



**SHENZHEN EXPRESSWAY COMPANY LIMITED**

Stock code: 00548(SEHK) 600548(SSE)

# 2017 Annual Results Presentation

23 March 2018

# Contents

**Business Review**

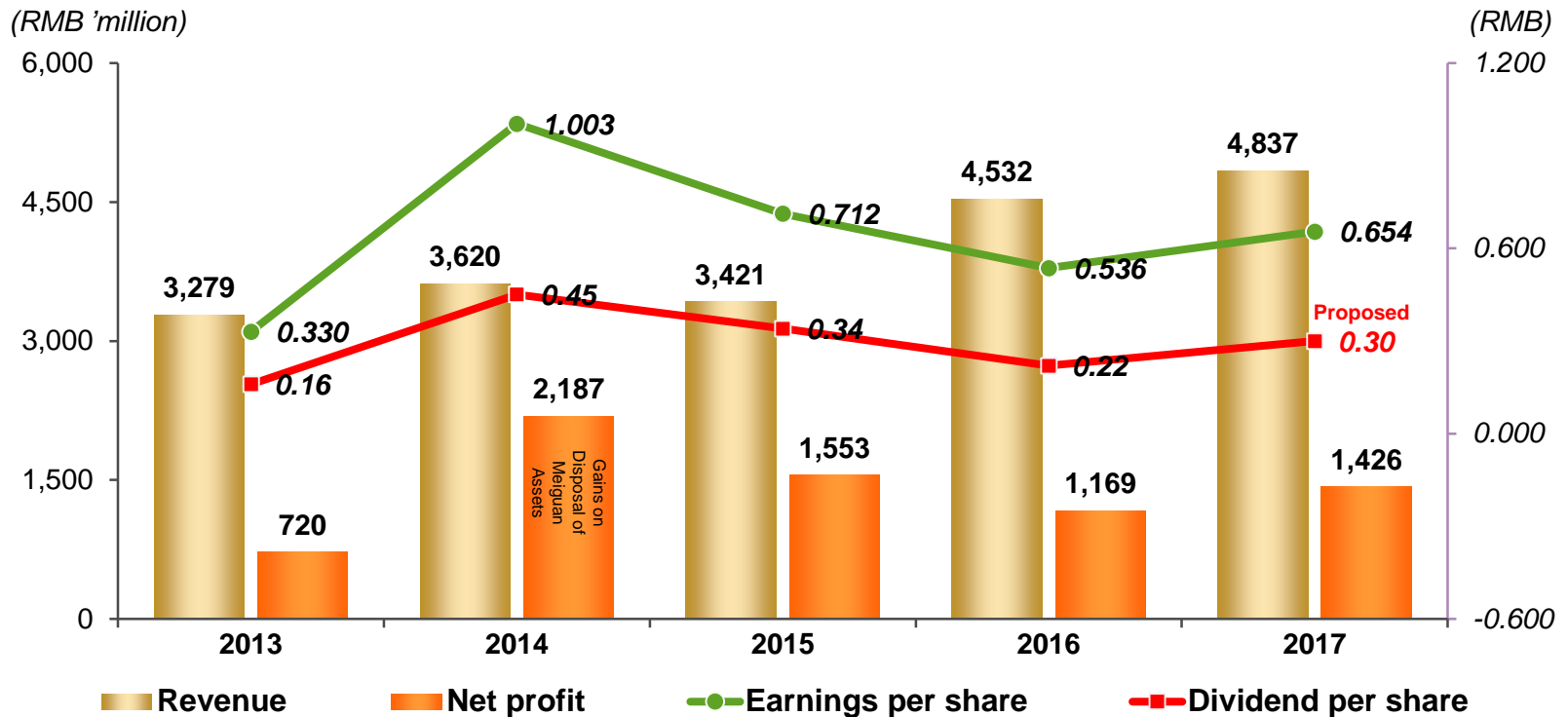
**Outlook and Plans**

**Financial Analysis**

**Appendix**

In this material, the total of breakdown and the total may not equal in mantissa due to rounding.

# Financial Highlights



■ The financial statements of the Company were prepared in accordance with China Accounting Standards for Business Enterprise (CASBE), and also were complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules of HKEx.

# Business Review

Financial Analysis

Outlook and Plans

Appendix

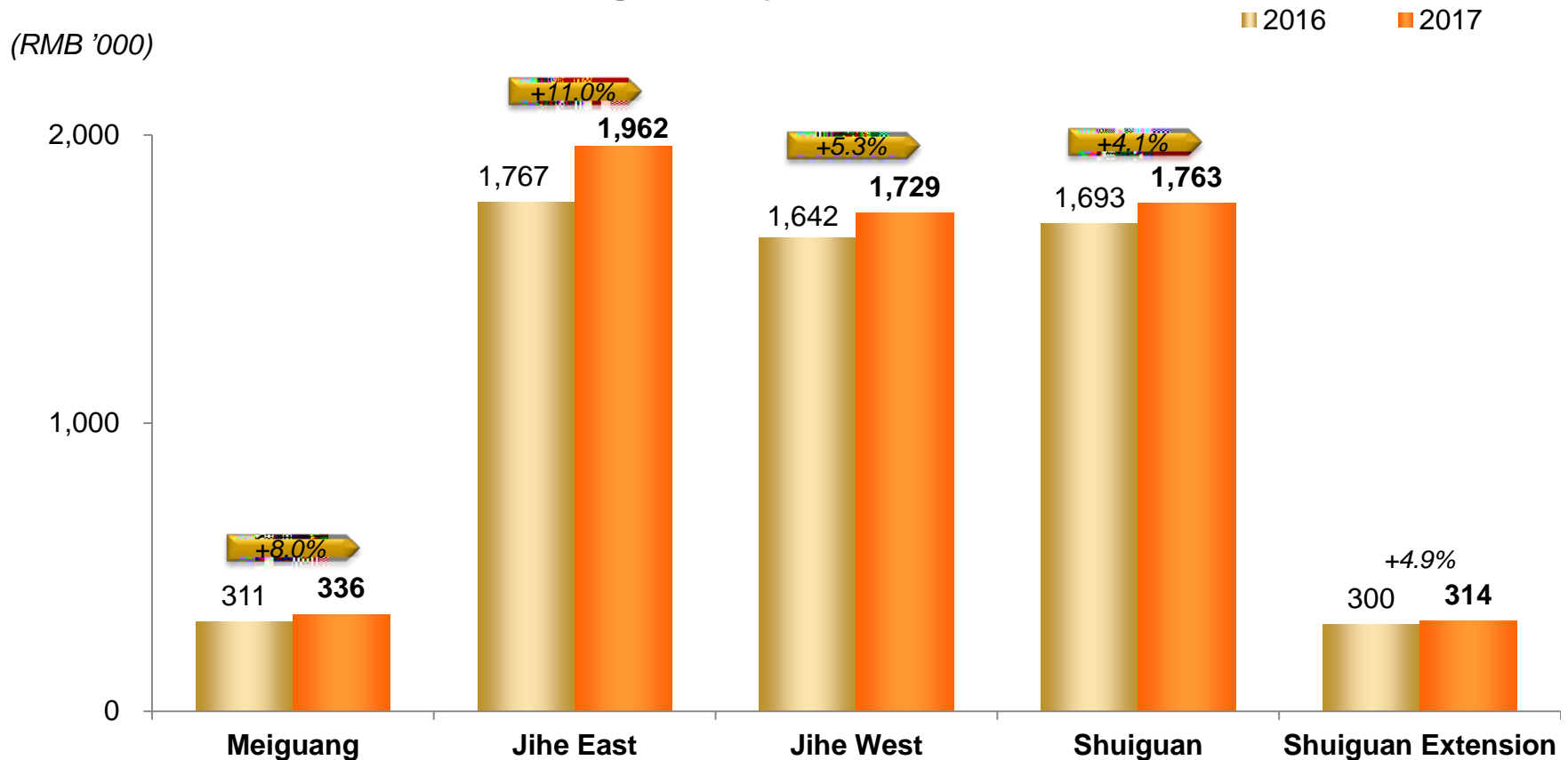
## Operating Environment

- The recovery of Chinese economic growth and the sustained regional economic activity in Guangdong and Shenzhen were conducive to the general growth of the regional transportation and logistics demand via highway.
- There was no material change on the policies of toll highway industry.

