



SHENZHEN EXPRESSWAY COMPANY LIMITED

Stock code: 00548(SEHK) 600548(SSE)

2017 Interim Results Presentation



18 August 2017


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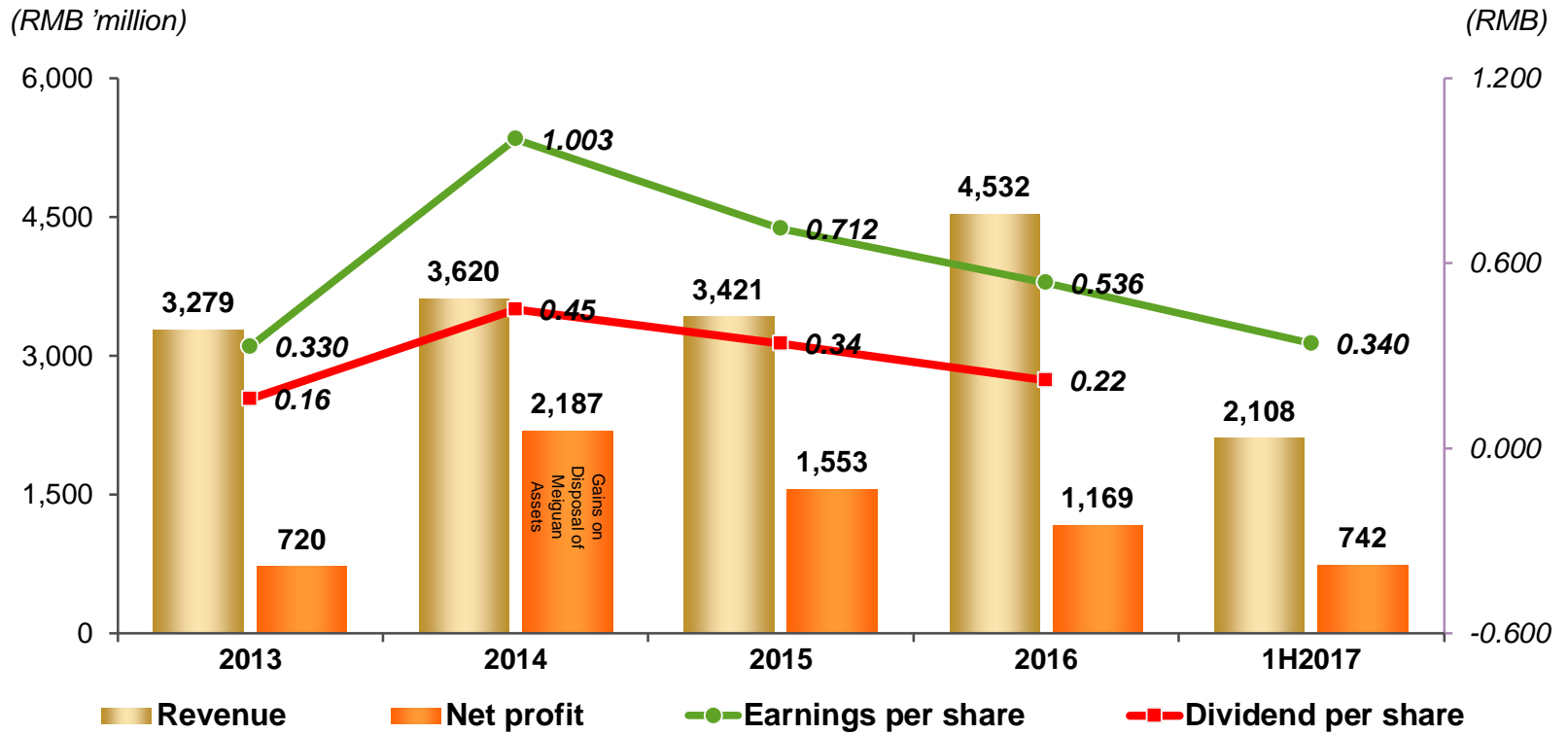


The financial statements of the Company were prepared in accordance with China Accounting Standards for Business Enterprise (CASBE), and also were complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules of HKEx.

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



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Operation Analysis of Toll Highways

Guangdong Province – Shenzhen Region

- After the adjusted toll collection scheme on Meiguan Expressway was implemented, toll-free section of Meiguan Expressway not only stimulated the growth of traffic volume of the toll section itself, but also promoted the operational performance of the connecting Jihe Expressway.
- After the implementation of free passage on the Three Projects, the growth of traffic volume of these toll-free projects also drove the traffic growth of the connecting Jihe Expressway and Shuiguan Expressway.

Guangdong Province – Other Regions

- The implementation of governing over-limit and overloaded vehicles policy has a significant negative impact on the operational performance of Yangmao Expressway with a higher proportion of trucks.
- Both the average daily traffic volume and toll revenue of GZ W2 Expressway witnessed a YOY better growth due to the economic growth in the areas along it and the implementation of two-way toll collection in the neighboring road.
- At the end of December 2016, Jiangluo Expressway Phase II commenced operation. It has brought a great diversion impact on Guangwu Project but driven the growth of traffic volume of Jiangzhong Project.
- The diversion impact arising from neighboring roads on Qinglian Expressway still exist, but it has become stable.

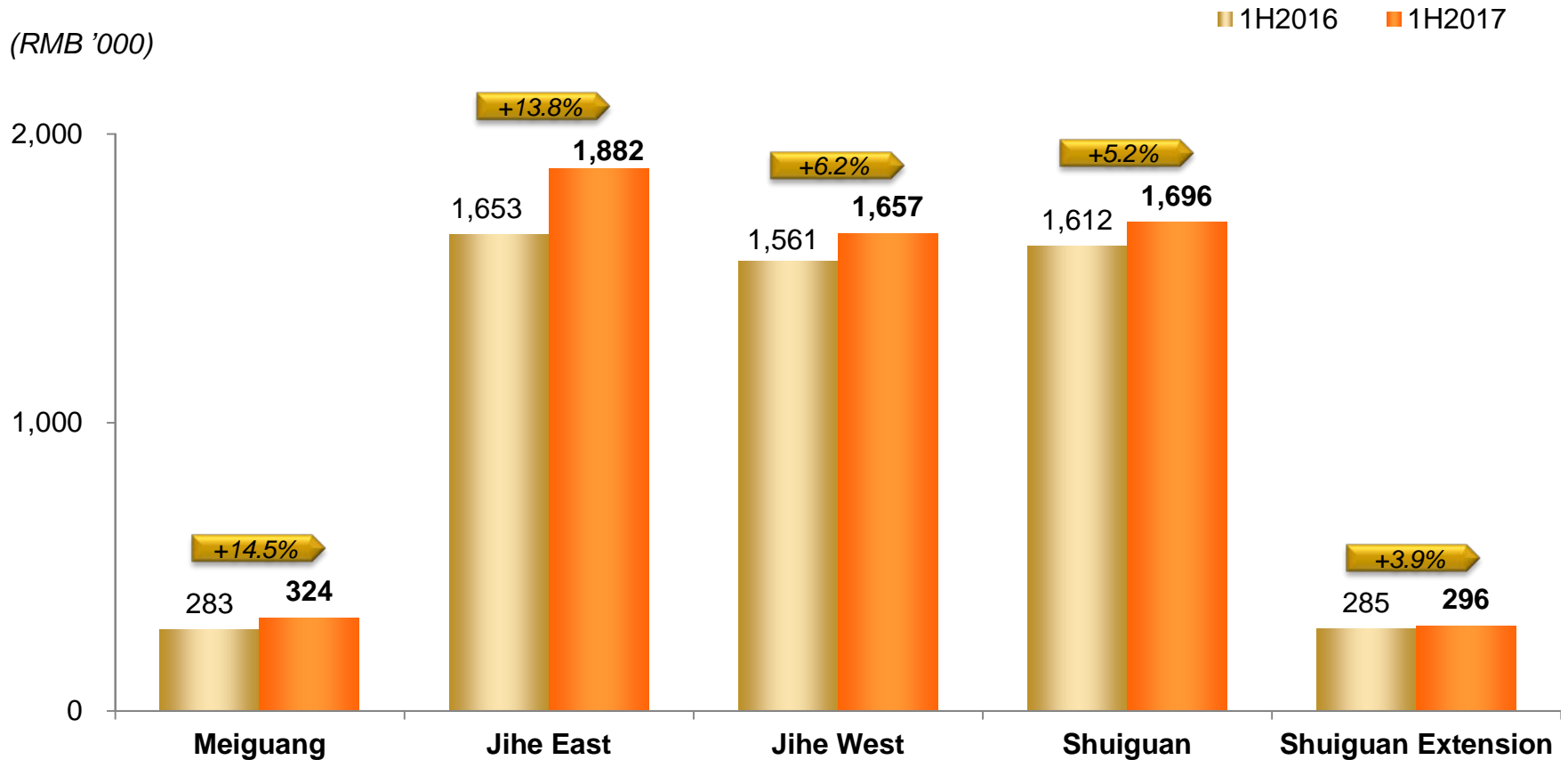
Other Provinces

- The diversion impact arising from neighboring road network on Wuhuang Expressway still existed. However, benefited from the rapid growth of car ownership in the surrounding cities and significant growth of traffic volume of trucks, the operational performance of Wuhuang Expressway was good during the Reporting Period.
- The positive implications of various factors, such as the economic development of the neighboring regions, closure of the Nanjing Yangtze River Bridge due to construction works and implementation of encouragement policy of trucks trip, boosted the operational performance of Nanjing Third Bridge.
- The toll revenue of Changsha Ring Road maintained a relatively rapid YOY growth due to the positive impact of various factors including the improvement of road network, implementation of toll-by-weight, implementation of traffic control measures of neighboring roads and the business growth of enterprises along the highway.



