



**SHENZHEN EXPRESSWAY COMPANY LIMITED**

Stock code: 00548(SEHK) 600548(SSE)

# 2018 Annual Results

**22 March 2019**

# Contents

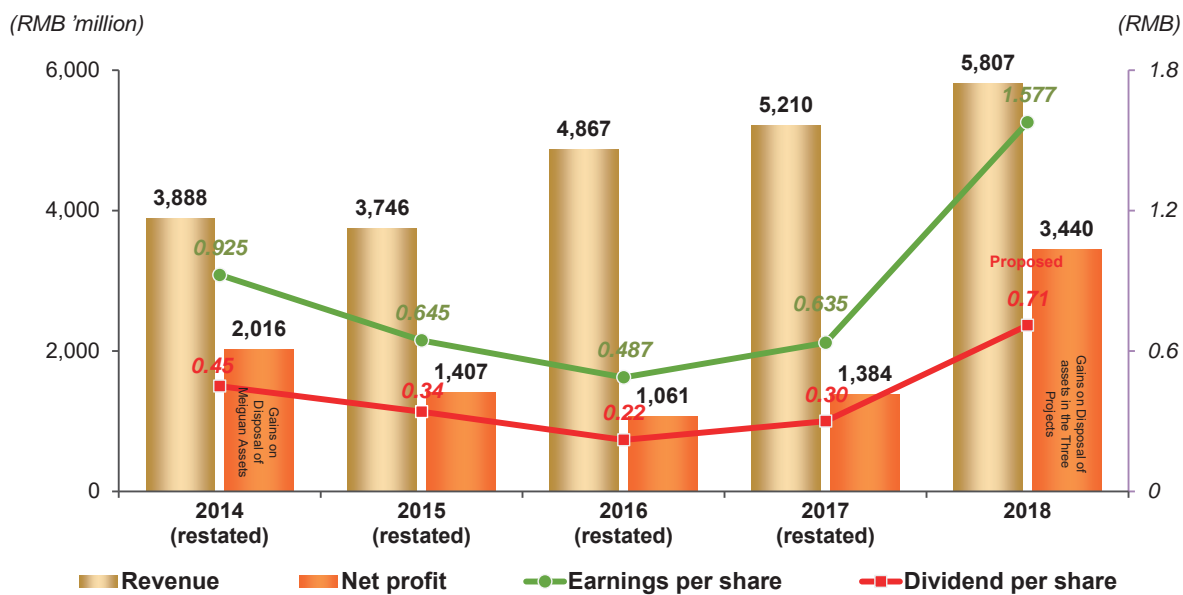
**Financial Analysis**

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



■ 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.





## Financial Analysis - Income Highlights

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	2018	2017 (restated)	Change in Amount	Change
<b>Net profit attributable to owners of the Company (RMB 'million)</b>	<b>3,440</b>	1,384	+2,056	+148.56%
<b>Earnings per share (EPS) (RMB)</b>	<b>1.577</b>	0.635	+0.942	+148.56%
<b>Return on equity – weighted average (ROE) (%)</b>	<b>22.85%</b>	9.47%	+13.38 p.pt	
<b>Excluding non-recurring items <sup>Note :</sup></b>				
<b>Net profit attributable to owners of the Company (RMB 'million)</b>	1,538	1,472	+65	+4.45%
<b>Earnings per share (EPS) (RMB)</b>	0.705	0.675	+0.030	+4.45%
<b>Return on equity – weighted average (ROE) (%)</b>	10.91%	10.04%	+0.86 p.pt	

Note: The non-recurring items mainly include gains on disposal of assets in Nanguang Expressway, Yanpai Expressway, Yanba Expressway (the "Three Projects") and compensation income on demolition of Meilin Checkpoint Renewal Project, gains from changes in fair value of financial instruments, investment income from the transfer of the entire equity interests and debenture of Yuelong Company, income from the interest accrued on the financial assistance to United Land Company, income from the interest accrued on the advanced payment made for projects such as Nanmen River Comprehensive Project, and loss of swap instruments, etc..



## Financial Analysis - Revenue, Cost & Expenses

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	2018 (RMB 'million)	2017(restated) (RMB 'million)	Change in Amount (RMB 'million)	Change
<b>Revenue</b>	<b>5,807</b>	5,210	+597	+11.45% <sup>Note1</sup>
<b>Toll highways</b>	<b>5,066</b>	4,684	+382	+8.17% <sup>Note2</sup>
<b>Entrusted management services</b>	<b>246</b>	75	+171	+226.75% <sup>Note3</sup>
<b>Real estate development</b>	<b>286</b>	317	-31	-10.00% <sup>Note4</sup>
<b>Advertising and others</b>	<b>209</b>	134	+75	+55.83% <sup>Note5</sup>
<b>Cost of services</b>	<b>2,858</b>	2,711	+147	+5.44% <sup>Note6</sup>
<b>Toll highways</b>	<b>2,390</b>	2,345	+45	+1.90%
<b>Entrusted management services</b>	<b>184</b>	50	+134	+267.80% <sup>Note3</sup>
<b>Real estate development</b>	<b>174</b>	234	-60	-25.75% <sup>Note4</sup>
<b>Advertising and others</b>	<b>111</b>	82	+29	+35.77%
<b>General and administrative expenses</b>	<b>210</b>	184	+26	+14.14% <sup>Note7</sup>

Note 1: Revenue increased by 11.45% YOY, mainly due to the growth of toll revenue.

Note 2: Toll revenue increased by RMB383 million YOY, in which the contribution from toll revenue of RMB215 million during the Reporting Period was resulted from the consolidation of Shenchang Company and Yichang Company into the Group's financial statement.

Note 3: Mainly due to the addition of entrusted construction management projects and the progress of construction of some original projects, the revenue and the cost of entrusted management services increased by 226.75% and 267.80%, respectively.

Note 4: Mainly due to the decrease in the number of delivered units of Guilong Development Project, the revenue and the cost of real estate development decreased by 10% and 25.75%, respectively.

Note 5: Mainly due to the addition of the compensation service income for operating cost of new toll stations of the Three Projects, the revenue from advertising and others recorded a YOY increase.

Note 6: The cost of services increased by 5% YOY, after excluding the effect of the change of scope of consolidation, it increased by 2.20% YOY, which was mainly due to the increases in employee expenses and cost of entrusted management services of toll highways, the reversal of the balance of provision for road maintenance responsibility of Nanguang Expressway and Yanpai Expressway, and the decrease in the carry-forward of real estate development costs of Guilong Development Project.

Note 7: The increase in the number of managerial staff and the withdrawal of profit increment based bonus for the year resulted in a YOY increase of 14.14% in the general and administrative expenses.

# Financial Analysis

## - Operating Income

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	2018 (RMB' 000)	2017 (RMB' 000)	Change in Amount (RMB' 000)	Change
<b>Toll highway</b>				
Qinglian	760,696	736,037	+24,659	+3.35%
Jihe East	757,873	716,148	+41,725	+5.83%
Jihe West	654,955	631,229	+23,726	+3.76%
Shuiguan	634,407	643,414	-9,007	-1.40%
Wuhuang	385,241	366,800	+18,441	+5.03%
Nanguang	372,215	351,069	+21,146	+6.02%
Yanpai	192,583	188,146	+4,437	+2.36%
Yanba	163,004	191,772	-28,768	-15.00%
Meiguan	128,092	122,760	+5,332	+4.34%
Coastal	464,815	398,994	+65,821	+16.50%
<b>Sub-total</b>	<b>4,513,881</b>	<b>4,346,369</b>	<b>+167,512</b>	<b>+3.85%</b>
Yichang	408,474	228,371	+180,103	N/A
Changsha Ring Road	144,033	108,892	+35,140	N/A
<b>Total</b>	<b>5,066,387</b>	<b>4,683,632</b>	<b>+382,755</b>	<b>+8.17%<sup>Note</sup></b>

■ The Company recognized a compensation of RMB727,485,000 for the toll revenue of the Three Projects during the Reporting Period.

Note: The toll revenue of the existing ancillary toll highways increased by 4.07% YOY, mainly benefiting from the organic growth of traffic volume and the further improvement of the road networks. Shenchang Company and Yichang Company have been consolidated into the Group's financial statements since 1 April 2017 and 16 June 2017, respectively.

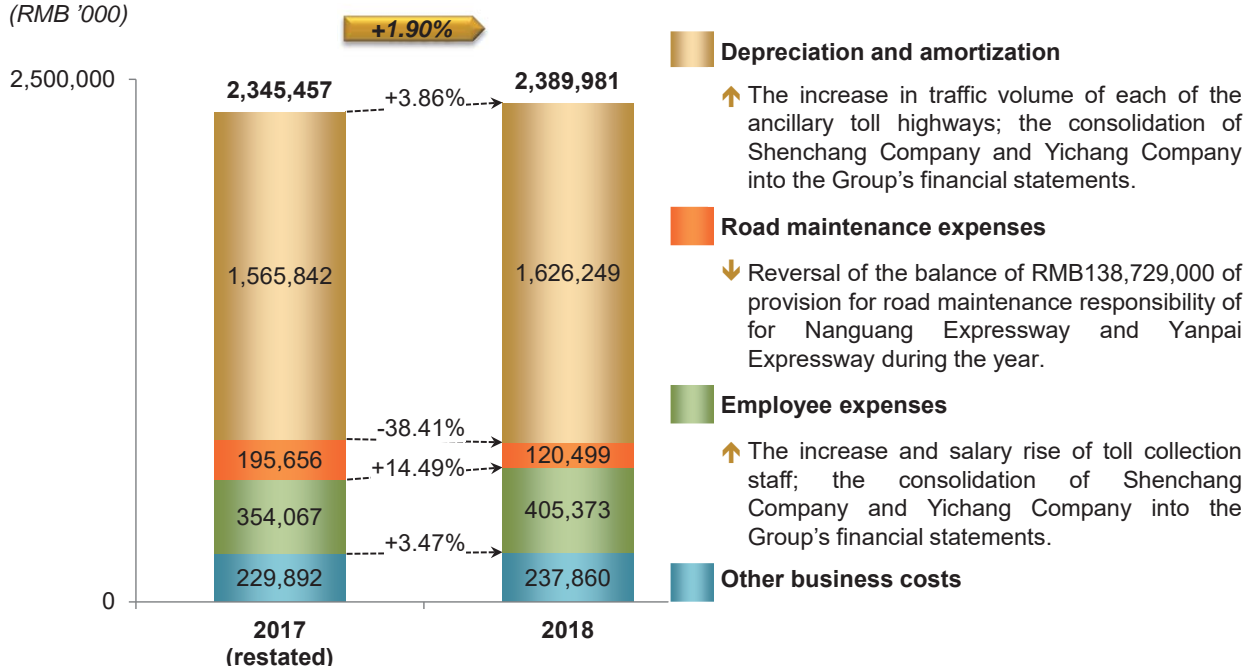
# Financial Analysis

## - Operating Costs

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### Cost Breakdown of Toll Highway Business

(RMB '000)



#### Depreciation and amortization

↑ The increase in traffic volume of each of the ancillary toll highways; the consolidation of Shenchang Company and Yichang Company into the Group's financial statements.

