



# 深圳高速公路股份有限公司 SHENZHEN EXPRESSWAY COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 00548)



# 2010

## Annual Results Presentation

28 March 2011



# Agenda

- Achievements in 2010
- Financial Highlights
- Reviews of Operations
- Financial Analysis
- Prospects and Plans

## Appendices

Note: All financial data presented in this material is prepared in accordance with HKFRS



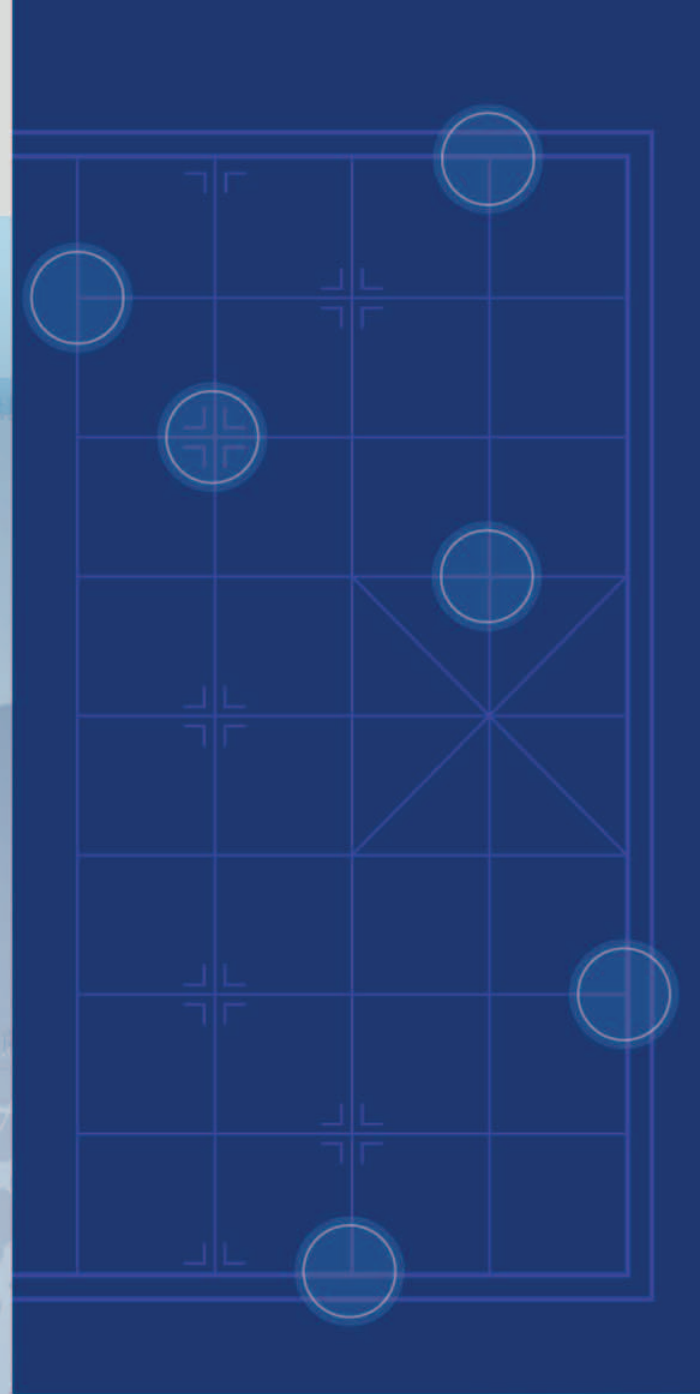


## Achievements in 2010

- Recorded strong double-digit growth in revenue and net profit
- Liannan Section completed on schedule, Qinglian Expressway has achieved thorough connection
- Successfully issued medium-term notes of RMB700 million
- The Board approved the new 5-year Development Strategies, guided the orientation of further development



# Financial Highlights






# Financial Highlights

	2010 (RMB '000)	2009 (RMB '000)
<i>For the Year ended 31 December</i>		
<b>Consolidated statement of comprehensive income</b>		
Revenue	3,041,816	2,475,410
Cost of services	(1,917,986)	(1,788,134)
<b>Gross profit</b>	<b>1,123,830</b>	<b>687,276</b>
Other (losses)/gains - net	2,384	(99)
Administrative expenses	(62,328)	(67,719)
<b>Operating profit</b>	<b>1,063,886</b>	<b>619,458</b>
Finance income	14,161	8,673
Finance costs	(519,382)	(390,944)
Finance costs - net	(505,221)	(382,271)
Share of profit of jointly controlled entities	119,470	252,049
Share of profit of associates	178,849	80,923
<b>Profit before income tax</b>	<b>856,984</b>	<b>570,159</b>
Income tax expenses	(146,912)	(44,826)
<b>Profit for the year</b>	<b>710,072</b>	<b>525,333</b>
<b>Profit attributable to:</b>		
– Equity holders of the Company	745,806	540,219
– Minority interest	(35,734)	(14,886)
	<b>710,072</b>	<b>525,333</b>
<b>Earnings per share for profit attributable to the equity holders of the Company (expressed in RMB per share)</b>	<b>0.342</b>	<b>0.248</b>
<b>Dividends</b>	<b>348,923</b>	<b>261,692</b>

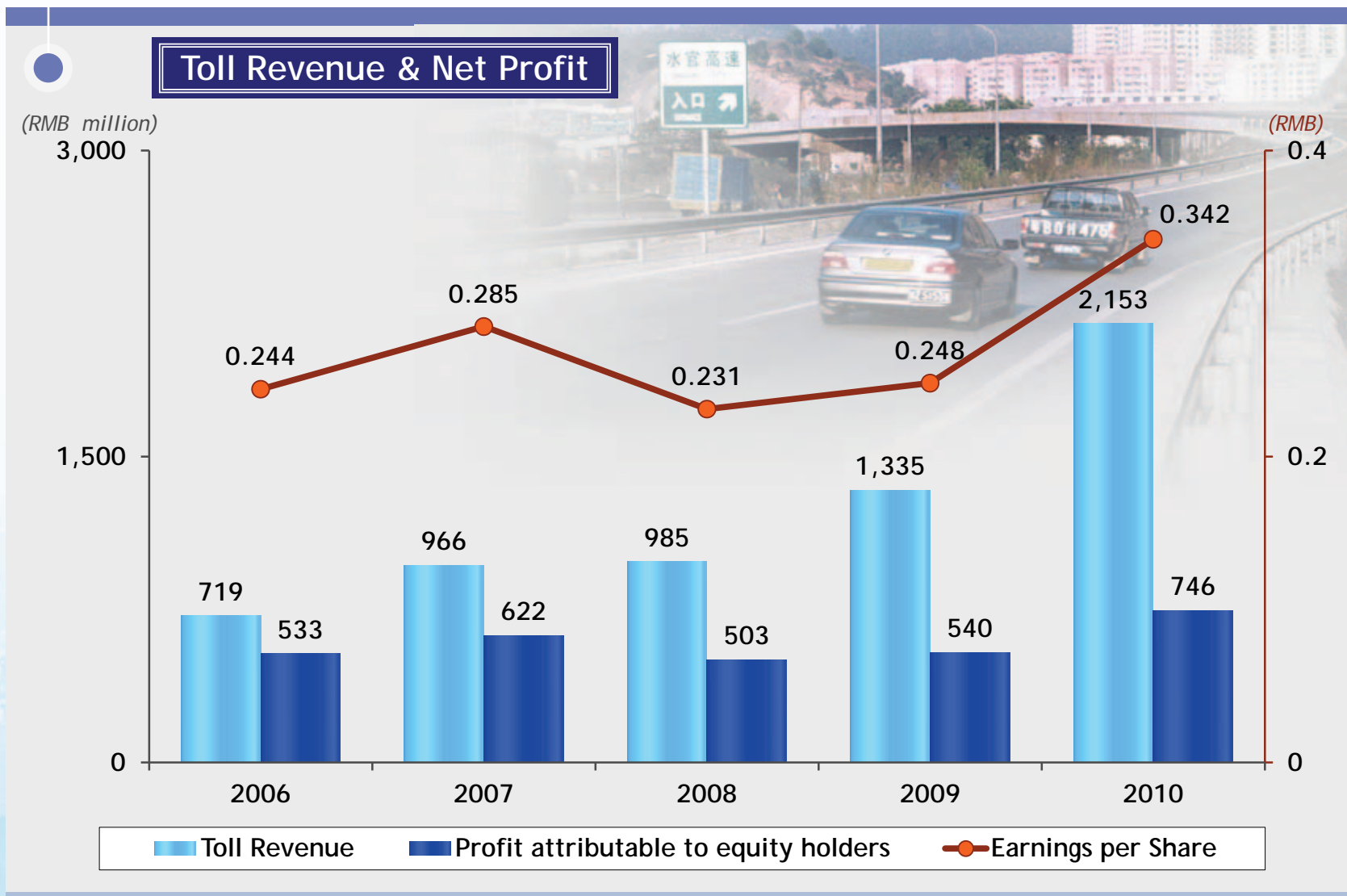


# Financial Highlights (Cont'd)

	2010 (RMB million)	2009 (RMB million)	Change YOY (%)	
<i>As at 31 Dec</i>				
Revenue	3,042	2,475	↑	22.9
Incl: Toll revenue	2,153	1,336	↑	61.2
Construction revenue under service concession	739	1,034	↓	28.4
Profit attributable to equity holders of Company	746	540	↑	38.1
FYI: Net profit excluding the impact of provisions for maintenance obligations	912	604	↑	51.0
Earnings per share (EPS) (RMB)	0.342	0.248	↑	38.1
Return on equity (ROE) (%)	8.58	6.57	↑	2.01p.pt



