



**SHENZHEN EXPRESSWAY COMPANY LIMITED**

Stock code: 00548(SEHK) 600548(SSE)

# Information Update

**13 November 2018**

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.

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



- The Company was incorporated at the end of 1996 and listed in Hong Kong and Shanghai in 1997 and 2001, respectively. 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%.
- Core business: The Company principally engages in the investment, construction, operation and management of toll highways and roads, as well as other urban and transport infrastructure. Other urban infrastructure mainly refers to the further environmental protection business areas including water environmental remediation and solid waste treatment. In the current stage, the Company operated and invested in a total of 19 toll highway projects, which mainly located in Shenzhen region and Pearl River Delta area of Guangdong Province as well as economically developed provinces outside of Guangdong Province. The mileage of the highways (on equity basis) is approximately 622km. The Company is the largest toll road operator in Shenzhen City.
- Total assets: RMB44.4 billion (as at 30 September 2018)
- Development Strategies
  - Development orientation: Construction and operation service provider of urban and transport infrastructure.
  - Development strategy: Consolidating and strengthening the business of toll highway and proactively expanding the environmental protection business with solid waste treatment, water environment remediation, and sanitation integration as the main direction.
  - Development goals: the main business indicators of the toll road business will reach the leading level of domestic industry by 2020; the subdivision of environmental protection business will strive to achieve the leading level of industry within 3 to 5 years; to create intelligent transportation, intelligent environmental protection, and intelligent Shenzhen Expressway.

# 2018 Third Quarterly Results



## July - September 2018

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- The overall traffic volume and toll revenues of the toll highway projects maintained growth with toll revenue increasing by 2.72% YOY.
- Revenue amounted to RMB1,463 million with a YOY increase of 7.27%.
- Net profit amounted to RMB552 million with a YOY increase of 19.75%.

## January - September 2018

- The overall traffic volume and toll revenues of the toll highway projects maintained growth with toll revenue increasing by 9.96% YOY.
- Revenue amounted to RMB4,140 million with a YOY increase of 13.31%.
- Net profit amounted to RMB1,521 million with a YOY increase of 30.43%.



## Financial Highlights 1

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		(restated)	
<i>(RMB 'million)</i>			
		1,363	+7.27%
Including:		1,327	+2.72%
		461	+19.75%
(EPS) (RMB)			+19.75%



## Financial Highlights 2

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		(restated)	
<i>(RMB 'million)</i>			
		3,654	+13.31%
Including:		3,479	+9.96%
		1,166	+30.43%
(EPS) (RMB)		0.535	+30.43%
(ROE) (%)			+2.78p.pt



## Financial Analysis

### - Revenue & Investment Income

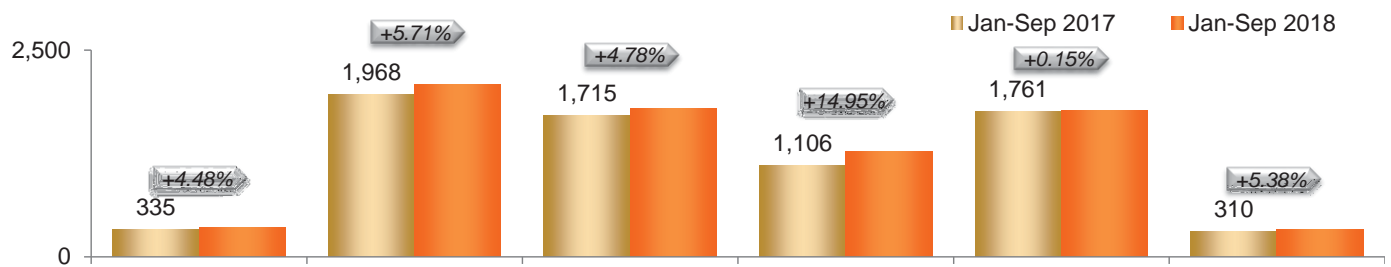
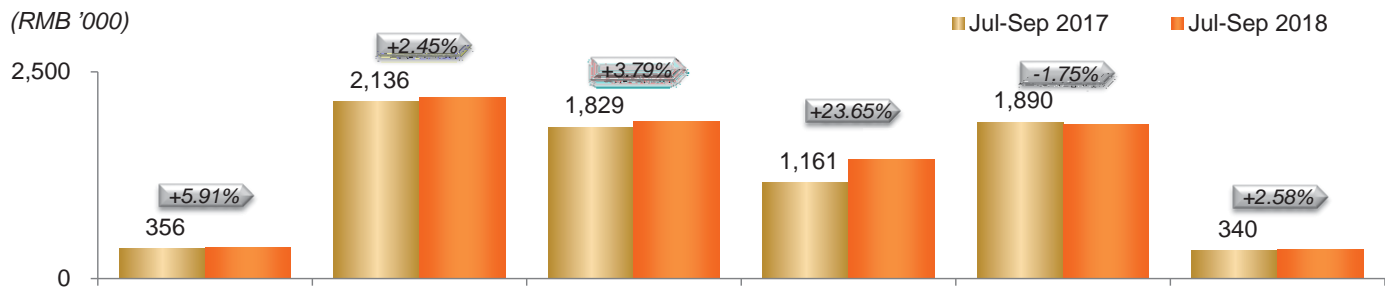
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		(restated)		(restated)	
<i>(RMB '000)</i>			<i>(RMB '000)</i>		
	1,363,476	+7.27%		3,653,767	+13.31%
	1,326,883	+2.72%		3,478,991	+9.96%
	36,594	+172.51%		174,776	+80.09%
	158,899	+23.81%		405,490	+19.70%

