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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: 00548)

THIRD QUARTERLY REPORT OF 2011

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. This announcement is originally prepared in Chinese. In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

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. The 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.

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”) confirm that there are no false representations or misleading statements contained in or material omissions from this report, and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content thereof.
- 1.2 Mr. Chiu Chi Cheong, Clifton, director, and Mr. Zhang Li Min, independent non-executive director, were unable to attend the board meeting in which this report was approved in person due to work engagement, and had appointed Mr. Yang Hai, director, and Mr. Wang Hai Tao, independent non-executive director to attend and vote on their behalf, respectively.
- 1.3 The financial statements for the three months ended 30 September 2011 (“Reporting Period” or “Period”) contained in the third quarterly report of 2011 of the Company have not been audited.
- 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, confirm 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 30 Sep 2011	As at 31 Dec 2010 (Restated)	Change
Total assets	23,956,621,253.08	23,049,966,818.70	3.93%
Equity attributable to owners of the Company	9,031,669,607.47	8,648,826,937.88	4.43%
Net assets per share attributable to owners of the Company	4.14	3.97	4.43%

<i>(Unit: RMB)</i>	From Jan to Sep 2011	Change as compared to the same period of 2010
Net cash flows from operating activities	1,080,844,229.79	-22.24%
Net cash flows from operating activities per share	0.50	-22.24%

<i>(Unit: RMB)</i>	From Jul to Sep 2011	Change as compared to the same period of 2010	From Jan to Sep 2011
Net profit attributable to owners of the Company	354,662,965.02	60.88%	707,184,306.76
Earnings per share - basic	0.163	60.88%	0.324
Earnings per share - diluted	0.163	60.88%	0.324
Earnings per share excluding non-recurring items - basic	0.160	61.45%	0.315
Return on equity - weighted average	4.01%	Increased 1.38 percentage point	7.98%
Return on equity excluding non-recurring items - weighted average	3.94%	Increased 1.36 percentage point	7.76%

Non-recurring items <i>(Unit: RMB)</i>	From Jan to Sep 2011	Explanation
Profit from entrusted operation management services	14,188,858.30	Profit from entrusted operation management of the equity interests in Shenzhen Longda Expressway Company Limited for the period from January to September 2011
The amortisation of compensation provided by concession grantor	9,690,737.77	Grants received from the government for the construction of highways including Yanba Expressway and Yanpai Expressway were recognised based on the units-of-usage method for the period from January to September 2011, which is reflected in the accounting treatment as offsetting the amortisation of intangible assets under concession
Other non-operating income and expenses - net	(109,885.89)	Other non-operating net income and expenses for the period from January to September 2011
Income tax effect	(3,802,901.48)	Impact of non-recurring items on income tax for the Period
Effect on minority interest (after tax)	(6,659.46)	
Total	19,960,149.24	

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

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

Total number of shareholders at the end of the Period was 37,020, of which 36,728 were holders of A shares and 292 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)	706,521,098	H Share
Xin Tong Chan Development (Shenzhen) Company Limited	654,780,000	A Share
Shenzhen Shen Guang Hui Highway Development Company	411,459,887	A Share
China Merchants Hua Jian Highway Investment Co., Ltd.	87,211,323	A Share
Guangdong Roads and Bridges Construction Development Company Limited	61,948,790	A Share
Ip Kow	12,300,000	H Share
Au Siu Kwok	11,000,000	H Share
Wong Kin Ping + Li Tao	5,000,000	H Share
Shanghai International Trust Company Limited – E-3501	4,610,913	A Share
Sanya Chengda Investment Company Limited	4,513,364	A Share

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

3. SIGNIFICANT MATTERS

3.1 Operating data

During the Reporting Period, due to the factors such as slowdown in the growth of macro-economy, changes in the traffic distribution in the road network, certain sections of highways being under maintenance, temporary traffic control and guidance measures, toll revenue derived from most of the toll highways operated and invested by the Group recorded slowdown in growth, with decrease in the revenue of some projects to a certain extent. Details on the operating data for each of the toll highways are as follows:

Toll highway	Percentage of interests held by the Group	Percentage of revenue consolidated	Average daily mixed traffic volume (number of vehicles in thousands)		Average daily toll revenue (RMB'000)		Average daily mixed traffic volume (number of vehicles in thousands)		Average daily toll revenue (RMB'000)	
			Jul ~ Sep 2011	Compared to Jul ~ Sep 2010	Jul ~ Sep 2011	Compared to Jul ~ Sep 2010	Jan~ Sep 2011	Compared to Jan ~ Sep 2010	Jan~ Sep 2011	Compared to Jan ~ Sep 2010
Shenzhen region:										
Meiguan Expressway	100%	100%	115	-7.4%	917	-9.3%	118	3.3%	938	0.7%
Jihe East	100%	100%	123	2.7%	1,460	-2.4%	116	5.0%	1,414	0.1%
Jihe West	100%	100%	103	3.6%	1,267	-0.2%	99	11.3%	1,229	6.8%
Yanba Expressway	100%	100%	32	6.6%	412	1.2%	28	19.1%	377	15.6%
Yanpai Expressway	100%	100%	42	-6.9%	533	6.8%	39	-2.7%	452	3.2%
Nanguang Expressway	100%	100%	58	2.3%	606	3.1%	56	15.6%	588	19.7%
Shuiguan Expressway	40%	—	129	-11.5%	1,142	-14.3%	123	-8.6%	1,115	-9.0%
Shuiguan Extension	40%	—	29	-34.0%	182	-34.2%	33	-17.4%	202	-18.0%
Other regions in Guangdong Province:										
Qinglian Expressway	76.37%	100%	20	11.0%	1,209	17.4%	21	16.4%	1,241	18.9%
Yangmao Expressway	25%	—	23	21.0%	1,147	11.0%	24	16.3%	1,190	6.6%
Guangwu Project	30%	—	22	7.4%	621	11.7%	23	44.9%	637	45.4%
Jiangzhong Project	25%	—	94	22.0%	990	7.9%	89	39.3%	964	14.2%
GZ W2 Expressway	25%	—	35	10.3%	755	5.8%	34	27.5%	734	17.3%
Other provinces in the PRC:										
Wuhuang Expressway	55%	100%	37	-2.0%	1,151	-12.5%	38	0.6%	1,137	-11.0%
Changsha Ring Road	51%	—	9.0	15.6%	86	25.6%	9.4	11.4%	82	16.9%
Nanjing Third Bridge	25%	—	23	13.4%	813	9.2%	23	4.9%	824	4.8%