# Financial Highlights (Cont'd)



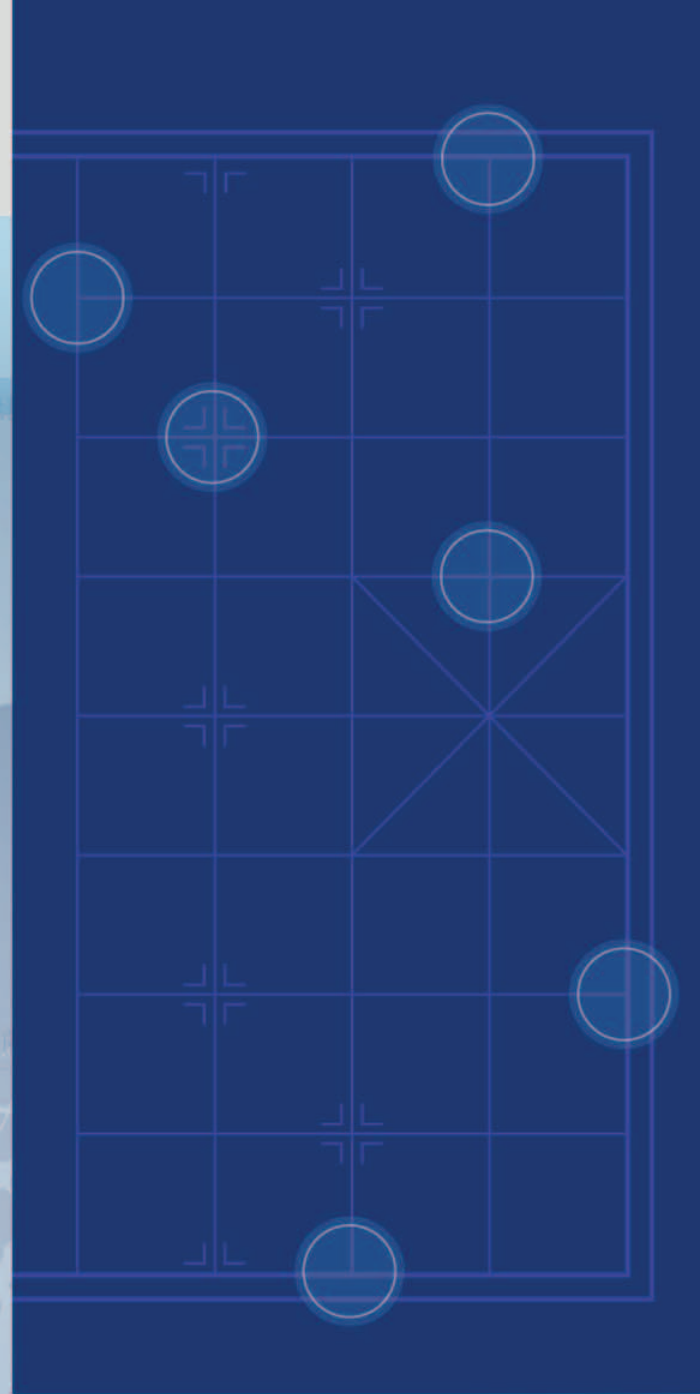


# Financial Highlights (Cont'd)





# Review of Operations





# Reasons for Growth

- A buoyant economy

- Domestic economy underwent recovery growth
  - China's GDP: +10.3% YOY
  - Shenzhen's GDP: + 12.0% YOY
- Continued increase in vehicle ownership
  - China: 90.86 million (+19.3% YOY)
  - Shenzhen: exceed 1.7 million (representing an annual increase of more than 0.25million over the previous year)



- Enhanced road networks

- Proactive marketing and management measures to attract traffic and to improve the overall smoothness and efficiency of the road networks
- Enhancing service standard and strengthening maintenance work to improve the traffic efficiency

● *Daily average traffic/revenue: Double-digit growth for all road sections* ●

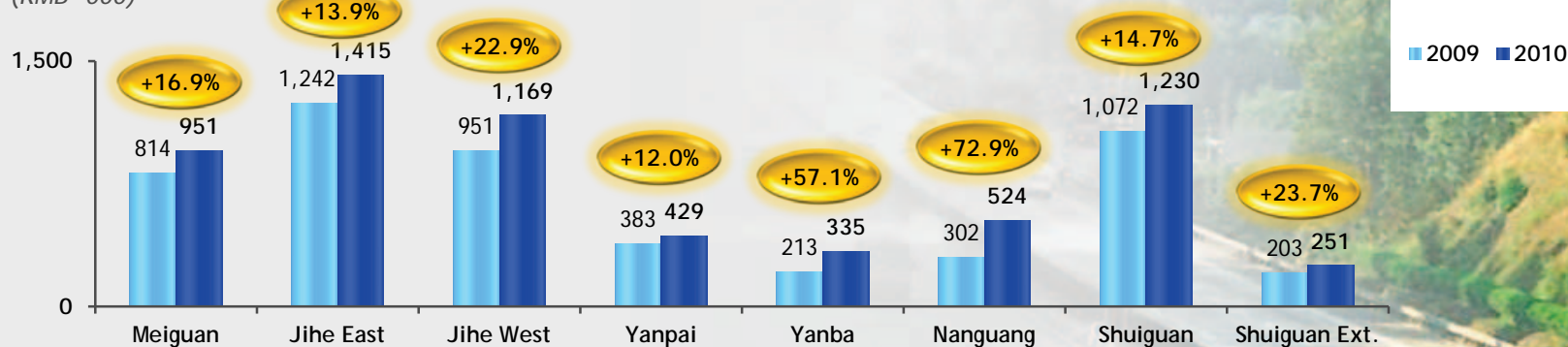


# Operational Performance: Toll Road Business

## Average Daily Toll Revenue

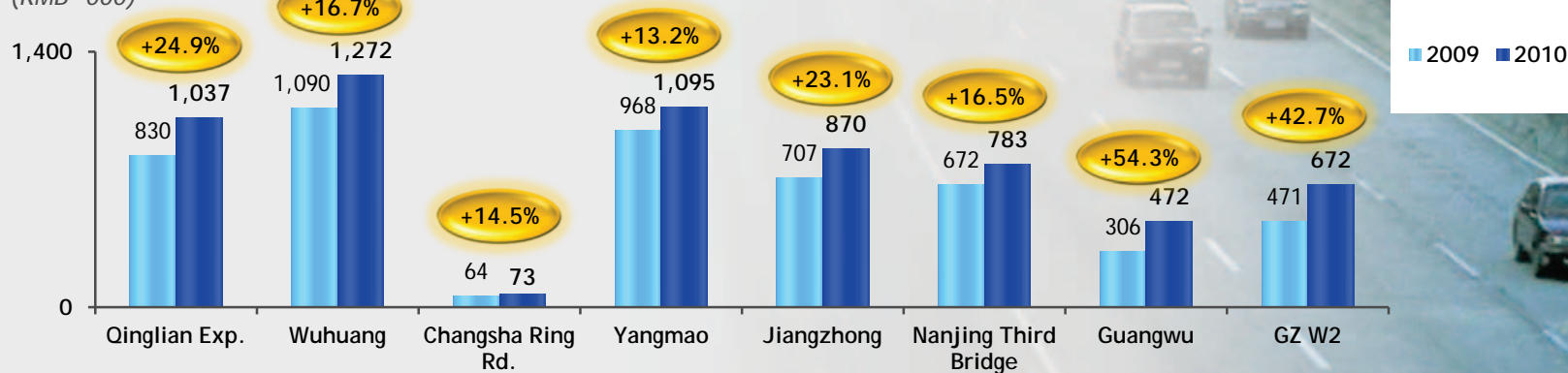
### Shenzhen Region

(RMB '000)



