



E-Newsletter

管理层视角 Management Viewpoint

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The Choices

(Extracted from the speech of Mr. Yang Hai, Chairman in Work Conference 2014 of the Company)

2014 is the Year of Choices to Shenzhen Expressway. It is the final year of the Company's second five-year period of strategic development. Whether the next five-year strategic plan can be successfully launched, which is crucial to our future development, strongly depends on whether the annual work targets can be accomplished. At this moment, we are at the cross-roads where lie the choices for our future.

There were times when the huge economic progress consistently boosted the highway traffic demand from the community, making the highway industry very popular in the public. There is a saying that goes: If you want to make a fortune, you have to build a road; if you want to make a greater fortune, you have to build a broader avenue. The highways we constructed promoted economic growth and made significant contribution to the regional development. At that time, investment, construction and operation of toll roads were firmly pursued as our principal business.

And there were also times when the highway industry started to receive general criticism from society: the industry was a worse profiteer than the real estate industry. The industry operators were accused of acting as the "highwayman" by the media, and thus we faced a bottleneck in our business growth. Although we still continued to promote social and economic growth as before, we had to think positively, cope proactively, and choose rationally in response to these changes.



管理层视角 Management Viewpoint

This year, the annual management theme of the Company is 'launch'. It reflects that the most pressing and major mission of the Company is to respond to changes in the environment in a timely manner, explore new directions for corporate sustainable development, and set off a new expedition on path of development.

In terms of market demand, the highway business built over a decade of our efforts, remains promising. We asked ourselves: What opportunities can we foresee in the entrusted construction management and maintenance market? What strengths do we have to obtain resources from the market? In this mobile internet era, will there be any innovation in the ways and measures we operate business? Can we offer drivers and passengers a better driving experience on our roads?

In terms of new industry, we have taken a firm stride forward. Again, we asked ourselves: How can we achieve breakthroughs against the backdrop of innovative urbanization? Can we become the integrated and comprehensive developer of the innovative urbanization infrastructure? Where is our breakthrough point? For which business model should we position ourselves? Can we realize the replicability of the business model?

Strategic planning is a necessary condition for success, but not a sufficient one. As we think twice, whether the strategies can be materialized actually depends on how to ensure our execution capability and effective integration of resources. Further, the final victory over this sustained battle is subject to how we can properly reserve the resources and maintain our workforce's passion and vibrancy.

Do the right things and march into the future. We are hopeful that the Company could make greater progress in various projects, and we look forward to the mutual growth of the interests of our shareholders, staff and the community.

