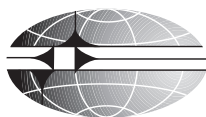


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深圳高速公路股份有限公司

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 2006

This announcement is published simultaneously in Hong Kong and Shanghai on 27 October 2006. This quarterly report is prepared in accordance with the regulations of the China Securities Regulatory Commission on Disclosure of Information in Quarterly Reports for Listed Companies. All financial information set out in this report has been prepared in accordance with the PRC GAAP 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 and the directors of Shenzhen Expressway Company Limited (the "Company") undertake 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.
- 1.2 Mr. Liu Jun, a director, was unable to attend this board meeting, and had appointed Mr. Li Jing Qi, a director, to attend the meeting and vote on his behalf.
- 1.3 The financial information for the three months ended 30 September 2006 (the "Reporting Period" or the "Period") contained in the third quarterly report of 2006 has not been audited.
- 1.4 Mr. Yang Hai, Chairman, Mr. Wu Ya De, General Manager, Ms. Gong Tao Tao, Financial Controller and Mr. Sun Bin, Finance Manager, undertake the truthfulness and completeness of the financial statements contained in this quarterly report.

2. CORPORATE INFORMATION

2.1 Basic Information

	A Shares	H Shares
Share Abbreviation	Shenzhen Expressway	Shenzhen Expressway
Share Abbreviation before updated	G Shenzhen Expressway	—
Stock Code	600548	0548
	Company Secretary	Securities Officer
Name	Wu Qian	Gong Xin
Address	19/F., Tower A, United Plaza, No. 5022 Binhe Road North, Shenzhen, PRC	
Telephone	755 - 82945608, 82945628	
Fax	755 - 82910696	
Email	secretary@sz-expressway.com	

2.2 Financial Information (prepared in accordance with PRC GAAP)

2.2.1 Principal accounting data and financial indices

Unit:RMB

	As at the end of the Reporting Period (30 Sep 2006)	As at the end of the previous year (31 Dec 2005)	Change at the end of the Reporting Period as compared to the end of the previous year
Total assets	10,000,529,957.80	9,927,504,042.60	0.74%
Shareholders' funds (excluding minority interest)	6,445,361,851.94	6,269,421,377.23	2.81%
Net assets per share	2.96	2.87	2.81%
Adjusted net assets per share	2.94	2.86	2.80%
	The Reporting Period (Jul ~ Sep 2006)	Beginning of the year to end of the Reporting Period (Jan ~ Sep 2006)	Change of the Reporting Period as compared to the corresponding period of the previous year
Net cash flow from operating activities		731,309,946.11	
Earnings per share	0.073	0.189	60.25%
Return on equity (%)	2.47%	6.40%	Increased 0.84 percentage point
Return on equity excluding non- recurring items (%)	2.41%	6.17%	Increased 1.03 percentage point
Non-recurring items (Jan ~ Sep 2006)			Amount
Non-operating income			85,228.41
Non-operating expenses			(559,727.79)
Subsidy income			15,403,657.60
Income tax effect on non-recurring items			71,174.91
Total			15,000,333.13

2.2.2 Income statement

Income Statement(1)

Unit: RMB (Unaudited)

Items	Consolidated		Company	
	The Reporting Period (Jul-Sep)	Corresponding period of the previous year (Jul-Sep)	The Reporting Period (Jul-Sep)	Corresponding period of the previous year (Jul-Sep)
1. Income from principal operations	329,893,725.45	255,163,664.16	119,139,623.79	87,192,793.38
Less: Cost of principal operations	(71,398,813.69)	(52,632,360.89)	(32,555,554.17)	(21,223,637.49)
Taxes and surcharges on principal operations	(10,188,564.23)	(7,895,119.39)	(3,717,156.25)	(2,720,415.16)
2. Profit from principal operations	248,306,347.53	194,636,183.88	82,866,913.37	63,248,740.73
Add: Other operating profit	4,341,188.04	1,927,813.90	1,560,802.24	90,954.94
Less: Administrative expenses	(20,138,650.41)	(22,078,987.74)	(9,866,398.30)	(11,660,535.33)
Financial expenses - net	(22,652,640.18)	(42,809,417.99)	(18,602,701.53)	(23,185,152.84)
3. Operating profit	209,856,244.98	131,675,592.05	55,958,615.78	28,494,007.50
Add: Investment gain/(loss)	(20,460,693.73)	(17,695,688.18)	107,946,816.08	70,489,186.22
Subsidy income	3,789,902.48	15,233,250.84	3,789,902.48	10,494,600.84
Non-operating income	42,111.42	5,493.11	2,500.00	—
Less: Non-operating expenses	(73,321.56)	(8,128.66)	(3,713.90)	(935.00)
4. Total profit	193,154,243.59	129,210,519.16	167,694,120.44	109,476,859.56
Less: Income tax	(30,898,109.71)	(27,059,961.42)	(8,375,713.30)	(10,055,495.43)
Minority interest	(2,937,726.74)	(2,729,193.61)	—	—
5. Net profit	<u>159,318,407.14</u>	<u>99,421,364.13</u>	<u>159,318,407.14</u>	<u>99,421,364.13</u>

