



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

(Stock Code: SEHK-00548 SSE-600548)



2011

Interim Results Presentation

August 15, 2011



# Agenda

- **Financial Highlights**
- **Reviews of Operations**
- **Financial Analysis**
- **Prospects and Plans**
- **Appendix**

**Note: All financial data is prepared in accordance with CAS.**




# Financial Highlights











# Consolidated Income Statement

	<b>1H2011</b> <i>(RMB'000)</i>	<b>1H2010</b> <i>(RMB'000)</i>
<b>Revenue</b>	<b>1,178,677</b>	1,054,604
Less: Cost of services	<b>(561,543)</b>	(467,700)
Business tax and surcharges	<b>(43,677)</b>	(36,594)
General and administrative expenses	<b>(32,126)</b>	(21,630)
Financial expenses – net	<b>(255,871)</b>	(253,765)
Add: Investment income	<b>135,708</b>	132,158
<b>Operating profit</b>	<b>421,168</b>	407,072
Add: Non-operating income	<b>107</b>	7,836
Less: Non-operating expenses	<b>(330)</b>	(674)
<b>Total profit</b>	<b>420,945</b>	414,234
Less: Income tax expenses	<b>(84,864)</b>	(65,555)
<b>Net profit</b>	<b>336,082</b>	348,678
Net profit attributable to owners of the Company	<b>352,521</b>	359,499
Minority interests	<b>(16,440)</b>	(10,821)
<b>Earnings per share (RMB)</b>	<b>0.162</b>	0.165




# Results Overview

	1H2011 (RMB' million)	1H2010 (RMB' million)	Change
<b>Revenue</b>	<b>1,179</b>	1,055	 11.76%
Incl: Toll revenue	<b>1,117</b>	1,009	 10.63%
<b>Net profit attributable to owners of the Company</b>	<b>353</b>	359	 1.94%
<b>Earnings per share (EPS) (RMB)</b>	<b>0.162</b>	0.165	 1.94%
<b>Return on equity (ROE) (%)</b>	<b>4.02</b>	4.32	 0.30 pct.pt



# Assets Status

	30 June 2011 (RMB' million)	31 December 2010 (RMB' million)	Change
<b>Total assets</b>	<b>22,599</b>	22,617	↓ 0.08%
<b>Total liabilities</b>	<b>13,207</b>	13,282	↓ 0.56%
Incl: total borrowings	<b>9,687</b>	9,915	↓ 2.30%
<b>Total equity attributable to owners of the Company</b>	<b>8,659</b>	8,649	↑ 0.11%
<b>Net assets per share attributable to equity holders of the Company (RMB)</b>	<b>3.9704</b>	3.9659	↑ 0.11%