### Other Regions

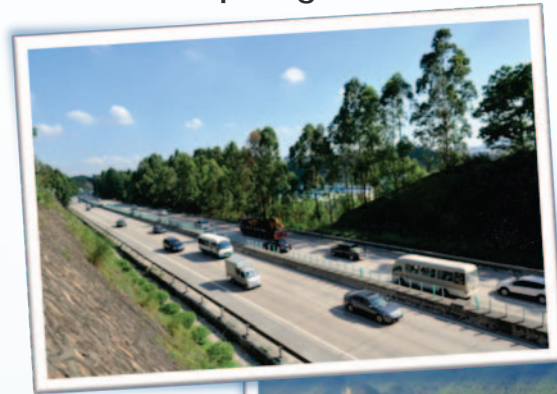
(RMB '000)





# Operational Performance: Toll Road Business (Cont'd)

- **Jihe/Meiguan/Yanpai:** The operations of Guanhui Expressway and Huishen Expressway have caused some diversions, though overall rapid growth in traffic demand, has offset the negative impact thereof
- **Yanba:** The addition of Yanba C and synergistic effect of an enhanced road network nearby boosted traffic volume and revenue
- **Nanguang:** Benefitting from traffic diversions from a nearby parallel municipal road and marketing measures, the traffic volume kept a rapid growth
- **Shuiguan:** Rationalized works implementation plan and transport demand growth in the vicinity reduced the impacts of expansion work, the traffic volume kept a growth
- **Qinglian:** Toll-by-weight policy implemented since Nov 2009 caused an obvious revenue growth; Class II road was closed for maintenance work since Sept 2010 due to surface damage
- **Wuhuang:** Enhanced road network nearby has boosted its traffic volume





# Operational Performance: Project Construction & Developments

## ● Liannan Section of Qinglian Project

- Completed on schedule and commenced operation based on expressway toll standards since January 2011

## ● Meiguan Expressway Expansion (North Section, 11km)

- Completed work on approval processing, construction drawings design, and most of the tendering work, part of construction work started

## ● Shuiguan Expressway Expansion

- Foundation and bridge culverts of the new lanes finished, road-surface works has commenced
- Construction works progressed smoothly and is planned to be completed in mid-2011

## ● Coastal Expressway (Shenzhen Section)

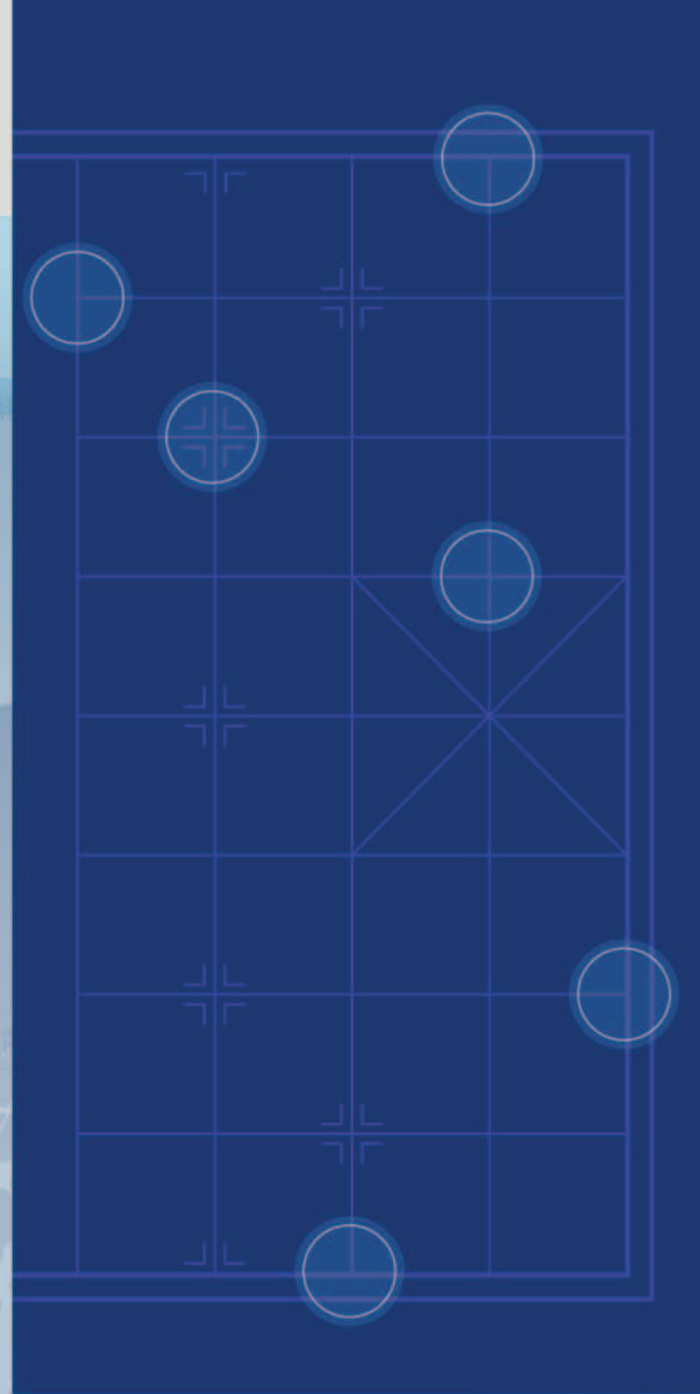
- Management tasks progressed well
- Approval on entrusted construction management contract being processed

## ● Shenzhen Outer Ring Expressway

- Set up Shenzhen Outer Ring Expressway Investment Co., Ltd. to research on risks and profitability on investing in the project (no final investment decision yet)




# Financial Analysis

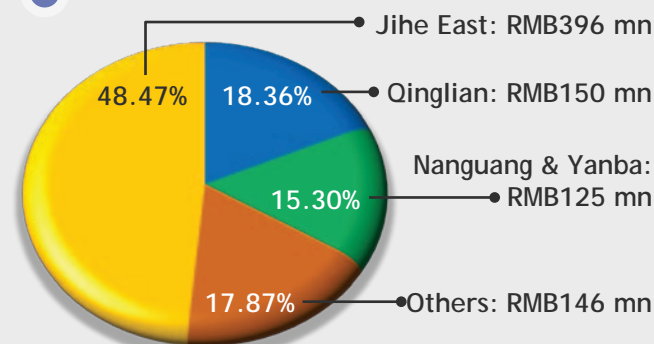





# Financial Analysis – Revenue

	2010 (RMB million)	2009 (RMB million)	Change YOY (RMB million)
Toll revenue	2,152.6	1,335.5	817.1
Management services income	90.9	58.2	32.7
Other income	58.9	48.0	10.9
Construction revenue under service concession	739.4	1,033.7	-294.3

Toll revenue increase:  
+RMB817 mn or +61.18%



	2010 Toll Revenue (RMB '000)	2009 Toll Revenue (RMB '000)	Change YOY (RMB '000)
<b>TOLL ROAD</b>			
Jihe East	516,377	120,469 <sup>1</sup>	395,908 <sup>1</sup>
Qinglian Project	392,225	242,505	149,720 <sup>2</sup>
Nanguang	191,088	110,549	80,539
Jihe West	426,755	347,278	79,477
Meiguan	347,247	297,121	50,126
Yanba	122,406	77,897	44,509
Yanpai	156,453	139,663	16,790
<b>Total</b>	<b>2,152,551</b>	<b>1,335,482</b>	<b>817,069</b>

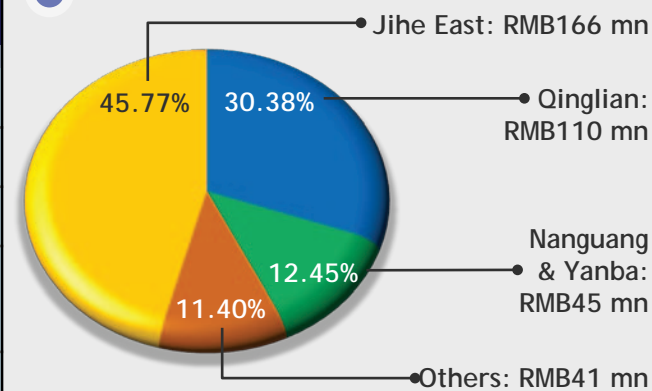
- Jihe East had a full-year revenue consolidation (whereas in 2009 consolidation covered only 3 months as from 30 Sep 2009)
- Qinglian Project had a full-year toll revenue based on expressway toll standards and implementation of the toll-by-weight policy for trucks



# Financial Analysis – Costs and Profits

	2010 (RMB million)	2009 (RMB million)	Change YOY (RMB million)
Cost of services <sup>1</sup>	884.7	523.0	361.7
Costs of management services	34.0	43.2	-9.2
Other costs	26.1	21.3	4.7
Construction costs under service concessions	739.4	1,033.7	294.3
Administrative expenses	62.3	67.7	-5.4

