



E-Flash Report

2015 Interim Results

GUIDANCE

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2015 Interim Results Briefing

On 24 August 2015, the Company held the 2015 Interim Results Briefing in Shenzhen and Hong Kong respectively, a total of 62 investors, analysts and reporters attended. At the briefing, Ms. Gong Taotao, Financial Controller, introduced the operational and financial performance in the first half of 2015, and Mr. Hu Wei, Chairman, talked about the challenges and opportunities that the Company are facing for future development, and shared next working plans with participants. Thereafter, the management communicated with the participants around the topics such as the Company's operational performance, progress of projects, future development strategies, and dividend policy. (Please go to <http://www.sz-expressway.com/UploadFiles/2015/08/21203230CFF23D82.pdf> to read or download the materials for reference.)





Frequently Asked Questions

1. Will the Company achieve the annual target of toll revenue set at the beginning of the year? What is the expectation to the annual operating performance?

A: At the beginning of year, the Group has set a total toll revenue target for 2015 of not less than RMB3 billion. In the first half of year, the Group recorded revenue of RMB1.5 billion, of which toll revenue of RMB1.4 billion. During the Reporting Period, the toll revenue of Meiguan Expressway recorded a YOY decrease of RMB51 million resulted from the toll adjustment of Meiguan Expressway since 1 April 2014. In addition, Qinglian Expressway, Yanpai Expressway and Wuhuang Expressway were affected by factors, such as diversion by road network, leading to a certain decrease in toll revenue respectively. Benefited from the organic growth of traffic volume, improvement of road network and maintenance of peripheral road sections, toll revenue of Jihe Expressway continued to achieve double-digit growth. Under the comprehensive influence of factors mentioned above, toll revenue of the Group recorded a YOY decrease of approximately 4.8%. Looking to the whole year, it is expected that the influence factors which act on the core business of toll highway and the performance trend of each project are similar to that of the first half of the year, which brings a certain pressure to the growth of revenue. The Management will continue to take effective measures to increase income and reduce expenditure and make great efforts to achieve the target set at the beginning of the year.

2. How is the progress of negotiation on the investment proposal of Outer Ring Project?

A: Outer Ring Expressway is the last expressway to be built in the plan in Shenzhen and has its unique line position advantages. However, as the project requires large scale of investment with high construction cost, the Company is negotiating with the Shenzhen Government on how to effectively apply the PPP Model as the investment model of, and in the construction plans of Outer Ring Project, including but not limited to cooperative construction, obtaining operation rights at project valuation and entrusted management to unleash the respective advantages of the government and the corporation and seek solution plans taken both commercial value and public interests into account. At present, the relevant proposal is still under negotiation.



3. What is the Company's development plans on the core business and other businesses?

- A: For the long run future, toll highway business will remain to be the major business segment and profit source of the Group. In the future, the Company will pursue the market-oriented and innovation-driven strategy, continue to seize the opportunities of this era to consolidate and strengthen the core business of toll highway and actively explore and fix the direction of the new industry so as to achieve the sustainable development of the Company.

In respect of the core business, the Company will further expand the development in the four areas include investment, construction, operation and maintenance, fostering the capital advantages and management abilities to drive the growth of its core business. For the existing projects, the Company will continue to adopt a targeted marketing measures and improve traffic efficiency and service standard, so as to attract traffic and improve operational performance. For the investment direction of new projects, the Company will prioritize to increase the shareholding of the existing project and focus on considering those projects located in privileged regions or in regions related to the existing businesses. In Shenzhen region, the Company is actively negotiating with the Shenzhen Government on how to effectively apply the PPP Model as the investment model of, and in the construction plans of Outer Ring Project. Meanwhile, the Company is also fully exploring the investment opportunities in other projects and management market. In addition, the Company also maintains a continuous communication with parent company on matters relating to asset injection, and researches and assesses quality road assets in other regions, so as to seek the development of the core business steadily.

In respect of the exploration of new industries, the goal of the Company is to achieve the target of stabilizing the performance growth in the near term and render new growth momentum in the longer term. In accordance with established principles, the Company keeps an open mind to variously explore and prudently engage in investing in the new industries which have a higher return than the core business, combining with the national policy guidance and the advantages of the Company.

In respect of the investment and financing management, the Company will actively explore new investment modes, strengthen the use of financial tools in the capital market, issue debentures in accordance with the actual needs of the Company when appropriate and conduct an in-depth research on diversification of the shareholder base and equity financing, and consolidate the internal fund management, so as to enhance the overall competitiveness for the business development of the Company.

In accordance with the Company's business development goals, the Company will also provide the appropriate support and cooperation in respect of the organization strength and humanresources, and consider both inside and outside, in order to achieve sustainable development of the Company.



4. How is the land developing and transferring work of Guilong Project going on? When will it be expected to recognize the project development income?

A: Since 2011, the Company has developed Guilong Project through the platform of the subsidiary Investment Company and Guishen Company. We have participated in the regional road construction and development by “BT Mode”. Meanwhile, through actively being engaged in the land tenders within the development area of Guilong Project, the Company reduced the risk of BT receiving account and achieved expected or even better profit return.