# Reviews of Operations





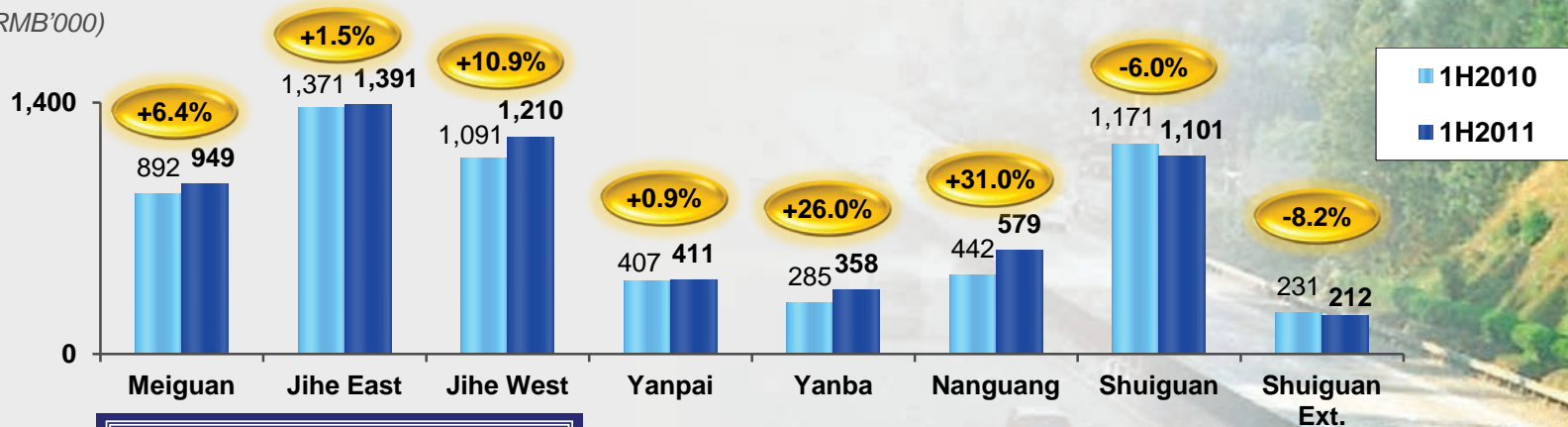


# Operational Performance

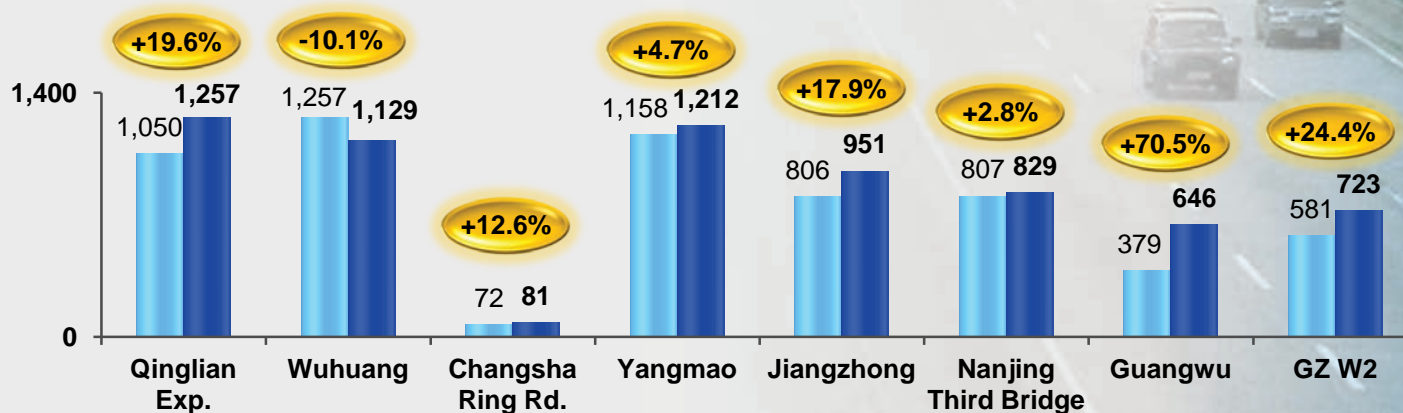
## Average Daily Toll Revenue

### Shenzhen Region

(RMB'000)



### Other Regions







# Operational Performance (Cont'd)

The overall operational performance maintained growth, but the growth rate slowed as compared with the recovery growth in same period last year. The operational performance of each project was different caused by the changes in road networks and other factors.

## ● Projects outperformed

- **Yanba**
  - A YOY increase in mileage
  - The synergy effects brought by improved road networks
- **Nanguang**
  - Road users are getting familiar with the project
  - The economics of peripheral regions become more active
- **Qinglian**
  - Operation of Liannan Section increased the toll mileage
- **Guangwu**
  - The synergy effects brought by improved road networks

## ● Projects underperformed

- **Yanpai**
  - The slowdown in growth rate of Yantian Port's throughput
  - The neighboring municipal road resumed opening to traffic
- **Shuiguan**
  - Road surface construction of the expansion
  - The neighboring municipal road resumed opening to traffic
- **Wuhuang**
  - The changes in neighboring road networks
  - Local traffic restriction



# Business Improvement and Development

## ● Liannan Section of Qinglian Expressway

- Completed the reconstruction and commenced operation based on expressway toll standards since January 2011.
- Enhancing the traffic capacity and facilitating the performance of the project.



## ● Meiguan Expressway

- North Section: appr. 11km, will be expanded to eight lanes with asphalt road surfaces, the bidding for road surfaces construction is underway. It is expected to be completed in early 2013.
- South Section: appr. 8km, the road surface maintenance were completed in early August 2011.
- Enhancing the traffic capacity and service of the project.

## ● Shuiguan Expressway

- The expansion works were completed in late June 2011.
- Enhancing the traffic capacity and service of the project, further improving its toll revenue.



## Business Improvement and Development (Cont'd)

### ● Coastal Expressway (Shenzhen Section)

- Management tasks progressed as scheduled.
- Approval of entrusted construction agreement being processed.

### ● Shenzhen Outer Ring Expressway

- The preliminary study and relevant negotiations are still in progress. The Company does not make the final investment decision yet.

### ● Guilong Project (agreement signed on 12 August)

- Road construction + Primary development of land
- Road Construction Project: the main part of Guilong Road phase I with the budget of approximately RMB600 million. The Company is engaged in the construction management by “Build-Transfer” mode and obtains the management income.
- Development Project: the Company plans to provide RMB390 million for the primary development of land appr. 3,000 Mu (2,000,000 m<sup>2</sup>) nearby the road. The purpose is to ensure the collection of construction funds and help the Company expending the development direction and enriching the business experience.







# Financial Analysis





# Revenue


	1H2011 (RMB' million)	1H2010 (RMB' million)	Change (RMB' million)	Change
Toll revenue	1,116.6	1,009.3	107.3	10.63%
Management services income	26.7	20.1	6.6	32.61%
Other income	35.3	25.1	10.2	40.65%


	1H2011 Toll Revenue (RMB'000)	1H2010 Toll Revenue (RMB'000)	Change (RMB'000)	Change
Jihe East	251,789	248,106	3,683	1.48%
Qinglian Project	230,080	197,226	32,854	16.66%
Jihe West	219,020	197,425	21,595	10.94%
Meiguan	171,740	161,415	10,325	6.40%
Nanguang	104,787	80,005	24,782	30.97%
Yanpai	74,322	73,661	661	0.90%
Yanba	64,887	51,495	13,392	26.01%
<b>Total</b>	<b>1,116,625</b>	<b>1,009,333</b>	<b>107,292</b>	<b>10.63%</b>



# Cost and Profit

## ● Profit from Toll Highways Operated by the Group

	1H2011 (RMB' million)	1H2010 (RMB' million)	Change (RMB' million)	Change
Cost of services	531.7	446.0	85.7	19.21%
Cost of management services	10.2	9.9	0.3	2.79%
Other costs	19.6	11.7	7.9	66.99%
General and management expenses	32.1	21.6	10.5	48.52%


	Cost of services			Profit before interests, tax and general and management expenses		
	1H2011 (RMB' 000)	Change YOY (RMB' 000)	Change YOY	1H2011 (RMB' 000)	Change YOY (RMB' 000)	Change YOY
Jihe East	101,139	6,871	7.29%	142,476	-4,404	-3.00%
Jihe West	74,985	4,636	6.59%	137,388	15,115	12.36%
Meiguan	46,235	8,413	22.24%	120,078	914	0.77%
Qinglian Project	143,502	42,893	42.63%	76,694	-13,536	-15.00%
Nanguang	57,496	10,658	22.76%	43,886	13,136	42.71%
Yanpai	49,185	4,050	8.97%	22,858	-3,669	-13.83%
Yanba	59,167	8,173	16.03%	3,622	4,616	不适用
<b>Total</b>	<b>531,709</b>	<b>85,694</b>	<b>19.21%</b>	<b>547,002</b>	<b>12,172</b>	<b>2.28%</b>





# Cost and Profit (Cont'd)

## ● Cost of Services Breakdown


	1H2011 (RMB' 000)	1H2010 (RMB' 000)	Change (RMB' 000)	Change
Employee expenses <sup>1</sup>	67,050	48,329	18,721	38.74%
Road maintenance expenses <sup>2</sup>	57,809	35,058	22,751	64.89%
Depreciation & Amortization	284,162	259,763	24,399	9.39%
Other costs	39,303	24,657	14,646	59.40%
<b>Cost of services excluding provisions for maintenance/resurfacing obligations</b>	<b>448,324</b>	<b>367,807</b>	<b>80,517</b>	<b>21.89%</b>
Provisions for maintenance/resurfacing obligations	83,385	78,208	5,177	6.62%
<b>Total</b>	<b>531,709</b>	<b>446,015</b>	<b>85,694</b>	<b>19.21%</b>

1 Increase are mainly from: provision for the housing allowances for employees, increase in the number of employees and in remuneration of toll collection staff.