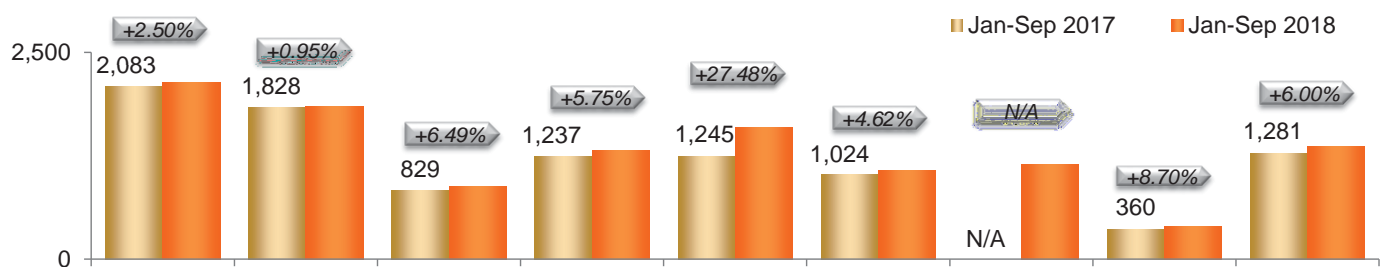
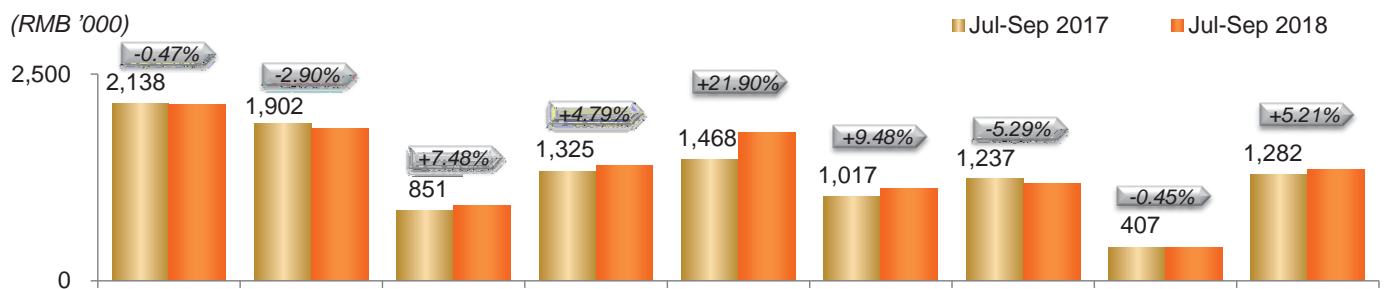
- The growth of revenue was mainly due to the increase in toll revenue.
- The YOY increase in toll revenue from January to September was mainly due to :
  - the revenue contribution resulted from the consolidation of Shenchang Company and Yichang Company into the combined financial statements;
  - the growth of toll revenue from the existing ancillary toll highways.
- The YOY increase in other revenue from January to September was mainly due to the growth of revenues from real estate development of Guilong Development Project and entrusted management services.
- From January to September, the addition of investment income is from Derun Environment.



		(restated)			(restated)	



■ 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, the Company no longer discloses data for the Three Projects.





## Operational Performance - Average Daily Mixed Traffic Volume

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	<i>(Number of vehicles in thousands)</i>			<i>(Number of vehicles in thousands)</i>	
	100	+7.83%		92	+8.20%
	295	+2.95%		270	+6.54%
	231	+1.74%		215	+2.76%
	89	+9.22%		81	+10.58%
Note	232	+1.25%		214	+3.54%
Note	81	+5.06%		74	+7.47%

- Coastal Project has been consolidated into the statements since February 2018.
- The traffic volume which is toll free during the holidays is not included in the figures of average daily mixed traffic volume.

Note: In September 2018, Shuiguan Expressway and Shuiguan Extension adjusted their statistical caliber after January 2017, resulting in a great change in traffic volume data. The toll revenue statistics are still using the original caliber. The adjustment does not affect the actual traffic volume and toll revenue of the above-mentioned two projects.



## Operational Performance - Average Daily Mixed Traffic Volume

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	<i>(Number of vehicles in thousands)</i>			<i>(Number of vehicles in thousands)</i>	
	43	+5.90%		42	+5.38%
	57	+1.02%		51	+5.52%
	36	+17.25%		36	+11.15%
	152	+5.49%		142	+3.89%
	77	-9.60%		69	+7.37%
	54	+4.14%		51	+7.37%
	51	+6.57%		N/A	N/A
	34	+17.79%		31	+14.34%
	33	+7.55%		33	+7.04%

- Yichang Expressway has been consolidated into the combined financial statements of the Group since 15 June 2017.
- The traffic volume which is toll free during the holidays is not included in the figures of average daily mixed traffic volume.



# Operational Performance

## Brief Description

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- After the implementation of toll-free policy for the Three Projects, the growth of traffic volume also drove the traffic growth of the connecting Jihe Expressway and Shuiguan Expressway.
- The toll-free policy implemented for Phase II of Qingping Expressway since May 2018 has slight diversion effect on the traffic volume of Shuiguan Expressway.
- Coastal Project has been consolidated into the statements since February 2018. It implements Toll Adjustment of Lorries from 1 March 2018 to 31 December 2020, which is expected to drive the freight traffic volume and has positive effect on its future operation.
- The super typhoon “Mangosteen” has a certain negative impact on the toll revenue of highway projects in Shenzhen during the Reporting Period.
- 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.
- Due to the combined effect of changes in road network, reconstruction of connected roads and implementation of traffic administration measures, though the average daily traffic volume of GZ W2 Expressway declined, its toll revenue kept a relatively high YOY growth.
- The traffic diversion effect of Jianguo Expressway Phase II on Guangwu Project has gradually been eased by the natural growth of traffic, and its 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 (Gulin-Sanjiang), which was opened at the end of October 2017, diverted some of the transit traffic volume from the Qinglian Expressway. During the Reporting Period, the average daily toll revenue of Qinglian Expressway remained stable year-on-year. The construction of Qingxi Bridge and connected engineering and Yuewang Expressway (Yueyang-Wangcheng) was completed successively at the end of the period. The traffic artery from Southern China to Central China will be further highlighted and drive the traffic volume on Qinglian Expressway.
- 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.
- Due to various factors including the implementation of toll-by-weight, traffic diversion of newly-opened road sections, implementation of traffic control measures and changes in the function of business district along the highway, the YOY growth of the toll revenue of Changsha Ring Road slowed down, though its natural traffic volume kept increasing.
- 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.