Changes of Road Networks **9.9(r)2(ject0.002 Tc00.002 Tw 0 09**

# Operational Performance of Toll Highway - Shenzhen Region

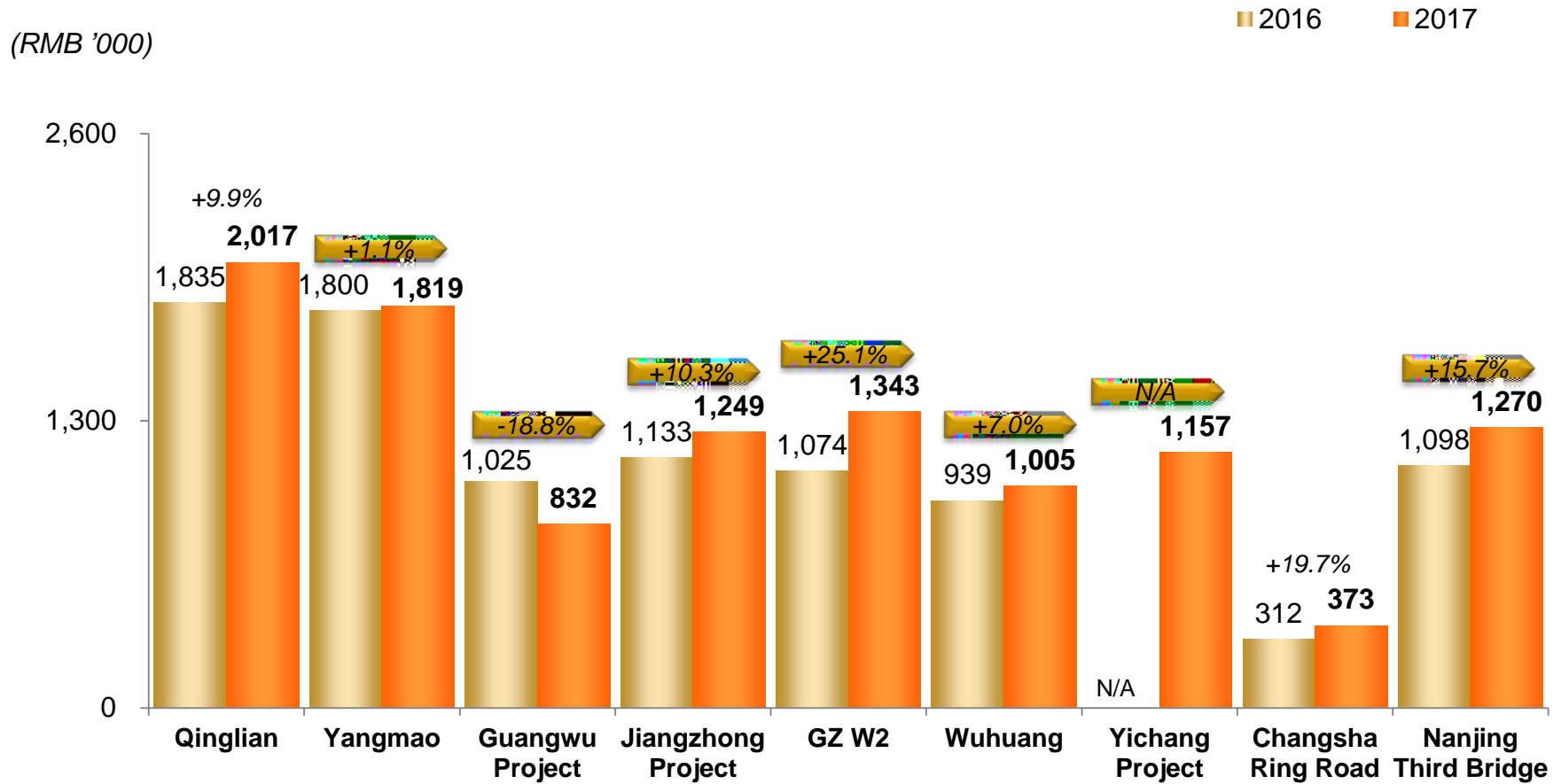
## Average Daily Toll Revenue



- The toll-free policy has been implemented for Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the “Three Projects”) from 00:00 on 7 February 2016, and the Company calculated and recognized the income in accordance with the methods agreed by the government. The Company no longer discloses data for the Three Projects.

# Operational Performance of Toll Highway - Other Regions

## Average Daily Toll Revenue



# Business Development - Management Improvement

- Explore the opportunities for establishing intelligent transportation and enhance service efficiency.
- Deepen the marketing of road network and actively attract traffic.
- Strengthen the maintenance and management of highway property and improve road conditions.



# Business Development

## - Toll Highways 1

### Outer Ring Project

- The total length is approximately 93 km with six-lane.
- Section A of Outer Ring is from Coastal Expressway in the west to the interchange of Shenshan Expressway in the east (excluding Dongguan section) with the length of approximately 60 km.
- The Company and the Shenzhen government entered into agreements on 18 March 2016: the investment budget for Section A of Outer Ring is approximately RMB20.6 billion, among which, the Group invests RMB6.5 billion to get its 100% equity, receive 100% of the operating revenue and undertake the operating cost, relevant taxes and risks of the project for a term of 25 years, and the cost overruns are assumed or financed by Shenzhen Special Economic Zone Construction and Development Company Limited, a company established and wholly-owned by Shenzhen government.
- Section A of Outer Ring is the first toll highway project invested by the Group based on PPP model, which can effectively achieve a balance between the public welfare and reasonable return on business investment of infrastructure.
- The construction of the main project has fully commenced and is scheduled to be completed by the end of 2019.

## Yichang Expressway

- Yiyang to Changde, a two-way expressway with four lanes of which the main lane has a length of 73.1 km. It is a section of the connection line from Zhangjiajie to Changsha of Erguang Expressway.
- The Company entered into an equity transfer agreement with Ping An Ventures on 20 January 2017 to acquire Ping An Ventures' 100 % equity in Yichang Expressway for RMB1.27 billion. Yichang Company has been consolidated into the combined financial statements of the Group since 15 June 2017.
- The project is situated in a superior location with good investment value. Yichang Expressway has maintained

## Coastal Project

- The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) (“Coastal Expressway (Shenzhen Section)”) of Guangzhou-Shenzhen Coastal Expressway (Provincial Line S3, a total length of approximately 90 km, “Coastal Expressway”) is a dual eight-lane expressway with the total mileage of approximately 37 km. It is comprised of two phases. Among which, the main line of Coastal Expressway (Shenzhen Section) and the facilities referred to as Coastal Phase I with a toll mileage of approximately 30.9 km, which was opened to traffic on 28 December 2013. The ramp bridge [7.5(8.64) × 8.5(ed)]TJ -04 1.0.009 Tw 0.009(ndT

# Business Development

## - Environmental Protection Business 1

### Derun Environment

- In May 2017, Environmental Company, a wholly-owned subsidiary of the Company acquired 20% equity interest in Derun Environment from Water Asset at the price of RMB4,408,644,500. At the end of May, such consideration of equity acquisition has been fully settled and all relevant trading procedures have been completed.
- Derun Environment is established in Chongqing in October 2014 with a registered capital of RMB1 billion. It is owned as to 54.9%, 25.1% and 20% by Water Asset, Suyu Industry and the Company, respectively. Derun Environment is a comprehensive environmental enterprise with two major business segments, namely water treatment and waste incineration power generation. It has stable profitability, abundant cash flow, strong scale advantages, regional competitive advantage and growth potentials.
- By acquiring Derun Environment's equity interest through Environmental Company at a reasonable price, the Company can expand its environmental business and obtain a reasonable return on investment. On the other hand, the Company may also carry out in-depth cooperation with Derun Environment and complement each other's advantages in business development.
- During the Reporting Period, the Company recognized Derun Environment's investment income of RMB125,957,000 for approximately seven months.

## Water Planning Institute

- In July 2017, the Company subscribed for 15% of the equity interest as enlarged by the Capital Increase of Water Planning Institute at a consideration of RMB10.315/registered capital totaling RMB61.89 million.
- Water Planning Company is one of the first comprehensive survey and design organization in the PRC to commence integrated water design. It processes 7 A-grade qualifications in areas such as water conservancy industry, municipal water supply and drainage, comprehensive engineering survey and surveying etc. It is one of the top 500 PRC enterprises in the field of survey and design, and one of the top 50 PRC enterprises in the field of water conservancy survey and design.
- By investing in Water Planning Company at a reasonable price, the Company would be able to achieve reasonable investment return, at the same time striving for expansion into the water environmental management field from a high starting point. This will help the Company to acquire resources for technological research and development in respect of water environmental management and urban water planning, expand market channels, achieve complementary advantages along the industrial chain with related cooperating parties, thereby assisting the Company to rapidly enhance its competitiveness in market of water environmental management.

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## Nanmen River Comprehensive Management Project

- In the case of a total investment of no more than RMB320 million, the Company and Zhongjiao Tianjin Waterway Bureau Co., Ltd jointly participated in the investment, construction and management of the Nanmen River Comprehensive Management Project as a consortium. As indust610(m)-3(en)-1.004 T0(it).87 od 0.002 T
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# Business Development

## - Entrusted Construction Management & Other Infrastructure

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### Project Construction

- The construction of the main project of Outer Ring Project has fully commenced and is scheduled to be completed by the end of 2019.
  - Coastal Phase II has accumulatively completed approximately 83% of land acquisition and approximately 55% of demolition area, and the relevant tenders for some of the contracted sections have been completed. It is scheduled to be completed by the end of 2019.
  - The main work of the entrusted construction project of Guizhou Logistics Port of Shenzhen International is expected to be completed in the first half of 2018.
  - The land levelling and related auxiliary projects in Shenzhen-Shanwei Special Cooperation Zone were still in progress. Among which, the land levelling for two plots of land was completed.
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### Acceptance and Audit

- The acceptance, completion settlement and audit of the construction of Resettlement Project Phase II in Longli, Guizhou have been completed.
  - The main work of Entrusted Construction Project on Hengwu Road and Hengliu Road in Longli, Guizhou was completed and accepted.
  - The completion settlement and government audit of Meiguan Toll Station, Nanping Phase II, Dezheng Road Project, Coastal Phase I, auxiliary project of Longda Municipal Section and Guanlan Renmin Road - Meiguan Expressway Joints Project were underway.
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### Preliminary Planning

- Houmen Resettlement Area Project is still at the preliminary stage of applying for construction. The construction is scheduled to commence in the second half of 2018.
- The total investment of Duohua Bridge Project constructed by BT model is not more than RMB950 million with a construction period of approximately 36 months, which is expected to be completed by the end of 2020.

# Business Development

## - Development and Management of Land 1

### Guilong Proect

- Relying on BT Project, from 2012 up to the Reporting Date, the Group has successfully won the bids for parcels of land in Longli, Guizhou with an area of approximately 2,655 mu (approximately 1.77 million square meters) with a total consideration of approximately RMB896 million:
  - 700 mu of acquired land parcels has been conducted secondary self-development as Shenzhen Expressway Interlaken Town:
    - Phase I (approximately 300 mu, equivalent to 200,000 square meters) has been developed. Among which, the handover of a total of 144 sets of villas of Stage I (approximately 110 mu, equivalent to 70,000 square meters) have been completed. The revenue of RMB254 million in 2016 has been recognized. The construction and sales of a total of 169 sets of villas of Stage II (approximately 129 mu, equivalent to 86,000 square meters) have been fully completed and the handover of a total of 120 sets of villas has been completed accumulatively.
    - Phase II (approximately 400 mu, equivalent to 267,000 square meters) was under development. Among which, Stage I was planned to launch over 230 sets of villas. As at the end of the Reporting Period, over 220 sets of villas have been sold. It is scheduled to be delivered by the end of 2018.  
Phase II was planned to construct commercial ancillary properties. At present, the relevant design and planning proposals are being submitted for approval.
    - Approximately 375 mu of the land parcel I was approved for development.
  - The Company completed the sale and transfer of the area of 503 mu (approximately 335,000 square meters), a cash amount of RMB0.15 billion has been received.
- In order to seize the opportunities in the market and effectively lower the risks in relation to the collection of receivables from Duohua Bridge Project, the Board approved Guishen Company (or the project company it established for holding lands) to participate in the bidding of land of approximately 1,000 mu which was listed for sale and proposed to be sold in batches by the government of Longli County at a real price of not more than RMB500,000/mu (inclusive).
- The Group will, through means such as timely market transfer, cooperation or self-development based on the overall market conditions and development opportunities, realize the market value of the lands it holds and the Group's investment gains as soon as possible, at the same time prevent the contractual and market risks in relation to the lands in an effective way.

