



深圳高速公路股份有限公司
Shenzhen Expressway Company Limited
Stock code: 600548 (A) 00548 (H)

E-news

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E-Newsletter

开卷语

Opening Message

GUIDANCE

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Dear investors,

Happy new year!

With the opening of Costal Expressway and the signing of the *Agreement on Compensation for Toll Adjustment and Assets Transfer of Meiguan Expressway* (《梅觀高速公路調整收費補償及資產移交協議》), we bid farewell for 2013 and welcomed 2014.

The Company is taking new challenges while stepping into the new year. With the adjustment of the toll of Meiguan Expressway, the Company received reasonable and market-oriented compensation, which is also a multi-win solution to the comprehensive progress and development of socio-economy along the way. In the meantime, the issue of how to maintain long-term and steady development for the Company is looming to the Management again. In the last two years, the Company has been prudently exploring and attempting to invest in new industries, with an aim to grasp the opportunities related to its core business. In 2014, the Company will also officially launch the formulation of the new Five-year strategy, by which its direction of development and strategies will be further clarified. In addition, the Company will ride the wave and optimize the utilization of the resources, so as to increase its profitability and shareholders' return on an on-going basis.

On the behalf of all our colleagues, wish you a very healthy and lucky year!

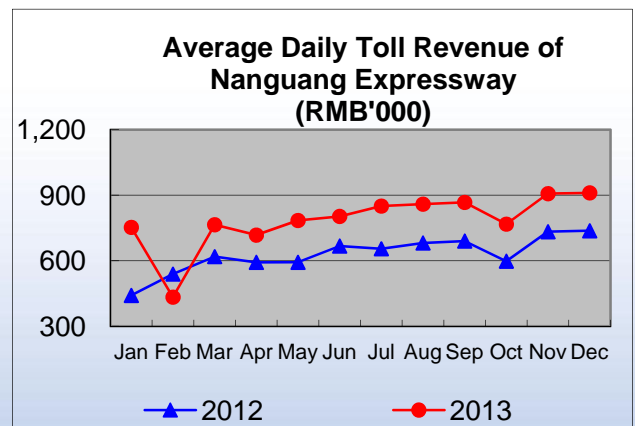
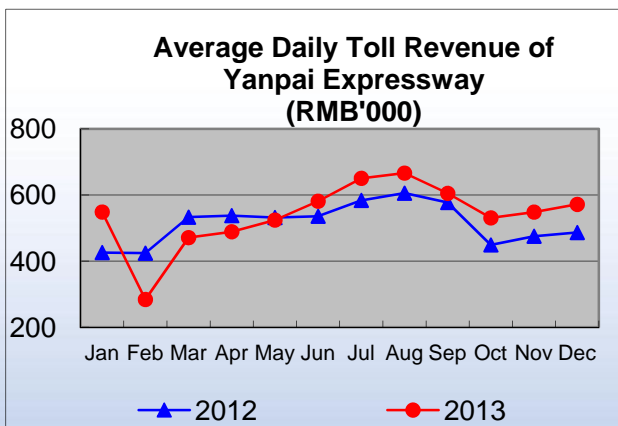
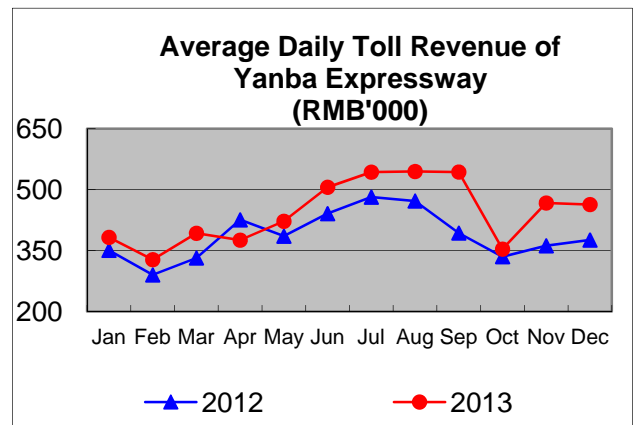
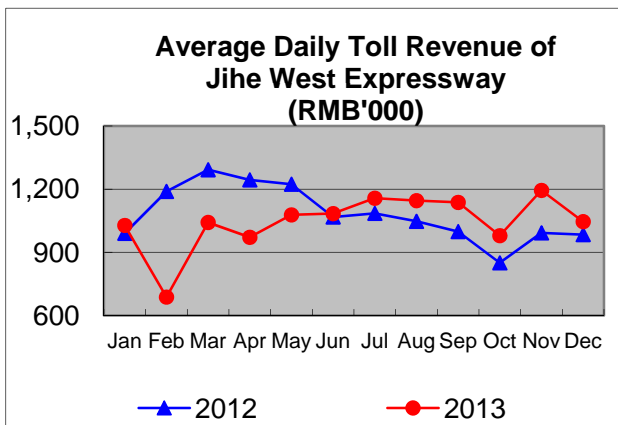
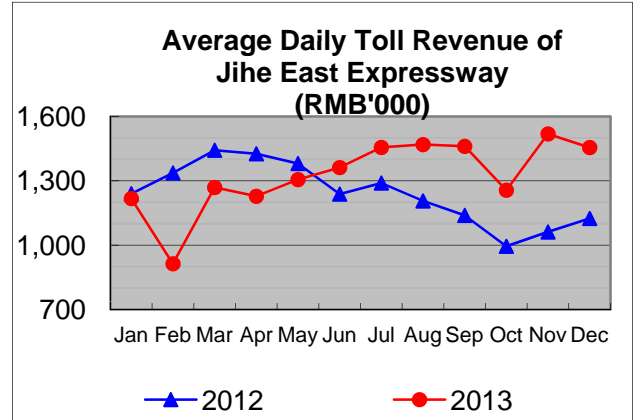
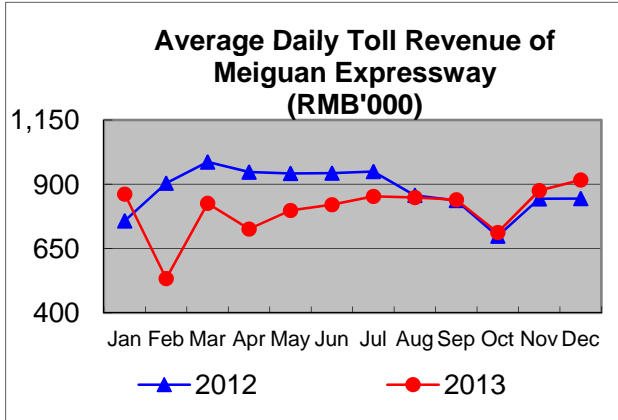
Best regards,

