



E-Newsletter

GUIDANCE

- Company News
- Frequently Asked Questions
- Shareholders' Calendar
- References

Company News

Investor Relations Activities

- The Company held an online investor meeting for the third quarterly results of 2016 over the internet in the morning of 28 October 2016. Mr. HU Wei, Chairman, Mr. WU Yade, President, Ms. GONG Taotao, Financial Controller, and Mr. LUO Kun, Company Secretary had a good communication with investors on line.

Please access

<http://ircs.p5w.net/ircs/topicInteraction/bbs.do?rid=15423> (Chinese version only) for Q&A details.

- On 3 November 2016, the Company participated in CICC Investment Forum (Beijing) 2016 in Beijing.
- On 24 November 2016, the Company participated in CITIC Annual Summit 2017 in Shenzhen.
- On 30 November 2016, the Company participated in CICC Corporate Day 2016 in Shanghai.
- On 1 December 2016, the Company participated in Hua Chuang Securities Annual Summit 2017 in Shanghai.
- On 7 December 2016, the Company participated in HTSC 2016 Investment Forum in Shenzhen.
- On 8 December 2016, the Company participated in Citi's China Industrials H/A-share Conference 2016 in Hong Kong.



Market Evaluation & Recognition

- Lead the Chinese Advance Annual Selection 2016, which was held by JRJ.COM, announced the award list on 8 December 2016. Shenzhen Expressway won the Outstanding Investor Relationship Award.

Business Development

- On 29 November 2016, Shenzhen-Shantou Investment Holdings Company Limited and Shenzhen Expressway Investment Company Limited ("Investment Company"), a wholly-owned subsidiary of the Company, formally signed the *Agreement on Comprehensive Management Service for the Houmen Comprehensive Resettlement Area of Shenzhen-Shantou Special Cooperation Zone*, with a total investment of not exceeding RMB600 million. It marks the implementation of the Company's first project in the cooperation area, and lays a solid foundation for the development of the Company's follow-up project in the cooperation area.
- On 30 December 2016, the Company renewed the Entrusted Operational Management Service Agreement In Relation To Phase I Of Coastal Expressway Shenzhen Section. The service period is from 1 January 2017 to 31 December 2019. The service fee is RMB18,000,000 per year.
- On 30 December 2016, the Board of Directors (the "Board") approved that Investment Company and CCCC Tianjin Dredging Company Limited shall form a consortium to participate in the first phase of comprehensive management of Nanmen River Water System in Shenzhen-Shantou Special Cooperation Zone. The total investment of project shall not exceed RMB320 million.
- On 30 December 2016, the Board approved Investment Company to participate in land leveling and related supporting projects of Shenzhen-Shantou Special Cooperation Zone. The total investment of the project is no more than RMB 500 million.

Frequently Asked Questions

1. How is the implementation and development of the Company in environmental protection business development?

A: In 2016, the Two Sessions issued "Government Work Report" to point out that we should vigorously develop energy-saving environmental protection industry, developing energy-saving environmental protection industry as a pillar industry of China's development. In September of the same year, the National Development and Reform Commission, Ministry of Environmental Protection issued *the Opinions on Cultivating Market Players for Environmental Governance and Ecological Protection* to put forward three goals, which include the average annual growth of environmental-friendly industry production is more than 15% and it will be more than RMB2.8 trillion by 2020; cultivating more than 50 output values exceeding RMB10 billion environmental protection enterprises; by 2020, the environmental management market is fully open, basically establish environmental credit system. China's environmental protection industry market is one of the strategic emerging industries which national policy focuses on developing, it has strong demand, broad market space, and will enter into the golden development period, and the industry life cycle is long. The Company found out that the environmental protection business like urban water, waste incineration power generation, and hazardous waste disposal, has a higher rate of return than the toll road industry, and has advantages of long operating period and steady growth in business. In recent years, mergers and acquisitions business in environmental protection industry is very active, with high market valuation and high capital market recognition. At present, although there are a large number of enterprises has entered into environmental protection industry, in terms of investment, operation and technology compared with the developed countries, it has not yet formed an oligopoly and restriction barriers to new entrants, so the industry is facing integration and "shuffle", and there is a greater room for development.