# Business Development

## - Development and Management of Land 2

### Meilin Checkpoint Renewal Project

- The Company and Shenzhen International (through XTC Company, its wholly-owned subsidiary) have established United Land Company, in which two parties own 49% and 51% equity interests respectively, as the implementing entity of Meilin Checkpoint Renewal Project.
- The land area of the land parcels is approximately 96,000 square meters and the land is for residential and commercial purposes with a capacity building area of not more than 486,400 square meters (including public affiliated facilities, etc.). United Land Company has acquired the land use right of the land parcels.
- It is estimated that the total cost of the project land parcel would be about RMB5.0 billion to RMB5.2 billion, including the total land premium of approximately RMB3,567 million, relocation compensation for the properties on the land, preliminary planning costs, and relevant tax. The land parcels are situated at a geographically advantageous location with certain advantages on land price over the market prices of the peripheral areas and also have better investment value and appreciation potential.
- The project was determined to adopt the “entrusted development” model. Vanke has become the entrusted construction management party of the project through the public tendering. The project has officially commenced construction at the end of the Reporting Period.
- It is expected that United Land Company will enter the stage of net capital inflow after pre-sale of property, during which the project would be able to maintain operation with a small amount of capital. In order to promptly recover the investment capital of the Group, avoid idle capital, enhance overall efficiency of capital utilization of the Group, reduce consolidated capital cost of the Group and improve the overall corporate efficiency and shareholders’ returns, the Company entered into the Capital Reduction Agreement with XTC Company and United Land Company on 2 February 2018. The total amount of capital reduction was RMB4.5 billion, among which the capital reduction amount of the Company and XTC Company were RMB2.205 billion and RMB2.295 billion, respectively. After the completion of the capital reduction, the registered capital of United Land Company will decrease from RMB5 billion to RMB500 million. The Company and XTC Company will hold the equity interest in United Land Company in proportion to their existing shareholdings and entitled to shareholders’ rights and interests.
- The Company is actively conducting industry policy research, exploring the methods for value realization and liquidation of the land, as well as working with Shenzhen International to negotiate cooperation matters with brand developers, so as to maximize the commercial value of the project.



## Bank of Guizhou

- The Company subscribed 426 million additional shares of Bank of Guizhou. The equity interest held by the Company in the Bank of Guizhou accounts for 3.78% of the total shares after the increase in capital and shares of Bank of Guizhou.
- It has been recognized the investment income for 2017 of RMB100,301,000.
- Given the strong cash dividend capacity and there is much room for future development of Bank of Guizhou, the subscription of the additional shares issued by Bank of Guizhou will optimize the Company's asset allocation in pursuit of sound synergy for its subsequent infrastructure investments and operations in relevant regions.

## Advertising Company

- The Group is engaged in the businesses of billboard leasing, advertising agency, design production and related businesses alongside the toll highways and at the toll stations through its wholly-owned subsidiary, Advertising Company.
- Advertising Company has also further developed outdoor media businesses of main urban roads and provided brand building and promotion plans for customers in recent years.

## Consulting Company

- Consulting Company, held as to 24% by the Company, is a professional engineering consulting company with independent legal status. Its business scope covers pre-consultation, survey and design, tendering agency, cost consulting, engineering supervision, engineering experiment and testing, maintenance consulting, etc., with the qualification and capability of providing consulting services to the whole process of investment and construction of engineering project.

## Guangdong UETC

- Guangdong UETC, held as to 12.86% by the Company, is principally engaged in electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sales of related products.

## Guangzhou Fund

- The Company established Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Company Limited ("Guangzhou Fund") in December 2017 asr0.040.0000740.0006 Tw 5.586 TMs 5.795-1528958.2 Td 0 [T] (07) Tms (para 6

# Financial Analysis

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**Outlook and Plans**

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# Financial Analysis

## - Income Highlights

	2017	2016	Change in Amount	Change
<b>Net profit attributable to owners of the Company (RMB 'million)</b>	<b>1,426</b>	1,169	+257	+21.98%
<b>Earnings per share (EPS) (RMB)</b>	<b>0.654</b>	0.536	+0.118	+21.98%
<b>Return on equity – weighted average (ROE) (%)</b>	<b>10.88%</b>	9.35%		+1.53p.pt
<b>Excluding non-recurring items <sup>Note</sup> :</b>				
<b>Net profit attributable to owners of the Company (RMB 'million)</b>	<b>1,469</b>	1,005	+464	+46.20%
<b>Earnings per share (EPS) (RMB)</b>	<b>0.674</b>	0.461	+0.213	+46.20%
<b>Return on equity – weighted average (ROE) (%)</b>	<b>11.19%</b>	8.08%		+3.11p.pt

Note: The non-recurring items mainly include the fair value loss on Forex Swap, the net income of trustee fee on entrusted operation, the gains from revaluation of the fair value of the equity interest resulted from the consolidation of Shenchang Company into the Group's financial statements, the amortization of compensation for Three Projects provided by concession grantor, adjustment on the compensation receivable of toll fee adjustment of Meiguan Expressway and so on.

# Financial Analysis

## - Revenue, Cost & Expenses

	2017 (RMB 'million)	2016 (RMB 'million)	Change in Amount (RMB 'million)
<b>Revenue</b>	<b>4,837</b>	<b>4,532</b>	<b>+304</b> <i>Note1</i>
<i><b>Toll highways</b></i>	<i><b>4,285</b></i>	<i><b>3,680</b></i>	<i><b>+605</b></i> <i>Note2</i>
<i><b>Entrusted management services</b></i>	<i><b>103</b></i>	<i><b>121</b></i>	<i><b>-18</b></i> <i>Note3</i>
<i><b>Real estate development</b></i>	<i><b>317</b></i>	<i><b>254</b></i>	<i><b>+64</b></i>
<i><b>Engineering consulting</b></i>	<i><b>-</b></i>	<i><b>334</b></i>	<i><b>-334</b></i> <i>Note4</i>
<i><b>Advertising and others</b></i>	<i><b>131</b></i>	<i><b>143</b></i>	<i><b>-12</b></i>
<b>Cost of services</b>	<b>2,499</b>	<b>2,533</b>	<b>-34</b>
<i><b>Toll highways</b></i>	<i><b>2,120</b></i>	<i><b>1,863</b></i>	<i><b>+257</b></i>
<i><b>Entrusted management services</b></i>	<i><b>64</b></i>	<i><b>93</b></i>	<i><b>-29</b></i> <i>Note5</i>
<i><b>Real estate development</b></i>	<i><b>234</b></i>	<i><b>213</b></i>	<i><b>+21</b></i>
<i><b>Engineering consulting</b></i>	<i><b>-</b></i>	<i><b>278</b></i>	<i><b>-278</b></i> <i>Note4</i>
<i><b>Advertising and others</b></i>	<i><b>81</b></i>	<i><b>86</b></i>	<i><b>-5</b></i>
<b>General and administrative expenses</b>	<b>184</b>	<b>139</b>	<b>+45</b>

Note1: Revenue recorded a YOY increase of 6.72%, mainly due to the growth of toll revenue from the existing ancillary toll highways and the revenue contribution resulted from the consolidation of Shenchang Company and Yichang Company into the Group's financial statements.

Note2: Toll revenue recorded a YOY increase of 16.43%, in which the contribution from toll revenue of RMB337,263,000 during the Reporting Period was resulted from the consolidation of Shenchang Company and Yichang Company into the Group's financial statement.

Note3: Revenue from entrusted management services recorded a YOY decrease of 15.07%, mainly due to the fact that the agreement for entrusted operation management service of Coastal Phase I was entered into by the Company during the corresponding period last year, pursuant to which revenue from entrusted management services of RMB50,943,000 from 1 January 2014 to 31 December 2016 was recognized.

Note4: Consulting Company was de-consolidated from the Group's financial statements since 30 November 2016.

Note5: The decrease of the costs of the entrusted management services was mainly due to the recognition of the entrusted construction management cost of Section A of Outer Ring in the corresponding period of last year.

# Financial Analysis

## - Operating Income

	2017 (RMB' 000)	2016 (RMB' 000)	Change in Amount (RMB '000)
<b>Toll highway</b>			
Qinglian	736,037	671,568	+64,470
Jihe East	716,148	646,744	+69,404
Shuiguan	643,414	600,858	+23,832
Jihe West	631,229	343,677	+30,370
Wuhuang	366,800	329,296	+23,123
Nanguang	351,069	174,452	+21,773
Yanba	191,772	179,869	+11,904
Yanpai	188,146	113,943	+13,694
Meiguan	122,760	619,581	+8,818
<b>Sub-total</b>	<b>3,947,375</b>	<b>3,679,988</b>	<b>+267,387</b> <sup>Note</sup>
Yichang	228,371	-	+228,371
Changsha Ring Road	108,892	-	+108,893
<b>Total</b>	<b>4,284,638</b>	<b>3,679,988</b>	<b>+604,650</b>

- The Company recognized a compensation of RMB730,670,000 for toll revenue of the Three Projects during the Reporting Period.

