



SHENZHEN EXPRESSWAY COMPANY LIMITED

Stock code: 00548(SEHK) 600548(SSE)

2013

Annual Results Presentation



20 March 2014

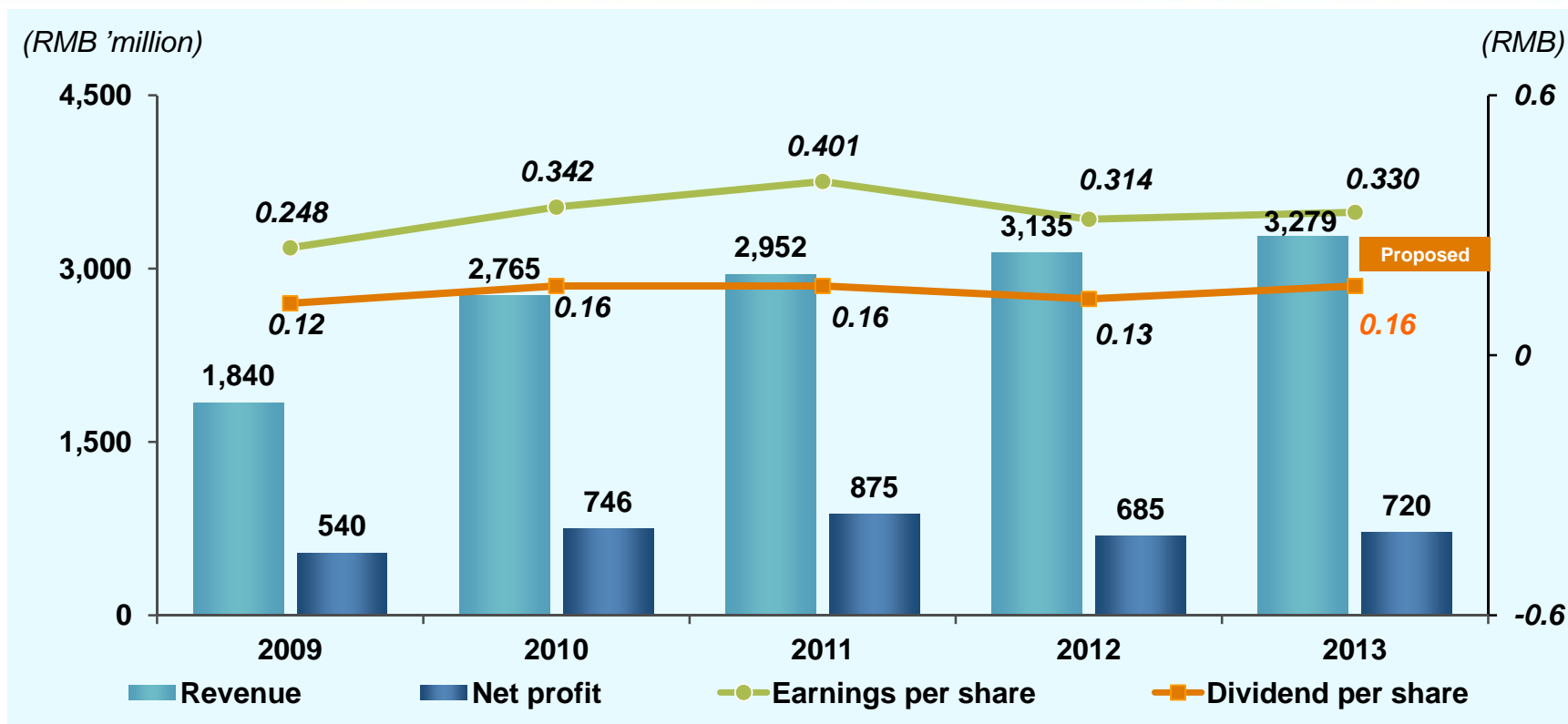


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In this report, the total of breakdown and the total may not equal in mantissa due to rounding.

