



E-Newsletter

Company News

GUIDANCE

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Investor Relations Activities

- The Company held an investor online meeting for the first quarterly results of 2019 by the network in the morning of 26 April 2019. Mr. LIAO Xiangwen, President, Ms. ZHAO Guiping, CFO, and Ms. ZHENG Zheng, IR General Manager had a good communication with investors on line.
Please access: <http://rs.p5w.net/html/95854.shtml> (Chinese version only) for Q&A details.
- Mr. HU Wei, Chairman, and his team of four conducted a series of activities including road-show, project research, and cooperation meeting in Australia and New Zealand from 29 April to 8 May 2019.
- The Company participated in Founder Securities Capital Market Forum in Shenzhen on 8 May 2019.
- Mr. LIAO Xiangwen, President, and his team of five conducted road-shows in London and Paris from 15 to 22 May 2019.
- The Company participated in Huatai Securities 2019 Midyear Conference in Shanghai on 23 May 2019, and communicated with institutional investors during one-on-one meetings and group meetings.
- The Company participated in Sinolink Securities 2019 Midyear Conference in Shanghai from 23 to 24 May 2019, and communicated with institutional investors during one-on-one meetings and group meetings.
- The Company participated in Industrial Securities 2019 Semi-annual Investment Strategy Summit in Shanghai on 11 June 2019, and communicated with institutional investors during one-on-one meetings and group meetings.
- The Company participated in Changjiang Securities Cycle & Technology Innovation Summit in Shanghai on 19 June 2019, and communicated with institutional investors during one-on-one meetings and group meetings.
- The Company participated in 2H19 CICC Investment Strategy Conference in Shanghai on 20 June 2019, and communicated with institutional investors during one-on-one meetings and group meetings.
- The Company participated in J.P. Morgan's Asia Infrastructure, Industrials & Transportation in Hong Kong on 25 June 2019, and communicated with institutional investors during one-on-one meetings and group meetings.



