



E-Flash Report

2013 Interim Results

GUIDANCE

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2013 Interim Results Presentation

On 19 August 2013, the Company held the 2013 Interim Results Presentation in Shenzhen and Hong Kong respectively, which were attended by a total of 76 investors and analysts and reporters. During the presentation, Mr. Yang Hai, Chairman of the Company, introduced the operational performance, financial situation of the first half of year and shared the future key works with all participators, and answered their questions with other members of the management.

(Please refer to or download from

<http://www.sz-expressway.com/UploadFiles/2013/08/1815543402EA86BA.pdf>

for the presentation materials.)





Frequently Asked Questions

1. What are the main reasons for the fact that the Company's revenue failed to grow in step with the increase in the traffic volume of most projects in the first half of 2013?

A: In the first half of 2013, the Group recorded revenue of RMB1.49 billion, of which toll revenue was RMB1.36 billion. The traffic volume of most projects continued to increase. However, owing to influence brought from industry policies and other factors, the Group's toll revenue saw a YOY decrease of 1.5%. Benefiting from positive effects brought by the Company's management and marketing campaigns as well as driving force from improved road networks, the toll revenue of Nanguang Expressway, Qinglian Expressway and Yanba Expressway which opened for traffic in recent years, sustained growth during the Reporting Period, whereas the toll revenue of main projects such as Meiguan Expressway, Jihe Expressway, Wuhuang Expressway witnessed YOY decrease as impacted by policies and road network diversion. Due to the implementation of Standardization Scheme carried out in Guangdong Province and Toll Free Scheme on Holidays, during the Reporting Period, the Company's toll revenue decreased by approximately RMB190 million and RMB80 million, respectively. The aforementioned policies will continue to impact the Company's toll revenue for the second half of year, while such impact upon the YOY change will be gradually eliminated.





2. Please talk about the reasons for the relatively good operational performance registered by Qinglian Expressway in the first half of 2013, and the particulars as to the toll collection cancel of Qinglian Class 2 Road and the progress therein.

A: Qinglian Expressway registered overall good operational performance in the first half. Given improvements in connecting road networks and the Company's proactive marketing campaigns as well as positive driving force from transportation diversion measures adopted during the maintenance of Hunan section of G4 National Expressway commenced in late of May, average daily toll revenue of Qinglian Expressway exceeded RMB 1.8 million, representing a YOY increase of 21%.

According to the notice issued by Guangdong Provincial Communication Department, the toll collection of 31 road and bridge projects in Guangdong Province including Qinglian Class 2 Road has been cancelled since the midnight on 30 June 2013. Qinglian Class 2 Road was opened for operation in 1993. Due to its longer operation period and that its road surfaces were badly worn out as it took up most of the traffic flow during the period of reconstruction into an expressway for Qinglian Class 1 Highway, Qinglian Company closed the road since late September 2010 in order to carry out the routine and necessary maintenance, during which toll collection has been suspended. Qinglian Company and its shareholders were highly concern about the cancel of toll collection of Qinglian Class 2 Road. Both of them studied the related policies and requirements seriously, and coordinated with competent authorities of the government through various possible ways to finalize specific arrangements of the cancel of toll collection. By far, the actual influence of the issue is unclear and unpredictable. The Company will follow up the issue actively and maintain good communication, in order to protect the interests of the Company and its shareholders.

3. What are the reasons for the decrease in road maintenance expenses and increase in costs of depreciation and amortization of the Company in 1H 2013?

A: In recent years, following updated maintenance technology and its accumulated maintenance experience, the Company has optimized and adjusted maintenance policies and plans in order to achieve the road maintenance object of "maximizing the maintenance efficiency during the whole operating period". For the period under review, due to the large-scale road surface maintenance works for Jihe East and Jihe West conducted in succession in the last two years, daily road maintenance expenses decreased correspondingly. In addition, as the special maintenance works for Qinglian Class 2 Road were completed last year, the Company's maintenance expenses during the first half of year declined as compared to the same period of last year.

The Company's toll revenue for the first half declined to some extent as compared to the same period of last year, which was mainly attributable to the impact brought from Standardization Scheme and Toll Free Scheme on Holidays, while the traffic volume of most projects maintained growth. The Company's road assets were amortized based on traffic volume, as a result, costs of depreciation and amortization increased along with the increase of traffic volume.