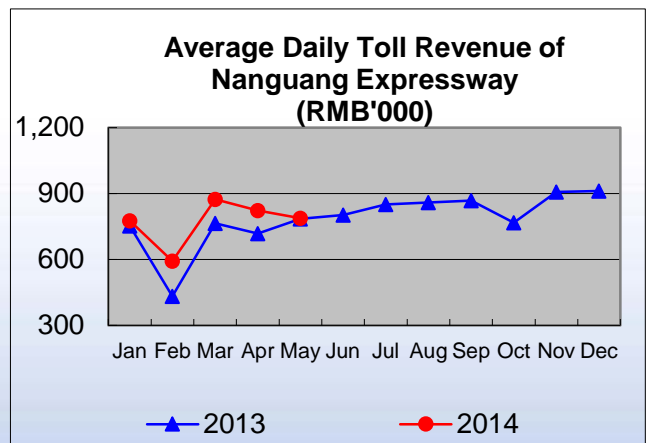
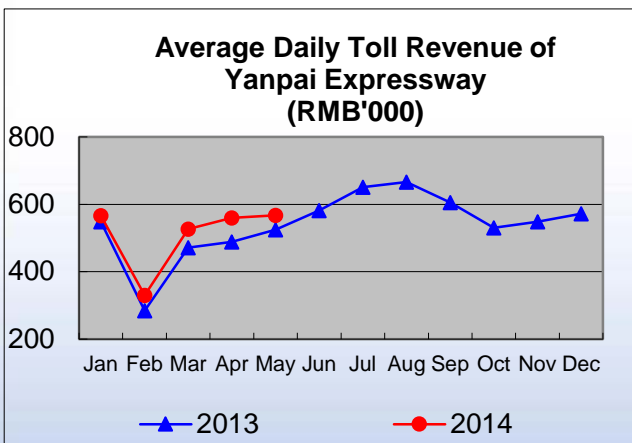
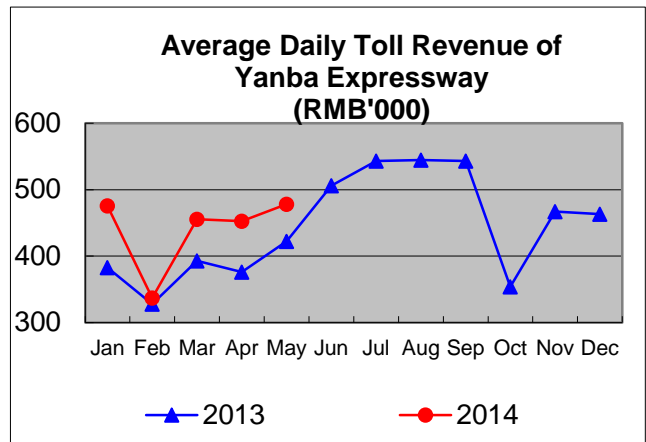
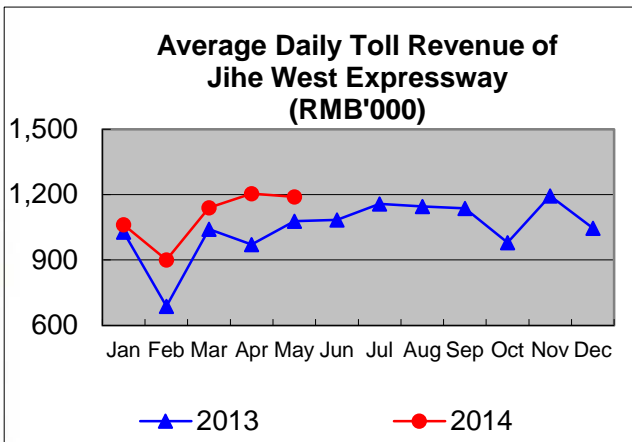
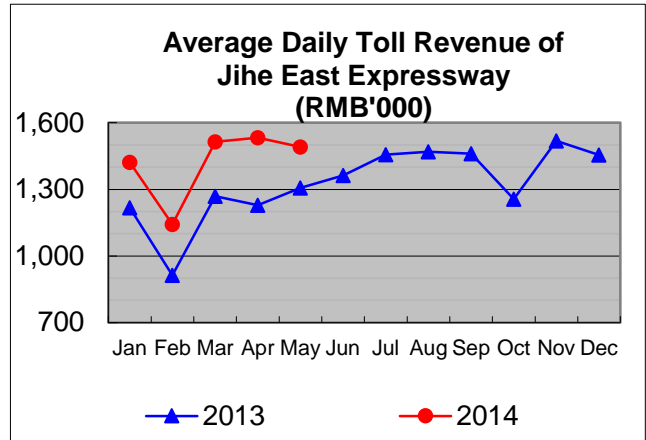
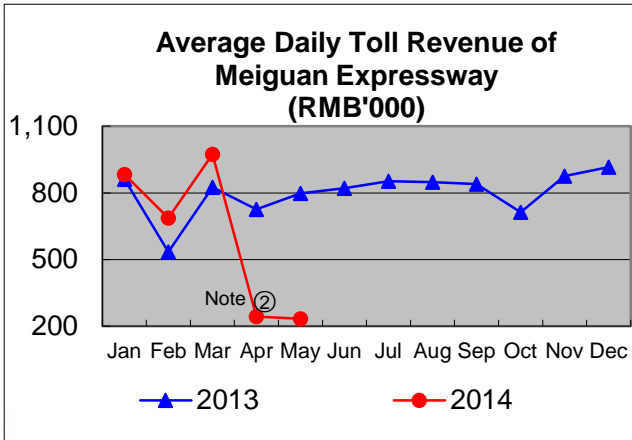