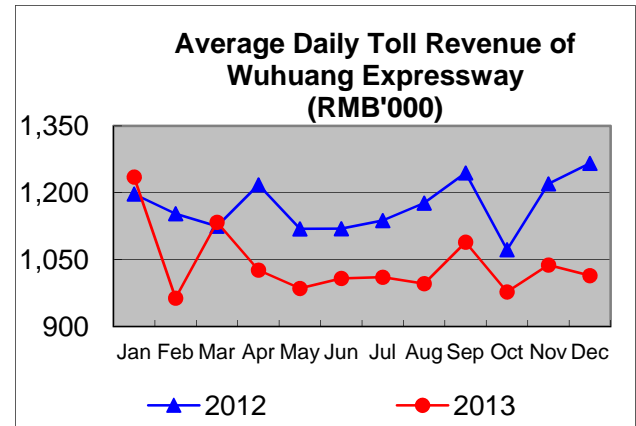
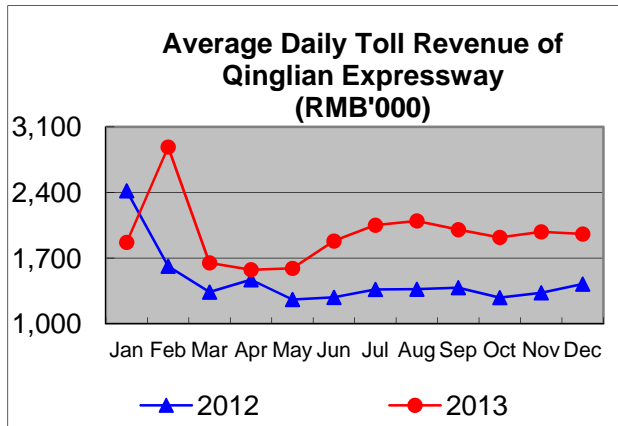
YANG, Hai

Chairman



Operations Review of Major Projects





(For Other projects' operational performances of the Group, please go to "Operational Statistics" of the Company's web-site.)