Into the environmental protection industry, in line with the Company's new industry development strategy guidelines of "in line with national industrial policy-oriented, give full play to the Company's core competitive advantage and into the scale, can be copied". Except for the large space for development, the big environmental protection industry is a capital-intensive industry, with local government as the main target customers, competitive entry, relatively monopoly long-term operation and relatively stable return on the project construction management ability, which fit the Company's resource characteristics and competitive advantages. Environmental protection industry has many sub-areas, the Company plans to focus on expanding solid waste treatment (including domestic waste, industrial solid waste) hazardous waste treatment, sanitation integration, water environmental management and other segments.

On 30 December 2016, the Board agreed to participate in the first phase of comprehensive management of Nanmen River Water System in Shenzhen-Shantou Special Cooperation Zone. The project mainly includes river course comprehensive management, river-crossing bridges and construction of municipal road. The estimated cost of the project expects no more than RMB320 million. The approval of the project marks that the Company has achieved periodical progress in the environmental protection business development.

2. How is the progress of Meilin Checkpoint Renewal Project? What is the subsequent development plan?

A: After the implementation of toll-free for part section of Meiguan Expressway since April 2014, the government gradually carries out urban renewal work along the line. As the original owners of the part of land along the line, the Company and Shenzhen International have the opportunity to participate in the Meilin Checkpoint Renewal Project and to realize the business value of corporate resources. Pursuant to the approval of the general meeting of the Company, the Company and XTC Company (a shareholder of the Company, a wholly-owned subsidiary of Shenzhen International) jointly established United Land Company to carry out the project and be responsible for related works such as land acquisition. The Company and XTC Company own 49% and 51% equity interests of United Land Company respectively. 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.

According to the land transfer agreements, the Meilin Checkpoint Land Parcels are a site of approximately 96,000 square meters which are 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 RMB3.567 billion. According to current progress of related work, it is estimated that the total land cost of the project land parcel would be RMB5 billion to RMB5.2 billion, including the total land premium of approximately RMB3.567 billion, relocation compensation for the properties on the land, preliminary planning costs, and relevant tax. Currently, the negotiation between United Land Company and the operators and tenants of the existing properties on the land is basically completed.



The Meilin Checkpoint Renewal Project Land Parcels are situated at a geographically advantageous location with certain advantages on land price over the market prices of the peripheral areas. It also has 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. 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. The emphasis in work of this year is to promote the introduction of cooperation parties with Shenzhen International.

3. What are the main reasons for the failure of the implementation of The Restricted A-share Incentive Scheme and Summary (the "Incentive Scheme") ? What are the plans for the future of the Company?

A: The Company convened the Extraordinary General Meeting to approve and vote the resolutions of the Incentive Scheme on 23 November 2016. The resolutions were approved by more than two-thirds of the Shareholders at the class meeting of holders of A shares, but were failed to win over two-thirds of its Shareholders at the class meeting of the holders of H shares, so the relevant matters about the resolutions will not be proceeded.

In years past, the number of HK-listed Chinese companies has been on the increase and they have become a force to be reckoned with on the HK market. However, institutional investors always keep a tight grip about the final say on the HK Stock Exchange. Proposals such as new shares issuance or incentive stock options are subject to HKEx rules and regulations. A 'motion' cannot be carried by A shareholders alone without the big 'aye' from two-thirds of H shareholders. This mighty high threshold has discouraged many mainland companies from listing in HK. Unlike the A-share voting system, some institutional investors on the HK Stock Exchange entrust their voting rights to an independent body, while some make their voting decisions based on reports made by a third-party consulting firm. That's why the latter type reports more than likely make an impact on the final vote. So it is not unusual that the approval rating voted on by H shareholders is lower.

