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开卷语

**Opening  
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Dear Investors,

Pursuant to the Unified Standardization of the Toll Fees of Expressways in the Province (《關於實施統一全省高速公路車輛通行費收費標準的通知》) issued by Guangdong Provincial Government, an unified standardization of the toll fees of expressway has been implemented on the expressway projects of Shenzhen Expressway in Guangdong Province since 1 June 2012.

Given the current complicated and volatile economic environment, the toll highway industry is facing a number of pressures and challenges. In view of this, the Company will continue to adhere to organic growth with balance on scale and returns and focus on the increase of the Company's overall return on assets. Besides, the Company will catch up with the beat of the industry development and hence make appropriate adjustments to development strategy to lay the foundations for the sustainable development of the Company and to create superior value for the enterprise and shareholders.

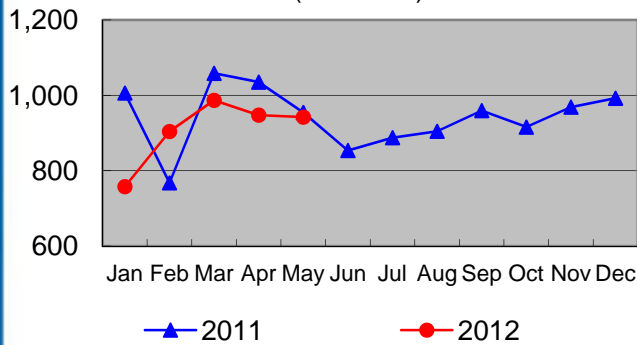
Best regards,

Wu, Yade  
**President**

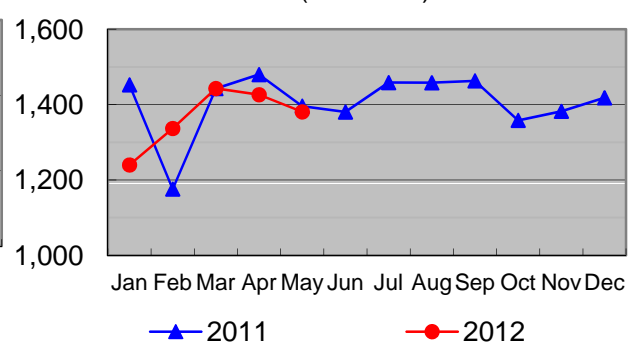


## Operations Review of Major Projects

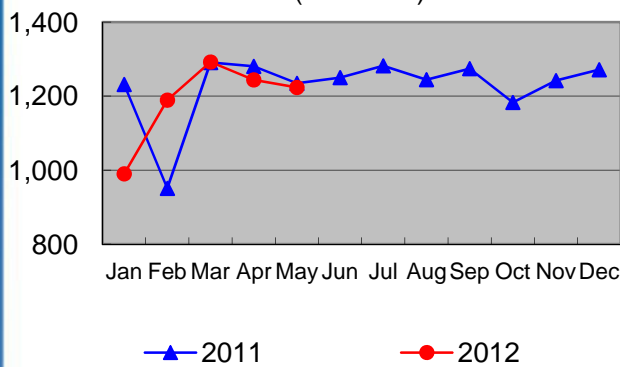
Average Daily Toll Revenue of Meiguan Expressway (RMB'000)



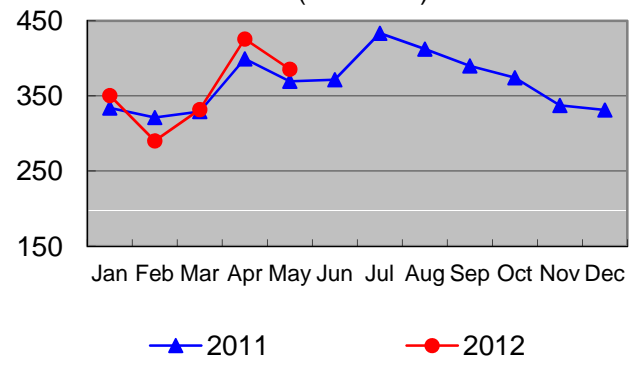
Average Daily Toll Revenue of Jihe East Expressway (RMB'000)