4. When will the Coastal Project be open to traffic? Will the Company be entrusted to manage the Project? How much income will it bring to the Company?

A: As at the end of June 2013, the delivery and inspection of western passage section of Fuzhou-Yong'An Interchange to Shenzhen-Hong Kong Expressway of Coastal Project has been completed and it is expected that it will open to traffic in the second half of the year, and the official time of the opening will be determined based on the specific factors including the construction progress of the connecting road network. In addition, the Company is entrusted to manage Coastal Company under the Operation and Management Entrustment Agreement entered into by the Company and SIHCL in November 2009, and the specific arrangement on the entrusted management for the operation term of Coastal Company shall be subject to further negotiation and final approval of Shenzhen government. Currently, the details of the entrusted operation management business are still under negotiation, and are subject to the approval procedures handled by the parties to the entrustment as stipulated. The Company aims to obtain reasonable returns by providing quality management service.

5. Does the Company have any plan to increase or repurchase its own shares in consideration of its current share price being lower than net asset value per share? Does the Company have any plans to raise funds in secondary market?

A: From the perspective of long-term development, taking into account current financial position, the Company at the present stage does not tend to increase return on equity through reducing the size of net assets. The Company's management will exert every effort to carry out business operation and management as well as to make out a develop plan, with a view to enhance the Company's intrinsic value by dint of optimizing management, increasing income and reducing expenditure. Having been researching and paying close attention to financing products and plans, based on our own development needs and shareholders' interests, we will push forward bond financing or other financing activities in the capital market as appropriate opportunities arise. Currently, the Company does not have a plan to issue shares.

6. What is the Company's future dividend payout policy?

A: The Company always puts emphasis on shareholder's returns and will keep a reasonable and relatively steady dividend payout policy in the future. Despite the Company's debts level is in high position and cost of funds is high in current years, the Company has kept cash payout ratio around 40%-50%. In the future, the management will determine and decide the dividend payout ratio base on fully considering the balance of long-term and short-term interests between the Company and investors, as well as the factors such as financial status, need of funds and external credit environment.



7. What business development plans does the Company's management have and the actual progress therein?

A: During recent years, rate of return of new projects has witnessed a downtrend as a result of increase in road network density and costs. Meanwhile, the operating environment of the toll highway industry has undergone relatively substantial changes. Therefore, while focusing on boosting the total return of existing assets, the Company also proactively research industries and businesses in relation to toll highway industry and the Company's core business capability, try to divert industry risks via different business portfolio, so as to seek new opportunities for the Group's long-term development. Currently, while having achieved good progress in entrusted construction management business, the Company is further studying the specific direction of business development and conducting feasibility research upon business extension.

Based on our experience on the entrusted construction business, the Company carried out Guilong Project in Longli, Guizhou Province and participated in the construction of and development in regional roads by "build-transfer" mode ("BT Mode"). Compared with the simple entrusted management business, under the BT mode, the entrusted party is required to raise capital during the construction period. Therefore, the recovery of fund is the key part of management under this mode. Accordingly, the Group has carried out in-depth researches and discussions, as well as adopted several effective measures. With the improvement of Guilong Road and the infrastructure in peripheral regions and the development of the whole economic zone in Guilong, it is expected that the peripheral land of Guilong Project will have greater potential for appreciation. In order to effectively reduce the risk of fund recovery from Guilong Project and realize expected or even more incomes from the Project, Guishen Company, 70% equity held by the Group, won the bid for the land use rights of parcels of land with an area of approximately 883 mu within the development area of Guilong Project in 2012. In July 2013, the Board of the Company approved Guishen Company to adopt a progressive development strategy to conduct an independent secondary development on the obtained parcels of land with an area of 300 mu (equivalent to approximately 200,000 square meters) for a term of 4 years with the total expected investment up to RMB850 million. The realization of the market value of part of the land allows the Company to realize the return on investment as soon as possible, which practically avoids the contract risk and market risk relating to the land, enhances the overall value of the peripheral land of Guilong Project and diversifies our experience in project development and operation.



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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