



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

(Stock Code: SEHK-00548 SSE-600548)



2011

Third Quarterly Results Presentation

27 October 2011



Overview of Operating Results of Jan-Sep 2011

- **Toll revenue increased by 3.90% YOY, with a slowdown pace:**
 - slowdown in the growth of macro-economy
 - changes in the traffic distribution in the road network
 - short-term impacts from road maintenance and temporary traffic control and guidance measures
- **Cost of services decreased by 13.53% YOY:**
 - changes in the accounting estimates for the provisions for maintenance/resurfacing obligations offset cost of services of the current period
 - before including the impact of changes in accounting estimates, cost of services recorded a faster YOY increase, which was mainly attributable to the increase in employee expenses and road maintenance expenses
- **Finance expenses increased slightly YOY and composite borrowing costs was lower than market level**
- **Net profit of RMB707 million**



Description of the accounting issues

- Changes in accounting estimates

With the advanced maintenance and resurfacing plan and the adoption of new technology in maintenance, the budgeted expenditure for principal maintenance and resurfacing of the roads of the Company was decreased in general and the schedule was also adjusted. Since 1 July 2011, the Group has, for prospective application, made provision for maintenance/resurfacing obligations based on current road maintenance and resurfacing plan and implementation schedule. Such matters pertain to changes in accounting estimates, which have certain positive impact on the operating result and financial position of the Group during the Reporting Period and the period from January to September 2011. The impacts on the Group's other major financial statements items are as follows:

Consolidated balance sheet item	As at 30 September 2011
	<i>(RMB' million)</i>
Decrease in deferred tax assets	97
Decrease in provisions	388
Increase in total equity attributable to owners of the Company	291
Consolidated income statement item	For the period from January to September 2011 and the period from July to September 2011
	<i>(RMB' million)</i>
Decrease in cost of services	383
Decrease in finance expenses	5
Increase in income tax expenses	97
Increase in net profit attributable to owners of the Company	291



Description of the accounting issues


- Main changes in the scope of consolidated financial statements

- JEL Company, which was originally a jointly company of the Company, is jointly owned by Mei Wah Company, a wholly owned subsidiary of the Company, and Flywheel Investments, a wholly owned subsidiary of Shenzhen International, and owns the operating rights of Wuhuang Expressway by holding the interests in Magerk Company. According to the supplementary shareholders' agreement in relation to JEL Company entered into between Mei Wah Company and Flywheel Investments, the Company could exercise control over JEL Company since this quarter and thus JEL Company became a subsidiary of the Company, and its financial statements have been consolidated into those of the Company.

In accordance with relevant requirements of the CAS, the combination represents the business combination involving enterprises under common control and the Group has adjusted the consolidated balance sheet as at 31 December 2010, the consolidated income statement for the periods from January to September 2010 and from July to September 2010 as well as the consolidated cash flow statement for the period from January to September 2010. As JEL Company has been consolidated into the scope of the financial statements of the Company, the consolidated assets, liabilities, revenue and costs of the Company for the Period and previous accounting period increased accordingly in scale, while the net assets and net profit were not affected.




Results Highlights

	Jul- Sep 2011	Jul- Sep 2010 (restated)	Change YOY	Jan-Sep 2011	Jan- Sep 2010 (restated)	Change YOY
	<i>(RMB' million)</i>			<i>(RMB' million)</i>		
Revenue	732	729	0.41%	2,115	2,011	5.21%
including: Toll revenue	696	705	-1.30%	2,017	1,941	3.90%
Net profit attributable to owners of the Company	355	220	60.88%	707	580	21.94%
Earnings per share (RMB)	0.163	0.101	60.88%	0.324	0.266	21.94%
Return on equity	4.01%	2.63%	increased 1.38p.pts	7.98%	6.95%	increased 1.03p.pts