Market Evaluation & Recognition

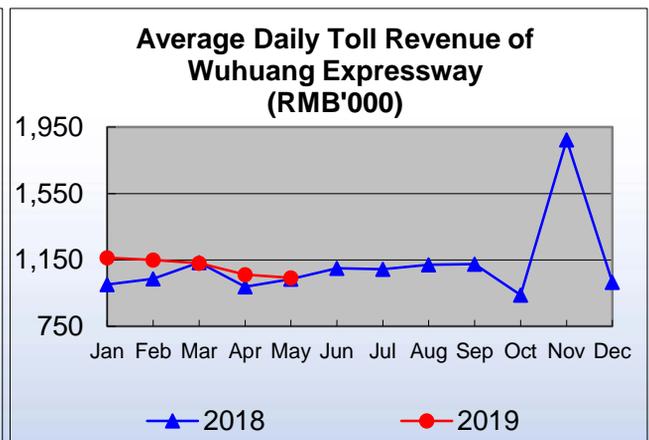
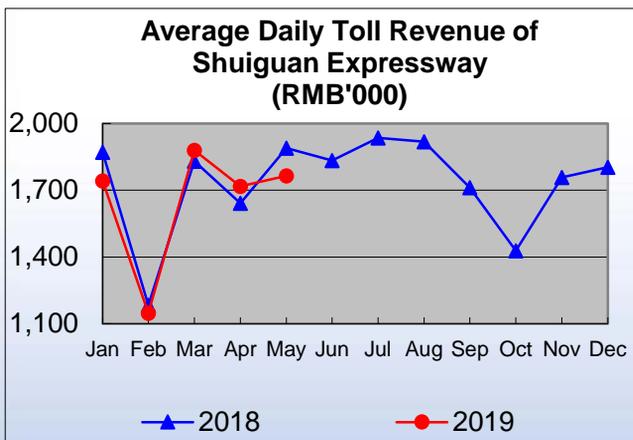
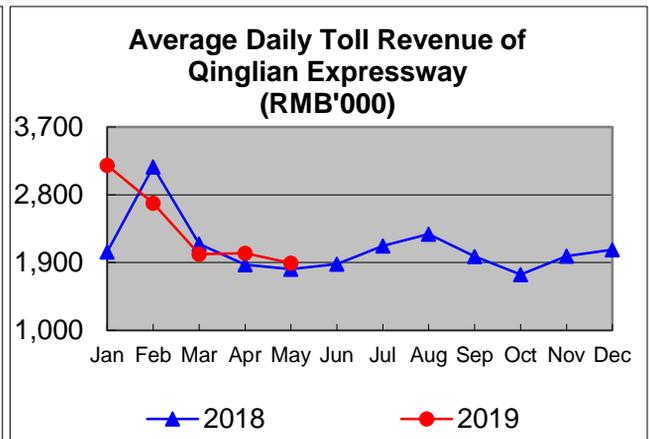
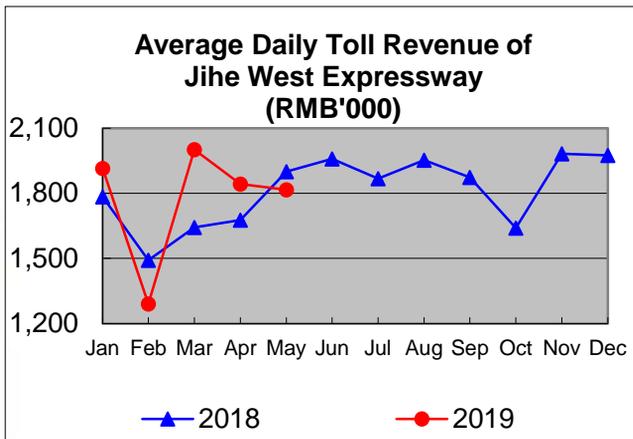
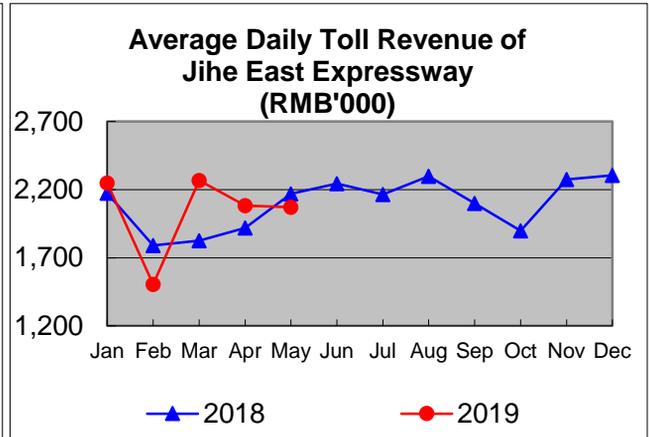
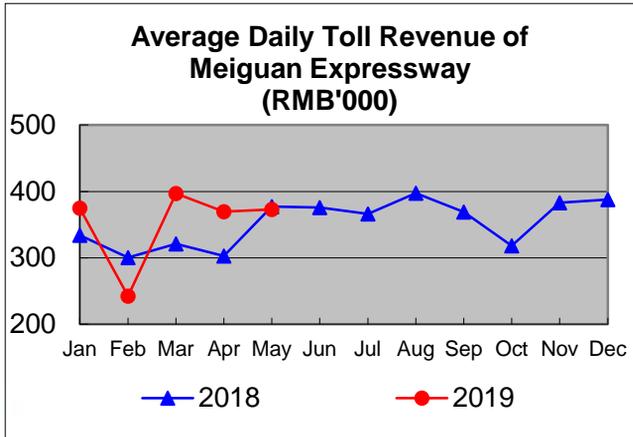
- Innovation Summit on Investor Relations of Listed Companies 2019 and The Second China Excellent IR Awards Ceremony were held in Shenzhen on 9 January 2019. Shenzhen Expressway once again won two individual awards: “Best Leader Award” and “Best Director Award” and added “Best Innovation Award” for IR team.
- New Fortune’s the 2nd Best IR Hong Kong Stock Company (A+H) Selection were announced on 4 April 2019. Shenzhen Expressway won the “Best IR Hong Kong Stock Company” again.
- The award ceremony of the 1st New Fortune’s Best Listed Companies was held at Peking University’s Guanghua School of Management on 16 May 2019. The selection finally resulted in the “Top 50 Best New Listed Companies in the New Fortune”. Shenzhen Expressway stood out in this competition and ranked 14th. It was one of the two listed companies selected by Shenzhen State-owned Assets System and the only one listed company in the road industry.
- On 31 May 2019, the ceremony of JRJ.COM’s “2019 Golden Intelligence Award” value selection was held in Shenzhen. Shenzhen Expressway won the “Listed Company Award for Outstanding Investor Returns”.
- The award ceremony of 2019 China Financial Market Awards hosted by the famous financial magazine *China Financial Market* was held in Hong Kong on 21 June 2019. Shenzhen Expressway was awarded the “Best Investor Relations Award” and “Best Annual Report Design Award”, and Mr. Wei HU, the Chairman, won the “Best Corporate Leader Award”.

