



E-Newsletter

开卷语

Opening Message

GUIDANCE

- Opening Message
- Company News
- Operations Review of
Major Projects
- Frequently Asked
Questions
- Shareholders'
Calendar

Dear investors:

In the first half of 2015, the Company was committed to the operation and management of toll highway projects in accordance with the operation plan made at the beginning of the year. Furthermore, we completed the main work of the New Toll Station of Meiguan and Facilities Project on time with good quality; smoothly implemented the work of re-categorization for vehicles and toll-by-weight scheme for lorries on expressways in Guangdong Province; signed the Land Transfer Agreements of Meilin Checkpoint Urban Renewal Project as scheduled and has obtained the land use rights of the Land Parcels. The secondary land development of Guilong Project also progressed smoothly, the housing construction work of Phase I was orderly underway and has begun pre-sale. Recently, the Company completed the revision of the Development Strategies 2015-2019 and clearly defined the future development direction.

In the second half of 2015, our tasks are not easy. However, the Management has confidence that, operate in the stabilized industry policy environment and with the wisdom and efforts of all staff, the Company will achieve the management objectives set at the beginning of the year and strives to create value for the enterprise and shareholders.

Best regards,

Wu Ya De

President



Company News

Investor Relations Activities

- The Company held an online investor meeting for the first quarterly results of 2015 over the internet in the morning of 30 April 2015. Mr. HU Wei, Chairman, Ms. GONG Taotao, Financial Controller, and Ms. WU Qian, Company Secretary attended the meeting and had a good communication with investors on line.

Please access <http://ircs.p5w.net/ircs/topicInteraction/bbs.do?rid=14081> (Chinese version only) for Q&A details.

- On 15 May 2015, the Company participated in HSBC 3rd Annual China Conference in Shanghai. Management communicated with foreign shareholders and institutional investors during one-on-one meetings and group meetings. The investors' major concerns included the operating performance of toll projects, financial management and the development plan of the Company.