As the reconstruction or construction of a number of municipal roads, freeways and interchanges connecting highways and roads were completed consecutively and the second phase of Shenzhen Metro commenced operation, the transportation network in Shenzhen region has been improved continuously. Moreover, certain tolls on local roads in Shenzhen were cancelled in the first half of 2011. Such factors led to certain changes in traffic distribution and composition in the road network of the region and thus, there are positive or negative impacts on the operational performance of the projects operated or invested by the Group in Shenzhen region. Among these, changes in road network facilitated the operational performance of Yanpai Expressway during the Reporting Period while there were certain negative impacts on Meiguan Expressway, Shuiguan Expressway, Shuiguan Extension, Jihe East and Nanguang Expressway.

In August 2011, the Universiade was held in Shenzhen. As affected by combined factors such as the temporary traffic control and guidance measures implemented by the Government, highways in Shenzhen region recorded various decreases in traffic volume or toll revenue during that month as compared to the same period of 2010 (“YOY”). Among these, Shuiguan Expressway and Shuiguan Extension which connect Longgang District (where the stadiums of the Universiade were located) and Shenzhen downtown were affected most obviously. Before the holding of Universiade, the road surface maintenance and traffic improvement works had been carried out in the South Section of Meiguan Expressway (Qinghu - Meilin) and thus the toll revenues of Meiguan Expressway and the connecting Jihe East recorded decreases as a result of the phase closure of lanes and certain traffic restrictions. Such works were completed in early August of 2011.

With regard to the projects outside Shenzhen, benefited from the stimulation effect caused by the improvement of the road networks, and booming economic activities in peripheral areas, the overall performances of Yangmao Expressway, Guangwu Project, Jiangzhong Project and GZ W2 Expressway were satisfactory. However, as affected by combined factors such as traffic control measures implemented in Wuhan City and changes in peripheral road network including opening of Mawu Expressway, Wuhuang Expressway suffered YOY decrease in traffic volume and toll revenue during the Reporting Period. Liannan Section of Qinglian Project has commenced expressway operation since 25 January 2011, and thus the total toll mileage of Qinglian Expressway increased from approximately 188 kilometers to approximately 216 kilometers, driving a comparatively rapid increase in both the traffic volume and toll revenue of the project for the Reporting Period.

3.2 Financial analysis

3.2.1 General explanations

During the Reporting Period, the Group recorded revenue of RMB732,220,000 (same period of 2010: RMB729,194,000 (restated)), representing a slight YOY increase of 0.41%, of which toll revenue recorded a YOY decrease of 1.30% to RMB695,700,000. The Group recorded net profit attributable to owners of the Company (“Net Profit”) of RMB354,663,000 for the Reporting Period (same period of 2010: RMB220,456,000), representing a YOY increase of 60.88%.

The Group recorded revenue of RMB2,115,318,000 for the period from January to September 2011 (January to September 2010: RMB2,010,575,000 (restated)), representing a YOY increase of 5.21% , of which toll revenue recorded a YOY increase of 3.90% to RMB2,016,746,000. The Group recorded net profit of RMB707,184,000 for the period from January to September 2011 (January to September 2010: RMB579,955,000), representing a YOY increase of 21.94%.

For the period from January to September 2011, toll revenue derived from the major toll highways operated and invested by the Group recorded overall slowdown in growth, with decrease in toll revenue from some projects to a certain extent. Meanwhile, before including the impact of changes in accounting estimates, cost of services for toll highways recorded a faster YOY increase, which was mainly attributable to the increase in employee expenses and road maintenance expenses. For the period from January to September 2011, as the Company making provision for the housing allowances for employees as required by Shenzhen Municipal Government, an increase in the number of employees and an increase in remuneration of toll collection staff in the second half of 2010, the employee expenses recorded a YOY increase. Moreover, the Company carried out maintenance and improvement works in various highways in Shenzhen such as the South Section of Meiguan Expressway, resulting in an increase of the cost of services of approximately RMB132,229,000 for the Reporting Period, as well as Qinglian Class 2 Road was performing an overall repair and the daily maintenance expenses increased upon the expiry of the liability period

of defects of Qinglian Expressway, the Group's road maintenance expenses thus recorded a significant YOY increase. The abovementioned factors caused YOY decreases in Net Profit of the Group before including the impacts of the non-recurring matters of changes in accounting estimates and maintenance and improvement works in various highways in Shenzhen such as the South Section of Meiguan Expressway for the Reporting Period and for the period from January to September of 2011 in amount of RMB56,043,000 and RMB63,021,000 respectively, representing a YOY decrease in operating results. For details on changes in accounting estimates of the provisions for maintenance/resurfacing obligations, please refer to "Changes in Accounting Estimates" in 3.2.2 below.

