



SHENZHEN EXPRESSWAY COMPANY LIMITED

Stock code: 00548(SEHK) 600548(SSE)

Restricted A Share Incentive Scheme Special Roadshow



November 2016





Company Overview

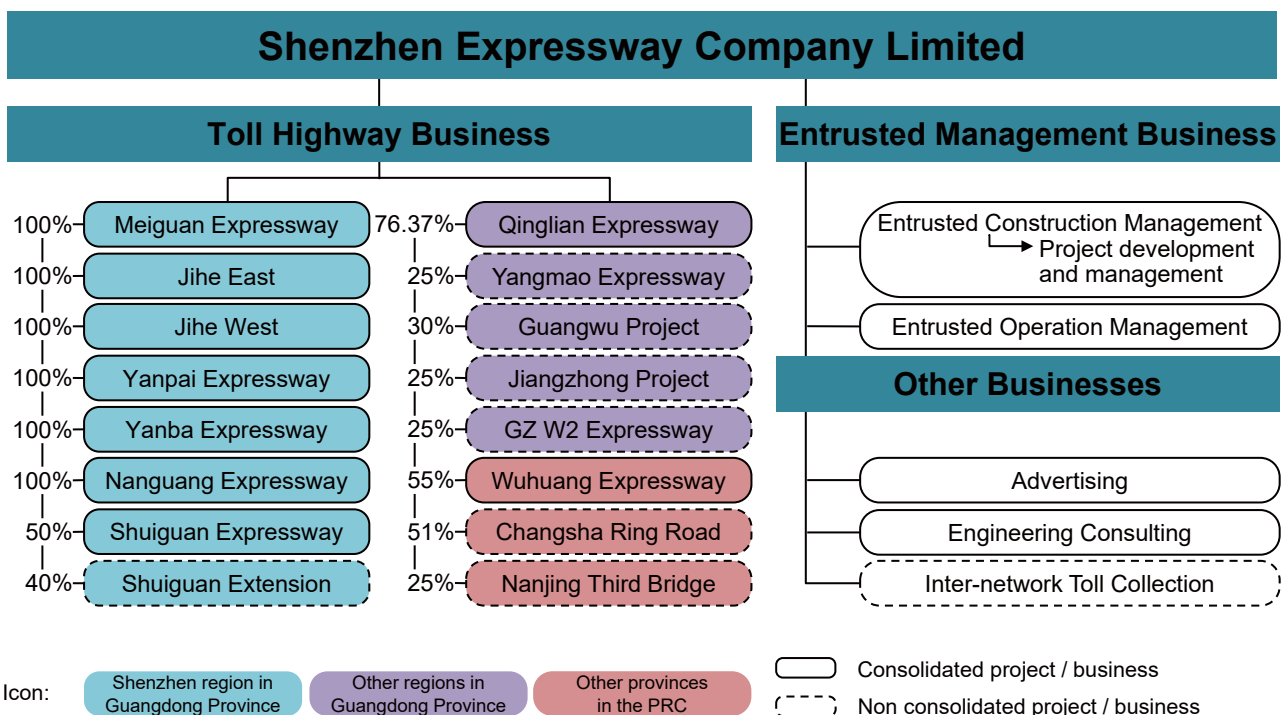
- The Company was incorporated on 30 December 1996. In March 1997 and December 2001, the Company was listed in Hong Kong and Shanghai, respectively.
- **Core business:** the Company principally engages in the investment, construction, operation and management of toll highways and roads. At present, the Company operated and invested in a total of 16 toll highway projects.
- **Total assets:** RMB31.8 billion (as at 30 September 2016)
- **2015-2019 Development Strategies:**

Pursue a market-oriented and innovation-driven strategy, continue to seize the opportunities of this era to **consolidate and strengthen the core business of toll highway, and actively explore and fix the new direction of the industry** so as to achieve the sustainable development of the Company.

 - **Development of core business:** set the “construction and operation service provider of urban and transport infrastructure” as its main business direction. actively push forward the development of the toll highway business and further expand the development in the four areas of investment, construction, operation and maintenance, fostering the capital advantages and management abilities to drive the growth of the core business.
 - **Exploration of new industries:** Comply with the PRC’s policy guidance on industry development, effectively leverage the advantages in terms of corporate resources, fully unleash the core competitiveness of the Company and demonstrate it as a well-structured and duplicable principle, so as to actively explore and engage in investment in new industries, which have a higher return than the core business, and achieve the target of stabilizing the performance growth in the near term and rendering new growth momentum in the long run. Mainly focus on the environmental protection industry as its main direction of new industries, such as water environment treatment and solid waste treatment, and moderately expand financial industry to realize the combination between industry and finance.
 - **Investment and financing management:** actively explore new investment modes, strengthen the use of financial instruments in the capital market and consolidate the internal planning and management of funds so as to fully demonstrate the Company’s advantages in investment and financing and enhance the overall competitiveness for the business development of the Company.
 - **Organization strength and human resources:** commit to building an organization structure which can enhance the efficiency and conform to the new development strategies, devote to creating a human resources management system which can enhance the staff motivation and in line with the best interest of the Company as a whole, ultimately realize healthy development of the Company in the long run and enhancing the value for the shareholders.



Business Structure





The Restricted A Share Incentive Scheme

- The purpose is to further establish and improve long-term corporate incentive system of the Company, attract and retain talent, fully mobilize the motivation of senior management members, middle and core management and key technicians of the Company, effectively tying the interests of the Shareholders, the Company and the management of the Company and enabling the respective parties to become aware of the Company's long-term development, and to promote the realization of the development strategies of the Company.
- The Participants: a total of 74 people including senior management members, middle managers and business backbones.
- Source of underlying shares: ordinary A Shares issued to the Participants by the Company.
- Number of underlying Shares: 16,990,607 A Share, representing approximately 0.78% of the Company's total share capital of 2,180,770,326 Shares.
- Grant price: RMB5.35.
- Validity period: shall be effective for five years from the Grant Date of the Restricted Shares.
- Lock-up period: will be locked up for 24 months from the Grant Date.
- The Company will convene the extraordinary general meeting and class meetings on 23 November to consider and approve the resolutions in relation to the Restricted A Share Incentive Scheme again.



The Restricted A Share Incentive Scheme

- Unlocking period and conditions:

Unlocking Arrangement	Unlocking Date	Proportion of unlocking	Performance indicators
First Unlocking	From the first trading day after 24 months from the Grant Date to the last trading day within 36 months from the Grant Date	40%	2015-2016 <ul style="list-style-type: none"> ● ROE: Average ROE not lower than 9.8% and not lower than the listed expressway companies' average ROE for the financial years of 2015-2016. ● Revenue Growth: Average revenue growth not lower than 11% and not lower than the listed expressway companies' average revenue growth for the financial years of 2015-2016. ● Dividend Payout Ratio: not lower than 43% for 2015-2016.
Second Unlocking	From the first trading day after 36 months from the Grant Date to the last trading day within 48 months from the Grant Date	30%	2015-2017 <ul style="list-style-type: none"> ● ROE: Average ROE not lower than 10.3% and not lower than the listed expressway companies' average ROE for the financial years of 2015-2017. ● Revenue Growth: Average Revenue Growth not lower than 12% and not lower than the listed expressway companies' average revenue growth for the financial years of 2015-2017. ● Dividend Payout Ratio: not lower than 43% for 2017.
Third Unlocking	From the first trading day after 48 months from the Grant Date to the last trading day within 60 months from the Grant Date	30%	2015-2018 <ul style="list-style-type: none"> ● ROE: Average ROE not lower than 10.8% and not lower than the listed expressway companies' average ROE for the financial years of 2015-2018; and average ROE for the financial year of 2018 not lower than a 'merit' standard for expressway industry as published in the State-owned Assets Supervision and Administration Commission's "Corporate Performance Standards" for that year. ● Revenue Growth: Average Revenue Growth not lower than 13% and not lower than the listed expressway companies' average revenue growth for the financial years of 2015-2018. ● Dividend Payout Ratio: not lower than 43% for 2018.



The Restricted A Share Incentive Scheme

5

■ Description of the consideration and the administration of the Scheme

As the proposal is a proposal that would cause a change in the shareholding structure of the Company's A \ H Shares and the Class Meeting shall be held in accordance with the Articles of Association. At the last meeting of the A Shares and Shareholders, the proposal was passed and H shares in favor surpassed the half, though did not reach two-thirds, and therefore were not adopted at the H Shareholders' Meeting. The main reason why the proposal is not recognized by some of the H-shares investors is that they may be affected by the international voting recommendations institutions.

Afterwards, we actively communicated with the voting body, which also admitted that there were some misconceptions about the proposal and explained that the proposal was based on the guidelines laid down by the proposal. Due to the large number of companies covered, the measure of the case will be a lack of certain adaptability. The agency also encourages us to actively communicate and explain with the majority of shareholders.

The share incentive scheme is developed within the scope of the relevant laws and regulations, which is scientific and reasonable, including incentives measures, share types and quantities, the price of shares granted, and the validity of the plan, lock-up period, unlocking period, block-out period and so on.

The Company has formulated its remuneration policy and incentive mechanism. Through the independent operation of the remuneration committee of the Board which mainly comprising and chaired by the independent non-executive Directors, and the measures which requires avoidance of conflict of interest in the process of remuneration determination and performance assessment, it is assured that no Directors, senior management or their respective associates can determine his or her own remuneration.

The incentive plan is prepared by the Remuneration Committee and submitted to the Board for consideration.

In addition, Mr. Wang Zengjin, an executive director of the Remuneration Committee, was not involved in the incentive scheme, so there was no conflict of interest among all the directors of the Remuneration Committee.

The Connected Participant, Mr. Wu Ya De, being an executive Director and President, has already declared his interest in the Incentive Scheme and abstained from voting on the resolutions in relation to the Incentive Scheme in the Board meeting.

The Company will carry out appropriate arrangements (including but not limited to require relevant personnel to abstain from the Board resolutions in relation to the Grant of the Restricted Shares), to ensure that future implementation and management of the Incentive Scheme will continue to follow the avoidance principles and avoid any conflict of interest between the Company and all Shareholders and any of the Participants.

6

2016 Third Quarterly Results



July - September 2016

7

- The traffic volume and toll revenues of most of the toll highway projects maintained growth.
- Revenue amounted to RMB1,117 million with a YOY increase of 18.96%.
- Net profit amounted to RMB332 million with a YOY increase of 5.70%.