Market Evaluation & Recognition

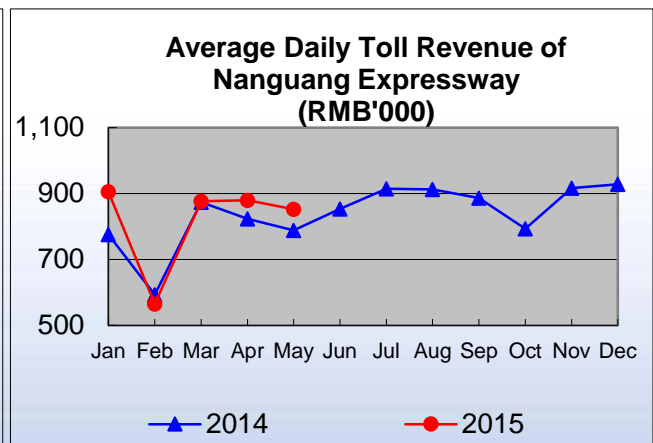
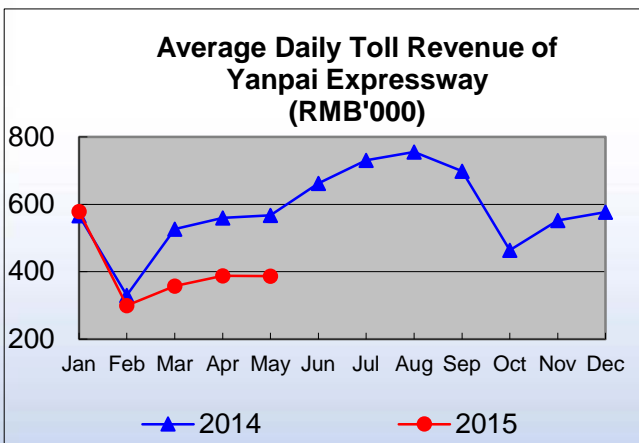
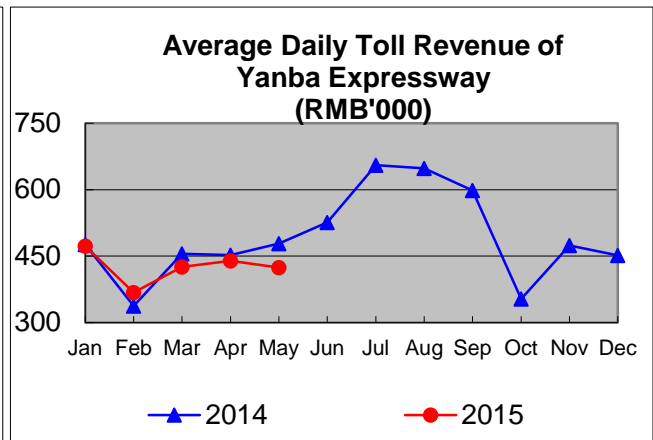
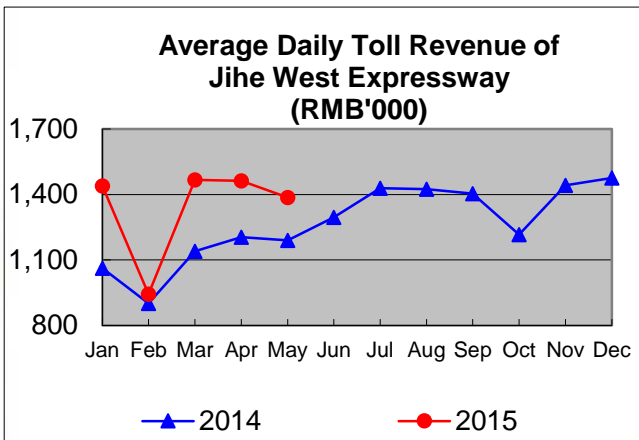
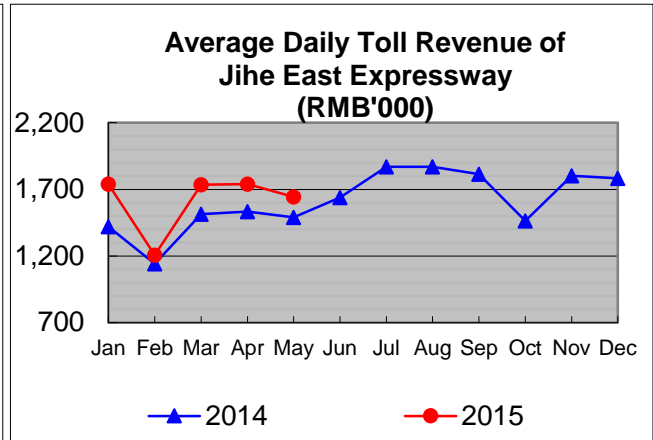
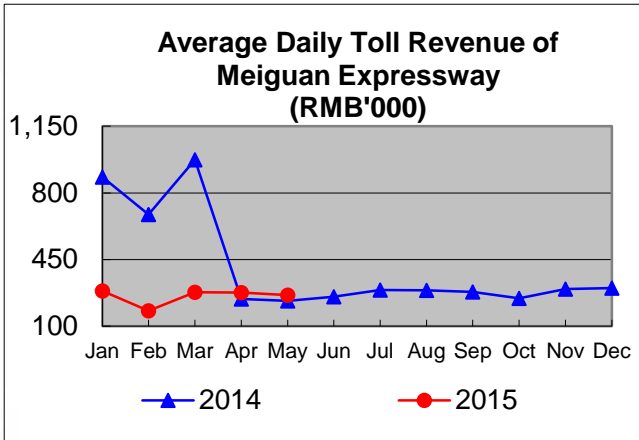
- In June 2015, Internal Control Index of China - Listed Companies (2014) was published in *Shanghai Securities News* and other media. Shenzhen Expressway ranked 3rd in the evaluation scope of 2,185 companies which were listed in China main board and SME Board, and ranked 1st in the transportation sector.