Income Statement(2)

Unit: RMB (Unaudited)

Items	Consolidated		Company	
	Beginning of the year to end of the Reporting Period (Jan-Sep)	Corresponding period of the previous year (Jan-Sep)	Beginning of the year to end of the Reporting Period (Jan-Sep)	Corresponding period of the previous year (Jan-Sep)
1. Income from principal operations	862,622,985.16	654,662,668.39	280,638,931.92	234,051,021.49
Less: Cost of principal operations	(187,473,797.00)	(138,251,704.70)	(78,671,889.27)	(60,136,021.83)
Taxes and surcharges on principal operations	<u>(26,634,141.60)</u>	<u>(27,024,530.88)</u>	<u>(8,755,934.68)</u>	<u>(9,780,535.58)</u>
2. Profit from principal operations	648,515,046.56	489,386,432.81	193,211,107.97	164,134,464.08
Add: Other operating profit	25,665,515.26	6,855,675.30	17,575,292.46	1,570,773.06
Less: Administrative expenses	(65,059,862.97)	(62,000,210.60)	(30,251,497.35)	(36,683,496.90)
Financial expenses - net	<u>(65,913,044.87)</u>	<u>(59,800,186.49)</u>	<u>(49,219,969.79)</u>	<u>(34,327,684.82)</u>
3. Operating profit	543,207,653.98	374,441,711.02	131,314,933.29	94,694,055.42
Add: Investment gain/(loss)	(55,374,610.99)	(20,455,769.61)	286,054,843.77	213,351,948.33
Subsidy income	15,403,657.60	31,068,617.59	15,403,657.60	26,329,967.59
Non-operating income	85,228.41	123,139.20	19,495.00	84,137.50
Less: Non-operating expenses	<u>(559,727.79)</u>	<u>(77,002.05)</u>	<u>(365,807.87)</u>	<u>(19,659.04)</u>
4. Total profit	502,762,201.21	385,100,696.15	432,427,121.79	334,440,449.80
Less: Income tax	(81,905,441.45)	(70,905,799.54)	(19,649,263.18)	(27,470,806.27)
Minority interest	<u>(8,078,901.15)</u>	<u>(7,225,253.08)</u>	—	—
5. Net profit	<u><u>412,777,858.61</u></u>	<u><u>306,969,643.53</u></u>	<u><u>412,777,858.61</u></u>	<u><u>306,969,643.53</u></u>

2.2.3 *Major differences between financial statements prepared under different accounting standards*

The differences between profit attributable to equity holders of the Company and capital and reserves attributable to the Company's equity holders as determined in accordance with PRC GAAP and Hong Kong Financial Reporting Standards ("HKFRS") are summarised as follows:

Unit: RMB'000 (Unaudited)

