 Highway is open to traffic with certain restrictions, the operating data of which are incomparable with those of the previous year and as a result, are not displayed in the table. During the Period, the average daily mixed traffic volume and the average daily toll revenue of Qinglian Project were 17,000 vehicles and RMB206,000, respectively.

^{*2} The toll revenue of Yanba (A and B) includes the tolls collectively paid by the government under an agreement for all vehicles travelling between Yantian and the Dameisha Interchange. However, the traffic volume on this section was no more included in the scope of statistics from February 2007.

^{*3} GZ W2 Expressway commenced toll operation in December 2006. There were no operating figures for the corresponding period of 2006.

2.1.2 Major differences between financial statements prepared under different accounting standards

The major differences between the financial statements prepared under CAS and HKFRS are summarised as follows:

<i>Unit: RMB'000 (Unaudited)</i>	For the nine months ended 30 Sep 2007	As at 30 Sep 2007
	Net profit	Net Assets
As reported under CAS	643,388	6,863,006
Impact of HKFRS adjustments:		
Recognition of the changes in fair value of the net assets relating to the previously held equity interest of the acquiree as assets revaluation for a business combination achieved in stages (Note)	(127,206)	-
Deferred income recognition for government grants recorded in capital reserve under CAS	547	(25,130)
Net amount of adjustments	(126,659)	(25,130)
As restated after HKFRS adjustments	516,729	6,837,876

Note: According to HKFRS, as at the consolidation date of Qinglian Company, the decrease in the fair value of net assets for the 56.28% interests originally held by the Group between the original acquisition date and the consolidation date shall be treated as an impairment loss arising from assets revaluation. In accordance with CAS, the above-mentioned decrease will lead to an adjustment on the capital reserve. Accordingly, this will cause a difference in the net profit for the nine months ended 30 September 2007, but there will be no impact on the net assets as at the end of the Reporting Period. For details of fair value recognition for Qinglian Company, please refer to the First Quarterly Report of 2007 or the Interim Report 2007 of the Company.

2.2 Total number of shareholders and top ten holders of non-restricted circulating shares at the end of the Reporting Period

As at the end of the Reporting Period, the total number of shareholders and the top ten holders of non-restricted circulating shares of the Company based on the shareholders' registers supplied by the share registrar and the transfer offices of the Company in Hong Kong and the PRC were as follows:

The total number of shareholders at the end of the Reporting Period was 27,137, of whom 26,851 were holders of domestic shares and 286 were holders of H shares.

Unit: share

Top ten holders of non-restricted circulating shares		
Name of shareholder	Number of non-restricted circulating shares held	Type of shares
HKSCC Nominees Limited (Note)	736,119,098	H Share
CCB-First State Cinda Leading Growth Securities Investment Fund	10,063,534	A Share
ICBC-China Universal Balanced Growth Securities Investment Fund	9,463,048	A Share
ABC-Dacheng Innovation Mixed Growth Securities Investment Fund	9,012,060	A Share
BoComm-Bosera Emerging Growth Securities Investment Fund	8,999,868	A Share
Social Insurance Fund Portfolio 102	8,924,545	A Share
CMB-Everbright Pramerica Advantage Portfolio Securities Investment Fund	6,079,049	A Share
ABC-Dacheng Selected Appreciated Mixed Securities Investment Fund	5,449,742	A Share
ARSENTON Nominees Limited	3,000,000	H Share
CCB-Bosera Thematic Sector Securities Investment Fund	2,657,300	A Share

Note: The H shares held by HKSCC Nominees Limited were held on behalf of various clients.

3. SIGNIFICANT MATTERS

3.1 Significant changes of key financial statements items and financial indicators of the Company and the reasons for the changes:

Applicable Not applicable

During the Reporting Period, the Group recorded a revenue of RMB270,955,000, representing an increase of 27.84% as compared to the corresponding period of 2006. Among this toll revenue amounted to RMB261,918,000, representing an increase of 28.12% as compared to the corresponding period of 2006. During the Reporting Period, the Group recorded a net profit of RMB198,981,000 (corresponding period of 2006: RMB165,532,000), representing an increase of 20.21% as compared to the corresponding period of 2006. For the period from January to September 2007, the Group recorded a cumulative net profit of RMB643,388,000, representing an increase of 48.67% as compared to the corresponding period of 2006. After deducting the impact of non-recurring items, the growth in cumulative net profit for the period from January to September 2007 was approximately 19.16%.

