

2019 Interim Results

2019 Interim Results Briefing

On 26 August 2019, the Company held the 2019 Interim Results Briefings in Shenzhen and Hong Kong respectively, a total of 111 investors, analysts and reporters attended. At the briefing, Ms. Zhao Guiping, Financial Controller, Mr. Liao Xiangwen, President and Mr. Hu Wei, Chairman, respectively introduced the financial and operational performance in the first half of 2019, the key work in the second half of this year as well as the reflections on the Company's next development strategy. Thereafter, there was a good communication between the Company management and the participants around the topics such as progress of projects and future development plan and strategy. The Company's performance in this period is good. The investors generally expressed satisfaction with the Company's operating performance in the first half of this year. In the future, the Management hopes the Company will become a company with excellent performance, good corporate governance, healthy market image and generous returns to shareholders. (Please go to <http://www.sz-expressway.com/uploadfiles/2019/08/20190827154034154.pdf> to read or download the materials for reference.)

Speech of Chairman

Dear Investors:

On behalf of the Board, I am pleased to report to the shareholders that in the first half of 2019, the Group recorded revenue of RMB2,699 million, representing a YOY increase of 0.81%, excluding the effect of the toll revenue from the Three Projects for the corresponding period of last year, the comparable revenue increased by 15.57%; and realized net profit of RMB1,577 million with earnings per share of RMB0.723, representing a YOY increase of 62.79%.

The Company has specified the dual core business development direction of toll highway + general-environmental protection industry in the Development Strategy for 2015-2019. The strategic thinking of the dual core business does not mean that the Company shall give up the toll highway business. Instead, it specifies how we should treat the toll highway business. During the strategic period, the toll highway investment of the Company amounted to RMB20 billion, and the equity mileage of toll highway increased by 100km. After two years of practice and deployment, the Company has entered the general-environmental protection industry and focused on such fields as hazardous waste treatment, organic waste treatment, industrial wastewater treatment and wind power. After nearly 5 years of hard work, the total investment in new projects amounted to RMB23 billion, and the quality of the invested projects was excellent. At present, the Company's asset structure has been optimized. Practice has proved that Shenzhen Expressway has the capability for sustainable development, and the strategic direction of dual core business is correct.

2019 is the last year for the five-year strategy. The Company is now preparing for the next five-year strategic planning. Many factors will be considered in the new strategy, but the strategic positioning of developing dual core business of toll highway + general-environmental protection will not be changed. The Central Committee of the Communist Party of China and the State Council issued the Opinions on Supporting the Program of Building Shenzhen into the Pilot Demonstration Area of Socialism with Chinese Characteristics in recent days. Shenzhen will receive great development opportunities. Shenzhen Expressway will, based in Shenzhen and great bay area and extending to the whole nation, create smart highways, distinguished environmental protection and high-quality wind power. We hope that in the next 5 years, Shenzhen Expressway will form the three key advantages of "toll highway + distinguished environmental protection + high-quality wind power". In the longer term, we hope that Shenzhen Expressway will become a listed company with outstanding performance, good governance, and healthy market image which can bring rich return to the shareholders and are well recognized and loved by the employees.

Thanks to investors for your concern and support for Shenzhen Expressway, because of you, Shenzhen Expressway will continue to innovate and forge ahead in the future, and continue to repay the society and shareholders.

1. What is the influence of enhancing the investment in the construction of ETC infrastructure service on the Company?

A: In June 2019, the NDRC, Ministry of Transport and the relevant authorities jointly issued the Implementation Scheme for Accelerating Highway ETC Application Services (《加快推进高速公路电子不停车快捷收费应用服务实施方案》), requiring that the basic preferential policy of waiving no less than 5% of the highway toll for ETC users shall be implemented since 1 July 2019, and that the ETC utilization rate shall reach 90% on highway by the end of 2019. ETC shall be used in all highway tollgates, the ETC lane shall become the key toll lane, and non-stop toll collection on trucks shall be achieved. In addition, the truck toll billing method shall be adjusted. From 1 January 2020, all the trucks will be charged based on the vehicle (axle) type, provided that the overall burden of truck toll shall not be increased. Non-stop weighing detection shall be implemented simultaneously at the entrance of the enclosed highway tollgate to improve the passing efficiency of the trucks.

