1 June 2018

- Coastal Company and Shenzhen Transportation Commission signed the “Freight Compensation Agreement for Guangshen Coastal Expressway Shenzhen Section” on 28 February 2018. Coastal Company will charge a concessionary 50% of the normal rate for trucks travelling along the Coastal Expressway Shenzhen section from 1 March 2018 until 31 December 2020, Shenzhen Transportation Commission will provide cash compensation amount of RMB300 million to Coastal Company.
- The Company signed the development financial cooperation agreement with China Development Bank on 8 March 2018. The total amount of intentional cooperative financing between the two parties on various financial products is RMB20 billion, which provides financial support and guarantee for the Company's further development of toll road business and environmental protection business.
- At the beginning of April 2018, the Company was informed officially by Shenzhen Transport Commission that both parties will carry out the preliminary works of the expressway of Shenzhen-Shanwei Special Cooperation Zone together, such as the project planning and design.
- China Securities Regulatory Commission accepted the administrative application of the Company for issuance of A Shares Convertible Corporate Bonds on 13 April 2018.
- The Company entered into the strategic cooperation framework agreement with Beijing Baidu Netcom Science & Technology Co., Ltd. (“Baidu”) On 26 April 2018. Both parties will discuss in-depth cooperation opportunities in the areas of intelligent transportation and intelligent environmental protection to jointly expand national business investment projects to achieve the goals of promoting the realization and implementation of Baidu’s “AI CITY” Strategy in transportation industry and environmental projection industry, achieving the deep intelligent application of Shenzhen Expressway’s “AI + transportation and environmental protection”.
- On 27 April 2018, Meiguan Company and United Land Company entered into a supplemental agreement, pursuant to which United Land Company agreed to further increase the compensation by providing a relocated office building property of approximately 9,120 square meters to Meiguan Company. Meiguan Company is expected to receive an asset compensation of approximately RMB456 million in the future, and the Group will, based on the present value of such future compensation, recognize a compensation income of approximately RMB330 million. The additional compensation will eventually increase the net profit attributable to shareholders of the Company by approximately RMB126 million in 2018. Taking into account factors such as confirmation and verification of future costs, the time value of money, and future development models, the additional compensation will have no negative impact on the Group's total return from the Meilin Checkpoint

First Quarterly Results of 2018
- Business Development

Meilin Checkpoint Renewal Project

- As the original owners of the land along Meiguan Expressway, the Company and the parent company, Shenzhen International, jointly participate in Meilin Checkpoint Renewal Project. Both parties have established United Land Company, in which the Company and Shenzhen International (through XTC Company, its wholly-owned subsidiary) own 49% and 51% equity interests respectively, as the implementing entity of Meilin Checkpoint Renewal Project.

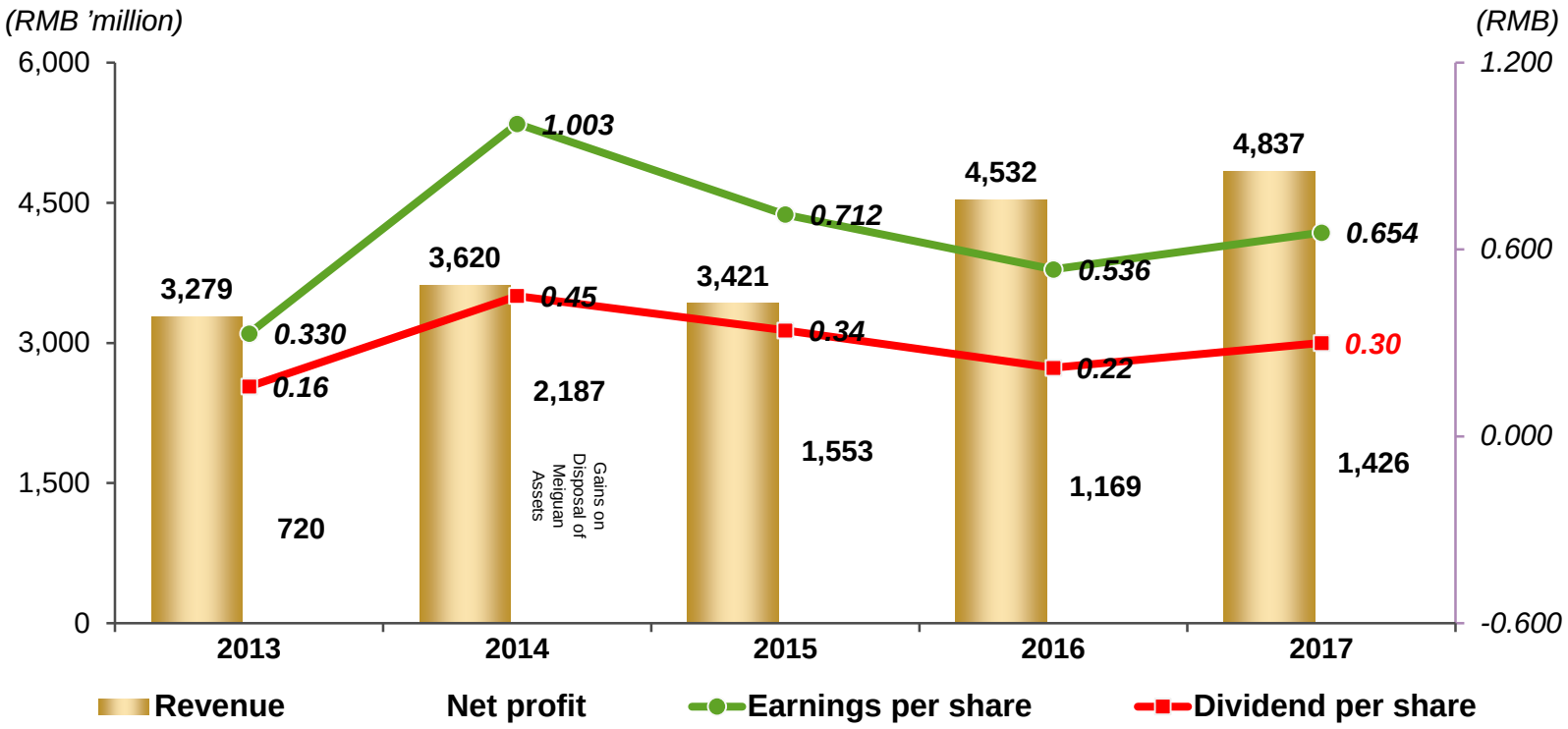
- The land area of the land parcels is approximately 96,000 square meters and the land is for residential and commercial purposes with a capacity building area of not more than 486,400 square meters (including public affiliated facilities, etc.). United Land Company has acquired the land use right of the land parcels.