Operational Performance of Toll Highway - Shenzhen Region

Average Daily Toll Revenue

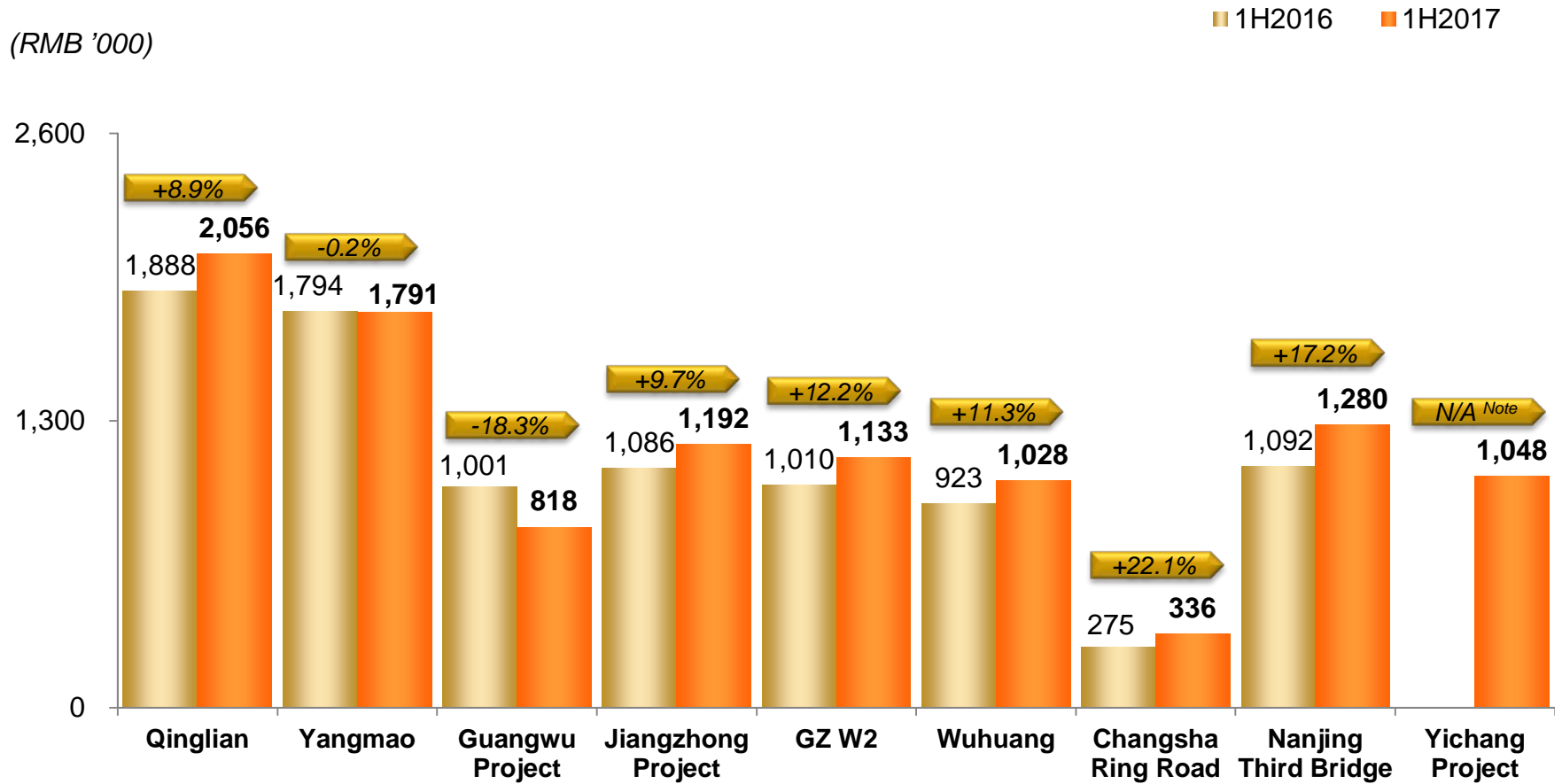


- The toll-free policy has been implemented for Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the “Three Projects”) from 00: 00 on 7 February 2016, and the Company calculated and recognized the income in accordance with the methods agreed by the government. The Company no longer discloses data for the Three Projects.



Operational Performance of Toll Highway - Other Regions

Average Daily Toll Revenue



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



Business Development - Management Improvement

Operational Management

- Constantly optimized the standardized operation management modules and improved quality and work efficiency of operation service through delicacy management.
 - Standardized the management mechanism of emergency traffic relief system for peak hours to ensure a clear and orderly passage.
 - Established a standardized terminal operation model and an audit management mechanism to minimize the loss of toll revenue.
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Marketing Measures

- Formulated and implemented targeted marketing and promotional measures to promote the advantages of road networks and projects through various ways, thereby facilitating the growth of toll revenue.
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Maintenance Works

- Conducted various small special projects so as to ensure the safety and clear passage for highways.
- Through strict daily maintenance management, continuously ensured the excellent technical conditions of projects to extend the service life of the highways and effectively reduce the overall maintenance cost.



Business Development

- Toll Highways 1

Outer Ring Project

- The total length is approximately 93 km with six-lane.
- 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.
- The Company and the Shenzhen government entered into agreements on 18 March 2016: : the investment budget for Section A of Outer Ring is approximately RMB20.6 billion, among which, the Group will invest 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 will be 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 mode, which can effectively maintain a balance between public welfare and reasonable returns for commercial investment of infrastructure.
- The construction of the main project has fully commenced and is scheduled to be completed at the end of 2019.



Business Development

- Toll Highways 2

Yichang Expressway

- Yiyang to Changde, a two-way expressway with four lanes of which the main lane has a length of 73.1 km. It is a section of the connection line from Zhangjiajie to Changsha of Erguang Expressway.
- The Company entered into an equity transfer agreement with Ping An Ventures on 20 January 2017 to acquire Ping An Ventures' 100 % equity in Yichang Expressway for RMB1.27 billion.
- The change of industrial and commercial registration of Yichang Company has completed and it has been consolidated into combined financial statements of the Group since 15 June 2017. It is expected that total assets and total liabilities of the Group will increase by approximately RMB2 billion and RMB2 billion, respectively; revenue and net profit (deducting the cost of capital) attributable to the Group will increase by approximately RMB200 million and RMB30 million in 2017.



Business Development

- Entrusted Construction Management & Other Infrastructure

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Project Construction

- The construction of the main project of Outer Ring Project has fully commenced and is scheduled to be completed at the end of 2019.
- Some of the contract sections of Coastal Phase II have already commenced construction and the project is scheduled to be completed at the end of 2019.
- The Entrusted Construction Project of Guizhou Logistics Port of Shenzhen International has been carried out in good order. It is planned to be completed, passed the acceptance and delivered for use during the year.
- The construction of the four toll stations under the first batch of Cargo Organization Adjustment Project was currently in progress.
- The ground levelling and relevant supporting construction projects in Shenzhen-Shanwei Special Cooperation Zone were still in progress.

Acceptance and Audit

- The acceptance, handover, completion settlement and audit of the construction of Resettlement Project Phase II in Longli, Guizhou have been completed.
- The main work of Entrusted Construction Project on Hengwu Road and Hengliu Road in Longli, Guizhou was completed and accepted.
- The completion settlement and government audit of Meiguan Toll Station, Nanping Phase II, Dezheng Road Project, Coastal Phase I, auxiliary project of Longda Municipal Section and Guanlan Renmin Road - Meiguan Expressway Joints Project were under way.

