SHENZHEN EXPRESSWAY COMPANY LIMITED

Stock code: 00548(SEHK) 600548(SSE)

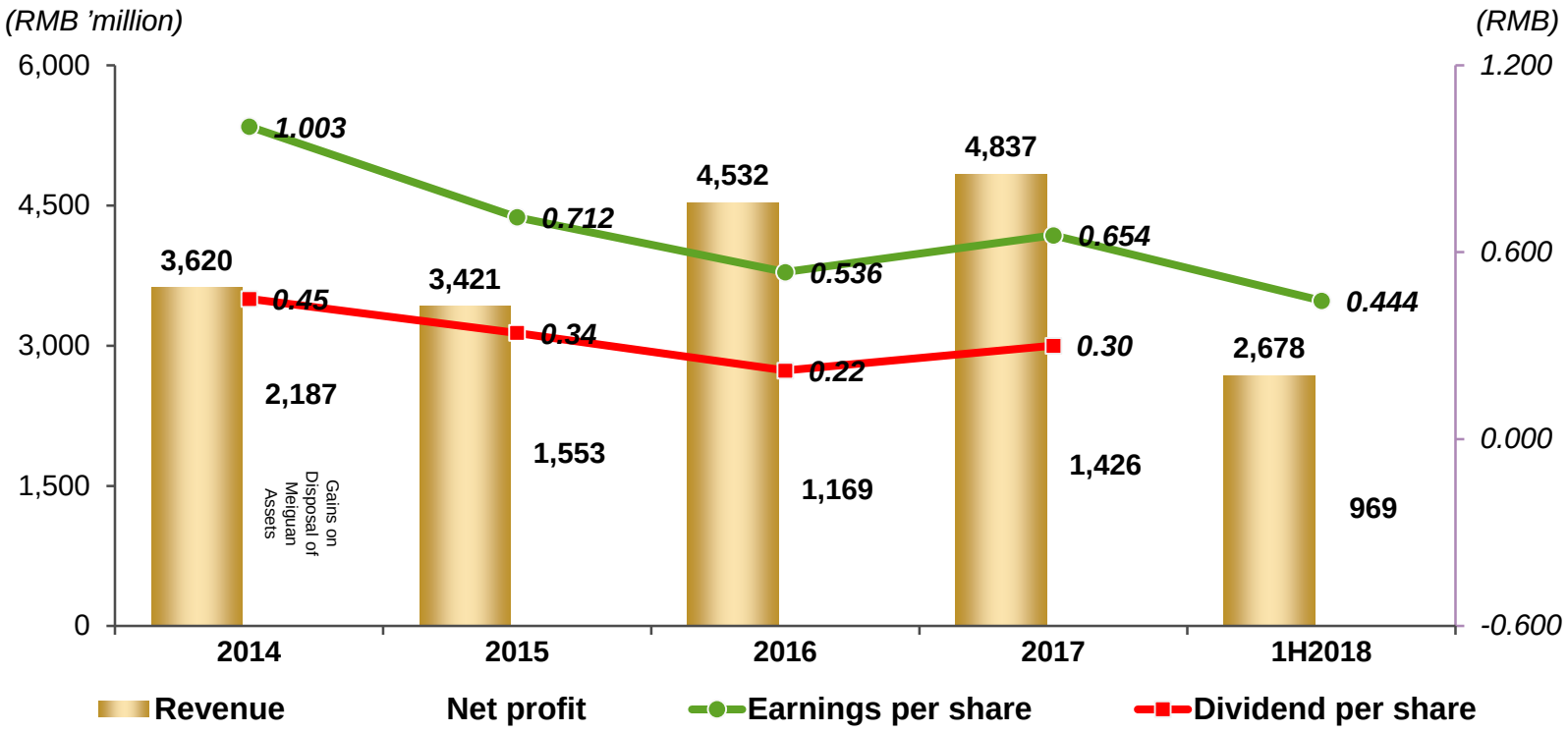
2018 Interim Results Presentation

17 August 2018

Financial Analysis

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.

Financial Highlights



Financial Analysis
– Income Highlights

	1H2018	1H2017 (restated))	Change in Amount	Change
Net profit attributable to owners of the Company *(RMB 'million)*	**969**	705	+264	+37.42%
Earnings per share (EPS) *(RMB)*	**0.444**	0.323	+0.121	+37.42%
Return on equity – weighted average (ROE) *(%)*	**6.91%**	4.87%	+2.04p.pt	
Excluding non-recurring items Note **:**				
Net profit attributable to owners of the Company *(RMB 'million)*	***788***	*716*	*+72*	*+10.11%*
Earnings per share *(EPS) (RMB)*	***0.361***	*0.328*	*+0.033*	*+10.11%*
Return on equity – weighted average *(ROE) (%)*	***5.66%***	*4.94%*	*+0.72p.pt*	

Note: The non-recurring items mainly include the compensation income of demolition of Meilin Checkpoint Renewal Project, the fair value gain/loss on Forex Swap, the amortization of compensation for Three Projects provided by concession grantor, the net income from entrusted operation and management services provided by Longda Company, interest income for the advance payment of projects such as the comprehensive management of Nanmen River, and the current net income of Coastal Company from the beginning of the period to the date of consolidation arising from the merger of enterprises under the same control.

Financial Analysis
- Revenue, Cost & Expenses

	1H2018 *(RMB 'million)*	1H2017 *(RMB 'million)* (restated)	Change in Amount *(RMB 'million)*
Revenue	**2,678**	2,290	+387 Note1
Toll highways	***2,462***	*2,152*	*+310 Note2*
Entrusted management services	***45***	*20*	*+24 Note3*
Real estate development	***111***	*56*	*+55 Note4*
Advertising and others	***60***	*62*	*-2*
Cost of services	**1,283**	1,123	+160 Note5
Toll highways	***1,164***	*1,036*	*+128*
Entrusted management services	***22***	*13*	*+10 Note6*
Real estate development	***57***	*40*	*+17 Note7*
Advertising and others	***40***	*35*	*+5*
General and administrative expenses	**42**	41	+2

Note 1: Revenue recorded a YOY increase of 16.91%, mainly due to the growth of toll revenue.

Note 2: Toll revenue recorded a YOY increase of 14.42%, in which the contribution from toll revenue of RMB224,879,000 during the Reporting Period was resulted from the consolidation of Shenchang Company and Yichang Company into the Group's financial statement.

Note 3: Revenue from entrusted management services recorded a YOY decrease of 118.23%, mainly due to the addition of entrusted construction management projects and the progress of construction or the completion settlement and audit of some original projects.

Note 4: Revenue from real estate development recorded a YOY increase of 98.65%, mainly due to the YOY increase in the number of delivered units in the current period of Guilong Development Project.

Note 5: Cost of services recorded a YOY increase of 14.20%, after deducting the effect of the change of scope of consolidation, the cost of services recorded a YOY increase of 5.58%, mainly due to the YOY increases in employee expenses and depreciation and amortization expenses of existing ancillary toll highways, and carry-forward of real estate development costs of Guilong Development Project.

Note 6: The cost of entrusted management services recorded a YOY increase of 76.89%, mainly due to the increase of the entrusted construction management cost of Section A of Outer Ring.

Note 7: The cost of real estate development recorded a YOY increase of 41.78%, mainly due to the increase of the carry-over real estate development cost of the commodity housing by Guilong Development Project.