Cost of services<sup>1</sup> increase:  
+RMB362 mn or +69.14%



TOLL ROAD	Cost of services <sup>1</sup>		Profit before interest, tax and admin. expenses <sup>1</sup>	
	2010 amount (RMB '000)	Change in amount (RMB '000)	2010 amount (RMB '000)	Change in amount (RMB '000)
Jihe East	217,796	165,535 <sup>2</sup>	283,650	218,871 <sup>2</sup>
Jihe West	86,741	15,473	329,032	62,571
Nanguang	85,522	23,901	99,767	54,252
Qinglian Project	261,029	109,882 <sup>3</sup>	120,045	34,479
Meiguan	90,692	20,336	244,146	25,415
Yanba	77,924	21,114	40,033	20,700
Yanpai	64,990	5,404	87,037	11,118
<b>Total</b>	<b>884,694</b>	<b>361,645</b>	<b>1,203,710</b>	<b>427,406</b>

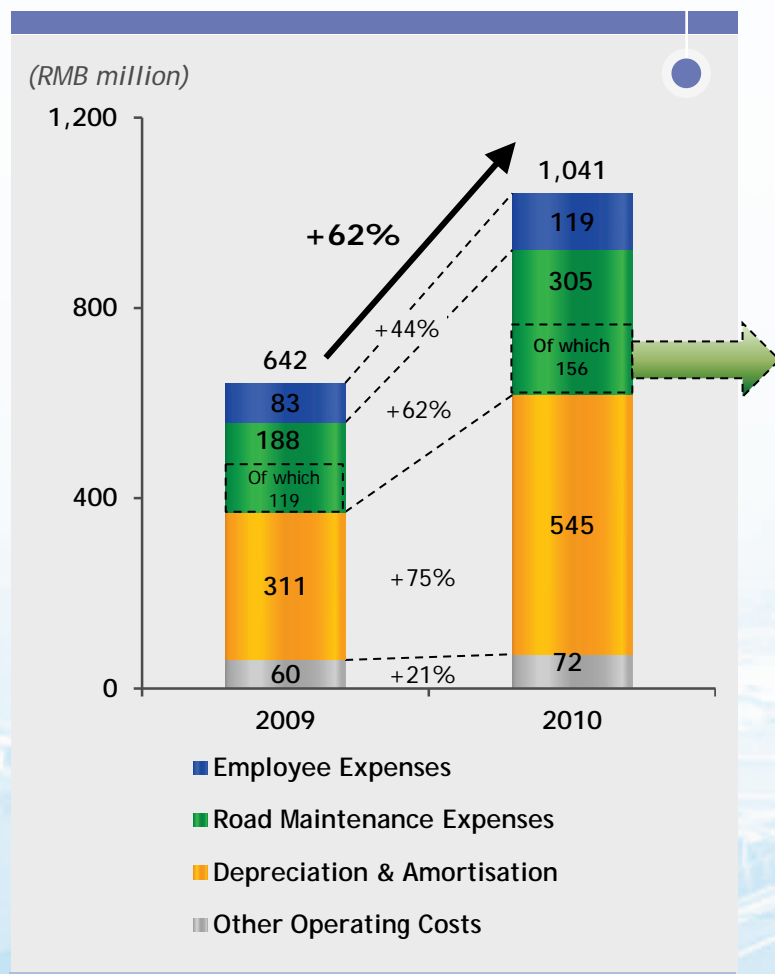
- Excluding provisions for maintenance/resurfacing obligations for Jihe West, Yanba, Yanpai and Nanguang
- Jihe East has been consolidated into the financial statements since 30 Sep 2009. It had a full-year revenue consolidation in 2010 whereas in 2009 consolidation covered only 3 months, caused a big change in amount
- The cost of Qinglian Project increased significantly because of its full-year operation based on expressway toll standards and the maintenance of Qinglian Class 2 Road





# Financial Analysis – Costs and Profits (Cont'd)

## ● Cost of Services Breakdown



## Impact of making and adjusting provisions for maintenance/resurfacing obligations

ITEM	2010 (RMB '000)	2009 (RMB '000)
Cost of services	156,416	118,971
Of which: Jihe West	65,141	50,725
Yanpai Expressway	31,569	24,570
Yanba Expressway	37,711	28,204
Nanguang Expressway	21,995	15,472
Share of profit/loss of jointly controlled entities and associates <sup>1</sup>	(13,760)	46,336
Excluding profit before interests, tax and administrative expenses	(170,176)	(72,635)
Finance costs	46,496	27,509
Income tax	(50,728)	(36,620)
Profit	(165,944)	(63,524)


<sup>1</sup> Difference of investment income in 2010 from that in 2009 was mainly due to the adjustment made to Jihe East on provisions for maintenance/resurfacing obligations



# Financial Analysis – Investment Income

Share of profit/loss of jointly controlled entities and associates

- Share of profit of jointly controlled entities and associates: RMB 298 million (-10.4% YOY)
- Excluding the impact of “provisions for maintenance/resurfacing obligations” and the relevant figure of Jihe East: RMB310 million(+83.39% YOY)

	Toll revenue (RMB '000)	Cost of services of toll highway <sup>1</sup> (RMB '000)	Profit attributable to the Group <sup>1</sup> (RMB '000)	Change YOY (RMB '000)
<b>Jointly controlled entities:</b>				
Wuhuang	462,914	215,170	116,913	42,150
Changsha	26,564	29,223	2,557	-532
<b>Associates:</b>				
Shuiguan	448,915	98,984	95,173	14,812
Shuiguan Extension	91,463	40,504	8,822	3,057
Yangmao	399,625	206,831	24,549	7,985
Guangwu Project	172,218	80,606	11,132	9,829
Jiangzhong Project	317,634	189,317	15,216	15,072
GZ W2	245,298	109,876	23,551	35,046
Nanjing Third Bridge	284,953	126,644	11,955	13,479
<b>Total<sup>2</sup></b>	<b>2,449,584</b>	<b>1,097,155</b>	<b>309,868<sup>3</sup></b>	<b>140,898</b>

<sup>1</sup> Excluding provisions for maintenance/resurfacing obligations made or adjusted

<sup>2</sup> Excluding the figure of Jihe East in 2009

<sup>3</sup> Excluding investment income of RMB2,212,000 from Consulting Company



# Financial Analysis – Finance Costs

## ● Finance costs in 2010



- RMB519.4 million (+32.85% YOY), mainly due to an increase in the expensed borrowing interests of Qinglian Project.
- Excluding provisions for maintenance/resurfacing obligations: RMB472.9 million (+30.12% YOY)

ITEM	2010 (RMB '000)	2009 (RMB '000)	Change (%)
	<i>As at 31 Dec</i>		
Interest expenses	519,510	491,499	5.17%
Less: Interest capitalized	(22,704)	(125,156)	-81.86%
Exchange gain/loss and others	(23,902)	(2,858)	736.95%
<i>Finance costs excluding time value of provisions for maintenance/resurfacing obligations</i>	472,886	363,435	30.12%
Add: Time value of provisions for maintenance/resurfacing obligations	46,496	27,509	69.02%
<b>Finance costs</b>	<b>519,382</b>	<b>390,944</b>	<b>32.85%</b>



