



深圳高速公路股份有限公司

Shenzhen Expressway Company Limited

Stock code: 600548 (A) 00548 (H)

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Opening Message

GUIDANCE

- Opening Message
- Company News
- Operations Review of Major Projects
- Frequently Asked Questions
- Shareholders' Calendar
- References

Dear distinguished investors,

Happy New Year!

The busy 2015 just past: the Company has determined 2015-2019 Development Strategies, obtained land use right of Meilin Checkpoint Renewal Project, completed the acquisition of additional 10% equity interests in the project company of Shuiguan Expressway, signed agreements with Shenzhen government on toll adjustment and compensation about Nanguang Expressway, Yanpai Expressway and Yanba Expressway. At the beginning of 2016, the Company made a hurried journey without stop, released the *Proposed Adoption of the Restricted A Share Incentive Scheme (draft)* for tying the interest of the Shareholders, the Company, and the Management and key employees of the Company, and enabling the respective parties to become aware of the Company's healthy long-term development, and to promote the realization of the development strategies of the Company.

We see the year of 2015 as a new beginning for the Company. From then on, Shenzhen Expressway has set out on a new journey to a new destination. We are looking forward to working together with you in this new journey.

HU Wei
Chairman



Company News

Investor Relations Activities

- The Company held an online investor meeting for the third quarterly results of 2015 over the internet in the morning of 28 October 2015. Mr. HU Wei, Chairman, Mr. WU Yade, President, Ms. GONG Taotao, Financial Controller, and Ms. WU Qian, 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 5 November 2015, the Company participated in Essence International State-owned Enterprise Reform Forum in Shenzhen.
- On 2 December 2015, the Company participated in Citi's Hong Kong and China Corporate Day 2015 in Hong Kong. The Management communicated with foreign shareholders and institutional investors during one-on-one meetings and group meetings.
- On 3 December 2015, the Company participated in J.P. Morgan 12th Annual Global China Summit in Shenzhen. The investors' major concerns included the toll adjustment of Nanguang Expressway, Yanba Expressway, and Yanpai Expressway.

Market Evaluation & Recognition

- The presentation ceremony of the Best Corporate Governance Disclosure Awards 2015, organized by Hong Kong Institute of Certified Public Accountants, was held in Hong Kong on 30 November 2015. Shenzhen Expressway won the Gold Award in H-Share Company and Other Mainland Enterprises Category.
- In December 2015, the results of the selection of Investors' Most Respected Listed Companies 2015 was announced that Shenzhen Expressway won the Most Respected Listed Companies Finalists 2015. The selection was sponsored by China Association for Public Companies (中国上市公司协会) and jointly co-sponsored by China Securities Investor Protection Funds (中国证券投资者保护基金公司), Shanghai Stock Exchange (上海证券交易所), Shenzhen Stock Exchange (深圳证券交易所), Securities Association of China (中国证券业协会) and Asset Management Association of China (中国证券投资基金业协会).
- The Company won the Best Investor Relationship Award in the selection of China Financial Market Listed Companies Awards 2015, which was held in January 2016.