- A unified toll fees standardization has been implemented to all expressway projects according to the unified toll rate, toll coefficient, calculating method for ramps and rounding principle in Guangdong Province since 1 June 2012. Subsequent adjustment was also adopted in cases that the toll fees had been increased as a result of the implementation of the above scheme. The implementation of the above mentioned policies had certain negative impact on the operational performance of Jihe Expressway, Meiguan Expressway, Shuiguan Extension, Yanpai Expressway, Jiangzhong Project, Guangwu Project and GZ W2 Expressway, while the impact on other projects in Guangdong Province was relatively limited.
- In 2013, the Group had to execute the implementation scheme approved by the State Council of waiving the toll fees for small passenger vehicles in major festivals and holidays during the periods of Spring Festival, Tomb Sweeping Day, Labor Day and National Day on all the expressways operated and invested by the Group. The operational performance of all the projects was negatively affected during the aforesaid period.
- The year-on-year performance of the revenue from the affected projects in the second half of the year are generally better than the first half of the year since the aforesaid policies were implemented in June 2012 and the second half of 2012 respectively.
- Changes in road network may affect the operational performance of the projects over a period of time. Affected by factors such as the active economic activities along the road, the improvement of the neighboring road network, and/or the traffic control measures implemented in related roads, as a result thereof, the operational performance of some expressways, such as Qinglian Expressway, Nanguang Expressway and Yanba Expressway, was good; while the opening of the neighboring road had certain negative effect on Wuhuang Expressway.
- The expansion works and the maintenance works for projects had certain effect on the traffic conditions and operational performance of the projects and the connected roads. The main expansion works of Meiguan Expressway have been completed at the end of November 2013, and the Group's operational performance was negatively affected during the period from January to November 2013. The surface construction of the maintenance works for the road surface of Jihe west commenced in early December, which is expected to have certain negative effect during the construction period.



Company News

Investor Relations Activities

- The Company held an online investor meeting for the third quarterly results 2013 and investor protection from 10:00 a.m. to 11:30 a.m. on 30 October 2013. Mr. WU Yade, President, Ms. GONG Taotao, Financial Controller, and Ms. WU Qian, Company Secretary attended the meeting and had a good communication with investors on line. Please get access to <http://ircs.p5w.net/ircs/topicInteraction/bbs.do?rid=10373> for details (Chinese version only).
- In order to understand the investors' comments and suggestions on the Company's investor relations management, the Company conducted 2013 Investor Relations Management (IRM) Satisfaction Survey through the Company's domestic and foreign IR consultant companies in November 2013, to help the Company review the quality of the relevant work on an ongoing basis and to improve the level of investor relations management. The result shows that more than 95% of the interviewees are satisfied or very satisfied with the Company's overall investor relations management in the past year. The interviewees gave suggestions on some specific aspects, such as diversification development and communication channels. The Management will fully study these recommendations and further improve the related work accordingly.
- On 3 December 2013, the Company participated in *J.P. Morgan's Infra & Industrial Corporate Access Days* in Hong Kong. The Management communicated with six foreign shareholders and institutional investors.

Awards & Certificates

- The Annual Report 2012 of the Company won the Bronze in "2012 Traditional Annual Report: Infrastructure Company" of The 27th International ARC Awards, which hosted by MerComm, Inc.