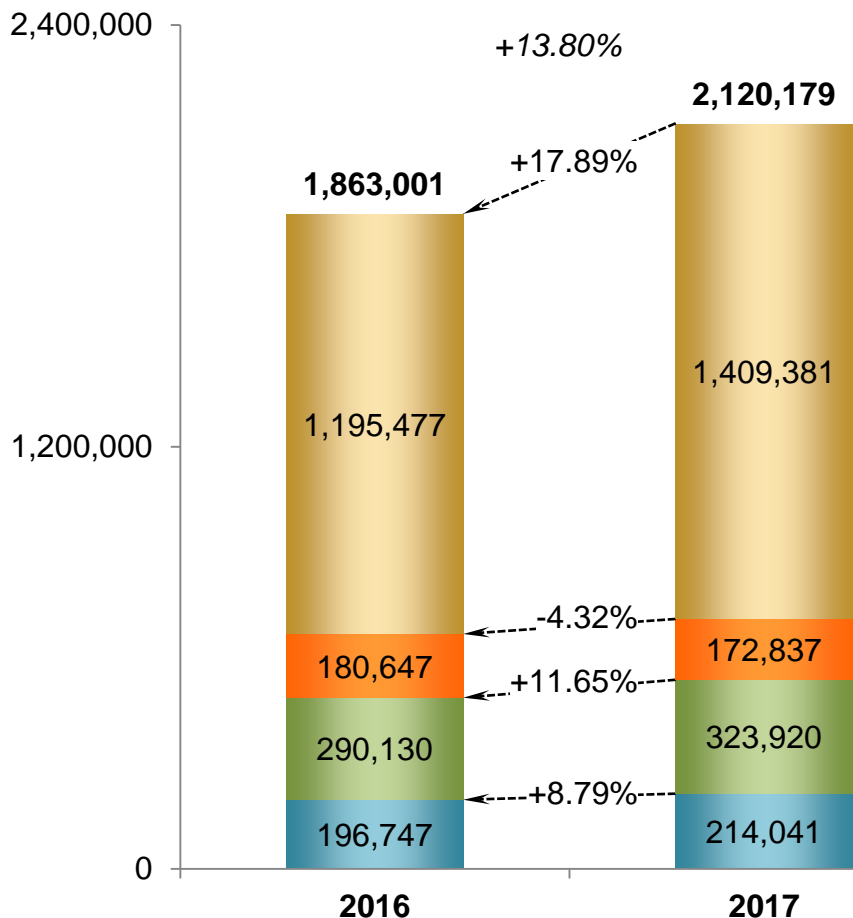
Note: The toll revenue of the existing ancillary toll highways recorded a YOY increase of 7.27%, mainly due to the organic growth of traffic volume, the improvement of neighboring road networks and the induced growth of traffic volume after the implementation of the toll-free policy for the Three Projects.

# Financial Analysis

## - Operating Costs

### Cost Breakdown of Toll Highway Business

(RMB '000)



#### Depreciation and amortization

↑ The adjustment of unit amortization amount of the concession intangible assets of Wuhuang Expressway on 1 October 2016; the increase in traffic volume of each of the ancillary toll highways; the consolidation of Shenchang Company and Yichang Company into the Group's financial statements.

#### Road maintenance expenses

↓ The special maintenance expenses of Jihe East, Yanpai Expressway and Wuhuang Expressway incurred in the corresponding period of last year. The expense during this period represented a YOY decrease.

#### Employee expenses

↑ The salary rise of toll collection staff; the consolidation of Shenchang Company and Yichang Company into the Group's financial statements.

#### Other business costs

	Cost of Services		Operating Profit	
	2017 (RMB '000)	Change in Amount (RMB '000)	2017 (RMB '000)	Change in Amount (RMB '000)
<b>Toll highway</b>				
Qinglian	425,681	+34,031	310,356	+30,439
Jihe East	299,883	+40	416,265	+69,363
Shuiguan	433,420	+15,172	209,994	+8,660
Jihe West	111,780	+763	519,448	+214,267

**Operating profit = Operating income – Operating costs**

- The growth of toll revenue and the decline of special maintenance expenses have resulted in an increase in the operating profit of most projects.
- The operating profit of Wuhuang Expressway decreased due to the increase in depreciation and amortization as a result of adjustment of the unit amortization amount.

# Financial Analysis

## - Operating Profit from Entrusted Management Service

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	Operating Income		Operating Costs		Operating Profit	
	2017 (RMB '000)	Change in Amount (RMB '000)	2017 (RMB '000)	Change in Amount (RMB '000)	2017 (RMB '000)	Change in Amount (RMB '000)
<b>Entrusted management project</b>						
Outer Ring Project	32,997	-38,975	32,997	-38,356	0	-618
Renmin Road-Meiguan Expressway Joint Project	19,522	+4,592	4,439	+1,715	15,084	+2,877
Coastal Phase II	13,829	+13,829	13,598	+13,598	231	+231
Other entrusted construction management projects	5,636	+38,753	12,728	-5,617	-7,091	+44,371
Entrusted operation management projects <sup>Note</sup>	31,132	-36,500	-	-228	31,132	-36,272
<b>Total</b>	<b>103,117</b>	<b>-18,300</b>	<b>63,761</b>	<b>-28,888</b>	<b>39,356</b>	<b>+10,588</b>

Operating profit = Operating income – Operating costs

Note: Including Longda Expressway and Coastal Expressway.



# Financial Analysis

## - Investment Income

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Item	2017 (RMB '000)	2016 (RMB '000)	Change in Amount (RMB '000)
<b>Joint ventures and associates:</b>			
Yangmao	84,064	79,995	+4,069
GZ W2	49,124	34,133	+14,991
Nanjing Third Bridge	44,076	36,217	+7,859
Guangwu	38,579	45,827	-7,248
Jiangzhong	22,111	16,672	+5,439
Shuiguan Extension	8,233	4,781	+3,452
Changsha Ring Road <sup>Note1</sup>	7,080	26,307	-19,227
Bank of Guizhou	100,301	63,335	+36,966
Derun Environment	125,957	-	+125,957
Others	9,691	-1,171	+10,862
<b>Sub-total</b>	<b>489,216</b>	<b>306,096</b>	<b>+183,120</b>
Gain from valuation of the fair value of the equity interest held after consolidation of entity which is not under common control	27,504	-	+27,504
Investment income arising from the transfer of subsidiaries	-	52,828	-52,828
Gain on revaluation of the fair value of remaining equity interests after losing control	-	21,305	-21,305
Investment income recognized for available-for-sale financial assets <sup>Note 2</sup>	5,400	38,200	-32,800
Investment income recognized for foreign exchange swap financial tool	-851	-	-851
Investment income from wealth management products	7,582	15,554	-7,972
<b>Total</b>	<b>528,851</b>	<b>433,982</b>	<b>+94,869</b>

Note1: Shenchang Company, originally a joint venture of the Company, has been consolidated into the Group's financial statements since 1 April 2017. The investment income from Changsha Ring Road represents the data of the first quarter of 2017.

Note2: It represents the dividend distributed by United Electronic Company for the year of 2016, while the investment income for the corresponding period of last year represents the dividend distributed by Bank of Guizhou for the year of 2015, which was unaudited and calculated by using the equity method.

# Financial Analysis

## - Financial Expenses

	2017 (RMB '000)	2016 (RMB '000)	Change in Amount (RMB '000)
<b>Item</b>			
<b>Interest expenses</b>	727,251	631,890	+95,361
Less: <b>Interest capitalized</b>	- 20,377	- 3,287	-17,090
<b>Interest income</b>	44,591	78,826	+34,235
Add: <b>Exchange loss and others</b>	+ (111,655)	+ 89,666	-201,321
<b>Total financial expenses</b>	<b>550,628</b>	<b>639,443</b>	<b>-88,815</b>
	<b>2017</b>	<b>2016</b>	<b>Change in Amount</b>
<b>Composite borrowing costs</b> - nominal costs (%)	4.68%	4.97%	-0.29p.pt
<b>Average borrowing scale</b> (RMB 'billion)	15.2	12.9	+2.3

- Interest expenses increased correspondingly with the increase in the average borrowing scale of the group; interest income decreased correspondingly with the decrease in the cash scale; exchange gains from USD debentures basically hedged against the fair value gains.

# Financial Analysis

## - Assets and Liabilities Highlights

	31 December 2017 (RMB 'million)	31 December 2016 (RMB 'million)	Change in Amount (RMB 'million)
<b>Total equity attributable to owners of the Company</b>	<b>13,618</b>	12,674	+944
<b>Net assets per share (RMB)</b>	<b>6.24</b>	5.81	+0.43
<b>Total assets</b>	<b>37,474</b>	32,385	+5,089 <sup>Note1</sup>
<i>of which: Cash and cash equivalents</i>	<i>1,687</i>	<i>4,244</i>	<i>-2,557</i>
<b>Total liabilities</b>	<b>21,699</b>	17,673	+4,026
<i>of which: Total outstanding interest-bearing liabilities</i>	<i>17,072</i>	<i>12,941</i>	<i>+4,130</i> <sup>Note2</sup>

Note1: Total assets recorded a YOY increase of 15.71%, mainly due to the acquisition of the equity interests in Derun Environment, Yichang Company and Coastal Company during the Reporting Period.

Note2: Total outstanding interest-bearing liabilities recorded a YOY increase of 31.92%, mainly due to an increase in the total borrowings of the Group during the Reporting Period as the results of the consolidation of Yichang Company into the Group's financial statement and the needs of acquisition of equity interests and construction of Outer Ring Project of the Group.