	For the nine months ended 30 Sep 2006 Profit attributable to equity holders of the Company	As at 30 Sep 2006 Capital & reserves attributable to the Company's equity holders
As reported under the PRC GAAP	412,778	6,445,362
Impact of HKFRS adjustments:		
Adjustment on interest in an associate based on fair value of net assets	19,586	33,489
Depreciation of property, plant and equipment	(1,052)	15,654
Amortisation of intangible assets and related deferred income tax	(1,527)	(2,376)
Recognition of excess of fair value of share of acquired net assets of a jointly controlled entity over cost of acquisition	—	34,955
Adjustment on a loan extended to a jointly controlled entity at amortised cost	2,582	(2,445)
Deferred income recognition for government grants recorded as capital reserve under PRC GAAP	221	(25,779)
Reversal of amortisation of equity investment differences arising from acquisitions under PRC GAAP	385	897
Net amount of adjustments	<u>20,195</u>	<u>54,395</u>
As restated after HKFRS adjustments	<u>432,973</u>	<u>6,499,757</u>

2.3 Total number of shareholders and top ten holders of listed shares at the end of the Reporting Period

As at the end of the Reporting Period, the total numbers of shareholders and the top ten holders of listed shares without selling restriction 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:

Total numbers of shareholders at the end of the Reporting Period were 25,111, out of whom 24,737 were holders of domestic shares and 374 were holders of H shares.

Unit: share

Top Ten Holders of Listed Shares (without selling restriction)		
Name of shareholder (full name)	Number of listed shares held at the end of the Reporting Period	Type of shares
HKSCC Nominees Limited (Note)	731,325,398	H
Social Insurance Fund Portfolio 102	12,596,445	A
ICBC-China Universal Balanced Growth Securities Investment Fund	9,232,640	A
Social Insurance Fund Portfolio 103	8,739,432	A
CMB-Fortis Haitong Enhanced Return Securities Investment Fund	5,554,696	A
Guodu Securities Company Limited	4,506,366	A
China Galaxy Securities Company Limited	3,924,850	A
The Bank of Nova Scotia	3,521,813	A
China Merchant Securities-Chartered-ING BANK N.V.	3,166,531	A
ARSENTON Nominees Limited	3,000,000	H

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

3. MANAGEMENT DISCUSSION AND ANALYSIS

3.1 Brief Analysis on the Overall Situation of the Company's Operating Activities during the Reporting Period

(1) *Business Review*

The toll highways operated by the Company, its subsidiaries and joint ventures (collectively the "Group") include Meiguan Expressway, Jihe East, Jihe West, Yanpai Expressway, Shuiguan Expressway, Yanba Expressway, Wuhuang Expressway, Changsha Ring Road and Geputan Bridge.

During the Period, the operations of various major toll highways were satisfactory, with traffic flows and toll revenues continuing to grow steadily. The Group recorded an income from principal operations of RMB329,894,000 (2005: RMB255,164,000), representing an increase of 29.29% over the corresponding period of 2005. An overview of the operations of the principal toll highways for the Reporting Period was as follows:

Toll expressway	% of equity interests held by the Group	% of revenue consolidated	Average daily mixed traffic volume(number of vehicles)			Average daily toll revenue (RMB'000)		
			Reporting Period	Corresponding period of 2005	Change (%)	Reporting Period	Corresponding period of 2005	Change (%)
Shenzhen Region:								
Meiguan Expressway	95%	100%	93,672	80,234	16.75	927	833	11.29
Jihe West	100%	100%	57,685	51,747	11.47	820	807	1.64
Jihe East	55%	55%	75,549	59,398	27.19	934	822	13.69
Yanba A and B	100%	100%	17,719	13,911	27.37	192	141	35.94
Shuiguan Expressway	40%	40%	84,748	59,736	41.87	781	570	37.15
Shuiguan Extension ^(*1)	40%	—	22,536	N/A	N/A	140	N/A	N/A
Yanpai Expressway ^(*1)	100%	100%	17,273	N/A	N/A	283	N/A	N/A
Other Regions in Guangdong Province:								
Yangmao Expressway	25%	—	12,081	9,516	26.95	658	479	37.28
Guangwu Expressway	30%	—	7,301	5,953	22.64	219	173	26.39
Jiangzhong Expressway ^(*2)	25%	—	27,747	N/A	N/A	400	N/A	N/A
Other Provinces in the PRC:								
Wuhuang Expressway ^(*3)	55%	55%	23,146	22,206	4.23	912	754	20.95
Changsha Ring Road	51%	51%	5,544	5,469	1.37	53	59	-9.14
Geputan Bridge	42%	42%	2,882	2,830	1.84	21	19	8.02
Nanjing Third Bridge ^(*4)	25%	—	12,097	N/A	N/A	486	N/A	N/A

*1. Shuiguan Extension and Yanpai Expressway commenced toll operation from October 2005 and May 2006 respectively.