#### Road maintenance expenses

↓ Reversal of the balance of RMB138,729,000 of provision for road maintenance responsibility of for Nanguang Expressway and Yanpai Expressway during the year.

#### Employee expenses

↑ The increase and salary rise of toll collection staff; the consolidation of Shenchang Company and Yichang Company into the Group's financial statements.

#### Other business costs





## Financial Analysis

### - Operating Profit from Main Business

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	Cost of Services		Operating Profit	
	2018 (RMB '000)	Change in Amount (RMB '000)	2018 (RMB '000)	Change in Amount (RMB '000)
<b>Toll highway</b>				
Qinglian	431,765	+6,084	328,931	+18,575
Jihe East	333,493	+33,610	424,380	+8,115
Jihe West	119,351	+7,571	535,604	+16,155
Shuiguan	467,038	+33,619	167,368	-42,626
Wuhuang	228,638	-705	156,603	+19,146
Nanguang	80,936	-98,046	291,279	+119,193
Yanpai	23,989	-55,958	168,594	+60,395
Yanba	115,214	-11,572	47,789	-17,197
Meiguan	78,947	+4,714	49,145	+619
Coastal	258,983	+33,705	205,831	+32,116
<b>Sub-total</b>	<b>2,138,355</b>	<b>-46,980</b>	<b>2,375,527</b>	<b>+214,492</b>
Yichang	200,777	+85,107	207,697	+94,996
Changsha Ring Road	50,850	+6,397	93,183	+28,743
<b>Total</b>	<b>2,389,981</b>	<b>+44,524</b>	<b>2,676,407</b>	<b>+338,231</b>

Operating profit = Operating income – Operating costs

- The operating profits of Nanguang Expressway and Yanpai Expressway for the period increased as a result of reversal of the whole balance of provision for remaining road maintenance responsibility at the end of the year, while that of other road sections increased or decreased due to changes in toll revenue, special maintenance expenses and depreciation and amortization expenses, but the overall change was slight.



## Financial Analysis

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

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	Operating Income		Operating Costs		Operating Profit	
	2018 (RMB '000)	Change in Amount (RMB '000)	2018 (RMB '000)	Change in Amount (RMB '000)	2018 (RMB '000)	Change in Amount (RMB '000)
<b>Entrusted management project</b>						
Outer Ring Project	42,482	+9,485	42,302	+9,305	180	+180
The first batch of toll stations of Cargo Organization Adjustment Project	16,188	+12,104	9,046	+4,963	7,142	+7,142
Duohua Bridge Project	126,188	+126,188	125,019	+125,019	1,168	+1,168
Other entrusted construction management projects <sup>Note1</sup>	44,423	+23,116	7,553	-5,372	36,870	+28,488
Entrusted operation management projects <sup>Note2</sup>	16,981	-	-	-	16,981	-
<b>Total</b>	<b>246,261</b>	<b>+170,893</b>	<b>183,920</b>	<b>+133,915</b>	<b>62,342</b>	<b>+36,979</b>
<b>Guilong real estate development project</b>	<b>285,672</b>	<b>-31,746</b>	<b>173,577</b>	<b>-60,191</b>	<b>112,095</b>	<b>+28,445</b>

Operating profit = Operating income – Operating costs

Note 1: Including Hengwu Road and Hengliu Road, Resettlement phase II in Longli Guizhou, Guizhou Logistics Harbor by Shenzhen International, the municipal facilities of Longda Municipal Section, Nanmen River Comprehensive Treatment Project in the Shenzhen-Guangdong-Shanwei Special Cooperation Zone and so on.

Note 2: Longda Expressway.



## Financial Analysis - Investment Income

	2018 (RMB '000)	2017 (RMB '000)	Change in Amount (RMB '000)
<b>Item</b>			
<b>Joint ventures and associates:</b>			
Changsha Ring Road <sup>Note1</sup>	-	7,080	-7,080
Shuiguan Extension	21,113	8,234	+12,879
Guangwu Project	37,193	38,579	-1,386
Yangmao Expressway	85,788	84,064	+1,724
Jiangzhong Project	24,659	22,111	+2,548
GZ W2 Expressway	57,397	49,124	+8,273
Nanjing Third Bridge	50,342	44,076	+6,266
Derun Environment	162,112	125,958	+36,154
Bank of Guizhou	79,690	100,301	-20,611
Others <sup>Note2</sup>	2,664	9,691	-7,027
<b>Sub-total</b>	<b>520,956</b>	<b>489,216</b>	<b>+31,740</b>
Gain from valuation of the fair value of the original equity interests held after consolidation of entity which is not under common control	-	27,504	-27,504
Investment income arising from the transfer of subsidiaries	71,876	-	+71,876
Investment income recognized for financial products	6,860	5,400	+1,460
Investment income from foreign exchange swap instruments	-49,740	-851	-48,889
Investment income from wealth management products	5,643	7,582	-1,939
<b>Total</b>	<b>555,594</b>	<b>528,851</b>	<b>+26,743</b>

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Note 1: 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.

Note 2: Investment income from the Consulting Company and United Land Company.



## Financial Analysis - Financial Expenses

	2018 (RMB '000)	2017(restated) (RMB '000)	Change in Amount (RMB '000)
<b>Item</b>			
<b>Interest expenses</b>	<b>1,060,159</b>	919,972	+140,187
Less: Interest capitalized	- 69,829	- 20,377	+49,452
<b>Interest income</b>	<b>81,318</b>	45,649	+35,669
Add: Exchange loss and others	+ 145,993	+ (111,635)	+257,628
<b>Total financial expenses</b>	<b>1,055,006</b>	742,311	+312,695 <sup>Note</sup>
	<b>2018</b>	<b>2017(restated)</b>	<b>Change in Amount</b>
<b>Comprehensive borrowing cost</b> - nominal costs (%)	<b>4.66%</b>	4.73%	-0.07 p.pt
<b>Average borrowing scale</b> (RMB 'billion)	<b>21.1</b>	19.9	+1.2

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■ Exchange losses from USD debentures and the fair value gains basically achieved financial hedging.

Note: The financial expenses increased YOY, which was mainly due to facts that the interest expenses increased as the average borrowing scale increased, recognition of interest on advance receipts of major financing components due to implementation of the New Revenue Standard, and the foreign liabilities and H-share dividends were affected by RMB depreciation resulting in the increased in exchange losses.



## Financial Analysis - Assets and Liabilities Highlights

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	31 December 2018 (RMB 'million)	31 December 2017 (restated) (RMB 'million)	Change in Amount (RMB 'million)
<b>Total equity attributable to owners of the Company</b>	<b>17,387</b>	13,633	+3,754
<b>Net assets per share (RMB)</b>	<b>7.97</b>	6.25	+1.72
<b>Total assets</b>	<b>41,101</b>	44,015	-2,914 <sup>Note 1</sup>
<i>of which: Cash and cash equivalents</i>	<b>2,581</b>	1,885	+696
<b>Total liabilities</b>	<b>21,561</b>	28,225	-6,664
<i>of which: Total outstanding interest-bearing liabilities</i>	<b>13,923</b>	21,686	-7,763 <sup>Note 2</sup>

Note 1: Total assets decreased by 6.62% over the end of 2017, mainly due to the disposal of assets of the Three Project at the end of 2018.

Note 2: Total outstanding interest-bearing liabilities decreased by 35.80% over the end of 2017, mainly due to the repayment of part of bank loans in advance and the carry forward of relevant compensation for the advance payment for the disposal of assets of the Three Projects.



