



SHENZHEN EXPRESSWAY COMPANY LIMITED

E-Flash Report

2011 Interim Results

GUIDANCE

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Interim Results Presentation

On 15 August 2011, Shenzhen Expressway held 2011 interim results presentation in Shenzhen and Hong Kong respectively. Totally 55 investors and analysts and 31 reporters participated in the conferences. Mr. Yang Hai, the Chairman of the

Company, reported the operational performance of the Company in the first half of 2011 and the working plan of next stage at the conferences, and answered the questions raised by the investors and reporters with other members of the management. (Please go to <http://www.sz-expressway.com/UploadFiles/2011/08/131708502CA074AE.pdf> to read or download the materials for the references.)



Frequently Asked Questions

Q1 What are the main reasons of the YOY decrease in profit of the Group in the first half of the year? How will the operational performance be in the second half of the year?

A1 Due to the factors such as slowdown in the growth of macro-economy and changes in the distribution of vehicles and the road network, toll revenue derived from most of the Group's toll highways had recorded a slower YOY growth in the first half of the year as compared with the recovery growth in the last year, and cost of services increased due to the implementation of business plans and the inflationary effect, which slightly lower the YOY profit of the Group in the first half of 2011.

It is expected that no material changes in the macro-economy would happen in the second half of the year, while the stability of the operational performance of toll highways will continue in the short term.

Q2 What are the trends of the Company's cost of services and financial expenses in the second half of the year?

A2 The cost of services will keep the upward trend in the second half of the year, mainly due to:

1. the settlement of cost of services is usually concentrated in the second half of the year;
2. as affected by inflation and the enlargement of business, the employee expenses and road maintenance expenses will increase.

In the second half of the year, following the completion of construction projects and the steady increase in operating cash flows, the overall borrowing level of the Group is expected to remain flat. However, as the overall borrowing scale remains at a higher level, coupled with YOY decrease in capitalized interest caused by the completion of Liannan Section of Qinglian Project and the tightening financing environment, it is expected that the financial expenses of the Group in the second half of the year will have a slight increase.

Q3 Please introduce the progress of the reconstruction and expansion of the North Section of Meiguan Expressway. Has the government settled the working program of the South Section? What is the construction cost for the road surface maintenance on the South Section completed recently?

A3 The most of preliminary works of the reconstruction and expansion of the North Section, such as land requisition, have been basically completed. As at the end of the Reporting Period, the bidding for road surfaces construction is underway. It is expected that this project will be completed in early 2013.

Given the development of the economy and traffic of the peripheral regions, the government is planning to move northward the toll station on the main route of Meiguan Expressway in the south, and to pay the toll fees collectively by the government for the vehicles using the section to the south of the new toll station. Currently, the Company is still negotiating with the relevant authorities on the proposal of moving the station and the overall operation arrangement of the project.

For improving the conditions of road surface and enhancing traffic efficiency, the road surface maintenance and traffic improvement work on the South Section had been carried out recently and were completed in early August 2011, with the construction costs amounting to approximately RMB100 million. The accounting treatment of such costs is still under discussion between the Auditor and the Company.

Q4 What is the impact on the Company caused by the tight monetary policy?

A4 In general, tight monetary policy may add stress on refinancing and financial expenses of enterprises. To prevent the relevant risks and to strengthen the Company's capacity of subsequent financing and development, the Company continued to optimize its debt

structure by way of various measures such as appropriate lowering of the short-term debt ratio, maintaining the scale of foreign currency-denominated loans and flexibly adopting financing products. As there was a relatively higher proportion of fixed rate debt and a lagged effect of increase in interest rate to certain extent, the Group's composite borrowing costs for the Reporting Period amounted to 4.91%, which was still lower than the market level. In early August, the Company has successfully issued corporate bonds in amount of RMB1.5 billion which would be favourable to the Company's further optimization of the debt structure, reduction of the risk of financing, and thus foster a stable development of the Group.

Q5 What is the impact on the Company's future fund arrangement caused by the investment in Guilong Project?

A5 Guilong Project comprises the Road Construction Project and the Development Project. The Road Construction Project is the construction project of Guilong Road phase I with an estimated budget of approximately RMB600 million. The Development Project is the primary development of land with an area of approximately 3,000 Mu (approximately 2,000,000 square meters) nearby the road, with its expenses estimated to approximately RMB390 million. The above mentioned funds will be provided and be recovered in installments in three to four years. Therefore, the cash flows will be immaterial in each year. In addition to its internal funds, the Company also plans to satisfy such capital needs by working with copartner or adopting appropriated financing products.

Q6 What is the impact on the Company's operation caused by the Notice on Implementation of Special Clean-Up Work for Toll Highways jointly issued by the five ministries and commissions?

A6 The operation of the Group's toll highway projects has been appropriately approved by competent authorities, and relevant disclosures have been continuously made to the investors in the initial listing and subsequent information disclosure documents according to the regulations. However, if the government authorities decide to make adjustments on the concession period or toll rate of the projects as required by the above notice, the operation and management of the Group will be affected to a certain extent. As the specific implementation measures have not announced yet, the possibility of the policy adjustment or the impact are still not clear. The Company carried out in-depth research on relevant industry policies, and is actively communicating with the competent authorities on the specific circumstances of each project in order to determine the actual impacts of the policies and formulate feasible solutions.

From industry management's perspective, the introduction of relevant policies will reinforce the standardised management of toll highway industry, and is beneficial to the long-term health development of the industry. The Company will keep an eye on the direction of the policies and make adjustments to the operation strategies on time according to the Company's development need and internal and external environment, and do our best to protect the interests of the Company and the 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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