The modification projects undertaken by the Company according to the scheme requirements include: 1) upgrade of highway toll operation management system, standardized construction and modification of tollgate, toll lane, the hardware and software of ETC framework; 2) switching between old and new systems and demolition of toll collection facilities on the main line of provincial boundary highway; 3) construction and installation of weighing detection of:)

2. What is the influence of building Shenzhen into the pilot demonstration area of socialism with Chinese characteristics on the Company?

A: As required in the Opinions on Supporting the Program of Building Shenzhen into the Pilot Demonstration Area of Socialism with Chinese Characteristics (《关于支持深圳建设中国特色社会主义先行示范区的意见》) issued by the Central Committee of the Communist Party of China and the State Council, Shenzhen shall be built into a modern, international and innovative city by 2025, become a model city for building our country into a strong socialism modernized country by 2035, and become a global benchmarking city with outstanding competitiveness, creativity and influence by the middle of the century.

As a listed company domiciled in Shenzhen, Shenzhen Expressway will benefit fully from the gradual implementation of the regional planning:

1) The interconnection of the infrastructures will be the top priority of the regional planning. Several Shenzhen-based national plans will facilitate the creation of multi-level integrated public transport network in Shenzhen. The requirement for efficiency improvement will result in the deepening of the research and implementation of intelligent transportation. It is foreseeable that significant investments will be made for regional transportation in both national and provincial levels. The Company will integrate the transportation construction into the regional construction as a priority, build an interconnected transportation network serving the urban agglomeration around the Guangdong-Hong Kong-Macao Greater Bay Area, and actively participate in the construction of key innovative projects, such as underground utility tunnel.

2) The promotion and implementation of these plans will increase the population density, accelerate urbanization and result in population overspill, which is favorable for the traffic growth on the existing roads of the Company.

3) With the acceleration of the infrastructure construction, opportunities for growing and integrating the environmental protection industry will appear, enabling the Company to acquire the environmental protection projects and create regional advantages.

3. What are the considerations for the Company to enter the general-environmental protection industry?

A: In recent years, highway industry has been faced with a series of challenges, including limited operation term, increasing cost, pressure from public opinion and so on. Therefore, under the traditional investment and financing mode, the return on investment of toll highway industry has been on the decline. It is difficult to guarantee the investment return and seek for additional high quality projects, and the industry is faced with severe development bottleneck and turning point. It is necessary for the Company to identify business development direction and realize business upgrade and transform.

Based on the exploration and research on new industries and the summary on the actual operation in recent years, the Company has set the core positioning of “being an urban and transportation infrastructure construction and operation service provider” for the transformation and development. While focusing on the principal business of toll highway industry, the Company will vigorously develop general-environmental protection business, transportation infrastructure business and the financial service business related to the industry chain. The environmental protection business will be the focus of the industry transformation and development, because it matches the resource characteristics and competition advantages of the Company. The Company enjoys three key advantages when entering the general-environmental protection industry:

1) Management advantage. The Company has developed outstanding management capacity, established good brand image and received high recognition from the industry after the long-term toll highway construction and operation.

2) Capital advantage. The Company has sufficient and stable cash flow. In addition, as a company listed in Mainland China and Hong Kong simultaneously, it has a smooth financing channel. It is easy for the Company to obtain financing at a relatively lower financing cost.

3) Similar operation mode. The general-environmental protection industry has similar operation mode with the toll highway. Both of them are concessions, featuring long and stable operation term and stable cash flow.

4. [Please describe the development strategies and capital expenditure plans of the Company for the toll highway business and environmental protection business.](#)

A: Overall strategy: the Company will implement the innovative development strategy of dual core businesses, seriously, prudently but actively develop the toll highway business and general-environmental protection business, ensuring that the targets for investment and acquisition meet the development scale, financial resource security and tolerance and the industry policy and environment of the Company, rather than simply seeking for scale effect. In mid and short term, the toll highway business will still account for a big proportion in terms of asset scale and income scale. However, in the long run, general-environmental protection business will keep pace with the toll highway business, and the two business sectors will become the key cornerstones for the development of Shenzhen Expressway.