# Financial Analysis

## - Debt Ratio and Repayment

	31 December 2017	31 December 2016
<b>Debt-to-asset ratio</b> (Total liabilities / Total assets)	57.91%	54.57%
<b>Net borrowings-to-equity ratio</b> ((Total borrowings - cash and cash equivalents) / Total equity)	97.53%	59.12%
	2017	2016
<b>Interest covered multiple</b> ((Profit before tax + interest expenses) / interest expenses)	3.60	3.56
<b>EBITDA interest multiple</b> (Earnings before interests, tax, depreciation and amortization / interest expenses)	5.57	5.52

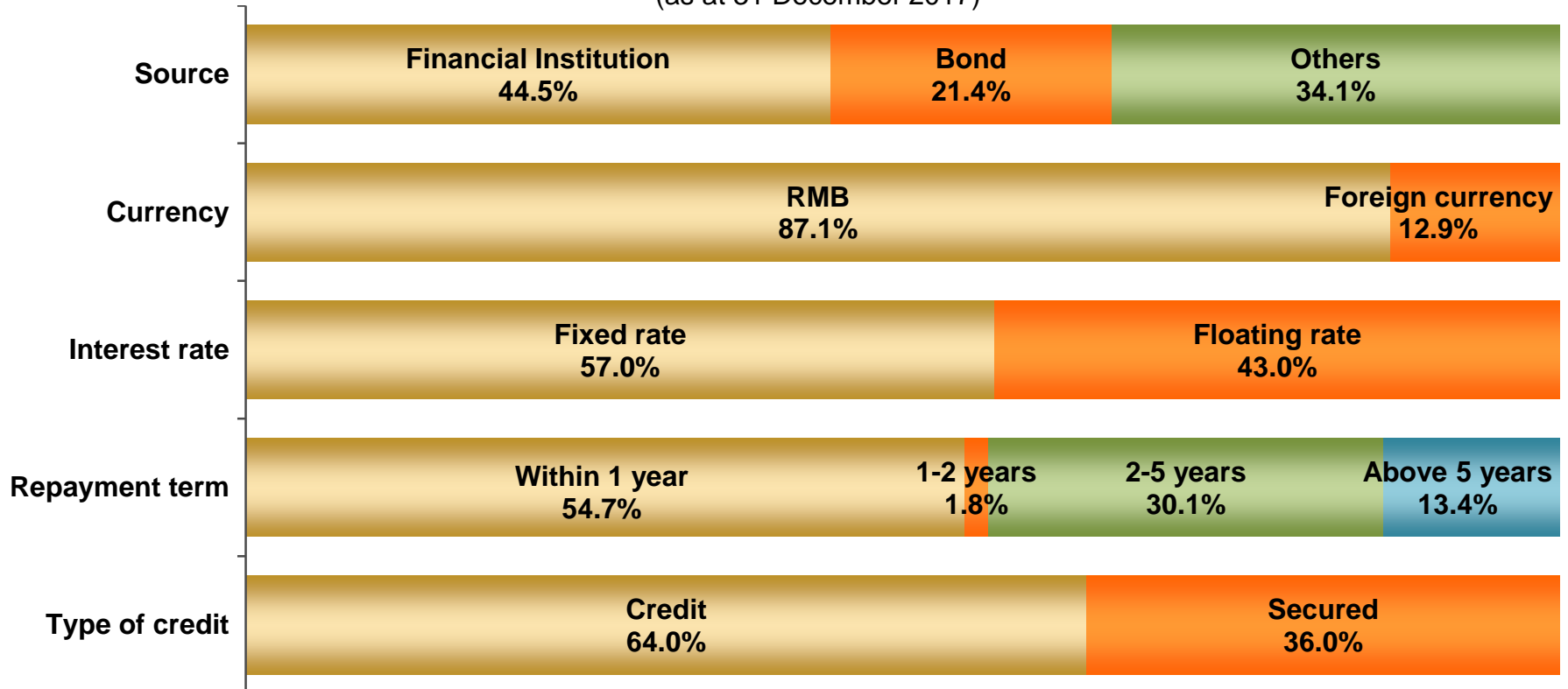
- Due to the combined effect of increase in the size of borrowings scale, vast amount of cash investments and distribution of profit, the debt-to-asset ratio and the net borrowings-to-equity ratio of the Group increased to a certain extent respectively as compared with that at the beginning of the year.
- The Group's businesses demonstrated steady development, recording an increase in revenue while further enhancing the effectiveness of cost management and steadily improving the debt repayment capability.

# Financial Analysis

## - Borrowing Structure

### Borrowing Structure

(as at 31 December 2017)



- During the Reporting Period, the Company continued to maintain the highest rating of AAA in credit rating for borrowing enterprises in China; as to international body rating, the Company obtained Moody's Baa2, Standard & Poor's BBB and Fitch BBB. As for credit ratings of debt, corporate bonds and medium-term notes remained at the highest credit rating of AAA.

# Financial Analysis

## - Capital Expenditure 1

- In 2017, the total capital expenditure of the Group amounted to RMB8,183 million, of which, equity investments amounted to RMB7,222 million and non-equity investments amounted to RMB961 million.
- The Group's total capital expenditure will be expected to be approximately RMB5.9 billion from 2018 to 2020, which mainly comprised investment in Outer Ring Project, construction settlements of projects such as reconstruction and expansion of Meiguan Expressway, and investment in road properties and mechanical and electrical equipment of the highway sections operated by subsidiaries.
- During the Reporting Period, the Group's net cash inflows from operating activities and cash return on investments totaled RMB3.03 billion (2016: RMB2.41 billion).
- As at the end of the Reporting Period, unutilized banking facilities amounted to RMB13.52 billion.

# Financial Analysis

## Capital Expenditure

30

(RMB 'million)	Actual Expenditure	Capital Expenditure Plan			
	2017	2018	2019	2020	Total
<b>Non-equity investments</b>	<b>961</b>	<b>1,686.2</b>	<b>2,410.8</b>	<b>1,799.5</b>	<b>5,896.5</b>
<i>Outer Ring Project</i>	<b>877</b>	1,283.6	2,051.6	1,396.7	<b>4,731.9</b>
<i>Reconstruction and expansion of Meiguan Expressway</i>	<b>16</b>	37.4	1.2	-	<b>38.6</b>
<i>Qinglian Project</i>	<b>10</b>	28.5	1.0	0.5	<b>30.0</b>
<i>Nanguang Expressway</i>	<b>1</b>	11.1	56.9	2.3	<b>70.3</b>
<i>Coastal Phase II</i>	<b>-</b>	17.4	300.0	400.0	<b>717.4</b>
<i>Other investment (Investment in mechanical and electrical equipment, etc.)</i>	<b>57</b>	308.3	-	-	<b>308.3</b>
<b>Equity investments</b>	<b>7,222</b>	-	-	-	-
<i>Derun Environment</i>	<b>4,416</b> <small>Note</small>	-	-	-	-
<i>Coastal Project</i>	<b>1,472</b>	-	-	-	-
<i>Yichang Company</i>	<b>1,270</b>	-	-	-	-
<i>Water Planning Company</i>	<b>63</b> <small>Note</small>	-	-	-	-
<b>Total</b>	<b>8,183</b>	<b>1,686.2</b>	<b>2,410.8</b>	<b>1,799.5</b>	<b>5,896.5</b>

Note: After deducting transaction costs, the investment amounts of Derun Environment and Water Planning Company during the Reporting Period were RMB4,408,645,000 and RMB61,890,000, respectively.

# Outlook and Plans

**Business Review**

**Financial Analysis**

**Appendix**



# Operating Environment & Conditions in 2018 -1

- Chinese economy has shifted from the phase of rapid growing to high-quality development and will further deepen the transformation and upgrade.
- The policy environment tends to be stable. The policy guidance, criticism, public demand and reform of the toll highway industry will affect one another, and continuous revision and improvement of relevant policy will be helpful to the long-term and healthy development of the industry.
- With the advance of urbanization and rising living standard of people, the demand for infrastructure, including urban transport infrastructure and environmental protection infrastructure, by the society will continue to grow.
- In view of the general requirement to prevent financial risks and “deleverage”, it is expected that the government will continue to adopt a stable or moderately tightening monetary policy, resulting in control over total money supply on one hand and rising borrowing cost on the other hand.
- The changes of regional road networks will result in certain positive or negative impacts on the Group’s toll highway projects.
- Shenzhen Transport Commission shall be entitled to early reclaim the toll collection rights for the Three Projects, namely Nanguang Expressway, Yanpai Expressway and Yanba Expressway, in 2018 at its option.

# Operating Environment & Conditions in 2018 -2

- 2018 is a “critical year of State-Owned Enterprise (“SOE”) Reform” for Shenzhen and Shenzhen will further strengthen and expand the industry group, speed up the implementation of the “1+N” plan for the consolidation and reorganization of state-owned assets, and promote the launch and implementation of the integration plans such as the financial holding platform, “one district and multiple parks”, ground transportation, factor transactions and environmental water services. It will also increase capital operations and implement the "listed company +" strategy.
- The Guangdong-Hong Kong-Macao Bay Area, consisting of nine cities including Shenzhen and two special administrative regions including Hong Kong and Macau, is the fourth bay area after the New York Bay Area in the USA, the San Francisco Bay Area in the USA and the Tokyo Bay Area in Japan. Its primary task is to overcome the shortcomings of the transportation infrastructure and promote connectivity of the three places. This will bring trillion-scale infrastructure investment. As the construction of infrastructure in the Bay Area is accelerating, it will surely facilitate the development of environmental protection industry as well as the integration opportunities of the industry.
- Shenzhen-Shanwei Special Cooperation Zone is located in the Pearl River Delta economic circle and the Western Taiwan Straits economic circle. It enjoys a unique location advantage and favorable development condition and has huge potential for resources development. After three years of exploration and practice, the development and construction have been accelerated with a total investment proposal of RMB460 billion.

People's Government of Shenzhen Municipality had formulated the Shenzhen's Overall Development Plan (2016-2035) (Preliminary Results) and clarified that the Shenzhen-Shanwei Special Cooperation Zone will build "two axes, one zone" and form an overall spatial layout of "one center, four groups", with a focus on achieving the goal of building as an economic functional zone in Shenzhen, promoting the development of industrial agglomeration, planning and constructing a transportation infrastructure system with high standards, and commencing the work in relation to site selection and construction of the ecological science and technology industrial park (environmental park) in Shenzhen-Shanwei Special Cooperation Zone.