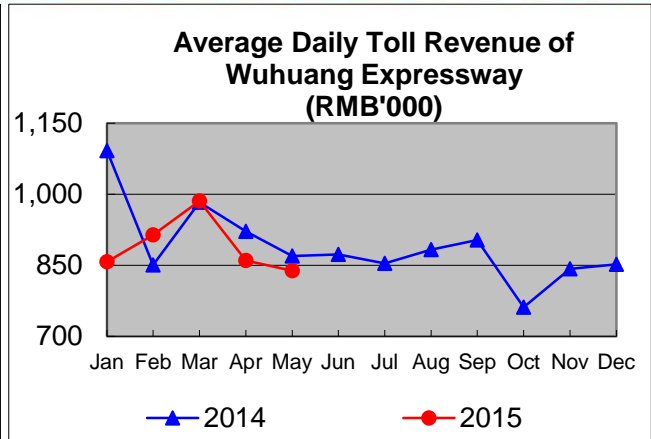
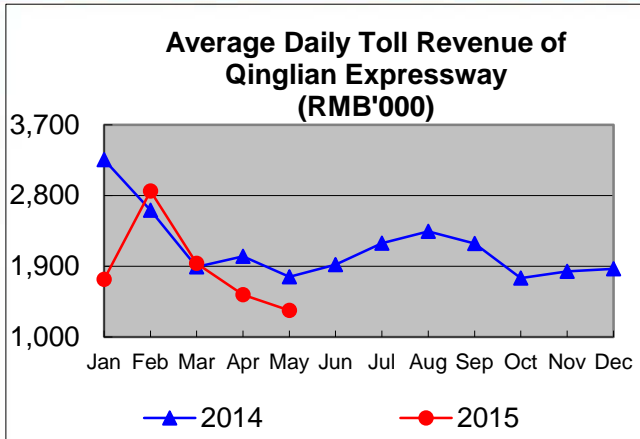
Management Information

- The expressways in Guangdong Province have implemented the re-categorization for vehicles and toll-by-weight scheme for lorries since 26 June 2015. For details, please see the contents of "Frequently Asked Questions".
- On 30 June 2015, the fourth meeting of the seventh session of the board of directors considered and approved the Development Strategies 2015-2019. The Company will adhere to the market-oriented and innovation-driven, and grasp the opportunity to consolidate and enhance the toll highway business, actively explore and identify new industry direction, to achieve sustainable development.



Operations Review of Major Projects





Note:

- For operational performance of unconsolidated projects, please go to "Operational Statistics" of the Company's web-site (<http://www.sz-expressway.com>).
- Based on past records, due to the difference in location and function, the Spring Festival holiday may have a positive or negative impact on the operational performance of the Group's highways. As the time of Spring Festival holiday differs for each year (2014 Spring Festival: 31 January; 2013 Spring Festival: 10 February), investors are advised to consolidate the operational statistics for both January and February of each year for comparison in order to see the trend of the YOY change in operational performance of the projects.
- After the implementation of the provincial-wide inter-network toll collection in Guangdong Province, as the amount of data to be processed is rather large and it takes time for splitting and checking works, the certain operational data of the highway projects in Guangdong Province will be recorded based on estimation at the date of monthly settlement and disclosure after provincial-wide interconnection. Investors are advised to use such data cautiously.
- Pursuant to the relevant approval and authorization by the general meeting of the Company and Shenzhen government, toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km was implemented from 24:00 on 31 March 2014, and the toll for section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km remained.

- ① Mainly benefiting from the implementation of the toll adjustment proposal of Meiguan Expressway and the positive effect on connected road network from the opening of the Second Phase of Qingping Expressway, Jihe Expressway maintained a rapid growth.
- ② The toll of Yantian'ao Tunnel in Shenzhen has been cancelled since 1 February 2015, which had certain negative impact on the operational performance of Yanpai Expressway and Yanba Expressway.
- ③ Guangle Expressway (Guangzhou - Lechang) and Erguang Expressway Lianzhou to Huajii section commenced operation in the end of September and December 2014 respectively, which had certain diversion effect on Qinglian Expressway.
- ④ By the negative impact of the factors such as road network changes, the toll revenue of Wuhuang Expressway recorded a YOY decrease, but the YOY decrease is narrowing.