Preliminary Planning

- The construction of the toll stations under the second batch of Cargo Organization Adjustment Project has commenced the preliminary work in relation to submission for approval.
- The Houmen Resettlement Area Project is still at the preliminary stage of applying for construction.



Business Development

- Development and Management of Land 1

Guilong Project

- Relying on BT Project, from 2012 up to the Reporting Date, the Group has successfully won the bids for parcels of land in Longli, Guizhou with an area of approximately 2,490 mu (approximately 1.66 million square meters) with a total consideration of approximately RMB837 million:
 - 300 mu (approximately 200,000 square meters) of area has been developed. A total of more than 140 sets of villas of Phase I Stage I of Shenzhen Expressway Interlaken Town (approximately 110 mu, equivalent to 70,000 square meters) have been sold. The revenue of RMB254 million in 2016 has been recognized.

The main structure of Phase I Stage II (approximately 129 mu, equivalent to 86,000 square meters) has been topped out. It is planned to be completed and passed the acceptance by the end of 2017. As at the end of the Reporting Period, more than 150 sets of villas of it have been subscribed.
 - Continue to conduct integrated planning and progressive and phased independent development of Phase II (approximately 400 mu, equivalent to 267,000 square meters), of which 180 sets villas of Stage I (approximately 177 mu, equivalent to 118,000 square meters) have been opened since July 2017 and are scheduled to hand over at the end of 2018.
 - The Company completed the sale and transfer of the area of 503 mu (approximately 335,000 square meters), a cash amount of RMB0.15 billion has been received.
- The Group will, through means such as timely market transfer, cooperation or self-development based on the overall market conditions and development opportunities, realize the market value of the lands it holds and the Group's investment gains as soon as possible, at the same time prevent the contractual and market risks in relation to the lands in an effective way.



Business Development

- Development and Management of Land 2

Meilin Checkpoint Renewal Project

- The Company and Shenzhen International (through XTC Company, its wholly-owned subsidiary) have established United Land Company, in which two parties own 49% and 51% equity interests respectively, as the implementing entity of Meilin Checkpoint Renewal Project.
- The Group had completed subsequent capital injection into United Land Company, with an accumulated amount of RMB2.45 billion. United Land Company paid up the total land premium (including the transfer price of land use right and other payables) and obtained the land use right of the land parcels.
- The land area of the land parcels is approximately 96,000 square meters and the land is for residential and commercial use with a plot ratio-based gross floor area of not more than 486,400 square meters (including public affiliated facilities, etc.).
- It is estimated that the total cost of the project land parcel would be about RMB5.0 billion to RMB5.2 billion, including the total land premium of approximately RMB3,567 million, relocation compensation for the properties on the land, preliminary planning costs, and relevant tax.
- As of the end of the Reporting Period, United Land Company has basically completed the negotiation about the compensation for relocation and demolition with the existing operators and tenants of the land.
- 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 Company is actively conducting industry policy research, exploring the methods for value realization and liquidation of the land, as well as working with Shenzhen International to discuss cooperation with the third parties, so as to realize the commercial value of the project as soon as possible.



Business Development

- Environmental Protection Business 1

Nanmen River Comprehensive Management Project

- In the case of a total investment of no more than RMB320 million, the Company and Zhongjiao Tianjin Waterway Bureau Co., Ltd jointly participated in the investment, construction and management of the Nanmen River Comprehensive Management Project as a consortium. Currently, the construction of all river sections equipped with operation platform has commenced. The construction duration is around one year.
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Capital Increase of Water Planning Institute

- On 6 April 2017, the Company subscribed for 15% of the equity interest as enlarged by the Capital Increase of Water Planning Institute at a consideration of RMB10.315/registered capital totaling RMB61.89 million. The capital increase agreement has been entered into on 13 July 2017.
- Water Planning Company is one of the first comprehensive survey and design organization in the PRC to commence integrated water design. It processes 7 A-grade qualifications in areas such as water conservancy industry, municipal water supply and drainage, comprehensive engineering survey and surveying etc. It is one of the top 500 PRC enterprises in the field of survey and design, and one of the top 50 PRC enterprises in the field of water conservancy survey and design.
- By investing in Water Planning Company at a reasonable price, the Company would be able to achieve reasonable investment return, at the same time striving for expansion into the water environmental management field from a high starting point. This will help the Company to acquire resources for technological research and development in respect of water environmental management and urban water planning, expand market channels, achieve complementary advantages along the industrial chain with related cooperating parties, thereby assisting the Company to rapidly enhance its competitiveness in market of water environmental management.



Business Development

- Environmental Protection Business 2

Acquisition of Equity Interest in Derun Environment

- On 25 May 2017, Environment Company, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with Chongqing Water Asset to acquire 20% equity interest in Derun Environment at the price of RMB4,408,644,500. At the end of May, such consideration of equity acquisition has been fully settled and all relevant trading procedures have been completed.
- Derun Environment is established in Chongqing in October 2014 with a registered capital of RMB1 billion. It is owned as to 74.9% (before the transfer) and 25.1% by Water Asset and Suyu Industry, respectively. The principal business of Derun Environment is investment holding, its major assets comprise of 50.04% equity interest in Water Group and 57.12% equity interest in San Feng Environment. The principal business of Water Group covers investment, construction, management, design and technical consultation service in relation to water supply and drainage project, and its income is mainly derived from the water supply business in Chongqing and other waste water treatment projects. In 2016, the revenue of Water Group recorded RMB4.45 billion. The principal business of San Feng Environment covers construction and operation of waste incineration power generation plants, and consultation service and development of environmental protection technology, and its income is mainly derived from the production and sale of incineration power generation facilities and investment, construction and operation of projects. In 2016, its revenue increased 30% YOY. At present, the market share of San Feng Environment in China is in the top four and the market share of its equipment is the largest in the country.
- It is expected that the transaction will respectively increase the Group's total liability and total asset by RMB920 million, increase the gearing ratio by not more than approximately 1.26 percentage point, and increase the Group's investment income for 2017 by approximately RMB100 million.



Business Development

- Other Businesses

Bank of Guizhou

- The Company subscribed 426 million additional shares of Bank of Guizhou. The equity interest held by the Company in the Bank of Guizhou accounts for 4.39% of the total shares after the increase in capital and shares of Bank of Guizhou.
- It has been recognized the investment income for 2016 of RMB101,535,000. The investment income from Bank of Guizhou for the first half of 2017 was RMB62,862,000.
- Given the strong cash dividend capacity and there is much room for future development of Bank of Guizhou, the subscription of the additional shares issued by Bank of Guizhou will optimize the Company's asset allocation in pursuit of sound synergy for its subsequent infrastructure investments and operations in relevant regions.

Advertising Company

- The Group is engaged in the businesses of billboard leasing, advertising agency, design production and related businesses alongside the toll highways and at the toll stations through its wholly-owned subsidiary, Advertising Company.
- Advertising Company has also further developed outdoor media businesses of main urban roads and provided brand building and promotion plans for customers in recent years.

Consulting Company

- The Company holds 24% equity interests of Consulting Company. . To support the development strategy of Consulting Company in the capital market, Consulting Company was de-consolidated from the Group's consolidated financial statements since 30 November 2016.
- Consulting Company is a professional project consulting company with independent legal person qualification, its scope of business covers survey design, tendering agency, engineering supervision and maintenance consultancy, and has the professional qualification of, and servicing competence in undertaking the consultancy services of the entire process of project investment and construction.

Guangdong UETC

- Guangdong UETC, held as to 12.86% by the Company, is principally engaged in electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sales of related products.

Financial Analysis

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Financial Analysis

- Income Highlights

	1H2017	1H2016	Change in Amount	Change
Net profit attributable to owners of the Company (RMB 'million)	742	615	+127	+20.63%
Earnings per share (EPS) (RMB)	0.340	0.282	+0.058	+20.63%
Return on equity – weighted average (ROE) (%)	5.72%	4.90%	+0.82p.pt	
Excluding non-recurring items ^{Note} :				
Net profit attributable to owners of the Company (RMB 'million)	714	519	+195	+37.59%
Earnings per share (EPS) (RMB)	0.327	0.238	+0.089	+37.59%
Return on equity – weighted average (ROE) (%)	5.51%	4.13%	+1.38p.pt	

Note: The non-recurring items mainly include the fair value gain/loss on Forex Swap; the gains from revaluation of the fair value of the equity interest resulted from the consolidation of Shenchang Company into the Group's financial statements; the government resumed parts of the land use rights of Jihe East, and relevant compensations were recognized in non-operating income.