# Operation and Development Plan

- **Development of core business:** As a strategic positioning of “Construction and Operation Service Provider of Urban and Transport Infrastructure”, actively promote the development of the existing core business of toll highway by further expanding the development in the four areas of investment, construction, operation and maintenance, foster the capital advantages and management abilities to drive the growth of its core business, and proactively expand the further environmental protection industry that mainly focus on water environment remediation and solid waste treatment, so as to achieve the target of stabilizing the Company’s performance growth in the near term and rendering new growth momentum in the long run.
- **Investment and financing management:** Actively explore new investment modes. Aiming to reduce the consolidated capital cost and maintain a reasonable capital structure, strengthen the use of financial instruments in the capital market and consolidate the internal planning and management of funds so as to fully demonstrate the Company’s advantages in investment and financing and enhance the overall competitiveness for business development of the Company.
- **Organization strength and human resources:** Commit to building an organization structure which can enhance the efficiency and conform to the new development strategies. Devote to creating a human resources management system which can enhance the staff motivation and is in line with the best interest of the Company as a whole. Actively research and push forward the establishment and implementation of mechanisms such as employee stock ownership plan and share incentives to achieve jointly growth of the enterprise, staff and shareholders’ values.

### Operating Targets

- A total revenue target for 2018 of not less than RMB5.7 billion, with the total of operating costs, management expenses and selling expenses (excluding depreciation and amortization) of approximately RMB1.7 billion.
- It is expected that the average borrowing scale (including the compensation received in advance from Shenzhen government regarding the toll adjustment of the Three Projects) and the financial cost of the Group will be increase on a YOY basis.

### Toll Highway Business

- Further enhance users experience by introducing innovative intelligent transportation.
- Establish Outer Ring Expressway, reconstruction and expansion of Jihe Expressway and other key projects as exemplar and paragon of the Company in the area of highway construction, management and maintenance.
- Proactively explore opportunities for mergers and restructuring, invest in potential toll road and bridge projects and continue to upgrade the core business of toll highway.

### Environmental Protection Business

- Step up the efforts in innovating the mechanism and system for the core business of environmental protection, at the same time enhancing the communication and cooperation with Water Planning Company, Derun Environment and their shareholders in a view to commencing in-depth cooperation for new projects.
- Follow up on environmental protection projects that have achieved preliminary progress and conduct in-depth study on new projects and proactively seek opportunities for mergers and acquisitions in sub-sectors.

### Business Expansion

- Proactively push ahead with the existing projects in Shenzhen-Shanwei Special Cooperation Zone and Longli County, Guizhou and further explore and look for new projects to promote the vertical and horizontal

# Appendix

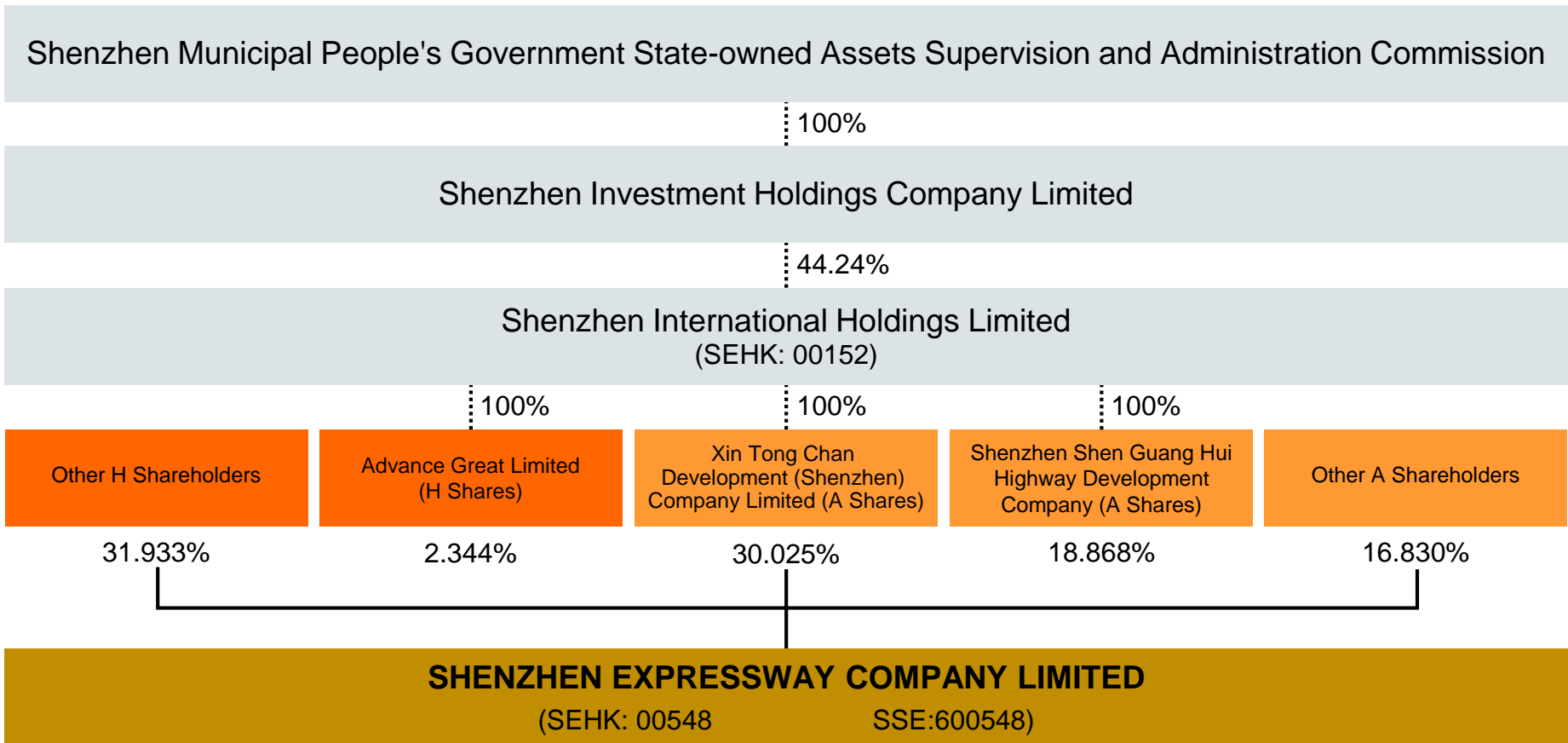
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**Business Review**

**Financial Analysis**

**Outlook and Plans**

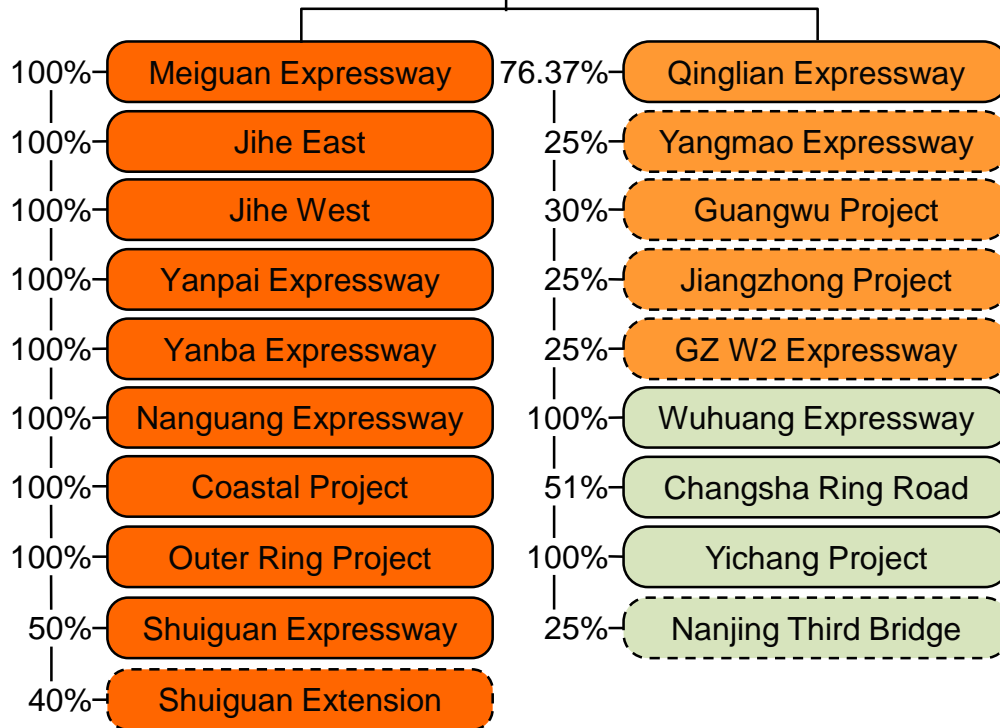
# Shareholding Structure



The total share capital of the Company

## Shenzhen Expressway Company Limited

### Toll Highway Business



### Entrusted Management and Other Infrastructure Development

### Project Development and Management

### Environmental Business

### Other Businesses

- Advertising
- Engineering Consulting
- Inter-network Toll Collection
- Financial Business

Icon: Shenzhen region in Guangdong Province Other regions in Guangdong Province Other provinces in the PRC

Consolidated project  
Non consolidated project

Toll Highway	Interest Held by the Company	Location	Toll Mileage (km)	No. of Lanes	Status	Maturity
Meiguan Expressway	100%	Shenzhen	5.4	8	Under operation	2027.03
Jihe East	100%	Shenzhen	23.7	6	Under operation	2027.03
Jihe West	100%	Shenzhen	21.8	6	Under operation	2027.03
Yanba Expressway <sup>Note</sup>	100%	Shenzhen	29.1	6	Under operation	Section A: 2026.04 Section B: 2028.07 Section C: 2035.03
Shuiguan Expressway	50%	Shenzhen	20.0	10	Under operation	2027.02
Shuiguan Extension	40%	Shenzhen	6.3	6	Under operation	2027.02
Yanpai Expressway <sup>Note</sup>	100%	Shenzhen	15.6	6	Under operation	2027.03
Nanguang Expressway <sup>Note</sup>	100%	Shenzhen	31.0	6	Under operation	2033.01
Coastal Project	100%	Shenzhen	36.6	8	Phase I: Under operation Phase II: Under construction	2038.12
Outer Ring Project	100%	Shenzhen	60.0	6	Under construction	-
Yangmao Expressway	25%	Guangdong	79.8	4	Under operation	2027.07
Guangwu Project	30%	Guangdong	37.9	4	Under operation	2027.11
Jiangzhong Project	25%	Guangdong	39.6	4	Under operation	2027.08
GZ W2 Expressway	25%	Guangdong	40.2	6	Under operation	2030.12
Qinglian Expressway	76.37%	Guangdong	216.0	4	Under operation	2034.07
Wuhuang Expressway	100%	Hubei	70.3	4	Under operation	2022.09
Yichang Expressway	100%	Hunan	73.1	4	Under operation	2033.12
Changsha Ring Road	51%	Hunan	34.7	4	Under operation	2029.10
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Under operation	2030.10