# Financial Analysis – Debt Ratio & Repayment

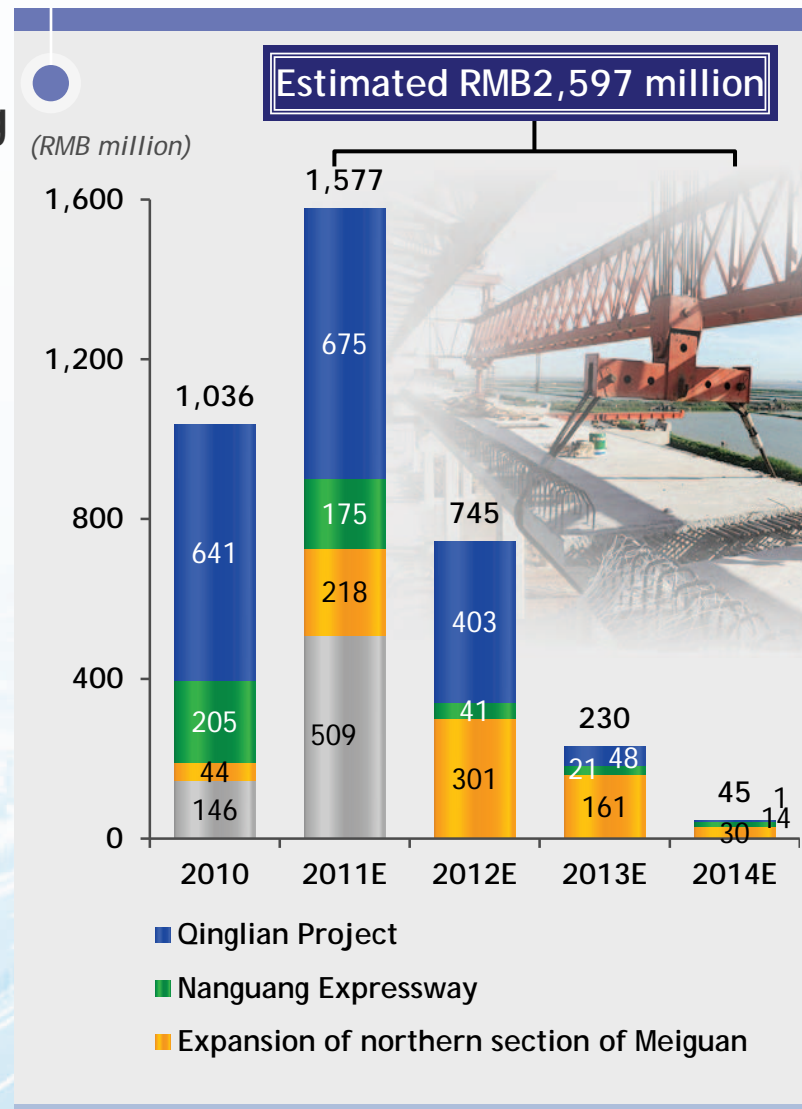
- Owing to growth in profits and operating cash flow, the Group's debt ratio decreased slightly over 2009
- With the issue of the RMB700 million medium-term notes and more use of entrusted loans and foreign currency loans, capital costs were further lowered and the Group's repayment capability was enhanced

	31 Dec 2010	31 Dec 2009
Debt-to-asset ratio (Total liabilities / Total assets)	58.61%	59.96%
Net borrowings-to-equity ratio ((Total borrowings - cash and cash equivalents) / Total equity)	100.01%	108.87%
	2010	2009
Interest covered multiple (Profit before interests and tax / interest expenses)	2.47	1.86
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortization / interest expenses)	3.58	2.49



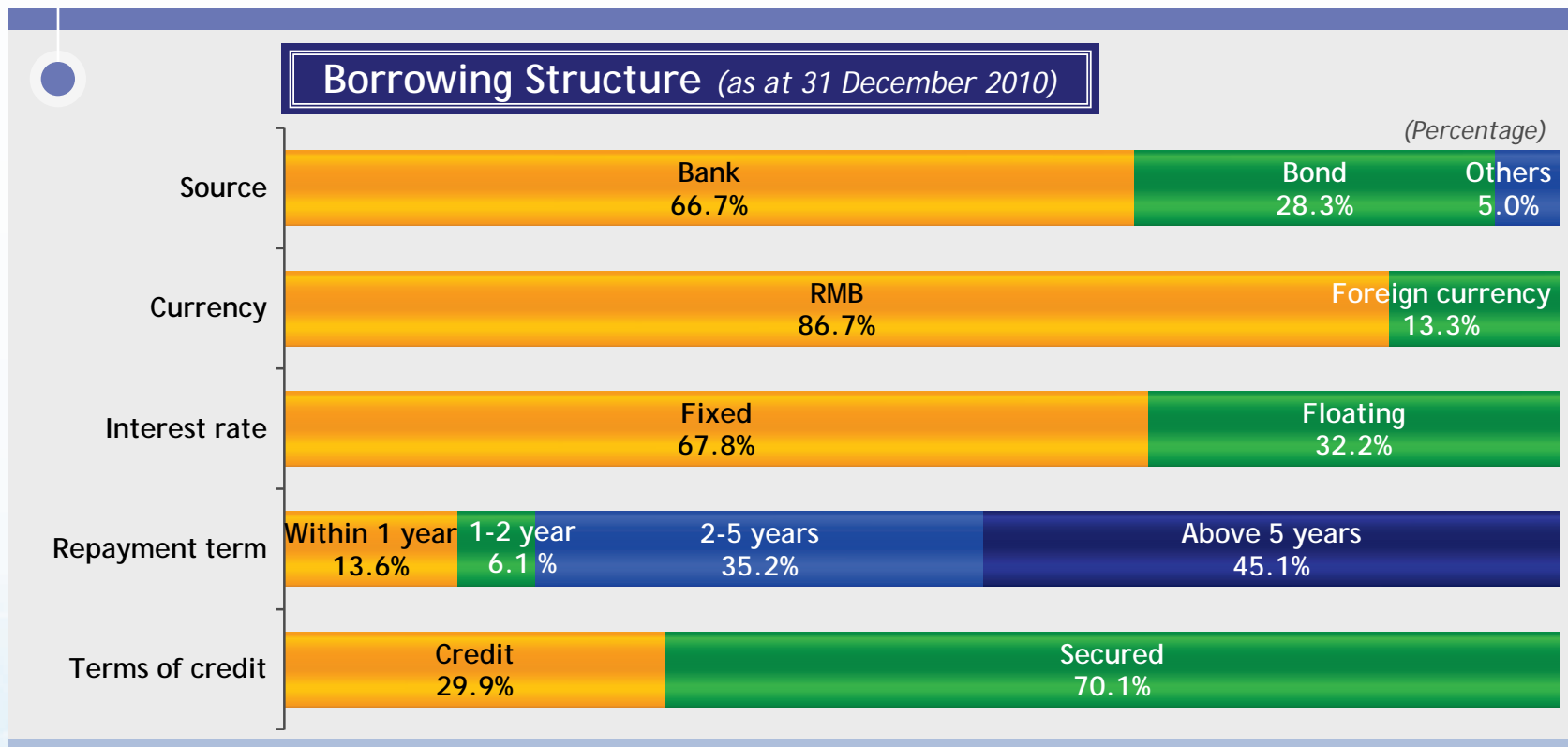
# Financial Analysis – CAPEX

- Capex in 2010 amounted to RMB1,036 million, mainly for remaining payments towards reconstruction of Qinglian Project and remaining construction of Nanguang Expressway
- Capex planning for 2011-2014: Total RMB2,597 million, covering mainly:
  - ➔ Qinglian Project (Rmb 1,127 million)
  - ➔ Nanguang Expressway (Rmb 251 million)
  - ➔ Expansion of Meiguan Expressway (Rmb 710 million)
- Future Capex spending to be funded by internal cash flow and bank borrowings



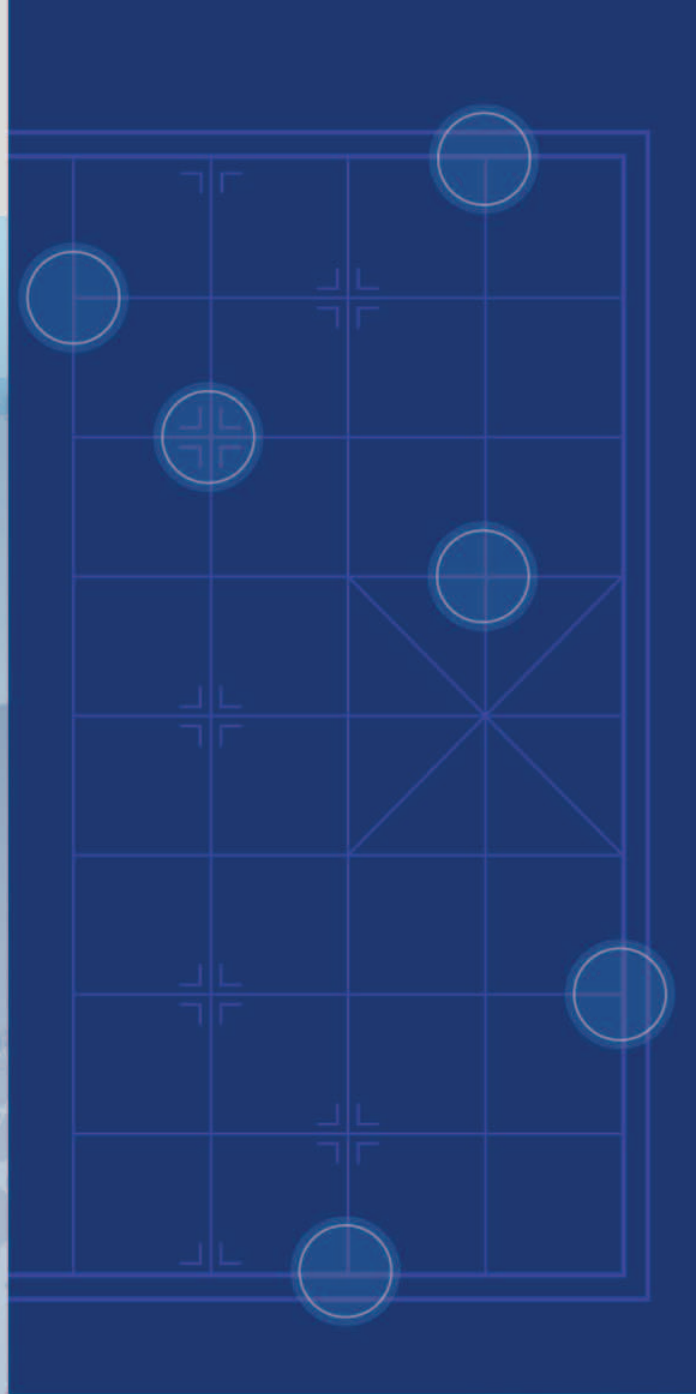


# Financial Analysis – Borrowing Structure



	2010	2009	Change
<b>COMPOSITE BORROWING COST</b>			
Nominal cost	4.77%	5.47%	-0.70p.pt.
Effective cost	4.15%	4.87%	-0.72p.pt.