January - September 2016

- The traffic volume and toll revenues of most of the toll highway projects maintained growth.
- Revenue amounted to RMB3,180 million with a YOY increase of 30.41%.
- Net profit amounted to RMB947 million with a YOY increase of 11.00%.

The financial statements of the Company were prepared in accordance with China Accounting Standards for Business Enterprise. In this material, the total of breakdown and the total may not equal in mantissa due to rounding.



Financial Highlights

8

	Jul-Sep 2016	Jul-Sep 2015	Change YOY
Revenue (RMB 'million)	1,116	939	+18.96%
Net profit attributable to owners of the Company (RMB 'million)	332	314	+5.70%
Earnings per share (EPS) (RMB)	0.152	0.144	+5.70%
	Jan-Sep 2016	Jan-Sep 2015	Change YOY
Revenue (RMB 'million)	3,180	2,438	+30.41%
Net profit attributable to owners of the Company (RMB 'million)	947	853	+11.00%
Earnings per share (EPS) (RMB)	0.434	0.391	+11.00%
Return on equity – weighted average (ROE) (%)	7.57%	7.24%	+0.33p.pt



Financial Analysis – Revenue & Investment Income

9

	Jul-Sep 2016	Jul-Sep 2015	Change in Amount	Change YOY	Jan-Sep 2016	Jan-Sep 2015	Change in Amount	Change YOY
	(RMB '000)				(RMB '000)			
Revenue	1,116,681	938,664	+178,017	+18.96%	3,179,810	2,438,282	+741,528	+30.41%
Toll revenue	978,631	792,646	+185,985	+23.46%	2,744,333	2,187,843	+556,490	+25.44%
Other income	138,050	146,018	-7,968	-5.46%	435,477	250,439	+185,038	+73.89%
Investment income	106,937	91,817	+15,120	+16.47%	334,292	228,437	+105,855	+46.34%

- Main reasons of the YOY increase in revenue from January to September: the consolidation of Consulting Company and Qinglong Company into the Group's financial statements since 1 July 2015 and 30 October 2015 respectively. Save for the effect, revenue recorded a YOY increase of 5.54%.
- Main reasons of the YOY increase in toll revenue from January to September:
 - the consolidation of Qinglong Company into the Group's financial statements since 30 October 2015;
 - the organic growth of traffic volume of Jihe West and Qinglian Expressway.
- The YOY increase in investment income from January to September was mainly due to the income from transfer of equity interest in subsidiaries and recognition of investment income from Bank of Guizhou.



Financial Analysis – Cost & Expenses

10

	Jul-Sep 2016	Jul-Sep 2015	Change in Amount	Change YOY	Jan-Sep 2016	Jan-Sep 2015	Change in Amount	Change YOY
	(RMB '000)				(RMB '000)			
Cost of services	576,619	436,941	+139,678	+31.97%	1,643,658	1,119,808	+523,850	+46.78%
General and administrative expenses	27,259	33,053	-5,794	-17.53%	68,583	62,831	+5,712	+9.15%
Financial expenses	148,700	98,199	+50,501	+51.43%	419,456	260,788	+158,668	+60.84%
Income tax expenses	87,790	81,392	+6,397	+7.86%	258,380	221,420	+36,960	+16.69%

- Main reasons of the YOY increase in cost of services from January to September:
 - the increase in costs of services of RMB206,813,000 and RMB310,174,000 respectively resulting from the consolidation of Consulting Company and Qinglong Company into the Group's financial statements;
 - the recognition of the cost of construction management service of Section A of Outer Ring;
 - the increase in depreciation and amortization costs.
- The YOY increase in financial expenses from January to September was mainly due to the YOY increase in the amount of interest-bearing debts.



Financial Analysis – Investment & Borrowings

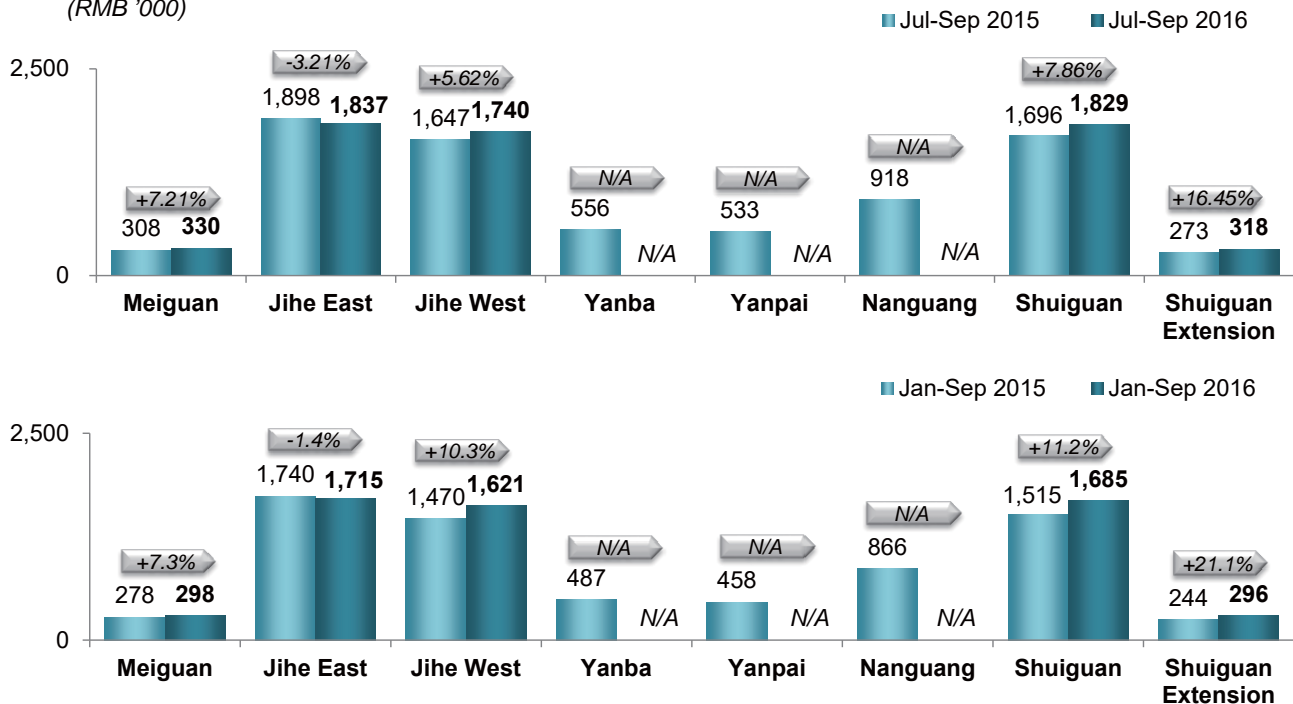
- Capital expenditure from January to September 2016: RMB2.09 billion.
- Total outstanding interest-bearing debts at the end of 30 September 2016: RMB12.96 billion (including the compensation amount of RMB6.39 billion for the Three Projects) (as at 30 September 2015: RMB8.06 billion and 31 December 2015: RMB13.28 billion).
- Debt-to-asset ratio at the end of 30 September 2016: 52.47% (end of 31 December 2015: 52.76%).



Operational Performance – Average Daily Toll Revenue

Shenzhen Region

(RMB '000)



Note: According to the agreements signed between the Company and the Shenzhen Transport Commission, Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the “Three Projects”) were toll free from 00:00 on 7 February 2016. The Company calculated and determined the revenue of the Three Projects according to the method stipulated in the agreements. The Company no longer discloses data for the Three Projects.



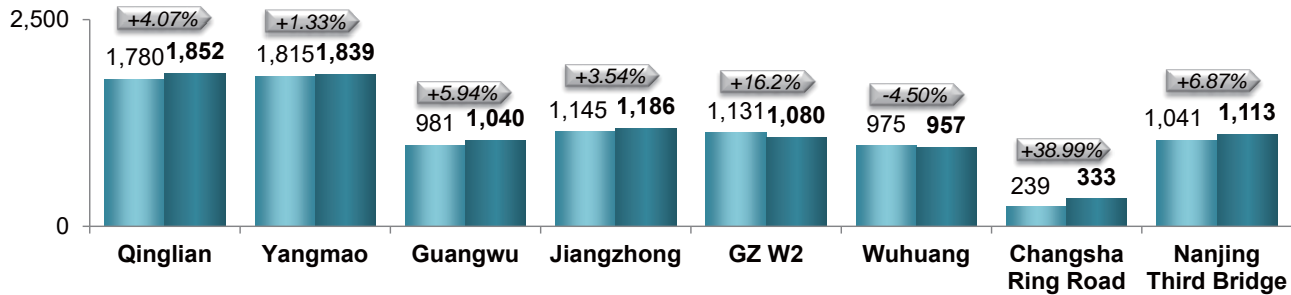
Operational Performance – Average Daily Toll Revenue

13

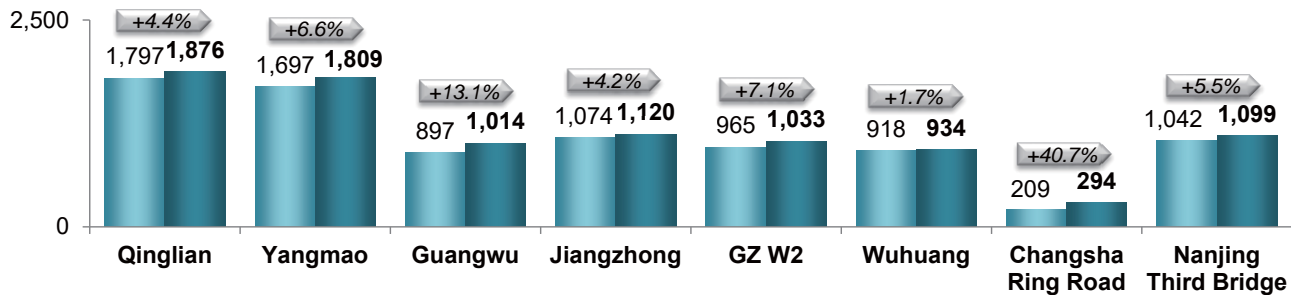
Other Regions

(RMB '000)

■ Jul-Sep 2015 ■ Jul-Sep 2016



■ Jan-Sep 2015 ■ Jan-Sep 2016



Operational Performance – Average Daily Mixed Traffic Volume

14

	Jul-Sep 2016	Jul-Sep 2015	Change YOY	Jan-Sep 2016	Jan-Sep 2015	Change YOY
Shenzhen region	<i>(Number of vehicles in thousands)</i>			<i>(Number of vehicles in thousands)</i>		
Meiguan	90	81	+10.9%	82	74	+11.1%
Jihe East	268	239	+11.9%	247	216	+14.7%
Jihe West	221	190	+16.3%	200	173	+15.2%
Yanba <small>Note</small>	N/A	47	N/A	N/A	38	N/A
Yanpai <small>Note</small>	N/A	68	N/A	N/A	57	N/A
Nanguang <small>Note</small>	N/A	102	N/A	N/A	95	N/A
Shuiguan	247	210	+17.9%	230	188	+22.5%
Shuiguan Extension	108	82	+31.2%	97	72	+34.1%

Note: According to the agreements signed between the Company and the Shenzhen Transport Commission, the Three Projects were toll free from 00:00 on 7 February 2016. The Company no longer discloses data for the Three Projects.