Financial Index

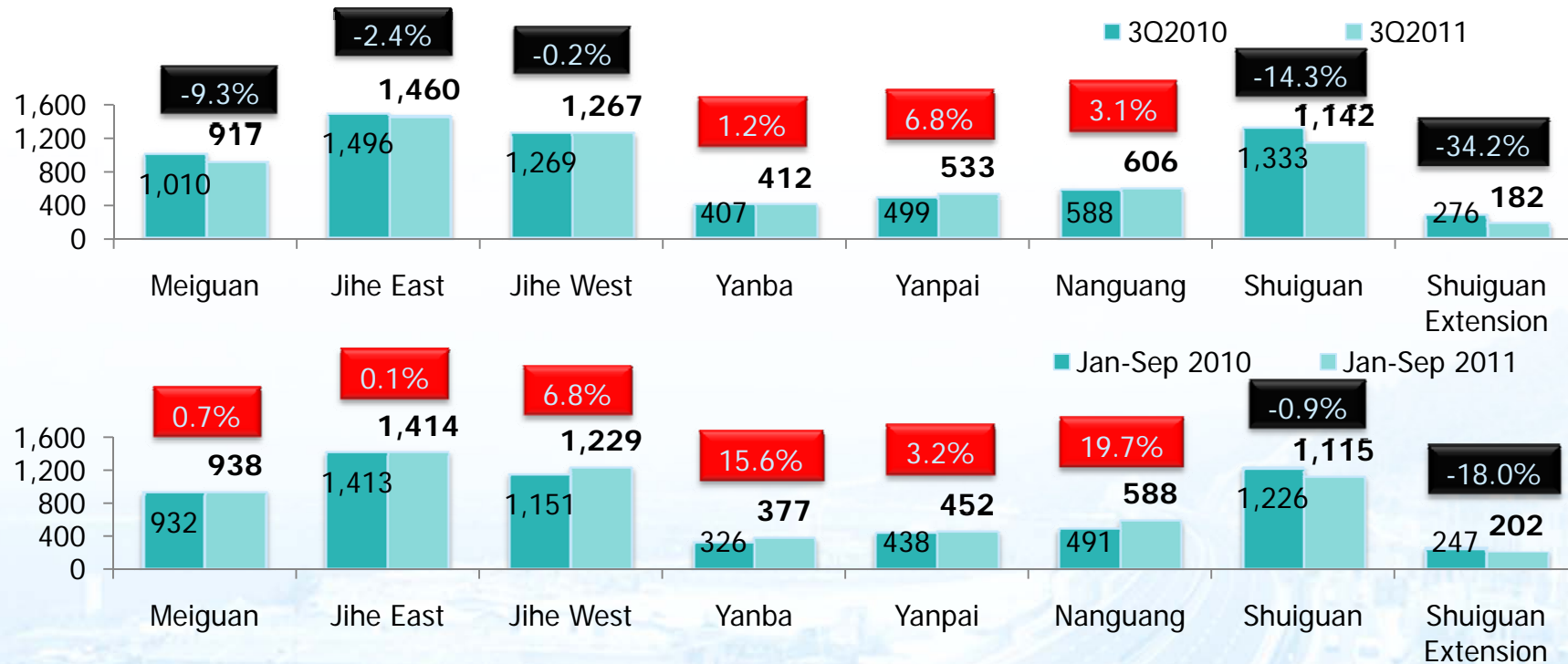
	30 Sep 2011	30 Sep 2010 (restated)	Change
	<i>(RMB' million)</i>		
Total assets	23,957	23,050	3.93%
Total liabilities	13,719	13,076	4.92%
including: Total borrowings	10,466	9,475	10.46%
Total equity attributable to owners of the Company	9,032	8,649	4.43%
Net assets per share attributable to owners of the Company (RMB)	4.14	3.97	4.43%
Debt-to-asset ratio (total liabilities/ total assets)	57.27%	56.73%	increased 0.54p.pt



Operating Performance - Projects in Shenzhen region

(RMB'000)

Average Daily Toll Revenue



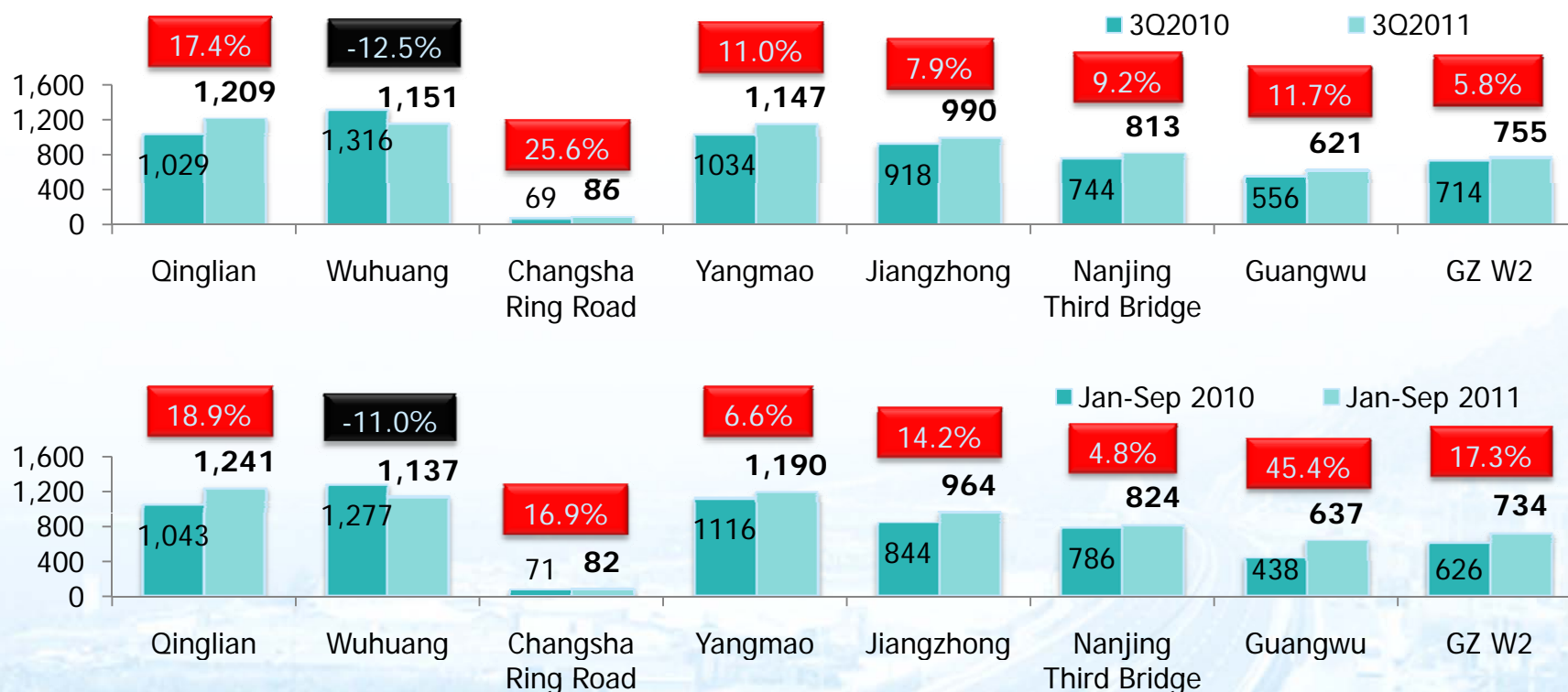
- The transportation network in Shenzhen region has been improved continuously. Such factors led to certain changes in traffic distribution and composition in the road network of the region. There were certain negative impacts on Meiguan Expressway, Shuiguan Expressway, Shuiguan Extension, Jihe East and Nanguang Expressway.
- In August, the projects in Shenzhen region recorded various decreases in operational performance as compared to the same period of 2010 caused by the temporary traffic control and guidance measures, which implemented during the period of Universiade. Among these, Shuiguan Expressway and Shuiguan Extension were affected most obviously.
- The road surface maintenance and traffic improvement works had been carried out in the South Section of Meiguan Expressway and thus there were negative impacts on the operational performance of Meiguan Expressway and the connecting Jihe East.