# Prospects and Plans





# Operating Environment for 2011

## Pros

- Continued economic growth should lead to continued growth of the toll road industry
- Shenzhen City's promulgation of an integrated transport plan per the 12th Five-year Plan will aim to further integrate the Shenzhen and the Shenzhen-Dongguan-Huizhou region, as well as enhancing the hub role of Shenzhen Port. The implementation of the plan will boost the regional transportation demand



## Cons

- Inflation pressure may lead to an increase in the cost of services
- Industry policy changes or adjustments may affect the Company's operating results to varied extents
- The State's tightened monetary and credit policies may lead to increased interest expenses and pose challenges to financing

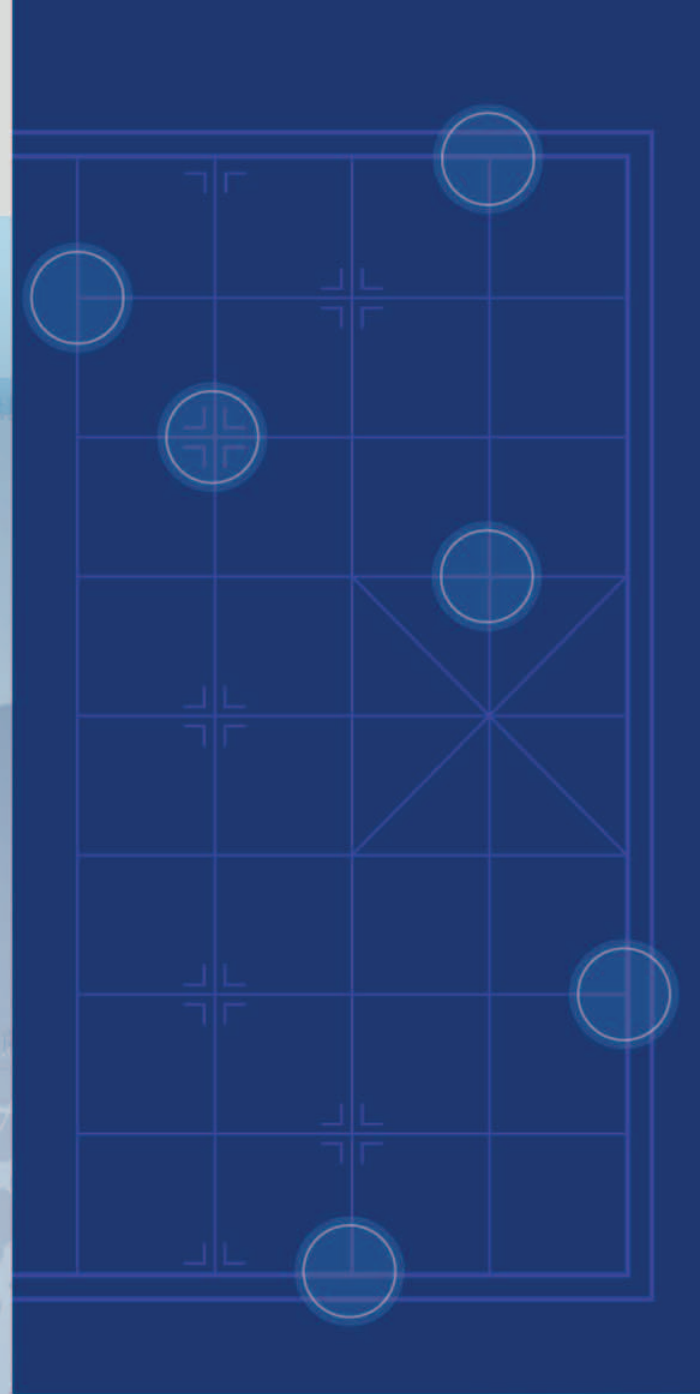




# Work Objectives and Focus for 2011

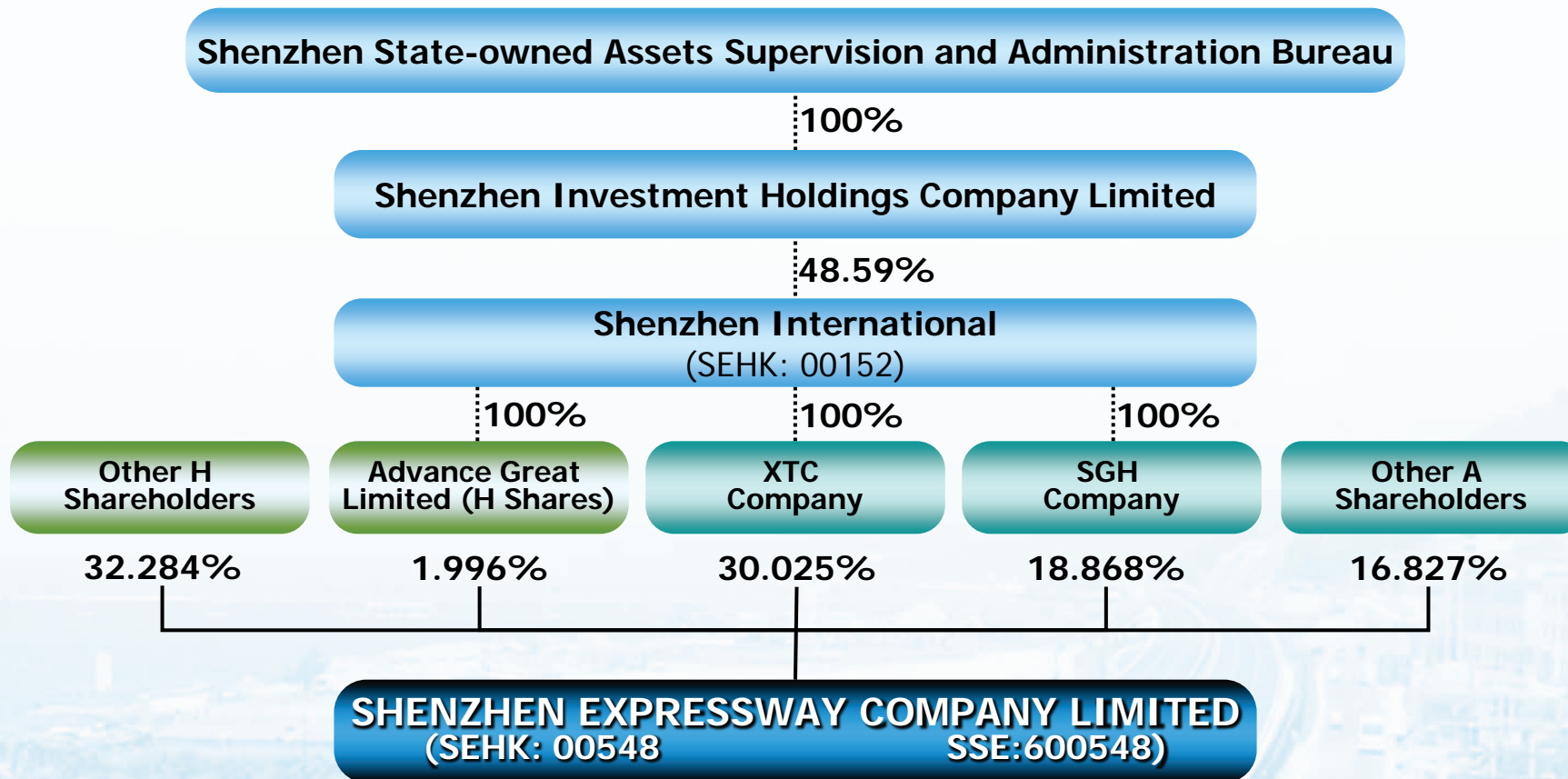
- 谋** **Operating targets**
  - Total toll revenue: not less than RMB 2.45 billion
  - Total cost of services & management expenses: not more than RMB 610 million (excluding depreciation, amortization and provisions for maintenance )
- 度** **Operation management**
  - Continuously enhance standardization and computerization level of operation management, as well as capability on emergency traffic arrangements to assure traffic efficiency and capacity
  - Continue to roll out marketing work to Nanguang, Yanba and Qinglian
  - Strengthen our management of the tolling and database systems
  - Timely carry out preventive maintenance works, prepare well on the preliminary work for Jihe's major maintenance
- 顺** **Construction management**
  - Endeavor to carry out various construction works to meet the objectives on schedule, quality, construction costs and safety
  - Work out specific terms for the entrusted management agreement for Coastal Project
- 蓄** **Other management work**
  - Continue research on new business development
  - Further optimize borrowing structure, rationally control capital costs