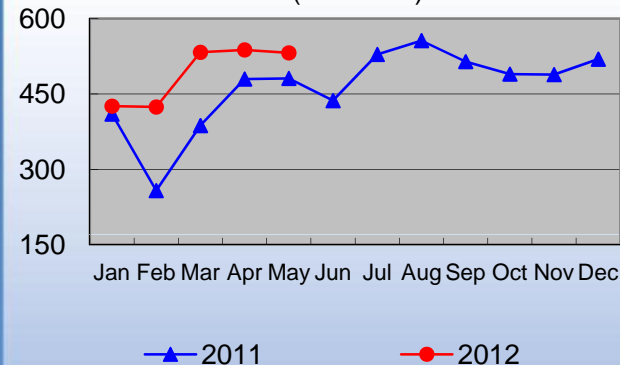
Average Daily Toll Revenue of Jihe West Expressway (RMB'000)



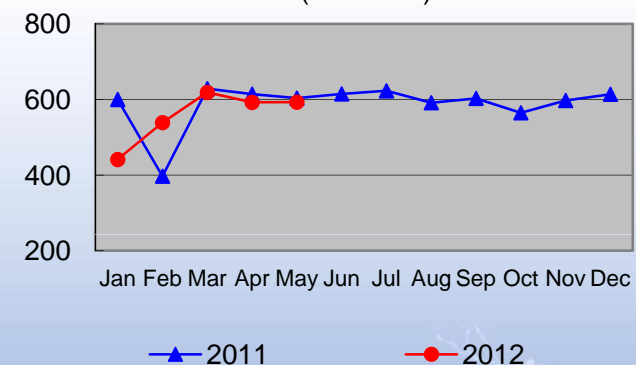
Average Daily Toll Revenue of Yanba Expressway (RMB'000)



Average Daily Toll Revenue of Yanpai Expressway (RMB'000)

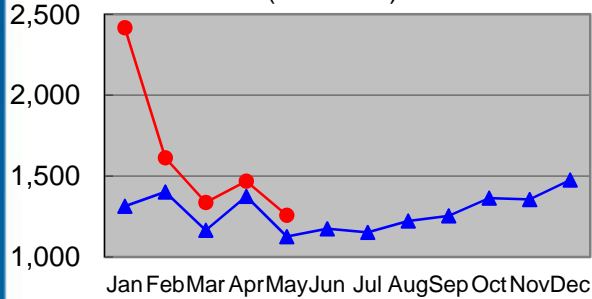


Average Daily Toll Revenue of Nanguang Expressway (RMB'000)





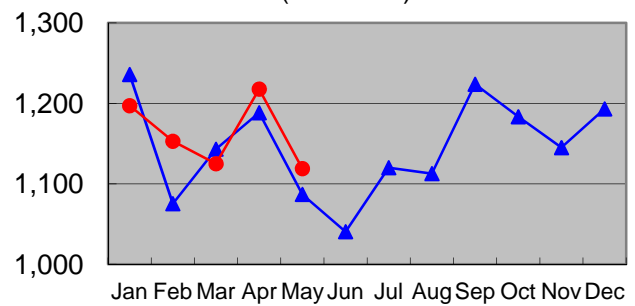
Average Daily Toll Revenue of  
Qinglian Expressway  
(RMB'000)



▲ 2011

● 2012

Average Daily Toll Revenue of  
Wuhuang Expressway  
(RMB'000)