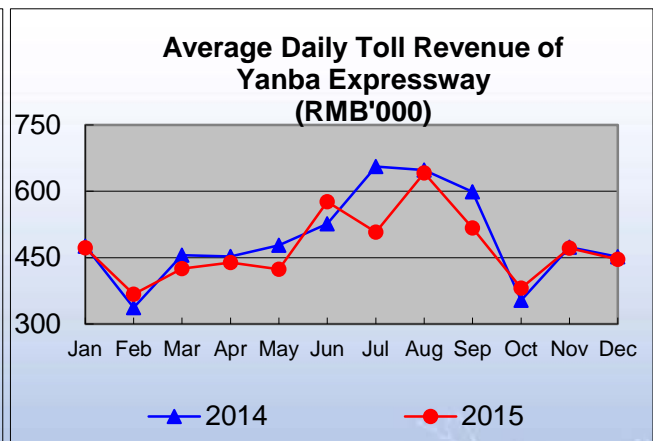
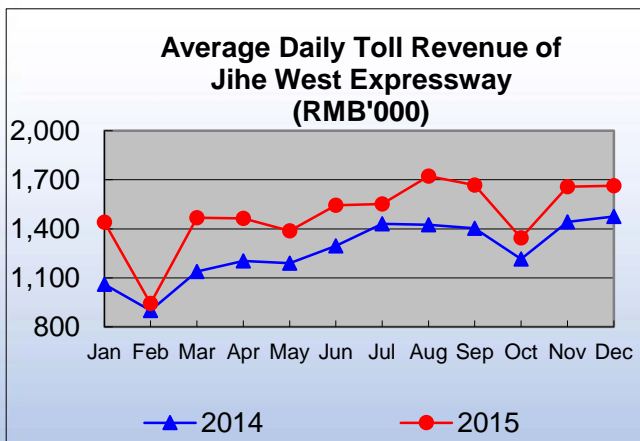
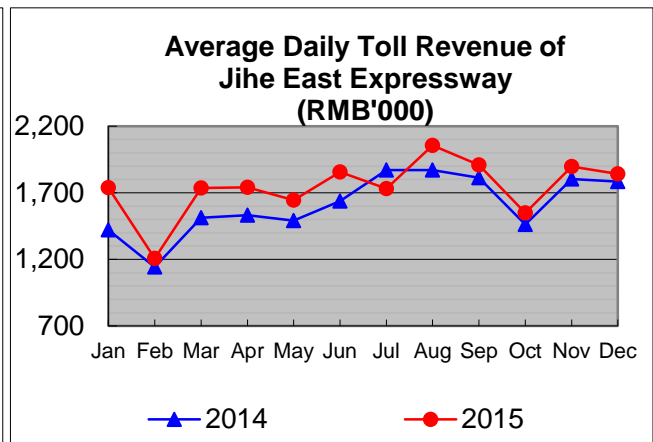
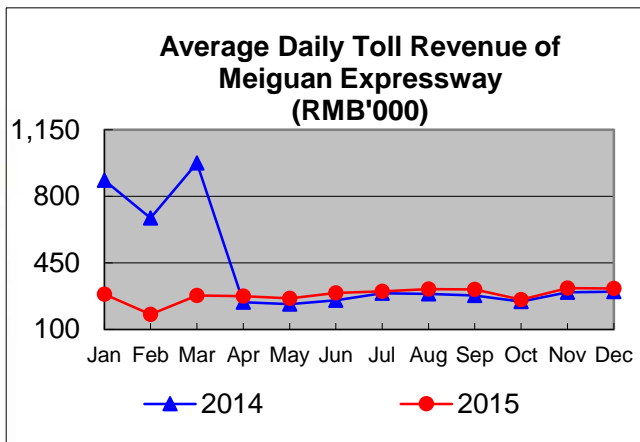
Management Information