## Financial Analysis - Debt Ratio and Repayment

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	31 December 2018	31 December 2017 (restated)
<b>Debt-to-asset ratio</b> (Total liabilities / Total assets)	<b>52.46%</b>	64.13%
<b>Net borrowings-to-equity ratio</b> ((Total borrowings - cash and cash equivalents) / Total equity)	<b>58.04%</b>	125.41%
	2018	2017 (restated)
<b>Interest covered multiple</b> ((Profit before tax + interest expenses) / interest expenses)	<b>5.54</b>	3.02
<b>EBITDA interest multiple</b> (Earnings before interests, tax, depreciation and amortization / interest expenses)	<b>7.21</b>	4.74

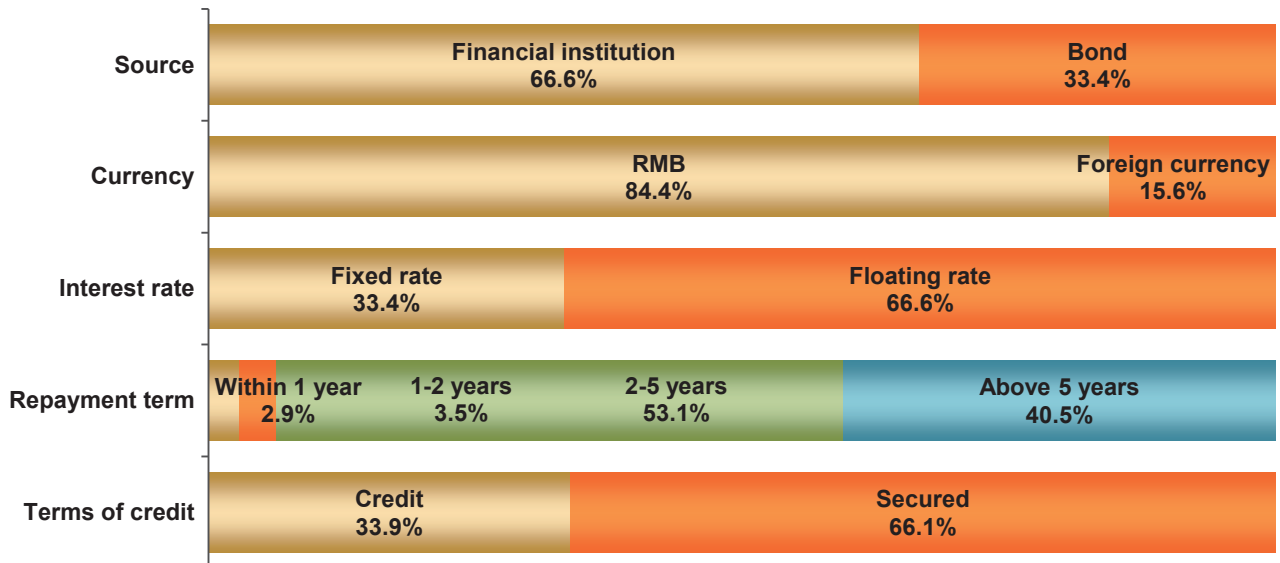
■ Due to the significant decrease in the borrowing scale and the YOY increase in cash and cash equivalents, the Group's debt-to-asset ratio and net borrowings-to-equity ratio both decreased significantly as compared to the beginning of the year.

■ The Group's businesses demonstrated steady development, recording an increase in revenue while further enhancing the effectiveness of cost management and steadily improving the debt repayment capability.



## Borrowing Structure

(as at 31 December 2018)



- During the Reporting Period, the Company continued to maintain the highest credit rating of AAA for domestic entities, and maintained the existing investment grade ratings for international entities. As for credit ratings of debt, corporate bonds and medium-term notes remained at the highest credit rating of AAA.

- In 2018, the total capital expenditure of the Group amounted to RMB1,174 million, of which, equity investments amounted to RMB53 million and non-equity investments amounted to RMB1,116 million.
- The Group's total capital expenditure will be expected to be approximately RMB6.1 billion from 2019 to 2021, which mainly comprised investment in Outer Ring Project, construction expenditures of projects such as Coastal Phase II, initial expenditure of reconstruction and expansion of Jihe Expressway and mechanical and electrical equipment of the highway sections operated by subsidiaries.
- During the Reporting Period, the Group's net cash inflows from operating activities and cash return on investments totaled RMB5,195 million (2016: RMB3,340 million).
- As at the end of the Reporting Period, unutilized banking facilities amounted to RMB13.084 billion.



# Financial Analysis

## - Capital Expenditure 2

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(RMB 'million)	Actual Expenditure	Capital Expenditure Plan			
	2018	2019	2020	2021	Total
<b>Non-equity investments</b>	<b>1,116.2</b>	<b>1,392.8</b>	<b>2,388.9</b>	<b>1,294.8</b>	<b>5,076.4</b>
<i>Outer Ring Project</i>	<b>962.3</b>	1,041.7	2,068.5	1,190.7	<b>4,300.9</b>
<i>Reconstruction and expansion of Meiguan Expressway</i>	<b>34.2</b>	4.0	-	-	<b>4.0</b>
<i>Qinglian Project</i>	<b>5.4</b>	37.3	4.4	4.7	<b>46.4</b>
<i>Nanguang Expressway</i>	<b>1.7</b>	18.4	-	-	<b>18.4</b>
<i>Coastal Phase II</i>	<b>10.5</b>	17.9	17.9	17.9	<b>53.7</b>
<i>Initial expenditure of reconstruction and expansion of Jihe Expressway</i>	<b>5.9</b>	131.8	217.9	-	<b>349.7</b>
<i>Other investment (Investment in mechanical and electrical equipment, etc.)</i>	<b>96.2</b>	141.7	80.1	81.4	<b>303.3</b>
<b>Equity investments</b>	<b>57.5</b>	<b>618.8</b>	<b>208.2</b>	<b>208.2</b>	<b>1,035.1</b>
<i>Yangmao Project</i>	<b>57.5</b>	108.8	208.2	208.2	<b>525.1</b>
<i>Nanjing Wind Power</i>	-	510.0	-	-	<b>510.0</b>
<b>Total</b>	<b>1,173.7</b>	<b>2,011.5</b>	<b>2,597.0</b>	<b>1,502.9</b>	<b>6,111.5</b>

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## Toll Highway - Operating Environment 1

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- China's overall economic operation was basically stable, but the economy faced downward pressure. The stable economic growth in Guangdong and Shenzhen was conducive to the general growth of the regional transportation and logistics demand via highway.
- The policies for the toll highway industry had no significant changes.
- The super typhoon "Mangosteen" struck in September 2018, it has some negative effect on the toll revenue of Shenzhen sections of the Group during the Reporting Period.
- The traffic volume of Jihe Expressway is saturated and the Three Projects and Phase II of Qingping Expressway are free to pass, so that the traffic volume of Jihe Expressway was slightly diverted.
- Due to the combined effects of factors, such as the closed maintenance and construction of the west-east lane of Longgang to Hengping Section of Shuiguan Expressway, the slight diversion on the traffic volume caused by the toll-free policy of Phase II of Qingping Expressway and the implementation of Over-limit Administrative Provisions, the average daily toll revenue of Shuiguan Expressway decreased YOY.
- The Group has completed the acquisition of Coastal Project and included it into the consolidated financial statements of the Group since 8 February 2018. The Toll Adjustment of Lorries on Coastal Project has been implemented since 1 March 2018, which drives the growth of freight traffic.
- Affected by the diversion of Yunzhan Section of Shanzhan Expressway, Jiangzhan Section of Shenmao Express Rail Link and Phase II of Xinyang Section of Yunzhan Expressway, and the implementation of the governing over-limit and overloaded vehicles policy, the average daily toll revenue of Yangmao Expressway decreased YOY.
- Due to the combined effects of changes in road network, reconstruction of connected roads and further implementation of traffic administration measures, though the average daily traffic volume of GZ W2 basically remained a YOY stable, the traffic volume of the whole journey increased significantly, which made its toll revenue kept a relatively high YOY growth.



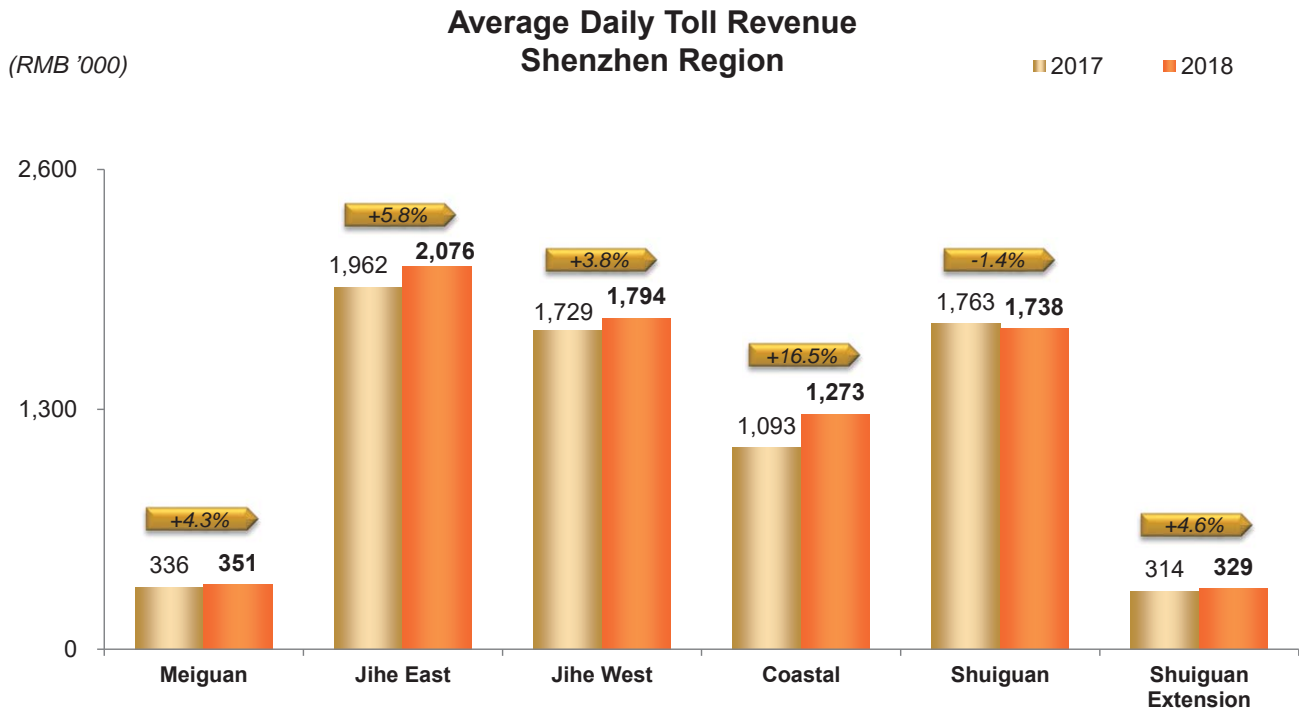
## Toll Highway - Operating Environment 2