The capital expenditure, including capitalised interests, of the Group amounted to approximately RMB694 million for the period from January to September 2011. As at the end of the Reporting Period, the total outstanding borrowings of the Group, including the loans, the bonds payable and the notes payable, amounted to RMB10.466 billion, and the debt-to-asset ratio was 57.27%. The Group's composite borrowing costs for the period from January to September 2011 was 4.56% (January to September 2010: 4.87%)

3.2.2 Changes in accounting estimates

During the Reporting Period, the Company has reviewed and adjusted the road maintenance and resurfacing plan drew up earlier based on the findings of the study conducted by the external professional institutions and the business department of the Company. With the advanced maintenance and resurfacing plan and the adoption of new technology in maintenance, the budgeted expenditure for principal maintenance and resurfacing of the roads of the Company was decreased in general and the schedule was also adjusted. Since 1 July 2011, the Group has, for prospective application, made provision for maintenance/resurfacing obligations based on current road maintenance and resurfacing plan and implementation schedule. Such matters pertain to changes in accounting estimates, resulting in increases in the Net Profit of RMB290,797,000 during the Reporting Period and the period from January to September 2011 as well as the owners' equity of RMB290,797,000 as at the end of the Reporting Period, which have certain positive impact on the operating result and financial position of the Group during the Reporting Period and the period from January to September 2011 respectively. Impacts on the Group's other major financial statements items are as follows:

Unit: RMB'000

1. Consolidated balance sheet item	As at 30 September 2011
Decrease in deferred tax assets	96,932
Decrease in provisions	387,729
2. Consolidated income statement item	For the period from January to September 2011 and the period from July to September 2011
Decrease in cost of services	383,175
Decrease in finance expenses	4,554
Increase in income tax expenses	96,932

3.2.3 The changes in the scope of consolidated financial statements

(1) The subsidiary acquired by establishment

During the Reporting Period, the Company and Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited, a wholly owned subsidiary of the Company, have established 深圳高速投資有限公司 (Shenzhen Expressway Investment Company Limited, "Investment Company"), and own as to 95% and 5% in Investment Company respectively. The financial

statements of Investment Company have been consolidated into those of the Group. The principal business scope of Investment Company is entities investment and project construction. Its registered capital amounted to RMB200 million, with initial contribution of RMB80 million. The net asset was RMB80 million as at 30 September 2011 and net profit was RMB0 during the Reporting Period.

(2) Business combinations involving entities under common control

Mei Wah Industrial (Hong Kong) Limited, a wholly owned subsidiary of the Company, and Flywheel Investments Limited, a wholly owned subsidiary of Shenzhen International Holdings Limited (“Shenzhen International”), held as to 55% and 45% in Jade Emperor Limited (“JEL Company”) respectively, which holds 100% interests in Hubei Magerk Expressway Management Private Limited (owning the operating rights of Wuhuang Expressway), respectively. According to the shareholders’ agreement of JEL Company, the principal financial and business decisions relating to the operating activities of JEL Company shall be made based on the common consent of the two shareholders. As a result, the financial statements of JEL Company, which was a joint venture of the Group, have not been consolidated into those of the Group.

According to the supplementary shareholders’ agreement in relation to JEL Company entered into between Mei Wah Industrial (Hong Kong) Limited and Flywheel Investments Limited, the Company could exercise control over JEL Company since this quarter and thus JEL Company became a subsidiary of the Company, and its financial statements have been consolidated into those of the Company. Since JEL Company and the Company were under the ultimate control of Shenzhen International before and after the combination and the control was not in a temporary nature, the combination represents the business combination involving enterprises under common control in accordance with relevant requirements of the CAS, and JEL Company was deemed to be consolidated into the scope of the Group since the date that JEL Company was under the same control of Shenzhen International as the Group. The Group has adjusted the consolidated balance sheet as at 31 December 2010, the consolidated income statement for the periods from January to September 2010 and from July to September 2010 as well as the consolidated cash flow statement for the period from January to September 2010 accordingly as required by the CAS. The operating results and cash flows of JEL Company for the period from January to September 2011 was consolidated in the consolidated income statement and consolidated cash flow statement for the same period as attached to this report. As JEL Company have been consolidated into the scope of the financial statements of the Company, the consolidated assets, liabilities, revenue and costs of the Company for the Reporting Period and previous accounting period increased accordingly in scale, while the net assets and net profit attributable to the Company were not affected.

The revenue, net profit and cash flows from operating activities of JEL Company from the beginning of the year of combination up to the combination date are as follows:

Unit: RMB’000

JEL Company	The beginning of the year of combination up to the combination date
Revenue	212,951
Net profit	96,089
Cash flows from operating activities	120,594

The book value of assets and liabilities of JEL Company as at the combination date are as follows:

Unit: RMB'000

JEL Company	Book value as at the combination date	Book value as at 31 December 2010
Cash at bank and on hand	60,872	41,847
Other receivables	111,309	445,602
Fixed assets	20,637	15,970
Construction in progress	13,337	5,300
Intangible assets	1,094,796	1,141,596
Other assets	8,801	10,238
Less: Dividends payable	17,399	-
Taxes payable	11,337	21,573
Other payables	3,362	5,703
Deferred tax liabilities	204,360	212,673
Net assets	1,073,294	1,419,604
Less: Minority interests	482,982	638,822
Net assets acquired	590,312	780,782

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

Applicable Not applicable

Unit: RMB'000

	As at 30 Sep 2011	As at 31 Dec 2010 (Restated)	Change (%)	Primary reasons for the change
Cash at bank and on hand	1,536,780	874,274	75.78	Issuance of corporate bonds of RMB 1.5 billion and partial repayment of the borrowings during the Reporting Period
Advances to suppliers	22,266	13,866	60.58	Increase in advances prepaid for roads maintenance
Long-term receivables	62,000	-	N/A	New accounts receivable from Guizhou Longli County Government for road construction project and development project during the Reporting Period. For details, please refer to 3.8(1) below.
Construction in progress	19,019	47,334	-59.82	Liannan Section of Qinglian Expressway transferred to fixed assets upon its completion
Deferred tax assets	56,928	105,518	-46.05	Changes in the accounting estimates for the provisions for maintenance/resurfacing obligations of the Group during the Reporting Period resulting in write-back of deferred tax assets. For details, please refer to 3.2.2 "Changes in accounting estimates" above.
Derivate financial instrument assets	695	-	N/A	The fair value of forward foreign exchange contracts arranged in 2010 to lock up the exchange rate risk of the borrowings in HK\$, and such fair value having been recognised as derivative financial instrument liabilities as at the end of the last year.