Financial Analysis

- Revenue, Cost & Expenses

	1H2017 (RMB '000)	1H2016 (RMB '000)	Change in Amount (RMB '000)
Revenue	2,108,385	2,063,128	+45,257
<i>Toll highways</i>	<i>1,956,878</i>	<i>1,765,702</i>	<i>+191,176</i> ^{Note1}
<i>Entrusted management services</i>	<i>34,929</i>	<i>97,827</i>	<i>-62,898</i> ^{Note2}
<i>Real estate development</i>	<i>55,783</i>	<i>-</i>	<i>+55,783</i>
<i>Engineering consulting</i> ^{Note3}	<i>-</i>	<i>135,404</i>	<i>-135,404</i>
<i>Advertising and others</i>	<i>60,795</i>	<i>64,195</i>	<i>-3,400</i>
Cost of services	1,021,305	1,067,039	-45,734
<i>Toll highways</i>	<i>928,144</i>	<i>865,567</i>	<i>+62,577</i>
<i>Entrusted management services</i>	<i>18,582</i>	<i>55,561</i>	<i>-36,979</i> ^{Note4}
<i>Real estate development</i>	<i>39,883</i>	<i>-</i>	<i>+39,883</i>
<i>Engineering consulting</i> ^{Note3}	<i>-</i>	<i>109,128</i>	<i>-109,128</i>
<i>Advertising and others</i>	<i>34,696</i>	<i>36,783</i>	<i>-2,087</i>
General and administrative expenses	40,516	41,324	-808

Note1: Toll revenue recorded a YOY increase of 10.83%, in which the contribution from toll revenue of RMB49,403,000 during the Reporting Period resulted from the consolidation of Shenchang Company and Yichang Company into the Group's financial statements.

Note2: Revenue from entrusted management services recorded a YOY decrease, mainly due to the recognitions of the revenue from entrusted operation management services of Coastal Phase I of RMB 42,453,000 from 1 January 2014 to 30 June 2016 and the revenue from entrusted construction management service of Section A of Outer Ring of RMB49,692,000.

Note3: Consulting Company was de-consolidated from the Group's financial statements since 30 November 2016.

Note4: The decrease of the costs of the entrusted management services was mainly due to the recognition of the entrusted construction management cost of Section A of Outer Ring in the corresponding period of last year.



Financial Analysis

- Operating Income

	1H2017 (RMB '000)	1H2016 (RMB '000)	Change in Amount (RMB '000)
Toll highway			
Qinglian	372,102	343,653	+28,449
Jihe East	340,609	300,924	+39,685
Shuiguan	306,917	293,363	+13,554
Jihe West	299,974	284,076	+15,898
Wuhuang	186,029	167,992	+18,037
Nanguang	166,828	158,065	+8,763
Yanba	89,885	85,143	+4,742
Yanpai	86,543	81,045	+5,498
Meiguan	58,588	51,441	+7,147
Sub-total	1,907,475	1,765,702	+141,773 <small>Note</small>
Changsha Ring Road	33,366	-	+33,366
Yichang	16,037	-	+16,037
Total	1,956,878	1,765,702	+191,176

- The Company recognized a compensation of RMB343,126,000 for toll revenue of the Three Projects during the Reporting Period.

Note: The Group's toll revenue of the existing ancillary toll highways recorded a YOY increase of 8.03%.

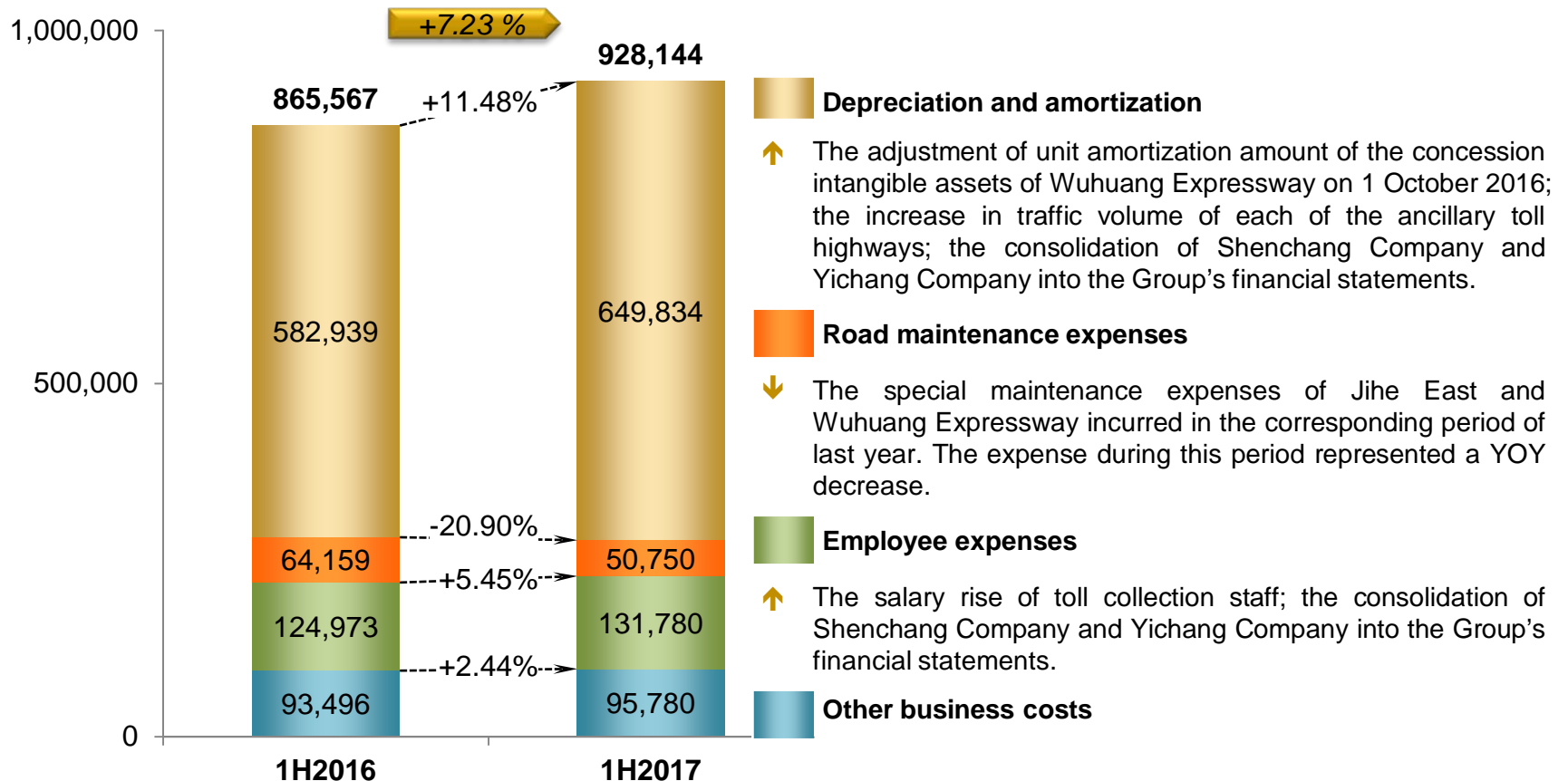


Financial Analysis

- Operating Costs

Cost Breakdown of Toll Highway Business

(RMB '000)





Financial Analysis

- Operating Profit from Main Business

	Cost of Services		Operating Profit	
	1H2017 (RMB '000)	Change in Amount (RMB '000)	1H2017 (RMB '000)	Change in Amount (RMB '000)
Toll highway				
Qinglian	186,879	+4,005	185,223	+24,444
Jihe East	140,731	+4,809	199,878	+34,876
Shuiguan	205,025	+11,479	101,892	+2,075
Jihe West	52,521	+3,702	247,453	+12,196
Wuhuang	115,441	+17,911	70,588	+126
Nanguang	82,885	+1,986	83,943	+6,777
Yanba	56,344	+1,239	33,541	+3,503
Yanpai	36,287	-3,827	50,256	+9,325
Meiguan	33,382	+2,624	25,206	+4,523
Sub-total	909,495	+43,928	997,980	+97,845
Changsha Ring Road	10,714	+10,714	22,652	+22,652
Yichang	7,935	+7,935	8,102	+8,102
Total	928,144	+62,577	1,028,734	+128,599

Operating profit = Operating income – Operating costs



Financial Analysis

- Operating Profit from Entrusted Management Service

	Operating Income		Operating Costs		Operating Profit	
	1H2017 (RMB '000)	Change in Amount (RMB '000)	1H2017 (RMB '000)	Change in Amount (RMB '000)	1H2017 (RMB '000)	Change in Amount (RMB '000)
Entrusted management project						
Section A of Outer Ring	6,560	-43,132	6,560	-42,514	-	-618
Coastal Phase II	6,269	+10,520	6,038	+794	231	+9,726
Other entrusted construction management projects	5,119	-2,379	5,984	+321	-865	-724
Entrusted operation management projects <small>Note</small>	16,981	-34,302	-	-	16,981	-34,302
Total	34,929	-62,898	18,582	-36,979	16,347	-25,919

Operating profit = Operating income – Operating costs

Note: Including Longda Expressway and Coastal Expressway.