Financial Analysis
- Operating Income

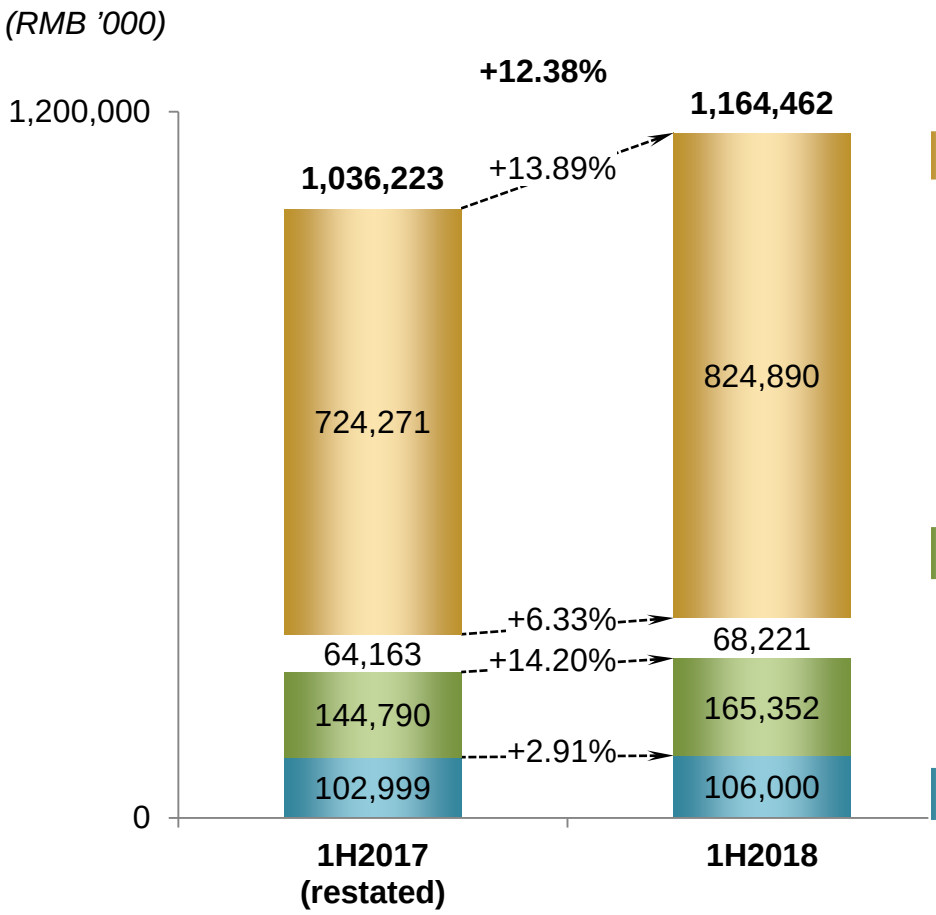
	1H2018 *(RMB' 000)*	1H2017 *(RMB' 000)*	Change in Amount *(RMB '000)*
Toll highway			
Qinglian	**387,232**	372,102	+15,131
Jihe East	**366,433**	340,609	+25,824
Shuiguan	**310,701**	306,917	+3,784
Jihe West	**315,996**	299,974	+16,021
Wuhuang	**190,064**	186,029	+4,035
Nanguang	**176,915**	166,828	+10,088
Yanpai	**88,587**	86,543	+2,044
Yanba	**76,415**	89,885	-13,470
Meiguan	**60,739**	58,588	+2,152
Coastal	**215,119**	195,231	+19,888
Sub-total	**2,188,203**	2,102,706	+85,497 Note
Yichang	**204,808**	16,037	+188,770
Changsha Ring Road	**69,474**	33,366	+36,109
Total	**2,462,485**	2,152,109	+310,376

The Company recognized a compensation of RMB341,731,000 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 4.07%, mainly due to the organic growth of traffic volume.

Financial Analysis
- Operating Costs

Cost Breakdown of Toll Highway Business



Depreciation and amortization

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

Employee expenses

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

Other business costs

Financial Analysis
- Operating Profit from Main Business

Financial Analysis

- Operating Profits from Entrusted Management Service & Real Estate Development

	Operating Income		*Operating Costs*		**Operating Profit**	
	1H2018 *(RMB '000)*	***Change in Amount*** *(RMB '000)*	***1H2018*** *(RMB '000)*	***Change in Amount*** *(RMB '000)*	**1H2018** *(RMB '000)*	**Change in Amount** *(RMB '000)*
Entrusted management project						
Outer Ring Project	***12,560***	*+6,000*	***12,380***	*+5,820*	**180**	+180
Entrusted construction management projects in Guizhou Note1	***13,918***	*+11,156*	***4,292***	*+3,490*	**9,626**	+7,666
Other entrusted construction management projects Note2	***9,550***	*+6,962*	***5,516***	*+335*	**4,034**	+6,628
Entrusted operation management projects Note3	***8,491***	*0*	***0***	*0*	**8,491**	0
Total	***44,519***	*+24,119*	***22,188***	*+9,645*	***22,331***	*+14,474*
Guilong real estate development project	***110,811***	*+55,028*	***56,545***	*+16,662*	**54,265**	+38,366

Operating profit = Operating income – Operating costs

Note 1: Including Duohua Bridge Project, Hengwu Road and Hengliu Road, Resettlement phase II in Longli Guizhou and Guizhou Logistics Harbor by Shenzhen International.

Note 2: Including the municipal facilities of Longda Municipal Section, Nanmen River Comprehensive Treatment Project in the Shenzhen-Guangdong-Shanwei Special Cooperation Zone and so on.

Note 3: Including Longda Expressway.

Financial Analysis
- Investment Income

Item	1H2018 (RMB '000)	1H2017 (RMB '000)	Change in Amount (RMB '000)
Joint ventures and associates:			
Changsha Ring Road Note1	**-**	7,080	-7,080
Shuiguan Extension	**4,146**	3,922	+223
Guangwu Project	**19,324**	18,683	+640
Yangmao Expressway	**47,173**	41,732	+5,441
Jiangzhong Project	**11,782**	11,404	+378
GZ W2 Expressway	**29,014**	19,720	+9,294
Nanjing Third Bridge	**27,916**	25,330	+2,586
Derun Environment Note2	**92,446**	18,036	+74,410
Bank of Guizhou Note3	**50,878**	62,862	-11,984
Others Note4	**2,606**	2,735	-130
Sub-total	**285,283**	211,505	+73,779
Gain from valuation of the fair value of the original equity interests held after consolidation of entity which is not under common control	**-**	27,504	-27,504
Investment income from wealth management products	**3,329**	7,582	-4,253
Total	**288,612**	246,591	+42,022

Note 1: It 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.

Note 2: The Group acquired 20% equity interests in Derun Environment in June 2017 and accounted for its investment income under the equity method of associates.

Note 3: The third party company has made capital injections to Bank of Guizhou since 2017. The board remained the same while the Company's shareholding ratio of Bank of Guizhou decreased from 4.41% to 3.44%.

Note 4: Including Consulting Company and United Land Company.

Financial Analysis
- Financial Expenses

Item	1H2018 *(RMB '000)*	1H2017 *(RMB '000)* (restated)	Change in Amount *(RMB '000)*
Interest expenses	**511,949**	429,512	+82,437
Less: **Interest capitalized**	- **29,711**	- 8,028	+21,683
Interest income	**32,428**	28,386	+4,042
Add: **Exchange losses and others**	+ **50,739**	+ [redacted]	+94,171
Total financial expenses	**500,549**	349,666	+150,883

	1H2018	1H2017 (restated)	Change in Amount
Composite borrowing costs - nominal costs *(%)*	**4.70%**	4.73%	-0.03p.pt
Average borrowing scale*(RMB 'billion)*	**21.4**	18.7	+2.7

Interest expenses increased correspondingly with the increase in the average borrowing scale of the Group.

Foreign currency liabilities and H-share dividends were impacted by the depreciation of Renminbi, resulting in an increase in exchange losses.

Exchange losses from USD debentures and the fair value gains basically achieved financial hedging.

Interest income increased as a result of the conversion of the receivables from United Land Company into creditor's rights.

Financial Analysis
- Assets and Liabilities Highlights

	30 June 2018 *(RMB 'million)*	31 December 2017 *(RMB 'million)* (restated)	Change in Amount *(RMB 'million)*
Total equity attributable to owners of the Company	**13,993**	13,633	+360
Net assets per share *(RMB)*	**6.42**	6.25	+0.16
Total assets	**44,400**	44,015	+385
of which: ***Cash and cash equivalents***	***2,147***	*1,885*	*+262*
Total liabilities	**28,237**	28,225	+12
of which: ***Total outstanding interest-bearing liabilities***	***21,332***	*21,686*	*-354* Note

Note: Total outstanding interest-bearing liabilities recorded a decrease of 1.63% over the end of 2017, mainly due to the repayment of part of bank loans and the reduction of the balance of the compensation for the Three Projects during the Reporting Period.

Financial Analysis
- Debt Ratio and Repayment

	30 June 2018	31 December 2017 (restated)
Debt-to-asset ratio (Total liabilities / Total assets) Note	**63.60%**	64.13%
Net borrowings-to-equity ratio ((Total borrowings - cash and cash equivalents) / Total equity)	**118.70%**	125.41%