	As at 30 Sep 2011	As at 31 Dec 2010 (Restated)	Change (%)	Primary reasons for the change
Short-term borrowings	178,618	734,260	-75.67	Partial repayment of short-term borrowings during the Reporting Period
Advances from customers	25,775	14,172	81.87	Increase in advances from advertising customers for the year
Employee benefits payable	23,039	63,049	-63.46	Annual bonuses accrued at the end of 2010 were paid in the first half of 2011
Dividends payable	7,829	-	N/A	Dividend payable to minority owners of JEL Company
Current portion of non-current liabilities	832,445	195,464	325.88	Increase in current portion of long-term borrowings and provisions
Bonds payable	4,337,423	2,807,924	54.47	Issuance of corporate bonds of RMB 1.5 billion during the Reporting Period
Provisions	350,096	882,435	-60.33	Current portion of provisions transferred out and write-back of provisions resulting from changes in the accounting estimates during the Period. For details, please refer to 3.2.2 "Changes in accounting estimates" above.
Derivative financial instrument liabilities	14,380	25,696	-44.04	Changes in the fair value of currency and interest rate swap contracts arranged in 2010 to lock up the interest rate and exchange rate risk of the borrowings in HK\$

	Jul ~ Sep 2011	Jul ~ Sep 2010 (Restated)	Change (%)	Primary reasons for the change
Cost of services	105,307	316,839	-66.76	Changes in the accounting estimates for the provisions for maintenance/resurfacing obligations of the Group during the Reporting Period resulting in the write-back of cost of services for the Reporting Period. For details, please refer to 3.2.1 "General explanations" and 3.2.2 "Changes in accounting estimates" above.
Income tax expenses	121,975	65,094	87.38	Changes in the accounting estimates for the provisions for maintenance/resurfacing obligations of the Group during the Reporting Period resulting in an increase in income tax expenses for the Reporting Period. For details, please refer to 3.2.2 "Changes in accounting estimates" above.
Minority interests	8,339	15,182	-45.07	YOY increase in loss of Qinglian Company for the Reporting Period resulting in the corresponding decrease in minority interests

	Jan ~ Sep 2011	Jan ~ Sep 2010 (Restated)	Change (%)	Primary reasons for the change
Net cash flows from financing activities	461,677	(571,975)	N/A	Caused by the increase in financing and decrease in repayment of loans during the period from January to September of 2011

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

Applicable Not applicable

3.5 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 (“XTC Company”) and Shenzhen Shen Guang Hui Highway Development Company (“SGH Company”), each of which has more than 5% shareholding in the Company, have undertaken in the promoters’ agreement that they will not engage in any industry or business in any form in Shenzhen, which, directly or indirectly, competes with the Company. As at the end of the Period, the Company was not aware of any violation of such undertakings by XTC Company or SGH Company.
- (2) Shenzhen International and Shenzhen International Holdings (SZ) Limited (“SGJ Shenzhen”, formerly known as Yiwang Industry Development (Shenzhen) Company Limited) made undertakings in 《詳式權益變動報告書》 (“Detailed Report on the Change of Equity Interests”) published on 18 October 2007 in the securities market of PRC. The undertakings include avoiding competition and standardising connected transactions, etc. Details related are available in above-mentioned 《詳式權益變動報告書》 (“Detailed Report on the Change of Equity Interests”) or related contents of the annual report 2007 of the Company. As at the end of the Reporting Period, the Company was not aware of any violation of such undertakings by Shenzhen International and SGJ Shenzhen.
- (3) Shenzhen International made undertakings in respect of the matters such as avoiding competitions and supporting the development of the Company in December 2010 and June 2011 respectively. For details thereof, please refer to 《收購報告書》 (“Acquisition Report”) published on 4 January 2011 in the securities market of PRC by 深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited, “SIHCL”), and the announcement of the Company dated 1 June 2011. As at the end of the Reporting Period, the Company was not aware of any violation of such undertakings by Shenzhen International.
- (4) SIHCL made undertakings in respect of the matters such as avoiding competitions and supporting the development of the Company in December 2010 and May 2011 respectively. For details thereof, please refer to 《收購報告書》 (“Acquisition Report”) published on 4 January 2011 in the securities market of PRC by SIHCL and the announcement of the Company dated 1 June 2011. As at the end of the Reporting Period, the Company was not aware of any violation of such undertakings by SIHCL.

3.6 Profit warning, with reasons therefor, that the cumulative net profit from the beginning of the year to the end of the next Period may be a loss or a substantial change as compared to the same period of last year

Applicable Not applicable

3.7 Implementation of cash dividend policy during the Period

Applicable Not applicable

Pursuant to the approval at the 2010 Annual General Meeting, the Company paid a final dividend of RMB0.16 (tax included) per share for the year 2010 to all shareholders on the basis of the total share capital comprising 2,180,770,326 shares as at the year end of 2010, totaling RMB348,923,252.16. Such dividend distributions have been completed.