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- The traffic diversion effect of the surrounding road network on Guangwu Project has gradually been surpassed by the natural growth of traffic, and the average daily toll revenue showed a steady YOY growth.
- Due to the combined effects of the road network penetration and the slight diversion of Guangzhongjiang Expressway, both the average daily traffic volume and toll revenue of Jiangzhong Project increased slightly YOY.
- Although Guisan Expressway, which was opened at the end of October 2017, diverted some of the transit traffic volume, the average daily toll revenue of Qinglian Expressway remained stable as compared with the same period of the previous year. The construction of Qingxi Bridge and connected engineering and Yuewang Expressway was completed successively at the end of September 2018. The role of Qinglian Expressway as the traffic artery from Southern China to Central China will be further highlighted and its traffic volume is expected to growth further.
- Due to the combined effects of factors such as growth of vehicle ownership in surrounding cities, the commencement of operation of Zhuankou Yangtze River Bridge and the significant effect of precision marketing, the operational performance of Wuhuang Expressway was generally stable.
- Due to the positive impact of factors such as peripheral and regional economic development and the implementation of preferential policies for transportation within the province, the average daily traffic volume and toll revenue of Nanjing Third Bridge recorded a single-digit YOY growth.
- Due to various factors including the implementation of toll-by-weight, traffic diversion of newly-opened road sections, implementation of traffic control measures and changes in the function of business district along the highway, the toll revenue of Changsha Ring Road basically remained the same as that in the corresponding period of last year despite the continuous growth of organic traffic volume.
- Affected by the diversion of re-operating tunnel of Erguang Expressway, the implementation of policies on traffic control and those governing over-limit and overloaded vehicles, and the negative impacts of snowstorms at the beginning and end of the year, the toll revenue of Yichang Expressway basically remained the same as that in the corresponding period of last year.



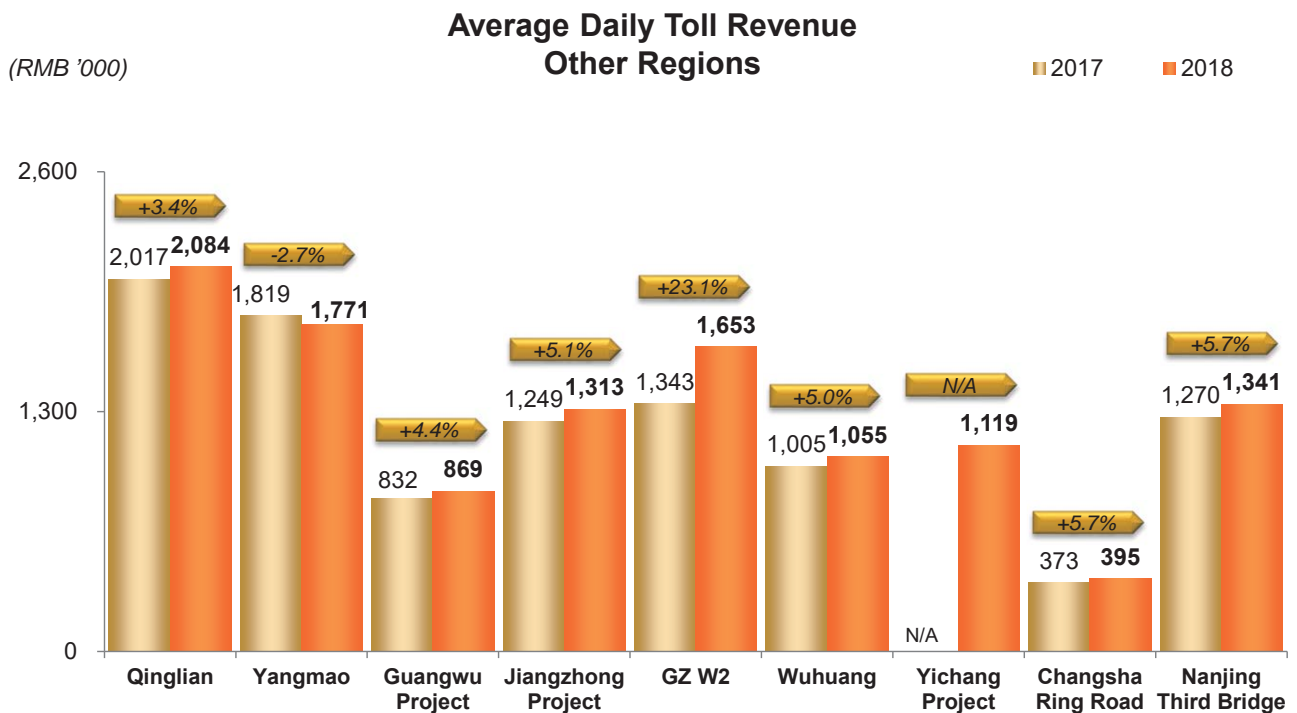
## Toll Highway - Operational Performance 1



- The toll-free policy has been implemented for Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the "Three Projects") from 00:00 on 7 February 2016, the Company no longer discloses data for the Three Projects. Since 24:00 on 31 December 2018, the Company no longer owned toll road rights of the Three Projects.



## Toll Highway - Operational Performance 2



- Apply Innovative Technology and Enhance Service Efficiency
- Deepen the Marketing of Road Network and Actively Attract Traffic
  - Coastal Project, Qinglian Expressway, Wuhuang Expressway, Yichang Expressway
- The Preventive Maintenance Program Achieves the Objective of “Maximizing Maintenance Benefits for the Whole Operation Period”.
  - Qinglian Expressway, Coastal Project, Nanguang Expressway

### **Shenzhen Section of Guangshen Coastal Expressway (Coastal Project)**

- Acquired 100% equity interest in Coastal Company at a consideration of RMB1,472 million.
- Coastal Project is a dual eight-lane expressway with the total mileage of approximately 37 km. It is comprised of Coastal Phase I and Coastal Phase II. Coastal Phase I was opened to traffic on 28 December 2013. Coastal Phase II is under construction and will be opened to traffic by sections starting in 2019.
- Coastal Project implements the 50% discount policy for trucks passing through the Coastal Project from 1 March 2018 to 31 December 2020, Shenzhen Transportation Commission provides cash compensation amount of RMB300 million to Coastal Company.
- It enjoys an excellent geographical location and an economically viable neighborhood region. With the steady development of the regional economy along Coastal Project and the constant improvement of its surrounding road networks, the operational performance of Coastal Project will enter a period of rapid growth.



### **Reconstruction and Expansion of Jihe Expressway**

- To improve road safety and quality and the traffic environment, the Group has started the preliminary works such as the preliminary design of the reconstruction and expansion of Jihe Expressway.

### **Reconstruction and Expansion of Yangmao Expressway**

- Yangmao Expressway has started the four-to-eight-lane reconstruction and expansion construction with a total investment of RMB8.64 billion, of which Shenzhen Expressway contributes RMB756 million according to its proportion of shares.

### **Shenshan Second Expressway**

- The Company was entrusted by the Shenzhen Government for the preliminary works of Shenshan Second Expressway.

### **Section A of Outer Ring**

- Section A of Outer Ring is from Coastal Expressway in the west to the interchange of Shenshan Expressway in the east (excluding Dongguan section) with the length of approximately 60 km with six-lane.
- Section A of Outer Ring is the first toll highway project invested by the Group based on PPP model. The project can effectively achieve a balance between the public welfare and reasonable return on business investment of infrastructure.
- Section A of Outer Ring contains Phase I and Phase II, which is under full construction. The main project is scheduled to be completed in the first half of 2020.

### Nanjing Wind Power

- The Group entered into an “Equity Acquisition Agreement in respect of Nanjing Wind Power Technology Co., Ltd” (the “Acquisition Agreement”) in March 2019, pursuant to which the Group acquired 51% controlling equity interests in Nanjing Wind Power by ways of equity transfer and capital increase at a consideration RMB510 million.
- Nanjing Wind Power is principally engaged in the research, integration, production, installation, sales and maintenance of wind power generation system, as well as investment and operation of wind farms. As Nanjing Wind Power possesses the technological capacity to self-develop and produce large scale wind power generating units, as well as the experience and ability to develop, construct, operate and manage wind farms, its market prospect for business development is promising.
- Clean energy, being an emerging sector in the general-environmental protection industry, will be a new industrial development direction that the Group has decided to place strong emphasis on in its development strategies. By acquiring the controlling equity interests in Nanjing Wind Power at a reasonable consideration, the Group would be able to achieve complementary advantages with Nanjing Wind Power, rapidly expand into the new energy sector, optimize industrial structure of the Group, and enhance competitiveness of the Group in the sustainable development market.

### Derun Environment

- The Group acquired 20% equity interests in Derun Environment at the price of RMB4,408,644,500 in May 2017.
- Derun Environment is a comprehensive environmental enterprise with majority owned subsidiaries including Chongqing Water and Sanfeng Environment, etc., and with major business segments including water supply and sewage treatment, waste incineration power generation and environmental restoration, etc.
- By acquiring Derun Environment’s equity interests at a reasonable price, the Group can expand its environmental business and obtain a reasonable return on investment. On the other hand, the Group may also carry out in-depth cooperation with Derun Environment and complement each other’s advantages in business development.
- During the Reporting Period, the Company recognized the investment income from Derun Environment of RMB162,112,000.
- At the end of October 2018, Environmental Company and SITA Asia under the Suez Group jointly established Shenzhen Expressway Suez Environmental Company Limited (Registered capital: RMB100 million, Environmental Company holds 51% equity interests).