Frequently Asked Questions

1. What's the progress in the Meilin Checkpoint Urban Renewal Project? Have the development plan been determined?

A: After the implementation of toll-free for partial 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 (Shareholder of the Company, the wholly-owned subsidiary of SZ International) have set up United Land Company (the "Project Company") to implement the project and be responsible for acquiring the land of the project. The Company and XTC Company own 49% and 51% equity interests respectively. The Project Company has recently entered into the Land Transfer Agreements with Shenzhen UPLRC (深圳市國土委), in accordance with the original schedule, and paid 30% of the Land Premium by 30 June 2015 and acquired the land use rights of the project land parcels.

According to the Land Transfer Agreements, the Meilin Checkpoint Land Parcels are a site of approximately 96,000 square meters and designated for residential and commercial use, land use rights of which are granted for a term of 70 years (with part of the land use rights for commercial use lands granted for a term of 40 years), and with a permitted total gross floor area of not more than 486,400 square meters (including public ancillary facilities, etc.). The total Land Premium is RMB3,566,700,000. Upon preliminary assessment, the total cost of land on the land parcels is approximately RMB5,000,000,000, including the above-mentioned land premium in amount of RMB3,567,000,000, relevant taxes and fees, the demolition and relocation compensation payment for the properties on the land, and the initial planning expenses, etc. The land parcels are situated at geographically advantageous location with certain advantageous land price compared with the surrounding land, good investment value and appreciation potential. Given the strategic positioning and commercial interests of both shareholders of Project Company can be satisfied, the various possible ways, such as transfer of the equity interest of the Project Company or participate in further development by the Project Company, will be considered afterward to realize the value of the project. Currently the final proposal is not determined yet.

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

A: 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", and 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). Pursuant to the approval of the Board, Guizhou Shenzhen Expressway Land Company Limited ("Guishen Land Company"), the subsidiary of Guishen Company, is conducting further development of the land with an area of 300 mu (approximately 200,000 square meters) in the obtained lands on their own. Group A of Phase I (approximately 110 mu) of Shenzhen Expressway-Interlaken Town covers about 140 villas. The main work of the villas is basically completed and the pre-sale has begun. On 30 June 2015, the Board approved Guishen Land Company to provide periodic joint liability guarantee to qualified mortgage loan customers, who bought the villas, in accordance with the general practice of real estate industry. It is expected that the total amount of guarantee is no more than RMB250,000,000. It will help accelerate the product sales and capital return rate of the project to achieve the Group's investment income as early as possible.



3. The Company recently announced that it will provide a guarantee for the issue of USD debentures for its subsidiary. Is the Company preparing to issue debentures in the overseas market?

A: Based on the mandate of the general meeting and market condition, the Company proposed to issue USD debentures when appropriate to further reduce the financial cost and optimize the debt structure of the Group. In accordance with the general practice of overseas debenture market, a wholly-owned subsidiary of Mei Wah Industrial (Hong Kong) Limited (“Mei Wah Company”) is proposed to be established as the issuer of the debentures, and Mei Wah Company will provide irrevocable joint liability guarantee which covers the principle, interest and relevant expenses in relation to the debentures to be issued by the aforesaid subsidiary. The principal amount of the debentures proposed to be issued is expected to be not more than USD300 million. Pursuant to the domestic securities regulations, the relevant guarantee shall be submitted to the shareholders for approval at the general meeting. After obtaining the approvals at the general meeting, such as issue of debentures and provision of a guarantee, the Company will ultimately determine whether arrange the issue of debentures in overseas market based on market condition and full consideration of interest rate, exchange rate and other risk factors.

4. What is the impact on the Company that implemented the adjustment of the classification of vehicles on expressways and toll-by-weight for lorries in Guangdong Province at the end of June?