3.8 Operating information and other matters

- (1) On 12 August 2011, the Company and Guizhou Longli County Government entered into 《貴州省貴龍城市經濟帶綜合開發項目合作開發投資協議書》 (the Agreement in relation to the Joint Development and Investment of the Comprehensive Development Project of Guilong Economic Zone in Guizhou Province), and participated in the project of construction of phase I of Guilong Road in Guizhou Province by “Build - Transfer” mode, and the joint development of the project of primary development of land with an area of approximately 3,000 Mu in a designated area in Longli County Guizhou Province. For details thereof, please refer to the announcement of the Company dated 12 August 2011.
- (2) On 9 September 2011, the Company and 深圳市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited, “Project Company”) entered into 《委託建設（代建）合同》 (Entrustment Construction Management Agreement), agreed on the specific matters regarding the construction management of the Coastal Project entrusted to the Company by the Project Company. The agreement is subject to the consideration and approval of independent shareholders of the Company at the First Extraordinary General Meeting 2011 to be convened on 24 November 2011. For details thereof, please refer to the announcement of the Company dated 9 September 2011 and the circular dated 4 October 2011.
- (3) As at the end of the Reporting Period, for the reconstruction and expansion of the North Section of Meiguan Expressway (Qinghu – Liguang), approximately 90% of the land requisition, demolition and relocation works, approximately 95% of the earthwork of road understructure and pile foundation works, approximately 45% of pier works, and the bidding for road surfaces construction have been completed, with the bidding for procurement of asphalt underway. This project is expected to be completed in early 2013.
- (4) Payment of annual interest for bonds: The Company issued the convertible corporate bonds, in which subscription warrants and bonds are tradable separately, on 9 October 2007. The interest payment date for such bonds (“07 Shenzhen Expressway Bonds”) of this year was 10 October 2011. Interest of RMB10 (tax included) shall be distributed for each lot of “07 Shenzhen Expressway Bonds” (with par value of RMB1,000). Payment of interests for this year was completed on schedule as stipulated.
- (5) Upon approved by CSRC, the Company issued corporate bonds in amount of RMB1.5 billion to the public during the Reporting Period. Such bonds are five-year fixed-rate bonds with face interest of 6.0%, carrying an option for increase of face interest by the Company and investors’ put options to sell back the bonds at the end of the third year. The proceeds would be utilised for

replenishing the working capital of the Company and/or its subsidiaries and for repayment of the existing debts of the Company. The issuance of the bonds was completed on 2 August 2011 and the bonds were listed on the Shanghai Stock Exchange on 9 August 2011. For details thereof, please refer to the announcements and documents released by the Company between 22 July 2011 and 9 August 2011.

- (6) During the Reporting Period, the proposal for additional capital contribution of Shenzhen Expressway Engineering Consulting Company Limited (“Consulting Company”) has been completed. The percentage of interests held by the Company in Consulting Company has decreased from 30% to 24%, but the Company is still the largest shareholder of Consulting Company. For details thereof, please refer to related content in the Annual Report 2010 or the Interim Report 2011 of the Company.

3.9 Information on the progress of implementation of internal control

In order to implement 《企業內部控制基本規範》 (Basic Standard for Internal Control of Enterprises) and relevant implementation guidelines jointly issued by the five ministries of the PRC including the Ministry of Finance and CSRC and to continuously improve the operational management and capability of risk prevention of the Company, the Company, in accordance with the requirement of relevant notice issued by the Shenzhen Branch of CSRC, formulated the Working Plan for Implementation of Internal Control (“Plan”), which was considered and approved by the eighteenth meeting of the fifth session of the Board of the Company. For details thereof, please refer to the full text of the Plan released by the Company dated 28 April 2011 on the website of the Shanghai Stock Exchange. During the Reporting Period, various working such as development, self-assessment and audit of internal control of the Company are going ahead as planned. Specific information was as follows:

For the development of internal control system, the main task of the Company in 2011 primarily includes the improvement of the internal control system of a subsidiary, Guangdong Qinglian Highway Development Company Limited (“Qinglian Company”), in accordance with the Plan. As at the end of Reporting Period, the improvement for the design of the internal control of Qinglian Company, and the revision on the procedure description in “Management Manual on Internal Control” were completed. The finalised version of “Management Manual on Internal Control” has been confirmed by the management of Qinglian Company and officially issued and implemented in Qinglian Company.

During the Reporting Period, each of the subsidiaries and departments included in the scope of self-assessment of internal control has carried out the self-assessments on the effectiveness of internal control. As at the end of the Reporting Period, the paper for self-assessment in “Management Manual on Internal Control” was completed as scheduled. From September to October 2011, the independent evaluation team for internal control established by the Company will carry out independent sampling check for all papers in accordance with the Plan. During the Reporting Period, the first independent testing on internal control of Qinglian Company was completed. The tests for the headquarter of the Company and a subsidiary, Shenzhen Expressway Advertising Company Limited (“Advertising Company”) are still undergoing, which are expected to be completed by the end of October as scheduled.

During the Reporting Period, the Company has determined with the audit firm responsible for the audit of internal control (“auditors for internal control”) on the planning of audit of internal control. As at the end of Reporting Period, auditors for internal control have completed the interim auditing of the Company and the Advertising Company.

3.10 For definitions of the relevant toll highways set out in this report, please refer to the annual report of the Company.

By order of the Board
Yang Hai
Chairman

Shenzhen, the PRC, 27 October 2011

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. Zhao Jun Rong (Non-executive Director), Mr. Tse Yat Hong (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. Lam Wai Hon, Ambrose (Independent non-executive Director), Mr. Ting Fook Cheung, Fred (Independent non-executive Director), Mr. Wang Hai Tao (Independent non-executive Director) and Mr. Zhang Li Min (Independent non-executive Director).