2 Increase are mainly from: an overall repair for Qinglian Class 2 Road and the daily maintenance for Qinglian Expressway.




# Investment Income

	<b>Toll revenue</b> (RMB' 000)	<b>Cost of services</b> (RMB' 000)	<b>Investment income of the Group</b> (RMB' 000)	<b>Change YOY</b> (RMB' 000)
<b>Joint Ventures:</b>				
Wuhuang	204,421	102,700	52,849	7,486
Changsha	14,569	18,479	-557	-1,889
<b>Associates:</b>				
Shuiguan	199,223	48,202	38,916	-6,552
Yangmao	218,520	74,531	20,485	2,803
Guangwu Project	116,842	42,767	10,501	7,118
GZ W2	130,233	52,590	4,421	-302
Jiangzhong Project	172,056	101,510	3,927	-642
Nanjing Third Bridge	150,939	67,816	2,227	-2,713
Shuiguan Extension	38,439	18,796	1,911	-1,892
<b>Total</b>	<b>1,245,242</b>	<b>527,391</b>	<b>134,680</b> <sup>1</sup>	<b>3,417</b>

<sup>1</sup> Excluding investment income of RMB1,028,000 from Engineering Consulting Company.



# Financial Expenses



	<b>1H2011</b> <i>(RMB' 000)</i>	<b>1H2010</b> <i>(RMB' 000)</i>	<b>Change</b>
<b>Interest expenses</b>	<b>254,845</b>	259,497	-1.79%
Less: Interest capitalized	<b>(2,399)</b>	(9,209)	-73.95%
Interest Income	<b>(5,528)</b>	(7,258)	-23.84%
Exchange gain/loss and others	<b>(21,011)</b>	(12,513)	67.91%
<b><i>Financial expenses excluding time value of provisions for maintenance/resurfacing obligations</i></b>	<b>225,907</b>	<b>230,517</b>	<b>-2.00%</b>
Add: Time value of provisions for maintenance/resurfacing obligations	<b>29,964</b>	23,248	28.89%
<b>Financial expenses</b>	<b>255,871</b>	<b>253,765</b>	<b>0.83%</b>

- The borrowing scale displayed a slight YOY decrease during the Reporting Period.
- A YOY increase in currency exchange gains set off the effect of the increment of expensed borrowing interests of Liannan Section of Qinglian Project upon its commencement of operation.