Business Development

- The Interchange project of the International Convention and Exhibition Center of Coastal Phase II passed the completion acceptance on 27 March 2019 and is scheduled to open to traffic at the second half of 2019.
- In the first quarter, Guishen Company once again obtained Guilong land of 115 mu through bidding. As at April, 810 mu of Guilong land has received all transfer payment.
- In April 2019, Nanjing Wind Power Project completed payment and equity delivery.
- As at the end of May 2019, the cumulative removal rate of Phase I of Meilin Checkpoint Renewal Project was around 80%. It is expected to be delivered at the end of 2019.

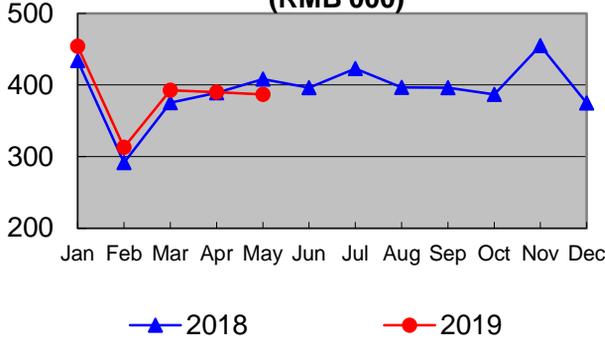


Operations Review of Major Projects

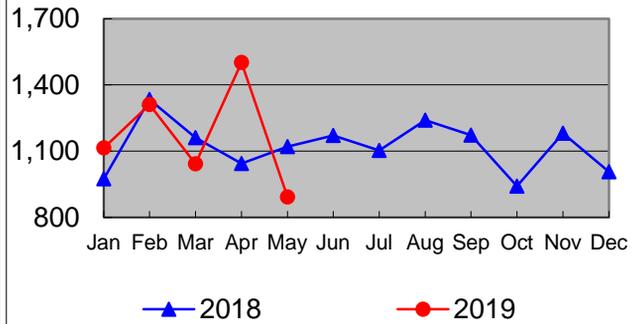




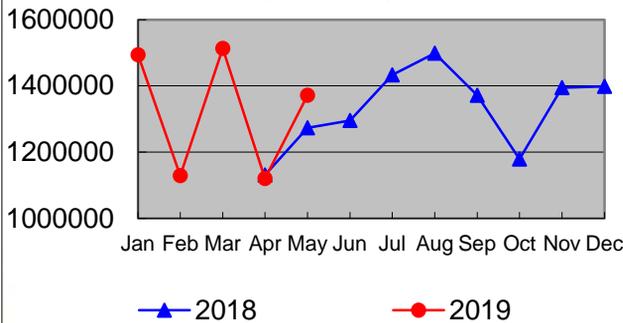
Average Daily Toll Revenue of Changsha Ring Road (RMB'000)