Appendix:**Consolidated Balance Sheet**

30 Sep 2011

Unit: RMB; Unaudited

Item	As at the end of the Period	As at the beginning of the year (Restated)
Current assets:		
Cash at bank and on hand	1,536,779,775.09	874,274,396.40
Accounts receivable	267,953,547.78	253,540,699.00
Advances to suppliers	22,266,451.49	13,865,949.18
Interests receivable	-	1,715,171.24
Other receivables	29,156,969.56	35,606,441.72
Inventories	2,974,440.69	3,401,645.38
Total current assets	1,859,131,184.61	1,182,404,302.92
Non-current assets:		
Long-term receivables	62,000,000.00	-
Long-term equity investments	1,638,531,038.38	1,613,387,908.04
Investment properties	16,548,850.00	16,980,625.00
Fixed assets	1,214,145,638.87	1,042,577,899.00
Construction in progress	19,018,735.04	47,334,146.65
Intangible assets	19,086,345,288.25	19,037,800,337.24
Long-term prepaid expenses	3,277,955.18	3,964,038.77
Derivate financial instrument assets	694,757.58	-
Deferred tax assets	56,927,805.17	105,517,561.08
Total non-current assets	22,097,490,068.47	21,867,562,515.78
TOTAL ASSETS	23,956,621,253.08	23,049,966,818.70
Current liabilities:		
Short-term borrowings	178,618,000.00	734,259,800.00
Notes payable	-	3,024,616.00
Accounts payable	1,011,042,249.14	945,449,947.00
Advances from customers	25,774,699.96	14,171,844.00
Employee benefits payable	23,039,297.06	63,049,199.61
Taxes payable	130,792,712.37	170,785,260.62
Interests payable	50,706,097.14	56,915,058.28
Dividends payable	7,829,353.57	-
Other payables	323,547,523.13	386,082,960.13
Current portion of non-current liabilities	832,444,848.15	195,463,729.63
Total current liabilities	2,583,794,780.52	2,569,202,415.27
Non-current liabilities:		
Long-term borrowings	5,440,465,480.00	5,757,383,500.00
Bonds payable	4,337,422,859.46	2,807,923,750.11
Provisions	350,095,881.43	882,434,765.75
Deferred tax liabilities	992,939,712.94	1,033,403,386.02
Derivate financial instrument liabilities	14,380,356.99	25,696,082.32
Total non-current liabilities	11,135,304,290.82	10,506,841,484.20
Total liabilities	13,719,099,071.34	13,076,043,899.47
Owners' equity:		
Share capital	2,180,770,326.00	2,180,770,326.00
Capital surplus	3,179,760,264.16	3,155,178,649.17
Surplus reserve	1,446,432,645.22	1,446,432,645.22
Undistributed profits	2,224,706,372.09	1,866,445,317.49
Total equity attributable to owners of the Company	9,031,669,607.47	8,648,826,937.88
Minority interests	1,205,852,574.27	1,325,095,981.35
Total owners' equity	10,237,522,181.74	9,973,922,919.23
TOTAL LIABILITIES AND OWNERS' EQUITY	23,956,621,253.08	23,049,966,818.70

Balance Sheet
30 Sep 2011

Unit: RMB; Unaudited

Item	As at the end of the Period	As at the beginning of the year
Current assets:		
Cash at bank and on hand	1,042,355,207.34	568,822,519.87
Accounts receivable	228,238,847.45	217,361,364.51
Advances to suppliers	12,576,950.39	5,817,924.39
Interests receivable	-	1,715,171.24
Other receivables	354,454,793.21	54,197,326.13
Inventories	1,442,878.88	1,620,033.26
Total current assets	1,639,068,677.27	849,534,339.40
Non-current assets:		
Long-term receivables	1,319,383,964.14	1,332,357,225.41
Long-term equity investments	6,507,558,254.04	6,536,154,096.00
Investment properties	16,548,850.00	16,980,625.00
Fixed assets	658,560,218.85	585,565,536.27
Construction in progress	3,442,609.35	1,746,567.52
Intangible assets	5,097,667,922.12	5,160,086,289.08
Long-term prepaid expenses	3,277,955.18	3,964,038.77
Deferred tax assets	56,927,805.17	103,492,784.79
Total non-current assets	13,663,367,578.85	13,740,347,162.84
TOTAL ASSETS	15,302,436,256.12	14,589,881,502.24
Current liabilities:		
Short-term borrowings	195,000,000.00	798,959,000.00
Notes payable	-	3,024,616.00
Accounts payable	161,935,816.77	177,072,709.99
Advances from customers	6,850,234.96	750,000.00
Employee benefits payable	13,863,123.24	46,561,798.21
Taxes payable	82,743,753.48	81,855,281.28
Interests payable	47,496,151.31	51,995,863.04
Other payables	353,395,930.90	316,618,145.73
Current portion of non-current liabilities	428,029,005.41	172,631,343.63
Total current liabilities	1,289,314,016.07	1,649,468,757.88
Non-current liabilities:		
Long-term borrowings	1,410,697,800.00	1,944,794,500.00
Bonds payable	4,345,411,190.76	2,816,038,196.64
Provisions	350,095,881.43	632,629,231.75
Total non-current liabilities	6,106,204,872.19	5,393,461,928.39
Total liabilities	7,395,518,888.26	7,042,930,686.27
Owners' equity:		
Share capital	2,180,770,326.00	2,180,770,326.00
Capital surplus	2,315,587,934.74	2,315,587,934.74
Surplus reserve	1,446,432,645.22	1,446,432,645.22
Undistributed profits	1,964,126,461.90	1,604,159,910.01
Total owners' equity	7,906,917,367.86	7,546,950,815.97
TOTAL LIABILITIES AND OWNERS' EQUITY	15,302,436,256.12	14,589,881,502.24