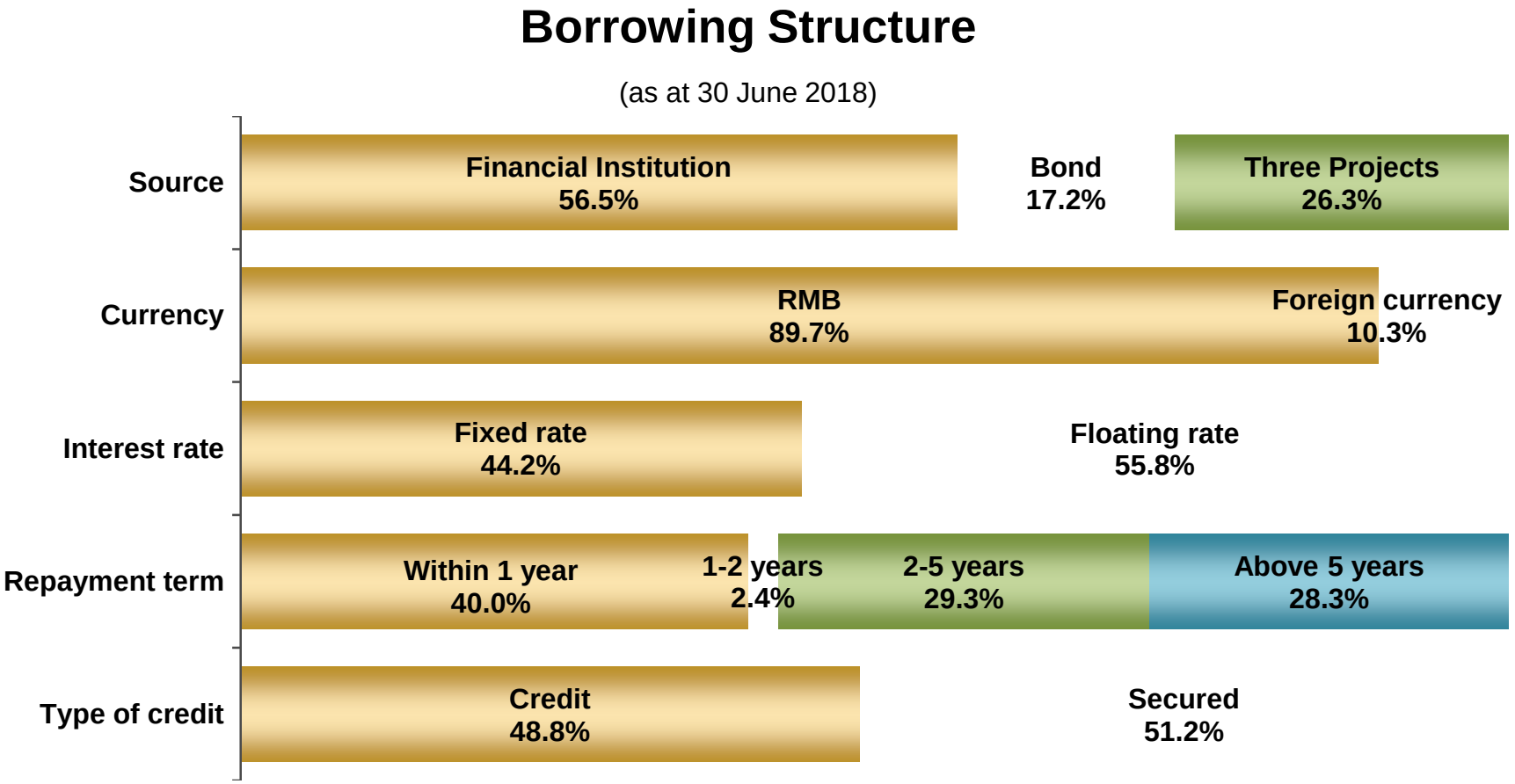
	1H2018	1H2017 (restated)
Interest covered multiple ((Profit before tax + interest expenses) / interest expenses)	**3.60**	3.22
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortization / interest expenses)	**5.29**	4.93

Due to the combined effect of decrease in the size of borrowings scale and the increase in cash balance, etc., the debt-to-asset ratio and the net borrowings-to-equity ratio of the Group decreased 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.

Note: After deducting the compensation for the advance payment of the Three Projects and the balance of the construction project funds of Outer Ring and Coastal Phase II, the debt-to-asset ratio is approximately 53.56%.

Financial Analysis
- Borrowing Structure



During the Reporting Period, the Company continued to maintain the highest rating of AAA in credit rating for domestic entities, and maintained the investment grade ratings for international entities. As for credit ratings of debt, corporate bonds and medium-term notes remained at the highest credit rating of AAA.

The Company successfully issued RMB1 billion three-year medium-term notes and RMB800 million five-year medium-term notes on 26 July and 13 August 2018 with a coupon interest rate of 4.14% and 4.49%, respectively.

Financial Analysis
- Capital Expenditure 2

(RMB 'million)	Actual Expenditure 1H2018	Capital Expenditure Plan 2H2018	2019	2020	Total
Non-equity investments	***389.7***	**1,185.6**	**2,203.9**	**1,491.6**	**4,881.1**
Outer Ring Project	***300.0***	*983.6*	*2,051.6*	*1,396.7*	***4,431.9***
Reconstruction and expansion of Meiguan Expressway	***34.2***	*3.2*	*1.2*	*-*	***4.4***
Qinglian Project	***3.3***	*25.1*	*8.7*	*6.6*	***40.4***
Nanguang Expressway	***1.7***	*9.3*	*56.9*	*2.3*	***68.6***
Coastal Phase II	***5.3***	*12.1*	*17.4*	*17.4*	***46.8***
Other investment *(Investment in mechanical and electrical equipment, etc.)*	***45.1***	*152.3*	*68.1*	*68.6*	***288.9***
Equity investments	***57.5***	**-**	**175.0**	**175.0**	**350.0**
Reconstruction and expansion of Yangmao Expressway	***57.5***	*-*	*175.0*	*175.0*	***350.0***
Total	***447.2***	**1,185.6**	**2,378.9**	**1,666.6**	**5,231.1**

Business Review

Operation Analysis of Toll Highways

Guangdong Province - Shenzhen Region

After the adjusted toll collection scheme on the Meiguan Expressway was implemented, toll-free section of Meiguan Expressway stimulated the continuous growth of traffic volume of the toll section itself.

After the implementation of Toll-free policy for Yanpai Expressway, Yanba Expressway and Nanguang Expressway (the “Three Projects”), the growth of traffic volume also drove the traffic growth of the connecting Jihe Expressway and Shuiguan Expressway.

The implementation of the Administration of Use of Roads by Overloaded Transportation Vehicles has caused certain negative impacts on the freight volume and toll revenue of Jihe Expressway and Shuiguan Expressway.

Coastal Project has been consolidated into the Group’s financial statements since February 2018. From 1 March 2018 to 31 December 2020, all types of trucks passing through the Coastal Project will be charged a toll at 50% of the normal fee (“Toll Adjustment of Lorries"), which is expected to help drive the growth of freight traffic along the Coastal Project and have a positive effect on the future operation performance of the Coastal Project.

Guangdong Province - Other Regions

Due to the continuous impact of the diversion of Yunzhan Section of Shanzhan Expressway and the implementation of the governing over-limit and overloaded vehicles policy, the growth rates of daily average traffic volume and toll revenue of Yangmao Expressway has slowed down.

Both the average daily traffic volume and toll revenue of GZ W2 Expressway kept a high YOY growth due to the factors such as the economic growth in the areas along it, changes in road network and implementation of traffic administration measures.

The traffic diversion effect of the surrounding road network on Guangwu Project has gradually been surpassed by the natural growth of traffic, and the average daily toll revenue showed a steady YOY growth.

Guangzhongjiang Expressway has a slight diversion effect on Jiangzhong Project, but benefited from the positive impact of the road network penetration effect, the average daily traffic volume and toll revenue of Jiangzhong Project increased slightly YOY.

Guisan Expressway (Guilin-Sanjiang), which was opened at the end of October 2017, diverted some of the transit traffic volume, resulting in a YOY slowdown in growth rates of both average daily traffic volume and toll revenue of Qinglian Expressway.