Operational Performance – Average Daily Mixed Traffic Volume

15

	Jul-Sep 2016	Jul-Sep 2015	Change YOY	Jan-Sep 2016	Jan-Sep 2015	Change YOY
Other regions	<i>(Number of vehicles in thousands)</i>			<i>(Number of vehicles in thousands)</i>		
Qinglian	38	34	+13.2%	37	34	+9.7%
Yangmao	53	46	+13.8%	47	41	+14.4%
Guangwu	44	36	+20.8%	40	35	+15.1%
Jiangzhong	130	116	+12.5%	118	108	+9.8%
GZ W2	62	56	+11.7%	57	49	+16.6%
Wuhuang	46	43	+8.7%	44	41	+7.8%
Changsha Ring Road	27	22	+25.4%	25	19	+30.7%
Nanjing Third Bridge	28	27	+2.7%	28	28	+0.4%



Operational Performance – Brief Description

16

- Since the toll adjustment proposals of the Three Projects were implemented in February 2016, the traffic volumes in toll free sections had increased, driving the growth of traffic volumes of the connected Jihe Expressway and Shuiguan Expressway.
- The Group performed maintenance and reinforcement of Pinghu Marshalling Yard Bridge of Jihe East from mid-May to mid-July in 2016, during which some of the traffic that would have travelled along that section changed their routes to Shuiguan Expressway and Shuiguan Extension to drive the growth of traffic volumes of Shuiguan Expressway and Shuiguan Extension, while it reduced the traffic volume of Jihe East itself. The works were completed on 16 July 2016 and the related impacts gradually eliminated.
- Benefited from the more accessible road network of Yunwu Expressway, Guangwu Project achieved a continued growth in traffic volume.
- Benefited from the rapid growth of the traffic volume in passenger car, the traffic volumes of GZ W2, Changsha Ring Road, Yangmao Expressway continued to grow.
- The diversion raised from Guangle Expressway and Erguang Expressway Guangdong Section on Qinglian Expressway still exists. With the active promotion and implementation of multi-level marketing strategy on Qinglian Expressway, the diversion has stabilized.



Significant Matters

17

11 Shenzhen Expressway

- As the 5-year 2011 corporate bonds (“11 Shenzhen Expressway”) issued by the Company on 27 July 2011 matured and was delisted on 27 July 2016.

USD Bonds

- The Company issued overseas debenture of US\$300 million at fixed interest rate with a maturity of 5 years in early July. Its nominal interest rate is 2.875%. The Company has arranged to lock in the foreign exchange rate of the bond to hedge exchange rate fluctuation risk.

RMB-denominated short-term corporate wealth management product

- The Company purchased RMB-denominated short-term corporate wealth management product with guaranteed principal from cooperative banks since 28 March 2016 on the condition that both safety and liquidity of capital reserve can be ensured. The yield rates ranged from 2.50% to 3.50%. The balance of wealth management products amounted to RMB750 million as at the end of the Reporting Period without any overdue principal or income. For the first nine months of 2016, the Company recorded income of RMB8,919,900 (tax inclusive), of which RMB5,532,800 (tax inclusive) was for the third quarter of 2016.

18

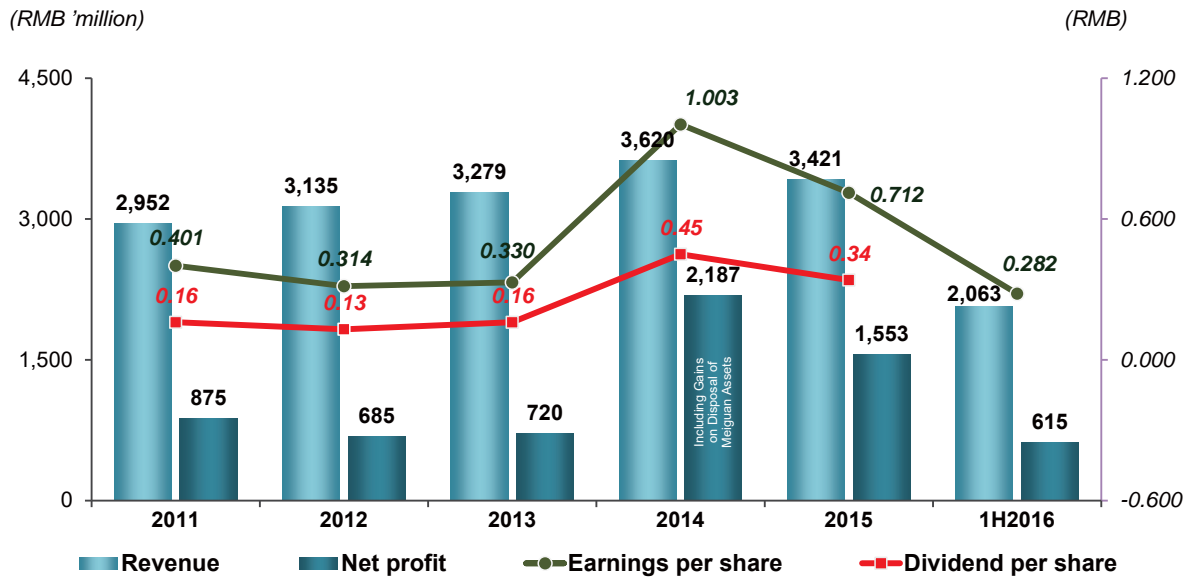


2016 Interim Results



Financial Highlights

19



- The financial statements of the Company were prepared in accordance with China Accounting Standards for Business Enterprise (CASBE), and also were complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules of HKEx.



Financial Analysis – Income Highlights

20

	1H2016	1H2015	Change in Amount	Change
Net profit attributable to owners of the Company (RMB 'million)	615	539	+76	+14.09%
Earnings per share (EPS) (RMB)	0.282	0.247	+0.035	+14.09%
Return on equity – weighted average (ROE) (%)	4.90%	4.53%	+0.37p.pt	
Excluding non-recurring items^{Note:}				
Net profit attributable to owners of the Company (RMB 'million)	519	484	+34	+7.04%
Earnings per share (EPS) (RMB)	0.238	0.222	+0.016	+7.04%
Return on equity – weighted average (ROE) (%)	4.13%	4.07%	+0.06p.pt	

Note: The non-recurring items mainly include the entrusted operation management profits from Coastal Company and Longda Company, earnings arising from the transfer of the entire equity interest and creditors' right of Guizhou Pengbo and 51% equity interest of Guizhou Hengtongli, gains arising from the remaining 49% equity interest of Guizhou Hengtongli re-calculated per fair value, and the amortization of compensation to Yanba Expressway and Yanpai Expressway provided by concession grantors recognized according to units-of-usage method which disclosed as a deduction of the amortization of the related concession intangible assets.



Financial Analysis – Revenue, Cost & Expenses

21

	1H2016 (RMB '000)	1H2015 (RMB '000)	Change in Amount (RMB '000)
Revenue	2,063,128^{Note1}	1,499,618	+563,510
<i>Toll highways</i>	1,765,702	1,395,197	+370,505 ^{Note2}
<i>Entrusted management services</i>	97,827	54,489	+43,338 ^{Note3}
<i>Engineering consulting services^{Note4}</i>	135,404	N/A	+135,404
<i>Advertising and others</i>	64,195	49,932	+14,263
Cost of services	1,067,039	682,866	+384,173
<i>Toll highways</i>	865,567	633,573	+231,994
<i>Entrusted management services</i>	55,561	17,724	+37,933 ^{Note5}
<i>Engineering consulting services^{Note4}</i>	109,128	N/A	+109,128
<i>Advertising and others</i>	36,783	31,569	+5,214
General and administrative expenses	41,324	29,778	+11,546

Note1: Since 1 May 2016, the policy of replacing the business tax with value-added tax scheme has been applied to the Group's businesses such as expressway toll collection and entrusted management services. The operating income of the Group during the Reporting Period decreased approximately 2% compared with the business tax.

Note2: Qinglong Company has been consolidated into the Group's financial statements since 30 October 2015.

Note3: The Company recognized the entrusted operation management services revenue of RMB42,453,000 from Coastal Phase I from 1 January 2014 to 30 June 2016. In addition, the Company recognized the entrusted construction management services revenue of RMB49,692,000 from Section A of Outer Ring, and it basically remained YOY flat.

Note4: Consulting Company has been consolidated into the Group's financial statements since 1 July 2015.

Note5: The Company recognized the entrusted construction management services costs of RMB49,073,000 from Section A of Outer Ring.



Financial Analysis – Operating Income

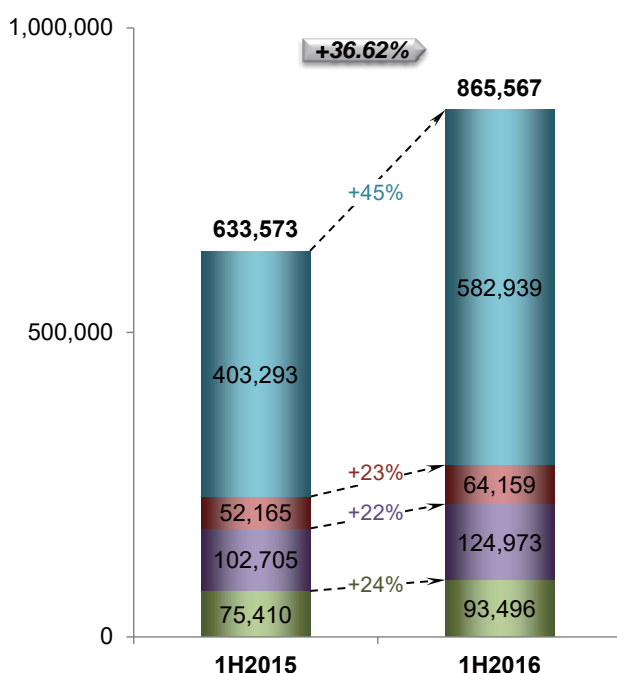
22

	1H2016 (RMB '000)	1H2015 (RMB '000)	Change in Amount (RMB '000)
Toll highway			
Qinglian	343,653	326,937	+16,716
Jihe East	300,924	300,336	+588
Shuiguan	293,363	N/A	+293,363
Jihe West	284,076	249,697	+34,379
Wuhuang	167,992	160,972	+7,020
Nanguang	158,065	151,853	+6,212
Yanba	85,143	81,710	+3,433
Yanpai	81,045	76,034	+5,011
Meiguan	51,441	47,658	+3,783
Total	1,765,702	1,395,197	+370,505

- The YOY increase of toll revenue was mainly due to the consolidation of Qinglong Company into the Group's financial statements since 30 October 2015.
- After deducting the effect of above mentioned factor, toll revenue recorded a YOY increase of 5.53%, which was mainly due to beneficial factors including the organic growth of traffic volume of Jihe West and attraction of traffic volume upon the implementation of toll-free for the Three Projects, and a certain growth of toll revenue of other ancillary toll highways.
- During the Reporting Period, the Company recognized a compensation amount of RMB254,991,000 for toll revenue of the Three Projects.