# Appendices





# Shareholding Structure

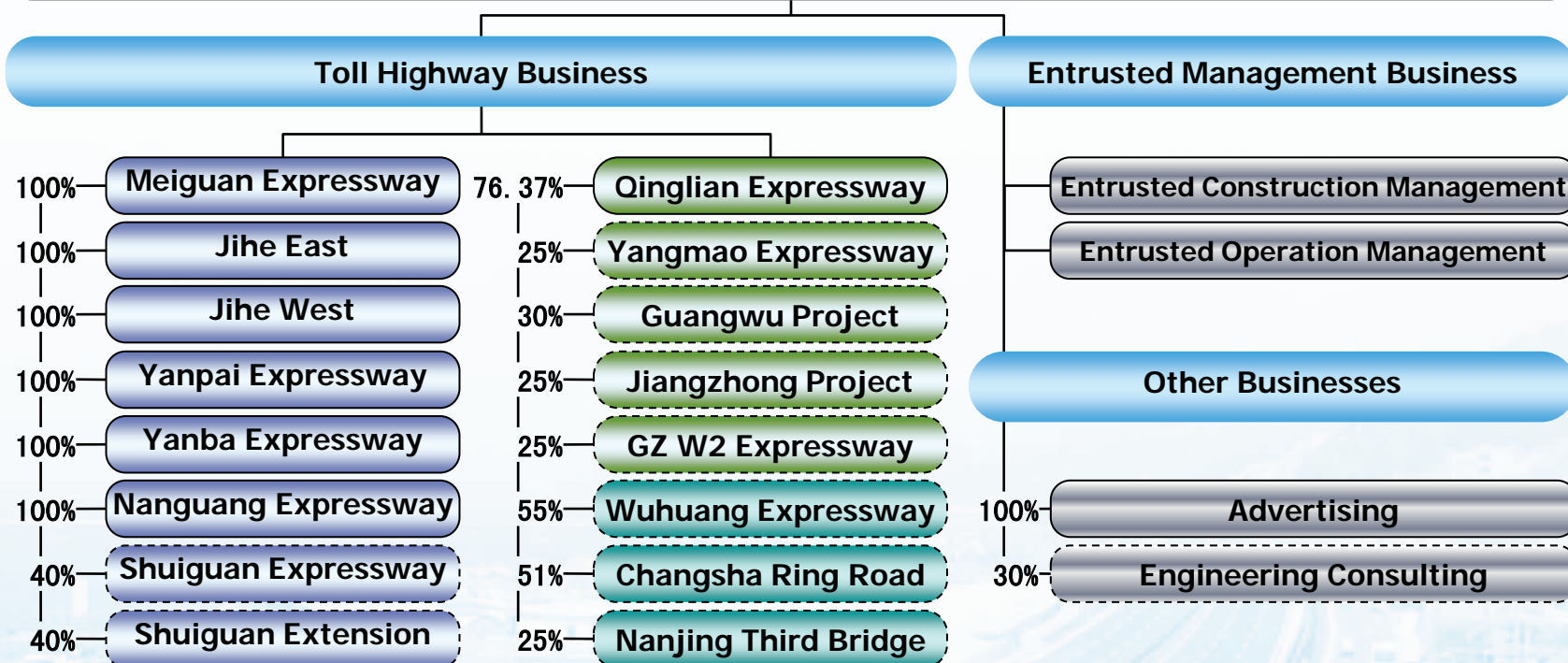


The total share capital of the Company is 2,180,770,326, of which H shares are 747,500,000, accounting for 34.28% and domestic shares are 1,433,270,326, accounting for 65.72%.



# Business Structure

## Shenzhen Expressway Company Limited



### Legend

Shenzhen region

Other regions in Guangdong Province

Other Provinces in the PRC

Consolidated project/ business

Non consolidated project/ business



# Toll Highway Projects Summary

Toll Highway	Interest held by the Company	Location	Length (km)	No. of lanes	Status	Operation period
Meiguan Exp.	100%	Shenzhen	19.3	6/4	Under operation/extension	1995.05-2027.03
Jihe East	100%	Shenzhen	23.9	6	Under operation	1997.10-2027.03
Jihe West	100%	Shenzhen	21.7	6	Under operation	1999.05-2027.03
Yanba Exp.	100%	Shenzhen	29.1	6	Under operation	2001.04-2031.03
Shuiguan Exp.	40%	Shenzhen	20.1	6	Under operation/extension	2002.02-2025.12
Shuiguan Ext.	40%	Shenzhen	5.2	6	Under operation	2005.10-2025.12
Yanpai Exp.	100%	Shenzhen	15.2	6	Under operation	2006.05-2027.03
Nanguang Exp.	100%	Shenzhen	33.1	6	Under operation	2008.01-2033.01
Yangmao Exp.	25%	Guangdong	79.7	4	Under operation	2004.11-2027.07
Guangwu Prj.	30%	Guangdong	39.8	4	Under operation	2004.12-2027.11
Jiangzhong Prj.	25%	Guangdong	37.5	4	Under operation	2005.11-2027.08
GZ W2	25%	Guangdong	42.0	6	Under operation	Applying for approval
Qinglian Exp.	76.37%	Guangdong	216	4	Under operation	2009.07-2034.07
Wuhuang Exp.	55%	Hubei	70.3	4	Under operation	1997.09-2022.09
Changsha Ring Rd.	51%	Hunan	34.5	4	Under operation	1999.11-2029.12
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Under operation	2005.10-2035.10

With the same number of lanes, differences in surface material, designed speed and lane may cause differences in capacity. Generally, the capacity of a four-lane expressway is approximately 100,000 passenger car unit per day, while the capacity of a six-lane expressway is approximately 120,000 passenger car unit per day.



# Average Daily Mixed Traffic Volume

<i>(Unit: Number of vehicles)</i>	2005	2006	2007	2008	2009	2010
<b>Shenzhen Region</b>						
Meiguan Exp.	76,343	89,909	98,285	92,744	98,318	117,244
Jihe East	56,468	70,278	88,675	90,991	93,019	111,530
Jihe West	46,462	53,765	65,741	67,661	72,800	91,111
Yanba Exp.	11,572	14,179	12,492	13,879	16,509	24,313
Shuiguan Exp.	54,747	75,281	103,236	106,241	118,064	134,561
Shuiguan Ext.	31,739	25,477	28,086	28,181	32,294	40,485
Yanpai Exp.		15,915	26,313	31,898	33,763	39,734
Nanguang Exp.				16,336	32,212	50,612
<b>Other Regions in Guangdong Province</b>						
Yangmao Exp. <sup>1</sup>	10,362	13,099	16,205	18,119	17,795	20,066
Guangwu Exp.	6,120	7,695	9,185	9,806	11,190	17,475
Jiangzhong Exp.	15,472	26,114	39,492	45,344	50,899	68,471
GZ W2		2,186	6,165	9,574	14,883	28,866
Qinglian Exp.					16,011	18,292
<b>Other Provinces in the PRC</b>						
Changsha Ring Rd.	5,393	5,439	5,791	6,020	7,342	8,558
Wuhuang Exp.	22,895	23,530	27,846	29,140	32,412	38,034
Nanjing Third Bridge	8,276	12,184	16,788	18,334	20,029	22,057

<sup>1</sup> As from 2009, the basis of figures for Yangmao Expressway changed from an inclusion of toll-free vehicles to an exclusion thereof.