- It is estimated that the land price of the project land parcel would be about RMB13000.00 per square meter, including the land premium, 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 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. 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 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 construction of A area (Phase I) of Meilin Checkpoint Renewal Project has been fully commenced.

Financial Highlights

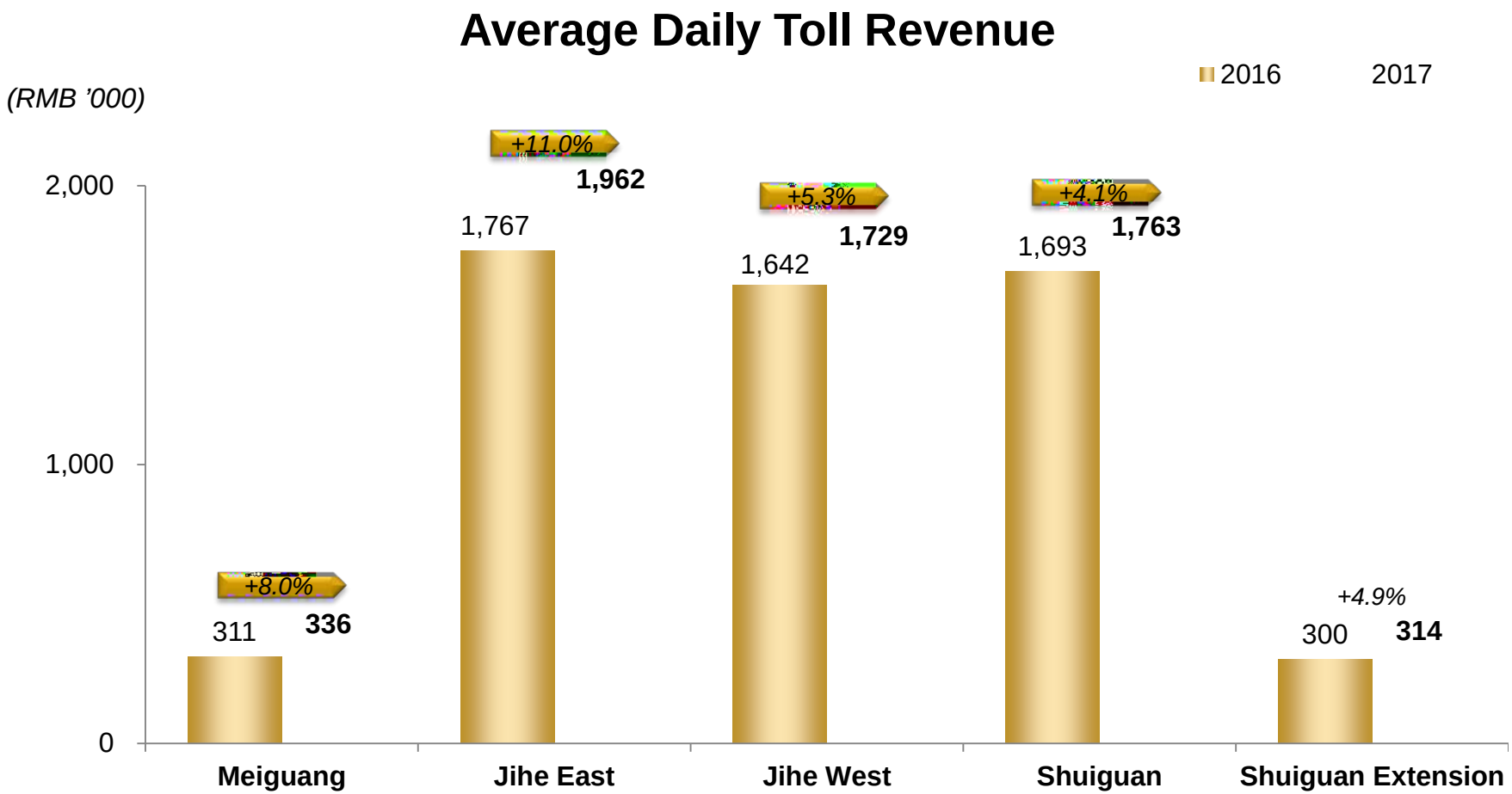


- The financial statements of the Company were prepared in accordance with China Accounting Standards for Business Enterprise (CASBE), and also were complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules of HKEx.

Operating Environment

- The recovery of Chinese economic growth and the sustained regional economic activity in Guangdong and Shenzhen were conducive to the

Operational Performance of Toll Highway
- Shenzhen Region



- 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.

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.

Business Development
- Toll Highways 2

Yichang Expressway

- Yiyang to Changde, a two-

Business Development
- Toll Highways 3

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 of airport interchange of Coastal Expressway (Shenzhen Section) and facilities referred to as Coastal Phase II with a total length of approximately 5.7 km. The construction of Coastal Phase II commenced in December 2015 and is scheduled to be opened to traffic by end of 2019.

- On 11 December 2017, the Company entered into the Acquisition Agreement with SIHCL and Coastal Company to acquire 100% equity interest in Coastal Company at a consideration of RMB1,472 million. Coastal Company has been consolidated into the combined financial statements of the Group since February 2018.

- It enjoys an excellent geographical location and an economically viable neighborhood region. With the steady development of the regional economy along Coastal Project and the constant improvement of its surrounding road networks, the operational performance of Coastal Project will enter a period of rapid growth. The acquisition of 100% interest in Coastal Company by the Company at a reasonable price is in line with the development strategy and in the interests of the Company as a whole as it will help to enhance the allocation efficiency of the Company's highway assets, stabilize the business scale of its core business of toll highway, thereby laying a foundation for the profit growth of the core business of the Company in the future.

Business Development
- Environmental Protection Business 2

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.