# Business Development

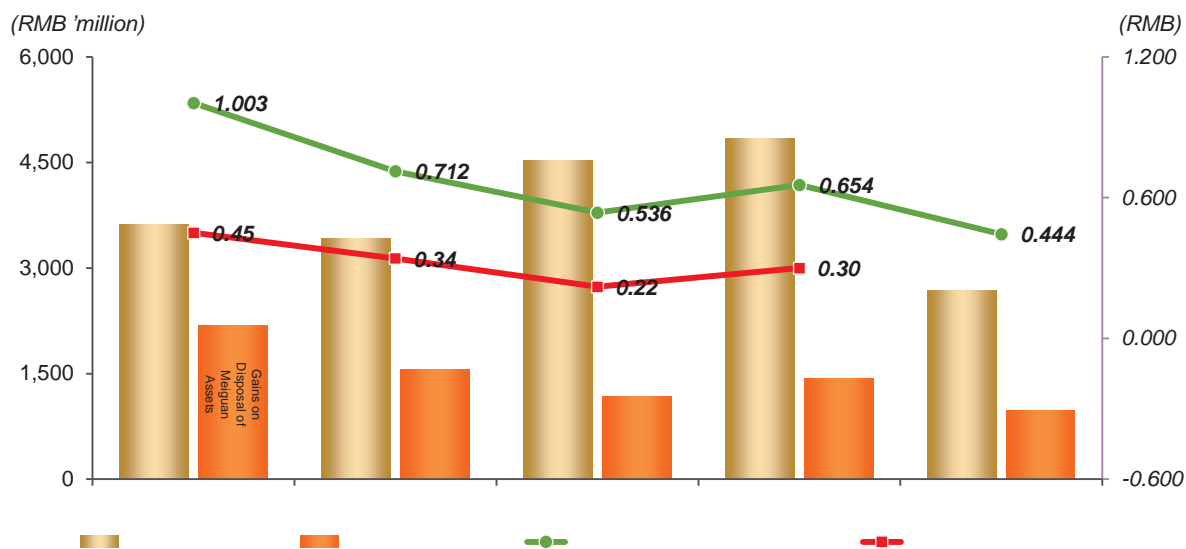
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- Toll Adjustment of the Three Projects: In November 2018, according to the original adjustment agreement, the Fee Entitlement Right of the Three Projects will be returned to the Transport Commission and the Transport Commission will implement toll-free for the Three Projects. The Transport Commission will pay cash compensation to the Company as agreed in the adjustment agreement. The Company will no longer have the Fee Entitlement Right of the Three Projects and will not be responsible for the management and maintenance of the Three Projects. It is expected that the Company will recognize a one-off gain on asset disposal attributable to shareholders of approximately RMB1.52 billion (after tax). The above amount is subject to final review by auditor of the Company.
- Meilin Checkpoint Renewal Project: In order to ensure the quality of the project, improve the project management level and overall return, and achieve the project's expected goals, United Land Company planned to increase the capital contribution on the existing basis. The Company would abandon the priority right of the capital increase. United Land Company intended to introduce Vanke as a strategic investor through public listing with the price for the Capital Increase of RMB2.9 billion. The three parties has entered into the “Capital Injection Agreement” and the Capital Increase has been approved by the general meeting of the Company on 13 November 2018. After completion of the Capital Increase, Vanke will have 30% interests in United Land Company and the interests owned by Xin Tong Chan and the Company in United Land will be accordingly diluted to 35.7% and 34.3%.

# 2018 Interim Results



## Financial Highlights





# Financial Analysis

## - Income Highlights

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		(restated)	
(RMB 'million)		705	+264 +37.42%
(EPS) (RMB)		0.323	+0.121 +37.42%
(ROE) (%)		4.87%	+2.04p.pt
<b>Excluding non-recurring items</b> <small>Note :</small>			
<b>Net profit attributable to owners of the Company</b> (RMB 'million)	<b>788</b>	716	+72 +10.11%
<b>Earnings per share (EPS)</b> (RMB)	<b>0.361</b>	0.328	+0.033 +10.11%
<b>Return on equity – weighted average (ROE)</b> (%)	<b>5.66%</b>	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

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	(RMB 'million)	(RMB 'million) (restated)	(RMB 'million)
		2,290	+387 <small>Note1</small>
<b>Toll highways</b>	<b>2,462</b>	2,152	+310 <small>Note2</small>
<b>Entrusted management services</b>	<b>45</b>	20	+24 <small>Note3</small>
<b>Real estate development</b>	<b>111</b>	56	+55 <small>Note4</small>
<b>Advertising and others</b>	<b>60</b>	62	-2
		1,123	+160 <small>Note5</small>
<b>Toll highways</b>	<b>1,164</b>	1,036	+128
<b>Entrusted management services</b>	<b>22</b>	13	+10 <small>Note6</small>
<b>Real estate development</b>	<b>57</b>	40	+17 <small>Note7</small>
<b>Advertising and others</b>	<b>40</b>	35	+5
		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.



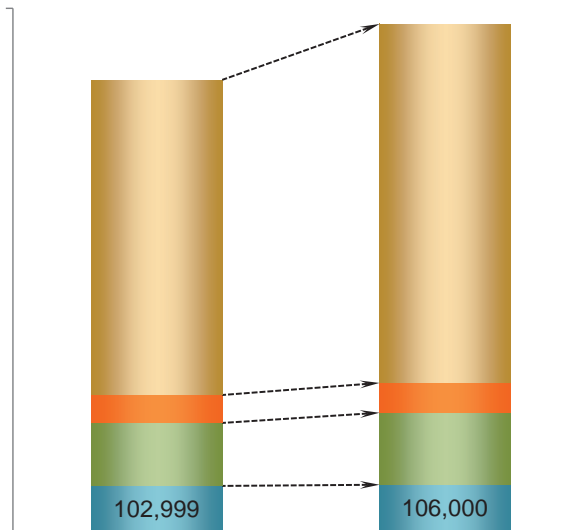
# Financial Analysis

## Operating Income

	(RMB' 000)	(RMB' 000)	(RMB '000)
		372,102	+15,131
		340,609	+25,824
		306,917	+3,784
		299,974	+16,021
		186,029	+4,035
		166,828	+10,088
		86,543	+2,044
		89,885	-13,470
		58,588	+2,152
		195,231	+19,888
		2,102,706	+85,497 <sup>Note</sup>
		16,037	+188,770
		33,366	+36,109
		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 Profit from Main Business