Average Daily Toll Revenue of Yichang Expressway (RMB'000)



Average Daily Toll Revenue of Coastal Expressway (RMB'000)



Note:

- For operational performance of unconsolidated projects, please go to "Investor Relations - 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 (2019 Spring Festival: 5 February; 2018 Spring Festival: 15 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 Since the end of the Spring Festival travel rush this year is earlier than last year (End dates: 1 March 2019 and 12 March 2018), the traffic volume of the whole journey of Qinglian Expressway and Yichang Project decreased, resulting in a YOY decrease in toll revenue.
- ② The traffic volume of Jihe Expressway is saturated and the Three Projects and Phase II of Qingping Expressway are free to pass, so that the traffic volume of Jihe Expressway was slightly diverted.
- ③ The operational performance of Qinglian Expressway was stable overall.
- ④ The average daily toll revenue of Shuiguan Expressway decreased YOY, which was mainly due to the closed maintenance and construction of part of the west-east lane of Shuiguan Expressway.
- ⑤ Due to the growth of vehicle ownership in surrounding cities and continuous improvement of surrounding road networks, the operational performance of Wuhuang Expressway has grown steadily.
- ⑥ Coastal Project has entered a good growth period.
- ⑦ Day of implementation of the toll free scheme for small passenger vehicles during April 2019: 3 days (April 2018: 5days).
- ⑧ Day of implementation of the toll free scheme for small passenger vehicles during May 2019: 4 days (May 2018: 1days).



Frequently Asked Questions

1. What are the Company's development strategy and thoughts on the toll road business and general environmental protection business?

A: In recent years, the expressway industry has faced many challenges, including limited operation period, rising costs, mounting pressures from the public and other issues. Under the impacts of the traditional investment and financing model, the toll road industry has seen a declining investment yield rate and it's difficult for the industry to guarantee investment returns and identify quality investment projects. The industry has therefore run into a growth bottleneck and turning point. Hence, it's unavoidable for the Company to make clear of its business growth direction and seek business upgrade and transformation. According to its research on new industry and conclusion on actual operation over recent years, the Company has regarded a "Construction and Operation Service Provider of Urban and Transport Infrastructure" as its core position in transformation. While consolidating the toll road business, it also focuses on expanding its footprints into the general environmental protection, transport infrastructure and industrial chain-related financial service industries. Among these industries, the environmental protection sector dovetails with the Company's resources characteristics and competitive advantages and therefore is the focus of the Company's business transformation and development.

Specifically, in the toll road business, the Company will actively seek investment and M&A opportunities for quality toll road assets. The investment principles include that the project's internal rate of return is not less than 8% and the operated road section is located in the national highway network. The Company will actively promote the research and implementation of smart transport to enhance traffic efficiency and ensure stable growth of toll revenue. Leveraging the reconstruction and extension of Outer Ring and Jihe Expressway and other major projects, it will also strive to build quality projects, give full play to professional edges, and maintain consistent construction advantage. By maintaining good cooperation with the government, the Company will orchestrates business and operation models and actively participate in the implementation of the Shenzhen Transport Network Strategy and Shenzhen-Shanwei Cooperation Zone Transport Network Strategy.

In the environmental protection business, the Company will step up its expansion and establish strategic cooperation with the existing partners and industrial leaders. With the resources from Derun Environment, Shenzhen Water Planning Company, Suez and other partners, it will press ahead with the development of the solid waste treatment and the wind power businesses. In the future, focusing on holding projects, the Company will keep a close eye on appropriate sub-sectors to gradually enhance the business scale and income of the industry and consolidate the foundation for the longer-term development of the Company.