Development strategy for the toll highway business:

1) Actively promote the research and implementation of intelligent transportation, improve the passing efficiency and ensure the steady growth of roll revenue;

2) Create high-quality projects through such key projects as Outer Ring Project and Reconstruction and Extension of Jihe Expressway. Fully exert the professional advantages to maintain constant engineering advantages;

3) Maintain good cooperation relationship with the government, carefully design business mode and operation mode, actively participate in the strategic layout of Shenzhen transportation network and the strategic layout of infrastructure construction in Shenzhen-Shanwei Special Cooperation Zone.

Due to the scarcity of high-quality expressway project resources, in the future, for the toll highway business, we will focus on project expansion, while taking into account the high-quality projects within our capacity.

Development strategy for general-environmental protection business: thw 3.652 0 Td (.6.6n)JTc

Shanwtr0

by13Tcf

5. About wind power business.

A: Industry status:

- 1) The national policies provide great support;
- 2) There exist big market and less competition;
- 3) Central enterprises and large state-owned enterprises dominate the market, while the participation of local state-owned enterprises and private enterprises has gradually increased;
- 4) Stable industry revenue is ensured, featuring internal return rate (IRR) of 8% to 9%.

Advantages of the Company:

- 1) The wind farm acquisition is a capital intensive business. Shenzhen Expressway has the advantage of long-term low capital cost;
- 2) Wind power investment operation mode is similar to the toll highway operation mode. Both of them are concessions, and wind farm operation management is even simpler, good for exerting the advantages of standardized management of state-owned enterprises;
- 3) When the Company becomes the holding company of Nanjing Wind Power, it will own a group of industry talents and independent technologies, realizing the integration of technology, talent and capital.

Industrial prospects:

The NDRC issued the Notice of the National Development and Reform Commission on Improving the On-grid Pricing Policy for Wind Power (《国家发展改革委关于完善风电上网电价政策的通知》) in May 2019, based on which the benchmark on-grid price for wind power will be changed to indicative price, the on-grid price of the newly approved centralized onshore wind power projects will be determined through competition, and the grid connection time and feed-in tariff for the previously approved onshore wind power projects will be specified.

Driven by this policy, the peak time for the construction of onshore wind power projects will come in 2019 to 2020. While gradually canceling the feed-in tariff, our country has enhanced the construction of UHV transmission lines, and established a set of market-based wind power quota and grid guaranteed acquisition systems to solve the wind curtailment problem. With the advancement of grid construction and the release of the policy support effect, it is estimated that the wind power industry will enjoy rapid development, the wind curtailment problem will be mitigated and ultimately solved, and the wind power industry will present its investment value.

The Company will take advantage of this window phase and create a comprehensive business mode of “wind turbine manufacturing + wind farm development and construction + wind farm operation and sales”.

6. [About capital injection to Coastal Company.](#)

A: To improve the financial status of Coastal Company and reduce the overall tax burden of the Group, in April 2019, under the approval of the Board of the Company, the Company completed the capital increase of RMB4.1 billion for Coastal Company and transferred the RMB3.5 billion bank loan of Coastal Company to the headquarters. The Company recognized the relevant deferred income tax in respect of partially compensable losses and impairment of road assets incurred in previous periods. As a result, the net profit of the Group was increased by RMB510 million in the first half of this year.

7. [Please provide the latest information on Guilong project and Meilin Checkpoint Project and their contributions to the Group in the future, as well as the strategic plans of the Company in real estate business.](#)

A: The Company has two land development projects, one in Longli, Guizhou, the other in Meilin Checkpoint, Shenzhen.

Longli, Guizhou:

1) Land area: 3,005 mu, where, Guilong Project covers approximately 2,770 mu, with the turnover of approximately RMB961 million, Duohua Bridge project covers approximately 235 mu, with the turnover of approximately RMB118 million.