## General-Environmental Protection - Project Development 3

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### Water Planning Company

- In July 2017, the Company subscribed for 15% of the equity interests after the capital increase of Water Planning Institute at a consideration for RMB61.89 million.
- 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.



## Transport Infrastructure - Development and Management of Land 1

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### 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 2,655 mu (approximately 1.77 million square meters) with a total consideration of approximately RMB896 million:
  - 1,045 mu (approximately 697,000 square meters) has been conducted secondary self-development as Shenzhen Expressway Interlaken Town:
    - Phase I (approximately 300 mu, equivalent to 200,000 square meters) has been developed. A total of 316 sets of villas were basically delivered and the revenue of RMB679 million has been recognized.
    - Phase II (approximately 389 mu, equivalent to 260,000 square meters) is under development. Among which, Stage I launched 238 sets of villas, of which 237 sets have been sold and payments have been received. The handover of Stage I will commence at the end of 2018. Stage II is mainly for commercial supporting property. During the Reporting Period, 39 sets out of the 71 commercial properties provided have been contracted for sale and payments have been received. Stage II is expected to be completed and delivered in the first half of 2019.
    - Phase III (approximately 299 mu, equivalent to 153,000 square meters) is under development. Among which, Stage I launched 271 sets of villas, which were opened for sale in July 2018. 105 sets have been sold and payments have been received at the end of 2018. Stage I is expected to be completed before the end of 2020.
  - The Company completed the sale and transfer of the area of 504 mu (approximately 336,000 square meters) in 2016, a cash amount of RMB150 million has been received.
  - 296 mu (approximately 197,000 square meters) completed the sale in 2018 with the transaction price of RMB180 million.
  - In July 2018, the Board approved to overall transfer 810 mu (approximately 54,000 square meters) with the listing price no lower than RMB550 million. As at the end of the Reporting Period, the transfer has been officially listed by the Shenzhen United Assets and Equity Exchange to determine the transferee. Related follow-up issues such as signing of the equity and creditor transfer contract were underway.
- Up to now, Guishen Company has once again obtained 115 mu and 235 mu of Guilong land through bidding.
- 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.



## Transport Infrastructure - Development and Management of Land 2

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### Meilin Checkpoint Renewal Project

- The land area of the land parcels is approximately 96,000 square meters and the land is for residential and commercial purposes with a capacity building area of not more than 486,400 square meters (including public affiliated facilities, etc.).
- The Company, XTC Company and United Land Company reduced the capital of the project on 2 February 2018. The total amount of capital reduction was RMB4.5 billion.
- In April 2018, United Land Company has increased the compensation with 9,120 square meters of office building for Meiguan Company. It will increase the net profit attributable to shareholders of the Company by approximately RMB169 million in 2018.
- The land price of the project land parcel is about RMB13,000.00 per square meter.
- The project was determined to adopt the “entrusted development” model. Vanke has become the entrusted construction management party and the strategic investor of the project through the public tendering and the public listing. The price of the Capital Increase is RMB2.9 billion. After completion of the Capital Increase, the equity interests of XTC Company, Shenzhen Expressway and Vanke are 35.7%, 34.3% and 30%, respectively.
- The Meilin Checkpoint Renewal Project will be developed in three phases within 3 to 5 years. Up to now, the main work of Phase I is under construction. It has been opened for sale in mid-December 2018 and is currently in good sales. Phase II is applying for construction with its construction drawing; Phase III is applying for construction with its proposal.



## Transport Infrastructure - Entrusted Construction Management & Other Infrastructure

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### Project Construction

- Longhua Municipal Section Project started construction in September 2018 and approximately 15% of the construction has been completed as at the end of the Reporting Period.

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### Acceptance and Audit

- The 4 toll stations of the first batch of Cargo Organization Adjustment Project.
- The Resettlement Project Phase II in Longli, Guizhou.
- Hengwu Road and Hengliu Road in Longli, Guizhou.
- The entrusted construction project of Guizhou Logistics Harbor of Shenzhen International.
- Meiguan Toll Station, Dezheng Road Project, Coastal Phase I, auxiliary project of Longda Municipal Section and Guanlan Renmin Road-Meiguan Expressway Joints Project.

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### Preliminary Planning

- Duohua Bridge Project is approximately 2.2 km long in total, the major construction work of the project is the construction of Duohua Bridge. Guisheng Company, a subsidiary of the Company, undertakes the project by BT Model. The investment budget of the project was approximately RMB900 million and the construction period is expected to be approximately 3 years.

### Bank of Guizhou

- The Group respectively subscribed for the additional shares issued by Bank of Guizhou in 2015 and 2016, with a total of 426 million shares of Bank of Guizhou. The equity interests held by the Group accounted for approximately 3.44% of the total share capital of Bank of Guizhou.
- It has been recognized the investment income for 2018 of RMB79,690,000.

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### 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.

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### Consulting Company

- Consulting Company, held as to 24% by the Company, is a professional engineering consulting company with independent legal status. Its business scope covers pre-consultation, survey and design, tendering agency, cost consulting, engineering supervision, engineering experiment and testing, maintenance consulting, etc., with the qualification and capability of providing consulting services to the whole process of investment and construction of engineering project.

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### 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.

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### Guangzhou Fund

- The Company established Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Company Limited ("Guangzhou Fund") in December 2017 as the Group's channel for expanding the financing models in the transport infrastructure industry and environmental protection industry and a platform for incubating projects.







## Operating Environment & Conditions in 2019

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- It is taking a more cautious view on the outlook of China's economic growth. Economic growth rate may slightly decrease within an appropriate range, which is reasonable under the new normal.
- The demand for infrastructure, including transport infrastructure and environmental protection infrastructure, and services from the government and the public will further increase in terms of scale with more diversified levels. When evaluating the standard of infrastructure and services, apart from the original basic functions, more weights will be given to eco-friendly and intelligent elements.
- The industry policy environment stabilizes. The policy direction of the new "Regulations for the Administration of Toll Highways" ("New Regulations") is still based on the long-term stable development of the industry. The purpose of the local policies is to ensure smooth traffic in the road network. The environmental protection industry has received strong support from the State. The local policy measures support the rapid development of the industry and at the same time strengthen the supervision of the industry.
- The changes of regional road networks will result in certain positive or negative impacts on the Group's toll highway projects.
- It is possible for the government to continue to recover the toll road rights in advance, and at the same time to provide a chance for the government and enterprises to negotiate fairly and reasonably with a view to exploring in-depth cooperation in other aspects.



## Operation and Development Plan

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- **Development of core businesses:** For **toll highway business**, pay close attention to the policy introduction and related adjustments, thereby formulating corresponding solutions and supporting strategies to ensure steady growth of the business; actively communicate with the local government and effectively improve the efficiency of the road network to achieve win-win outcomes for the government, enterprises, drivers and passengers; develop the relevant upstream and downstream industry such as construction management, operation management, as well as design and construction of urban transport infrastructure. For **general-environmental protection business**, currently focus on water environment remediation, waste power generation, solid waste treatment and wind power; focus on areas where its existing projects and existing partners are located and the surrounding regions in a bid for regional synergy; give full play to capital advantages and professional strength to provide more effective public goods and services and seize the opportunity for industry consolidation and mergers and acquisitions.
- **Investment and financing management:** Maintain good market reputation in the bank borrowing market and bond issuance market; continuously track various types of financing products and prepare relevant financing plans as a follow-up financing reserve and effectively reduce the Group's financial costs; regularly measure relevant indicators and monitor risk level; strengthen dynamic management of key projects of the Group and capital planning for its subsidiaries, and monitor the cash flow, so as to make forward-looking planning and arrangement for future capital requirements.
- **Organization strength and human resources:** Progressively realize market-oriented and professional operations through measures such as optimizing the management structure and incentive mechanism; enhance the standard of existing management personnel through internal and external training and learning; enrich the talent team through external recruitment and strengthen the management team to nurture leaders.



# Objectives & Priorities for 2019

## Operating Targets

- A total revenue target for 2019 of not less than RMB5.8 billion, with the total of operating costs, management expenses and selling expenses (excluding depreciation and amortization) of approximately RMB2.2 billion.
- It is expected that the average borrowing scale and the financial cost of the Group will decrease on a YOY basis.

## Toll Highway Business

- Strive to maintain construction quality of Coastal Phase II and Section A of Outer Ring to achieve high quality projects.
- Proactively explore opportunities for mergers and restructuring, invest in promising toll road and bridge projects and continue to strengthen the core business of toll highway.

## Environmental Protection Business

- Further focus on the development in sub-sectors and fully utilize the existing joint venture / cooperation platform to seek in-depth cooperation opportunities.
- Complete the acquisition of wind power project, put in place effective production and operation management, and effectively increase the scale of business, thereby creating benefits for the Group.
- Further cultivate professional talents, improve performance appraisal and salary incentive mechanism as well as strengthen team building in environmental production industry.