Consolidated Income Statement

Jul-Sep 2011

Unit: RMB; Unaudited

Item	The Period (Jul-Sep)	The same period of last year (Jul-Sep) (Restated)
1. Revenue	732,219,727.83	729,194,455.53
Less: Cost of services	105,306,533.08	316,839,323.82
Business tax and surcharges	24,524,742.55	23,474,772.82
General and administrative expenses	13,766,728.78	11,284,225.38
Finance expenses - net	138,665,138.69	125,183,635.90
Add: Investment income	35,035,039.90	49,437,424.97
Including: Share of profit of associates and joint ventures	35,035,039.90	49,437,424.97
2. Operating profit	484,991,624.63	301,849,922.58
Add: Non-operating income	89,006.32	234,964.50
Less: Non-operating expenses	104,080.76	1,353,062.49
3. Total profit	484,976,550.19	300,731,824.59
Less: Income tax expenses	121,974,971.62	65,093,725.95
4. Net profit	363,001,578.57	235,638,098.64
Net profit attributable to owners of the Company	354,662,965.02	220,456,386.41
Minority interests	8,338,613.55	15,181,712.23
5. Earnings per share		
(1) Basic earnings per share	0.163	0.101
(2) Diluted earnings per share	0.163	0.101
6. Other comprehensive income	18,399,616.28	1,109,422.23
7. Total comprehensive income	381,401,194.85	236,747,520.87
Attributable to owners of the Company	373,062,581.30	221,565,808.64
Minority interests	8,338,613.55	15,181,712.23

Income Statement
Jul~Sep 2011

Unit: RMB; Unaudited

Item	The Period (Jul-Sep)	The same period of last year (Jul-Sep)
1. Revenue	271,674,970.26	265,958,481.37
Less: Cost of services	-238,542,401.90	126,230,405.01
Business tax and surcharges	9,149,107.05	8,247,928.93
General and administrative expenses	13,640,265.69	11,281,157.57
Finance expenses - net	55,187,238.35	49,085,624.65
Add: Investment income	35,322,490.12	161,966,323.16
Including: Share of profit of associates and joint ventures	35,035,039.90	49,437,424.98
2. Operating profit	467,563,251.19	233,079,688.37
Add: Non-operating income	15,640.23	222,708.50
Less: Non-operating expenses	24,057.65	1,140,885.62
3. Total profit	467,554,833.77	232,161,511.25
Less: Income tax expenses	106,515,863.20	13,017,838.94
4. Net profit	361,038,970.57	219,143,672.31
5. Other comprehensive income	-	-
6. Total comprehensive income	361,038,970.57	219,143,672.31

Consolidated Income Statement

Jan~Sep 2011

Unit: RMB; Unaudited

Item	Beginning of the year to the end of the Period (Jan-Sep)	Beginning of the last year to the end of the corresponding period of the last year (Jan-Sep) (Restated)
1. Revenue	2,115,317,759.22	2,010,575,039.14
Less: Cost of services	769,549,503.48	889,925,954.52
Business tax and surcharges	75,580,799.88	67,143,146.51
General and administrative expenses	45,892,483.81	32,914,206.60
Finance expenses - net	385,498,165.47	372,428,578.97
Add: Investment income	117,893,872.49	136,232,026.19
Including: Share of profit of associates and joint ventures	117,893,872.49	136,232,026.19
2. Operating profit	956,690,679.07	784,395,178.73
Add: Non-operating income	324,194.50	8,159,914.53
Less: Non-operating expenses	434,080.39	2,027,433.72
3. Total profit	956,580,793.18	790,527,659.54
Less: Income tax expenses	214,257,675.82	169,096,120.83
4. Net profit	742,323,117.36	621,431,538.71
Net profit attributable to owners of the Company	707,184,306.76	579,955,119.30
Minority interests	35,138,810.60	41,476,419.41
5. Earnings per share		
(1) Basic earnings per share	0.324	0.266
(2) Diluted earnings per share	0.324	0.266
6. Other comprehensive income	24,581,614.99	-2,538,242.16
7. Total comprehensive income	766,904,732.35	618,893,296.55
Attributable to owners of the Company	731,765,921.75	577,416,877.14
Minority interests	35,138,810.60	41,476,419.41

Income Statement

Jan~Sep 2011

Unit: RMB; Unaudited

Item	Beginning of the year to the end of the Period (Jan-Sep)	Beginning of the last year to the end of the corresponding period of the last year (Jan-Sep)
1. Revenue	763,970,982.54	691,462,330.34
Less: Cost of services	13,710,286.14	350,961,877.51
Business tax and surcharges	29,018,340.30	24,040,809.48
General and administrative expenses	45,755,649.77	32,793,602.26
Finance expenses - net	148,815,281.22	161,126,335.22
Add: Investment income	310,285,125.95	447,849,444.68
Including: Share of profit of associates and joint ventures	117,893,872.49	136,232,026.20
2. Operating profit	836,956,551.06	570,389,150.55
Add: Non-operating income	107,635.41	7,507,624.45
Less: Non-operating expenses	99,909.41	1,728,094.64
3. Total profit	836,964,277.06	576,168,680.36
Less: Income tax expenses	128,074,473.00	21,735,595.56
4. Net profit	708,889,804.06	554,433,084.80
5. Other comprehensive income	-	-
6. Total comprehensive income	708,889,804.06	554,433,084.80