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 at the end of the Reporting Period, the establishment of the project has been approved. The relevant preliminary works of submission for approval have been pushed forward in good order. The construction of all river sections equipped with operation platform has been basically completed.

Others

- A project company was established by Environmental Company through equity investment to commence relevant preliminary work of the waste incineration power generation project in Longli County.
- In order to explore business opportunities regarding urban infrastructure construction in Shenzhen-Shanwei Special Cooperation Zone and enhance efficiency in decision making, the Company established Shenzhen Expressway (Shenzhen-Shanwei Special Cooperation Zone) Infrastructure Environmental Protection Development Company Limited, a wholly-owned subsidiary, which will serve as a cooperation and connecting platform and internal resource integration platform for the Company in Shenzhen-Shanwei Special Cooperation Zone.

Business Development
- Entrusted Construction Management & Other Infrastructure

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.

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.

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

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
- Other Businesses 1

Proposed Issuance of A Share Convertible Bonds

- **On 28 December 2017, the relevant resolutions of the A Share Convertible Bonds were approved by the Shareholders at the Extraordinary General Meeting and the class meetings of holders of A shares and H shares.**
- **Method of Issuance and Target Investors:** Public offering target investors would be A-share market investors.
- **Issue Size and Term of Bond:** The total amount will be not more than RMB2.2 billion (inclusive of RMB2.2 billion), the term will be six years from the date of issuance.
- **Use of Proceeds:** It will be applied in the construction project of Shenzhen section of Shenzhen Outer Ring Expressway.
- **The Conversion Price and Period:** The initial conversion price shall not be lower than the higher of the average trading prices of A Shares of the Company for the 20 trading days preceding the publication date of the offering document and the average trading price of A Shares of the Company on the trading day preceding the publication date of the offering document, which will be determined to a higher price principle. The conversion period will commence on the first trading day immediately following the expiry of the six-month period after the date of issuance, the conversion is generally gradual and the dilution effect of the existing shareholders' returns is insignificant.
- **Reasons and Benefits of Issuance:**
  - Enhancing the capital strength of the Company and subsequent development capacity as well as provide financial support for the implementation of the strategy.
  - Broadening the Company's equity financing channels, enabling the Company an opportunity to optimize capital structure, maintaining financial flexibility and facilitating a healthy development in the future.
  - A-Share convertible bonds are not restricted by the new regulations on refinancing, and there is a certain conversion period, the dilution effect of the existing shareholders' returns is insignificant.
  - The cost of convertible bonds on financing is much lower than bank loans and ordinary corporate bonds.

Business Development
- Other Businesses 2

Proposed Issuance of A Share Convertible Bonds

- **The Dilution Effect and the Strategy**
  - **The Dilution Effect:** Both Static Indicators and Actual Business Situations can be separately considered.
    Static Indicators: Assume that with the exclusion of tendering investment projects, the net profit of the Company in subsequent year is flat with 2016, and this does not consider other new liabilities and shares. If the progress made by convertible bonds complies with the market average (i.e. for the 1st year, cumulative conversion rated at approximately 34%, for the 2nd year, cumulative conversion rated at approximately 60% and for the 3rd year, cumulative conversion rated at approximately 75%...), the dilution influence of the convertible bonds on the Company's basic earnings per share is RMB0.01/ share, with dilution influence less than 2%. Assume the case of one-time conversion after issuing, the dilution effect on basic earnings per share to the Company will be within the range of RMB0.01/share to RMB0.3/share, affecting about 2% - 5% overall. This means that the dilution effect will have an initial high and subsequent low tendency. Mainly due to that the years from 2017 to 2019 are the construction period of the Outer Ring Project, the benefit of the tendered investment project has not yet been reflected, and the capitalization of loan/bond interest and benefit from interest reduction have not been reflected in profits. Overall, dilution effect is insignificant.
    Actual Business Situations: the Company is confident that the performance will maintain good development momentum, eagerly promote the growth of other businesses, to compensate for the dilution effect of the convertible bonds in the next few years.
    With reference to the current market value of Company's A-Share, as all convertible bonds are issued and converted, the existing shareholders' interests within the Company are expected to gain about RMB0.24/share. For the H-share shareholders, their interest within the Company is expected to increase by about RMB0.51/share as there exists a market price deviation between A-shares and H-shares, assuming the current price of H-share to be used as cost of ownership.
  - **The Strategy:**
    (a) The Company plans to allocate a dividend payout ratio not less than 45% of the distributable profits realized in the current year in the next three years (from 2017 to 2019) (41% for 2016).
    (b) The selected tendered investment project with high profitability and its completion will offset the dilution effect of the convertible bonds.
    (c) Strive to enhance growth in other businesses to boost performance.

Business Development
- Other Businesses 3

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 as the Group's channel for expanding the financing models in the transport infrastructure industry and environmental protection industry and a platform for incubating projects. As at the end of the Reporting Period, no businesses had been conducted by Guangzhou Fund in respect of its investment, merger and acquisition.

Financial Analysis
- Income Highlights

	2017	2016	Change in Amount	Change
Net profit attributable to owners of the Company *(RMB 'million)*	**1,426**	1,169	+257	+21.98%
Earnings per share (EPS) *(RMB)*	**0.654**	0.536	+0.118	+21.98%
Return on equity – weighted average (ROE) *(%)*	**10.88%**	9.35%	+1.53p.pt	
Excluding non-recurring items *Note* **:**				
Net profit attributable to owners of the Company *(RMB 'million)*	***1,469***	*1,005*	*+464*	*+46.20%*
Earnings per share *(EPS) (RMB)*	***0.674***	*0.461*	*+0.213*	*+46.20%*
Return on equity – weighted average *(ROE) (%)*	***11.19%***	*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 in [illegible] h(t)-8(r16(uh)-8(rat)-8(r-0.00

Financial Analysis
- Revenue, Cost & Expenses

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

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)*
Toll highway			
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
Sub-total	**3,947,375**	3,679,988	+267,387 Note
Yichang	**228,371**	-	+228,371
Changsha Ring Road	**108,892**	-	+108,893
Total	**4,284,638**	3,679,988	+604,650

- 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 Profit from Main Business