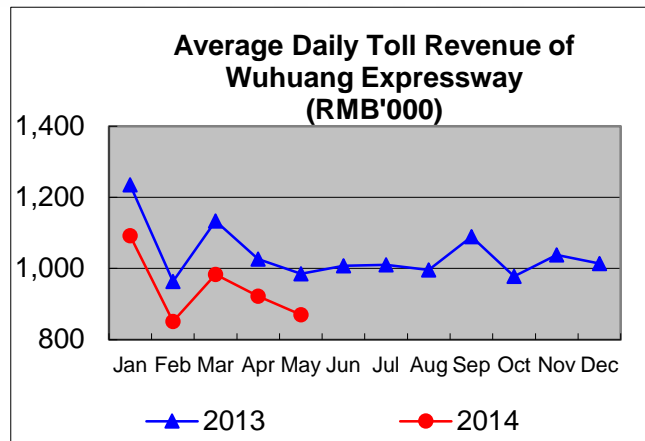
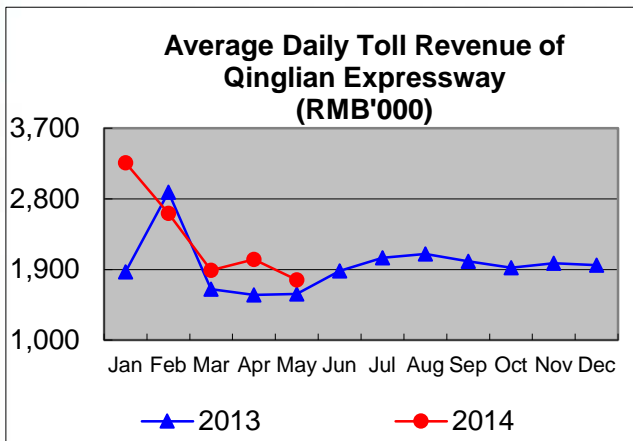
Company News

- On 7 July 2014, the Company issued the 2014 Phase I Medium-Term Note with an aggregate amount of RMB1 billion and the interest rate of 5.50%.
- On 13 May 2014, the Company declared the dividend of RMB0.16 per share for the year 2013 with the dividend payout ratio of 48.5%. The payment of dividend has been completed.
- The eighteenth meeting of the sixth session of the Board of the Company was held on 29 May 2014. It considered and approved the proposal of the transfer matters of Qinglian Class 2 Road. For details, please refer to the announcements of the Company dated 30 May 2014.
- The nineteenth meeting of the sixth session of the Board of the Company was held on 4 July 2014. It considered and approved proposals, including the registration of a wholly-owned subsidiary in Qianhai and carrying out the construction organization works of the foregoing section of Outer Ring Project. For details, please refer to the announcements of the Company dated 7 July 2014.
- According to the sell-back terms in the Company's RMB1.5 billion corporate bonds issued in 2011, Bondholders are entitled to sell back the bonds in whole or in part to the Company at the end of the third year. During the sell-back application period from 30 June to 4 July 2014, the number of sell-back application was 3 lots (RMB3,000 in total), indicating investors' confidence in and recognition of the Company's prospects and bond value.



Operations Review of Major Projects





(For operational performances of unconsolidated projects, please go to "Operational Statistics" of the Company's web-site.)