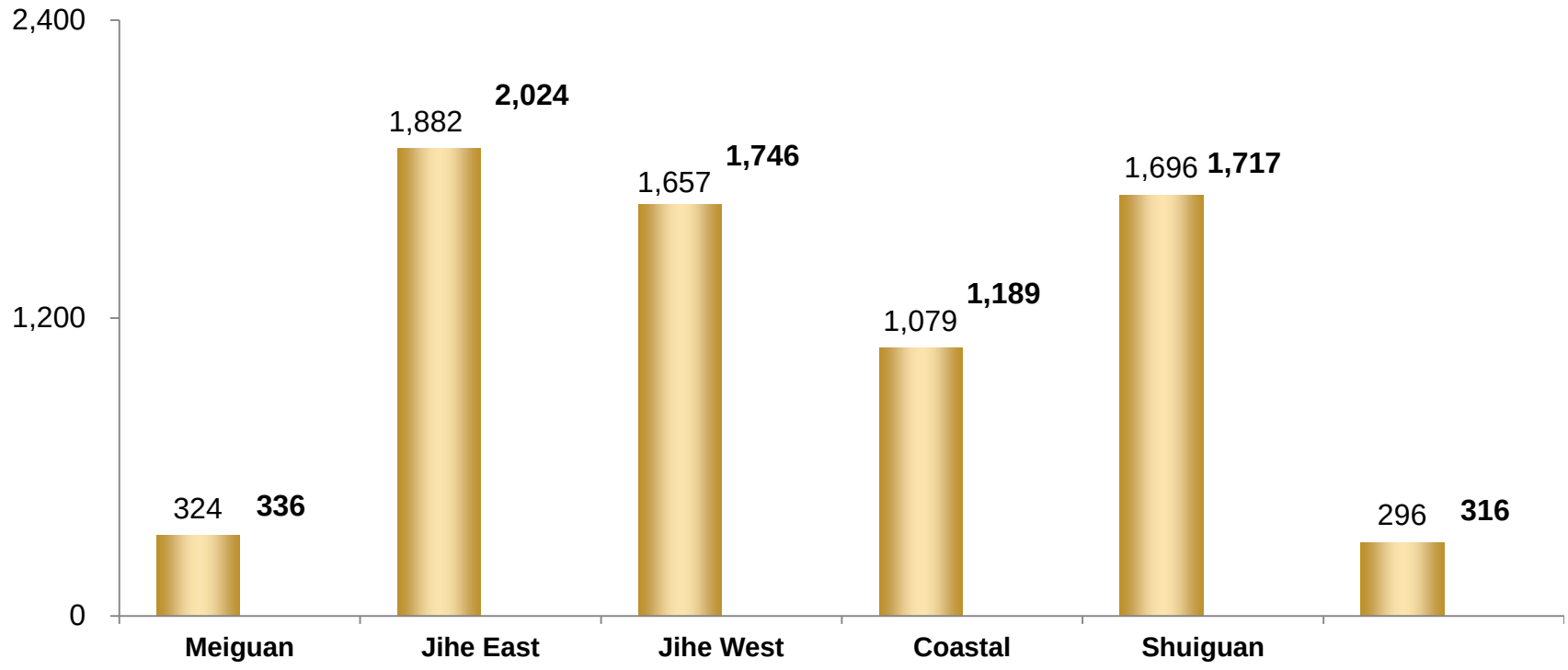
Other Provinces

The diversion impact arising from neighboring road network on Wuhuang Expressway still existed. However, benefited from the rapid growth of car ownership in the surrounding cities, the operational performance of Wuhuang Expressway was generally stable.

Due to the positive impact of factors such as peripheral and regional economic development and the implementation of preferential policies for transportation within the province, the average daily traffic volume and toll revenue of Nanjing Third Bridge recorded a steady YOY growth.

The toll revenue of Changsha Ring Road maintained a relatively rapid YOY growth, due to the factors such as the improvement of road network, implementation of toll-by-weight policy, implementation of traffic control measures of neighboring roads and the business growth of enterprises along the highway.

The operational performance of Yichang Expressway was stable, due to the factors such as the economic growth in northwestern Hunan and surrounding road construction and traffic control.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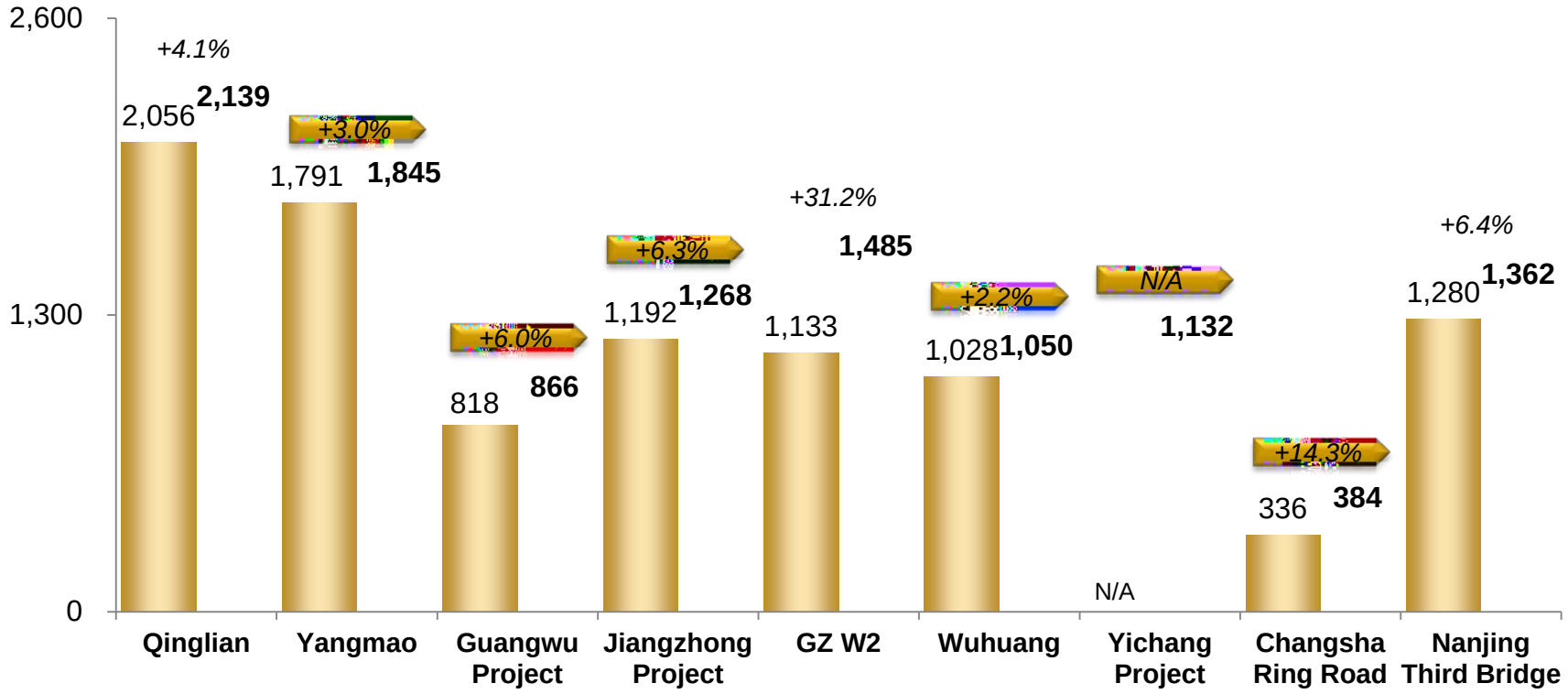
296
316
Meiguan
Jihe East
Jihe West
Coastal
Shuiguan

Operational Performance of Toll Highway
- Other Regions

Average Daily Toll Revenue

(RMB '000)



Yichang Company has been consolidated into the Group's financial statements since 15 June 2017.

Business Development
- Management Improvement

Explore the Opportunities for Establishing Intelligent Transportation and Enhance Service Efficiency.

The Group signed a strategic cooperation framework agreement with Baidu Netcom Science and Technology Co., Ltd. The two parties will take the major highway construction project as an opportunity to jointly promote intelligent transportation infrastructure construction, management and services.

"Shenzhen e-Traffic" was officially launched, and it was the first to achieve senseless payment and actual operation in Guangdong Province. Through the development and application of intelligent transportation technology, the Group can not only improve the quality and efficiency of operational services and reduce operating costs, but also open up new market businesses by exporting intelligent transportation technologies and services.

Deepen the Marketing of Road Network and Actively Attract Traffic.

Qinglian Expressway boosted traffic volume by focusing on the Spring Festival marketing, holiday marketing and "the marketing of the integration of traffic and tourism".

Wuhuang Expressway attracted traffic volume by multi-faceted promotion such as mobile applications and traditional media.

Leveraging on the changes of neighboring road networks, Jiangzhong Expressway and GZ W2 Expressway boosted traffic volume by multi-channel promotion.

Business Development
- Toll Highways 1

Section A of Outer Ring

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 with six-lane.

The Company and Shenzhen Government entered into agreements on 18 March 2016: the investment budget for Section A of Outer Ring is approximately RMB20.6 billion, 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.

Section A of Outer Ring contains Phase I and Phase II. The total length of Phase I is approximately 50.74 km and the construction of Phase I has been fully carried out. The total length of Phase II is approximately 9.35 km and the civil engineering, housing construction and pavement have been carried out. The construction of the main project is scheduled to be completed by the end of 2019.

Business Development
- Toll Highways 2

Coastal Project

Coastal Expressway (Shenzhen Section) is a dual eight-lane expressway with the total mileage of approximately 37 km and comprised of Coastal Phase I and Coastal Phase II. Among which, the main line 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 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 interests in Coastal Company at a consideration of RMB1,472 million. Coastal Company has been consolidated into the Group's financial statements since February 2018.

Coastal Company and Shenzhen Transportation Commission signed the "Freight Compensation Agreement for Guangshen Coastal Expressway Shenzhen Section" on 28 February 2018. Coastal Project implements Toll Adjustment of Lorries from 1 March 2018 to 31 December 2020, Shenzhen Transportation Commission will provide cash compensation amount of RMB300 million to Coastal Company.

Business Development
- Toll Highways 3

Reconstruction and Expansion of Jihe Expressway

To match the overall work plan and arrangement of the government's expressway construction and improve road safety and quality and the traffic environment, the Group has been approved to carry out the preliminary works such as the preliminary design, of the reconstruction and expansion of Jihe Expressway. At present, the design plan and investment model of the project are still at the stage of consultation with the competent government departments.

Capital Increase and Expansion of Yangmao Expressway

The Company signed a capital contribution agreement with other shareholders of Yangmao Company in June 2018. The three shareholders of Yangmao Company will contribute a total of RMB3,024 million (including RMB756 million by the Company

Business Development
- Environmental Protection Business 1

Derun Environment

Environmental Company, a wholly-owned subsidiary of the Company, acquired 20% equity interests in Derun Environment at the price of RMB4,408,644,500 in May 2017.