A: Pursuant to the joint announcement of Guangdong Communication Department (廣東省交通運輸廳) and Guangdong Development and Reform Commission (廣東省發展和改革委員會), with a view to establishing a nationwide electronic toll collection network for expressways, Guangdong Province has implemented the re-categorization for vehicles and toll-by-weight scheme for lorries (the “Adjustment”) since 26 June 2015, that is the classification of vehicles on expressways is standardized in accordance with the “Vehicle Classification of the Toll Highway” (《收費公路車輛通行費車型分類》) by the Ministry of Transport (交通運輸部). Meanwhile, the cargo vehicles fully implement toll-by-weight. After the implementation of the industry classification standard of vehicles, the category of part vehicles are upgraded or downgraded to a class, and the basic toll rate in respect of passengers cars remains unchanged, i.e. the basic toll rate of Class 1 for expressways with four lanes is RMB0.45/kilometer, the basic toll rate of Class 1 for expressways with six lanes or above is RMB0.60/kilometer. Tolls of lorries are charged in accordance with an on spot measurement of vehicles based on the total weight of vehicles and goods. The basic toll rate is RMB0.09/ton-kilometer for expressways with four lanes, and RMB0.12/ton-kilometer for expressways with six lanes or above. The Adjustment will be conducive to the progress of establishing a nationwide electronic toll collection network for expressways and improving the traffic efficiency of the expressways. Meanwhile, it is positive to comprehensive management on over-loaded vehicles and protection of roads and bridges.

The expressways which are operated and invested by the Group in Guangdong Province fall within the range of the Adjustment, including Meiguan Expressway, Jihe Expressway, Yanba Expressway, Yanpai Expressway, Nanguang Expressway and Qinglian Expressway, which are owned by the Company and its subsidiaries, as well as Shuiguan Expressway, Shuiguan Extension, Yangmao Expressway, Guangwu Project, Jiangzhong Project and GZ W2 Expressway which are owned by the Company’s associates. It is expected that the Adjustment will not have a significant impact on the Group’s toll revenues and operating results. The impacts are different on the projects due to the different vehicle structure. The specific data needs further observation and statistics.



5. What is the Company's future development plan?

A: The Board recently approved the Development Strategies 2015-2019. The Company will adhere to the market-oriented and the innovation-driven, grasp the timing opportunities, consolidate and enhance the toll highway core business, and actively explore and identify the direction of new industry, in order to achieve sustainable development of the Company. During the review and formulation of the strategies, focus are placed for the following works and directions: ①consolidate and enhance the main business, ②seize the opportunities to obtain high quality resources, ③ attempt and expand extension of the main business, ④ promote the industrialization of the core business capacity, ⑤build a multi-level financing structure, ⑥study on the establishment of long-term incentive mechanism.

In the period of new strategy, the Company will continue to follow the culture that respects the investors and be responsible to investors. Through various activities of investor relations, the Company will maintain positive interaction and communication with investors, and help investors' in-depth comprehensive understanding of the situation and development prospects of the Company as well as more fully and widely knowledge of the value of the Company.

6. What is the Management's view on the recent wide fluctuations in the stock price?

A: Recently, the stock price was mainly influenced by the abnormal fluctuations of secondary market. Based on the Company's fundamentals, in the case of no material adverse change in external economic and policy environment, the Company's future profitability will be gradually improved, and the investment value of the Company will also enhance, along with the maturity of new projects as well as the steady growth of earnings from existing projects. Meanwhile, the Company has always been committed to maintain a good corporate governance and a stable cash dividend policy for years to maximally create value for shareholders. The Management will make efforts on operating management as we always do, focus on the growth of core business and the achievement of strategic objectives of the Company, and constantly improve the Company's results to provide good returns for shareholders.

Shareholders' Calendar

- 15 May 2015 2014 Annual General Meeting and declaration of dividend for 2014 of RMB0.45 (tax included) per share
- 20 August 2015 First Extraordinary General Meeting 2015 for consideration of provision of a guarantee by Mei Wah Company for the issue of USD debentures by its wholly-owned subsidiary
- 21 August 2015 Board meeting for consideration of the interim results 2015 (tentative ^{note})
- 24 August 2015 Presentation conferences for the interim results 2015 (tentative ^{note})
- In late October 2015 2015 Third Quarterly Results and online presentation and investor meeting (tentative ^{note})

Note: Please refer to the announcement to be published in August and October for the exact dates.



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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