Note: Pursuant to the agreement between the Company and Transport Commission, the toll of the Three Projects has been adjusted since 7 February 2016. During the first phrase up to 31 December 2018, the Company will retain its fee entitlement right and be responsible for the maintenance and repair of the Three Projects, and will implement toll-free for the Three e]TJ 0r th 0674 Tw 1.667 0 Td [(T)15(hr)3.7(ee)]TJ 0



# Average Daily Mixed Traffic Volume

<i>(Number of vehicles)</i>	2013	2014	2015	2016	2017
<b>Shenzhen region in Guangdong Province</b>					
<b>Meiguan Expressway</b> <sup>Note1</sup>	129,769	84,622	74,956	83,211	92,078
<b>Jihe East</b>	149,896	189,586	219,169	249,608	270,742
<b>Jihe West</b>	123,343	149,921	175,533	202,458	215,315
<b>Shuiguan Expressway</b>	155,477	168,728	191,354	227,055	229,537
<b>Shuiguan Extension</b>	39,119	61,655	75,377	97,710	105,094
<b>Other regions in Guangdong Province</b>					
<b>Qinglian Expressway</b>	28,344	33,026	33,290	36,753	41,190
<b>Yangmao Expressway</b>	31,481	34,935	40,485	45,828	50,142
<b>Guangwu Project</b>	27,177	31,935	34,792	40,086	35,479
<b>Jiangzhong Project</b>	89,467	101,183	107,246	120,351	142,278
<b>GZ W2 Expressway</b>	42,175	46,205	50,007	58,638	71,316
<b>Other provinces in the PRC</b>					
<b>Wuhuang Expressway</b>	39,127	38,891	40,617	43,908	50,736
<b>Changsha Ring Road</b>	14,015	16,188	19,798	26,279	32,206
<b>Nanjing Third Bridge</b>	29,312	27,665	26,777	27,299	32,619
<b>Yichang Expressway</b> <sup>Note2</sup>	-	-	-	-	47,941

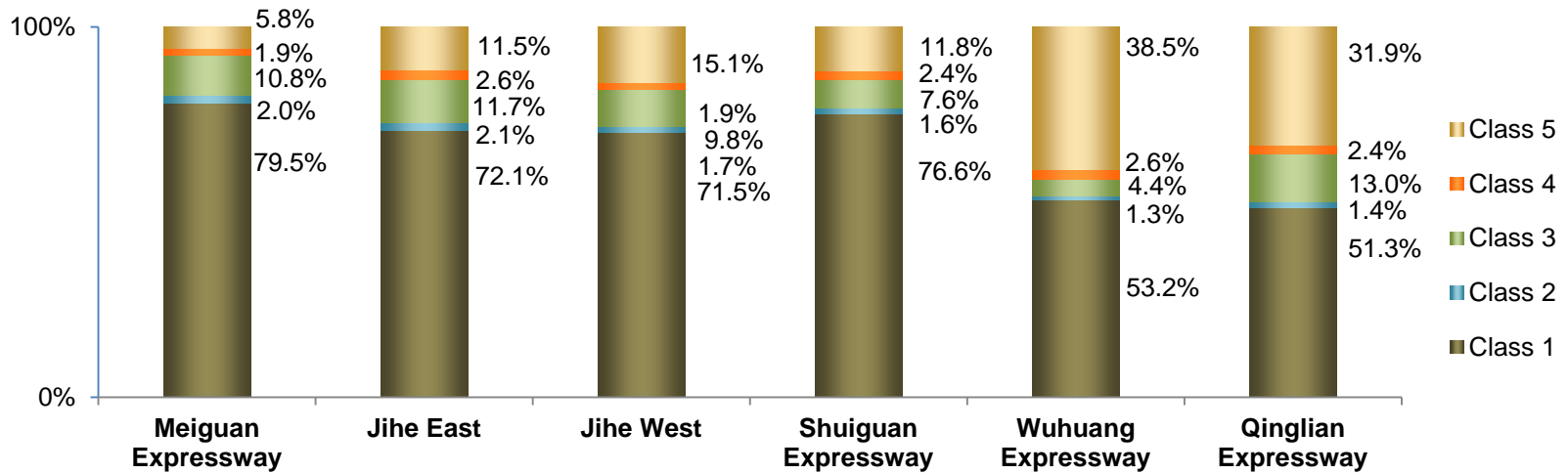
Note1: Toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km was implemented on 1 April 2014, and the toll for section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km remained.

Note2: As the Company completed the acquisition of 100% equity interest in Yichang Company in June 2017, Yichang Company has been consolidated into the consolidated financial statements of the Group since 15 June 2017.

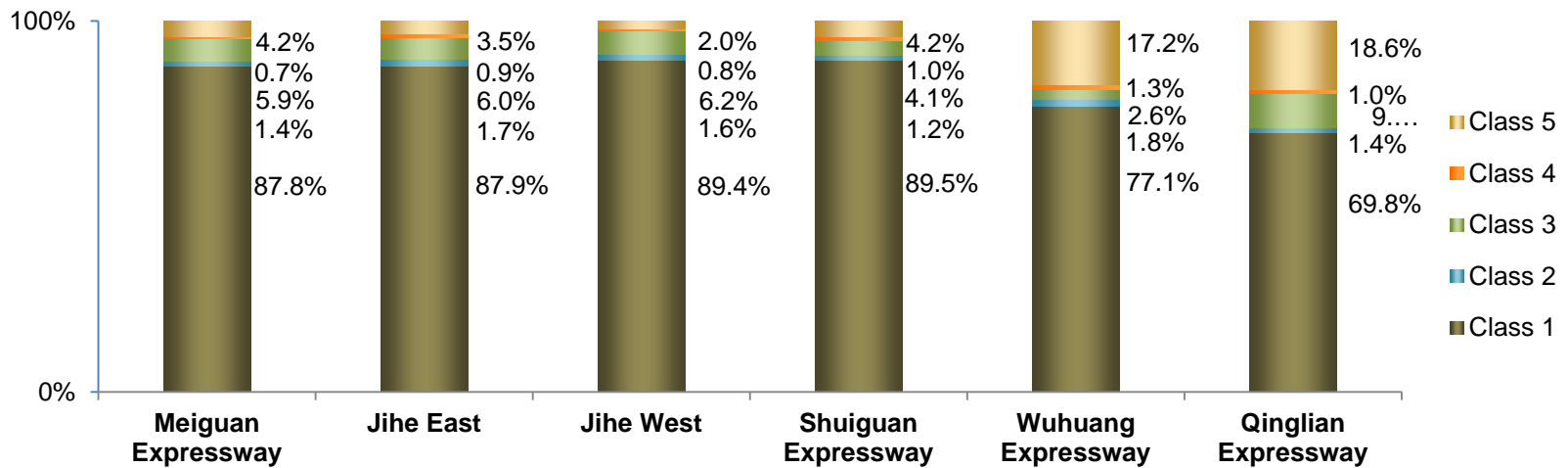
(RMB '000)	2013	2014	2015	2016	2017
<b>Shenzhen region in Guangdong Province</b>					
Meiguan Expressway <sup>Note1</sup>	803.1	413.6	282.9	311.3	336.3
Jihe East	1,328.8	1,614.6	1,745.1	1,767.1	1962.0
Jihe West	1,048.2	1,267.6	1,491.0	1,641.7	1729.4
Shuiguan Expressway	1,297.7	1,385.6	1,537.3	1,692.8	1762.8
Shuiguan Extension	176.1	230.8	253.7	299.5	314.3
<b>Other regions in Guangdong Province</b>					
Qinglian Expressway	1,948.1	2,136.3	1,745.7	1,834.9	2016.5
Yangmao Expressway	1,469.2	1,551.8	1,694.7	1,800.3	1819.5
Guangwu Project	718.5	802.0	893.9	1,024.8	832.1
Jiangzhong Project	924.1	1,019.2	1,066.6	1,132.6	1249.3
GZ W2 Expressway	824.8	917.2	990.3	1,073.8	1343.2
<b>Other provinces in the PRC</b>					
Wuhuang Expressway	1,040.4	891.0	908.5	939.0	1004.9
Changsha Ring Road		. 2	. 6	. 0	. 8