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 interests 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. Recently, Environmental Company entered into an agreement with SITA Asia under the Suez Group and two parties established a joint venture to conduct business cooperation in hazardous waste disposal, sanitation integration and water environment remediation, etc.

The Company recognized the investment income from Derun Environment for the first half of 2018 of RMB92,446,000.

Business Development
- Environmental Protection Business 2

Water Planning Institute

In July 2017, the Company subscribed for 15% of the equity interests 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 Treatment Project

In the case of a total investment of no more than RMB320 million, the Company and CCCC Tianjin Dredging Co., Ltd. jointly established a consortium to participate in the investment, construction and management of the Nanmen River Comprehensive Treatment Project. As at the end of the Reporting Period, the works that met the operating conditions have started construction, and more than 50% of the overall image progress has been 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. At present, relevant preliminary work was progressing as planned.

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 completed most of the demolition work and the construction bidding for part of the contract sections. Three contract sections are under construction.

The construction of four toll stations of the first batch of Cargo Organization Adjustment Project were underway, with a total investment of approximately RMB1.07 billion and it is expected that the construction for the first batch of toll stations will be completed in August 2018 and delivered at the end of 2018.

Land levelling and related auxiliary projects regarding Shenzhen-Shanwei Special Cooperation Zone has completed approximately 50% of the image progress basically, and the whole project is scheduled to be fully completed by the end of 2019.

Acceptance and Audit

The acceptance work and completion settlement 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 entrusted construction project of Guizhou Logistics Harbor of Shenzhen International has been completed and delivered for use.

The completion settlement and government audit of Meiguan Toll Station, Dezheng Road Project, Coastal Phase I, auxiliary project of Longda Municipal Section and

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Relying on BT Project, from 2012 up to the Reporting Date, the

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 in 2016.

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 interests in United Land Company in proportion to their existing shareholdings and entitled to shareholders' rights and interests.

In April 2018, Meiguan Company and United Land Company signed a supplementary agreement. United Land Company has increased the compensation with 9,120 square meters of office building for Meiguan Company's property involved in the Meilin Checkpoint Renewal Project. It will increase the net profit attributable to shareholders of the Company by approximately RMB131 million in 2018. However, the impact on the Group's total income of Meilin Checkpoint Renewal Project was slight.

It is estimated that the land price of the project land parcel would be about RMB13,000.00 per square meter, including the land premium

Business Development
- Other Businesses

Bank of Guizhou

The Company subscribed 426 million additional shares of Bank of Guizhou. The equity interests held by the Company in the Bank of Guizhou accounts for 3.44% of the total shares after the increase in capital and shares of Bank of Guizhou.

It has been recognized the investment income for the first half of 2018 of RMB50,878,000.

Given the strong cash dividend capacity and there is more 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, Guangzhou Fund has not yet initiated the establishment of a fund to carry out investment mergers and acquisitions business..

Outlook and Plans

Major Works in 2H2018

Toll Highway Business

Further enhance the strategic cooperation with Baidu and promote intelligent transportation.

Establish the key projects, such as Outer Ring Expressway, as exemplar and paragon of Shenzhen Expressway 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, actively seek merger and acquisition opportunities in key areas such as solid waste (hazardous waste, waste-to-energy, environmental sanitation integration, etc.) and water pollution control.

Strengthen the strategic cooperation with leading enterprises and institutions such as Derun Environment, Water Planning Company, Suez and Southern University of Science and Technology in environmental protection field.

Actively follow up the environmental protection projects that have made initial progress, strengthen industry research work, deeply seek investment opportunities in sub-sectors, strengthen the construction of environmental protection talents, enhance market competitiveness, and fully promote the implementation of environmental protection entities.

Business Expansion

Take the favorable opportunity in the Shenzhen-Guangdong-Shanwei Special Cooperation Zone and Longli County of Guizhou, consolidate the Company's strategic positioning as "city and transportation infrastructure construction and operation service provider", gradually expand the Company's business development area, and promote the mature areas to develop in depth.

Actively promote the development of Meilin Checkpoint Renewal Project, manage the introduction of strategic investors, and further promote the preliminary work of reconstruction and expansion of Jihe Expressway.

Continue to carry out research, screening and demonstration of toll road projects and new industrial projects that are in line with the Group's development strategy, and continue to focus on and control risks.

Financing and Financial Management

Pay close attention to the real-time changes in financial policies and financing environment, timely adjust financial strategies, manage financial risks monitoring, ensure financial liquidity security and take into account the benefits of funds.

Manage the issuance of A Shares Convertible Corporate Bonds, and lock the exchange rate of USD300 million bonds.

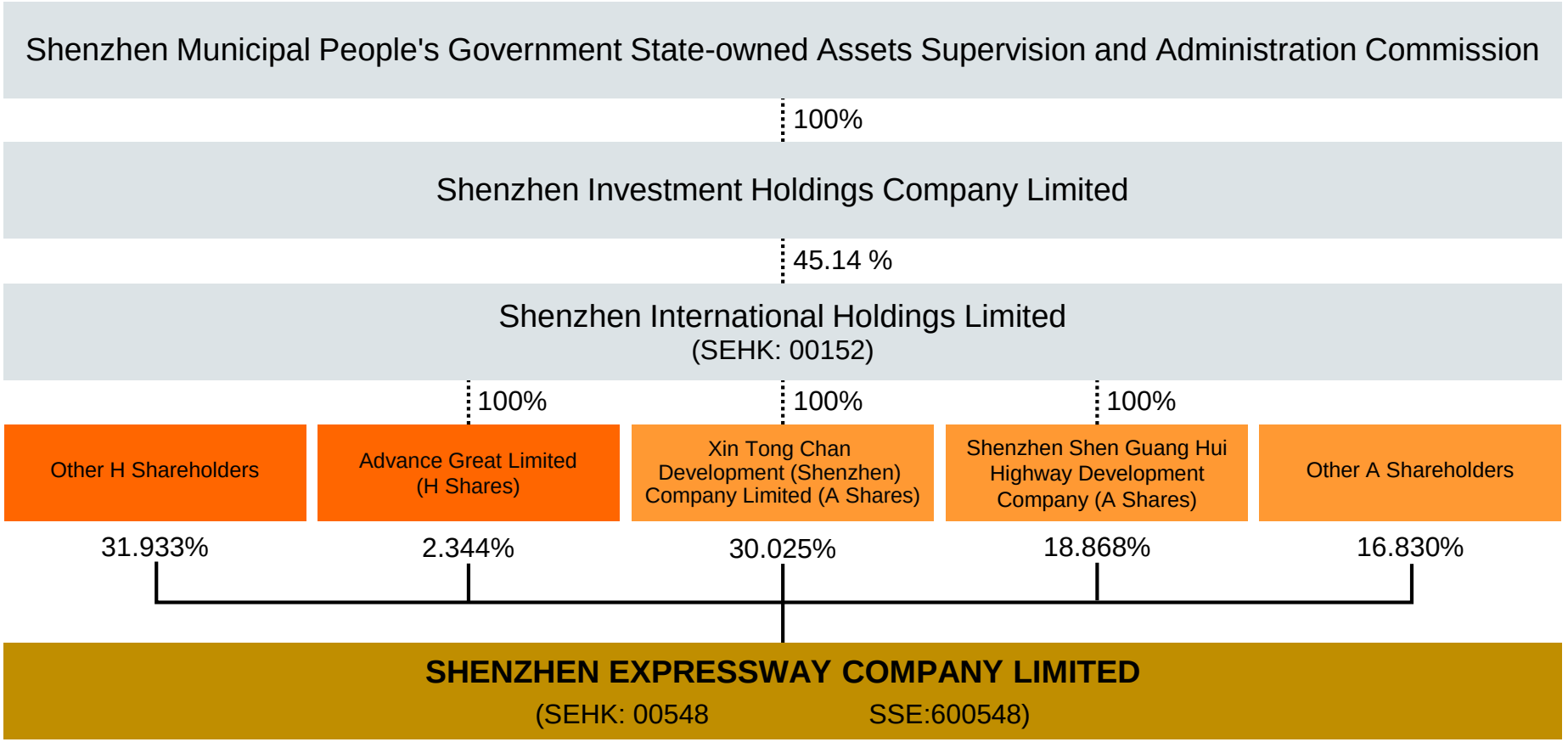
Strengthen the coordination and planning management of the Group's funds, arrange reasonable financing plans, broaden and innovate domestic and overseas financing channels, guarantee the Company's capital needs, and provide strong support for the Group's development strategy.

