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00548 (H share)

Shenzhen Expressway Company Limited

Newsletter

January 2010

GUIDANCE

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Opening Message

Dear Investors,

Greetings. On behalf of our employees, I wish you all good health and fortune in 2010!

Despite the impact of the global financial crisis in 2008, the Chinese economy and its capital market have been gradually recovering at a steady pace driven by the State's macroeconomic control measures. Benefiting from implementation of the maintain-growth scheme by the central government, Shenzhen's economy continued to rebound and perform well with the fact that major economic indicators accelerated gradually. Affected by these positive factors, average daily traffic volumes of the Company's toll highways in the Shenzhen region have seen renewed growth gradually since the 4th quarter of 2009.

In 2009, the Company's newly opened projects were still in a cultivation period, while finance costs brought by capital investments increased visibly. This will bring a great pressure on the Company's results in the coming two years. Facing the challenges, in addition to the efforts carried out in its management of operation and construction, the Company will continue efforts in cost control, internal control and corporate governance, striving for a steady performance in the difficult circumstance and to lay a solid foundation for the further development.

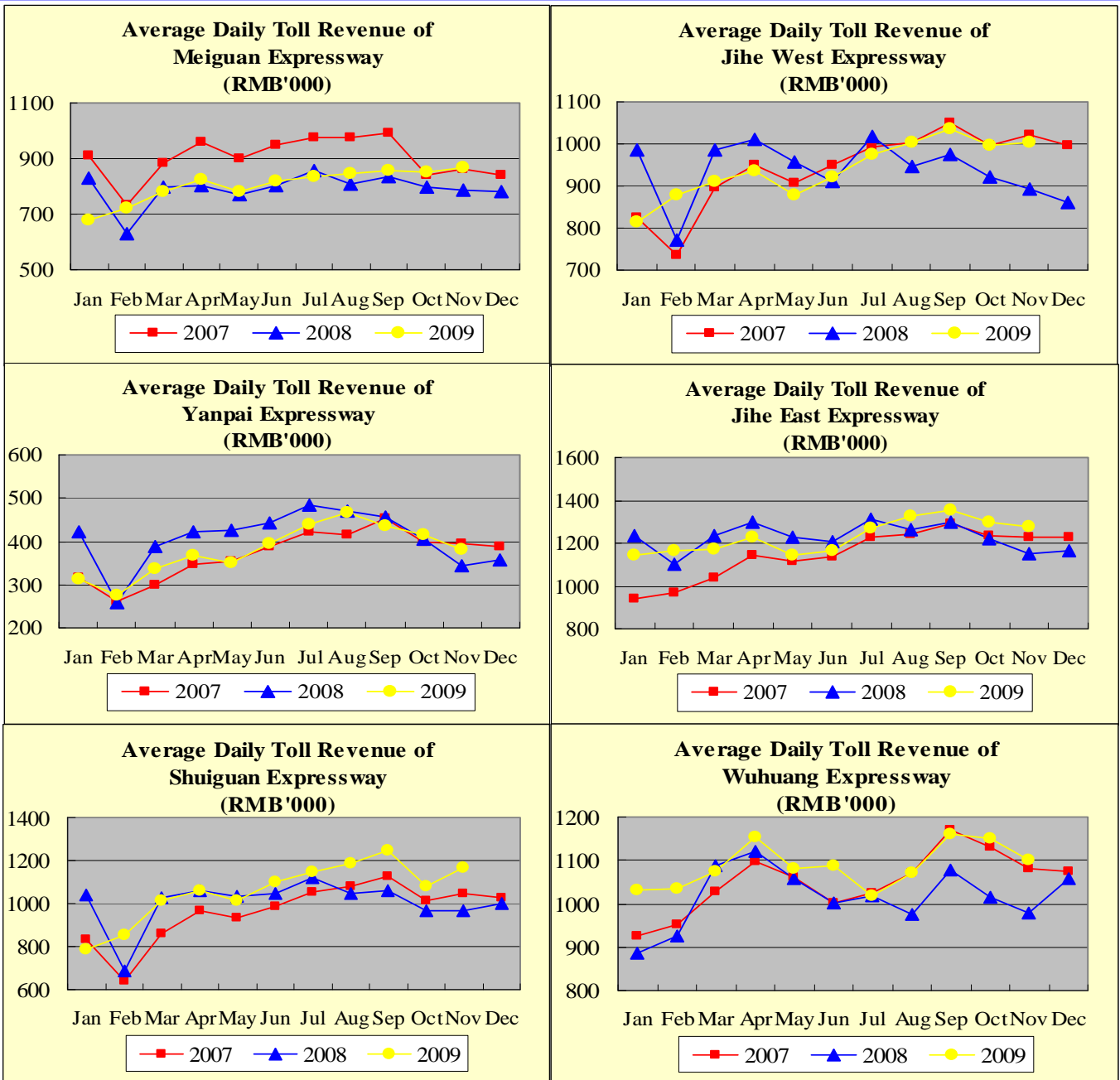
Among the years, our investors not only offered us a full understanding and strong support, but also shared a number of useful comments and suggestions with the management. Thanks for your concern and support all these years, and hope we will harvest growth and progress together in the new year!