	Cost of Services		Operating Profit	
	2017 (RMB '000)	*Change in Amount (RMB '000)*	2017 *(RMB '000)*	*Change in Amount (RMB '000)*
Toll highway				
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**	+29,608
Wuhuang	***229,343***	*+30,017*	**137,457**	-6,895
Nanguang	***178,982***	*+9,146*	**172,086**	+12,627
Yanba	***126,786***	*+8,407*	**64,986**	+3,496
Yanpai	***79,948***	*-4,682*	**108,199**	+18,376
Meiguan	***74,233***	*+4,162*	**48,527**	+4,656
Sub-total	***1,960,056***	*+97,055*	**1,987,319**	+170,331
Yichang	***115,670***	*+115,670*	**112,701**	+112,701
Changsha Ring Road	***44,453***	*+44,453*	**64,440**	+64,440
Total	***2,120,179***	*+ 257,178*	**2,164,459**	+347,472

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

	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)*
Entrusted management project						
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 Note	***31,132***	*-36,500*	**-**	*-228*	**31,132**	-36,272
Total	***103,117***	*-18,300*	***63,761***	*-28,888*	**39,356**	+10,588

Operating profit = Operating income – Operating costs

Note: Including Longda Expressway and Coastal Expressway.

Financial Analysis
- Investment Income

Item	2017 (RMB '000)	2016 (RMB '000)	Change in Amount (RMB '000)
Joint ventures and associates:			
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 Note1	**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
Sub-total	**489,216**	306,096	+183,120
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 Note 2	**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
Total	**528,851**	433,982	+94,869

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

Item	2017 *(RMB '000)*	2016 *(RMB '000)*	Change in Amount *(RMB '000)*
Interest expenses	**727,251**	631,890	+95,361
Less: **Interest capitalized**	- **20,377**	- 3,287	-17,090
Interest income	**44,591**	78,826	+34,235
Add: **Exchange loss and others**	+ **(111,655)**	+ 89,666	-201,321
Total financial expenses	**550,628**	639,443	-88,815

	2017	2016	Change in Amount
Composite borrowing costs - nominal costs *(%)*	**4.68%**	4.97%	-0.29p.pt
Average borrowing scale*(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)*
Total equity attributable to owners of the Company	**13,618**	12,674	+944
Net assets per share *(RMB)*	**6.24**	5.81	+0.43
Total assets	**37,474**	32,385	+5,089 Note1
of which: ***Cash and cash equivalents***	***1,687***	*4,244*	*-2,557*
Total liabilities	**21,699**	17,673	+4,026
of which: ***Total outstanding interest-bearing liabilities***	***17,072***	*12,941*	*+4,130 Note2*

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.

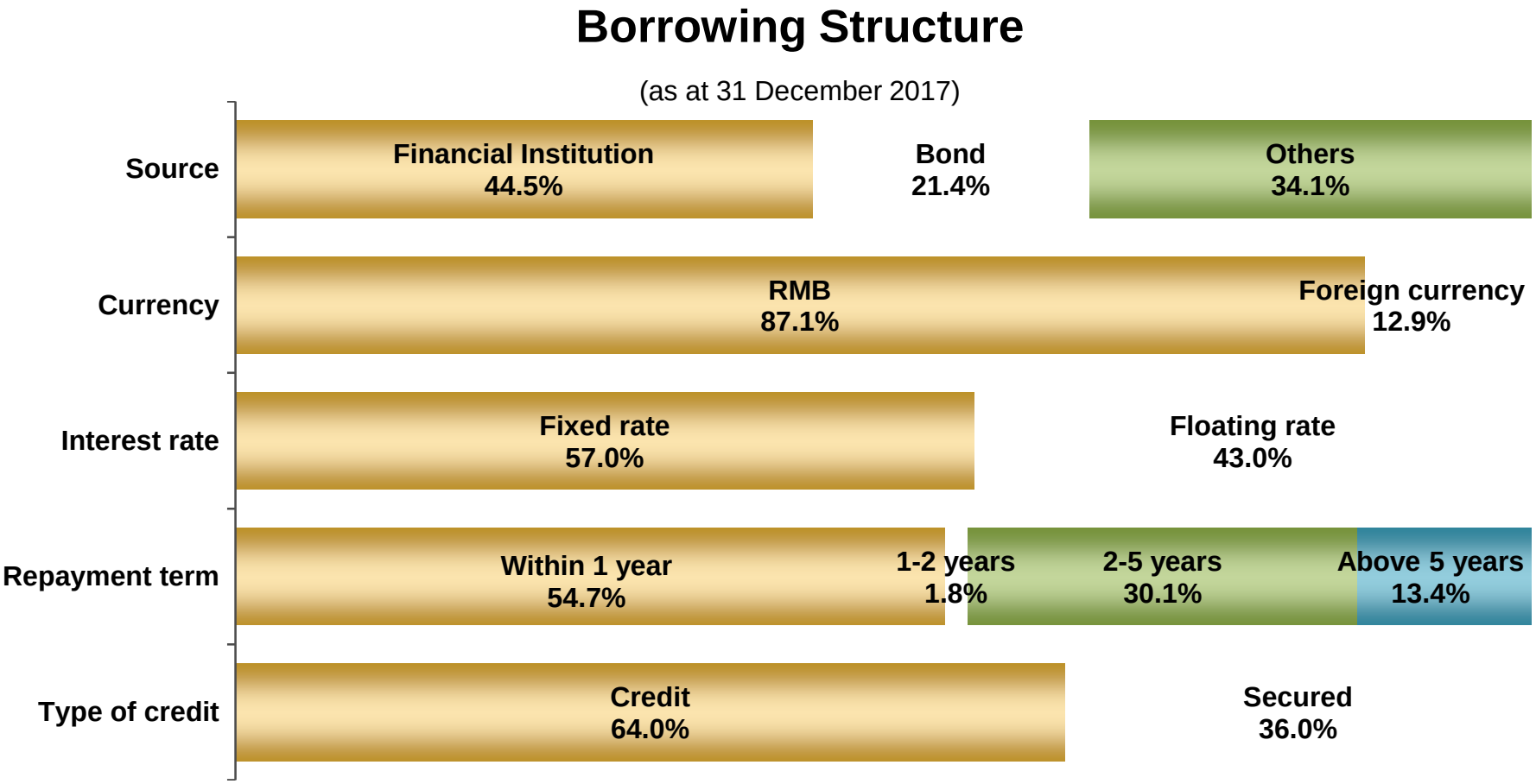
Financial Analysis
- Debt Ratio and Repayment