Employee Incentive Scheme

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

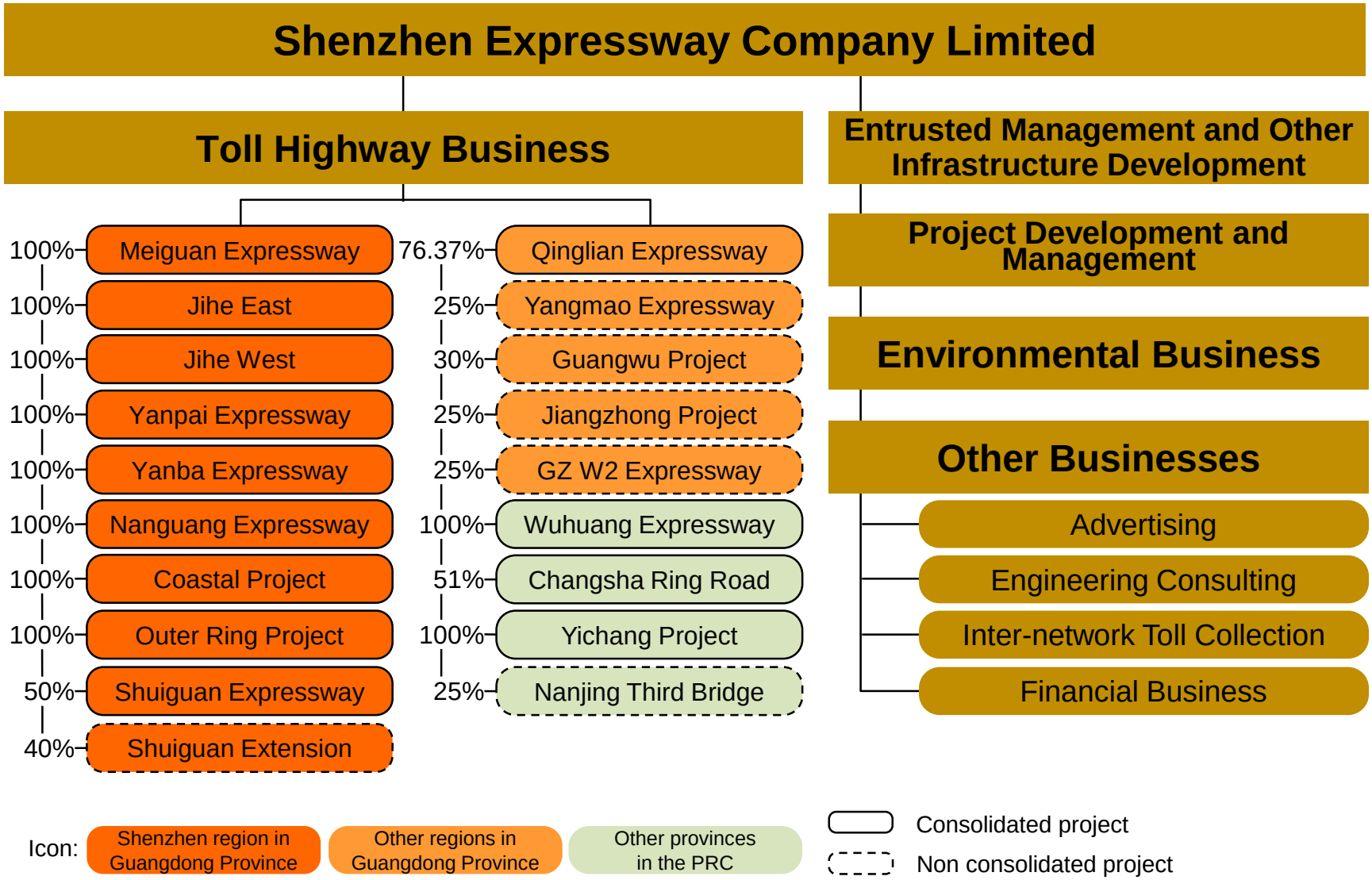
Appendix

Shareholding Structure



The total share capital of the Company is 2,180,770,326, of which H shares are 747,500,000, accounting for 34.28% and domestic shares are 1,433,270,326, accounting for 65.72%.

Business Structure



Toll Highway Projects Summary

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 Note	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 Note	100%	Shenzhen	15.6	6	Under operation	2027.03
Nanguang Expressway Note	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 Projects in exchange for cash compensation from the Transport Commission.

Average Daily Mixed Traffic Volume

(Number of vehicles)	2013	2014	2015	2016	2017	1H2018
Shenzhen region in Guangdong Province						
Meiguan Expressway Note1	129,769	84,622	74,956	83,211	92,078	94,858
Jihe East	149,896	189,586	219,169	249,608	270,742	279,494
Jihe West	123,343	149,921	175,533	202,458	215,315	214,371
Coastal Project Note2	-	-	-	-	-	89,341
Shuiguan Expressway	155,477	168,728	191,354	227,055	229,537	231,449
Shuiguan Extension	39,119	61,655	75,377	97,710	105,094	110,363
Other regions in Guangdong Province						
Qinglian Expressway	28,344	33,026	33,290	36,753	41,190	43,482
Yangmao Expressway	31,481	34,935	40,485	45,828	50,142	52,413
Guangwu Project	27,177	31,935	34,792	40,086	35,479	38,921
Jiangzhong Project	89,467	101,183	107,246	120,351	142,278	141,558
GZ W2 Expressway	42,175	46,205	50,007	58,638	71,316	76,295
Other provinces in the PRC						
Wuhuang Expressway	39,127	38,891	40,617	43,908	50,736	54,671
Changsha Ring Road	14,015	16,188	19,798	26,279	32,206	32,931
Nanjing Third Bridge	29,312	27,665	26,777	27,299	32,619	34,862
Yichang Expressway Note3	-	-	-	-	47,941	50,500

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 interests in Coastal Company in February 2018, Coastal Company has been consolidated into the Group's financial statements since 8 February 2018.

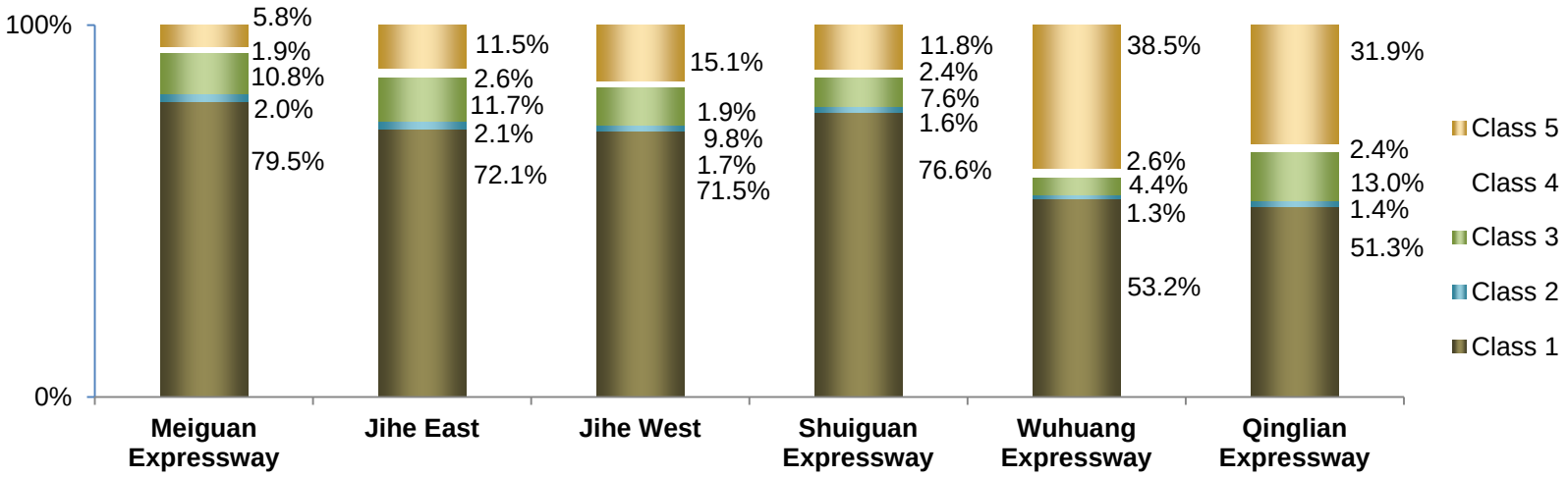
Note3: As the Company completed the acquisition of 100% equity interests in Yichang Company in June 2017, Yichang Company has been consolidated into the Group's financial statements since 15 June 2017.