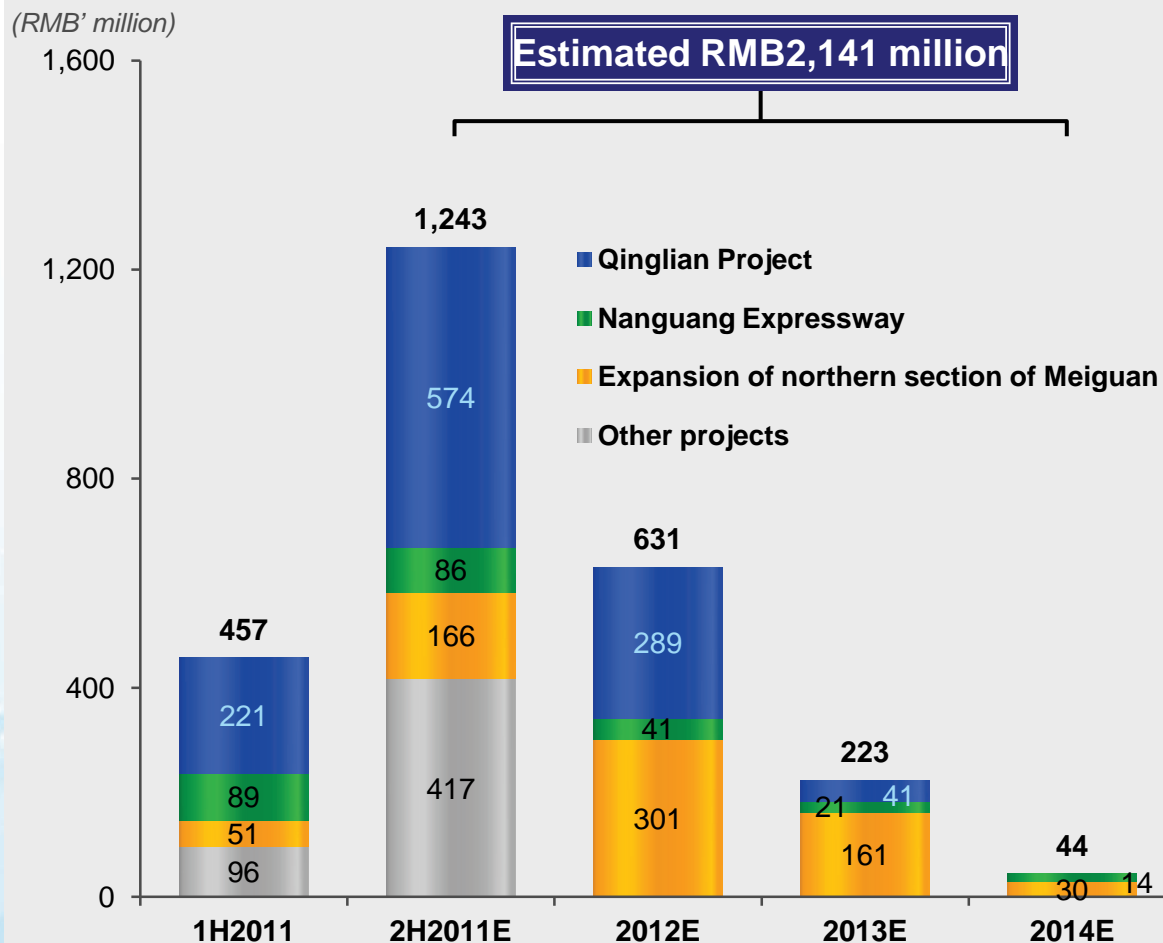


# Debt Ratio & Repayment

	30 June 2011	31 December 2010
<b>Debt-to-asset ratio</b> (Total liabilities / Total assets)	58.44%	58.72%
<b>Net borrowings-to-equity ratio</b> ((Total borrowings – cash and cash equivalents) / Total equity)	98.86%	100.48%
	1H2011	1H2010
<b>Interest covered multiple</b> (Profit before interests and tax / interest expenses)	2.48	2.43
<b>EBITDA interest multiple</b> (Earnings before interests, tax, depreciation and amortization / interest expenses)	3.51	3.38



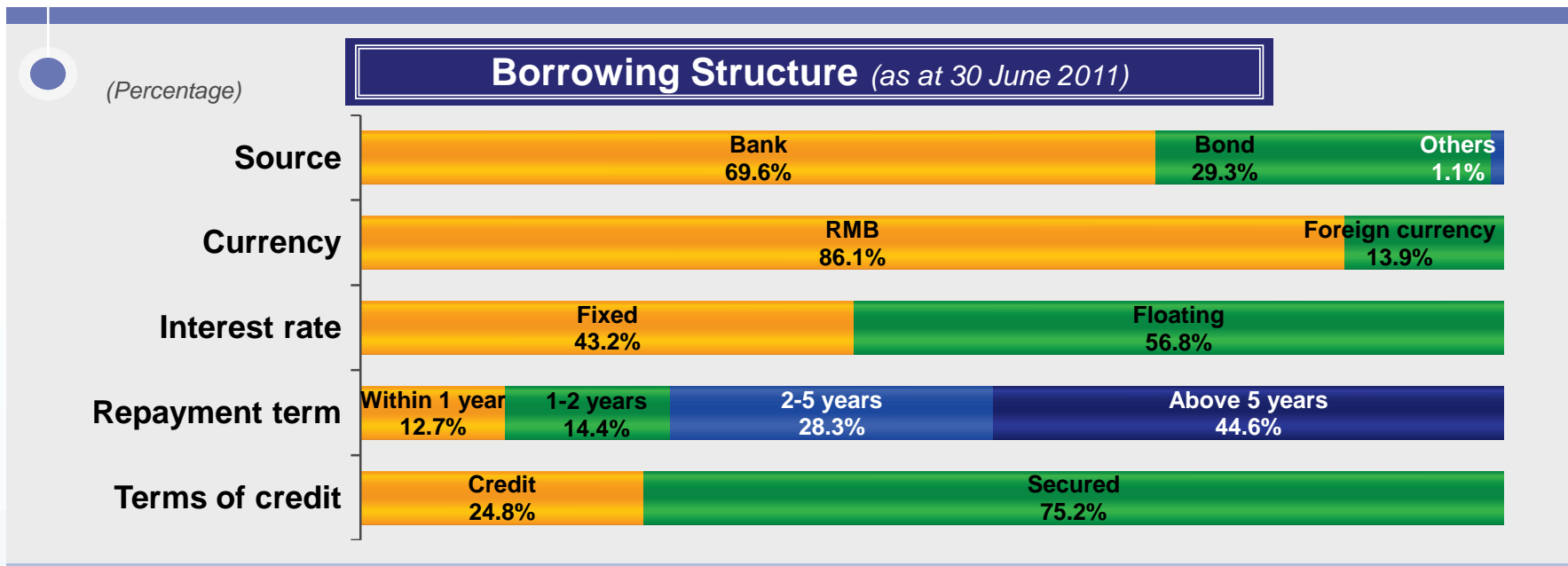
# CAPEX (as at 30 June 2011)



- CAPEX in 1H2011 was mainly for remaining payments towards reconstruction of Qinglian Project and remaining construction of Nanguang Expressway.
- During the Reporting Period, the Group's net cash inflow from operating activities and cash return on investments totaled RMB958 million, representing a YOY increase of 17.75%.
- Unutilized banking facilities available amounted to RMB5.48 billion as at the end of Reporting Period.



# Financing Arrangements



	1H2011	1H2010	Change
<b>COMPOSITE BORROWING COST</b>			
Nominal cost	4.91%	4.95%	-0.04 pct.pt
Effective cost	4.27%	4.34%	-0.07 pct.pt

- Appropriately reducing the proportion of short-term debt.
- Maintaining the scale of foreign currency loans.
- Flexibly adopting financing products: issued corporate bonds in amount of RMB1.5 billion with face interest of 6.0% in early August.



# Prospects and Plans





# Business Environment

## Economic Environment

- Uncertainty of economic trends
- Active intercourse among regions

## Policy Environment

- Industry policy
- Credit policy

## Changes in Road Networks

- Opening plan of Yilian Expressway
- Completion of the expansion of Shuiguan Expressway
- Toll-by-weight implementation plan
- Operation of railways / subways



# Working Plan of 2H2011

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- Continually enhancing the standardization and informatization level of operation management and the emergency traffic soothing capacity during peak traffic hours, to assure traffic efficiency and capacity.
- Enhancing communication with the owners of connecting roads, actively planning and implementing of the marketing works for Qinglian Expressway, in order to enhance its operational performance.