▲ 2011

● 2012

- Based on past records, differing in location and function, the operational performance of the Company's highways is affected by the Spring Festival holiday favorably or adversely. For example, during the holiday period, the traffic volume and toll revenue of the interprovincial channel highways such as Qinglian Expressway, are usually at higher levels, while the operational statistics of the highways in the urban peripheral area such as the sections in Shenzhen region usually indicate a trend of lower levels. As the time of Spring Festival holiday differs for each year (2012 Spring Festival: 23 January; 2011 Spring Festival: 3 February), investors are recommended to consolidate the operational statistics for both January and February of each year for comparison in order to see the trend of the year-on-year change in operational performance of the projects.
- In addition to the impacts from the abovementioned holiday factors, both the expressway operation of Liannan Section (Lianzhou-Fengbu) of Qinglian Project and the opening to traffic of Yifeng Expressway (Fengtouling, Guangdong – Yizhang, Hunan) connecting the north end of Qinglian Expressway have positive impacts on the operational performance of Qinglian Expressway.
- As the reconstruction or construction of certain municipal roads and interchanges connecting highways and roads were completed consecutively and the second phase of Shenzhen Metro commenced operation, the transportation network in Shenzhen region has been under continuous improvement. In addition, tolls on certain local roads in Shenzhen were halted in succession. All these led to certain changes in traffic distribution and composition in the region's road network, and thus had positive or negative impacts on the operational performance of the projects operated or invested by the Company in Shenzhen region. Among these, changes in road network promoted the operational performance of Yanpai Expressway while Meiguan Expressway, Jihe East and Nanguang Expressway were adversely affected.



## Company News

- The Company held the 2011 Annual Results Presentation on 29 March and 30 March in Shenzhen and Hong Kong respectively. Totally 48 investors and analysts and 19 reporters participated in the conferences. At the conferences, Mr. Yang, Hai, the Chairman of the Company, reviewed the operational performance in 2011 and shared the development plan and the key works of 2012 with all participators, and answered their questions with other members of management.

*Related link:* <http://www.sz-expressway.com/UploadFiles/2012/04/011905082DC4AA18.pdf>

- The Company held an online investor meeting for the first quarterly results from 10:00 a.m. to 11:30 a.m. on 27 April 2012. Mr. Wu, Yade, President, Ms. Gong, Taotao, Financial Controller, and Ms. Zheng, Zheng, IR Manager attended the meeting and had a good communication with investors on line.

*Related link:* <http://ircs.p5w.net/ircs/topicInteraction/bbs.do?rid=6818> (only available in Chinese)

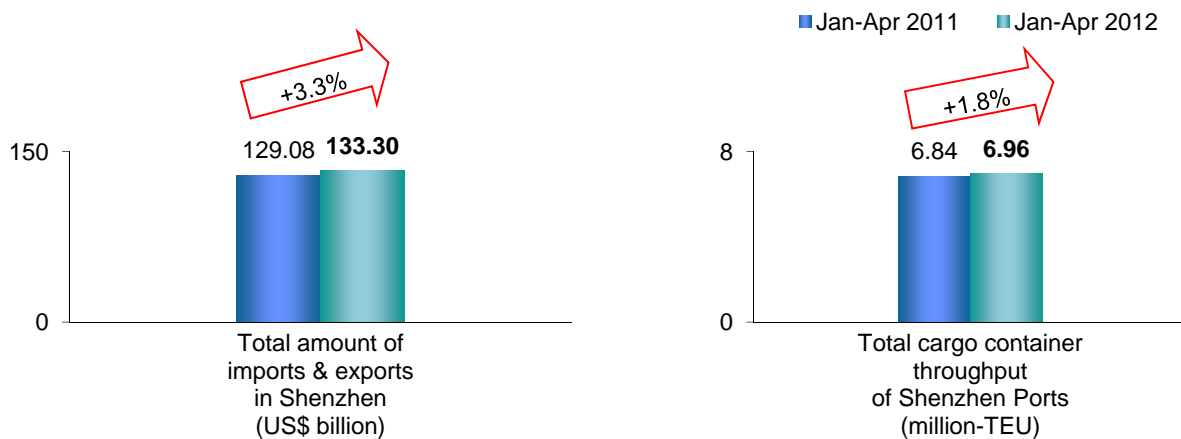
- On 8 and 9 May 2012, the Company participated in CICC 2012 A-Share Corporate Day in Hong Kong. The management of the Company communicated with 5 foreign institutional investors. The investors' major concerns included the industrial policies, the operating performance of toll projects and financial position of the Company.

- On 11 June 2012, the Company participated in Asia Transport Conference 2012 which was organized by UBS in Hong Kong. 12 foreign institutional investors met with the management of the Company in the conference and raised some questions on the industrial policies, the operating performance of toll projects, financial position and the development strategy of the Company.