Changes of key items in the financial statements, and explanations therefor, for the Reporting Period are as follows:

Unit: RMB'000

	As at 30 Sep 2007	As at 31 Dec 2006 (Restated*)	Increase/decrease	Reasons for the Change
Cash and bank deposits	644,088	335,366	92.05%	The Company issued corporate bonds of RMB800 million in August 2007, and the unutilized proceeds are deposited in a specific account pursuant to relevant regulations
Other current assets	80,000	-	N/A	Solid wealth management accounts in a bank entrusted by Qinglian Company for a term of 3 months, the targets of which are national bonds, etc.
Long-term equity investments	2,751,494	4,702,332	-41.49%	Eliminating the relevant investment for consolidation of Qinglian Company since January 2007
Fixed assets	7,434,568	3,633,873	104.59%	Consolidation of Qinglian Company
Construction in progress	3,238,826	900,068	259.84%	Consolidation of Qinglian Company and increases in investment in projects under construction
Long-term borrowings	3,190,296	855,789	272.79%	Consolidation of Qinglian Company and an increase in borrowings for the Company's capital expenditure
Bonds payable	787,936	-	N/A	Issue of corporate bonds of RMB800 million
Deferred income tax liabilities	401,054	26,867	1,392.74%	Deferred income tax liabilities recognised for the acquisition of Qinglian Company
Minority interest	713,431	-	N/A	The minority interest of Qinglian Company
Debt-to-asset ratio	47.85%	33.02%	Increased 14.83 percentage point	Consolidation of Qinglian Company and increases in borrowings in accordance with the progress of project construction

	2007 Q3	2006 Q3 (Restated*)	Increase/decrease	Reasons for the Change
Cost of operations	94,046	53,910	74.45%	Increases in costs for toll highways alongside increases in revenues and consolidation of Qinglian Company; among these, an increase of RMB32,195,000 was due to consolidation of Qinglian Company, while cost of operations for other highways increased by 14.73% as compared to the corresponding period of the previous year
Business tax and surcharges	9,100	6,810	33.62%	Revenue from operations increased
Financial expenses	32,812	17,945	82.85%	Consolidation of Qinglian Company and the increase in the borrowings of the Company
Investment income	88,967	58,745	51.45%	Increases in investment gains from joint ventures and associates owing to increases in traffic volumes and revenues on the toll highways operated by them
Profit/loss attributable to minority interest	(4,986)	2,938	N/A	The loss of Qinglian Company for the Period attributable to the minority equity holders of Qinglian Company

* According to the requirements of the relevant documents from the Ministry of Finance, the Company fully adopted the newly released CAS since 1 January 2007. The comparative figures in the previous year have been restated in accordance with the relevant requirements. Please refer to the Interim Report 2007 of the Company for related matters on adopting the newly released CAS.

3.2 Progress of major matters and the analysis on the relevant impacts and solutions

Applicable Not applicable

3.3 The fulfillment of the undertakings made by the Company, the shareholders and the de-facto controller

Applicable Not applicable

- (1) The shareholders of the Company, Xin Tong Chan Development (Shenzhen) Company Limited (“Xin Tong Chan”) and Shenzhen Shen Guang Hui Highway Development Company (“Shen Guang Hui”), each of which has more than 5% shareholding, have undertaken in the promoters’ agreement that they will not engage in Shenzhen in any industry or business in any form, which, directly or indirectly, competes with the Company. As at the end of the Reporting Period, the Company did not notice violation of such undertaking by Xin Tong Chan or Shen Guang Hui.
- (2) Undertakings and the fulfillment thereof made by holders of former non-circulating shares during the process of the Share Segregation Reform:

Name of shareholder	Undertakings	Fulfillment
Xin Tong Chan Development (Shenzhen) Company Limited	1. Within 36 months from the date of granting listing status to the non-circulating shares of the Company held by them, they shall not trade such shares on the stock exchange as listed shares;	The Company is not aware of any violation by these shareholders on the relevant undertakings during the Reporting Period.
Shenzhen Shen Guang Hui Highway Development Company	2. During three consecutive years immediately following the completion of implementation of the Share Segregation Reform of the Company, they shall propose resolutions at the annual general meetings that the Company shall distribute at least 50% of the profit available for distribution in the corresponding periods as cash dividends to the shareholders and to vote for such resolutions at the annual general meetings.	
Huajian Transportation and Economic Development Centre		
Guangdong Roads and Bridges Construction Development Company Limited		

Note: “Undertakings” refer to the undertakings made during the Share Segregation Reform other than statutory undertakings.