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- Completing preventive maintenance plans for the expressways in Shenzhen operated by the Group and undertaking the planning and the preparation work for implementation of the maintenance management of Jihe Expressway.
- Strengthening the supervision and management of the construction and entrusted construction projects to achieve the designated targets on safety, quality, cost and schedules.

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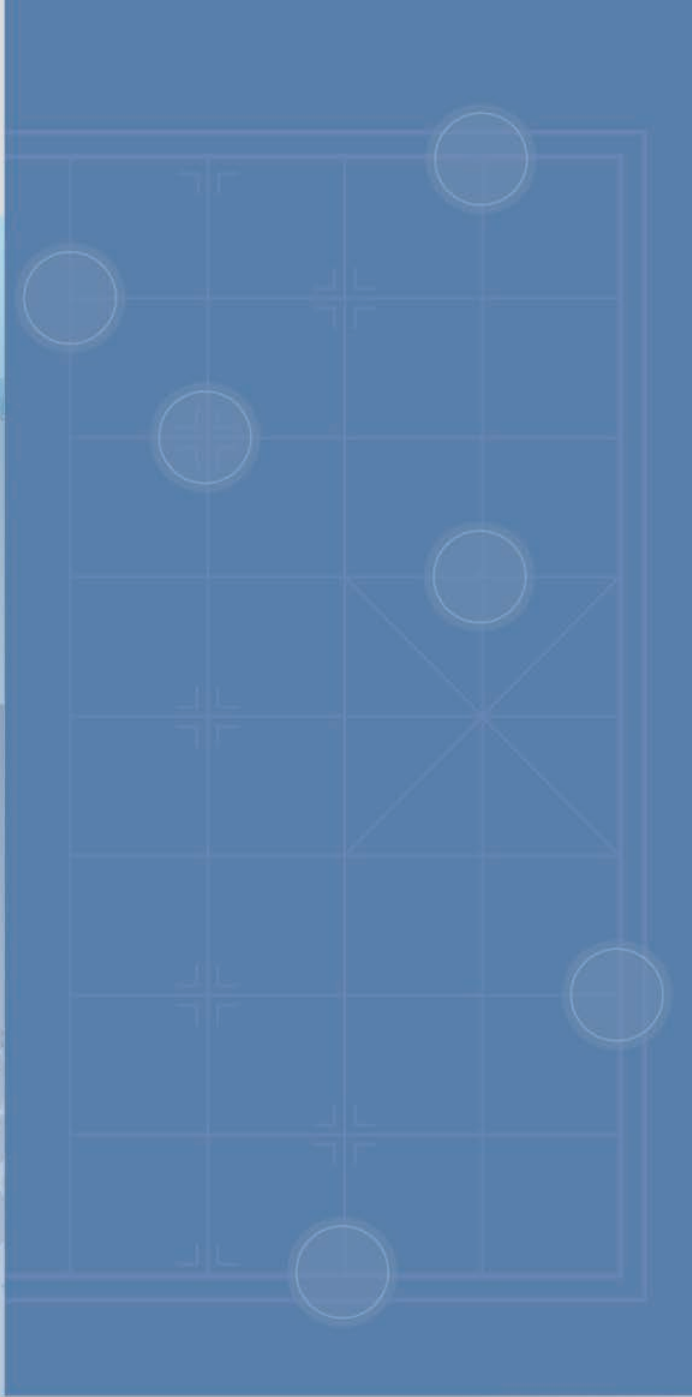
- Pushing forward the negotiations for the adjustment plan for the toll collection mode of the South Section of Meiguan Expressway.
- Attaching greater effort to the research and exploration of new industries and prudently improving the progress of the projects.

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- Persistently attending to and studying the changes in the credit environment and market policies and quickly making a response.
- Properly using market financing products, strengthening the planning management of funds, control capital costs.