- ① Due to the difference in location and function, the Spring Festival holiday may have a positive or negative impact on the operational performance of the Group's highways. As the time of Spring Festival holiday differs for each year (2014 Spring Festival: 31 January; 2013 Spring Festival: 10 February), investors are advised to consolidate the operational statistics for both January and February of each year for comparison in order to see the trend of the YOY change in operational performance of the projects.
- ② Pursuant to the relevant approval and authorization by the general meeting of the Company and the People's Government of Shenzhen, Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km has been operated by card access but the toll exempted since 24:00 on 31 March 2014, and the toll of Shenzhen-Dongguan border to Guanlan section of Meiguan Expressway with a mileage of 5.4 km remained.
- ③ Benefit from the combined effect of improving road networks and the natural growth of traffic volume, the operational performance of most of the toll highways operated or invested by the Group maintained stable or recorded a satisfactory growth. For the diversion effects from the commence of operation of Han'e Expressway (Wuhan-Ezhou, in Hubei), the full opening of Hurong National Expressway (Shanghai-Chengdu, Sichuan) and the traffic control measurements still exist, the toll revenue of Wuhuang Expressway decreased on a YOY basis.
- ④ The provincial-wide inter-network toll collection in Guangdong Province has been implemented since the end of June 2014. As the amount of data to be processed is rather large and it takes time for system integration after provincial-wide interconnection, the monthly settled and disclosed certain operational data of the expressway projects in Guangdong Province will be recorded based on estimation for the time being in recent months. Investors are advised to use such data cautiously.



Frequently Asked Questions

1. What's the progress in the Outer Ring Project?

A: The Company is currently in discussion with local government authorities on the investment model and construction plan for the Outer Ring Project, while the details remain to be determined. In order to cooperate with the government for the overall planning and work arrangement in relation to expressway construction, on the condition that the Shenzhen Government has specified the ultimate responsibility for Outer Ring Project and has made arrangements for the construction funding, recently the Board has agreed the Group to carry out the construction organization works for the foregoing section of the Outer Ring Project (the "Foregoing Section"). The estimated investment amount of the Foregoing Section is approximately RMB500 million. The construction will utilize the funds arranged by the government, the Company will carry out the organization and implementation through its wholly-owned subsidiary, Shenzhen Outer Ring Expressway Investment Company Limited. If the Group and the Shenzhen Government finally fail to reach agreement on the investment and exclusive operation right matters regarding the Outer Ring Project, the Shenzhen Government or other investors determined by Shenzhen Government will take over the preliminary costs and bear relevant legal responsibilities and obligations.

2. What are the follow-ups after the implementation of adjusted road toll of Meiguan Expressway? And what's the influence on the Company?

A: As of 1 April 2014, the Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km (the "Toll Free Section") has officially implement toll free. And for April and May, the daily average mixed traffic volume of the Toll Free Section increased by approximately 30% than before. Before the completion of the new mainline toll station, a card is still needed in passing Toll Free Section. To guarantee a safe and smooth traffic, the Company makes emergency plans as to the division of lanes, personnel allocation, equipment allocation and special events handling, etc, as well as adds emergency equipment and personnel, thus better securing the quality and efficiency of the road traffic. As for the Shenzhen-Dongguan border to Guanlan section of Meiguan Expressway with a mileage of approximately 5.4 km, the average daily toll revenue is RMB243,000 and RMB233,000 respectively in April and May, accounting for approximately 33% and 29% of the revenue derived from the whole section for the same period last year.

Pursuant to the relevant requirements of the Accounting Standards for Business Enterprises, in the second quarter of 2014, the Group shall dispose of assets regarding the Toll Free Section, which is expected to result in an increase to net profit amounting to approximately RMB1.1 billion. The Group's net profit for the period from January to June 2014 is expected to increase by approximately 300% to 350% (unaudited, the specific results information to be formally disclosed by the Company in the Interim Report 2014).

As agreed, Shenzhen Government will set up a new mainline toll station and four ramp toll stations for the Meiguan Expressway in order to maintain the integrity of expressway toll networks of Guangdong Province. The capital contribution to set up the new toll stations and ancillary facilities shall be made by Longhua New Area, and such works shall be operated and managed by the Group upon completion. Shenzhen Government will entrust the Company with the construction and management of the above-mentioned projects which are expected to be completed by the end of this year.