*2. Jiangzhong Expressway commenced toll operation from November 2005.

*3. The turnover of Wuhuang Expressway has been consolidated into the Group's financial statements since August 2005.

*4. Nanjing Third Bridge commenced toll operation from October 2005.

Compared to the corresponding period of 2005, the Group recorded average growth of approximately 39% and 29% in average daily mixed traffic volume and average daily toll revenue, respectively, generated on its toll highways located in the Shenzhen region during the Reporting Period. Excluding Shuiguan Extension and Yanpai Expressway, the growth rates would be approximately 24% and 15%, respectively. Apart from continuous growth in traffic volume benefiting from a sound external environment, the operating performance of the Company's toll highways in the Shenzhen region during the Reporting Period was mainly affected by two factors. On the one hand, the opening to traffic of Nanping Project (Phase I) has caused a certain amount of traffic diversions from Jihe Expressway and Meiguan Expressway, while creating strong traffic stimulation upon Shuiguan Expressway. Lasting into the Reporting Period, such effects have gradually stabilised. On the other hand, in order to improve cross-border and port-bound cargo traffic, the Shenzhen Municipal Government has implemented improvement measures on the traffic structure by phases in the beginning of August and in the middle of September, where large-size trucks are restricted from using some of the roads in the city, thereby diverting truck traffic to the expressway networks in the outskirts of the city. To align with the implementation of such measures, the Company has launched a series of marketing initiatives, which have achieved good results.

For the Company's toll highways operated in regions outside Shenzhen, the implementation of the toll- by-weight scheme continued to play a conducive role on bringing in toll revenue growth on Wuhuang Expressway. Meanwhile, the toll highways operated by the associates of the Company also saw satisfactory performance.

The Group and its associates are currently undertaking the construction of various toll highway projects, namely Nanguang Expressway, Yanba C and GZ W2 Expressway, as well as the reconstruction of Qinglian Class 1 Highway. Appointed by the governments, the Company is also the project administrator for Nanping Project (Phase I), Hengping Project and Wutong Mountain Project. Relevant information and planned progress of these projects were set out in the Company's Annual Report 2005 and Interim Report 2006. During the Reporting Period, various projects progressed smoothly and were in line with the Company's plans.

(2) *Brief Analysis on Operating Results*

During the Reporting Period, the Group recorded a net profit of RMB159,318,000 (2005: RMB99,421,000), representing an increase of 60.25% as compared to the corresponding period of 2005. For the nine months ended 30 September 2006, the Group recorded a net profit of RMB412,778,000, representing an increase of 34.47% as compared to the corresponding period of 2005.

As compared to the corresponding period of 2005, profit from principal operations increased by RMB53,670,000 during the Reporting Period, representing an increase of 27.57%, which was basically in pace with the increase in turnover from income from principal operations. Profit margin for principal operations during the Reporting Period was 75.27% (2005: 76.28%). The profitability of the Group's toll highways remained stable.

Financial expenses were reduced by RMB20,157,000 during the Reporting Period, as compared to the corresponding period of 2005, mainly due to the loan arrangement fees and guarantee fees of approximately RMB10,745,000 incurred for raising funds during the corresponding period of 2005. Furthermore, the overall interest rate for the Group's loans during the Reporting Period was approximately 4.3%, representing a reduction of approximately 26% as compared to the corresponding period of 2005, thus reducing interest expenses correspondingly.

During the Reporting Period, investment income showed a net loss of RMB 20,461,000, mainly reflecting the amortisation of investment difference in relation to the Group's equity interests in joint ventures and associates, as well as the investment gain or loss from associates recognised under the equity accounting method.

Subsidy income during the Reporting Period was reduced by RMB11,443,000, as compared to the corresponding period of 2005, mainly attributable to the subsidy of approximately RMB10,309,000 received from the Shenzhen Municipal Government during the corresponding period of 2005 due to cancellation of preferential tax benefits for the Group.