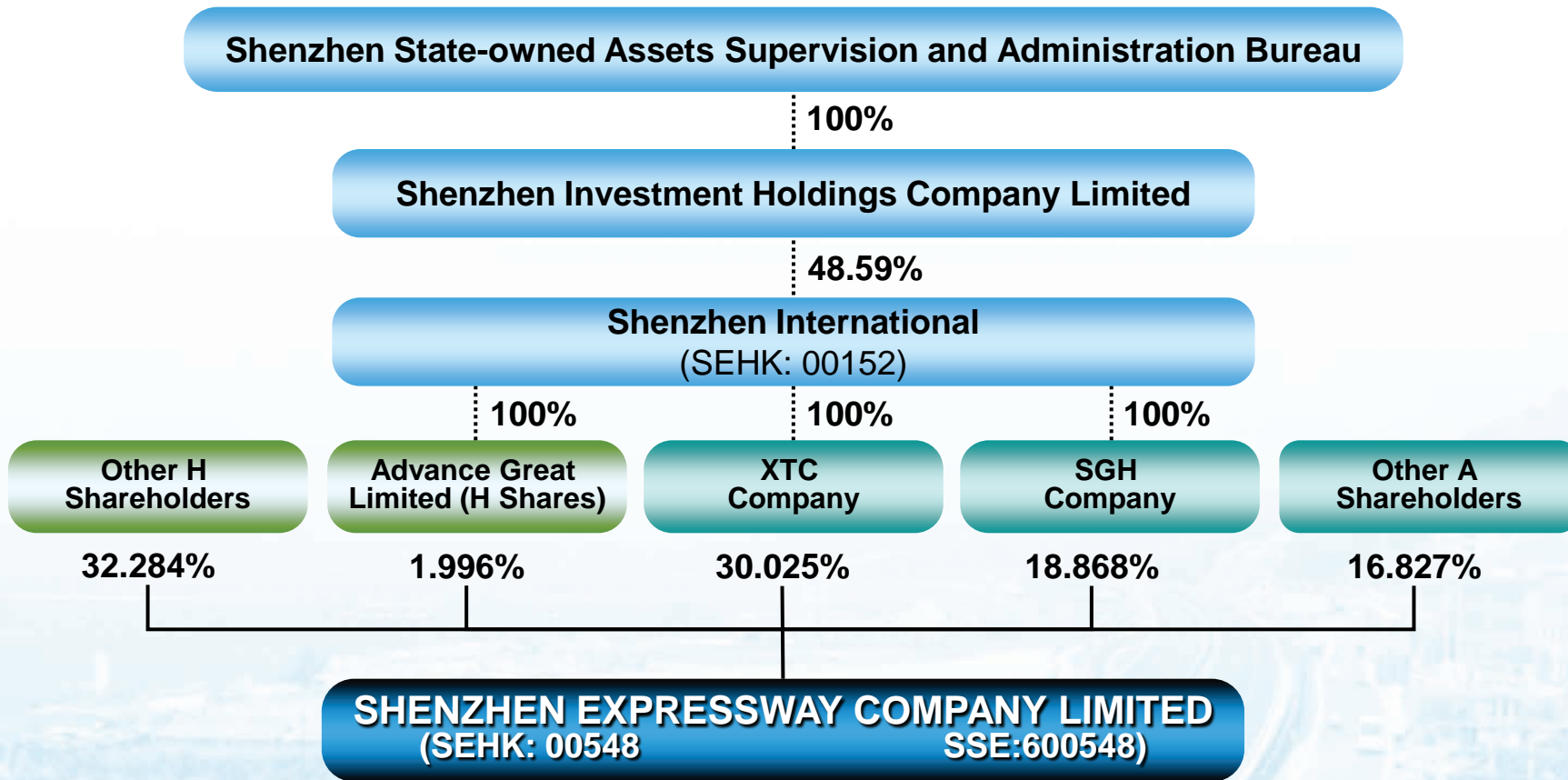


# Appendix





# Shareholding Structure

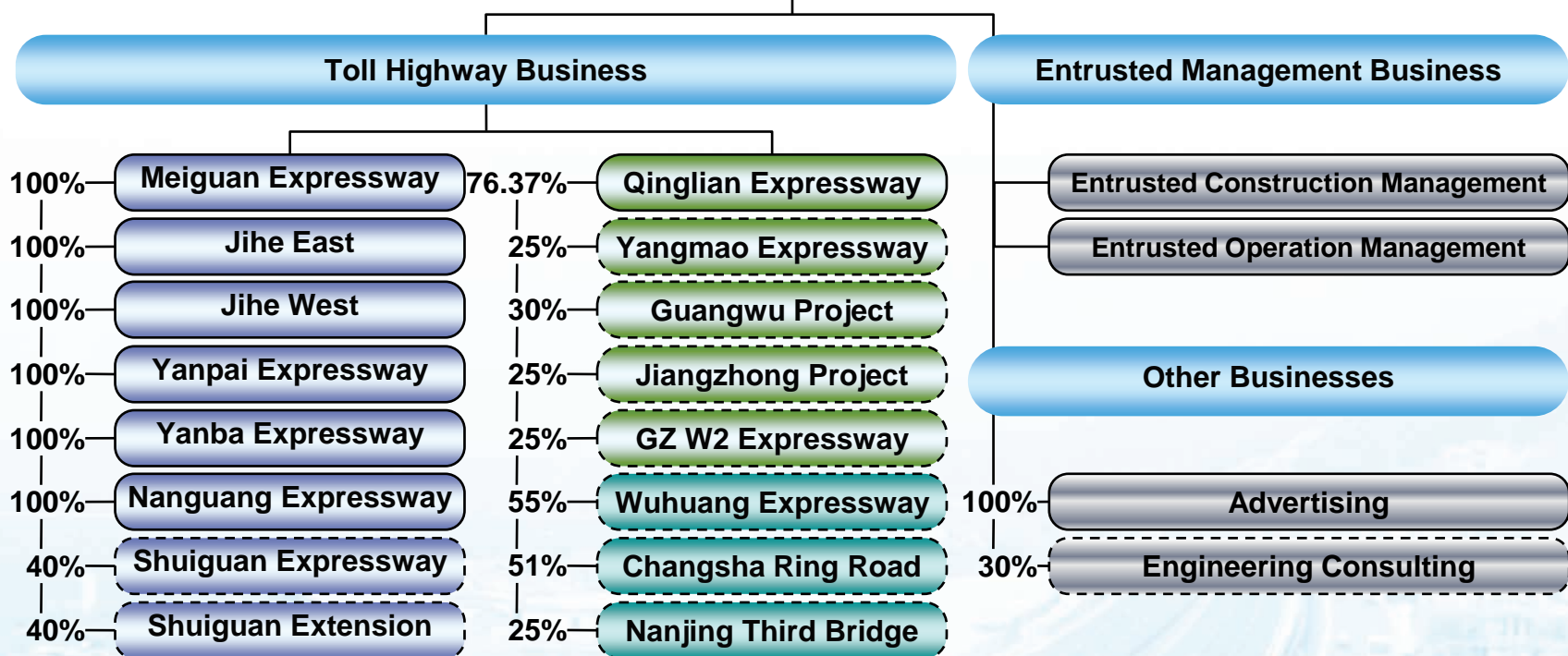


The total share capital of the Company is 2,180,770,326, of which H shares are 747,500,000, accounting for 34.28% and domestic shares are 1,433,270,326, accounting for 65.72%.



