



Stock code: 600548(A share)

00548(H share)

SHENZHEN EXPRESSWAY COMPANY LIMITED

E-Flash Report

2010 Interim Results



GUIDANCE

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Interim Results Presentation

On 23 August 2010, the Company respectively held the interim results presentation conferences and press conferences in Shenzhen and Hong Kong. Totally 45 investors and analysts and 25 reporters participated in the conferences. At the conferences, Mr. Yang Hai, the Chairman of the Company, reported the operating performances in 1H2010 and the development plan in 2H2010, and together with other members of management to answer all questions raised by the investors and reporters. (Please go to http://www.sz-expressway.com/download/tjcl/2010bn_h.pdf to read or download the materials for the references.)



Popular Questions & the Answers

Q1 Why was the growth rate of net profit lower than that of revenue? Will this situation be improved in the future?

A1 In 1H2010, the toll revenue increased by 93% YOY, while the cost of services for toll highways increased by 85% YOY, and the profit increased by 14.7% YOY. Excluding the impact of “provision for maintenance/resurfacing obligations”, the profit increased by 48% YOY. The



revenue and costs increased vigorously, mainly because of the continuous expansion of the business scope, in terms of the consolidation of Jihe East, the expressway operation of the main part of Qinglian Project, and the operation of Yanba C. In the other hand, the new-opened projects are still in the course of cultivation, the revenue growth cannot offset the

effect of the financial costs and lead to a fact that the profit growth was relatively gentle. Along with the gradual maturity of the new projects, the profitability of the projects will be enhanced year by year.

For 2H2010, the finance costs will keep in a relative stable level, and the cost of services will increase significantly. The increase of the cost of services will be from the aspects of depreciation and amortization, road maintenance expenses and employee expenses. The Company adopts the units-of-usage method to calculate the amount of amortization, thus the amount will increase along with the growth of traffic volumes. Having considered the specific construction conditions, the physical condition of the road assets and the work progress, some of the specific maintenance constructions or settlement of the Group is adjusted to be conducted in 2H2010. In addition, the Company is planning to repair Qinglian Class 2 Road in 2H2010. It is expected that there will be a significant increase in the road maintenance expenses to be incurred for 2H2010 over that for 1H2010. Along with development of the Company's business, the number of staff will increase and besides, the annual bonus and other expenses of staff usually arise in the fourth quarter. It is expected that the employee expenses will have a certain increase in 2H2010 compared with that of 1H2010.

Along with the gradual advance of construction investment, the finance costs in 2H2010 will slightly increase and it is expected to be RMB500~550 million for the whole year.



Q2 Please introduce the costs and expenses of Qinglian Project in 1H and the construction progress of Liannan Section. When will the construction of Yilian Expressway be completed?

A2



On the 100%-equity basis, the total costs of Qinglian Project was approximately RMB100 million in 1H2010, of which its depreciation and amortization expense was approximately RMB70 million, outlay cost was approximately RMB30 million, and its finance cost was approximately RMB137 million.

The construction progress of Liannan Section was basically in line with expectation. Impacted by persistent rainfall across northern Guangdong region during 1H2010, the construction of Liannan Section became more difficult and the time for construction was limited, which adversely affected the project management. In response to these, Qinglian Company made timely adjustments to optimize the construction organization and arrangement, continually reinforced external coordination, and strengthened on-site supervision, thus achieved its management objectives in

quality, safety and progress. At present, approximately 80% of the earthwork of road understructure for new route has been completed, and the tunnel as the critical control point of the project was completed. It is expected that the overall construction will be completed in early 2011.

The construction progress of Yilian Expressway (connects with Qinglian Expressway in north) was affected by the persistent rainfall in 1H2010. It is understood that its completion will be later than Liannan Section. The Company will keep a close watch on the construction progress of Yilian Expressway.

Q3 Please introduce the progresses of the expansions of Meiguan Expressway.

A3 The replies or approval of the reconstruction and expansion of the North Section of Meiguan Expressway have been received on the evaluation report on aspects such as the environmental impacts, the feasibility report and pre-approval of land use. The modification of construction drawing design has been completed and the process of bidding for construction is underway. The Company is negotiating with the relevant competent authorities on the time for start up.

Q4 Are there any measures for the Company in financing? And is there any plan for financing by equity except bank loan?

A4 In 1H2010, the Company supplied measures to optimize the debt structure, such as maintaining an appropriated proportion of fixed interest rate borrowings and foreign currency loan, and keeping a rational arrangement of debt maturity structure. Besides, the Company issued medium-term notes totaling RMB700 million, the actual cost was lower than that of the bank borrowings of the same period. The Company executed transaction arrangements under NDS and NDF to lock up the exchange and interest rates of medium to long-term foreign currency loans totaling HK\$647 million, and thus kept the related borrowing cost at a lower level. The Company also actively integrated the Group's resources in term of repay part of higher-cost bank loans by lower-cost funds. The Group's composite borrowing costs for 1H2010 amounted to 4.95%, which is 0.75 percentage point lower than the same period of last year.



The Company has been continuously and actively exploring and engaging in new ways of financing and financing products to reduce its capital costs and prevent financial risks. Equity financing is one of the methods studied by the Company. The Company will choose the appropriate time to push it ahead based on the comprehensive consideration of the needs of the development and the interests of shareholders.

About Shenzhen Expressway

Shenzhen Expressway was established on 30 December 1996. In March 1997, the Company issued foreign capital shares (H Shares) which were subsequently listed on The Stock Exchange of Hong Kong Limited on 12 March 1997. In December 2001, the Company issued Renminbi-denominated ordinary shares (A Shares) which were subsequently listed on the Shanghai Stock Exchange on 25 December 2001. The Company is mainly engaged in the investment, construction, operation and management of toll highways.

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