Kind Regards,

Yang Hai

Chairman

Operations Review of Major Highways



- There is a positive impact on operating performance of highways from a gradual recovery of the domestic economy, therefore the average daily traffic volumes and toll revenues of most projects from August to November 2009 have increased as compared to the same period of 2008.
- The highways which adopted "Green Passage Toll Free Policy" for fresh agricultural products carrier vehicles pursuant to the requirements of relevant government authorities included Jihe Expressway, Yangmao Expressway, Wuhuang Expressway, Nanjing Third Bridge and Qinglian Expressway.
- Since 1 November 2009, the toll highways in Northern Guangdong Province have adopted the toll-by-weight trial system for trucks as stipulated. At present, among the Company's toll roads in Guangdong Province, only Qinglian Expressway is adopting this policy. Wuhuang Expressway and Nanjing Third Bridge, which are outside of Guangdong Province, have been adopting the toll-by-weight policy.

Company News

Investor Relations Activities

- On 12-13 October 2009, organized by Nomura International (Hong Kong) Limited, the Company met a total of 10 foreign institutional investors involving 13 attendees by one-on-one meetings and a video conference in Hong Kong. On the road-show, the investors' major concerns included the performance of each project, the Company's debt structure, and the development strategies, etc.
- On 30 October 2009, the Company announced Third Quarterly Report and held an online investor meeting from 3:00 to 5:00 p.m. Mr. Yang Hai, Chairman, and other members of senior management of the Company answered investors' questions via the Internet. Please access <http://newspt.p5w.net/bbs/bbs.asp?boardid=456> for Q&A details.
- On 3 November 2009, Mr. Yang Hai, Chairman, was invited to attend "Goldman Sachs Securities China Investment Frontier Conference 2009". As one of the speakers in infrastructure panel, Mr. Yang discussed and shared opinions with the audience about the trends of expenditure plans, developing planning, financing channels etc. for China's infrastructure industry.
- On 8 December 2009, the Company participated in Macquarie Asia-Pacific Infrastructure and Transportation Conference in Hong Kong. There were totally 17 foreign institutional investors (including 9 long-term investors) involving 20 attendees who communicated with the management of the Company at the event. The investors' major concerns included new projects' potentialities, the performance of each project, the capital expenditure plan, and the development strategies of the Company, etc.

Awards & Certificates

- After winning the prize of Citation for Corporate Governance of "The Best Annual Reports Awards" in 2008, the Company won the prize of Honorable Mention in the same award organized by the Hong Kong Management Association ("HKMA") in November 2009.
- The 2009 Panel of Adjudicators went through 121 organizations' annual reports, including the total 42 Heng Seng Index Constituents. Among the 16 winners of "Best Report Award" and "Honorable Mentions", the Company was the only China-based enterprise, while other winners were Hong Kong based blue-chip companies, governmental-organizations or quasi-governmental-organizations who have participated in the competition for years.
- In December 2009, the Company ranked the first place in the infrastructure category of "The Asset China's Most Promising Companies 2009".
- The purpose of the awards is to recognize the most promising Chinese companies in the market and introduce them to international investors. In deciding on the awards, The Asset asked institutional investors and research analysts to help to select the most promising companies in China from among 20 industry groups involving 300 Chinese companies, which are mainly listed on the Hong Kong Exchange. Institutional investors and research analysts were asked to rank the companies based on earnings/profitability, quality of management, standards of corporate governance, treatment of minority shareholders, and effectiveness of investor relations.



Management Interview

Interview with
Mr. Xian WU,
General
Manager of
Qinglian
Company

Q: How is the current operating performance of Qinglian Expressway? When will the Liannan section be completed?

WU: The completed section of Qinglian Expressway (the Fengtoulung-to-Lianzhou Section and the Fengbu-to-Jingkou Section) has adopted expressway toll rates since 1 July 2009. In October, the average daily traffic volume by PCU (passenger car unit) was approximately 9,000 and the average daily toll revenue was approximately RMB770,000.

Since 1 November 2009, Qinglian Expressway adopted the toll-by-weight trial system for trucks as stipulated. In November, its average daily traffic volume by PCU (passenger car unit) was approximately 8,300 and the average daily toll revenue was approximately RMB1,020,000.

The reconstruction from Class 1 highway into an expressway on the Liannan section of Qinglian Project has started in April 2009. Currently, it is in the construction phase. The Company plans to complete the road surface works and resume full opening to traffic at the beginning of 2010. The whole project is planned to be completed within 2 years.