# Business Structure

## 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>(Number of vehicles)</i>	2005	2006	2007	2008	2009	2010	1H2011
<b>Shenzhen Region</b>							
Meiguan Exp.	76,343	89,909	98,285	92,744	98,318	117,244	119,686
Jihe East	56,468	70,278	88,675	90,991	93,019	111,530	113,061
Jihe West	46,462	53,765	65,741	67,661	72,800	91,111	97,095
Yanba Exp.	11,572	14,179	12,492	13,879	16,509	24,313	26,296
Shuiguan Exp.	54,747	75,281	103,236	106,241	118,064	134,561	119,957
Shuiguan Ext.	31,739	25,477	28,086	28,181	32,294	40,485	34,593
Yanpai Exp.		15,915	26,313	31,898	33,763	39,734	37,380
Nanguang Exp.				16,336	32,212	50,612	54,754
<b>Other Regions in Guangdong Province</b>							
Yangmao Exp.	10,362	13,099	16,205	18,119	17,795	20,066	24,366
Guangwu Exp.	6,120	7,695	9,185	9,806	11,190	17,475	23,788
Jiangzhong Exp.	15,472	26,114	39,492	45,344	50,899	68,471	85,809
GZ W2		2,186	6,165	9,574	14,883	28,866	33,157
Qinglian Exp.					16,011	18,292	21,486
<b>Other Provinces in the PRC</b>							
Changsha Ring Rd.	5,393	5,439	5,791	6,020	7,342	8,558	9,590
Wuhuang Exp.	22,895	23,530	27,846	29,140	32,412	38,034	38,198
Nanjing Third Bridge	8,276	12,184	16,788	18,334	20,029	22,057	23,896



# Average Daily Toll Revenue

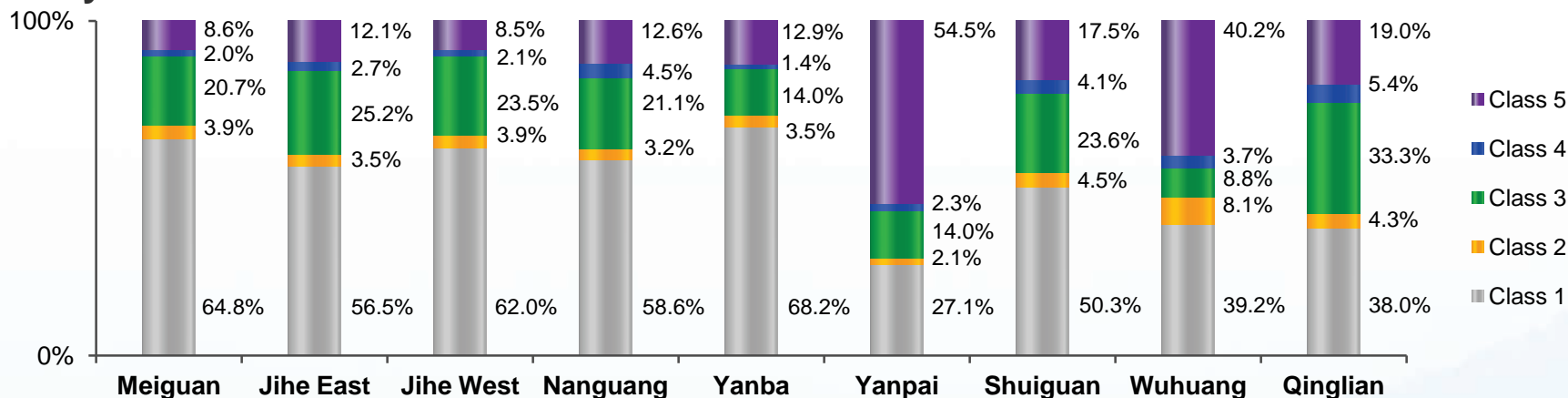
(RMB'000)	2005	2006	2007	2008	2009	2010	1H2011
<b>Shenzhen Region</b>							
Meiguan Exp.	795	878	903	792	814	951	949
Jihe East	787	905	1,151	1,227	1,242	1,415	1,391
Jihe West	740	776	945	937	951	1,169	1,210
Yanba Exp.	115	153	173	196	213	335	358
Shuiguan Exp.	504	683	965	1,006	1,072	1,230	1,101
Shuiguan Ext.	230	163	182	179	203	251	212
Yanpai Exp.		252	370	407	383	429	411
Nanguang Exp.				176	303	524	579
<b>Other Regions in Guangdong Province</b>							
Yangmao Exp.	547	719	913	902	968	1,095	1,212
Guangwu Exp.	165	224	266	265	306	472	646
Jiangzhong Exp.	201	386	582	652	707	870	951
GZ W2		69	181	302	471	672	723
Qinglian Exp.					830	1,037	1,257
<b>Other Provinces in the PRC</b>							
Changsha Ring Rd.	58	54	62	61	64	73	81
Wuhuang Exp.	728	888	1,052	1,017	1,090	1,272	1,129
Nanjing Third Bridge	325	473	629	640	672	783	829