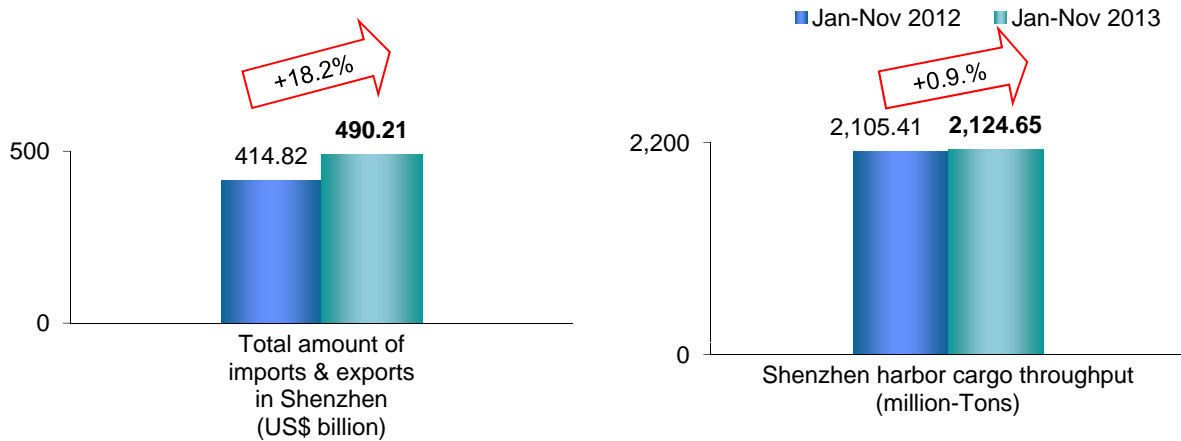


Significant Matters

- Guangshen Coastal Expressway (Shenzhen Section), an entrusted construction project of the Company, officially opened the trial operation on 21 November 2013. On 28 December, Guangshen Coastal Expressway was fully opened to traffic.
- On 27 January 2014, the Group and Shenzhen Government entered into the *Agreement on Compensation for Toll Adjustment and Assets Transfer of Meiguan Expressway* (《梅觀高速公路調整收費補償及資產移交協議》). For the details, please refer to the relevant announcement (<http://www.sz-expressway.com/UploadFiles/2014/01/28090426202D9111.pdf>).



References



Source: Website of Statistics Bureau of Shenzhen Municipality (深圳市統計局)

Frequently Asked Questions

1. What are the short-term and long-term impacts on the Company after adjusting the toll of Meiguan Expressway?

A: After the toll adjustment of Meiguan Expressway, it can relieve the pressure of SZ Expressway in its operation and management, reduce the operating risk of toll highways, and will help to boost the operating performance of the roads connected to Meiguan Expressway as well. Moreover, the Group has the opportunity to get an one-off cash which would reduce its total debt level, improve the financial condition and promote the ability and room for future sustainable development of the Group.

According to the current preliminary estimates, it is expected that the profits from disposal of assets will increase by approximately RMB1.1 billion (after taxation) and the net assets will increase by approximately RMB1.1 billion accordingly. Besides, after the adjustment, the compensation income obtained will reduce the interest expense or increase the interest income of the Company accordingly in the future. Meanwhile, the Toll Free Section will no longer contribute to the toll income for the Group, thus resulting in a drop in the income of the Group in the future. It is expected that there will not be any material impact on the overall operating performance of the Group. The above information is based on preliminary estimates. The final effects are subject to the actual occurrence of the Adjustment and audit by the Company's auditors.



2. Will the Company invest the new projects or increase the cash dividends after recognizing the compensation?

A: Pursuant to the agreement, the Company will receive the compensation by three installments: (1) RMB800 million will be received before 30 April 2014; (2) RMB800 million will be received before 31 August 2015; (3) the balance of the Compensation and the interests will be received in cash before 31 December 2016.

The first two installments of the Compensation will be mainly used to pay tax, repay borrowings and supplement the operation fund etc. The usage of the third installment of the Compensation will be determined based on the overall financial condition and business planning of the Group after receipt of such amount. The Company will formulate specific cash dividend plan after considering the collection arrangement, capital position and the profit distribution policy of the Group.

In recent years, the Company is focusing on the increase of the Company's overall return on assets, and actively studies and prudently explores those industries and businesses related to toll highway industry and the Company's core business capabilities. Save as the projects disclosed previously, the Company has no new investment plan at present. Besides, the Company has started to formulate a new five-year strategic plan, with the purpose of making clear the next development direction and strategy as soon as possible.

3. Will the Government gradually buy back other toll highways of the Company?

A: Any toll adjustment of a road and revise of investment pattern is a relatively complex process. The adjustment in the toll collection of Meiguan Expressway through the buyback by the Government has necessity and urgency. Such moves need to be backed by a number of mature conditions such as government financial resources. This model could not be replicated in a simple way. In the future, the transportation demand in Shenzhen is still great, which calls for a vast investment fund for infrastructure. The Company is not aware of the information about the prospective toll adjustment of other expressway projects of the Company by the Government.

4. Is the Company in charge of the operating management of Guangshen Coastal Expressway (Shenzhen Section)? What is the impact on the Company's operation results?

A: Pursuant to the *Entrusted Operation Management Agreement* (《委托经营管理合同》) entered into between the Company and Shenzhen Investment in November 2009, the Company is entrusted to manage Coastal Company, including in the period of the construction and operation of the project. Currently, the specific arrangement and the method of calculation relating to the entrusted management during the operation period is under further negotiation, and will be finally approved by Shenzhen Municipal Government.



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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