Financial Analysis

- Investment Income

	1H2017 (RMB '000)	1H2016 (RMB '000)	Change in Amount (RMB '000)
Item			
Joint ventures and associates:			
Yangmao	41,732	44,608	-2,876
Nanjing Third Bridge	25,330	20,001	+5,329
GZ W2	19,720	14,403	+5,317
Guangwu	18,683	22,870	-4,187
Jiangzhong	11,404	5,884	+5,520
Changsha Ring Road ^{Note1}	7,080	12,475	-5,395
Shuiguan Extension	3,922	2,234	+1,688
Bank of Guizhou	62,862	-	+62,862
Derun Environment	18,036	-	+18,036
Others	2,736	-1,770	+4,506
Sub-total	211,505	120,705	+90,800
Gain from valuation of the fair value of the equity interest held after consolidation of entity which is not under common control	27,504	-	+27,504
The subsidiaries' equity and claims transferred by Guizhou Property	-	65,209	-65,209
Investment income from available-for-sale financial assets ^{Note2}	-	38,200	-38,200
Gains arising from the purchase of wealth management products from banks	7,582	3,241	+4,341
Total	246,591	227,355	+19,236

Note1: Shenchang Company, originally a joint venture of the Company, 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.

Note2: Before June 30 2016, the Company's investment in Bank of Guizhou according to the available for sale financial assets accounting, 2015 of its annual dividend distributions declared in investment income.



Financial Analysis

- Financial Expenses

	1H2017 (RMB '000)	1H2016 (RMB '000)	Change in Amount (RMB '000)
Item			
Interest expense	313,604	322,336	-8,732
Less: Interest capitalized	- 8,028	- 1,274	- +6,754
Interest income	27,919	51,066	(23,147)
Add: Exchange gains and others	+ (43,442)	+ 760	+ (44,202)
Financial expenses	234,215	270,756	-36,541
	1H2017 (RMB 'million)	1H2016 (RMB 'million)	Change in Amount (RMB 'million)
Composite borrowing costs - nominal costs (%)	4.73%	5.11%	-0.38p.pt
Average borrowing scale	14,013	12,804	+1,209

- During the Reporting Period, despite the increase in the average borrowing scale of the Group, interest expenses recorded a decrease as a result of the decrease in average capital cost; exchange gains from USD debentures basically hedged against the fair value gains.



Financial Analysis

- Assets and Liabilities Highlights

	30 June 2017 (RMB 'million)	31 December 2016 (RMB 'million)	Change in Amount (RMB 'million)
Total equity attributable to owners of the Company	12,933	12,674	+258
Net assets per share (RMB)	5.93	5.81	+0.12
Total assets	36,444	32,385	+4,059 ^{Note1}
<i>of which: Cash and cash equivalents</i>	1,809	4,244	-2,435
Total liabilities	21,293	17,673	+3,620
<i>of which: Total outstanding interest-bearing liabilities</i>	16,391	12,941	+3,450 ^{Note2}

Note1: The growth of asset scale was mainly due to the completion of the acquisition of the equity interests of Derun Environment and Yichang Company during the Reporting Period.

Note2: The consolidation of Yichang Company into the Group's financial statements during the Reporting Period resulted in the increase in the borrowings of the Group; the Group increased in bank borrowings so as to satisfy the operational needs.



Financial Analysis

- Debt Ratio and Repayment

	30 June 2017	31 December 2016
Debt-to-asset ratio (Total liabilities / Total assets)	58.43%	54.57%
Net borrowings-to-equity ratio ((Total borrowings - cash and cash equivalents) / Total equity)	96.25%	59.12%
	1H2017	1H2016
Interest covered multiple ((Profit before tax + interest expenses) / interest expenses)	4.16	3.68
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortization / interest expenses)	6.27	5.53

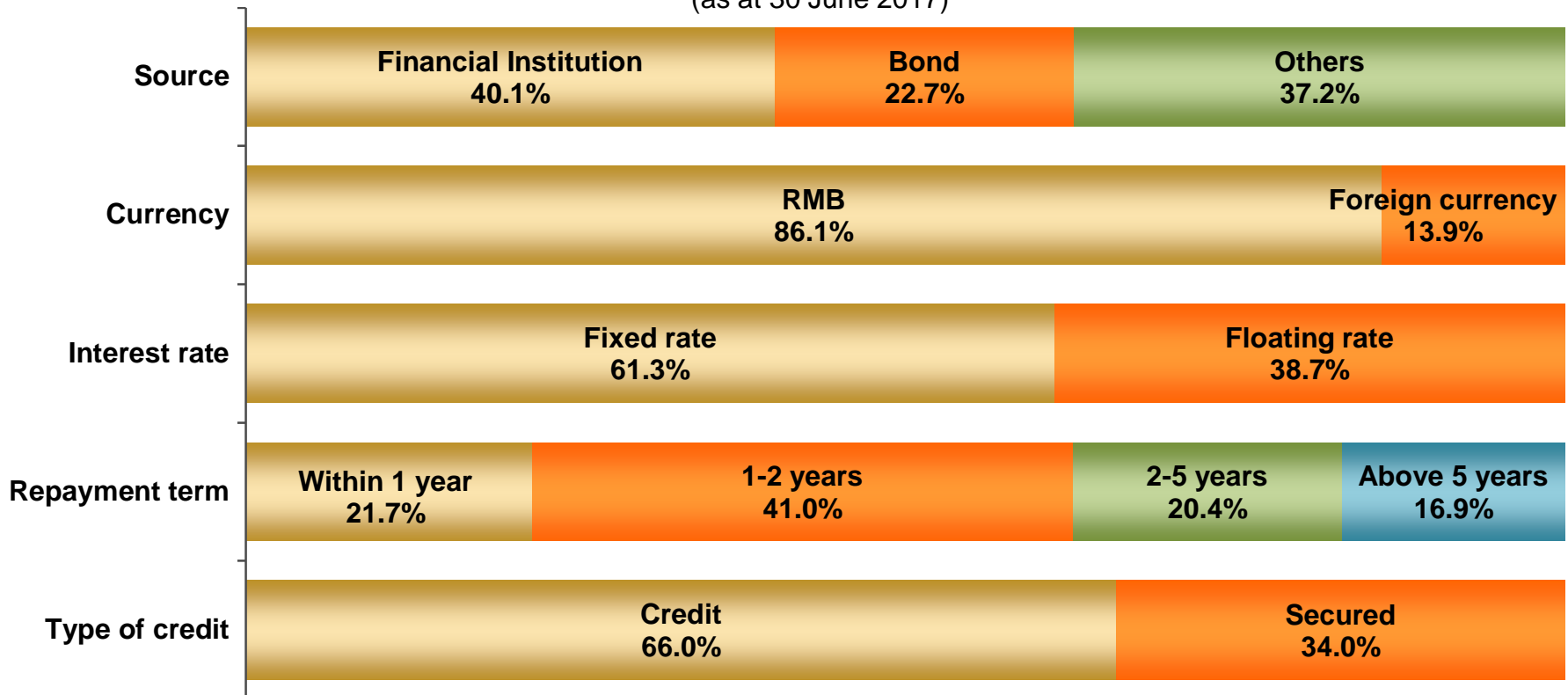
- Due to the factors of increase in the size of borrowings scale, vast amount of cash investments and distribution of profit, the debt-to-asset ratio and net borrowings-to-equity ratio increased to a certain extent respectively as compared with that at the beginning of the year.
- Due to the increase in revenue and the effectiveness of cost control, the interest covered multiple and EBITDA interest multiple recorded a YOY increase.



Financial Analysis - Borrowing Structure

Borrowing Structure

(as at 30 June 2017)



- The Company issued 300 million US dollars 5-year overseas debentures with a coupon rate of 2.875% on 18 July 2016. The Company had arranged the foreign exchange swap transaction to lock in foreign exchange risks.