Cost Breakdown of Toll Highway Business

(RMB '000)



- ↑ The consolidation of Qinglong Company into the Group's financial statements resulted in an increase in depreciation and amortization of RMB158,053,000; the adjustment in the unit amortization amount of the concession intangible assets in some ancillary toll highways since 1 January 2016; the increase in traffic volume resulted in an increase in depreciation and amortization costs.
- ↑ The special maintenance expenses of Jihe East and Wuhuang Expressway increased.
- ↑ The consolidation of Qinglong Company into the Group's financial statements has resulted in an increase in employee expenses.
- ↑ The consolidation of Qinglong Company into the Group's financial statements has resulted in an increase in cost of other businesses.

Financial Analysis – Operating Profit from Main Business

	Cost of Services		Operating Profit	
	1H2016 (RMB '000)	Change in Amount (RMB '000)	1H2016 (RMB '000)	Change in Amount (RMB '000)
Toll highway				
Jihe West	48,819	+3,777	235,257	+30,602
Jihe East	135,922	+4,695	165,002	-4,107
Qinglian	182,874	+3,961	160,779	+12,755
Shuiguan ^{Note}	193,546	+193,546	99,817	+99,817
Nanguang	80,899	+3,031	77,166	+3,181
Wuhuang	97,530	+10,322	70,462	-3,302
Yanpai	40,114	+4,491	40,931	+520
Yanba	55,105	+3,897	30,038	-464
Meiguan	30,758	+4,274	20,683	-491
Total	865,567	+231,994	900,135	+138,511

Note: Qinglong Company has been consolidated into the Group's financial statements since 30 October 2015.

Operating profit = Operating income – Operating costs



Financial Analysis – Operating Profit from Entrusted Management Services

25

	Operating Income		Operating Costs		Operating Profit	
	1H2016 (RMB '000)	Change in Amount (RMB '000)	1H2016 (RMB '000)	Change in Amount (RMB '000)	1H2016 (RMB '000)	Change in Amount (RMB '000)
Entrusted management project						
Section A of Outer Ring	49,692	+49,692	49,073	+49,073	618	+618
Coastal Phase I (entrusted operation management)	42,453	+42,453	0	0	42,453	+42,453
Coastal Phase I (entrusted construction management)	5,244	-11,057	5,244	-2,099	0	-8,958
Other entrusted management projects ^{Note}	10,074	-28,114	1,244	-1,937	38,188	-18,977
Total	107,462	+52,973	55,561	+37,837	51,901	+15,136

- The agreement for operation entrusted management service of Coastal Phase I was signed between the Company and the government during the Reporting Period, pursuant to which revenue from entrusted management services from 1 January 2014 to 30 June 2016 was recognized.
- The Company signed a joint investment and construction agreement with the government for Section A of Outer Ring and recognized its entrusted construction management services revenue during the Reporting Period.

Note: Other entrusted management projects include Guanlan Renmin Road-Meiguan Expressway Joints Project, Dezheng Road Project, New Toll Station of Meiguan and Facilities Project, Longda Municipal Section, and Longda Project.

Operating profit = Operating income – Operating costs



Financial Analysis – Investment Income

26

	Toll revenue	Cost of services	Investment Income of the Group	
	1H2016 (RMB '000)	1H2016 (RMB '000)	1H2016 (RMB '000)	Change in Amount (RMB '000)
Toll highway				
Joint ventures: Changsha Ring Road	50,025	19,496	12,475	+5,624
Associates:				
Shuiguan Extension	51,782	36,667	2,234	+1,939
Yangmao	326,514	78,992	44,608	+4,786
Guangwu	183,799	61,994	22,870	+4,618
Jiangzhong	197,739	147,796	5,884	+718
GZ W2	183,752	76,426	14,403	+5,096
Nanjing Third Bridge	198,787	56,414	20,001	+5,989
Subtotal	1,192,398	477,785	122,475	+28,770
Transfer of Guilong Land			65,209	+65,209
Bank of Guizhou			38,200	+38,200
Shuiguan			-	-38,946
Consulting Company			-	-2,042
Others (Guangdong UETC, United Land Company, and bank wealth management products, etc.)			1,472	-456
Total			227,355	+90,735

- After deducting the effect of the investment incomes from transfer of Guilong Land and Bank of Guizhou, gains from bank wealth management products, and investment income attributable to Qinglong Company and Consulting Company during the corresponding period of last year, the investment income amounted to RMB120,705,000 (2015 Interim: RMB92,633,000), representing a YOY increase of 30.31%, which was mainly attributable to the growth of toll revenue from most toll highway projects operated by the joint ventures and associates, and a corresponding decrease of financial cost as the borrowing scale and capital cost decline.



Financial Analysis – Financial Expenses

27

	1H2016 (RMB '000)	1H2015 (RMB '000)	Change in Amount (RMB '000)
Item			
Interest expenses	322,336	238,016	+84,320 ^{Note}
Less: Interest capitalized	- 1,274	- 1,839	-565
Interest income	51,066	76,734	-25,668
Add: Time value of provisions for maintenance/resurfacing	-	+ 2,624	-2,624
Exchange loss and others	760	522	+238
Financial expenses	270,756	162,589	+108,167
Composite borrowing costs - nominal costs (%)	5.11%	5.79%	-0.68p.pt
Average borrowing scale (RMB 'million)	12,804	8,166	+4,638

Note: The Company received the compensation for the toll adjustment of the Three Projects at the end of 2015, resulting in an increase in the scale of the Group's interest-bearing liabilities during the Reporting Period.



Financial Analysis – Assets and Liabilities

28

	30 June 2016 (RMB 'million)	31 December 2015 (RMB 'million)	Change in Amount (RMB 'million)
Total equity attributable to owners of the Company	12,243	12,369	-126
Net assets per share (RMB)	5.61	5.67	-0.06
Total assets	31,163	31,671	-508
<i>of which: Cash and cash equivalents</i>	3,125	6,181	-3,056
Total liabilities	16,333	16,710	-377
<i>of which: Total outstanding interest-bearing liabilities</i> ^{Note}	12,635	13,276	-641

Note: The decrease was mainly attributable to Qinglong Company's early repayment of part of long-term borrowings during the Reporting Period.



Financial Analysis – Debt Ratio and Repayment

29

	30 June 2016	31 December 2015
Debt-to-asset ratio (Total liabilities / Total assets)	52.41%	52.76%
Net borrowings-to-equity ratio (Total borrowings - cash and cash equivalents) / Total equity)	64.13%	47.42%
	1H2016	1H2015
Interest covered multiple (Profit before tax + interest expenses) / interest expenses)	3.68	3.91
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortization / interest expenses)	5.53	5.65

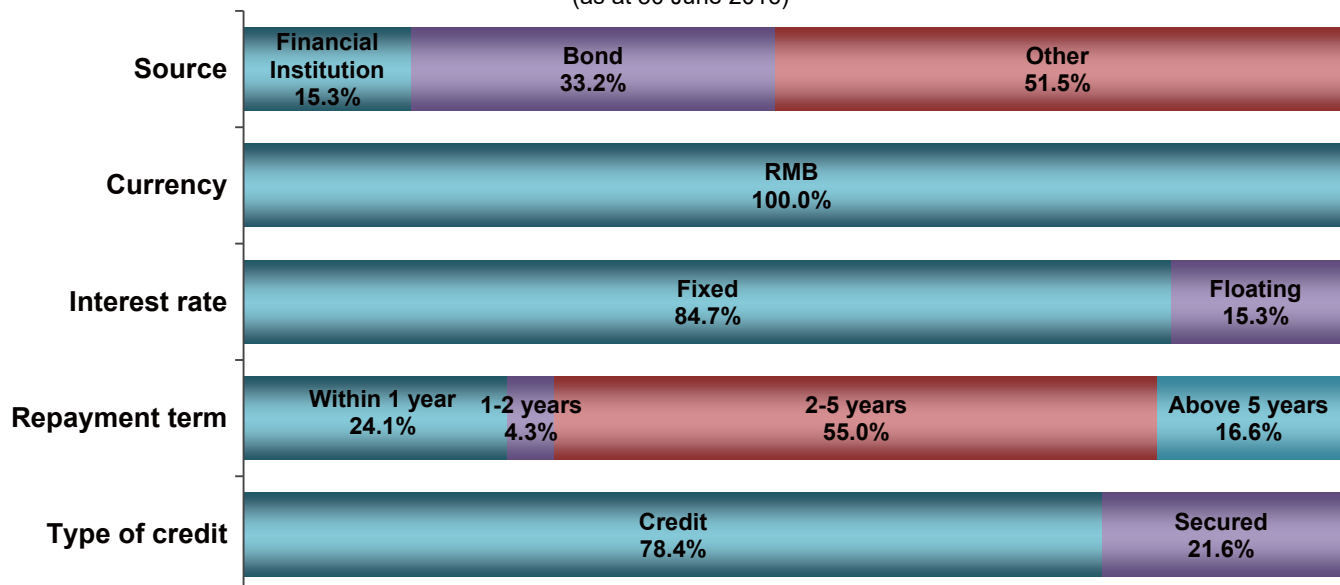


Financial Analysis – Borrowing Structure

30

Borrowing Structure

(as at 30 June 2016)



- The Company issued overseas debenture of US\$300 million at fixed interest rate with a maturity of 5 years in early July. Its nominal interest rate is 2.875%. The Company has arranged to lock in the foreign exchange rate of the bond to maintain the financial stability.