	31 December 2017	31 December 2016
Debt-to-asset ratio (Total liabilities / Total assets)	**57.91%**	54.57%
Net borrowings-to-equity ratio ((Total borrowings - cash and cash equivalents) / Total equity)	**97.53%**	59.12%

	2017	2016
Interest covered multiple ((Profit before tax + interest expenses) / interest expenses)	**3.60**	3.56
EBITDA interest multiple (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



- 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 2

(RMB 'million)	Actual Expenditure 2017	Capital Expenditure Plan 2018	2019	2020	Total
Non-equity investments	**961**	**1,686.2**	**2410.8**	**1,799.5**	**5,896.5**
Outer Ring Project	***877***	*1,283.6*	*2,051.6*	*1,396.7*	***4,731.9***
Reconstruction and expansion of Meiguan Expressway	***16***	*37.4*	*1.2*	-	***38.6***
Qinglian Project	***10***	*28.5*	*1.0*	*0.5*	***30.0***
Nanguang Expressway	***1***	*11.1*	*56.9*	*2.3*	***70.3***
Coastal Phase II	-	*17.4*	*300.0*	*400.0*	***717.4***
Other investment *(Investment in mechanical and electrical equipment, etc.)*	***57***	*308.3*	-	-	***308.3***
Equity investments	**7,222**	-	-	-	-
Derun Environment	***4,416*** *Note*	-	-	-	-
Coastal Project	***1,472***	-	-	-	-
Yichang Company	***1,270***	-	-	-	-
Water Planning Company	***63*** *Note*	-	-	-	-
Total	**8,183**	**1,686.2**	**2,410.8**	**1,799.5**	**5,896.5**

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.

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, solid waste treatment and sanitation integration, 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.

Objectives & Priorities for 2018

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 Copmany 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 expansion of the developed areas.
- Push forward the work in relation to the development of Meilin Checkpoint Renewal Project and the introduction of strategic investors, and strengthen the preliminary work in respect of the reconstruction and expansion of Jihe Expressway.
- More efforts will be made in the research, reserves, selection and examination of new projects that are in line with the Company's development strategies and risk monitoring and management will be conducted on an on-going basis.

Financing and Financial Management

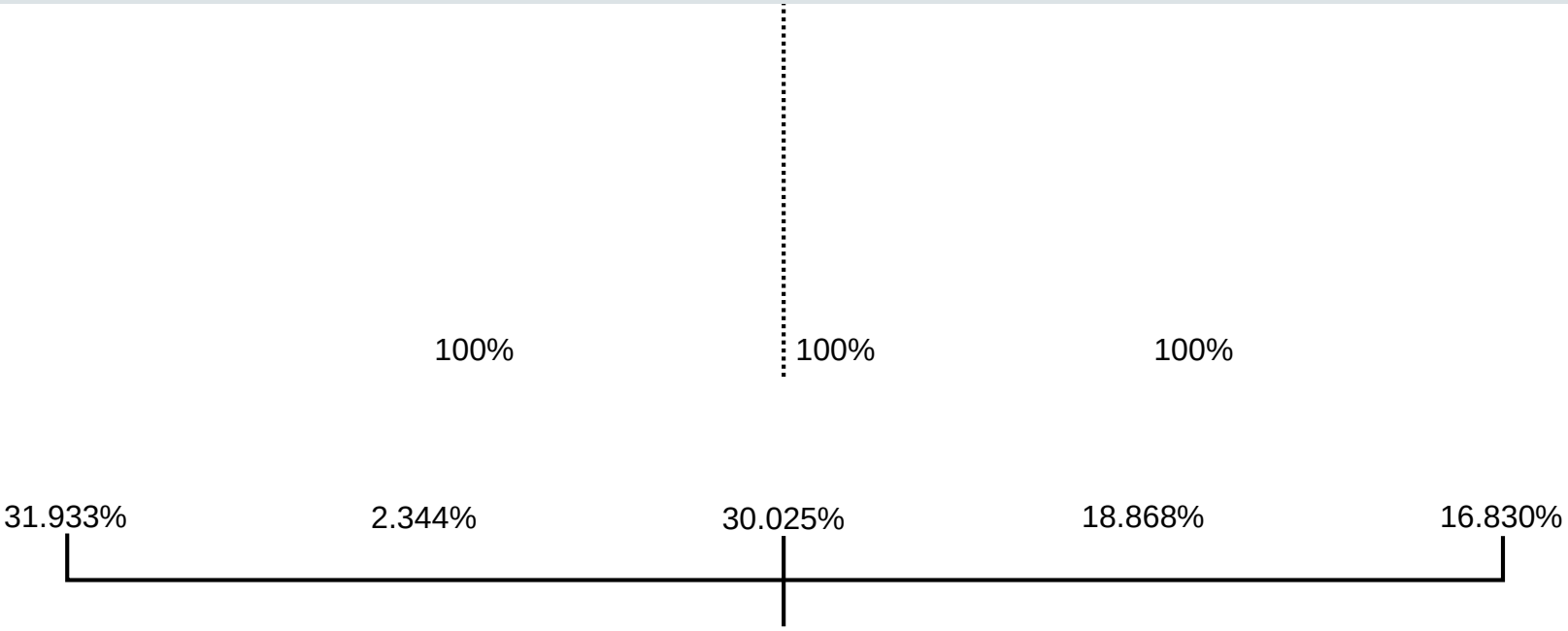
- Enhance the management over capital planning, strengthen the analysis on financial risks monitoring, cope with the changes in the financial policy and market environment in a proactive manner and integrate the Group financial resources to ensure financial security.
- Ensure proper filing of the documents in relation to the issuance of A Shares Convertible Corporate Bonds while continuing to strengthen the cooperation with banks and other enterprises in a view to maintaining its credit ratings and securing smooth financing channels.
- Formulate solutions to improve debt structure and capital structure and select a financing model that will be suitable for the Company's development strategy and to provide support for the development strategy of the Group.

Employee Incentive Scheme

- Actively study and promote the design and implementation of incentive scheme for key employees.