3. Will the Government buy back other toll highways of the Company in the future?

A: Adjusting the tolling and investment model for toll highways is a complicated process. The Government's buy-back of Meiguan Expressway had necessity and urgency and was backed by multiple conditions such as government financial resources. This model could not be replicated directly. With the development of the society and economy, the Company, together with the government departments, has been exploring new models for the industry to enhance development of the Company in a balanced and sustainable way. To date, the Company has not been in any formal or detailed discussion with Shenzhen Government about adjusting toll collections at other toll highways operated by the Company. The Company will maintain close communication with the Government, pay great attention to any potential change in the operating environment, and respond timely to protect the interests of the Company.

4. How is the inter-network toll collection implemented in Guangdong Province? What impact does it have on the Company?

A: As arranged and implemented by the Department of Transportation of Guangdong Province, "single-network" toll collection was put into operation on 29 June 2014 on all expressways in Guangdong province and toll-by-weight was introduced for all cargo vehicles. As the network toll collection is implemented, inter-area toll stations and road identification stations will all be removed, which will smooth the traffic flow, reduce the times which car owners take cards and pay tolls. This could provide car owners with more convenient and efficient road service.

As for toll-by-weight, this policy was respectively carried out in northern Guangdong in 2009 and carried out in western and eastern Guangdong in 2011, and the involved projects which the Company operated and invested in included Qinglian Expressway, Guangwu Project, Yangmao Expressway and Yanba Expressway. Since the date on which networked toll collection was implemented, central Guangdong (the Pearl River Delta) started to follow the toll-by-weight policy, which signified that this policy is effective across Guangdong Province. Based on past operations data, the policy of toll-by-weight will have a remarkable positive impact on the tolls of cross-border cargo vehicles in the preliminary stage. The traffic on the Company's toll highways in central Guangdong is mostly passenger cars and the cargo vehicles are mostly standard container trucks, which overload relatively insignificant. As such, it is expected that the impact would not be significant and the performance remains to be seen.

5. What's the progress of the Company's other business?

A: In recent years, based on the core business, the Company has been researching and attempting new business types, in order to support the Company's long-term and sustainable development. Since 2011, the Group carried out Guilong Project through Guizhou Guishen Investment Development Company Limited ("Guishen Company"), a controlled subsidiary, and participated in the regional road construction and development by "build-transfer" mode. Meanwhile, Guishen Company actively engaged in the land tenders within the development area of Guilong Project to effectively lower the risk of fund recovery from Guilong Project and realize expected or even more incomes from the project. Currently, the works on Guilong Road are largely completed. Guishen Company has successfully won the bid for the land use rights to an area of approximately 1,863 mu (1.24 million m²) around Guilong Road and is actively conducting further development of the land with an area of 300 mu (0.2 million m²) in the obtained land. Also, the Board also approved the Group's plan to transfer its equity interest in Guizhou Yuelong Investment Company Limited (which holds 293 mu (0.195 million m²) in the obtained land) through public listing, which will accelerate the Group's recovery of funds, reduce investment risk and realize the project value.



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.

For further information, please contact:

SHENZHEN EXPRESSWAY COMPANY LIMITED

Ms. Catherine ZHENG / Ms. Babe LIU

Tel: (86 755) 8285 3328 / 8285 3330

Fax: (86 755) 8285 3411

Email: ir@sz-expressway.com

WONDERFUL SKY FINANCIAL GROUP

Ms. Abbey ZHAO / Ms. Sarah CHAN

Tel: (852) 2851 1038

Fax: (852) 2815 1352

E-mail: prd@wsfg.hk

EVERBLOOM INVESTMENT CONSULTING CO., LTD.

Ms. Weiwei XIE

Tel: (86 755) 8296 6116

Fax: (86 755) 8296 6226

E-mail: sgs@everbloom.com.cn