Financial Analysis – Cash Flow & Credit Management

31

	1H2016 (RMB '000)	1H2015 (RMB '000)	Change in Amount (RMB '000)
Net cash flows from operating activities	904,108	399,389	+504,719 ^{Note}
Net cash inflows from operating activities and cash return on investments	1,024,875	486,797	+538,078 ^{Note}

Note: The increase was mainly due to the fact that Qinglong Company had been consolidated into the Group's financial statements, resulting in an increase in the Group's net cash flows from operating activities, and the payment of income tax of RMB423,964,000 in respect of Gains on Disposal of Meiguan Assets in the corresponding period of last year.

- As at the end of the Reporting Period, unutilized banking facilities amounted to RMB6.2 billion.
- During the Reporting Period, the Company continued to maintain the highest rating of AAA in credit rating for borrowing enterprises in China; as to international body rating, the Company obtained Moody's Baa2, Standard & Poor's BBB and Fitch BBB. In credit ratings of debt, the credit rating for corporate bonds raised from AA+ to AAA, and the others all remained at AAA level.



Financial Analysis – Capital Expenditure

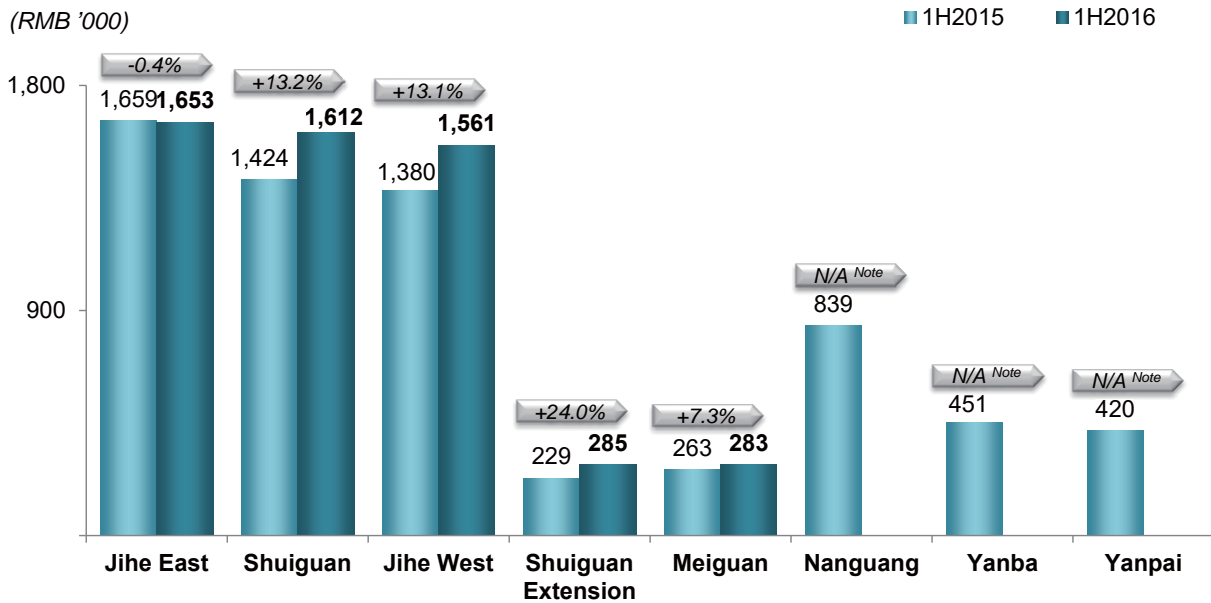
32

(RMB '000)	Actual Expenditure	Capital Expenditure Plan			
	1H2016	2H2016	2017	2018	Total
Investment in intangible assets and fixed assets	75,876	966,642	2,632,050	2,260,470	5,859,162
<i>Qinglian Project</i>	<i>4,250</i>	<i>52,300</i>	<i>1,370</i>	<i>-</i>	<i>53,670</i>
<i>Nanguang Expressway</i>	<i>2,875</i>	<i>63,615</i>	<i>7,320</i>	<i>1,360</i>	<i>72,295</i>
<i>Reconstruction and expansion of Meiguan Expressway</i>	<i>1,823</i>	<i>61,797</i>	<i>-</i>	<i>-</i>	<i>61,797</i>
<i>Outer Ring Project</i>	<i>28,623</i>	<i>730,317</i>	<i>2,623,360</i>	<i>2,259,110</i>	<i>5,612,787</i>
<i>Other investment (Investment in mechanical and electrical equipment, etc.)</i>	<i>38,305</i>	<i>58,613</i>	<i>-</i>	<i>-</i>	<i>58,613</i>
Equity investments	1,916,300	26,000	-	-	26,000
<i>United Land Company (Meilin Checkpoint Renewal Project)</i>	<i>1,896,300</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Fameluxe Investment (Shuiguan Expressway Project)</i>	<i>20,000</i>	<i>26,000</i>	<i>-</i>	<i>-</i>	<i>26,000</i>
Total	1,992,176	992,642	2,632,050	2,260,470	5,885,162



Operational Performance – Shenzhen Region

Average Daily Toll Revenue

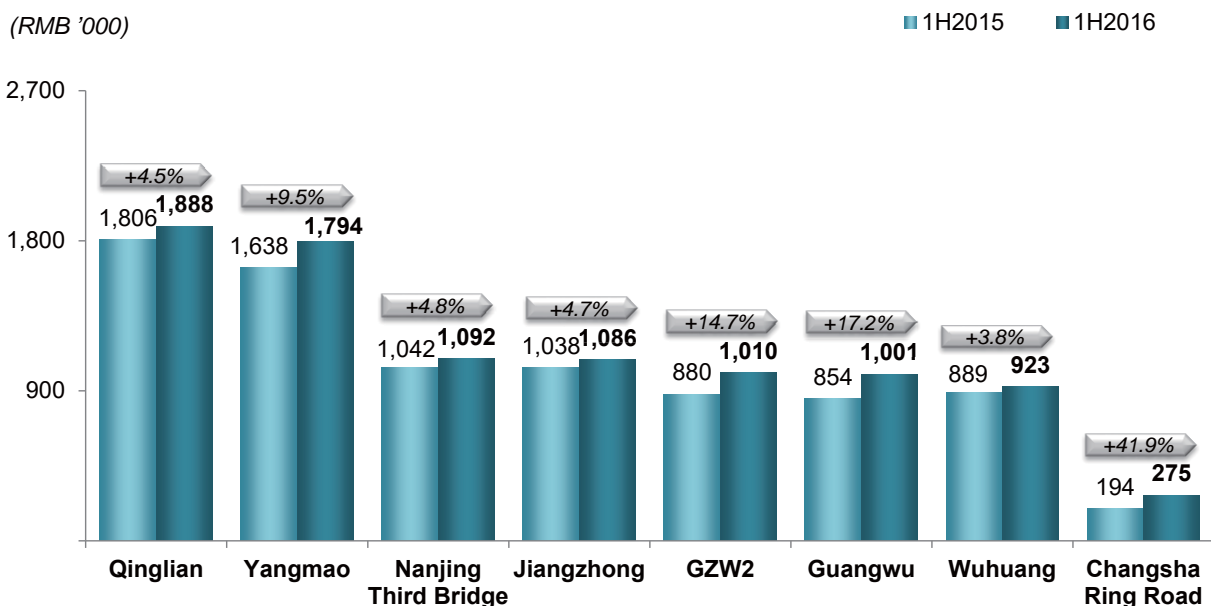


Note: Pursuant to the agreement entered into between the Company and the Transport Commission of Shenzhen Municipality (the "Transport Commission"), the toll-free policy has been implemented for Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the "Three Projects") from 00:00 on 7 February 2016, and the Company calculated and recognized the income in accordance with the methods set out in the agreement. The Company no longer discloses data for the Three Projects.



Operational Performance – Other Regions

Average Daily Toll Revenue





Operation Analysis

35

- The Three Projects have been toll-free from 00:00 on 7 February 2016. The growth of traffic volume in toll free projects drove the growth of traffic volume of the connected Jihe Expressway and Shuiguan Expressway.
- The westward road of Pinghu Marshalling Yard Bridge of Jihe East was closed for reinforcement in mid-May 2016, which has negatively affected the traffic conditions and operational performance of itself and the connected roads to a certain extent. The maintenance works were completed in mid-July 2016.
- Benefited from economic growth in the areas along the expressways and the implementation of the toll-by-weight policy for lorries, the average daily toll revenues of Yangmao Expressway and GZ W2 Expressway achieved good YOY growth.
- Benefited from the more accessible road network of Yunwu Expressway, Guangwu Project achieved a continued growth in traffic volume.
- The diversion raised from Guangle Expressway and Erguang Expressway Guangdong Section on Qinglian Expressway still exists. With the active promotion and implementation of multi-level marketing strategy on Qinglian Expressway, the diversion has stabilized.



Business Development – Project Progress

36

Toll Adjustment of the Three Projects

- The Company and the Transport Commission entered into an agreement relating to the toll adjustment of the Three Projects and all conditions precedent under the agreement have been fulfilled on 29 January 2016, pursuant to which, the adjustment proposal will be implemented from 00:00 on 7 February 2016 in two phases: the Company implements the toll-free policy for the Three Projects, while the Transport Commission makes cash compensation to the Company based on the adjustment mechanism accordingly.
- Based on the estimated cash flow to be generated by future revenue and/or income of the Three Projects, the Company acquired a large amount of cash assets at a reasonable consideration and capital cost, which will enable the Company to improve its financial position and enhance its ability and provide rooms for business expansion and exploration of new industries. The Company will also step up its effort in acquiring main business projects and developing new industries, with a view to improve its asset structure for long-term development as a whole and achieve new industry layout as soon as possible.

Outer Ring Project

- The total length is approximately 93 km with six-lane.
- Section A of Outer Ring is from Coastal Expressway in the west to the interchange of Shenshan Expressway in the east (excluding Dongguan section) with the length of approximately 60 km.
- The Company and the Shenzhen government entered into agreements on 18 March 2016: the investment budget for Section A of Outer Ring is approximately RMB20.6 billion, among which, the Group will invest RMB6.5 billion to get its 100% equity, receive 100% of the operating revenue and undertake the operating cost, relevant taxes and risks of the project for a term of 25 years, and the cost overruns will be assumed or financed by Shenzhen Special Economic Zone Construction and Development Company Limited, a company established and wholly-owned by Shenzhen government.
- The proposal for Section A of Outer Ring is the first toll highway project undertaken by the Group based on PPP mode, which can effectively maintain a balance between public welfare and reasonable returns for commercial investment of infrastructure.
- As at the Reporting Date, land preparation, procedures for land use, as well as relocation of pipelines and cables are now underway, most of the works in relation to tenders of consultation have been completed, and part of the contractual section has been already commenced construction.