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	Cost of Services		(RMB '000)	Change in Amount (RMB '000)
	1H2018 (RMB '000)	Change in Amount (RMB '000)		
	198,101	+11,222		+3,909
	150,664	+9,934		+15,890
	211,297	+6,271		-2,487
	55,088	+2,567		+13,454
	118,468	+3,027		+1,008
	80,417	-2,468		+12,556
	35,489	-799		+2,843
	51,125	-5,219		-8,251
	34,250	+868		+1,283
	113,081	+5,001		+14,887
	<b>1,047,979</b>	<b>+30,405</b>		<b>+55,092</b>
	94,829	+86,893		+101,877
	21,655	+10,941		+25,168
	<b>1,164,462</b>	<b>+128,239</b>		<b>+182,137</b>



## Financial Analysis

### - Operating Profits from Entrusted Management Service & Real Estate Development

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	Operating Income		Operating Costs		(RMB '000)	(RMB '000)
	1H2018 (RMB '000)	Change in Amount (RMB '000)	1H2018 (RMB '000)	Change in Amount (RMB '000)		
	12,560	+6,000	12,380	+5,820		+180
Note1	13,918	+11,156	4,292	+3,490		+7,666
Note2	9,550	+6,962	5,516	+335		+6,628
Note3	8,491	0	0	0		0
	<b>44,519</b>	<b>+24,119</b>	<b>22,188</b>	<b>+9,645</b>	<b>22,331</b>	<b>+14,474</b>
	<b>110,811</b>	<b>+55,028</b>	<b>56,545</b>	<b>+16,662</b>		<b>+38,366</b>

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

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	(RMB '000)	(RMB '000)	(RMB '000)
Note1		7,080	-7,080
		3,922	+223
		18,683	+640
		41,732	+5,441
		11,404	+378
		19,720	+9,294
		25,330	+2,586
Note2		18,036	+74,410
Note3		62,862	-11,984
Note4		2,735	-130
		211,505	+73,779
		27,504	-27,504
		7,582	-4,253
		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

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	(RMB '000)	(RMB '000) (restated)	(RMB '000)
		429,512	+82,437
Less:		8,028	+21,683
		28,386	+4,042
Add:		(43,432)	+94,171
		349,666	+150,883
		(restated)	
- nominal costs (%)		4.73%	-0.03p.pt
(RMB 'billion)		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

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	(RMB 'million)	(RMB 'million) (restated)	(RMB 'million)
		13,633	+360
(RMB)		6.25	+0.16
		44,015	+385
of which: <b>Cash and cash equivalents</b>	<b>2,147</b>	1,885	+262
		28,225	+12
of which: <b>Total outstanding interest-bearing liabilities</b>	<b>21,332</b>	21,686	-354 <sup>Note</sup>

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

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		(restated)
(Total liabilities / Total assets) <sup>Note</sup>		64.13%
((Total borrowings - cash and cash equivalents) / Total equity)		125.41%
		(restated)
((Profit before tax + interest expenses) / interest expenses)		3.22
(Earnings before interests, tax, depreciation and amortization / interest expenses)		4.93

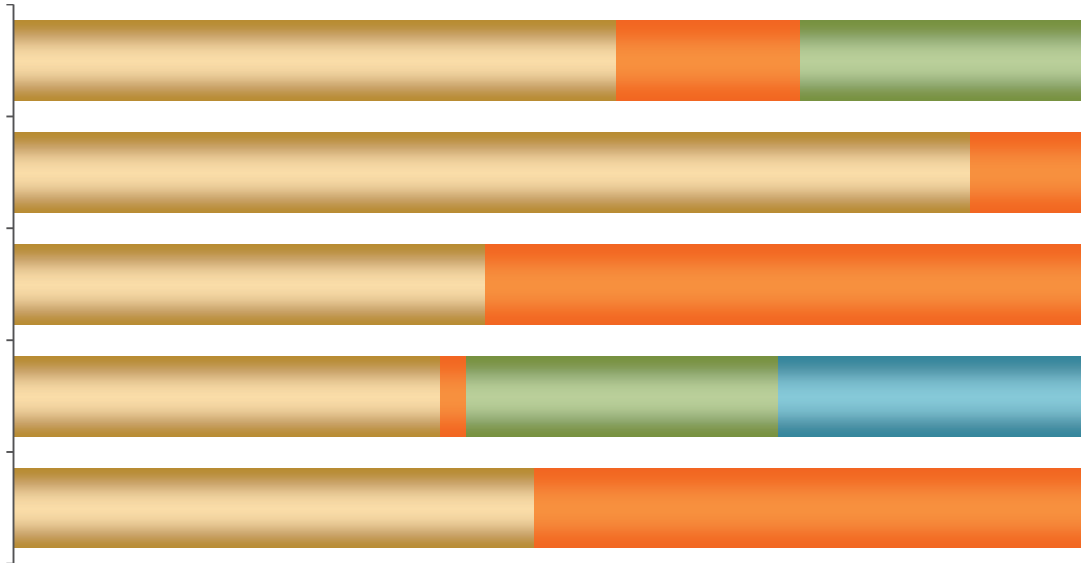
- Due to the combined effect of decrease in the size of borrowings scale and the increase in cash balance, etc., the debt-to-asset ratio and the net borrowings-to-equity ratio of the Group decreased to a certain extent respectively as compared with that at the beginning of the year.
  - The Group's businesses 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

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(as at 30 June 2018)



- 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 1

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# Financial Analysis

## - Capital Expenditure 2

(RMB 'million)					
	<b>389.7</b>				
<b>Outer Ring Project</b>	<b>300.0</b>	983.6	2,051.6	1,396.7	<b>4,431.9</b>
<b>Reconstruction and expansion of Meiguan Expressway</b>	<b>34.2</b>	3.2	1.2	-	<b>4.4</b>
<b>Qinglian Project</b>	<b>3.3</b>	25.1		6.6	<b>40.4</b>
<b>Nanguang Expressway</b>	<b>1.7</b>	9.3	56.9	2.3	<b>68.6</b>
<b>Coastal Phase II</b>	<b>5.3</b>	12.1	17.4	17.4	<b>46.8</b>
<b>Other investment (Investment in mechanical and electrical equipment, etc.)</b>	<b>45.1</b>	152.3	68.1	68.6	<b>288.9</b>
	<b>57.5</b>				
<b>Reconstruction and expansion of Yangmao Expressway</b>	<b>57.5</b>	-	175.0	175.0	<b>350.0</b>
	<b>447.2</b>				