Financial Analysis

- Cash Flow & Credit Management

	1H2017 (RMB '000)	1H2016 (RMB '000)	Change in Amount (RMB '000)
Net cash flows from operating activities	1,162,162	904,108	+258,054 ^{Note}
Net cash inflows from operating activities and cash return on investments	1,259,066	1,024,875	+234,191 ^{Note}

- As at the end of the Reporting Period, unutilized banking facilities amounted to RMB13.1 billion.
- During the Reporting Period, the Company continued to maintain the highest rating of AAA in credit rating for borrowing enterprises in China; as to international body rating, the Company obtained Moody's Baa2, Standard & Poor's BBB and Fitch BBB. As for credit ratings of debt, corporate bonds and medium-term notes remained at the highest credit rating of AAA.

Note: The increase was mainly attributable to an increase in the Group's net cash flows from operating activities as a result of the consolidation of Shenchang Company and Yichang Company into the Group's financial statements, and the payment of land premium and income tax in respect of the relevant compensation receivable for toll fee adjustment of Meiguan Expressway in the corresponding period of last year.



Financial Analysis

- Capital Expenditure

	Actual Expenditure	Capital Expenditure Plan			
	1H2017	2H2017	2018	2019	Total
<i>(RMB 'million)</i>					
Investment in intangible assets and fixed assets	256	855.1	1,674.6	1,947.2	4,476.9
<i>Qinglian Project</i>	3	27.0	17.8	-	44.8
<i>Nanguang Expressway</i>	1	60.5	7.4	3.7	71.6
<i>Reconstruction and expansion of Meiguan Expressway</i>	16	40.2	0.9	-	41.1
<i>Outer Ring Project</i>	220	611.0	1,648.5	1,943.5	4,203.0
<i>Other investment (Investment in mechanical and electrical equipment, etc.)</i>	16	116.4	-	-	116.4
Equity investments	5,686	61.9	-	-	61.9
<i>Derun Environment</i>	4,415 <small>Note</small>	-	-	-	-
<i>Yichang Company</i>	1,270	-	-	-	-
<i>Water Planning Company</i>	1	61.9	-	-	61.9
Total	5,942	917.0	1,674.6	1,947.2	4,538.8

Note: After deducting the transaction costs, the amount of the investment in Derun Environment during the Reporting Period was RMB4,408,645,000.

Outlook and Plans

OUTLOOK AND PLANS

Business Review

Financial Analysis

Appendix





Major Works in 2H2017-1

Toll Highway Management

- Carrying out in-depth improvement for the standardized management of the platform of Operation Development Company and strengthen management and control on costs, with a view to further consolidating and enhancing the quality and level of integrated operational service.
- Exploring new growth points on toll and launching targeted marketing and promotion activities to increase the toll revenue.
- Completing preventive maintenance works for roads as scheduled and strengthening management on highway administration and road assets.

Construction Management

- Sparing no effort to make project construction management “professional, industrial, corporate” with Construction Development Company as the platform, with a view to consolidate and enhance the core competitiveness of the construction management business.
- Reinforcing process management so as to effectively control the construction cost of projects, while promoting the progress of key construction projects, such as Section A of Outer Ring and Coastal Phase II.
- Consolidating the experience in construction management in a timely manner to strengthen completion and acceptance of projects and the co-ordination for collection of entrusted construction account receivables.



Major Works in 2H2017-2

Project Development and Management

- Stepping up the efforts in enhancing the synergy between itself, Chongqing Derun Environment and Shenzhen Water Planning Company, while actively facilitating the progress of the material businesses, including Meilin Checkpoint Renewal Project, Guilong Project and the entrusted construction project in respect of Shenzhen-Shanwei Special Cooperation Zone.
- Continuing to carry out research, selection and examination of both toll highway projects and projects relating to new industries, as well as ongoing risk monitoring and management in line with the Group's development strategies.

Financing and Financial Management

- Closely following the changes in monetary policy and financing environment from time to time and thus adjusting the fiscal policy in a timely.
- Further developing the design of investment and financing structure and adjusting the financing strategy and the execution plan in phases in due course according to the strategic development plan and asset structure.
- Consolidating the planning and management of the financial resources and expanding financing channel, with a view to optimize the capital structure and maintain financial resilience.
- Studying and examining new investment modes as well as revitalize asset stock, so as to improve the overall competitiveness and provide support for the implementation of strategies of the Group.