Business Management – Entrusted Management Business

37

Entrusted Construction Business

Project Construction

- Construction of Longda Municipal Section were proceeded smoothly, and scheduled to be completed in 2016.
- The construction of the bridges of Guanlan Renmin Road-Meiguan Expressway Joint Project had been completed. The whole project was scheduled to be completed by the end of 2016.

Acceptance and Audit

- Inspection and delivery work of Guizhou Resettlement Project Phase II are basically completed and it was delivered and put into use on the end of March 2016. Currently, the filling and audit work of completion settlement is under progress.
- Tasks such as the completion settlement and the government audit of Nanping Phase II, Dezheng Road Project and Coastal Phase I were still underway.

Preliminary Planning

- The Company and Coastal Company entered into Supplemental Agreement to the Entrusted Construction Management Agreement regarding the Coastal Phase II, which sets out further provisions in respect of the scope of the entrusted construction, provisional amount of the entrusted construction service fee, etc.
- The Company was actively handling all the reporting and approval procedures for Coastal Expressway Phase II, and began to carry out land acquisition and resettlement work.
- The Company has obtained the entrusted construction management right to construct new toll stations of four free roads including Nanguang Expressway during the Reporting Period.

Entrusted Operation Business

- The Company continued to be entrusted to carry out the operation management of Longda Project under the model of equity management.
- On 16 June 2016, the Company and Coastal Company finally entered into Entrusted Operation Management Agreement in Relation to the Guangshen Coastal Expressway (Shenzhen Section) Phase I Project with an annual service fee of RMB18 million.



Business Management – Resource Acquisition and Development 1

38

Guilong Land

- Relying on BT Project, from 2012 up to the Reporting Date, the Group has successfully won the bids for parcels of land with an area of approximately 2,490 mu (approximately 1.66 million square meters) with a total consideration of approximately RMB837 million:

- Guishen Company has conducted a secondary self-development for the land with an area of 300 mu (approximately 200,000 square meters) of Guilong Project Parcel No.1. Currently, preliminary acceptance of all buildings of Phase I Group A of Interlaken Town Project (approximately 110 mu, equivalent to 70,000 square meters) is completed and it is expected to be delivered and put into use in second half of 2016. More than 120 sets of villas had been basically sold out.

The construction and landscape architecture project of Phase I Group B (approximately 129 mu, equivalent to 86,000 square meters) proceeded smoothly, model room decoration and outdoor greening were completed. Some villas had been subscribed. The construction of Phase I Group B was expected to be completed within 2017.

- The Board approved Guishen Company to conduct integrated planning and progressive and phased development of an area of 400 mu (approximately 267,000 square meters) in Guilong Project Parcel No.1 on their own.
- On 30 December 2015, Guizhou Property entered into two transfer agreements with Shenzhen International Logistics Development Co., Ltd. ("SZ International Logistics") to transfer the entire equity in and creditors' rights of Guizhou Pengbo (which holds approximately 322.9 mu of land lots for logistics use) and 51% equity interest in Guizhou Hengtongli (which holds approximately 143.9 mu of land lots for commercial and residential use) to SZ International Logistics with the considerations of approximately RMB94.583 million and RMB43.991 million respectively. SZ International Logistics has paid half of the transfer amounts to Guizhou Property, and relevant equity transfer procedures were also completed.
- The Group will, through means such as timely market transfer, cooperation or self-development based on the overall market conditions and development opportunities, realize the market value of the lands it holds and the Group's investment gains as soon as possible, at the same time prevent the contractual and market risks in relation to the lands in an effective way.



Business Management – Resource Acquisition and Development 2

39

Meilin Checkpoint Renewal Project

- Pursuant to the relevant agreement and the approval of the general meeting, the Company and Shenzhen International (through XTC Company, its wholly-owned subsidiary) have established United Land Company, in which two parties own 49% and 51% equity interests respectively, as the implementing entity of Meilin Checkpoint Renewal Project.
- The Group had completed subsequent capital injection into United Land Company, with an accumulated amount of RMB2.45 billion. United Land Company paid up the total land premium (including the transfer price of land use right and other payables) and obtained the land use right of the land parcels.
- The land area of the land parcels is approximately 96,000 square meters and the land is for residential and commercial use with a plot ratio-based gross floor area of not more than 486,400 square meters (including public affiliated facilities, etc.).
- It is estimated that the total cost of the project land parcel would be about RMB5.0 billion to RMB5.2 billion, including the total land premium of approximately RMB3,567 million, relocation compensation for the properties on the land, preliminary planning costs, and relevant tax.
- Currently, relocation compensation for most of the operators and tenants of the existing properties on the land has been completed, and the clearing up work is expected to be completed by the end of the year.
- The land parcels are situated at a geographically advantageous location with certain advantages on land price over the market prices of the peripheral areas and also have better investment value and appreciation potential.
- The Company is actively conducting industry policy research, exploring the methods for value realization and liquidation of the land, as well as promoting the introduction of cooperation parties with Shenzhen International, so as to timely realize the commercial value of the project.



Business Management – Resource Acquisition and Development 3

40

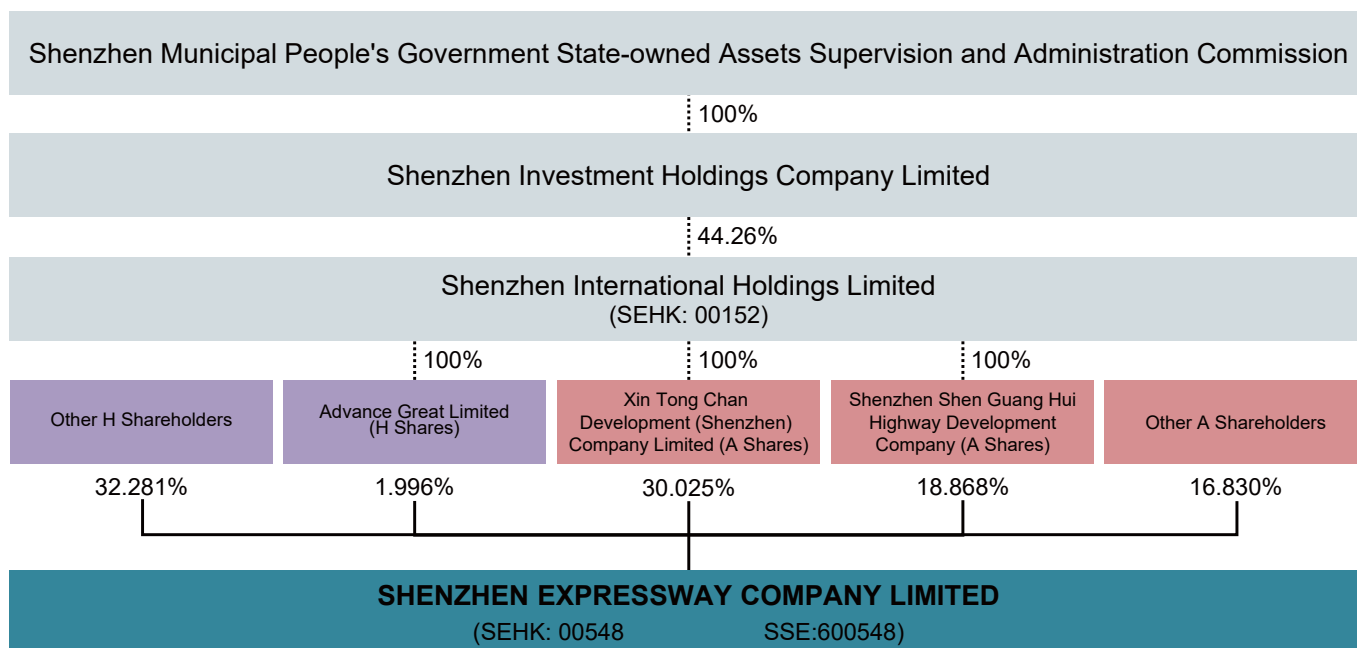
Bank of Guizhou

- As at 30 June 2016, the Company subscribed 426 million additional shares of Bank of Guizhou by way of capital contribution in the total amount of RMB664,560,000, accounted for 4.92% of the equity interests in Bank of Guizhou. The Company will hold 4.63% of total capital of Guizhou Bank after its capital increase if the funds are fully raised enough.
- Given the strong cash dividend capacity and there is much room for future development of Bank of Guizhou, the subscription of the additional shares issued by Bank of Guizhou will optimize the Company's asset allocation in pursuit of sound synergy for its subsequent infrastructure investments and operations in relevant regions.

Appendix



Shareholding Structure



The total share capital of the Company is 2,180,770,326, of which H shares are 747,500,000, accounting for 34.28% and domestic shares are 1,433,270,326, accounting for 65.72%.

Toll Highway Projects Summary

43

Toll Highway	Interest Held by the Company	Location	Toll Mileage (km)	No. of Lanes	Status	Maturity
Meiguan Expressway	100%	Shenzhen	5.4 ^{Note}	8	Under operation	2027.03
Jihe East	100%	Shenzhen	23.7	6	Under operation	2027.03
Jihe West	100%	Shenzhen	21.8	6	Under operation	2027.03
Yanba Expressway	100%	Shenzhen	29.1	6	Under operation	Section A: 2026.04 Section B: 2028.07 Section C: 2035.03
Shuiguan Expressway	50%	Shenzhen	20.0	10	Under operation	2025.12
Shuiguan Extension	40%	Shenzhen	6.3	6	Under operation	2025.12
Yanpai Expressway	100%	Shenzhen	15.6	6	Under operation	2027.03
Nanguang Expressway	100%	Shenzhen	31.0	6	Under operation	2033.01
Yangmao Expressway	25%	Guangdong	79.8	4	Under operation	2027.07
Guangwu Project	30%	Guangdong	37.9	4	Under operation	2027.11
Jiangzhong Project	25%	Guangdong	39.6	4	Under operation	2027.08
GZ W2 Expressway	25%	Guangdong	40.2	6	Under operation	2030.12
Qinglian Expressway	76.37%	Guangdong	216.0	4	Under operation	2034.07
Wuhuang Expressway	55%	Hubei	70.3	4	Under operation	2022.09
Changsha Ring Road	51%	Hunan	34.7	4	Under operation	2029.10
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Under operation	2030.10

Note: Pursuant to the agreement between the Company and Shenzhen Government, the toll mode of Meiguan Expressway has been adjusted since 1 April 2014. After the adjustment, the toll mileage is 5.4 km instead of 19.2 km.