All BT construction works of Guilong Project has been completed in mid-2014. The most of construction management service profit has been recognized as of 2014. Guishen Company has successfully won the bid for the land use right around Guilong Project with an area of 2,310 mu (approximately 1,540,000 square meters) and has been conducting further development of the land with an area of 300 mu (approximately 200,000 square meters) in the obtained lands on their own. Guishen Company has completed the housing construction design, landscape design, and the construction of most main-body structures of Phase I Group A of Guilong Development Project (also known as “Interlaken Town Project”) (approximately 110 mu, equivalent to 70,000 square meters) and started selling with good market response. It is expected to be delivered and put in use in 2016, and then the corresponding revenue and cost will be recognized according to accounting standards. In the first half of the year, the Group transferred 100% interest in Guizhou Yuelong, which currently owns 296 mu (approximately 200,000 square meters) of Guilong Land by way of public offering. Currently the related transfer procedures have been completed and the transfer price amounted to approximately RMB180 million. The transfer contract has been executed and the transfer work is scheduled to be completed within the current year. In the future, Guishen Company will, through timely market transfer, cooperative development or self-development regarding the overall market conditions and development opportunities, realize the market value of the lands it holds and the Group’s investment gain as soon as possible and prevent the contractual and market risks in relation to the lands in an effective way.



5. What is the progress of Meilin Checkpoint Renewal Project? What is the subsequent development plan?

A: After the implementation of toll-free for part section of Meiguan Expressway, the government gradually carries out urban renewal work along the line. As the original owners of the land along the line, the Company and SZ International have the opportunity to participate in the Meilin Checkpoint Renewal Project and to realize the business value of corporate resources. Pursuant to the relevant agreement and the approval of the general meeting of the Company, the Company and SZ International (through XTC Company, its wholly-owned subsidiary) jointly contributed capital to establish United Land Company. As the applying and implementing entity of Meilin Checkpoint Renewal Project, the Company and XTC Company own 49% and 51% equity interests respectively. In the first half of the year, United Land Company entered into land transfer agreements regarding Meilin Checkpoint Renewal Project Land Parcels with Longhua Administration Bureau, Shenzhen UPLRC, as scheduled, and paid 30% of the land premium (including the transfer price of land use right and other payables) and obtained the land use right. According to current progress of related work, it is estimated that the total land cost of the project land parcel would be RMB5 billion to RMB5.2 billion, including the total land premium of approximately RMB3.567 billion, relocation compensation for the properties on the land, preliminary planning costs, and relevant tax. Currently, the negotiation between United Land Company and the operators and tenants of the existing properties on the land is still underway. It is planned that the agreements would be executed and the cleaning up works would be commenced in this year.

The Meilin Checkpoint Renewal Project Land is situated at geographically advantageous location with certain advantage on land price over that of the peripheral area, good investment value and appreciation potential. The Company is actively conducting industry policy research, exploring the method for value realization and liquidation of the land, as well as promoting the introduction of cooperation parties with Shenzhen International, so as to timely realize the commercial value of the project.



6. Part of section of Meiguan Expressway has been toll free since last year, will the similar arrangement happen in the future?

A: In the first half of 2014, the Shenzhen Government followed the principle of marketization and entered into an agreement with the Company on the toll adjustment proposal related to 13.8km toll free of Meiguan Expressway. Under this adjustment proposal, the Group obtained reasonable compensation. Also, it is beneficial for social and economic development along the road and can enhanced the resource value and business development of the enterprises therein including the Group. Accordingly, it is a multiple-win solution for all the parties involved. Based on the overall consideration of the planning of the economic and transportation development, the Shenzhen Government is intended to push forward a new arrangement and adjustment plan for the traffic organization and this might involve one or more expressways operated, invested or managed by the Group in Shenzhen. Provided that the new arrangement for the traffic organization is implemented, the traffic flow and composition in the road network of Shenzhen region would be affected and this might have positive or negative impact on the operational performance of other projects located in the same road network, which might lead to a greater change in the short-term profit and sources of long-term profit. The Company would actively negotiate and communicate with the relevant government authorities and devote itself to propose a multiple-win solution for all the parties involved to seek mutual development through business model innovation. At this stage, the new arrangement for the traffic organization and the related adjustment plan has not yet been confirmed.

7. Will the Company change the dividend policy in the future?

A: The Company pays attention on shareholders' return and keeps a dividend payout ratio at around 40% to 50% in recent years. The payment of a final dividend of the Group was RMB0.45 (tax included) per share in cash for 2014, accounting for 45% of earnings per share, including special dividend of RMB0.255 (tax included) per share for gains on disposal of Meiguan assets accounting for 50% of such gains. In the future, the Company will continue to keep a reasonable and stable dividend policy, to fully consider the interests balance between current period and long-term for the Company itself and investors, and make the specific dividend payout ratio with the consideration of other factors, such as the Company's financial situation, capital needs and external loaning environment.



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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