## Strategic Research & Business Expansion

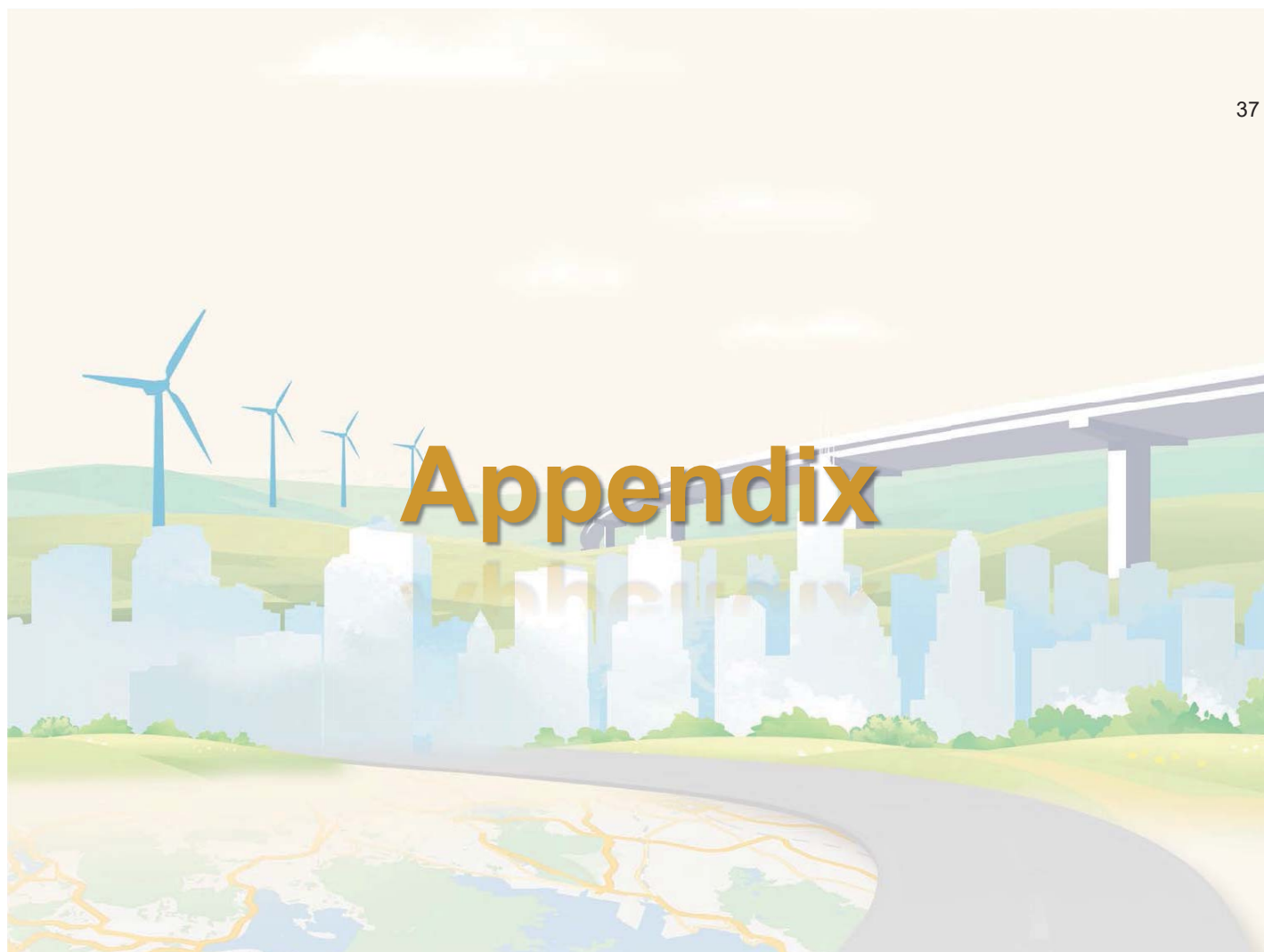
- Conduct an in-depth and detailed review and evaluation regarding the implementation of the strategy and formulate new development strategy.
- Actively promote the construction of major projects such as Outer Ring Project and reconstruction and expansion of Jihe Expressway, and the development and sales in Meilin Checkpoint Renewal Project.
- Conduct the research, reserves, selection and examination of projects on toll highway and environmental sub-sectors in line with the Company's development strategies, and continue to focus on and control risks.

## Financial Management

- Strengthen budget and medium and long-term forecast management and promote cost reduction and efficiency, thereby ensuring financial security.
- Ensure smooth flow of financing channels, optimize capital structure and reduce financial costs.

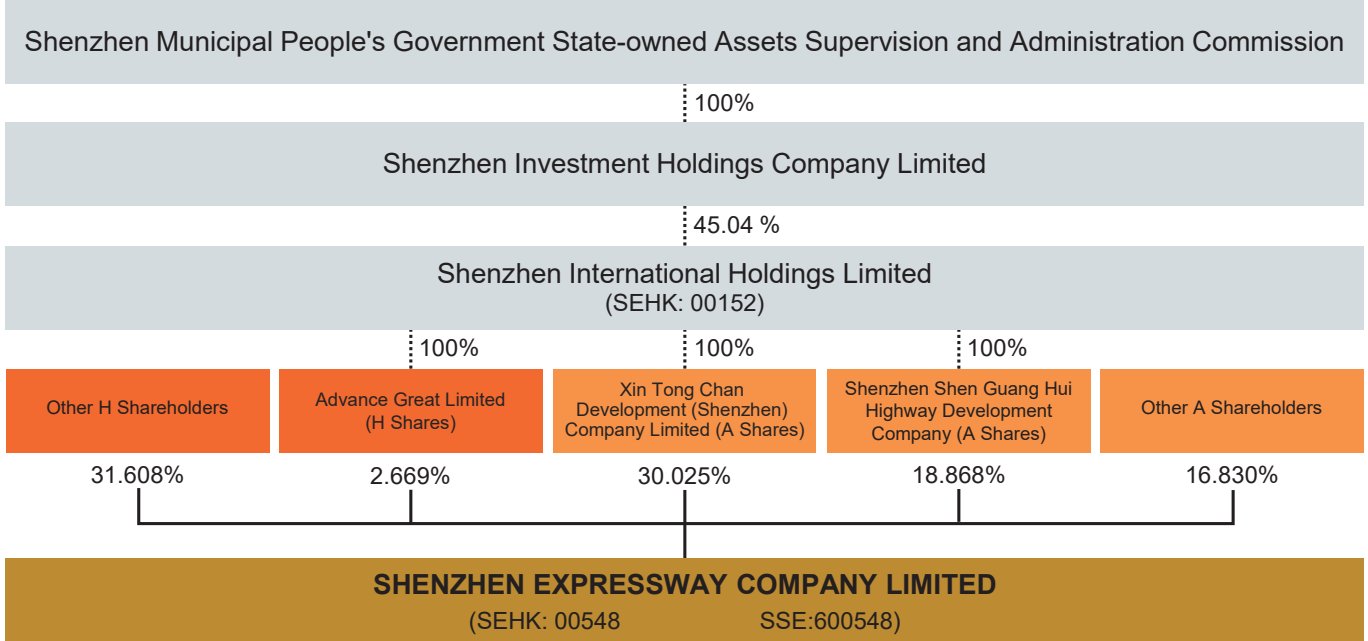
## Corporate Governance

- Adhere to the principles of good corporate governance, further improve corporate governance.
- Effectively improve the transparency and independence in the operations of the Company to promote the healthy and stable development of the Company.





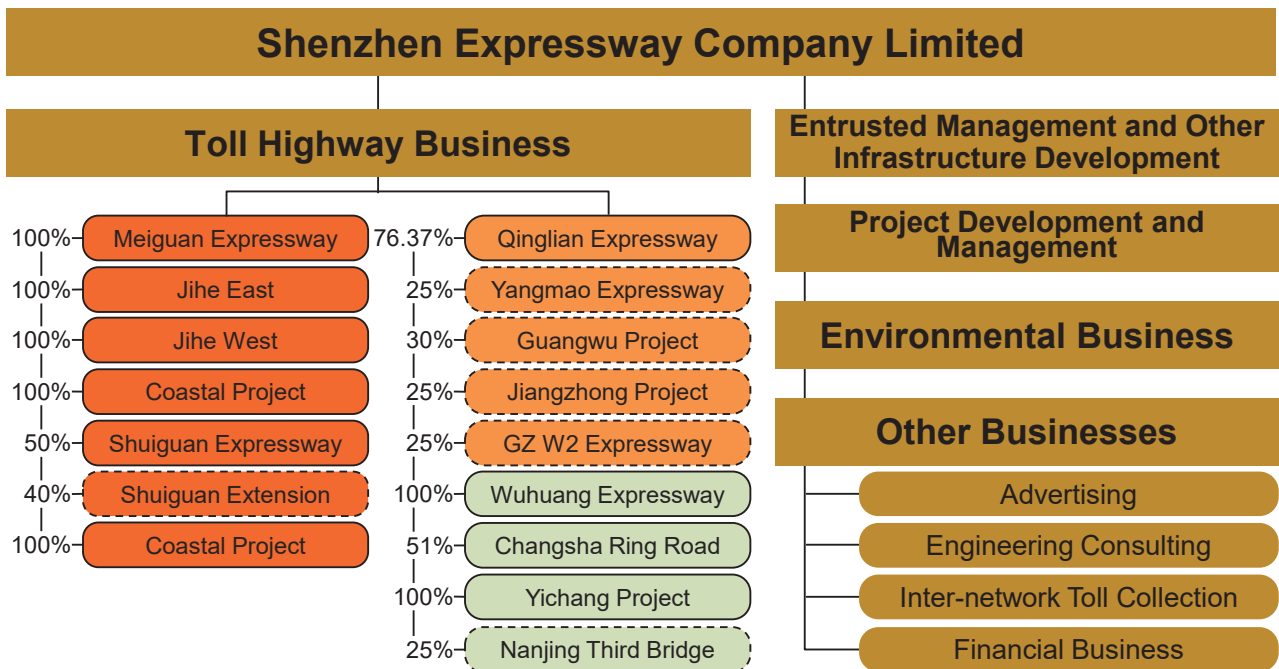
# Shareholding Structure



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



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

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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
Shuiguan Expressway	50%	Shenzhen	20.0	10	Under operation	2027.02
Shuiguan Extension	40%	Shenzhen	6.3	6	Under operation	2027.02
Coastal Project	100%	Shenzhen	36.6	8	Phase I: Under operation Phase II: Under construction	2038.12
Outer Ring Project	100%	Shenzhen	60.0	6	Under construction	-
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 signed on 30 November 2015, Shenzhen Transport Commission confirmed the early recovery of the remaining toll road rights of the Three Projects in the fourth quarter of 2018 and the implementation of toll-free for the Three Projects, and gave the Company cash compensation under the agreement. Since 24:00 on 31 December 2018, the Company no longer owned toll road rights of the Three Projects.