2) Real estate development: the development area is 1,045 mu.

Phase I, with the area of 247 mu, has been completed. 313 villas have been delivered, and a total income of RMB679 million has been recognized.

Phase II covers 389 mu. 238 villas were offered in Stage I. These villas have all been sold, and the payment collected amounted to RMB603 million. Nearly 80% of the houses have been delivered. It is planned to offer 95 commercial properties in Stage II. 57 properties were sold and paid. The main structure of the project was basically completed, and the delivery has been commenced.

Phase III covers 229 mu. 271 residential houses were offered in Stage I. 196 houses were sold, and the payment of RMB530 million has been collected. It is estimated that the project will be completed by the end of 2020. The project for Stage II will be the supporting commercial properties.

3) Land transfer: the interests in 1,610 mu have been transferred, with the equity transfer income of RMB409 million recognized, increasing the after-tax net profit of the Group by RMB214 million. The transfer of the interests in 810 mu was completed during the reporting period, with the equity transfer income of RMB268 million recognized, increasing the after-tax net profit of the Group by RMB140 million.

4) During the Reporting Period, the bidding for 115 mu Guilong land was completed.

5) The Board has approved Guishen Company to participate in the bidding for the 1000 mu land granted by the Longli county government in batches based on the Duohua Bridge Project. 235 mu has been acquired.

Meilin Checkpoint Renewal Project:

1) Equity proportion of project companies and project development area: Shenzhen International 36%, Shenzhen Expressway%

3) Meilin Checkpoint Project is well positioned at the urban hub, the intersection between Futian CBD and Shenzhen North Railway Station CBD, featuring convenient road transportation and developed rail transit as well as comprehensive supporting facilities around. In addition, the land cost of the project is lower than the traditional bid, auction and listing cost (the land price per floor area is about RMB13,000 per square meter, including the land price and the relevant tax, compensation for the demolition of the properties on the land and the upfront planning costs). It is estimated that good sales can be achieved. However, the actual result is subject to the market environment and depends on the implementation.

These two projects are the innovative practices of Shenzhen Expressway in the investment, construction and operation management of transportation infrastructure, and good for realizing the value of the existing resources of the Company and creating synergy. This model has become mature and can be replicated. The transportation infrastructure and urban comprehensive development will be one of the key business targets of the Company. The Company will make full use of its own resources and core competence to actively practice the diversified business development. However, the Company will not proactively

9. About the dividend policy. Will increasing investment affect the dividend payout ratio?

A: Shenzhen Expressway has been upholding the commitment of rewarding the shareholders since its listing, and maintained a dividend payout ratio of 40% to 50%. In 2018, the Group paid a cash dividend of RMB0.71 per share, representing a dividend payout ratio of 45.25%, among which, the ordinary dividend was RMB0.36 per share, totaling RMB785,077,317.36, representing a dividend payout rate of 41.17%; and the special dividend distributed for the gains on the disposal of the Three Projects was RMB0.35 per share, totaling RMB763,269,614.10, accounting for 50.1% of the gains on the disposal. Compared with the stock price at that time, the dividend rate of A-share was about 7.1%; and the dividend rate of H-share was about 9.4%.

It is specified in the Shenzhen Expressway Shareholder Reward Plan (2017-2019) that the Company intends to distribute the profit by cash dividend each year at the rate of no less than 45% of the distributable profit for the current year in the three years from 2017 to 2019, provided that the Company is in good financial and cash position and there is no major investment plan or cash disbursement.

In the coming years, the investment scale of the Company will be gradually increased, and the Company will maintain stable dividend policy. We believe that with the sustained development of the Company business, the return to shareholders will be constantly improved.

10. Please disclose the progress of Coastal Phase II and the time when it will be opened to traffic, as well as the influence on the road network after its opening.

A: The project for the airport interchange ramp bridge and relevant facilities of Coastal Expressway (Shenzhen Section) is called Coastal Phase II in short. This route is 5.7 km long, and the construction was commenced in December 2015.