Average Daily Toll Revenue

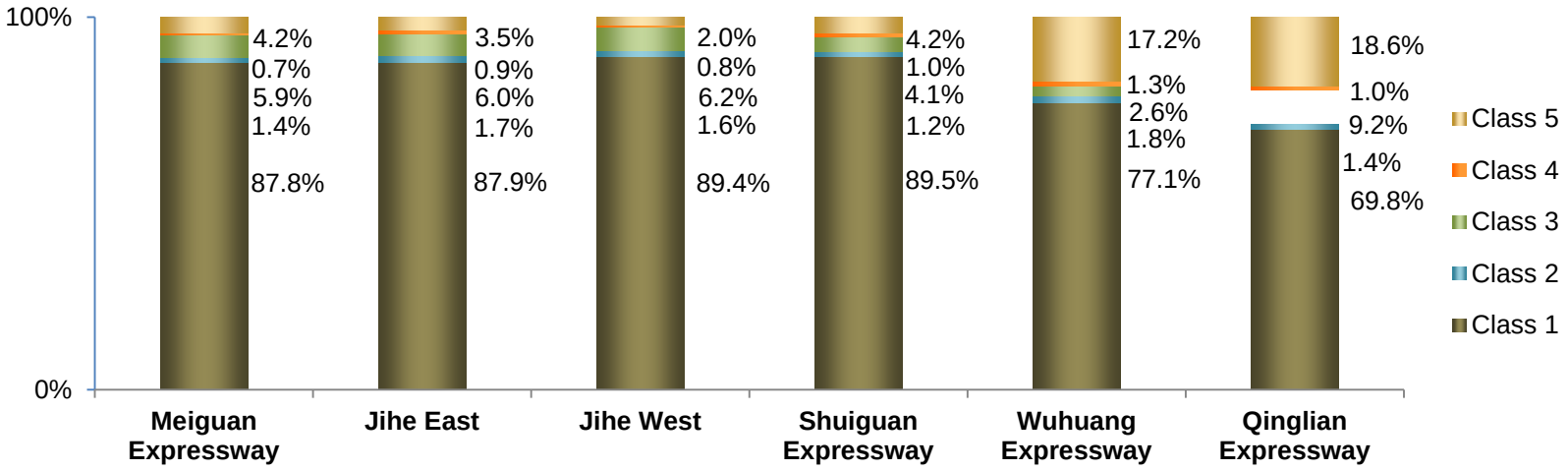
(RMB '000)	2013	2014	2015	2016	2017	1H2018