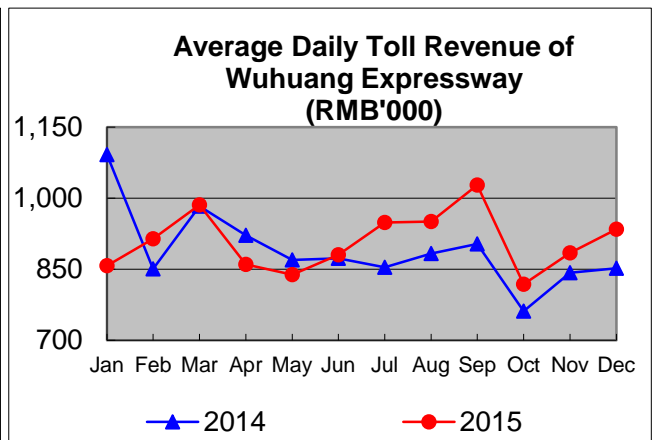
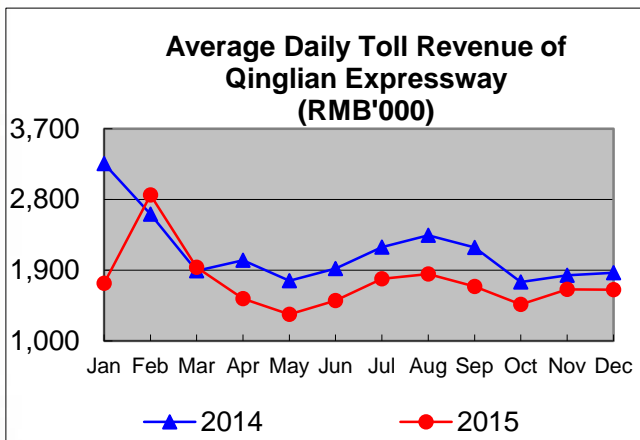
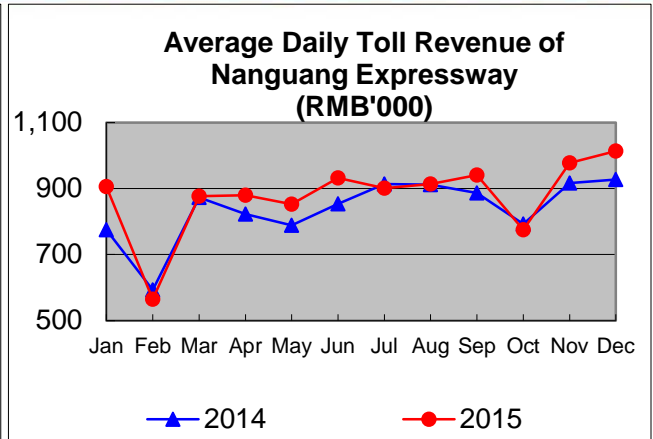
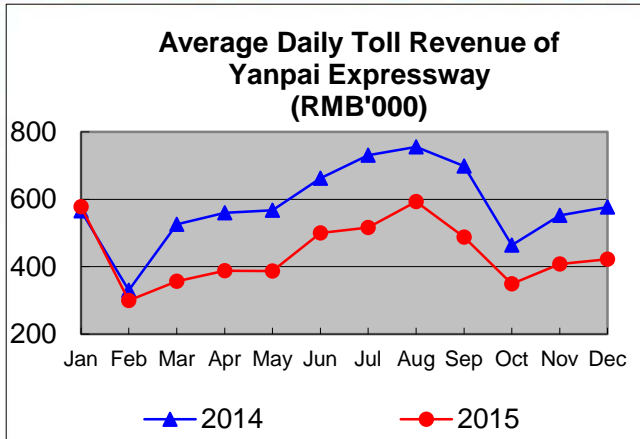
- On 30 October 2015, Mei Wah Industrial (a wholly-owned subsidiary of the Company) entered into the agreement to acquire 10% equity interests in Qinglong Company (the project company of Shuiguan Expressway). After completion of the Transaction, the Company directly and indirectly holds an aggregate of 50% equity interests of Qinglong Company and Qinglong Company is consolidated into the scope of the financial statements of the Company.
- On 30 November 2015, the Company and the Transport Commission of Shenzhen Municipality ("Transport Commission") entered into the Adjustment Agreement to implement toll-free for Nanguang Expressway, Yanpai Expressway and Yanba Expressway from 00:00 on 7 February 2016 in two phases, in consideration for the payment of cash compensation by the Transport Commission.



- On 23 December 2015, the Company entered into the Share Subscription Agreement with Bank of Guizhou to subscribe 382,000,000 Subscription Shares in the consideration of RMB595,920,000. Upon completion of the Subscription, the Company will hold 4.15% of the issued share capital of Bank of Guizhou after the capital increase.
- On 30 December 2015, Guizhou Property (an indirect holding subsidiary of the Company) and SZ International Logistics entered into transfer agreements, pursuant to which Guizhou Property proposes to, transfer to SZ International Logistics the entire equity in and creditors' rights of Guizhou Pengbo (which will hold approximately 322.9 mu of logistics land lots) and 51% equity interest in Guizhou Hengtongli (which will hold approximately 143.9 mu of commercial and residential land lots) at a consideration of approximately RMB95.27 million and RMB44.02 million respectively following the regrouping.
- On 15 January 2016, the Company announced *Proposed Adoption of the Restricted A Share Incentive Scheme (draft)*, which granted 17,191,690 restricted ordinary A Shares to total 75 Directors, senior management/middle managers, and key employees of the Company with the Grant Price of RMB5.35 per share.