Industry Trend

Relevant
Statistics

- Statistics on Transportation and Imports/Exports Trade in Shenzhen

From the months of January to November 2009, total cargo turnover reached 201 million tons, representing an increase of 14.4% YOY. The volume of cargo turnover reached 101 billion ton/km, an increase of 3.2% YOY. Compared with those in the months of January to October 2009, the growth rates of both figures increased 0.5 and 0.1 percentage point, respectively. Total passenger turnover was recorded at 1.3 billion people, a decrease of 5.3% compared to the same period of last year. The volume of passenger transportation amounted to 49.6 billion passenger/km, representing an increase of 12.3% YOY.

From January to November 2009, Shenzhen seaport's total cargo throughput was 175 million tons, representing a decrease of 10.7% YOY. In particular, the total cargo container throughput was 17 million containers, a decrease of 16.4% YOY. From the months of January to November 2009, Shenzhen airport's total air freight throughput decreased by 1.2%, while total air passenger throughput increased by 14.2% compared to the same period of 2008.

According to the Shenzhen Customs, from the months of January to November 2009, the total amount of imports and exports in Shenzhen was valued at US\$238 billion, a decrease of 13.3% YOY. In particular, the amount of exports amounted to US\$143 billion, a decrease of 12.8% compared to the same period of 2008. The amount of imports amounted to US\$95 billion, a decrease of 13.9% YOY, but the decline of the total amounts of imports and exports narrowed by 4.1 and 2.2 percentage points, respectively, compared with the figures from January to October 2009.

*Sources: Economic Operation of Shenzhen City in January to November 2009,
Website of Statistics Bureau of Shenzhen Municipality (深圳市統計局)
Shenzhen Development and Reform Commission (深圳市发展和改革委员会)*

Relevant News

(The contents in the following hyperlinks are only available in Simplified Chinese)

- Reduction of Expressway Toll Fees in Guangdong Province? The Provincial Ministry of Transportation: Expressways are Still Unable to Repay Loans in Full (《广东高速公路降低收费? 省交通厅: 尚未能偿还贷款》) ([read more](#))
- Possibility of Toll Rate Adjustment of Highways under Major Maintenance (《高速公路大修时收费标准可调整》) ([read more](#))
- Guangqing Expressway Started Expansion at the End of November 2009 (《广清扩建工程本月底动工》) ([read more](#))
- Guangdong Province: Construction of Five New Expressways Began at the End of 2009(《广东: 今年年底前开工 5 高速》) ([read more](#))

Frequently Asked Questions

Q1

What is the expected breakeven traffic volume for Qinglian Expressway?

A1

According to preliminary estimation, Qinglian Expressway will reach the breakeven point when the average daily traffic volume (PCU) is approximately 16,000 (excluding the impact of adopting toll-by-weight policy). From July to November 2009, the average daily traffic volume (PCU) on Qinglian Expressway was approximately 8,500. It is expected that the traffic volume on Qinglian Expressway will record a substantial increase boosted by the improvement of road network upon the operation of Yilian Expressway. Learned from the public information, Yilian Expressway is scheduled to open for traffic in the second half of 2010.

Q2

What is the profit model of the entrusted construction management business? When does the Company recognize the income from this business?

A2

The composition of profit from entrusted construction management business includes management fee and a proportion of cost savings. According to the accounting policy of the Company, the Company will recognize income on the basis of the percentage-of-completion method when the completion progress of the entrusted construction management project is 50%.

Currently, the Company's major entrusted construction management projects under construction are Nanping Phase II and Coastal Expressway. According to the current construction progresses, the projects will gradually contribute profits to the Company starting from 2010.

Q3

What is the Company's future plan on CAPEX?

A3

From the second half of 2009 to the end of 2012, the Company's capital expenditure is estimated to reach RMB3.8 billion. It will increase by approximately RMB1 billion to RMB1.2 billion if expenditures for Meiguan expansion and Shuiguan expansion are included. Given the stable operating cashflows and adequate banking facilities (as at June 30, 2009, the Company has unutilised banking facilities amounted to RMB6.8 billion), the Company can meet its capital expenditure requirement by internal financial resources and own financing capacity. On this basis, the management will also actively study a variety of new financing instruments and products to broaden the financing channels, moderately reduce financial costs and reduce financial risk.

Investors' Comments and Questions

My comments

My questions

My details

Name: _____ Position: _____

Company: _____

Tel: _____ Fax: _____

E-mail: _____

Download "Comments and Questions" Sheet

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

Rikes Hill & Knowlton Limited

Ms. Jennifer Leung / Ms. Christy LAI

Tel: (852) 2520 2201

Fax: (852) 2520 2241

Email: info@rikes.hillandknowlton.com

Everbloom Investment Consulting Co., Ltd.

Ms. Weiwei XIE / Mr. Wenrui WU

Tel: (86755) 8296 6116

Fax: (86755) 8296 6226

Email: sgs@everbloom.com.cn