Vehicle Category of Major Highways in 1H2018

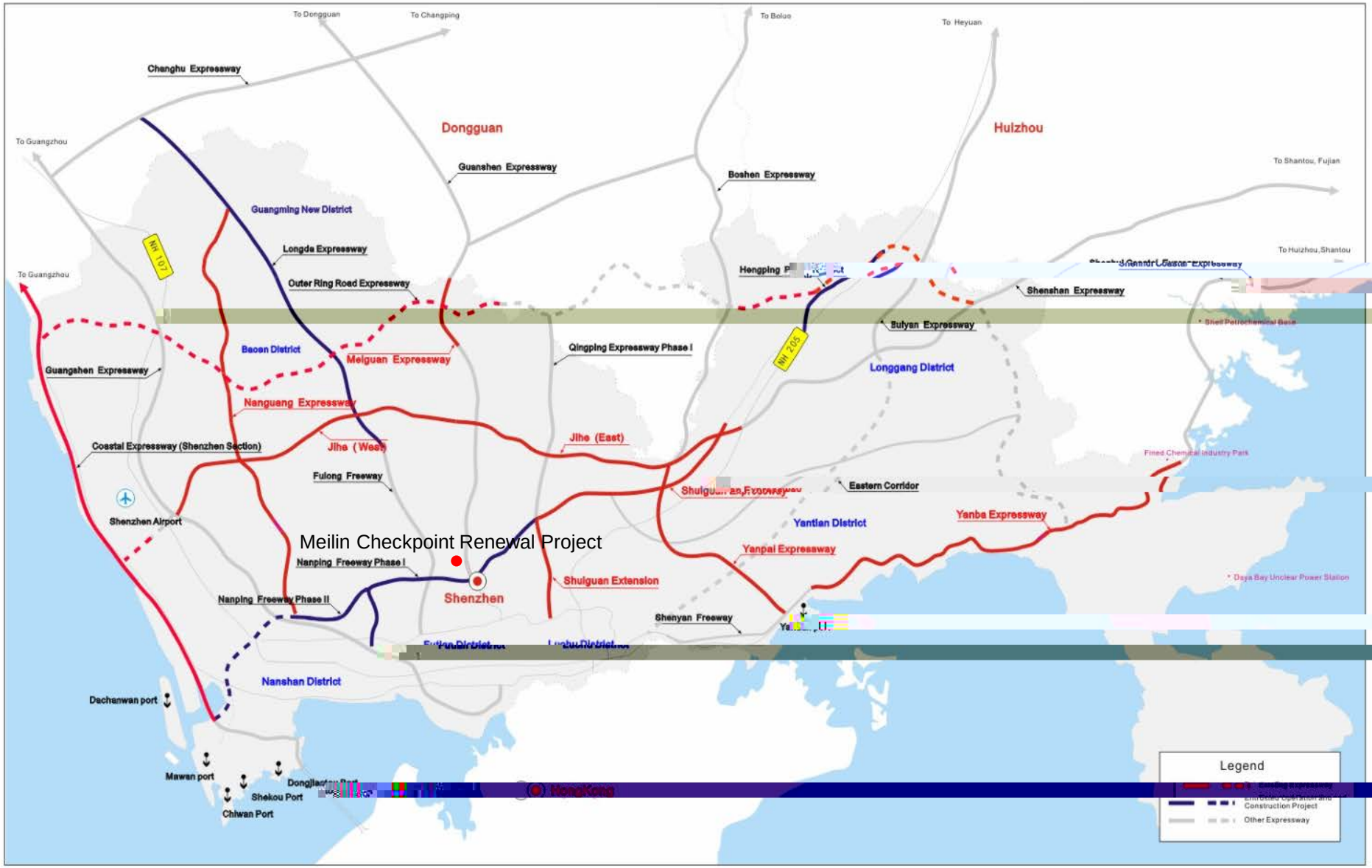
By revenue



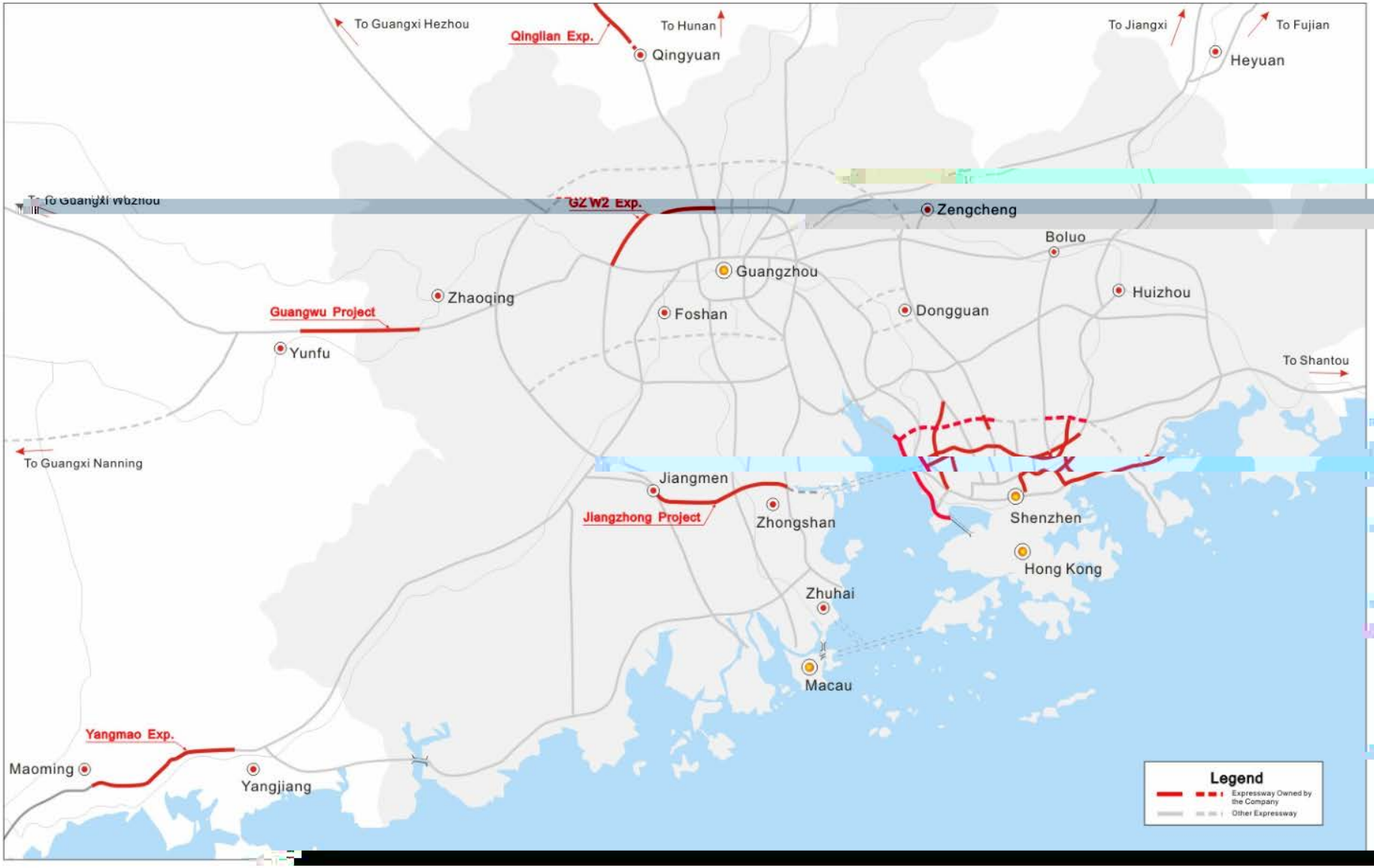
By traffic volume



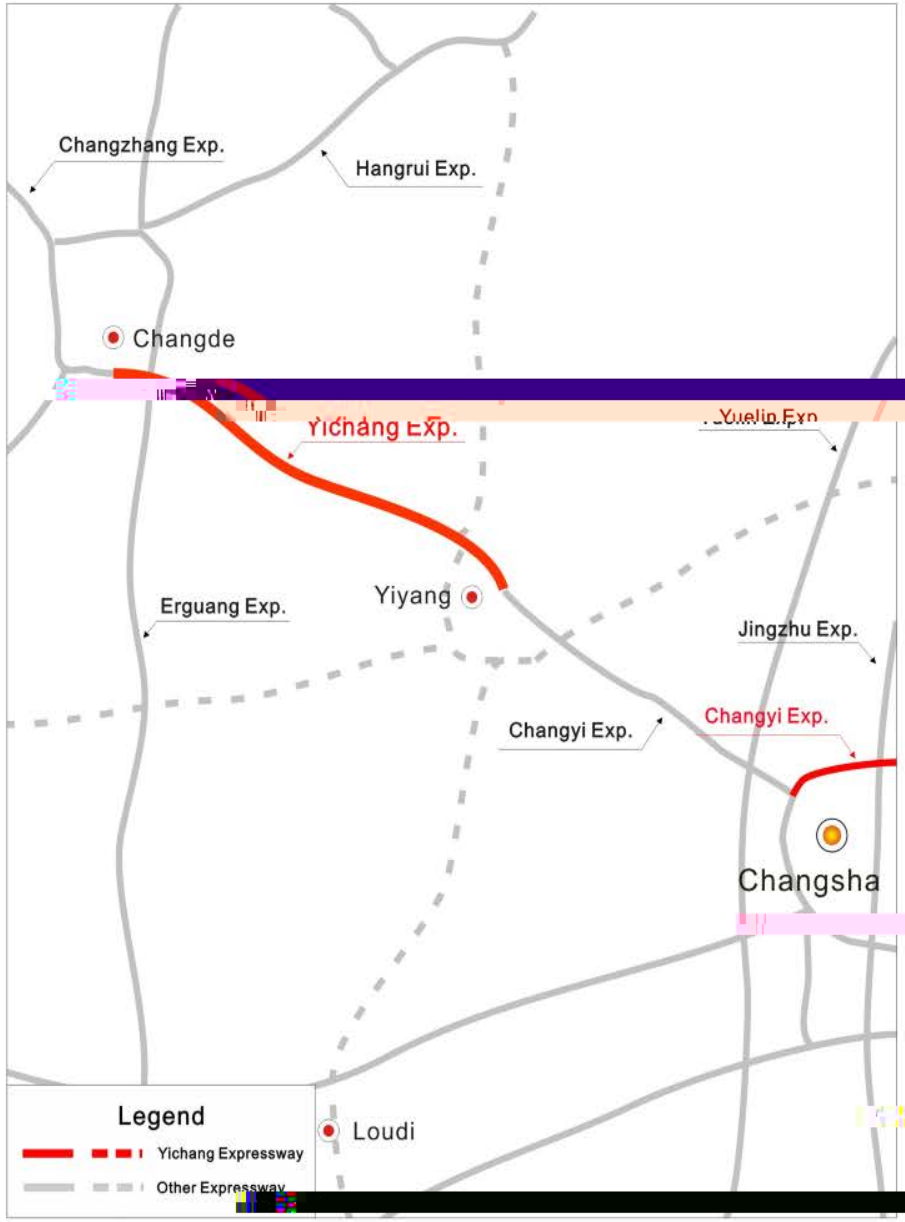
Road Network of Shenzhen

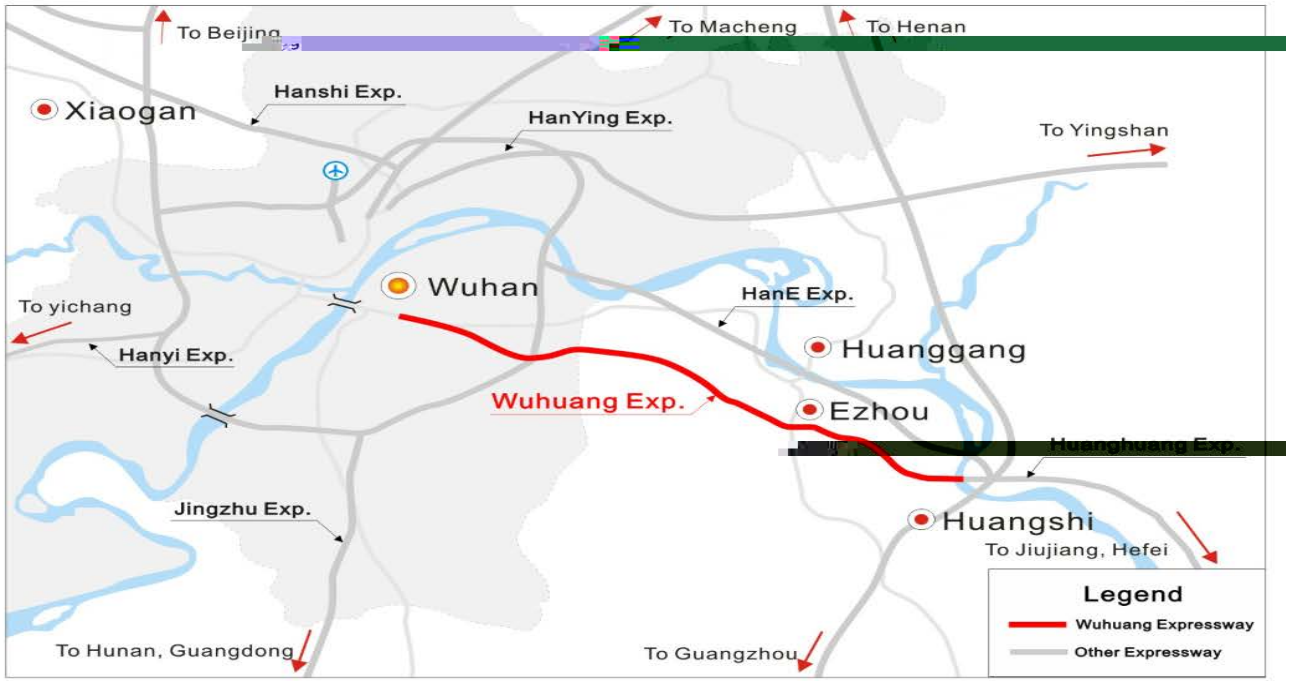


Road Network of Pearl River Delta



To Inner Mongolia
Xiarong Exp.
To Changsha, Beijing
To Xiamen
To Chengdu
Hengwu Exp.
Hunan Province
Yizhang
Yongzhou
Yifeng Exp.
Hunan Province
Lechang
Yonglan Exp.
Guangle Exp.
Lianzhou
Liannan
Qinglian Class 2 Road
Erguang Exp.
Jingzhu Exp.
To Hezhou
Qinglian Exp.
Guangxi Province
Huaiji
Qingxin
Guanghe Exp.
Qingyuan
Guangdong Province
Guangqing Exp.
Huadu
Guangzhou
Legend
Qinglian Expressway
Other Expressway


Changzhang Exp.
Hangrui Exp.
Changde
Yichang Exp.
Yiyang
Erguang Exp.
Jingzhu Exp.
Changyi Exp.
Changyi Exp.
Changsha
Loudi
Legend
Yichang Expressway
Other Expressway


To Beijing
To Macheng
To Henan
Xiaogan
Hanshi Exp.
HanYing Exp.
To Yingshan
Wuhan
HanE Exp.
To yichang
Hanyi Exp.
Huanggang
Wuhuang Exp.
Ezhou
Huanghuang Exp.
Jingzhu Exp.
Huangshi
To Jiujiang, Hefei
Legend
Wuhuang Expressway
Other Expressway
To Hunan, Guangdong
To Guangzhou

To Lianyungang
Jiangsu Province
To Nantong
Ninglian Exp.
Yangzhou
Ningtong Exp.
Anhui Province
To Hefei
Hening Exp.
Nanjing
Huning Exp.
Yangtze River Tunnel
City Ring Road
Nanjing Third Bridge
Ninghang Phase 2
To Shanghai
Zhenjiang
Ningma Exp.
Maanshan
Ninghang Exp.
Legend
Nanjing Third Bridge
Other Expressway
Wuhu
To Hangzhou

To Beijing
Jingzhu Exp.
Changsha Ring Road
To Changde
Changyong Exp.
To Yongzhou
Changchang Exp.
Changsha
Hurui Exp.
Xiangtan
Legend
Changsha Ring Road
Other Expressway

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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