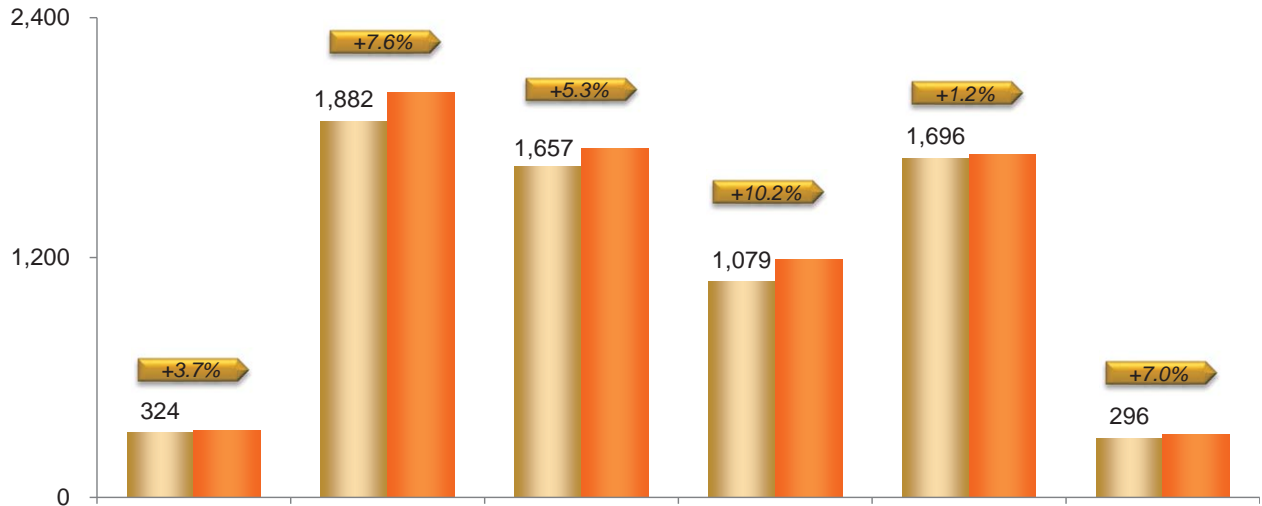


## Operational Performance of Toll Highway - Shenzhen Region

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(RMB '000)

■ 1H2017 ■ 1H2018



- 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, the Company no longer discloses data for the Three Projects.
- Coastal Company has been consolidated into the Group's financial statements since 8 February 2018.

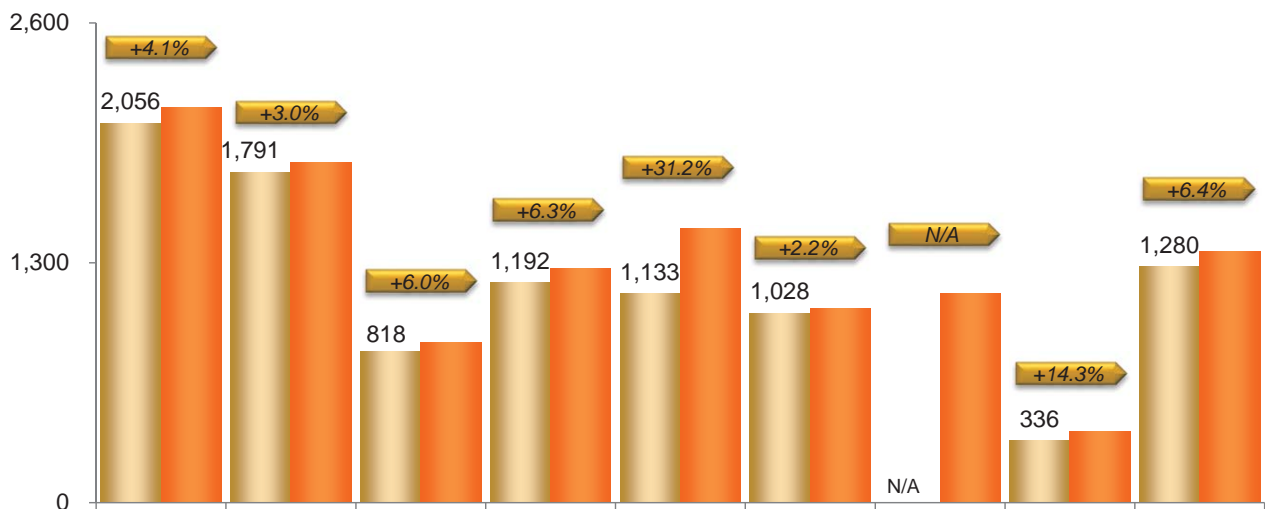


## Operational Performance of Toll Highway - Other Regions

32

(RMB '000)

■ 1H2017 ■ 1H2018



- Yichang Company has been consolidated into the Group's financial statements since 15 June 2017.
- Shenchang Company has been consolidated into the Group's financial statements since 1 April 2017.

- 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.

- 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

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- 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

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- 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.
- 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) according to the proportion of shares held by them, respectively, to be used as the capital for the reconstruction and expansion of Yangmao Expressway. Yangmao Expressway will be rebuilt and expanded according to the eight-lane standard. The total investment amount of the reconstruction and expansion project is approximately RMB8.64 billion.
- Yangmao Expressway has a total length of 79.76 km, and a favorable geographical position. After operating for more than ten years, it has shown a steadily growing operating performance. It has brought a good return on investment to the Company. As the growth of the economy along Yangmao Expressway, its transportation demand will continue to increase. The reconstruction and expansion of Yangmao Expressway can further leverage its line position and enhance its commercial value, which is in line with the Company's development strategy and overall interests.



## Business Development - Environmental Protection Business 1

- 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 g



- 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-Shanw
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## Business Development - Development and Management of Land 2

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- 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, relocation compensation for the properties on the land, preliminary planning costs, and relevant tax. The land parcels are situated at a geographically advantageous location with certain advantages on land price over the market prices of the peripheral areas and also have better investment value and appreciation potential.
- The project was determined to adopt the "entrusted development" model. Vanke has become the entrusted construction management party of the project through the public tendering. The construction of Phase I has been fully commenced.
- In order to ensure the quality of the project, improve the project management level and overall return, and achieve the project's expected goals, United Land Company planned to increase the capital contribution on the existing basis. The Company would abandon the priority right of the capital increase. United Land Company intended to introduce a professional real estate developer as a strategic investor through public listing. The listing price is not less than RMB2.9 billion. After the capital increase is completed, the strategic investors will have 30% interests in United Land Company. At present, the capital increase is in progress.