The Company fully understands and respects the will of its investors. The Company's planning for the implementation of its new strategic goals will not be affected despite the Incentive Scheme was not approved. Based on industry attributes and business advantages, currently, the Company has followed the new stage of its development strategy, established the main business direction of becoming a 'City and Transportation Infrastructure Construction and Operation Service Provider', actively exploring the research and implementation of the water environmental treatment and solid waste disposal industries under the macro development direction of the environmental protection industry. The Company will continue to firmly follow the strategic goals under the new stage of its development strategy, effectively integrate its advantages of resources, give full play to its core competitiveness and innovation capability, study suitable business models to actively promote its new industrial projects, strive to enhance the Company's sustainable management capacity and performance and create more value for its Shareholders.

In the New Strategic Period, the Company will unswervingly implement various types of long-term employee incentive mechanisms in order to attract and retain qualified personnel, create linkage among the interests of the Shareholders, the Company and its employees, enable the respective parties to become aware of the Company's long-term development, and to promote implementation of the Company's strategies.



4. What is the Company's development plans on the core business and other businesses?

A: For the long run future, toll highway business will remain to be the major business segment and profit source of the Group. In the future, the Company will pursue the 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 direction of the new industry so as to achieve the sustainable development of the Company.

In respect of the core business, the Company will further expand the development in the four areas include investment, construction, operation and maintenance, fostering the capital advantages and management abilities to drive the growth of its core business. For the existing projects, the Company will continue to adopt a targeted marketing measures and improve traffic efficiency and service standard, so as to attract traffic and improve operational performance. For the investment direction of new projects, the Company will prioritize to increase the shareholding of the existing project and focus on considering those projects located in privileged regions or in regions related to the existing businesses. In Shenzhen region, the Company is actively negotiating with the Shenzhen Government on how to effectively apply the PPP Model as the investment model of, and in the construction plans of Outer Ring Project. Meanwhile, the Company is also fully exploring the investment opportunities in other projects and management market. In addition, the Company also researches and assesses quality road assets in other regions, so as to seek the development of the core business steadily.

In respect of the exploration of new industries, the goal of the Company is to achieve the target of stabilizing the performance growth in the near term and render new growth momentum in the longer term. In accordance with established principles, the Company keeps an open mind to variously explore and prudently engage in investing in the new industries which have a higher return than the core business, combining with the national policy guidance and the advantages of the Company.

In respect of the investment and financing management, the Company will actively explore new investment modes, strengthen the use of financial tools in the capital market, issue debentures in accordance with the actual needs of the Company when appropriate and conduct an in-depth research on diversification of the shareholder base and equity financing, and consolidate the internal fund management, so as to enhance the overall competitiveness for the business development of the Company.

In accordance with the Company's business development goals, the Company will also provide the appropriate support and cooperation in respect of the organization strength and human resources, and consider both inside and outside, in order to achieve sustainable development of the Company.

5. What is the Company's dividend policy?

A: The Company pays attention on shareholders' return. The Company keeps a dividend pay-out ratio at around 40% to 50%. The Board recommended payment of a final cash dividend of RMB0.34 per share for 2015, amounting to 47.8% of net profit for the year.

In the future, the Company will continue to keep a reasonable and stable dividend 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 loaning environment.



Shareholders' Calendar

- 17 March 2017 Board meeting for Consideration of the annual results 2016 (tentative ^{note})
- 20 March 2017 Presentation conferences for the annual results 2016 (tentative ^{note})
- Late of April 2017 2017 First Quarterly Results and online presentation and investor meeting
- Late of May 2017 2016 Annual General Meeting and declaration of dividend for 2016

Note: Please refer to the announcement to be published in the current month for the exact dates.

References

- The period of the 40-day 2017 Chinese Spring Travel Season is from 0:00 on 13 January to 24:00 on 21 February.
- According to the circular of part of the holiday arrangements in 2017 issued by General Office of the State Council, highway toll free time of 2017 Spring Festival is from 0:00 on 27 January to 24:00 on 2 February. For the specific time, please refer to the notices of Provinces.

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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