Appendix

Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission



Business Structure

Shenzhen Expressway Company Limited

Toll Highway Business

- 100% Meiguan Expressway
- 100% Jihe East
- 100% Jihe West
- 100% Yanpai Expressway
- 100% Yanba Expressway
- 100% Nanguang Expressway
- 100% Coastal Project
- 100% Outer Ring Project
- 50% Shuiguan Expressway
- 40% Shuiguan Extension
- 76.37% Qinglian Expressway
- 25% Yangmao Expressway
- 30% Guangwu Project
- 25% Jiangzhong Project
- 25% GZ W2 Expressway
- 100% Wuhuang Expressway
- 51% Changsha Ring Road
- 100% Yichang Project
- 25% Nanjing Third Bridge

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 Projects Summary

Toll Highway	Interest Held by the Company	Location	Toll Mileage *(km)*	No. of Lanes	Status	Maturity

Average Daily Mixed Traffic Volume

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

Average Daily Toll Revenue

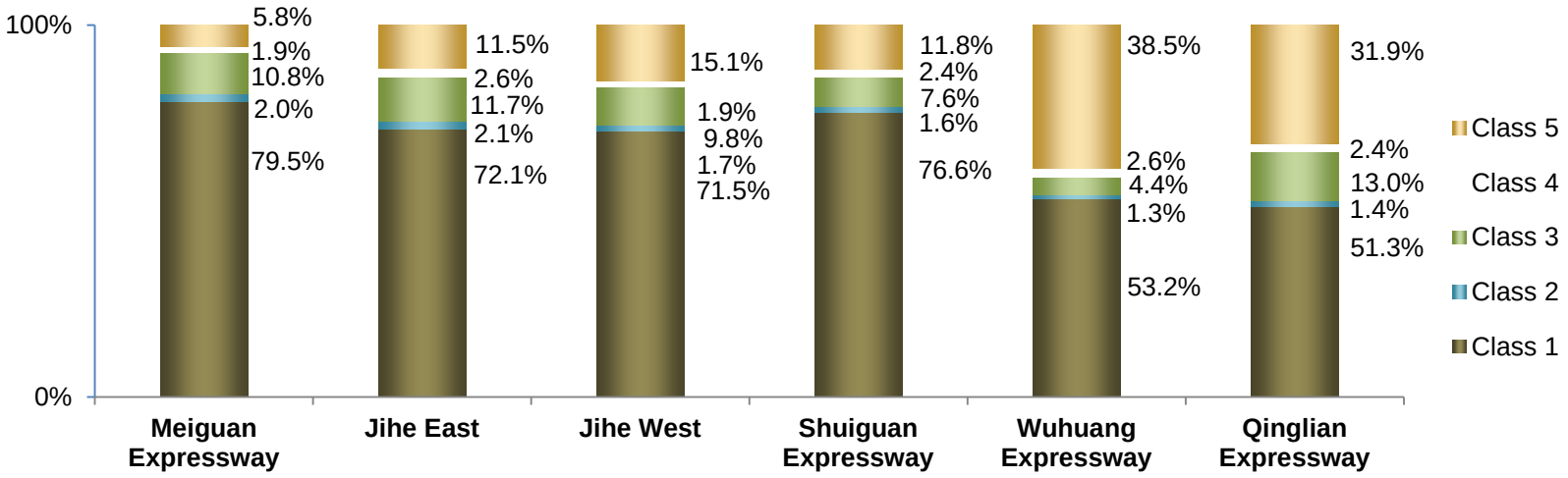
(RMB '000)	2013	2014	2015	2016	2017
Shenzhen region in Guangdong Province					
Meiguan Expressway Note1	803.1	413.6	282.9	311.3	336.3
Jihe East	1,328.8	1,614.6	1,745.1	1,767.1	1962.0
Jihe West	1,048.2	1,267.6	1,491.0	1,641.7	1729.4
Shuiguan Expressway	1,297.7	1,385.6	1,537.3	1,692.8	1762.8
Shuiguan Extension	176.1	230.8	253.7	299.5	314.3
Other regions in Guangdong Province					
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
Other provinces in the PRC					
Wuhuang Expressway	1,040.4	891.0	908.5	939.0	1004.9
Changsha Ring Road	143.6	167.9	222.8	311.9	373.4
Nanjing Third Bridge	1,169.5	1,093.5	1,040.5	1,097.8	1269.7
Yichang Expressway Note2	-	-	-	-	1157.3

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.

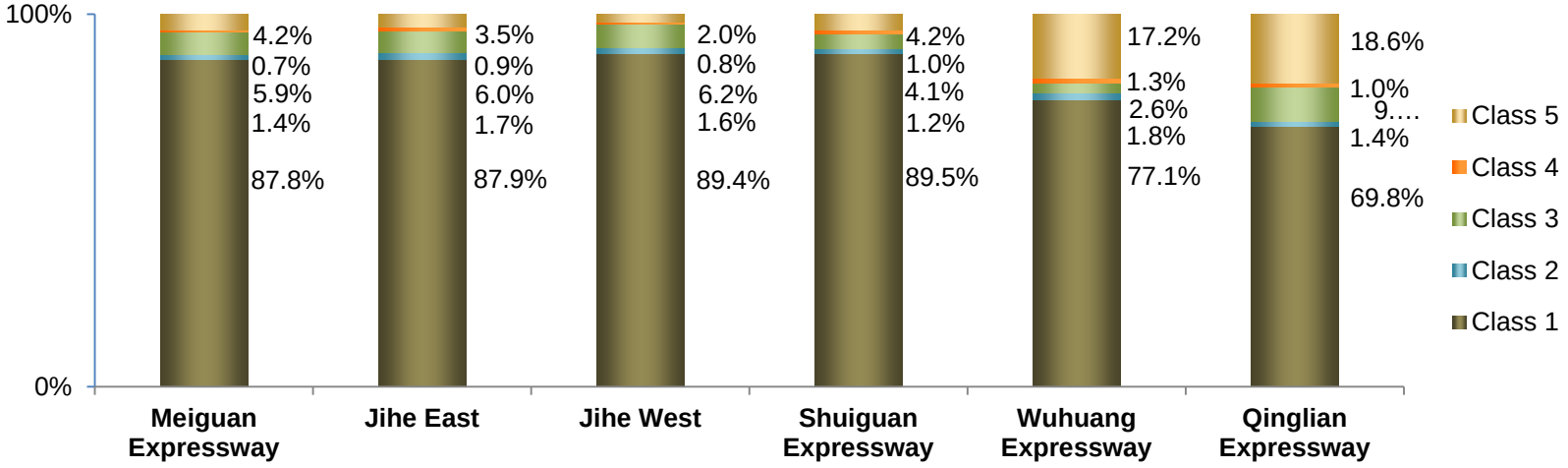
Note2: As the Company completed the acquisition of 100% equity interest in Yichang Company in June 2017, Yichang Company has been consolidated into the consolidated financial statements of the Group since 15 June 2017.

