



## SHENZHEN EXPRESSWAY COMPANY LIMITED

# E-Flash Report

## 2011 Reverse Road-show

### Investors and Management Meeting

On 27 and 28 September 2011, the Company held the Reverse Road-show 2011. A total of 33 domestic and foreign institutional investors and individual investors participated in the event. The visitors had a fact-to-face communication with the Company's senior management and had a site-visit on Qinglian Expressway and its surrounding road networks to experience on the traffic between Guangdong Province and Hunan Province.

### Frequently Asked Questions

- Q1** What is the impact on the operational performance of Qinglian Expressway caused by the opening of Yilian Expressway?
- A1** Yilian Expressway opened to traffic on 25 September 2011. The traffic flow of Qinglian Expressway comprised about 80% of vehicles which traffic between Yangshan-Qingyuan and its function as a cross border passage between Guangdong Province and Hunan Province had not become prominently in the previous time. It is expected that the opening of Yilian Expressway will allow Qinglian Expressway to fully develop its line location advantage as the essential route linking Guangdong Province and Hunan Province and attract quite a number of traffic volumes, which come from east area of Hunan to Guangdong, to go to Qinglian Expressway. Thereby contributes to the growth of traffic volume of Qinglian Expressway.
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- Q2** What is the maintenance cost of Qinglian Class 2 Road?
- A2** In order to resume traffic capacity of Qinglian Class 2 Road and ensure its traffic safety, the Company has closed the road and conducted maintenance since September 2010. The maintenance works is expected to last for 3 to 4 years and the budget is around tens of millions every year.

**Q3** **What is the main reason for the increase in the loss of Qinglian Project in the first half of year?**

- A3**
1. Liannan Section of Qinglian Project has turned into intangible assets to undertake amortization since its operation in this January, which increased the depreciation and amortization expenses; the capitalization of its borrowing interests ceased after it had commenced operation, which caused an increase in finance costs;
  2. Qinglian Class 2 Road is performing an overall repair and the daily maintenance expenses was increased. Upon the expiry of the liability period of defects of Qinglian Expressway, the road maintenance expenses increased.

**Q4** **What is the impact on the operational performance of Qinglian Expressway caused by the expansion of Guangqing Expressway?**

- A4**
- It is understood that Guangqing Expressway is expanding the lanes from 4/6 to 8. It is scheduled to complete in 2013. The expansion of Guangqing Expressway will lead the south-bound traffic from Qinglian Expressway, enhance the capacity and ability of service, thereby enhance the competition of Qinglian Expressway.

**Q5** **What are the impacts on the performance of Qinglian Expressway caused by the completion of the constructions of Erguang Expressway and Guangle Expressway?**

- A5**
1. It is understood that Huaiji Section of Erguang Expressway has commenced operation and Hunan Section is under construction. Qingyuan Section will connect with Qinglian Expressway at Liannan. It is expected that it will create a positive effect on the operational performance of Qinglian Expressway;
  2. Guangle Expressway, Guangdong Section of Jingzhu Expressway, and Qinglian Expressway are the north-south expressways at northern part of Guangdong Province. But the location of Guangle Expressway is nearer Jingzhu Expressway. It is expected that the diversion to Qinglian Expressway is slight after its operation. The Company will follow up its progress for further analysis, so as to make specific and accurate judgments on such impact.

**Q6** What is the impact on the Company's finance costs caused by the rising interest rate?

- A6**
1. Currently, the Company's borrowing costs are lower than the market levels because of the lag influence of the rise of interest rate and the quite part of the fixed-rate loans in the Company's borrowing structure;
  2. The impact from the rising interest rate will be reflected in the fourth quarter of this year.

**Q7** What are the main reasons for the decreases in traffic volumes of the Company's projects in Shenzhen in recent two months?

**A7** Shenzhen held Universiade in August. Affected by the factors such as temporary traffic control and guidance measures implemented by the government, most of highways in Shenzhen region recorded various decreases in traffic volume between July and August; the road maintenance of the South Section of Meiguan Expressway has been completed in early August 2011, the operational performance of Meiguan Expressway and the connecting Jihe East were impacted during construction; in addition, certain traffic volume returned to Shenhui Road (a municipal road) after its completion of reconstruction, led to a change in traffic distribution of the road network.

Objectively, it is impossible for the traffic volume to indefinitely grow. It will bring a negative impact on safety and maintenance of the roads. The phasic fluctuation of traffic volume is a normal phenomenon. The Company is confident to achieve the toll revenue target set at the beginning of the year.

**Q8** Is the business model of Guilong Project one part of the Company's development strategy in the future?

**A8** Guilong Project is an attempt to the new businesses model which related to the Company's core businesses. The Company will make further plans after determining the safety and effectiveness of this model.

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### ***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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