Consolidated Cash Flow Statement

Jan~Sep 2011

Unit: RMB; Unaudited

Item	Beginning of the year to the end of the Period (Jan-Sep)	Beginning of the last year to the end of the corresponding period of the last year (Jan-Sep) (Restated)
1. Cash flows from operating activities:		
Cash received from rendering of services	2,086,161,359.50	1,969,801,915.17
Cash received from refunds of taxes	17,398,563.48	-
Cash received relating to other operating activities	28,251,677.74	78,509,026.68
Sub-total of cash inflows	2,131,811,600.72	2,048,310,941.85
Cash paid for goods and services	376,624,185.97	215,106,370.82
Cash paid to and on behalf of employees	163,682,077.56	118,807,262.13
Payments of taxes and surcharges	363,499,362.35	271,446,851.46
Cash paid relating to other operating activities	147,161,745.05	53,043,264.41
Sub-total of cash outflows	1,050,967,370.93	658,403,748.82
Net cash flows from operating activities	1,080,844,229.79	1,389,907,193.03
2. Cash flows from investing activities:		
Cash received from disposal of investments	5,444,536.90	10,870,335.11
Cash received from returns on investments	92,206,205.31	96,075,798.52
Net cash received from disposal of fixed assets	61,350.00	26,759,268.16
Cash received relating to other investing activities	22,609,489.29	14,456,813.23
Sub-total of cash inflows	120,321,581.50	148,162,215.02
Cash paid to acquire fixed assets, intangible assets and other long-term assets	700,002,201.14	732,743,044.19
Net cash paid to acquire subsidiaries or other business units	4,900,000.00	-
Cash paid relating to other investing activities	5,489,108.33	23,411,953.37
Sub-total of cash outflows	710,391,309.47	756,154,997.56
Net cash flows from investing activities	-590,069,727.97	-607,992,782.54
3. Cash flows from financing activities:		
Cash received from capital contributions	63,400,992.64	-
Including: Cash received from capital contributions by minority owners of subsidiaries	63,400,992.64	-
Cash received from borrowings	634,834,680.00	1,884,774,713.67
Cash received from issuance of bonds	1,499,620,000.00	697,326,500.00
Cash received relating to other financing activities	275,000,000.00	175,002,200.00
Sub-total of cash inflows	2,472,855,672.64	2,757,103,413.67
Cash repayments of borrowings	1,116,158,298.65	2,725,385,202.26
Cash payments for interest expenses and distribution of dividends or profits	870,239,941.64	599,568,041.77
Cash payments relating to other financing activities	24,779,957.22	4,124,845.10
Sub-total of cash outflows	2,011,178,197.51	3,329,078,089.13
Net cash flows from financing activities	461,677,475.13	-571,974,675.46
4. Effect of foreign exchange rate changes on cash and cash equivalents	-2,690,788.40	658,957.56
5. Net increase in cash and cash equivalents	949,761,188.55	210,598,692.59
Add: Cash and cash equivalents at beginning of the year	577,312,394.11	510,768,046.61
6. Cash and cash equivalents at end of period	1,527,073,582.66	721,366,739.20

Cash Flow Statement
Jan~Sep 2011

Unit: RMB; Unaudited

Item	Beginning of the year to the end of the Period (Jan-Sep)	Beginning of the last year to the end of the corresponding period of the last year (Jan-Sep)
1. Cash flows from operating activities:		
Cash received from rendering of services	741,726,693.16	655,081,376.67
Cash received relating to other operating activities	109,203,568.17	217,699,499.09
Sub-total of cash inflows	850,930,261.33	872,780,875.76
Cash paid for goods and services	54,105,140.67	50,853,645.82
Cash paid to and on behalf of employees	98,801,928.20	64,907,207.26
Payments of taxes and surcharges	112,219,553.38	66,922,258.35
Cash paid relating to other operating activities	357,118,953.23	43,433,960.50
Sub-total of cash outflows	622,245,575.48	226,117,071.93
Net cash flows from operating activities	228,684,685.85	646,663,803.83
2. Cash flows from investing activities:		
Cash received from disposal of investments	285,001,835.55	106,558,520.55
Cash received from returns on investments	284,597,458.74	407,693,217.00
Net cash received from disposal of fixed assets	6,420.00	26,754,448.16
Cash received relating to other investing activities	13,065,740.00	12,070,666.44
Sub-total of cash inflows	582,671,454.29	553,076,852.15
Cash paid to acquire fixed assets, intangible assets and other long-term assets	242,268,314.37	215,064,716.81
Net cash paid to acquire subsidiaries or other business units	230,718,326.38	100,000,000.00
Cash paid relating to other investing activities	-	501,060,896.38
Sub-total of cash outflows	472,986,640.75	816,125,613.19
Net cash flows from investing activities	109,684,813.54	-263,048,761.04
3. Cash flows from financing activities:		
Cash received from borrowings	394,600,000.00	1,429,562,515.81
Cash received from issuance of bonds	1,499,620,000.00	697,326,500.00
Cash received relating to other financing activities	337,600,000.00	220,911,842.86
Sub-total of cash inflows	2,231,820,000.00	2,347,800,858.67
Cash repayments of borrowings	1,282,817,949.80	2,160,221,572.26
Cash payments for interest expenses and distribution of dividends or profits	522,188,257.12	429,658,932.05
Cash payments relating to other financing activities	4,555,578.40	2,847,473.92
Sub-total of cash outflows	1,809,561,785.32	2,592,727,978.23
Net cash flows from financing activities	422,258,214.68	-244,927,119.56
4. Effect of foreign exchange rate changes on cash and cash equivalents	160,782.95	687,703.73
5. Net increase in cash and cash equivalents	760,788,497.02	139,375,626.96
Add: Cash and cash equivalents at beginning of the year	271,860,517.58	267,620,833.88
6. Cash and cash equivalents at end of period	1,032,649,014.60	406,996,460.84