Vehicle Category of Major Highways in 2017

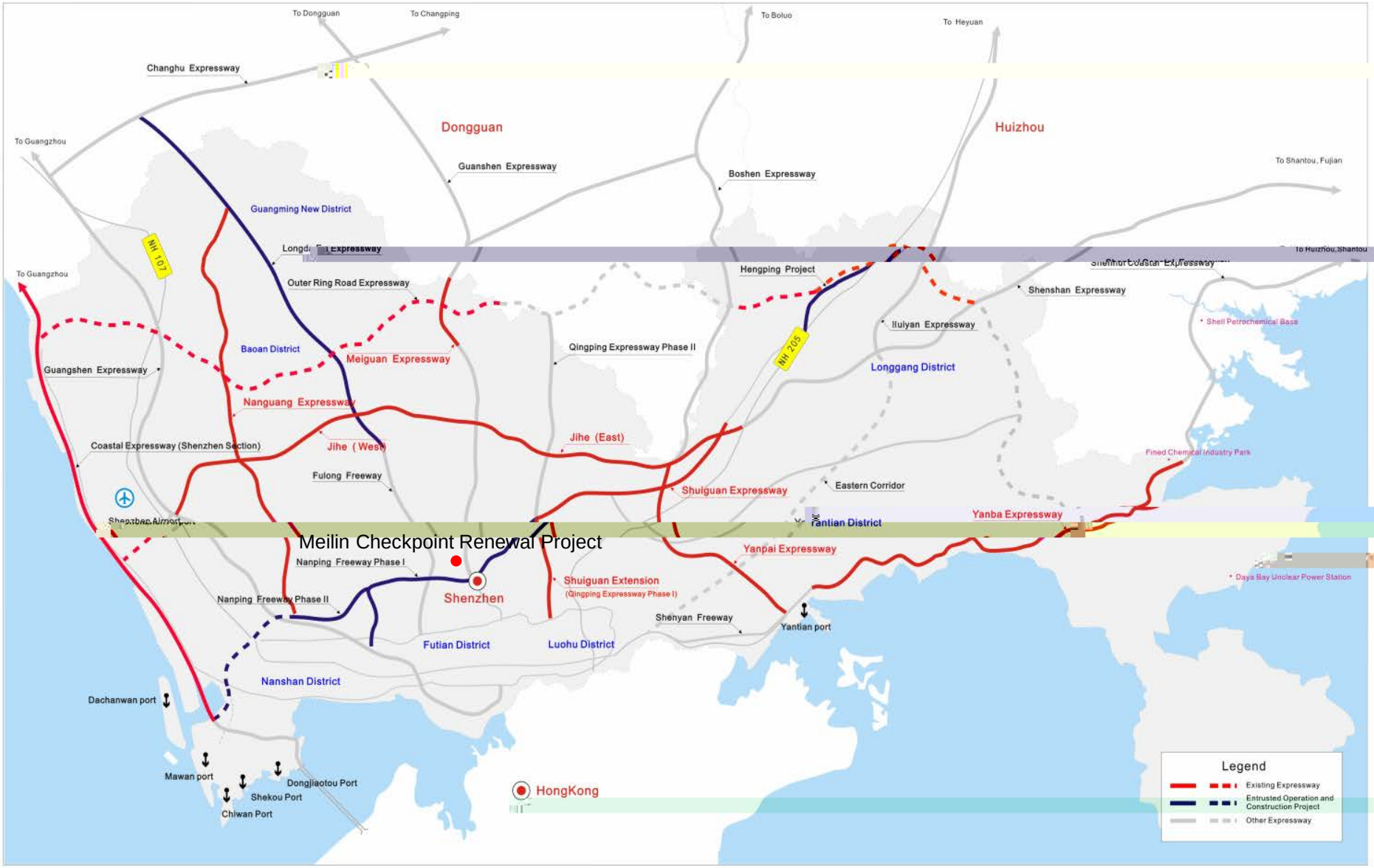
By revenue



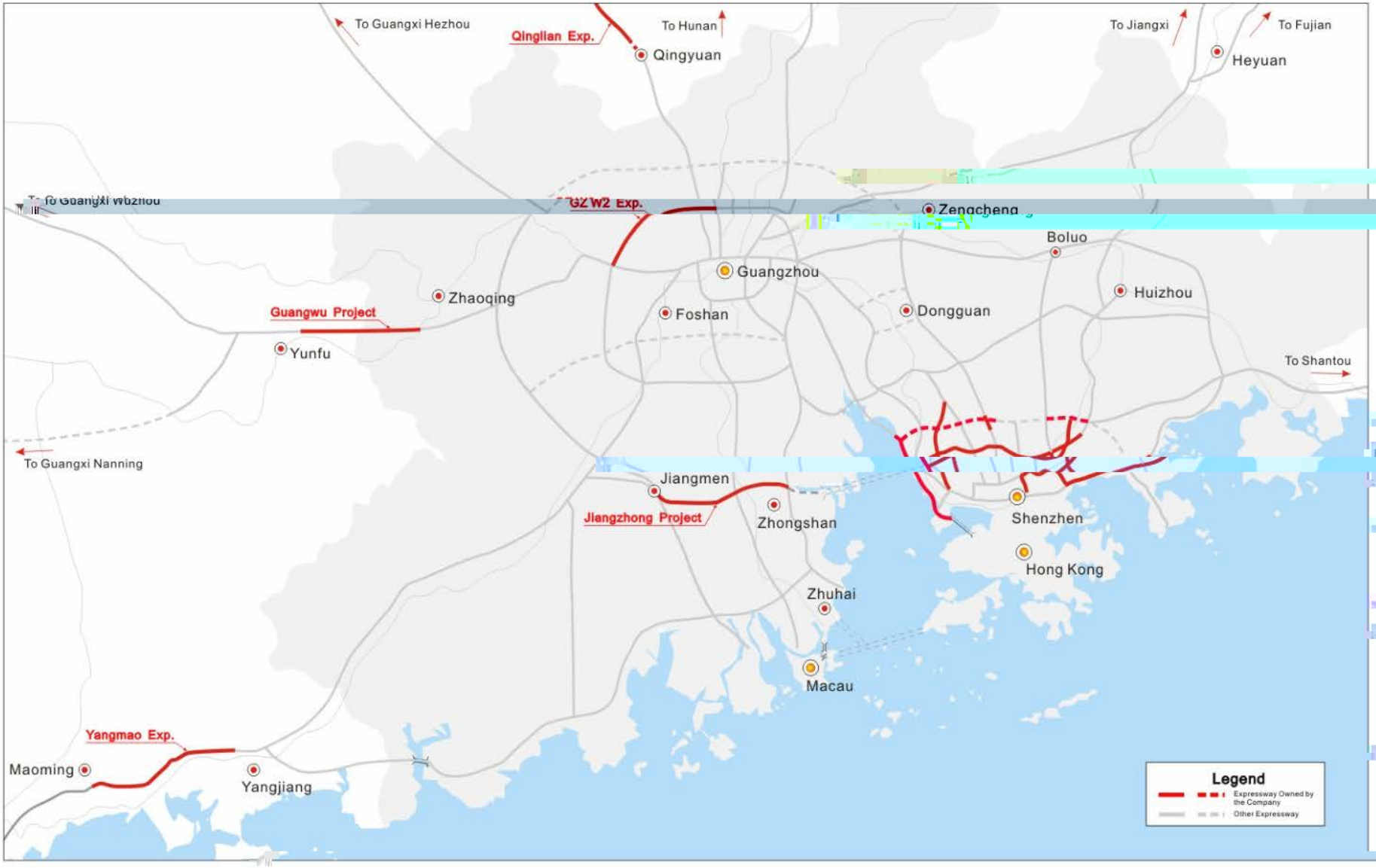
By traffic volume



Road Network of Shenzhen

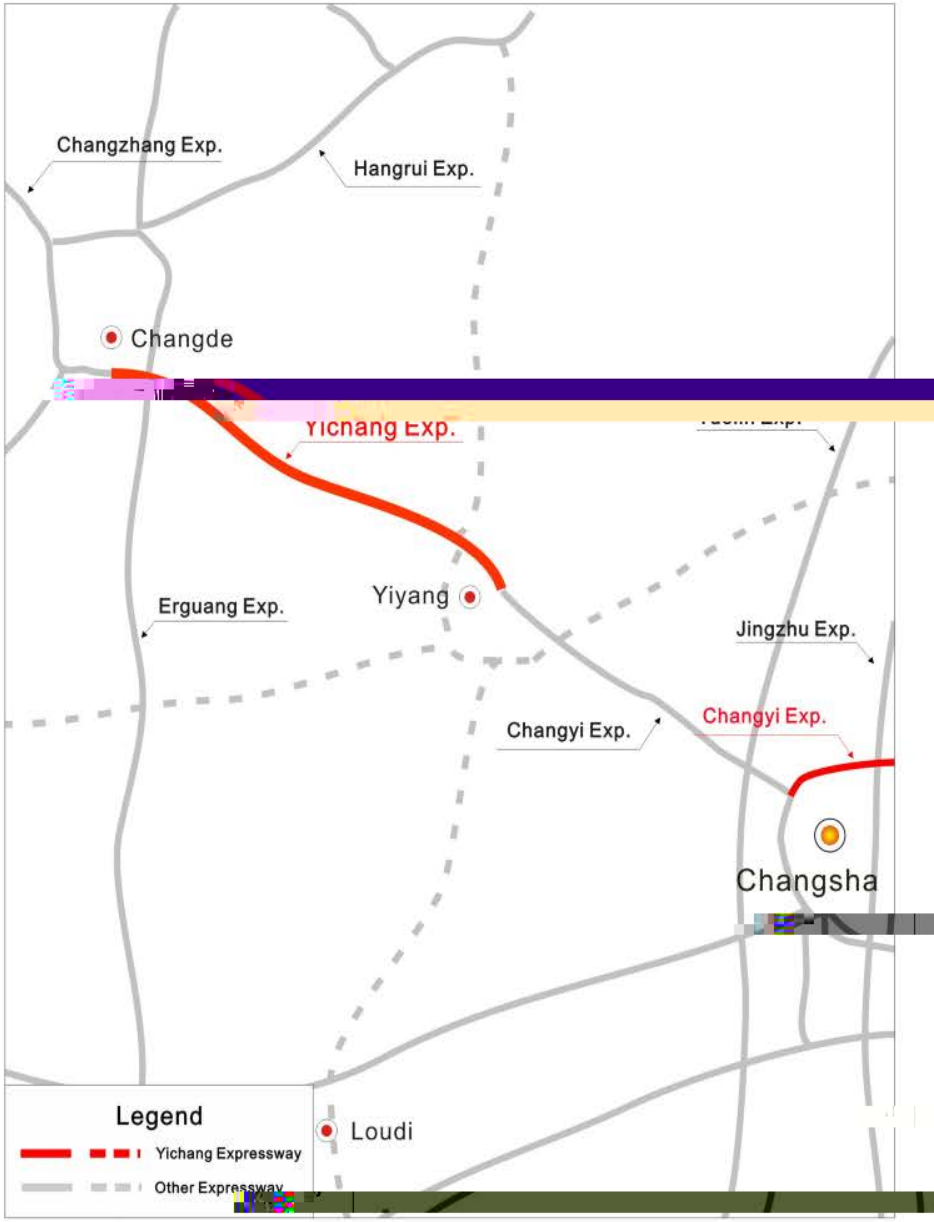


Road Network of Pearl River Delta



Road Network of Qinglian Expressway

Road Network of Yichang Expressway



Road Network of Wuhuang Expressway

Road Network of Nanjing Third Bridge

Road Network of Changsha Ring Road

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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