## Business Development - Other Businesses

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- 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.
- 
- 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, 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, 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.
- 
- 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..



## Major Works in 2H2018

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

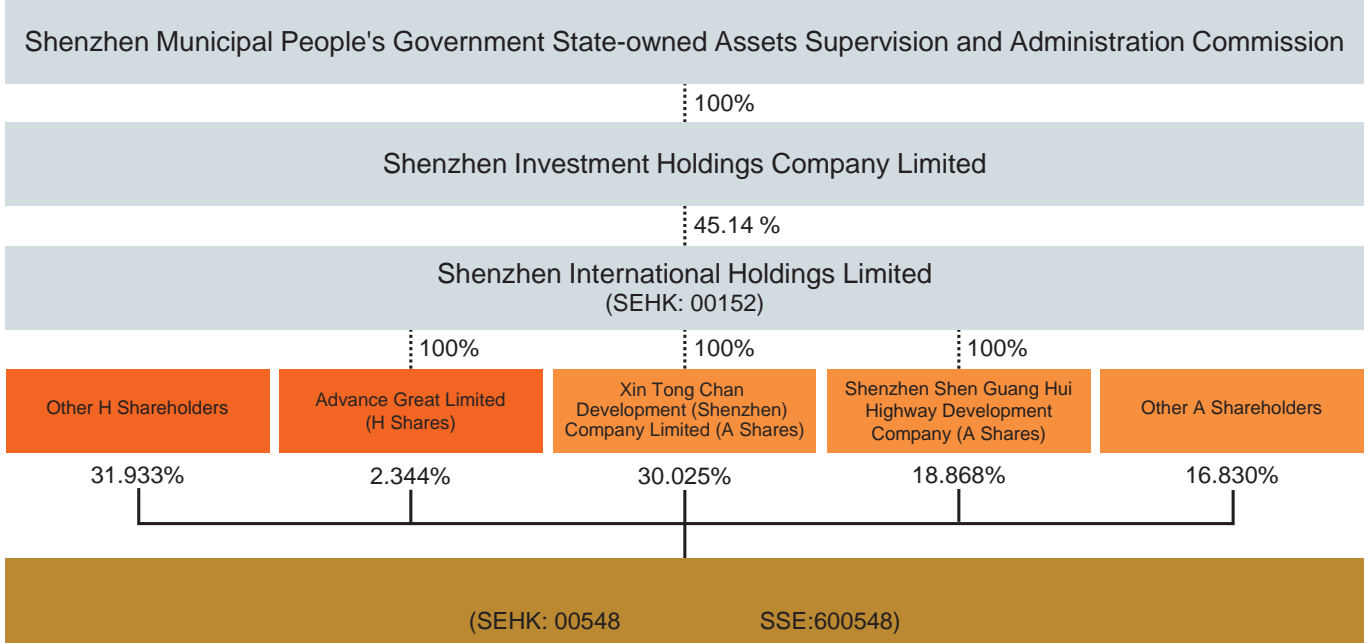
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# Appendix





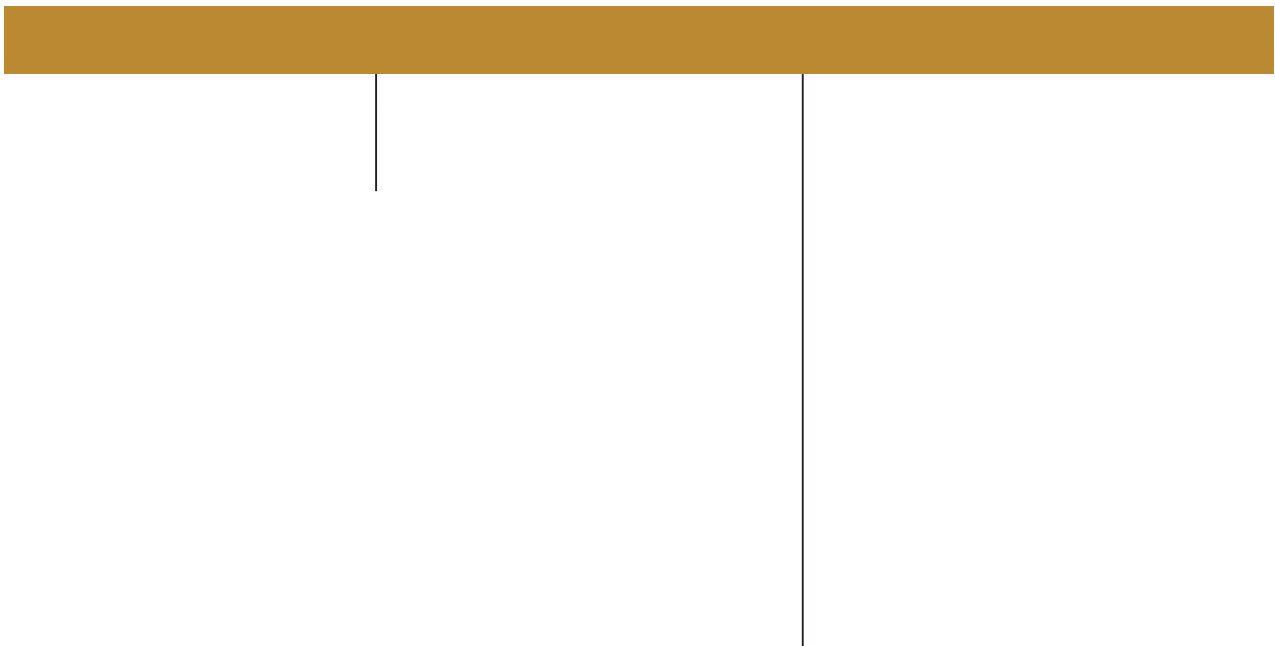
# Shareholding Structure



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

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			(km)			
	100%	Shenzhen	5.4	8	Under operation	2027.03
	100%	Shenzhen	23.7	6	Under operation	2027.03
	100%	Shenzhen	21.8	6	Under operation	2027.03
Note	100%	Shenzhen	29.1	6	Under operation	Section A: 2026.04 Section B: 2028.07 Section C: 2035.03
	50%	Shenzhen	20.0	10	Under operation	2027.02
	40%	Shenzhen	6.3	6	Under operation	2027.02
Note	100%	Shenzhen	15.6	6	Under operation	2027.03
Note	100%	Shenzhen	31.0	6	Under operation	2033.01
	100%	Shenzhen	36.6	8	Phase I: Under operation Phase II: Under construction	2038.12
	100%	Shenzhen	60.0	6	Under construction	-
	25%	Guangdong	79.8	4	Under operation	2027.07
	30%	Guangdong	37.9	4	Under operation	2027.11
	25%	Guangdong	39.6	4	Under operation	2027.08
	25%	Guangdong	40.2	6	Under operation	2030.12
	76.37%	Guangdong	216.0	4	Under operation	2034.07
	100%	Hubei	70.3	4	Under operation	2022.09
	100%	Hunan	73.1	4	Under operation	2033.12
	51%	Hunan	34.7	4	Under operation	2029.10
	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 phase 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.