Operating Performance - Projects in other regions

(RMB'000)


Average Daily Toll Revenue



- Liannan Section of Qinglian Project has commenced expressway operation since late January 2011, and thus the total toll mileage of Qinglian Expressway increased from approximately 188 km to approximately 216 km, driving a rapid increase in toll revenue.
- Benefited from the stimulation effect caused by the improvement of the road networks, and booming economic activities in peripheral areas, the overall performances of Yangmao Expressway, Guangwu Project, Jiangzhong Project and GZ W2 Expressway were satisfactory.
- As affected by combined factors such as traffic control measures implemented in Wuhan City and changes in peripheral road network, Wuhuang Expressway suffered YOY decrease in toll revenue.



Costs and Expenses

	Jul- Sep 2011	Jul- Sep 2010 (restated)	Change in amount	Jan-Sep 2011	Jan- Sep 2010 (restated)	Change in amount
	(RMB' million)			(RMB' million)		
Cost of services	105	317	-212 ^{Note}	770	890	-120 ^{Note}
Finance expenses	139	125	+14	385	372	+13

Note: before including the impact of changes in accounting estimates, cost of services for the Reporting Period and for the period from January to September of 2011 increased RMB171 million and RMB263 million respectively. It is mainly caused by the maintenance and improvement works in various highways in Shenzhen such as the South Section of Meiguan Expressway, resulting in an increase of the cost of services of approximately RMB132 million, as well as the increase in employee expenses and road maintenance expenses of Qinglian Project.



Financial Management

- **Composite borrowing costs for the period from January to September 2011: 4.56% (same period of last year: 4.87%)**

- **Issuance of corporate bonds**
 - Value date: 27 July 2011
 - Amount: RMB1.5 billion
 - Terms: 5 years
 - Nominal interest rate: fixed rate at 6.0%, carrying an option for increase of face interest by the Company and an investors' put options to sell back the bonds at the end of the third year.
 - The proceeds would be utilized for replenishing the working capital of the Company and/or its subsidiaries and for repayment of the existing debts of the Company.



Business Development

Meiguan Expressway

- The reconstruction and expansion of the North Section (Qinghu - Liguang), approximately 90% of the land requisition, demolition and relocation works and the bidding for road surfaces construction have been completed. The project is expected to be completed in early 2013.
- The road surface maintenance and traffic improvement works had been carried out in the South Section (Qinghu - Meilin). The northwards movement arrangement on the southern toll station is still under negotiation with the relevant competent authorities.

Guilong Project

- On 12 August, the Company and Guizhou Longli County Government entered into an agreement, which will involve the construction of phase I of Guilong Road and the primary development of land in a designated area, with a view to further expanding the business portfolio and profit base of the Company.
- On 27 October, the Company entered into an agreement with CCCC Second Bureau to establish a project company to undertake the aforesaid project, with a view to reducing the overall capital needs and diversifying investment risks in the aforesaid project.



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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.