# Average Daily Mixed Traffic Volume

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(Number of vehicles)	2014	2015	2016	2017	2018
<b>Shenzhen region in Guangdong Province</b>					
Meiguan Expressway <sup>Note 1</sup>	84,622	74,956	83,211	92,078	100,341
Jihe East	189,586	219,169	249,608	270,742	288,506
Jihe West	149,921	175,533	202,458	215,315	222,106
Shuiguan Expressway	168,728	191,354	227,055	215,595	219,407
Shuiguan Extension	61,655	75,377	97,710	75,241	80,038
Coastal Project <sup>Note 2</sup>	N/A	N/A	N/A	81,613	90,483
<b>Other regions in Guangdong Province</b>					
Qinglian Expressway	33,026	33,290	36,753	41,190	43,468
Yangmao Expressway	34,935	40,485	45,828	50,142	50,768
Guangwu Project	31,935	34,792	40,086	35,479	39,065
Jiangzhong Project	101,183	107,246	120,351	142,278	148,624
GZ W2 Expressway	46,205	50,007	58,638	71,316	74,100
<b>Other provinces in the PRC</b>					
Wuhuang Expressway	38,891	40,617	43,908	50,736	53,396
Changsha Ring Road	16,188	19,798	26,279	32,206	36,058
Nanjing Third Bridge	27,665	26,777	27,299	32,619	34,394
Yichang Expressway <sup>Note 3</sup>	N/A	N/A	N/A	47,941	50,059

Note1: 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.

Note2: As the Company completed the acquisition of 100% equity interests in Coastal Company in February 2018, Coastal Company has been consolidated into the Group's financial statements since 8 February 2018.

Note3: As the Company completed the acquisition of 100% equity interests in Yichang Company in June 2017, Yichang Company has been consolidated into the Group's financial statements since 15 June 2017.

# Average Daily Toll Revenue

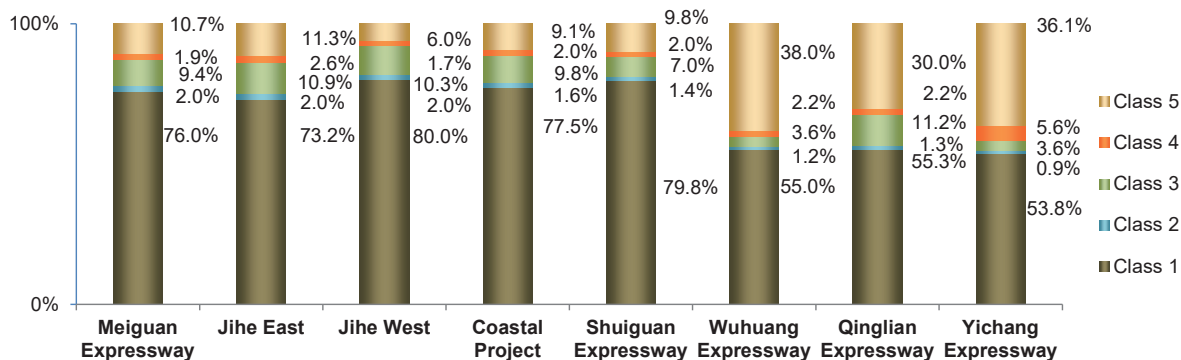
(RMB '000)

	2014	2015	2016	2017	2018
<b>Shenzhen region in Guangdong Province</b>					
Meiguan Expressway <sup>Note 1</sup>	413.6	282.9	311.3	336.3	350.9
Jihe East	1,614.6	1,745.1	1,767.1	1962.0	2,076.4
Jihe West	1,267.6	1,491.0	1,641.7	1729.4	1,794.4
Shuiguan Expressway	1,385.6	1,537.3	1,692.8	1762.8	1,738.1
Shuiguan Extension	230.8	253.7	299.5	314.3	328.6
Coastal Project <sup>Note 2</sup>	N/A	N/A	N/A	1,093.1	1,273.5
<b>Other regions in Guangdong Province</b>					
Qinglian Expressway	2,136.3	1,745.7	1,834.9	2016.5	2,084.1
Yangmao Expressway	1,551.8	1,694.7	1,800.3	1819.5	1,770.5
Guangwu Project	802.0	893.9	1,024.8	832.1	868.6
Jiangzhong Project	1,019.2	1,066.6	1,132.6	1249.3	1,312.9
GZ W2 Expressway	917.2	990.3	1,073.8	1343.2	1,653.2
<b>Other provinces in the PRC</b>					
Wuhuang Expressway	891.0	908.5	939.0	1004.9	1,055.5
Changsha Ring Road	167.9	222.8	311.9	373.4	394.6
Nanjing Third Bridge	1,093.5	1,040.5	1,097.8	1269.7	1,341.4
Yichang Expressway <sup>Note 3</sup>	N/A	N/A	N/A	1157.3	1,119.1

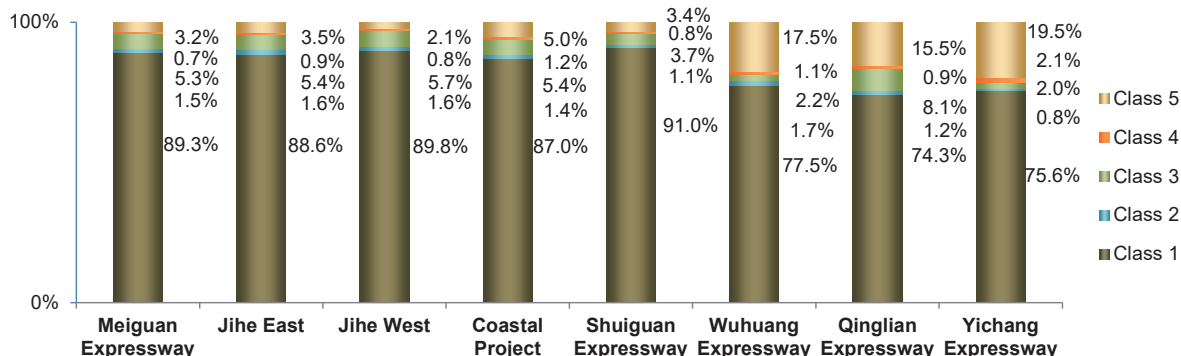
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# Vehicle Category of Major Highways in 2018