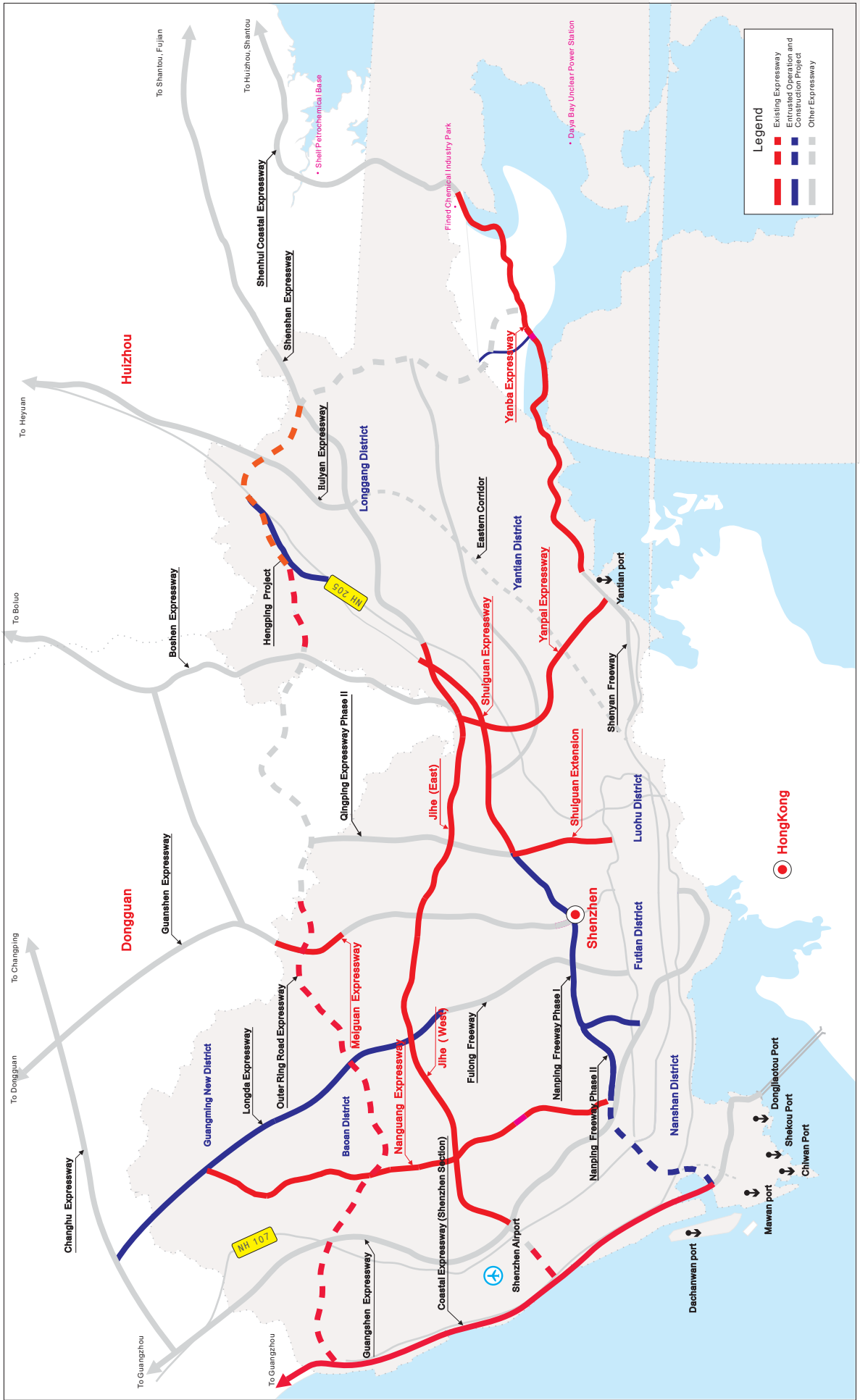
## Average Daily Mixed Traffic Volume

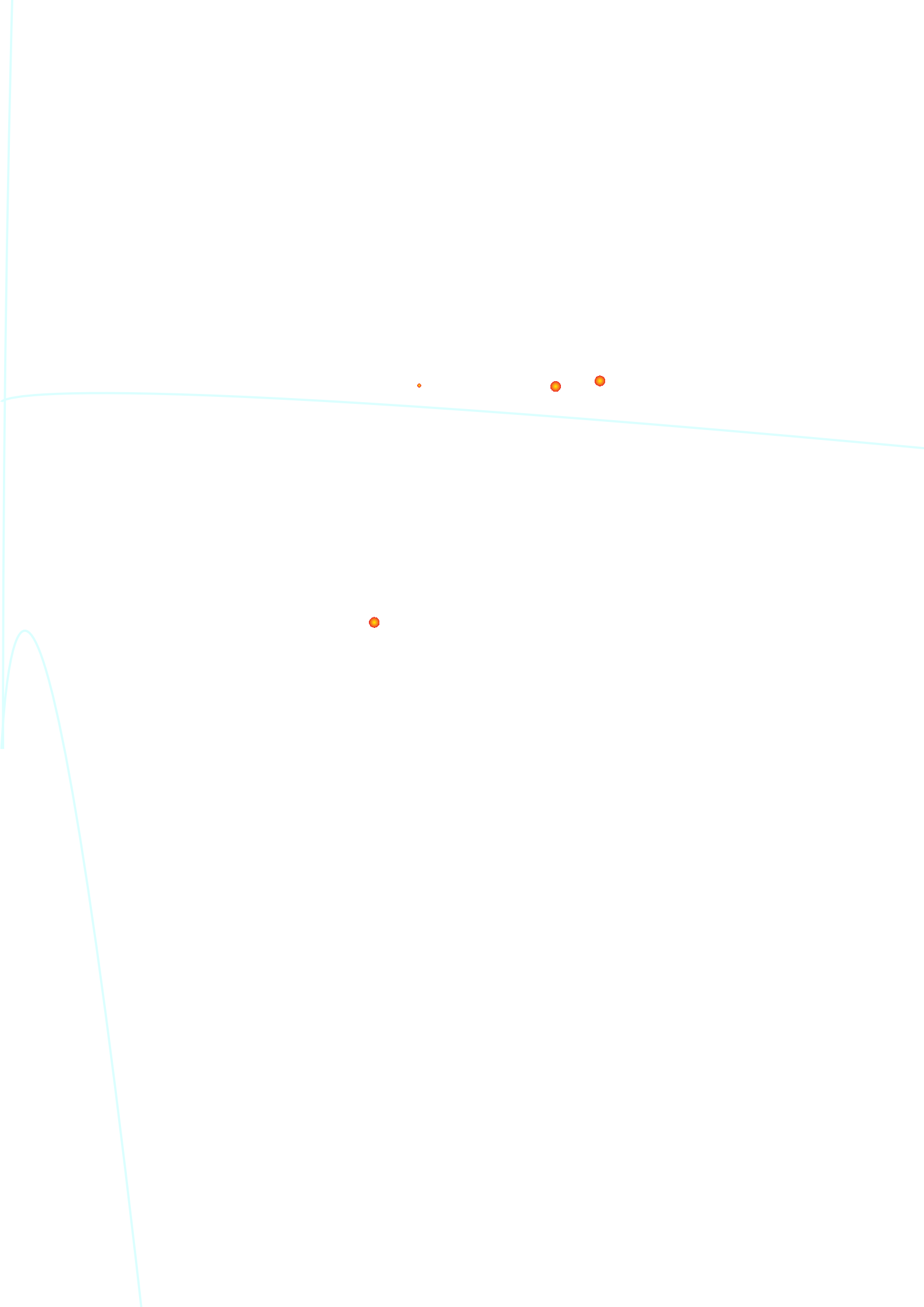
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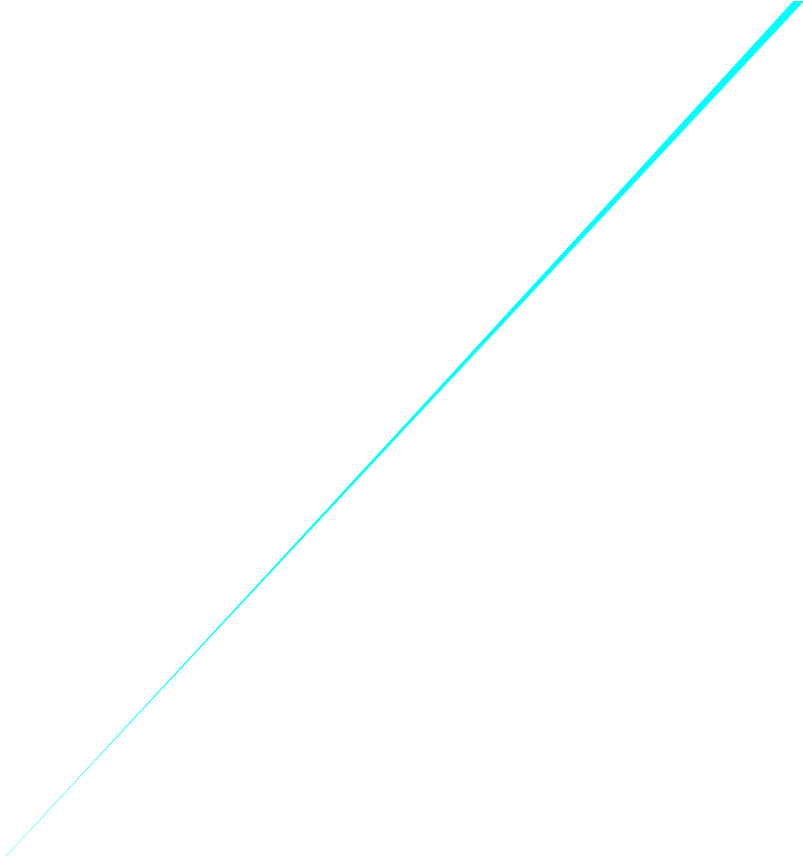