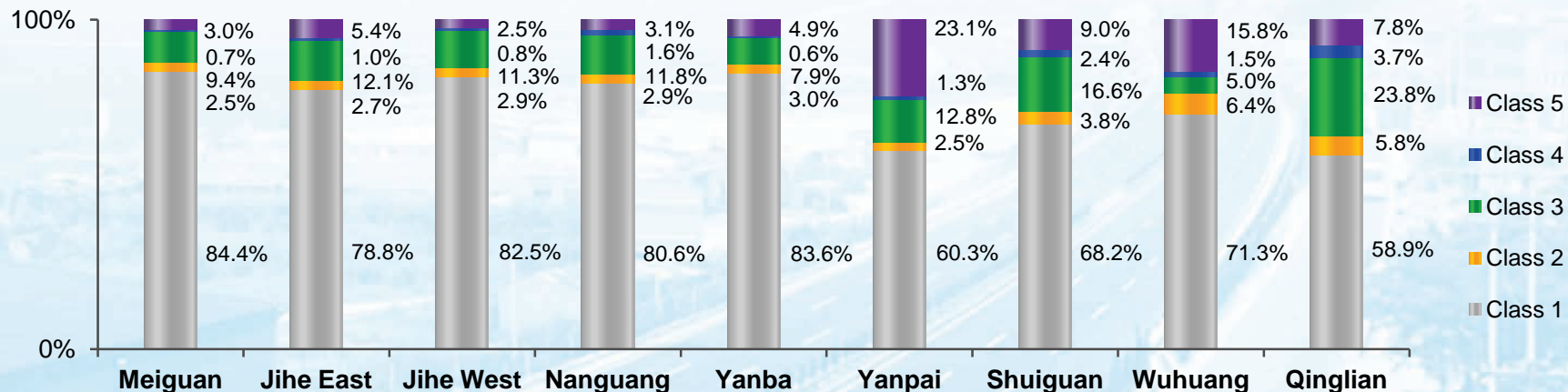


# Vehicle Category of Major Highways in 1H2011

## ● By revenue



## ● By traffic volume



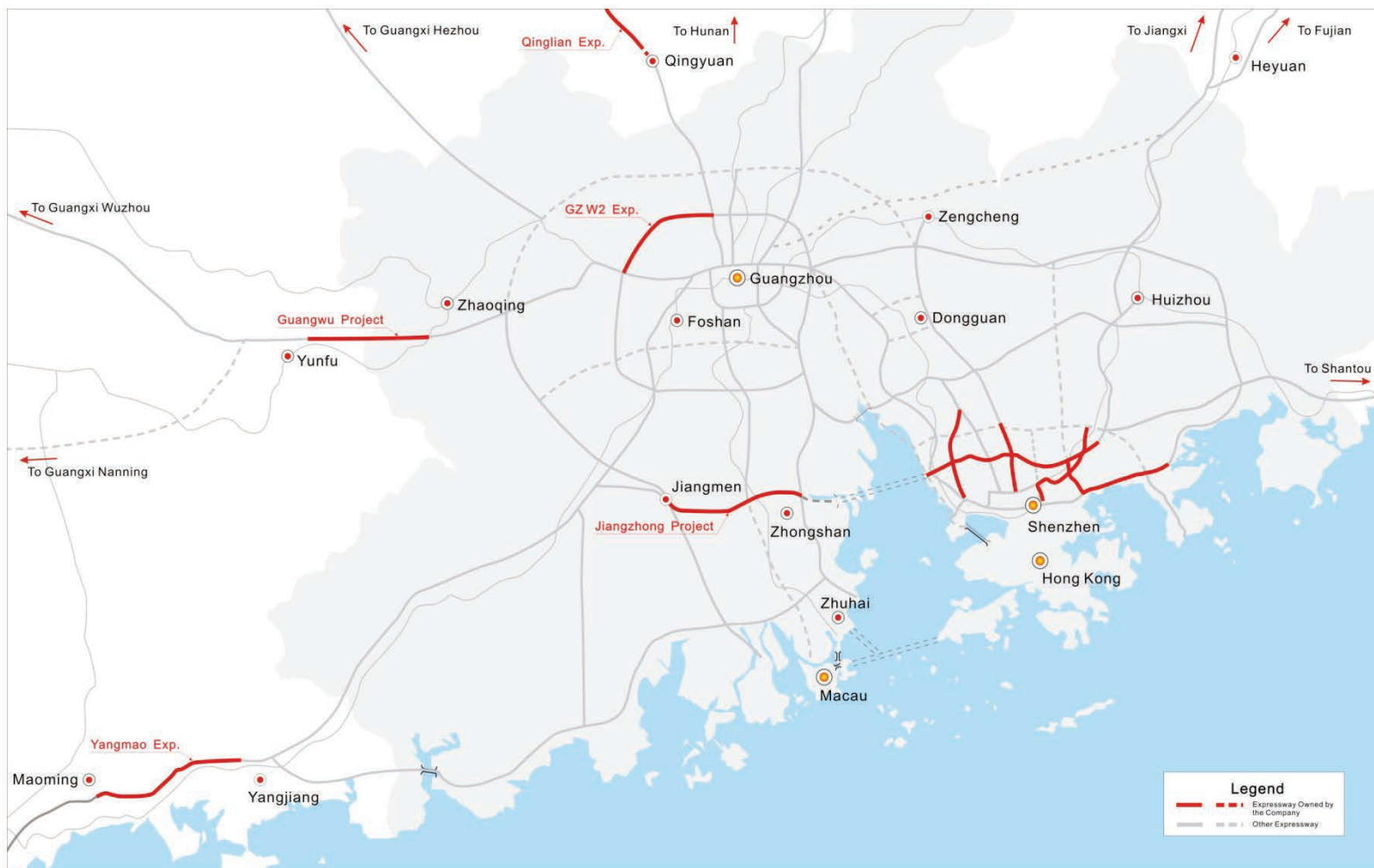


# Road Network of Shenzhen





# Road Network of Pearl River Delta

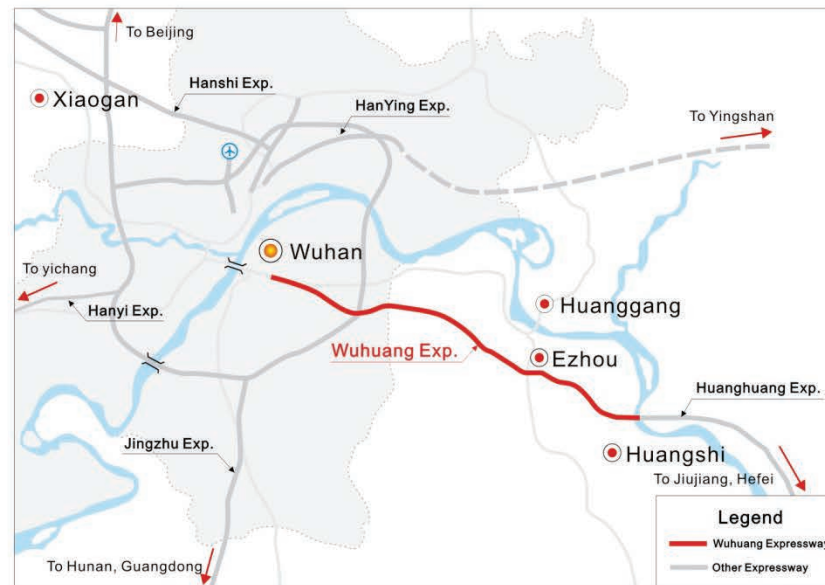






## Road Network of Qinglian Expressway

## Road Network of Wuhuang Expressway



## Road Network of Nanjing Third Bridge

## Road Network of Changsha Ring Road







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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.