Operations Review of Major Projects





Note:

- For operational performance of unconsolidated projects, please go to "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 (2014 Spring Festival: 31 January; 2013 Spring Festival: 10 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 Mainly benefiting from the implementation of the toll adjustment proposal of Meiguan Expressway and the positive effect on connected road network from the opening of the Second Phase of Qingping Expressway, Jihe Expressway maintained a rapid growth.
- ② The toll of Yantian'ao Tunnel in Shenzhen has been cancelled since 1 February 2015, which had certain negative impact on the operational performance of Yanpai Expressway and Yanba Expressway.
- ③ Guangle Expressway (Guangzhou - Lechang) and Erguang Expressway Lianzhou to Huaiji section commenced operation in the end of September and December 2014 respectively, which had certain diversion effect on Qinglian Expressway.
- ④ By the negative impact of the factors such as road network changes, the toll revenue of Wuhuang Expressway recorded a YOY decrease, but it has returned to grow in the second half of 2015.



Frequently Asked Questions

1. What is the impact on the Company after the acquisition of additional 10% equity interests in the Shuiguan Expressway project company?

A: On 30 October 2015, the Company, through Mei Wah Industrial (its wholly-owned subsidiary), indirectly acquired additional 10% equity interests in Qinglong Company (project company of Shuiguan Expressway) with Initial Consideration of RMB280 million (may be subject to adjustment, please refer to the announcement to be published on 30 October 2015 for details). After completion of the Transaction, the Company directly and indirectly holds an aggregate of 50% equity interests of Qinglong Company. At the same time, pursuant to the agreement, the Company obtains the effective control over Qinglong Company. The accounts of Qinglong Company are consolidated into the financial statements of the Company from the date on which the Company obtains control of Qinglong Company, the 40% equity interests of Qinglong Company originally held by the Group will be remeasured at fair value on the date of consolidation. The difference between the fair value and the book value will be recognized as investment income for the current period. According to the preliminary estimates, it is expected that the one-off investment income (after tax) derived from the 40% equity interests as originally held by the Group in Qinglong Company as at the date of consolidation will be amounted to approximately RMB880 million. Save for the aforesaid impacts on profits or losses, this transaction as of the date of consolidation is expected to increase the total assets, liabilities and equity interests attributable to owners of the company of the Group by approximately RMB4,300 million, RMB2,100 million and RMB880 million, respectively. The above information is based on the preliminary estimates. The final effects are subject to recognition when it occurs and confirmed upon the audit performed by the Company's auditors.
2. What are the main contents of the toll adjustment agreement of Nanguang Expressway, Yanpai Expressway and Yanba Expressway ("Three Expressways")? What is the impact on the Company of the deal? How will the Company arrange the received compensation? Will the Company pay special dividend?

A: Pursuant to *The Relevant Compensation Of The Toll Adjustment of The Three Expressways And The Transfer Of Assets Agreement* (《南光、盐排、盐坝高速公路调整收费补偿及资产移交协议》), signed by the Company and the Transport Commission, both sides agreed to implement toll-free for the Three Expressways from 00:00 on 7 February 2016 in two phases, in consideration for the payment of cash compensation by the Transport Commission.

Phase 1 (from 00:00 on 7 February 2016 to 24:00 on 31 December 2018): the Company will implement toll-free for the Three Expressways in exchange for cash compensation from the Transport Commission. During this period, the Company will be responsible for the maintenance and repair of the Three Expressways. Before the Three Expressways New Toll Stations commence operation, the Three Expressways will be operated by card access and the toll of the Three Expressways will be exempted.