# Road Network of Shenzhen

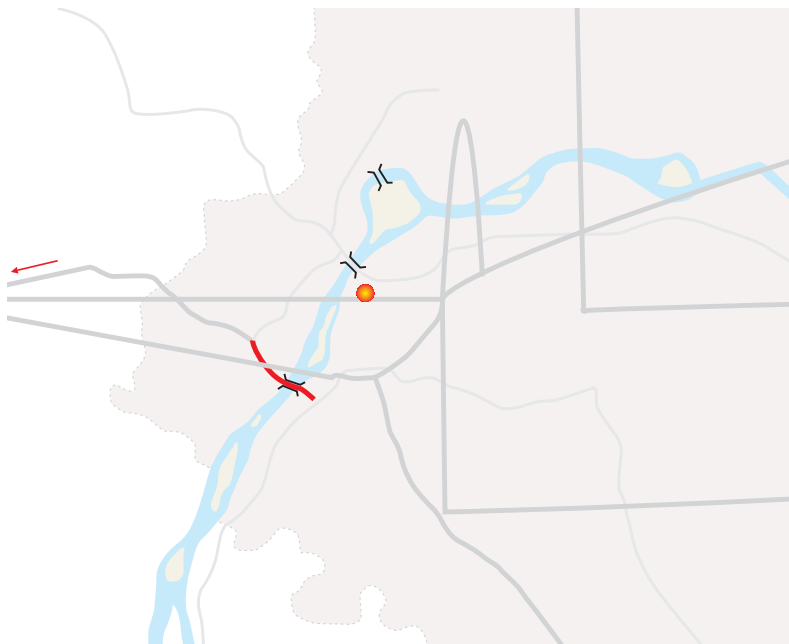




# Road Network of Qinglian Expressway

Guangzhou Hunan Province





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