Long - term Incentive Mechanism

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

Appendix

Business Review

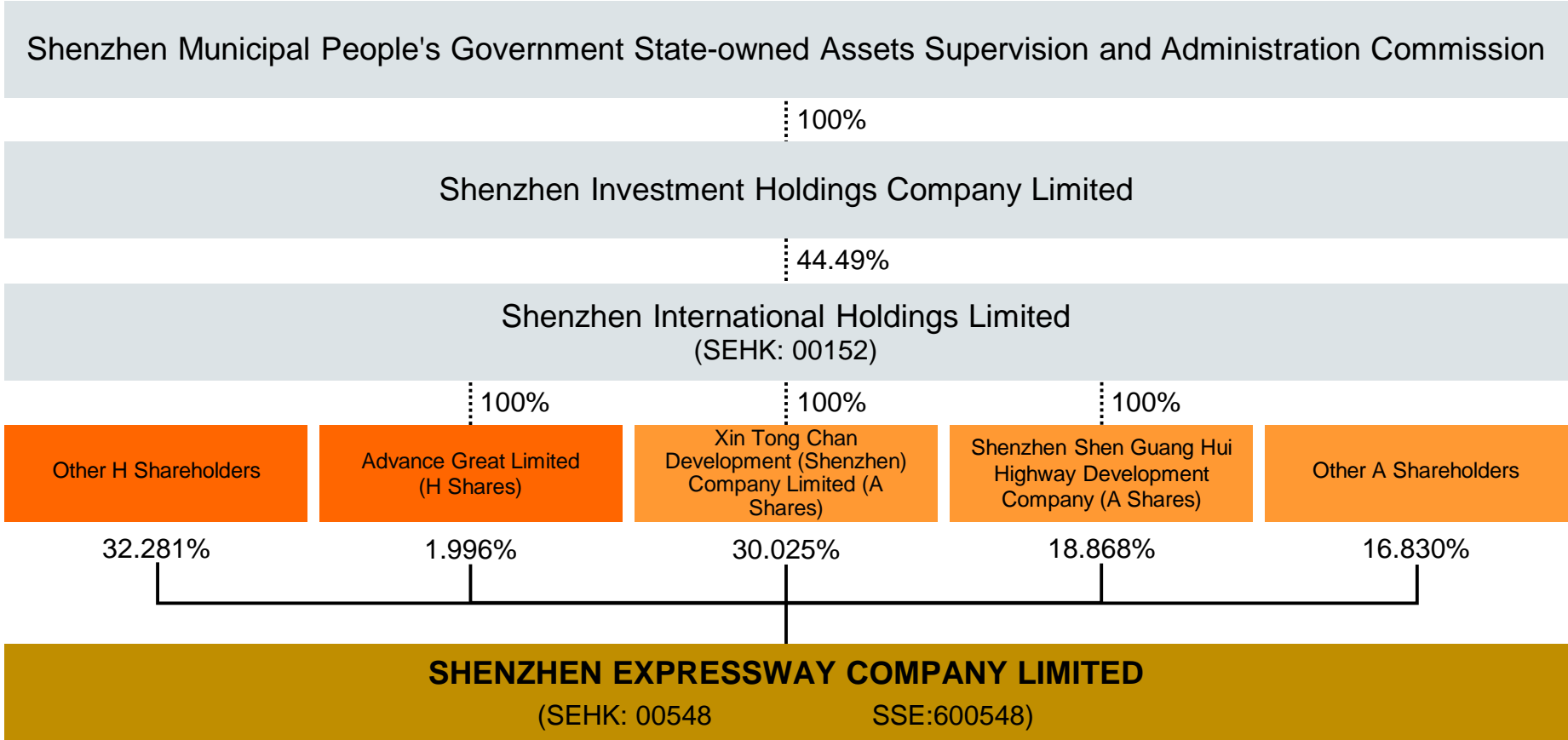
Financial Analysis

Outlook and Plans





Shareholding Structure



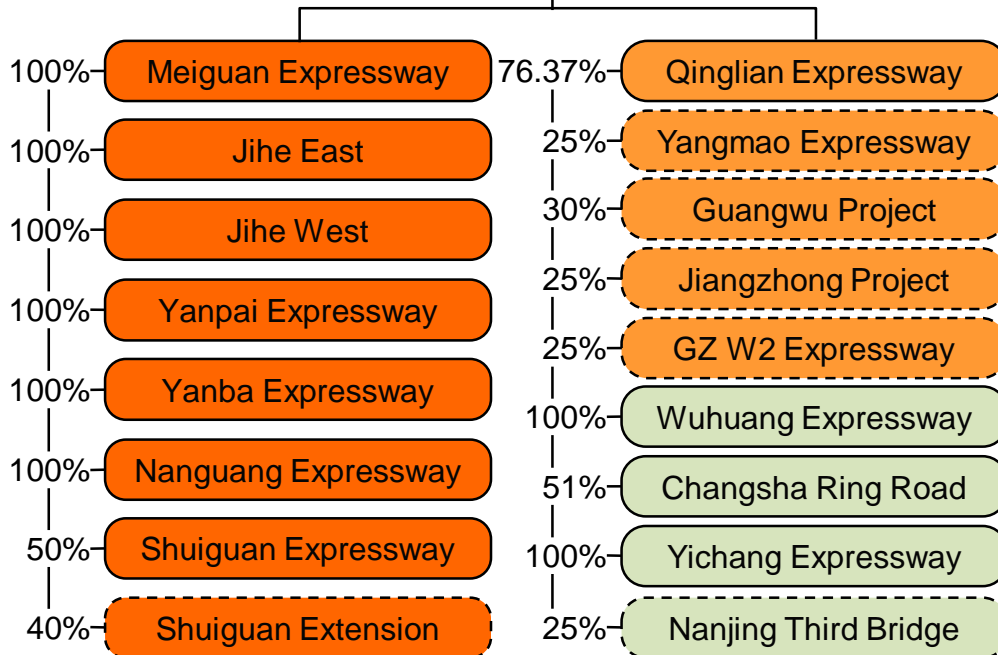
The total share capital of the Company is 2,180,770,326, of which H shares are 747,500,000, accounting for 34.28% and domestic shares are 1,433,270,326, accounting for 65.72%.



Business Structure

Shenzhen Expressway Company Limited

Toll Highway Business



Entrusted Management and Other Infrastructure Development

Project Development and Management

Environmental Business

Other Businesses

Advertising

Engineering Consulting

Inter-network Toll Collection

Financial Business

Icon: Shenzhen region in Guangdong Province

Other regions in Guangdong Province

Other provinces in the PRC

Consolidated project

Non-consolidated project



Toll Highway Projects Summary

Toll Highway	Interest Held by the Company	Location	Toll Mileage (km)	No. of Lanes	Status	Maturity
Meiguan Expressway	100%	Shenzhen	5.4	8	Under operation	2027.03
Jihe East	100%	Shenzhen	23.7	6	Under operation	2027.03
Jihe West	100%	Shenzhen	21.8	6	Under operation	2027.03
Yanba Expressway ^{Note}	100%	Shenzhen	29.1	6	Under operation	Section A: 2026.04 Section B: 2028.07 Section C: 2035.03
Shuiguan Expressway	50%	Shenzhen	20.0	10	Under operation	2025.12
Shuiguan Extension	40%	Shenzhen	6.3	6	Under operation	2025.12
Yanpai Expressway ^{Note}	100%	Shenzhen	15.6	6	Under operation	2027.03
Nanguang Expressway ^{Note}	100%	Shenzhen	31.0	6	Under operation	2033.01
Yangmao Expressway	25%	Guangdong	79.8	4	Under operation	2027.07
Guangwu Project	30%	Guangdong	37.9	4	Under operation	2027.11
Jiangzhong Project	25%	Guangdong	39.6	4	Under operation	2027.08
GZ W2 Expressway	25%	Guangdong	40.2	6	Under operation	2030.12
Qinglian Expressway	76.37%	Guangdong	216.0	4	Under operation	2034.07
Wuhuang Expressway	100%	Hubei	70.3	4	Under operation	2022.09
Yichang Expressway	100%	Hunan	73.1	4	Under operation	2033.12
Changsha Ring Road	51%	Hunan	34.7	4	Under operation	2029.10
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Under operation	2030.10

Note: Pursuant to the agreement between the Company and Transport Commission, the toll of the Three Projects has been adjusted since 7 February 2016. During the first phrase up to 31 December 2018, the Company will retain its fee entitlement right and be responsible for the maintenance and repair of the Three Projects, and will implement toll-free for the Three Projects in exchange for cash compensation from the Transport Commission.



Average Daily Mixed Traffic Volume

(Number of vehicles)

	2012	2013	2014	2015	2016	1H2017
Shenzhen region in Guangdong Province						
Meiguan Expressway ^{Note1}	124,921	129,769	84,622	74,956	83,211	87,491
Jihe East	128,414	149,896	189,586	219,169	249,608	257,269
Jihe West	106,564	123,343	149,921	175,533	202,458	207,455
Yanba Expressway ^{Note2}	28,563	31,260	35,602	36,600	N/A	N/A
Yanpai Expressway ^{Note2}	41,473	50,188	57,370	56,999	N/A	N/A
Nanguang Expressway ^{Note2}	58,715	75,029	86,829	96,405	N/A	N/A
Shuiguan Expressway	138,285	155,477	168,728	191,354	227,055	218,928
Shuiguan Extension	29,331	39,119	61,655	75,377	97,710	99,011
Other regions in Guangdong Province						
Qinglian Expressway	22,827	28,344	33,026	33,290	36,753	41,371
Yangmao Expressway	26,978	31,481	34,935	40,485	45,828	48,439
Guangwu Project	25,339	27,177	31,935	34,792	40,086	36,009
Jiangzhong Project	90,556	89,467	101,183	107,246	120,351	137,435
GZ W2 Expressway	34,796	42,175	46,205	50,007	58,638	64,867
Other provinces in the PRC						
Wuhuang Expressway	39,712	39,127	38,891	40,617	43,908	50,090
Changsha Ring Road	13,206	14,015	16,188	19,798	26,279	29,318
Nanjing Third Bridge	24,680	29,312	27,665	26,777	27,299	32,649

Note 1: Toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km was implemented on 1 April 2014, and the toll for section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km remained.

Note 2: The Three Projects have become toll free since 7 February 2016.



Average Daily Toll Revenue

(RMB '000)	2012	2013	2014	2015	2016	1H2017
Shenzhen region in Guangdong Province						
Meiguan Expressway ^{Note1}	875.6	803.1	413.6	282.9	311.3	323.7
Jihe East	1,239.9	1,328.8	1,614.6	1,745.1	1,767.1	1,881.8
Jihe West	1,079.8	1,048.2	1,267.6	1,491.0	1,641.7	1,657.3
Yanba Expressway ^{Note2}	387.4	444.1	493.2	473.0	N/A	N/A
Yanpai Expressway ^{Note2}	514.0	541.0	584.2	441.7	N/A	N/A
Nanguang Expressway ^{Note2}	628.8	787.2	839.7	879.8	N/A	N/A
Shuiguan Expressway	1,204.5	1,297.7	1,385.6	1,537.3	1,692.8	1,695.7
Shuiguan Extension	155.5	176.1	230.8	253.7	299.5	295.6
Other regions in Guangdong Province						
Qinglian Expressway	1,460.6	1,948.1	2,136.3	1,745.7	1,834.9	2,055.8
Yangmao Expressway	1,326.2	1,469.2	1,551.8	1,694.7	1,800.3	1,791.0
Guangwu Project	681.3	718.5	802.0	893.9	1,024.8	817.6
Jiangzhong Project	931.6	924.1	1,019.2	1,066.6	1,132.6	1,192.4
GZ W2 Expressway	713.0	824.8	917.2	990.3	1,073.8	1,132.6
Other provinces in the PRC						
Wuhuang Expressway	1,170.4	1,040.4	891.0	908.5	939.0	1,027.8
Changsha Ring Road	119.4	143.6	167.9	222.8	311.9	335.7
Nanjing Third Bridge	894.7	1,169.5	1,093.5	1,040.5	1,097.8	1,280.4