Average Daily Mixed Traffic Volume

44

(Number of vehicles)

	2011	2012	2013	2014	2015	1H2016
Shenzhen region in Guangdong Province						
Meiguan Expressway ^{Note}	118,976	124,921	129,769	84,622	74,956	77,471
Jihe East	118,215	128,414	149,896	189,586	219,169	236,973
Jihe West	99,390	106,564	123,343	149,921	175,533	189,206
Yanba Expressway	27,610	28,563	31,260	35,602	36,600	N/A
Yanpai Expressway	38,501	41,473	50,188	57,370	56,999	N/A
Nanguang Expressway	55,995	58,715	75,029	86,829	96,405	N/A
Shuiguan Expressway	124,714	138,285	155,477	168,728	191,354	220,927
Shuiguan Extension	31,941	29,331	39,119	61,655	75,377	91,121
Other regions in Guangdong Province						
Qinglian Expressway	21,445	22,827	28,344	33,026	33,290	36,320
Yangmao Expressway	23,477	26,978	31,481	34,935	40,485	44,680
Guangwu Project	23,089	25,339	27,177	31,935	34,792	38,718
Jiangzhong Project	90,270	90,556	89,467	101,183	107,246	112,231
GZ W2 Expressway	33,493	34,796	42,175	46,205	50,007	54,274
Other provinces in the PRC						
Wuhuang Expressway	37,856	39,712	39,127	38,891	40,617	43,521
Changsha Ring Road	9,516	13,206	14,015	16,188	19,798	24,206
Nanjing Third Bridge	23,293	24,680	29,312	27,665	26,777	27,678

Note: Toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km was implemented on 1 April 2014, and the toll for section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km remained.

Average Daily Toll Revenue



(RMB '000)

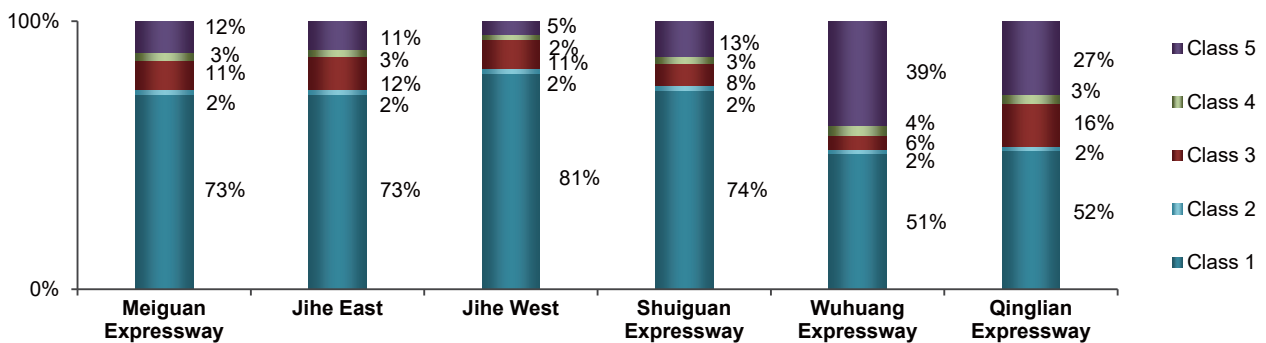
	2011	2012	2013	2014	2015	1H2016
Shenzhen region in Guangdong Province						
Meiguan Expressway ^{Note}	943.2	875.6	803.1	413.6	282.9	282.6
Jihe East	1,407.1	1,239.9	1,328.8	1,614.6	1,745.1	1,653.4
Jihe West	1,229.9	1,079.8	1,048.2	1,267.6	1,491.0	1,560.9
Yanba Expressway	369.3	387.4	444.1	493.2	473.0	N/A
Yanpai Expressway	463.8	514.0	541.0	584.2	441.7	N/A
Nanguang Expressway	589.0	628.8	787.2	839.7	879.8	N/A
Shuiguan Expressway	1,122.0	1,204.5	1,297.7	1,385.6	1,537.3	1,655.0
Shuiguan Extension	196.7	155.5	176.1	230.8	253.7	284.5
Other regions in Guangdong Province						
Qinglian Expressway	1,280.4	1,460.6	1,948.1	2,136.3	1,745.7	1,888.2
Yangmao Expressway	1,209.4	1,326.2	1,469.2	1,547.2	1,694.7	1,794.0
Guangwu Project	644.4	681.3	718.5	802.0	893.9	1,000.6
Jiangzhong Project	972.4	931.6	924.1	1,019.2	1,066.6	1,086.5
GZ W2 Expressway	740.0	713.0	824.8	917.2	990.3	1,009.6
Other provinces in the PRC						
Wuhuang Expressway	1,146.2	1,170.4	1,040.4	891.0	908.5	923.0
Changsha Ring Road	86.3	119.4	143.6	167.9	222.8	274.9
Nanjing Third Bridge	828.6	894.7	1,169.5	1,093.5	1,040.5	1,092.2

Note: Toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km was implemented on 1 April 2014, and the toll for section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km remained.

