



**E-Flash Report**

**2014 Annual Results**

**GUIDANCE**

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**2014 Annual Results Briefing**

On 23 March 2015, the Company held the 2014 Annual Results Briefing in Shenzhen and Hong Kong respectively, a total of 58 investors, analysts and reporters attended. At the briefing, Ms. Gong Taotao, Financial Controller, and Mr. Hu Wei, Chairman, respectively introduced the operational and financial performance in 2014 and the Company's future developmental thought and key works. Thereafter, the management communicated with the participants around the topics such as progress of projects and future development plan and strategy.

(Please go to <http://www.sz-expressway.com/UploadFiles/2015/03/202309588FEE79C4.pdf> to read or download the materials for reference.)





## Frequently Asked Questions

1. How is the progress of Outer Ring Project? What is the most likely investment mode of the Company? How is its capital expenditure plan?

A: The Outer Ring Expressway is the last expressway 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 still discussing and negotiating the feasible plan of the investment, construction and management with relevant government authorities and strives for achieving the balance of the benefits between the Company and the community. There are several possibilities of the proposal which includes but not limited to cooperative construction, obtain the operation rights through evaluating the project value and entrusted management. The Company will make final investment decision base on the premise of meeting the general commercial value. There is no specific capital expenditure plan since the investment proposal is yet to be finalized at the moment.

2. How is the land developing and transferring work of Guilong Project going on?

A: During these years, the Company positively researches and looks for new business models through connecting with its main business, to support its long term development. Since 2011, the Company developed Guilong Project through the platform of the subsidiary Investment Company and Guishen Company, and 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. 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). Guishen Company is adopting a progressive development strategy to conduct further development of the land with an area of 300 mu (approximately 200,000 square meters) in the obtained lands on their own. The Phase I of the project covers an area of 110 mu. At present, its overall planning, housing construction and landscape design, the main construction of Project Experience Zone and the infrastructure construction of developed area have been completed, and part of houses were roofed entirely. Meanwhile, Guishen Company also



conducted sales and marketing planning in which to make best use of the project's advantages on the environment and strategic location and promote the project as a boutique property of quality on design, construction and management. The project is planned to launch in the first half of 2015. In addition, the procedure of equity interest transfer in Yuelong Company, which owns 296 mu of Guilong land, is actively in progress. On such basis, Guishen Company will, through market transfer, cooperative development or self-development regarding the overall market conditions and development opportunities, realize the market value of the lands it holds so as to achieve the Group's investment gain as soon as possible.

3. [What is the progress of Meilin Checkpoint Urban 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 Urban Renewal Project and to realize the business value of corporate resources. According to the approval of the general meeting, the Company and XTC Company (the Company's shareholder, the wholly-owned subsidiary of SZ International) has set up United Land Company, in which two parties own 49% and 51% equity interests respectively, to implement the project and be responsible for related works in acquiring the land of the project. Currently the main goal of the Project Company is to obtain the land resources of Meilin Checkpoint Renewal Project as planned in 30 June 2015.

Upon preliminary assessment, the total cost of land is approximately RMB5 billion. The currently planned saleable area is approximately 470,000 square meters. The land is situated at geographically advantageous location with certain advantage on land price over that of the adjacent area, good investment value and appreciation potential. Given the strategic positioning and commercial interests of both shareholders can be satisfied, transfer of the equity interest of the Project Company or participation of development through Project Company will be considered afterward to realize the value of the project.

Based on the assumption that there is no transfer of equity interest of Project Company, and the current specific arrangement in respect to the transfer of land and land acquisition and relocation of Meilin Checkpoint Urban Renewal Project, the Company's capital expenditure plan on this project for the next two years is approximately RMB2.42 billion. In the event that there is any change in the abovementioned assumption and work plan, the relevant capital expenditure plan will be adjusted accordingly.





4. The Company achieved a good profit from entrusted construction management in 2014, will the profit decrease in 2015?

A: In 2014, the Company's operating profit in proportion to the interests from entrusted construction management services amounted to RMB260 million, which was mainly derived from Coastal Phase I, Guilong Project, Nanping Phase II and so forth. As the settlement of Guilong Project has been almost completed by the end of 2014, according to the Group's current entrusted construction business scale, the project construction progress and audit, it is expected that the entrusted construction management profit will decline considerably in 2015.

The smooth development of entrusted management business not only benefited the performance growth of the Group, but also gained reputation for the Group from the market. In the future, as the reform of highway management system deepened and urbanization promoted, it will create huge market demand for infrastructure construction management so as to bring more development opportunities for the Group. Under the premise of risk control, the Company will strive for and extend such business in the future.

5. The Company paid special dividend for the implementation of the Toll Adjustment Proposal in Meiguan Expressway, will the Company pay special dividend in 2015 and 2016? What is the Company's dividend payout policy in the future?

A: Based on the good earnings achieved in the year, the Board recommended the payment of a final dividend of 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. Excluding the effect of gains on disposal of assets and the special dividend, the annual payout ratio was 40%. Although compensation for toll adjustment of Meiguan Expressway should be paid by three installments before the end of 2016, in accordance with the accounting standards, the related profit has been recognized in 2014 by the Company and the special dividend in the year is also calculated and paid based on the overall income of the year. Therefore, the Company will not pay the special dividend for toll adjustment of Meiguan Expressway in 2015 and 2016.

In the future, the Company will continue to maintain a reasonable and sustainable dividend payout 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 funding environment.



6. About the Company's future development plan and the plan of diversification.

A: For the long run future, toll highway business will remain to be the major business segment and profit source of the Group. However, under the environment of economy development and policy change, the toll highway industry saw the boosting costs of many aspects such as investment and construction, maintenance and daily operations. The number of toll highway projects in traditional mode with commercial value has been decreasing. The Company, together with the government departments, has been exploring new models for the industry to achieve a win-win situation after consideration of the interests of all parties and to enhance development of the Company in a balanced and sustainable way. Entrusted operation and entrusted construction, repurchase by the government and BT-linked land development are among the positive attempts. As the reform of highway management system deepened and urbanization promoted, it will create huge market demand for infrastructure construction and maintenance management so as to bring more opportunities to the Group for provision of its management skill and experience.

During the review and formulation of the upcoming strategies, focus will be placed for the following directions: ① Consolidate and enhance the main business. Speed up the development of the existing highway projects, Invest and acquire quality highway projects in a moderate manner, and enhance the asset scale, profitability, cash flows and management efficiency of the main business. ② Seize the opportunity to obtain high quality resources. Pay close attention to the reform trend and direction of the toll highway business, grasp the opportunities for assets adjustment and optimization, strive for high quality resources and obtain bigger development space and potential. ③ Attempt and expand extension of the main business. Based on the resources and capacity of the Company and in cooperation with the industry leader, research and attempt related industries that match the Company's core business capacity, consistent with the national policy orientation and development trend. ④ Promote the industrialization of the core business capacity. Integrate corporate management resources of core business, aims at enhancing management efficiency, building the organization structure and the Group's control mechanism that support the strategic development. ⑤ Build a multi-level financing structure. Strengthen the research on the diversification of equity, equity financing and new debt instruments of the capital market, and enhance the development capacity and comprehensive return by further optimizing the financial structure. ⑥ Study on the establishment of long-term incentive mechanism. Actively facilitate the mechanism of the talent nourishment as well as long term incentive which accommodate to the corporate development in order to foster mutual growth of value for the Company and employees at the same time.



### **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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