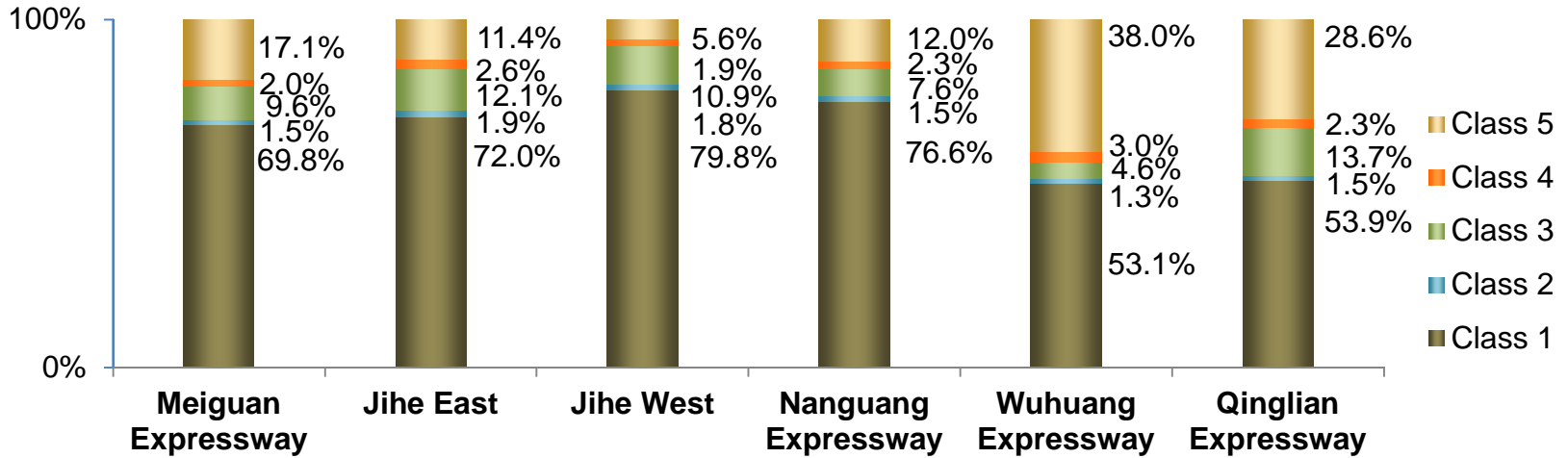
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Note 2: The Three Projects have become toll free since 7 February 2016.

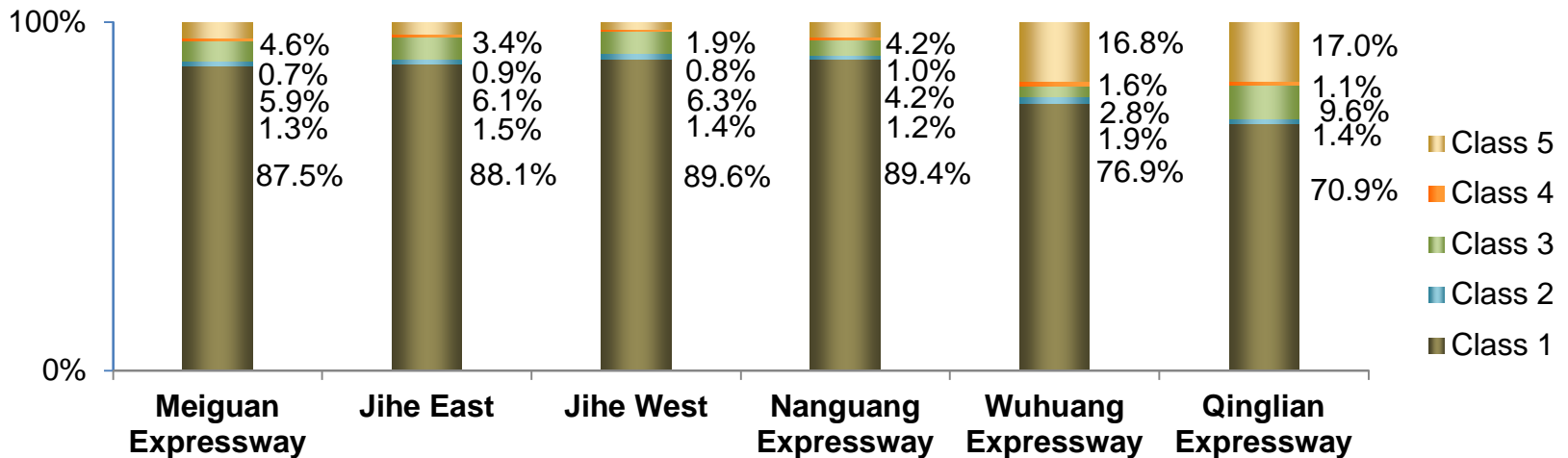


Vehicle Category of Major Highways in 1H2017

By revenue



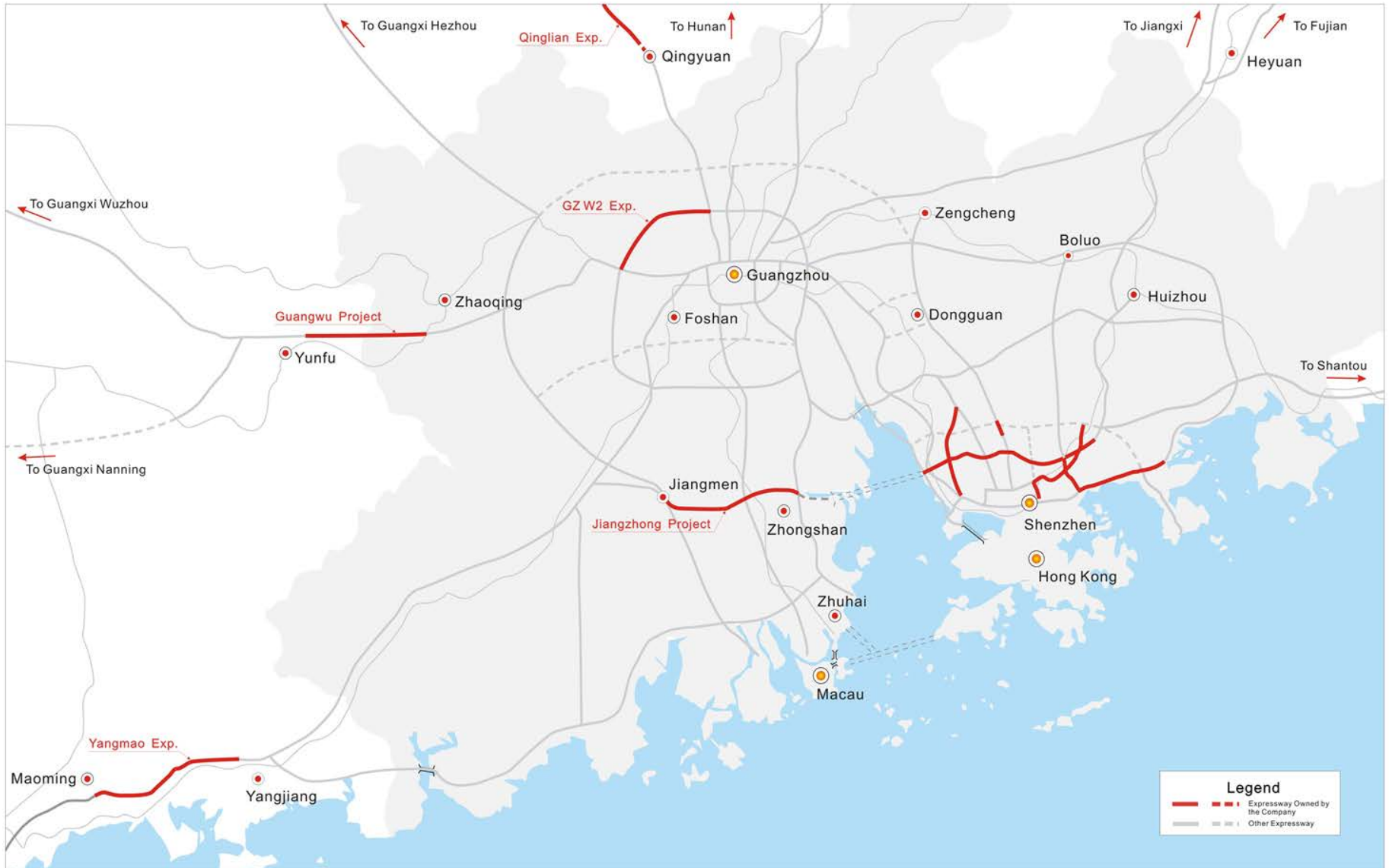
By traffic volume



Road Network of Shenzhen



Road Network of Pearl River Delta



Road Network of Qinglian Expressway



Road Network of Yichang Expressway



Road Network of Wuhuang Expressway



Road Network of Nanjing Third Bridge



Road Network of Changsha Ring Road



Company Declaration

All information presented here is publicly available and for the purpose of understanding the operation and development planning of the Company. The Company might adjust the contents without pre-notice in any forms. Besides, investors should note that the data presented in this document does not constitute an invitation to trade the Company's stock and does not guarantee the performance of the stock in the future.

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