3.4 Profit warning, with reasons therefor, that the cumulative net profit from the beginning of the year to the end of the next reporting period may be a loss or a substantial change as compared to the corresponding period of the previous year

Applicable Not applicable

3.5 Other significant matters to be explained

3.5.1 Equity interests in other listed companies held by the Company

Applicable Not applicable

3.5.2 Equity interests in unlisted financial enterprises or companies proposed to be listed held by the Company

Applicable Not applicable

3.6 Operating information and other significant matter after the end of the Period

- (1) Progress of projects under construction: as at the end of the Period, an aggregate investment amount of approximately RMB1,679 million (end of 2006: RMB750 million) has been utilised for Nanguang Expressway; RMB284 million (end of 2006: RMB95 million) has been utilised for Yanba (C); and RMB1,125 million (end of 2006: RMB353 million) has been utilized for the reconstruction of Qinglian Project into an expressway, respectively.
- (2) Pursuant to the approval by 國家發展和改革委員會(National Development and Reform Commission) through Document 發改財金[2007]1791 號 (Fa Gai Cai Jin (2007) No.1791), the Company issued fixed-rate corporate bonds of RMB800 million with a term of 15 years at a nominal interest rate of 5.5% in August 2007. The proceeds will be used for the reconstruction of Qinglian Class 1 Highway into an expressway.
- (3) Pursuant to the approval by CSRC through Document 證監發行字[2007]315 號 (Zheng Jian Fa Xing Zi (2007) No.315), the Company issued Bonds with Warrants of RMB1,500 million (15 million bonds in total) in October 2007. The term of the bonds is 6 years while the nominal interest rate of the bonds is 1.0%. The subscriber of each Bonds with Warrants has received 7.2 warrants from the Company and a total number of 108 million warrants were issued. The primary conversion price of the warrants is RMB13.85 per share and the primary conversion ratio is 1:1. The warrants are entitled to be exercised 5 trading days prior to the end of the 24-month period after the listing of the warrants. The proceeds from this issue will be used for the construction of Nanguang Expressway.
- (4) On 16 October 2007, Yiwang Industry Development (Shenzhen) Co., Ltd. (“Yiwang Industry”), a wholly-owned subsidiary of Shenzhen International Holdings Limited (“Shenzhen International”, shareholder of Xin Tong Chan) which indirectly holds 31.153% of the total share capital of the Company, entered into an agreement with 深圳市人民政府國有資產監督管理委員會(State-owned Assets Supervision and Administration Commission of Shenzhen Municipal Government) for the acquisition of 100% equity interest in Shen Guang Hui. Shen Guang Hui is a promoter and the second largest shareholder of domestic shares of the Company which holds 411,459,887 restricted circulating domestic shares of the Company, representing 18.868% of the total share capital of the Company. The said equity interest transfer does not involve any change of shareholding of Shen Guang Hui in the Company, but as for Shenzhen International, after the equity interest of Shen Guang Hui being transferred to Yiwang Industry, Shenzhen International will in aggregate indirectly hold 50.021% shares of the Company. Pursuant to the relevant regulations, the aforesaid transaction has triggered Shenzhen International’s obligation for a general offer for the shares of the Company. As at the date of this report, Shenzhen International has obtained a waiver from its obligation for a general offer from the Securities and Futures Commission of Hong Kong and has applied to CSRC for a waiver from its obligation for a general offer.

Note: The 2007 third quarterly financial statements of the Group are available on the website of the Shanghai Stock Exchange (www.sse.com.cn) or the website of the Company (www.sz-expressway.com).

By order of the Board
Yang Hai
Chairman

Shenzhen, the PRC, 26 October 2007

As at the date of this announcement, the directors of the Company are Mr. Yang Hai (Chairman of the Board), Mr. Wu Ya De (Executive Director and President), Mr. Li Jing Qi (Non-executive Director), Mr. Wang Ji Zhong (Non-executive Director), Mr. Liu Jun (Non-executive Director), Mr. Lin Xiang Ke (Non-executive Director), Ms. Zhang Yang (Non-executive Director), Mr. Chiu Chi Cheong, Clifton (Non-executive Director), Mr. Li Zhi Zheng (Independent non-executive Director), Mr. Zhang Zhi Xue (Independent non-executive Director), Mr. Poon Kai Leung, James (Independent non-executive Director) and Mr. Wong Kam Ling (Independent non-executive Director).