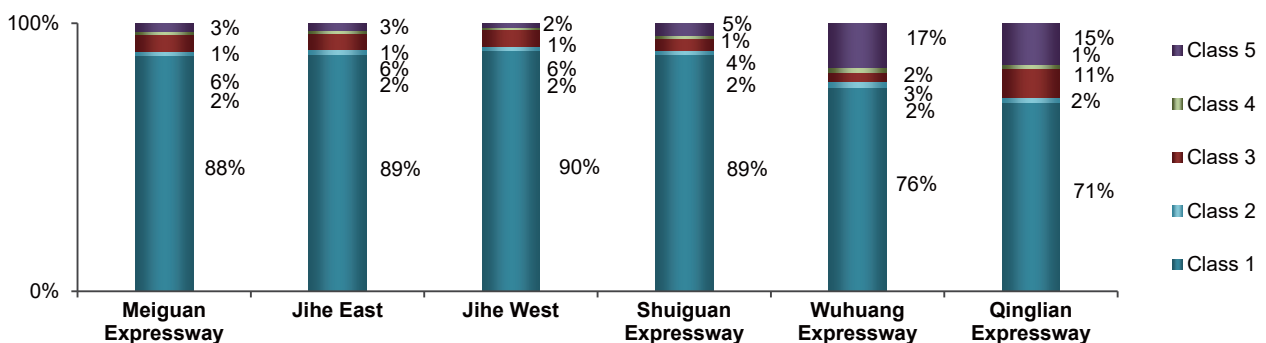


Vehicle Category of Major Highways in 1H2016

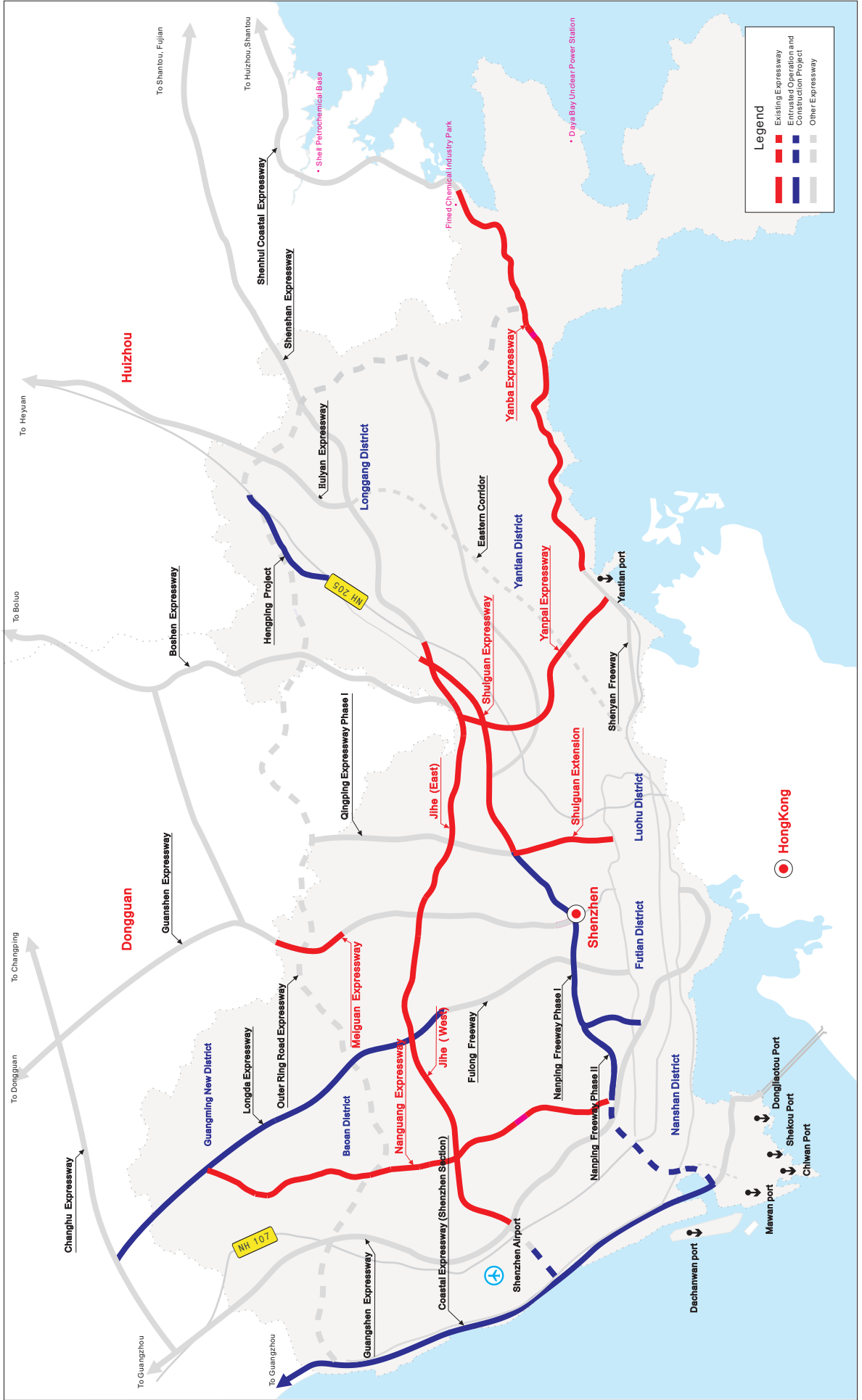
By revenue



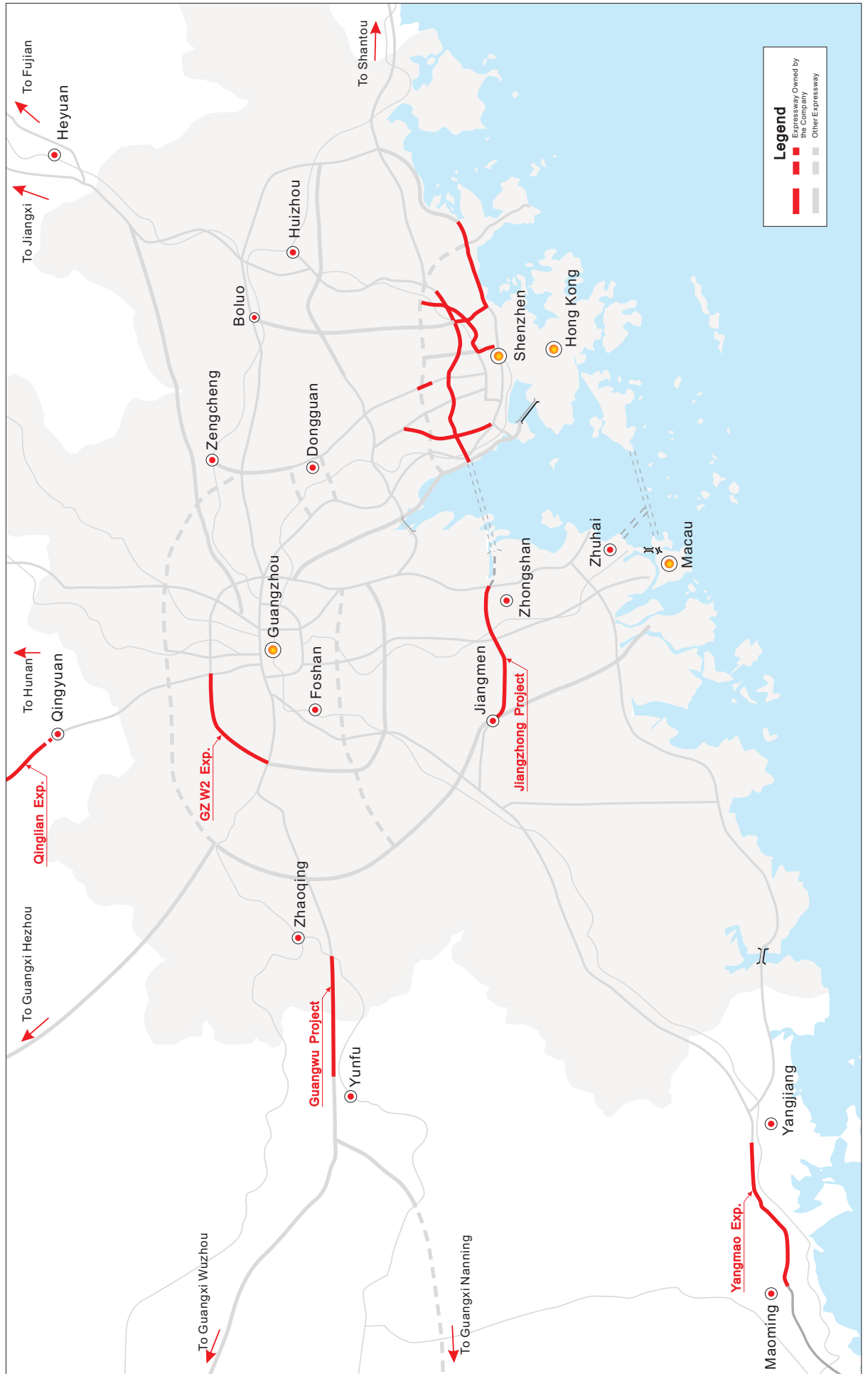
By traffic volume



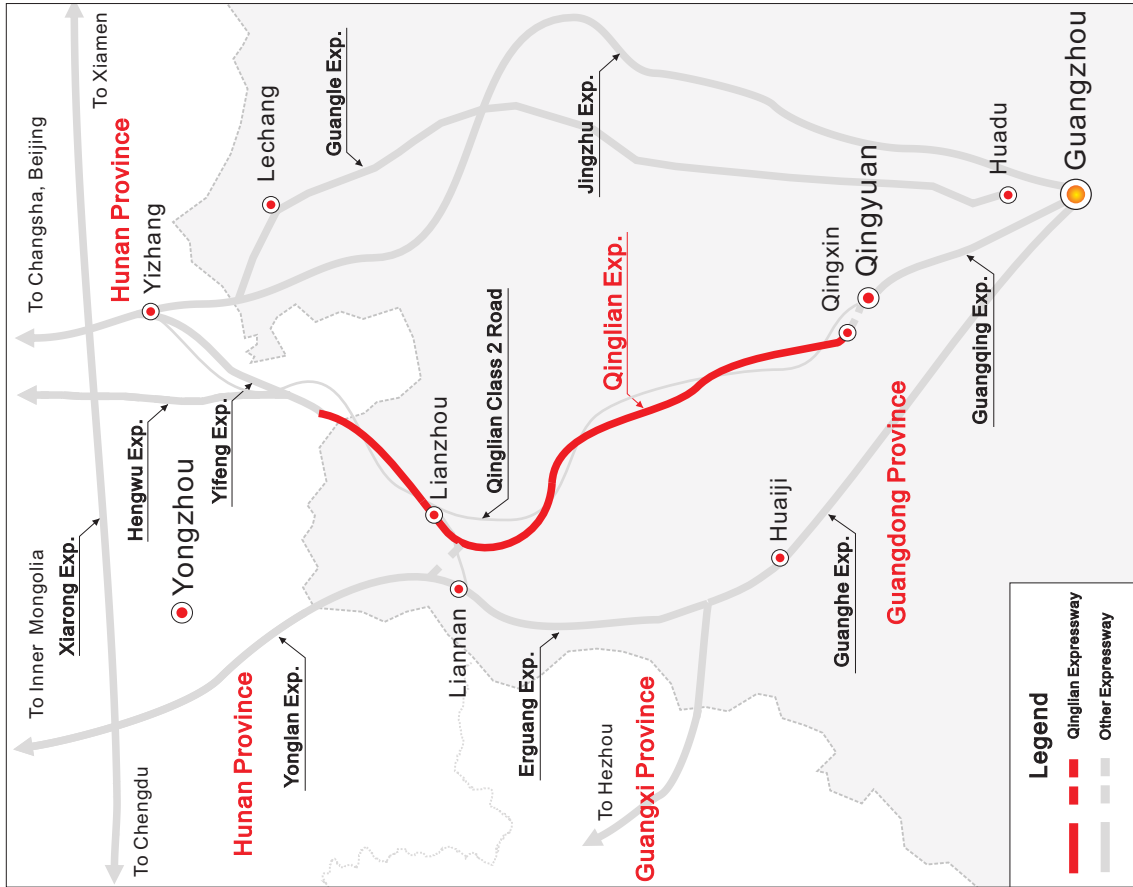
Road Network of Shenzhen



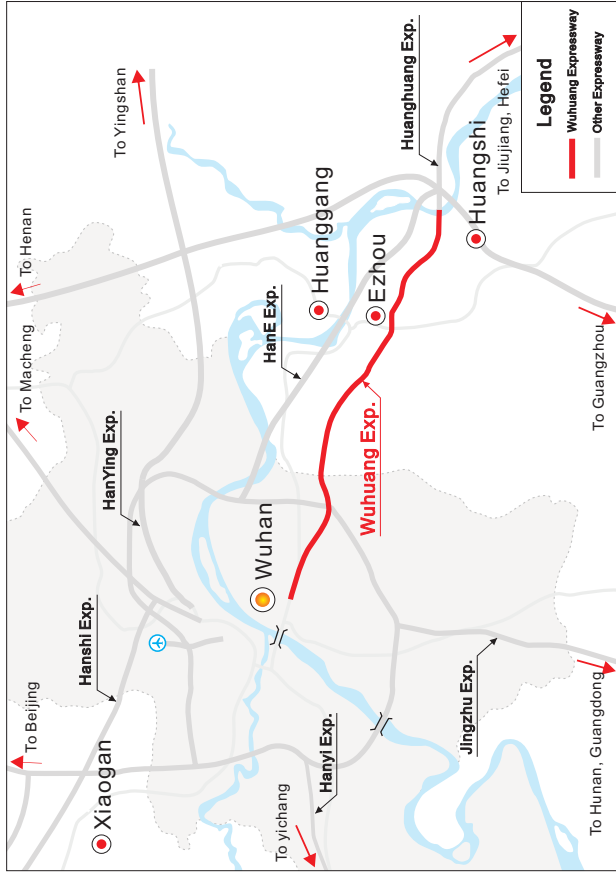
Road Network of Pearl River Delta



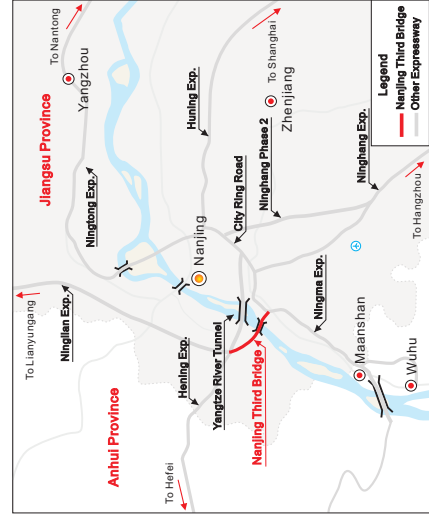
Road Network of Qinglian Expressway



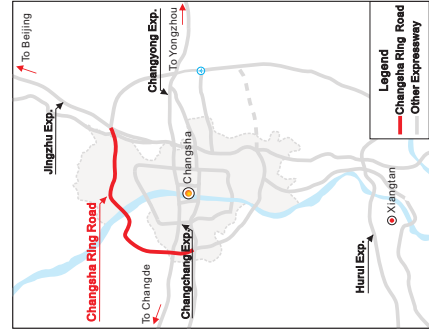
Road Network of Wuhan Expressway



Road Network of Nanjing Third Bridge



Road Network of Changsha Ring Road





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Company Declaration

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