Shenzhen Expressway will continue to promote the spirit of pioneering and innovation and capitalize on the material historical opportunity arising from the transport infrastructure and ecological civilization development of the country to continuously expand and strengthen the toll road business and steadily enter the general environmental protection industry.



2. What is the progress of the reconstruction and expansion of Jihe Expressway? What is the construction plan and what is the expected impact on traffic flow during the construction period?

A: The current traffic volume of Jihe Expressway is saturated. In order to ensure road safety, improve traffic efficiency, enhance project profitability, and form a perfect road network effect with the Outer Ring Expressway and the Shenzhen-Zhongshan Tunnel, the Company plans to reconstruct and expand the Jihe Express. The Company and the Shenzhen Municipal Government closely negotiated and communicated on the preliminary matters of the reconstruction and expansion of Jihe Expressway, including the feasibility plan and preliminary design, striving to commence construction at the end of 2020. The project's construction period is about four years, which is expected to be open to traffic in 2024 together with the Shenzhen-Zhongshan Tunnel currently under construction. According to the current plan, the reconstruction and expansion of Jihe Expressway will be carried out according to the two-way six-lane, three-dimensional and double-layer structure. The Company will apply for an extension of the toll charging period in accordance with the principle of reasonable return.

The construction of the reconstruction and expansion project of Jihe Expressway will not be fully enclosed construction, but will still have a certain negative impact on its traffic flow and toll revenue. The Company will rationally arrange the construction plans and traffic organization plans, and improve construction efficiency and safety management efficiency to minimize the impact on traffic flow. In addition, the Company will also reasonably arrange construction progress and coordinate with the timing of opening for the traffic of the Outer Ring Expressway to divert the part of the current traffic flow to the Outer Ring Expressway, and try to ensure the overall traffic flow of the east-west passage will not be affected.

3. What is the impact of the government buyback of Nanguan Expressway, Yanpai Expressway and Yanba Expressway (the "Three Projects") on the Company's future earnings and business development?

A: In November 2018, the government bought back the Fee Entitlement Right of the Three Projects. Since then, the Company no longer owns the toll revenue of the Three Projects and no longer bears the corresponding management and maintenance cost. In the past three years, the average annual operating profit of the Three Projects was approximately RMB320 million, and the average annual financial expenses caused by the government compensation of the Three Projects were approximately RMB330 million. The two basically hedged.

In the past three years, the Company has achieved remarkable results in consolidating and enhancing the toll road core business. The Company has successively obtained the construction and operation rights of Outer Ring Project, increased the 45% equity of Wuhuang Expressway to 100% equity, acquired 100% equity of Yichang Expressway, and acquired Coastal Project. The newly added consolidated equity interest mileage is approximately 209 km, which effectively compensates for the 76 km of mileage reduced after the buyback of the Three Projects and greatly increased the equity interest mileage of the total toll roads. Meanwhile, the Company also actively developed its environmental protection business. In 2017, the Company successfully acquired 20% equity interest of Derun Environment and 15% equity interest of Shenzhen Water Planning Company. Derun Environment contributed the investment income of RMB162 million in 2018. In the future, the new toll road projects and environmental protection business will continue to contribute the stable income to the Company and support the Company's long-term development.



4. Would the Company achieve its business goals of 2019? What is the growth trend of the Company's toll revenue?

A: Based on the reasonable analysis and expectation on our operating environment and operating conditions, the Group has set a total revenue target for 2019 of not less than RMB5,809 million, with the total of operating costs, management expenses and selling expenses (excluding depreciation and amortization) of approximately RMB2,236 million. In 2019, it is expected that the average borrowing scale and the financial cost of the Group will increase on a YOY basis. From the disclosed data, the overall operating situation of the Company is basically in line with expectations.