The international convention and exhibition center interchange of Coastal Phase II was completed and accepted on 27 March 2019, and will be opened to traffic when it is connected to the municipal roads and the supporting facilities are completed. At that time, Coastal Project will directly connect the international convention and exhibition center and become an important transport hub that can give full play to the modern logistics, trade, convention and exhibition functions of the Airport Economic Zone, facilitate the regional economic cooperation and industrial cluster development and penetrate the adjacent city circle. In addition, Shahe West Line of Dongbin Tunnel will be completed and put into service by the end of this year. Shenzhen section of Shenzhen-Zhongshan Corridor in Coastal Phase II is under construction. We believe that in the future, the operation performance of Coastal Project will be quickly improved with the improvement of the surrounding road networks.

11. Please describe the influence of the Implementation Plan for Regional Comprehensive Reform of State-owned Assets and Enterprises in Shenzhen on the Company.

A: The Implementation Plan for Regional Comprehensive Reform of State-owned Assets and Enterprises in Shenzhen was approved recently, which stipulates the following key tasks:

1) To advance mixed-ownership reform, promote the coordinated development of the economy with different types of ownership including state-owned, private and foreign owned, and realize common prosperity.

2) To explore innovative management and key employee shareholding reform. Management and key employee shareholding will be an important approach for the mixed-ownership reform of Shenzhen State-owned enterprises, so as to inspire the “sponsor spirit” of the management and key employees.

3) To implement the “listed company+” strategy. Promote resource conversion to asset, asset capitalization and securitization by making comprehensive use of equity, fund and capital operations based on the domestic and international multi-level capital market, facilitate the listing of state-owned enterprises, and create conditions to realize the listing of group companies.

4) To formulate state-owned assets and resources integration and reorganization scheme and advance the internal and external resource integration and reorganization in an open way.

5) By 2020, Shenzhen will try its best to improve the size, quality and position of the state-owned capital, foster more world class companies with global competence, and direct more than 85% of the state-owned capital to the “One Body Two Wings” area (taking infrastructure utilities as the main body and financial and strategic emerging industries as the two wings), and build a number of large state-owned backbone enterprises, including one or two world 500 top enterprises, six or seven enterprise groups with the asset scale of over RMB100 billion, and two leading enterprise groups with the market value of over RMB100 billion.

As a state-owned company listed domestically and in Hong Kong, Shenzhen Expressway will make use of the opportunities brought by the comprehensive reform of state-owned assets and enterprises in Shenzhen and the advancement of “listed company +” strategy by our controlling shareholder Shenzhen International, increase the mechanism vitality through equity and capital operation and resource integration, and realize the growth in scale and benefit of the Company. We will build Shenzhen Expressway into a “comprehensive platform for transportation and urban infrastructure industry” and a “comprehensive platform for general environmental protection industry” with industry chain advantages.

- 1) In 2016, the Company invested in the Outer Ring Project in PPP mode;
- 2) In 2018, the Company acquired 100% equity of the well-positioned Coastal Project;
- 3) In 2018, after close communication with the SASAC and the substantial shareholders, the Company proposed the incentive scheme which meets the policy requirements and provides incentives to the management and key employees of the Company. The scheme was approved by the general meeting of the Company on 4 March 2019.

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.

For further information, please contact:

SHENZHEN EXPRESSWAY COMPANY LIMITED

Ms. Catherine ZHENG / Ms. Babe LIU

Tel: (86 755) 8285 3328/ 8285 3330

Fax: (86 755) 8285 3411

Email: ir@sz-expressway.com

WONDERFUL SKY FINANCIAL GROUP

Ms. Ada DI

Tel: (852) 3970 2123

Fax: (852) 2815 1352

E-mail: prd@wsfg.hk

EVERBLOOM INVESTMENT CONSULTING CO., LTD.

Mr. Zuogang XIAO

Tel: (86 755) 8296 6116

Fax: (86 755) 8296 6226

E-mail: szgs.list@everbloom.com.cn