- On 16 June 2012, the award ceremony of the 8th New Fortune Golden Board Secretary hosted by New Fortune Magazine was held in Nanjing. Ms. Wu, Qian, Secretary to the Board of the Company, was named the "New Fortune Golden Board Secretary" again.



## References



Source: Website of Statistics Bureau of Shenzhen Municipality (深圳市統計局)

## Frequently Asked Questions

### 1. What is the impact of the unified standardization of the toll fees in Guangdong on the Company?

A: The toll fees of the expressway projects in Guangdong Province have been standardized according to the unified toll rate, coefficient, calculation of the ramp of the interchange, and rounding principle since 1 June 2012 (the "Standardization Scheme").

As disclosed in the Annual Report 2011 of the Company, assuming the Standardization Scheme was adopted for the whole year 2011, and based on the actual traffic volume of the major expressways operated by Shenzhen Expressway for year 2011 and without taking into account any positive or negative impact on traffic volume of the road network resulting from the implementation of Standardization Scheme, it is estimated that the overall toll revenue of the Company for the whole year 2011 would decrease approximately 9% to 10% and therefore the profits would also be affected. As for year 2012, since the Standardization Scheme was implemented on 1 June, the period to be affected will only be seven months.

The Company will adjust operating strategy in time and make efforts to safeguard the rights and interests of both the Company and its shareholders according to development needs and adapt to internal and external environment.



**2. How is the work of toll station migration or stopping charging of Meiguan Expressway coming along?**

A: 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, or stop charging on the whole route of Meiguan Expressway. Currently, the specific proposal has not been determined. The Company will always protect the interests of shareholders and the corporate long-term development during the process of negotiation with the relevant authorities.

**3. How is the recent operational performance of Qinglian Expressway? How is the bridge repair work going on Guangqing Expressway locating in South of Qinglian Expressway?**

A: Yifeng Expressway connecting with Qinglian Expressway in North opened to traffic at the end of September 2011. It allows Qinglian Expressway to develop its line location advantage as the essential route linking Guangdong Province and Hunan Province and attract 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. During January to May 2012, the average daily mixed traffic volume of Qinglian Expressway was approximately 25,000 vehicles and its average daily toll revenue was approximately RMB1.62 million, representing YOY increases of 14.27% and 28.09% respectively.

As we known, the bridge repair work of Guangqing Expressway locating in South of Qinglian Expressway has not been completed yet and heavy lorries were still prohibited from access. The Company will continue to keep track of the relevant information.

**4. How is the construction progressing on Coastal Expressway (Shenzhen Section)? When will its entrusted construction management profit be recognized?**

A: The construction of Coastal Expressway (Shenzhen Section) is progressing smoothly. It is scheduled to be completed in the second half of 2013.

The Company's entrusted construction management business generally adopts the income calculation mode of "management fees based on a certain proportion of the budget of the project + sharing of the savings of the budget of the project". The Company recognizes revenue and profit on the basis of the percentage-of-completion method with some certain conditions. In 2011, the Company recognized the profit from the entrusted construction management services of Coastal Expressway (Shenzhen Section) of RMB68.98 million.



**5. Why did the Company acquire the two pieces of land in Longli County, Guizhou Province? Will the Company continue to acquire other lands in the future?**

A: The Company had made successful bids for the land use rights in respect of two pieces of land (app. 883 Mu) in Longli County, Guizhou Province through Guizhou Guishen Investment Development Company Limited, an indirect 70%-owned subsidiary of the Company, at a consideration of RMB309 million. The two pieces of land is part of the lands of app. 3,000 Mu, which is designated in Guilong Project. It is expected that the two pieces of land will be appreciated in value following the improvement of the infrastructure facilities around the lands and the development of the entire Guilong Economic Zone (貴龍城市經濟帶). The Company acquired the land use rights of the two pieces of land at a reasonable price, the risk of funds recovery of the Company in Guilong Project can be lowered effectively. The market values of lands may be realized through market transactions, cooperation or self-development of land. It is beneficial for the Company to achieve the expected or better gain from Guilong Project, as well as to expand and enrich its development direction and experience.

In the future, the Company will make prudent decisions on investment and acquisition based on the pre-set development strategy and comprehensive consideration of the Company's financial condition, market conditions, land value and so on.

**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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