As the Three Projects were repurchased by the government, it is expected that the Group's toll revenue from the Three Projects will be reduced by RMB700~800 million in 2019. For the toll road projects with long service years, such as the Jihe Expressway, Meiguan Expressway and Qinglian Expressway, the organic growth rate will slow down in the future, and it is expected that the toll revenue will maintain single-digit growth; projects with short service years such as the Coastal Project are expected to maintain double-digit growth due to the rapid growth rate and the continuous improvement of the surrounding road network.

In addition, the Outer Ring Project is scheduled to be completed in 2020, which will contribute to the Company's toll revenue in the future. According to the Company's business development plan, Jihe Expressway will be expanded. The reconstruction and expansion will not only extend the concession, but also greatly enhance the capacity and promote the growth of traffic flow. The Company will also acquire mature and high-quality toll road projects that are, in principle, located along the national main trunk lines with synergistic effects with existing projects, and an IRR of not less than 8%. Shenzhen Expressway has formed the capacity and foundation for sustainable development in toll highway business.

5. What is the progress of the Company's land development project and development strategy?

A: At present, the Company has two land development projects: Guilong Project and Meilin Checkpoint Renewal Project.

Since 2012, the Group has auctioned a total of 3,005 mu of land for the project in Longli, including 2,770 mu for the Guilong Project and 235 mu for the Duohua Bridge Project. As at the end of 2018, about 800 mu of land in the Guilong Project has been sold and transferred, and the funds recovered totaled about RMB330 million. In May 2019, another 810 mu of land was sold. About 1,045 mu of land in the Guilong Project is independently developed by the Group. The development of 300 mu in Phase I has been completed, and about 316 villas have been basically delivered, with a recognized revenue of RMB679 million. The Phase II covers an area of 389 mu, in which 238 villas of Stage I Phase II have been sold and have been delivered at the end of 2018. The Stage II of Phase II of the project is mainly for commercial supporting properties, in which 71 commercial properties were planned to be released. As at April 2019, 40 commercial properties have been sold and payments have been collected, which are expected to be completed and delivered in the first half of 2019. The Phase III covers approximately 229 mu, in which 271 villas of Stage I Phase III were opened for sale in July 2018. As at April 2019, 169 villas of Stage I Phase III have been sold and payments have been collected, and are expected to be completed and delivered by the end of 2020. It is expected that the subsequent selling price will increase year on year, the cost will decline, and the gross margin will further increase.



The Meilin Checkpoint Renewal Project is divided into three phases including "Hefengxuan, Heyaxuan and Hesongxuan" for development, which will constitute a complex of approximately 486,400 square meters, covering residential, office, apartment and commercial buildings. Phase I "Hefengxuan" covers a land area of about 117,000 square meters, including 75,000 square meters of saleable houses, which were officially open for sale on 15 December 2018. As at May 2019, the cumulative removal rate of Phase I was around 80%. The project site is in a superior location. The land development projects that the Company is currently involved in are all related to the original toll highway. Participating in these projects is conducive to realizing the value of the Company's existing resources.

Shareholders' Calendar

- 4 March 2019 The EGM for consideration of the profit increment based incentive and restraint scheme
- 15 March 2019 Board announced the acquisition and capital increase of Nanjing Wind Power
- 22 March 2019 Board meeting for consideration of several resolutions including the annual results of 2018 and the optimization of the capital structure of Coastal Company
- 22 May 2019 2018 Annual General Meeting and declaration of dividend for 2018 of RMB0.71 (tax included) per share
- 6 June 2019 Payment of dividend on A shares
- 11 June 2019 Board meeting for consideration of participating in the investment of Shenzhen Luyuan Energy Conservation and Environmental Protection Fund and increasing the shares of Bank of Guizhou
- 17 June 2019 Payment of dividend on H shares
- 23 August 2019 Board meeting for consideration of the interim results of 2019 (tentative ^{note})
- 26 August 2019 Presentation conferences for the interim results 2019 (tentative ^{note})
- Late of October 2019 2019 Third Quarterly Results and online presentation and investor meeting (tentative ^{note})

Note: Please refer to the announcement to be published in the current month 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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