# Vehicle Category of Major Highways in 2017

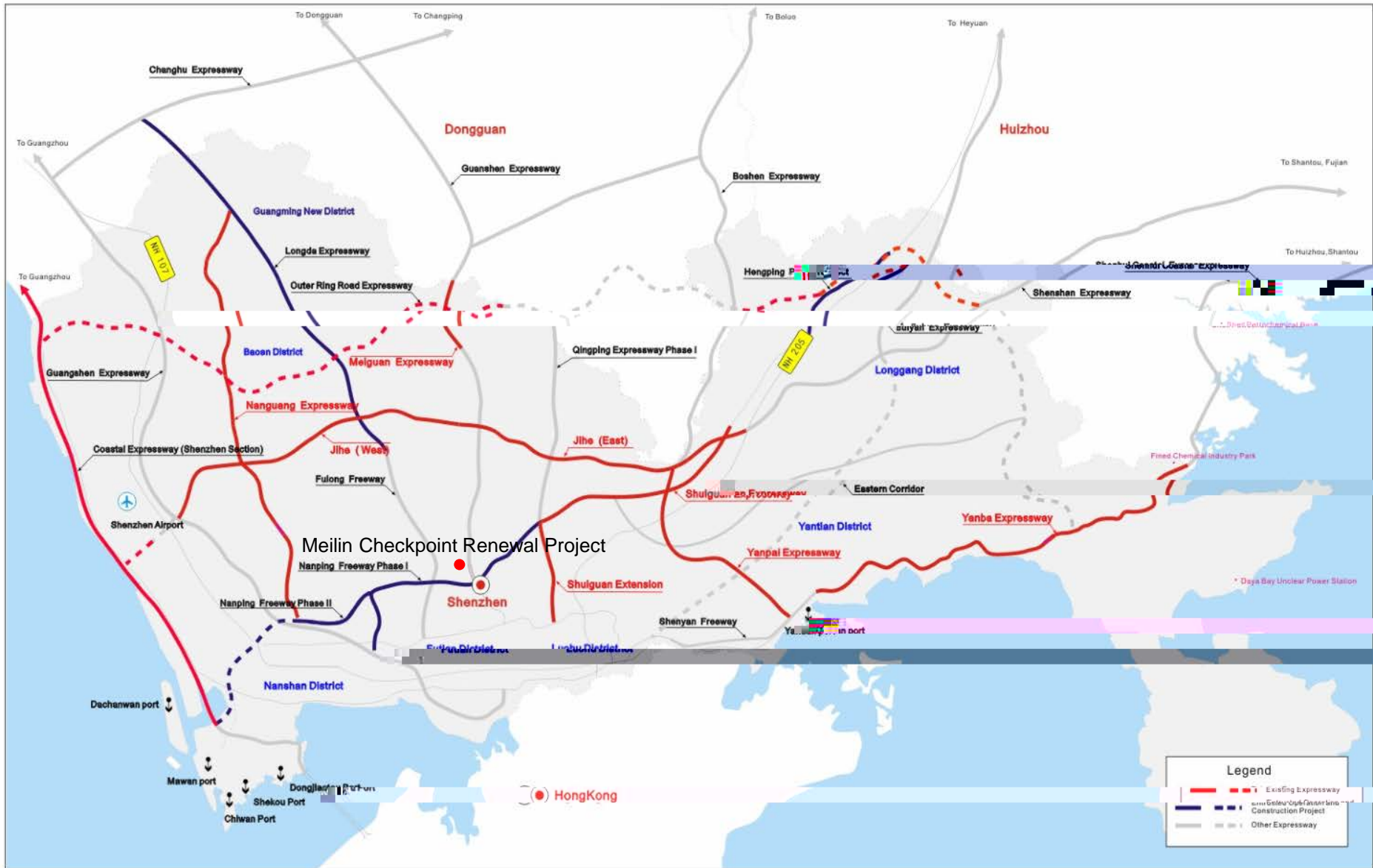
## By revenue



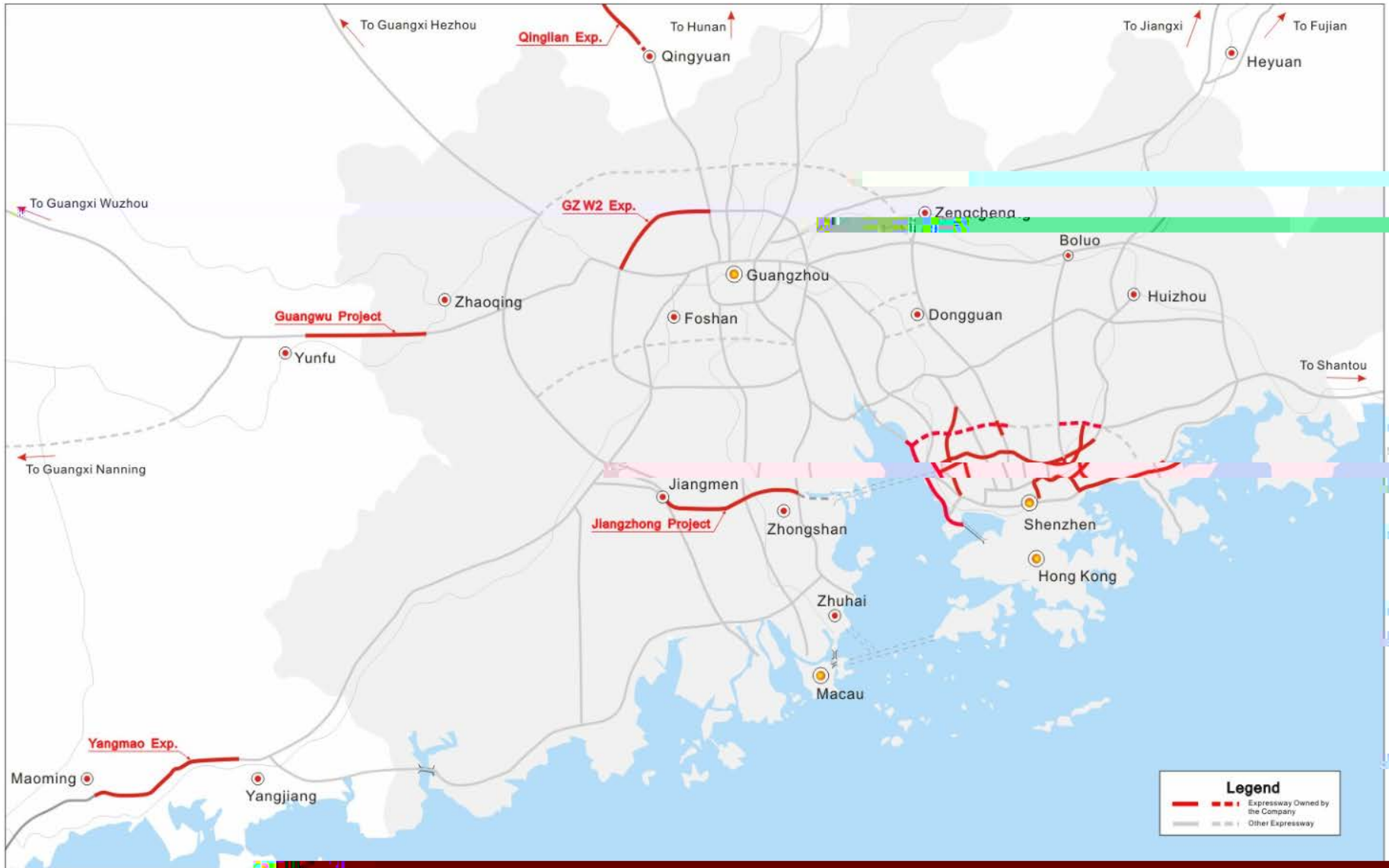
## By traffic volume

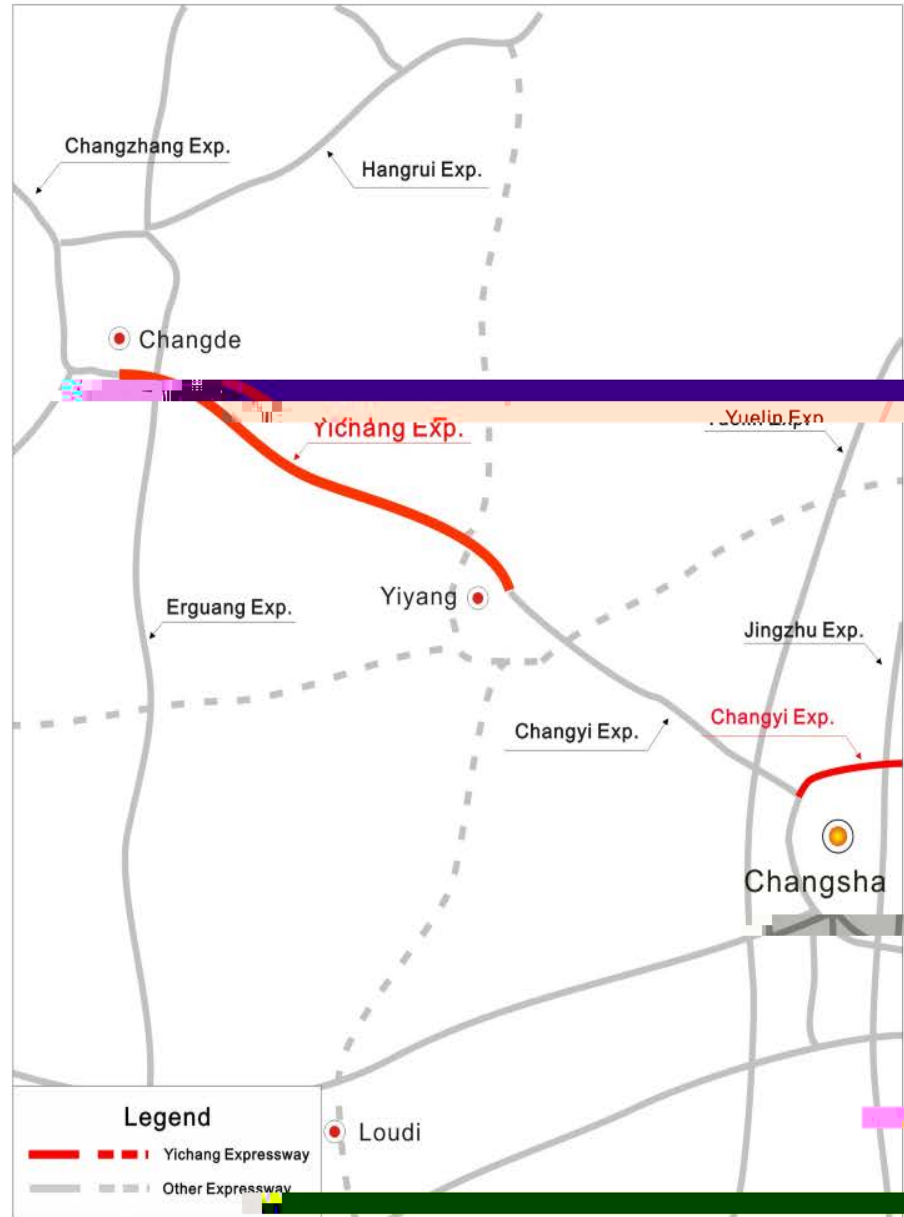


# Road Network of Shenzhen



# Road Network of Pearl River Delta







## Company Declaration

All information presented here is publicly available and for the purpose of understanding the operation and development planning of the Company. The Company might adjust the contents without pre-notice in any forms. Besides, investors should note that the data presented in this document does not constitute an invitation to trade the Company's stock and does not guarantee the performance of the stock in the future.

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