By revenue

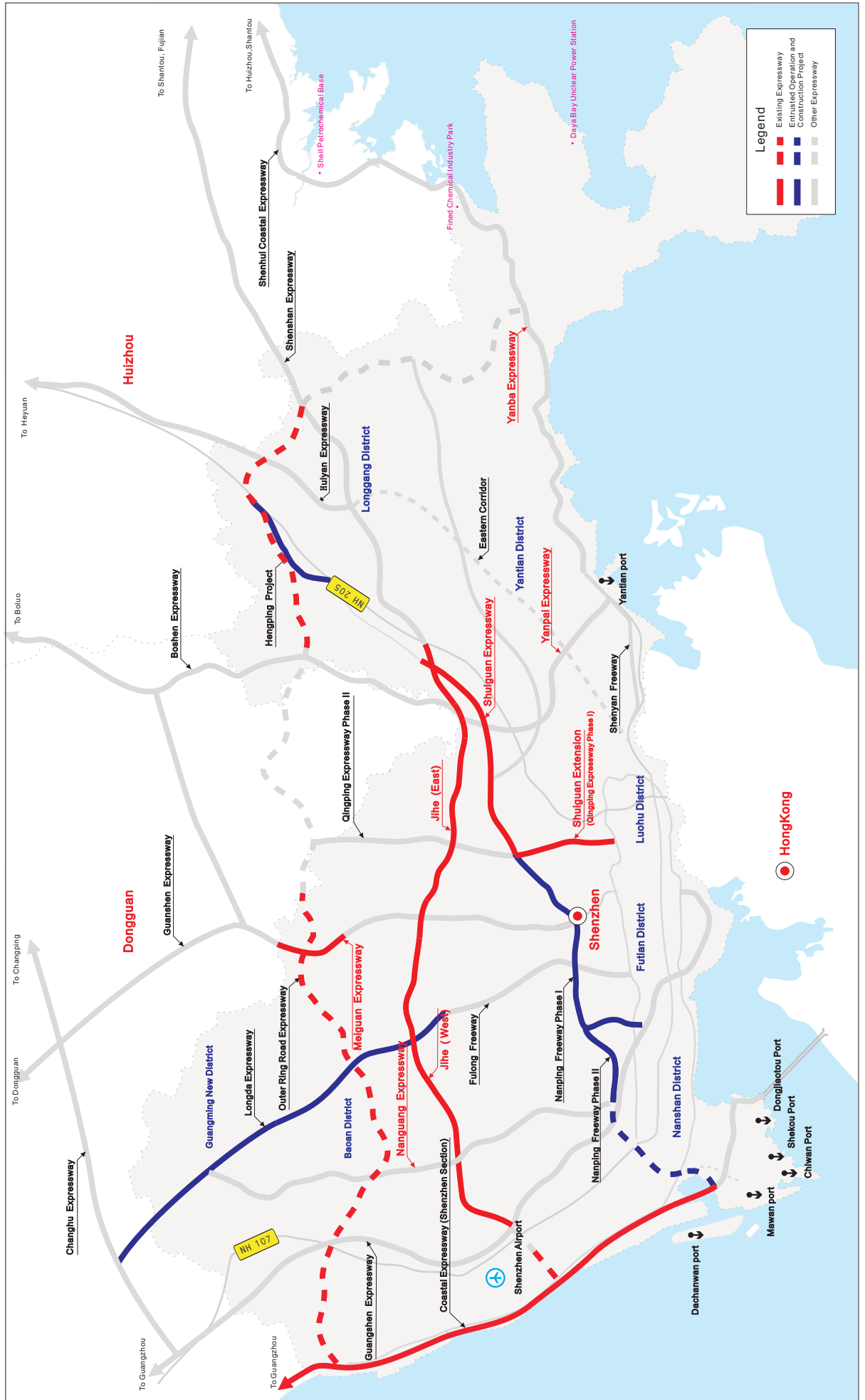


By traffic volume





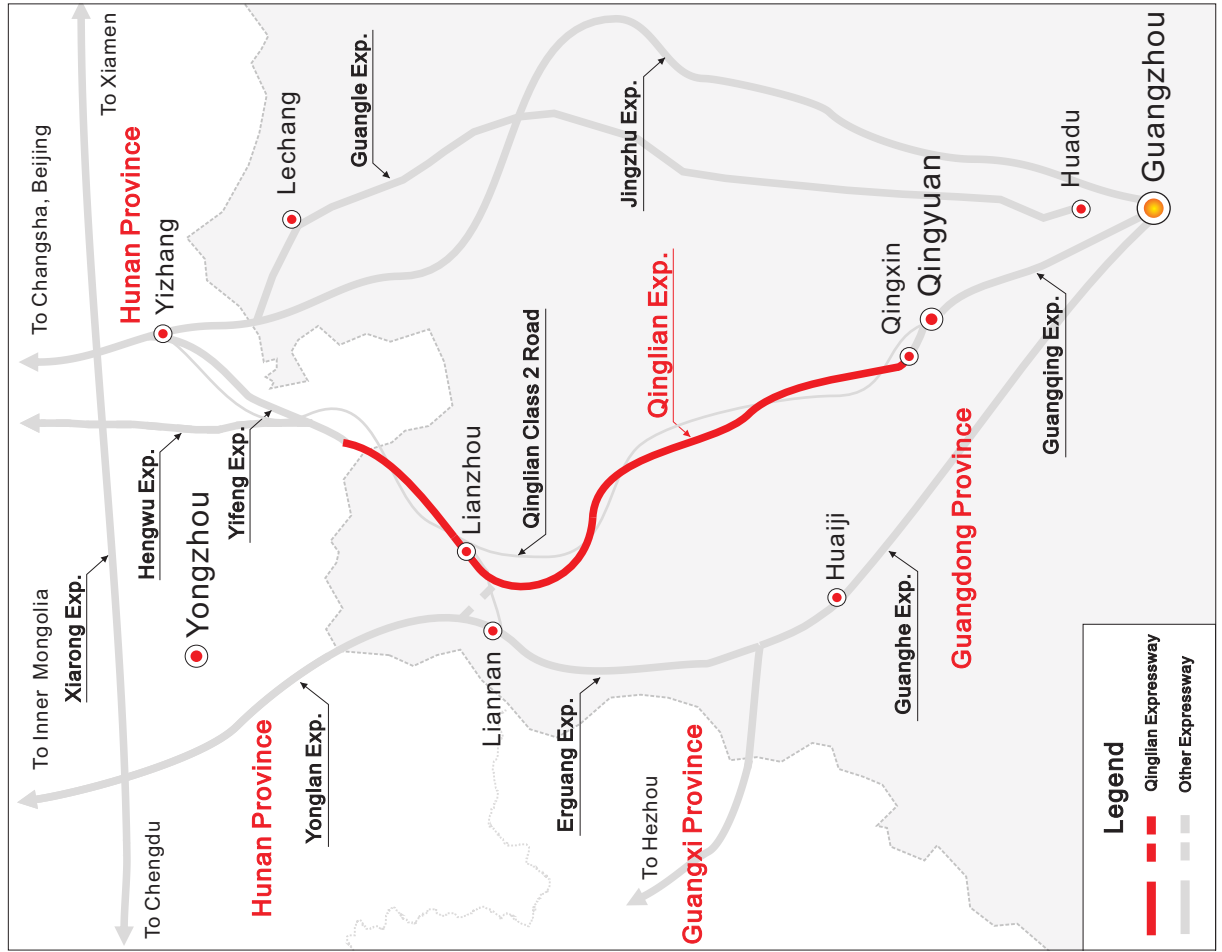
# Road Network of Shenzhen



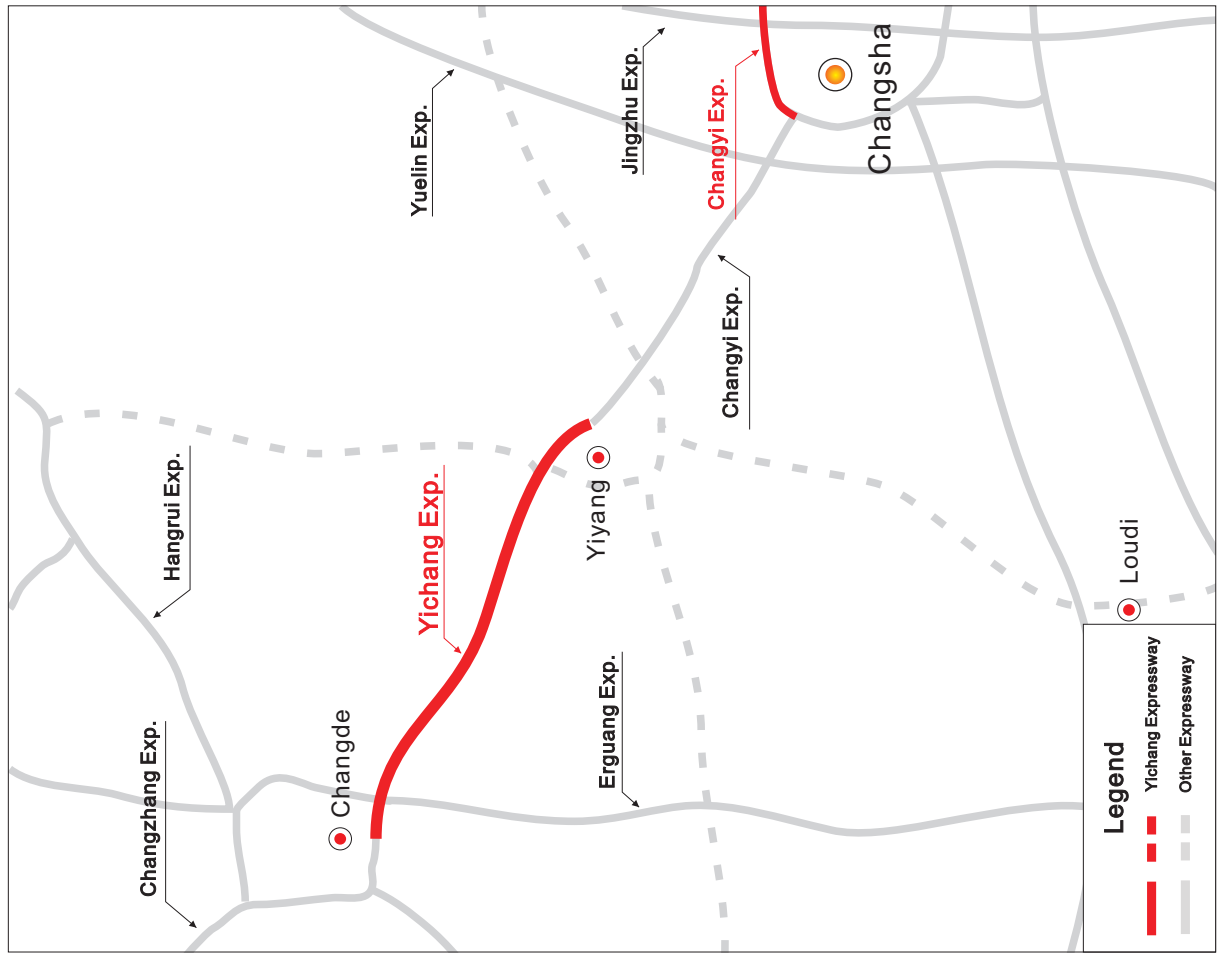
# Road Network of Pearl River Delta



## Road Network of Qinglian Expressway



## Road Network of Yichang Expressway



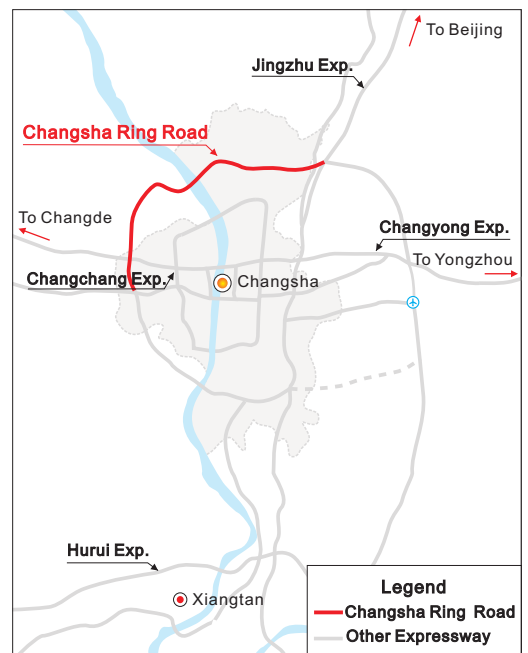
# Road Network of Wuhuang Expressway



## Road Network of Nanjing Third Bridge



## Road Network of Changsha Ring Road





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### **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.