3.1.1 *Principal sectors or products representing 10% or more of the total principal income or profit from principal operations*

Applicable Not applicable

Unit: RMB (Unaudited)

By sector or product	Income from principal operations (Jul ~ Sep 2006)	Cost of principal operations (Jul ~ Sep 2006)	Gross profit margin (%) (Jul ~ Sep 2006)
Toll highway sector:	329,893,725	71,398,814	78.36
of which: Meiguan Expressway	85,288,210	11,481,663	86.54
Jihe West	75,432,933	11,385,046	84.91
Jihe East	47,261,965	6,965,241	85.26
Wuhuang Expressway	46,132,935	12,113,884	73.74
of which: connected transactions	—	—	—

3.1.2 *Seasonal or cyclical features in the Company's operations*

Applicable Not applicable

3.1.3 *Profit components of the Company' during the Reporting Period (significant changes and reasons in the proportions of profit from principal operations, other operating profit, expenses for the Period, investment gain, subsidy income and net amount from non-operating activities out of the total profit as compared to the last reporting period)*

Applicable Not applicable

3.1.4 *Significant changes and reasons in the principal business and its structure as compared to the last reporting period*

Applicable Not applicable

3.1.5 *Significant changes and reasons in the profitability (gross profit margin) of the principal business of the Company as compared to the last reporting period*

Applicable Not applicable

3.2 Major Events and the analysis on the relative impacts and/or solutions

Applicable Not applicable

On 14 September 2006, the board of directors of the Company passed the resolutions for the proposed issuance of Bonds with Warrants, which would be submitted to the extraordinary general meeting and class meetings, to be held on 3 November 2006, for consideration and approval by shareholders. If the Company succeeds in issuing the Bonds with Warrants, it will help the Company to expand its funding channels, optimise its capital structure, and lower its finance costs and financial risks. Please refer to the announcements published in “Shanghai Securities News”, “Securities Times”, “Hong Kong Economic Times” and “The Standard” as well as the announcements and circular posted on the websites of the Shanghai Stock Exchange and The Stock Exchange of Hong Kong Limited.

Subsequent Events

- The Company issued the first batch of short-term commercial papers with an aggregate amount of RMB 1 billion in January 2006, for a term of 9 months. The abovementioned short-term commercial papers matured on 11 October 2006 and the Company has fully repaid the principal together with interests accrued on schedule.
- After discussing at the meeting of the board of directors held on 26 October 2006, it was resolved to re-appoint Mr. Zhou Qing Ming as Administrative Controller of the Company for a term of two years.

3.3 Changes and reasons in accounting policies, accounting estimates, scope of consolidation and significant accounting errors during the Period

Applicable Not applicable

3.4 Statement made by the board of directors and the supervisory committee on the “qualified opinion” in respect of audited financial statements

Applicable Not applicable

3.5 Profit warning with reasons on possible losses of the accumulated results from the beginning of the year to the end of the next reporting period or on a substantial change when compared to the corresponding period in the last year

Applicable Not applicable

3.6 Ongoing adjustments by the Company on announced annual business plan or budget

Applicable Not applicable

3.7 Special undertakings and the fulfillment made by the former holders of unlisted shares during the period of share segregation reform

Applicable Not applicable

Name of shareholder	Special undertakings	Fulfillment
Xin Tong Chan Development (Shenzhen) Company Limited	(1) within 36 months from the day of granting listing status to the unlisted shares of the Company held by them, they would not trade such shares on the stock exchange;	The Company did not notice that these shareholders had violated such undertakings during the Reporting Period.
Shenzhen Shen Guang Hui Highway Development Company	(2) during three continuous years immediately following the completion of implementation of the 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 50% of the recorded profit for the corresponding periods available for distribution to the shareholders, and to vote for such resolutions at the annual general meeting;	
Huajian Transportation and Economic Development Centre		
Guangdong Roads and Bridges Construction Development Company Limited	(3) they would pay relevant expenses arising from the share segregation reform based on the shares proportion held by them.	

By order of the Board
Yang Hai
Chairman

Shenzhen, the PRC, 26 October 2006

As at the date of this announcement, the directors of the Company are Mr. Yang Hai (Chairman of the Board), Mr. Wu Ya De (Director and General Manager), 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).

Please also refer to the published version of this announcement in The Standard.