Phase 2 (from 00:00 on 1 January 2019 to the end of their respective operation periods): within 10 months before the end of Phase 1, the Transport Commission will elect to adopt Option 1 or Option 2 to be effective from 00:00 on 1 January 2019. If elect Option 1, then continue to follow the adjustment of Phase 1; if elect Option 2, namely the government buys back the assets, the Transport Commission will take back the Fee Entitlement Right of the Three Expressways and pay the corresponding compensation (including the relevant taxes) to the Company. The Company will no longer have the Fee Entitlement Right of the Three Expressways, also no longer bear the responsibility for the maintenance and repair of the Three Expressways.



For the compensation, if Option 1 is adopted in Phase 2, the tentative amount of total compensation is RMB9,688 million; if Option 2 is adopted in Phase 2, the tentative amount of total compensation is RMB7,652 million. The above compensation amounts are tentative figures only and the final amount is subject to settlement, confirmation and adjustment in accordance with the terms of the Adjustment Agreement. The compensation arrangements for the adjustment were based on future revenue or the present value of cash flow of the Three Expressways and had a premium in comparison with the book value of the assets.

The Three Expressways Adjustment and Compensation Arrangement would enable the Company to improve its financial position and enhance its ability and room for future sustainable development through the cash flow to be generated by future revenue and/or income and the relatively large amount of first payment to be received at a reasonable cost. According to the Agreement, the government has paid the first payment of RMB 6,588 million to the Company in December 2015. Such cash payment will significantly increase the cash flow, which is favorable to the financial condition of the Company. During Phase 1, the government will adopt the model of “services payment”, the Company will retain its Fee Entitlement Right of the Three Expressways, and recognizes it as intangible assets according to the China Accounting Standards for Business Enterprises (“CASBE”), the accounting treatment of toll revenue, cost and profit in respect of the Three Expressways will remain unchanged. Also, it is estimated that the Three Expressways Adjustments will not have material financial effect on the revenue and profit of the Company. During Phase 2, the financial effect on the Company will be similar to that in Phase 1 if Option 1 is adopted (namely services payment), which will not have material effect on the revenue and profit of the Company. If Option 2 is adopted (namely assets buyback), the net book value of the Three Expressways as at 1 January 2019 will be approximately RMB3,600 million. Based on the relevant compensation arrangement and after taking into account factors such as the related taxes and the corresponding costs, in accordance with the CASBE, it is expected that the profits from disposal of assets will increase by approximately RMB1,600 million (after taxation) in 2019 and the net assets will increase by approximately RMB1,600 million accordingly. Meanwhile, the Three Expressways will no longer contribute toll revenue for the Company, accordingly future toll revenue, profit and operating cash flow of the Company will be reduced.

The abovementioned information is based on preliminary estimates. The final effects are subject to and dependent on whether the Transport Commission adopts Option 1 or Option 2 in Phase 2 of the Three Expressways Adjustment and audit by the Company’s auditors.

3. What are the considerations of the Company's investment in Guizhou Bank?

A: The proposed subscription of additional shares in the Bank of Guizhou, as a strategic investment in line with the Company's development strategy, is conducive for the Company to optimize its asset allocation and integrate industrial and financial capitals in pursuit of sound synergy for its subsequent infrastructure investments and operations at relevant regions. Meanwhile, given the sound cash dividend capacity, the headroom for future development and the reasonable issue price under the capital increase of the Bank of Guizhou, the Investment is expected to generate desirable return on investment and/or potential capital gains.



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.

Shareholders' Calendar

- 18 March 2016 Board meeting for Consideration of the annual results 2015 (tentative ^{note})
- 21 March 2016 Presentation conferences for the annual results 2015 (tentative ^{note})
- Late of April 2016 2016 First Quarterly Results and online presentation and investor meeting
- Late of May 2016 2015 Annual General Meeting and declaration of dividend for 2015

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



References

- The period of the 40-day 2016 Chinese Spring Travel Season is from 0:00 on 24 January to 24:00 on 3 March.
- According to the circular of part of the holiday arrangements in 2016 issued by General Office of the State Council, highway toll free time of 2016 Spring Festival is from 0:00 on 7 February to 24:00 on 13 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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