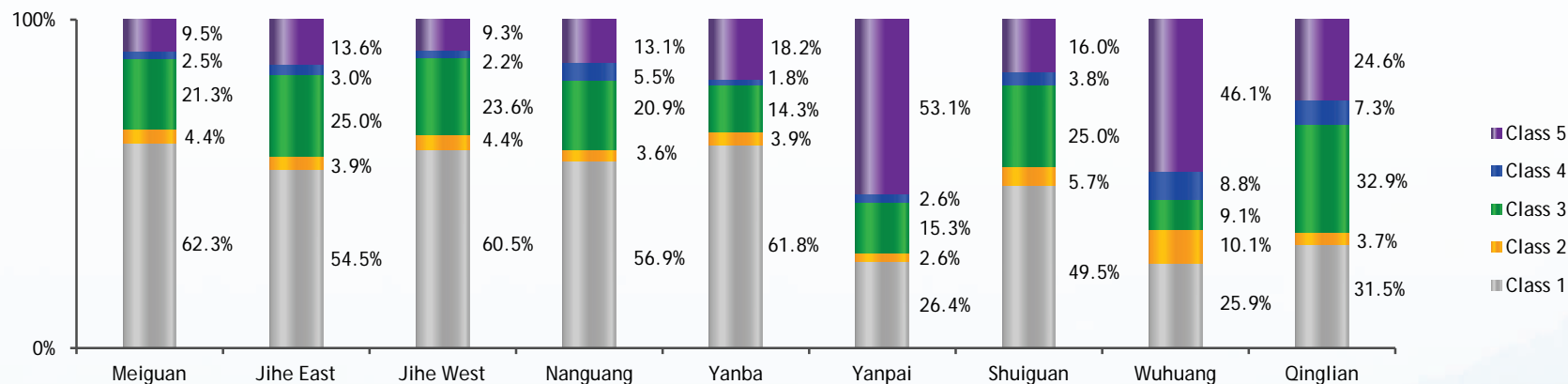
# Average Daily Toll Revenue

<i>(Unit: RMB'000)</i>	2005	2006	2007	2008	2009	2010
<b>Shenzhen Region</b>						
Meiguan Exp.	795	878	903	792	814	951
Jihe East	787	905	1,151	1,227	1,242	1,415
Jihe West	740	776	945	937	951	1,169
Yanba Exp.	115	153	173	196	213	335
Shuiguan Exp.	504	683	965	1,006	1,072	1,230
Shuiguan Ext.	230	163	182	179	203	251
Yanpai Exp.		252	370	407	383	429
Nanguang Exp.				176	303	524
<b>Other Regions in Guangdong Province</b>						
Yangmao Exp.	547	719	913	902	968	1,095
Guangwu Exp.	165	224	266	265	306	472
Jiangzhong Exp.	201	386	582	652	707	870
GZ W2		69	181	302	471	672
Qinglian Exp.					830	1,037
<b>Other Provinces in the PRC</b>						
Changsha Ring Rd.	58	54	62	61	64	73
Wuhuang Exp.	728	888	1,052	1,017	1,090	1,272
Nanjing Third Bridge	325	473	629	640	672	783

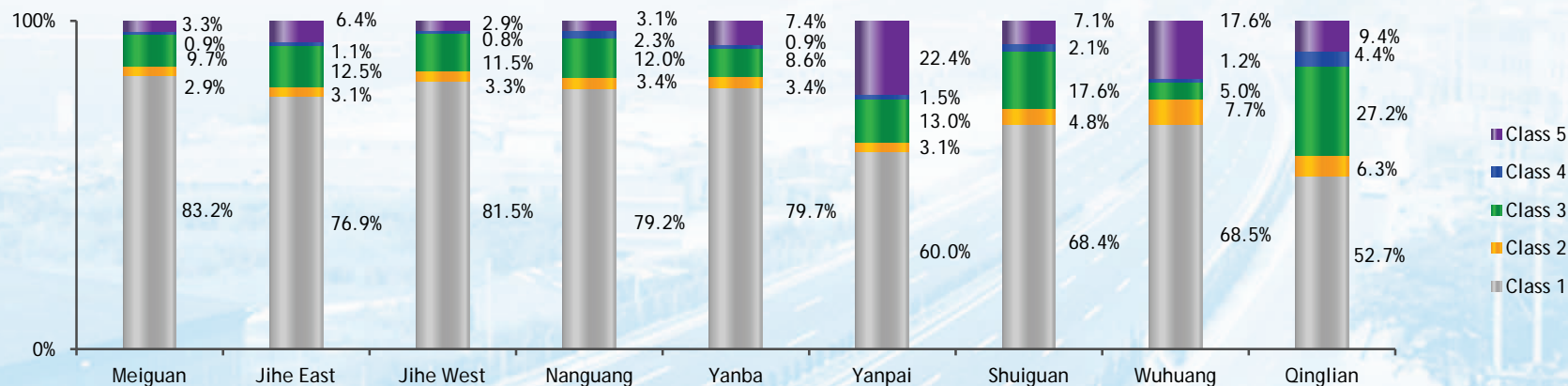


# Vehicle Category of Major Highways in 2010

## By revenue



## By traffic volume





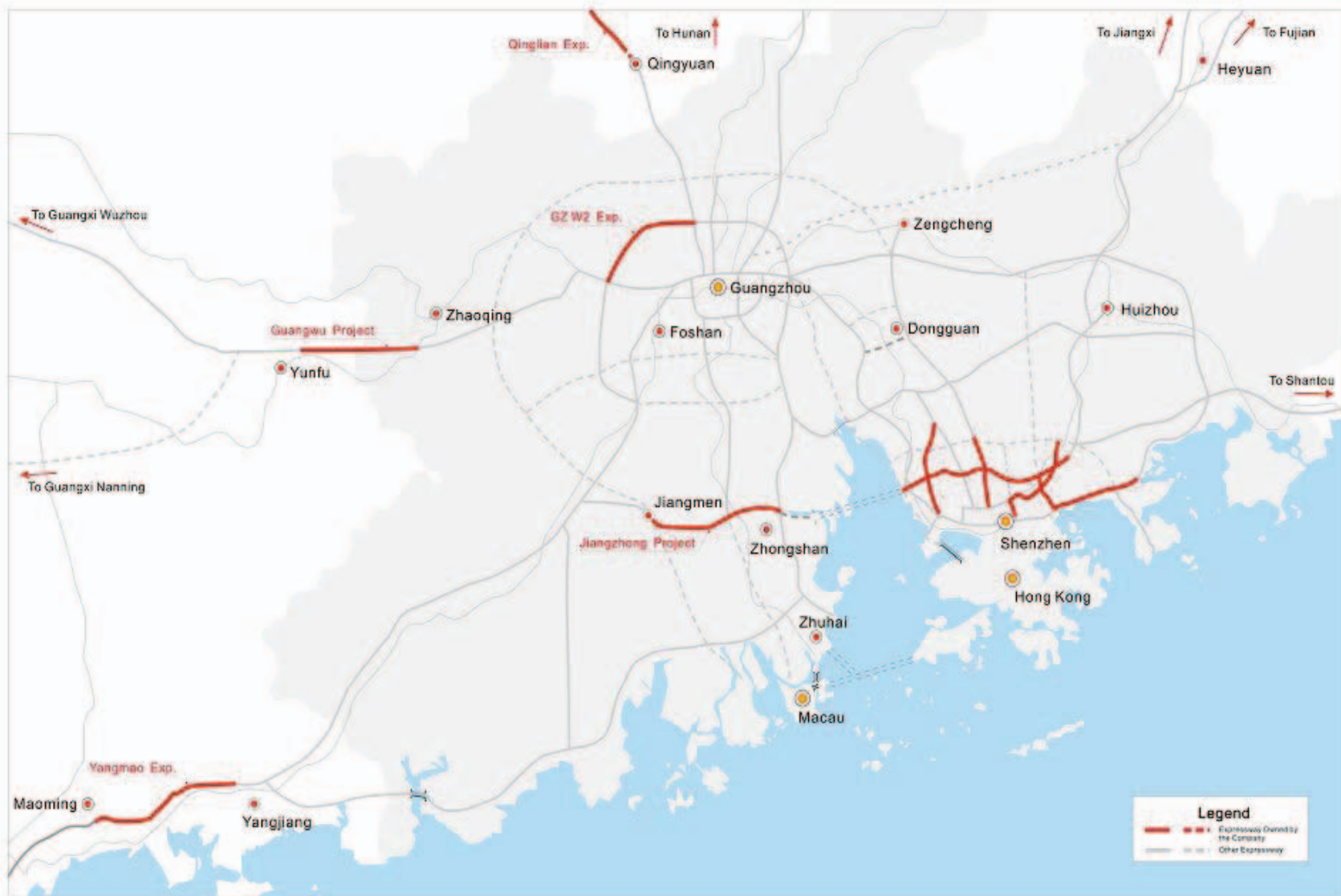


# Road Network of Shenzhen





# Road Network of Pearl River Delta





## Road Network of Qinglian Expressway



## Road Network of Wuhuang Expressway



## Road Network of Nanjing Third Bridge



## Road Network of Changsha Ring Road





## IR Contact

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### Company Declaration

All information presented in the material is available to the public and for the purpose of understanding the operation and the development planning of the Company. The Company might adjust the contents without pre-notice. Besides, the Company wishes to remind investors that the data does not constitute an invitation to trade the Company's stock and the Company does not guarantee the performance of the stock in the future.

There might be differences between the atlas and the actual road network. The atlas is prepared for investors to understand the business of the Company only.