Financial Highlights



- The financial statements of the Company were prepared in accordance with China Accounting Standards for Business Enterprise (CASBEs), and also were complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules of HKEx.
- As the financial statements of JEL Company have been consolidated into those of the Group since 1 July 2011, which represents the business combinations involving entities under common control, the Group made corresponding restatement to the financial statements for the financial years before 2011 according to the relevant requirements of CASBEs.

- **Business Review**
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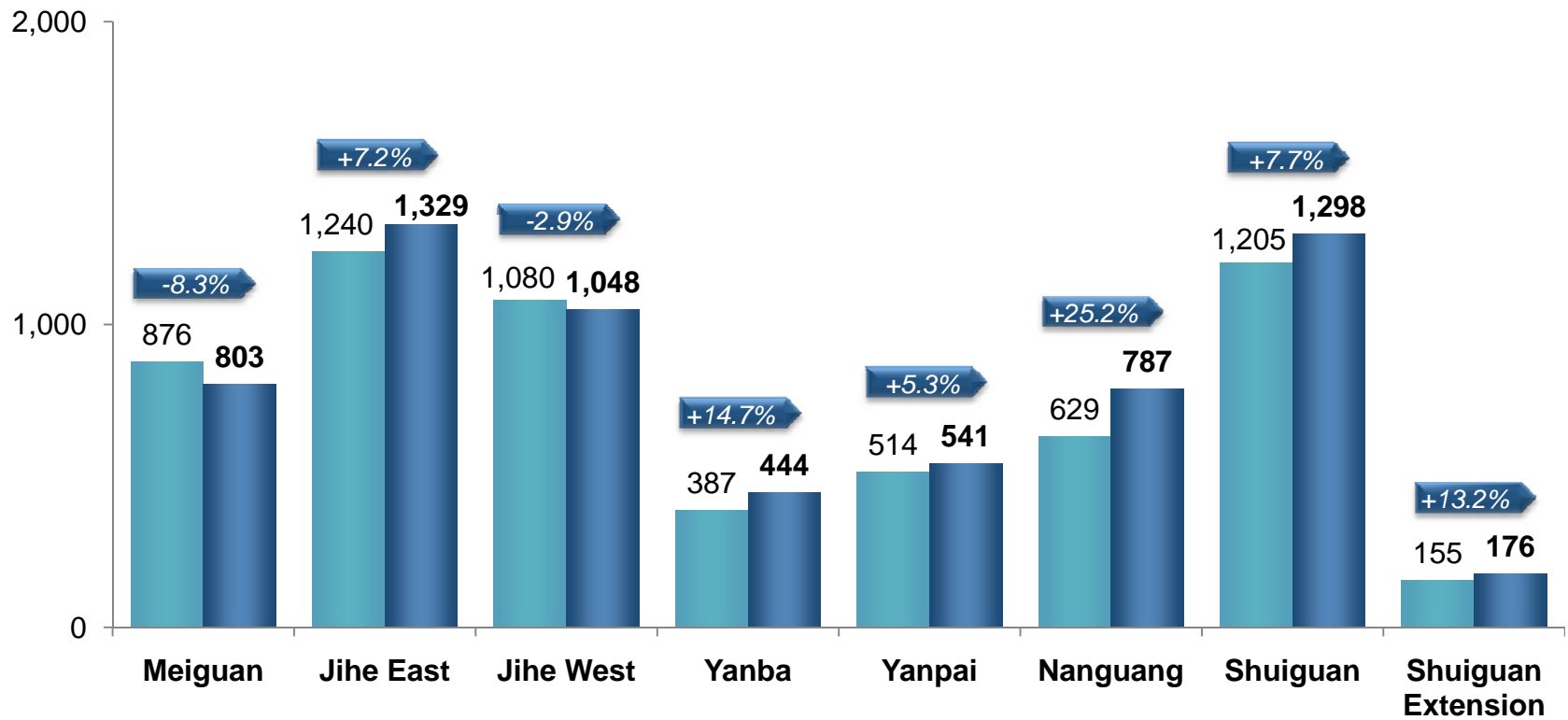




Average Daily Toll Revenue

(RMB '000)

■ 2012 ■ 2013

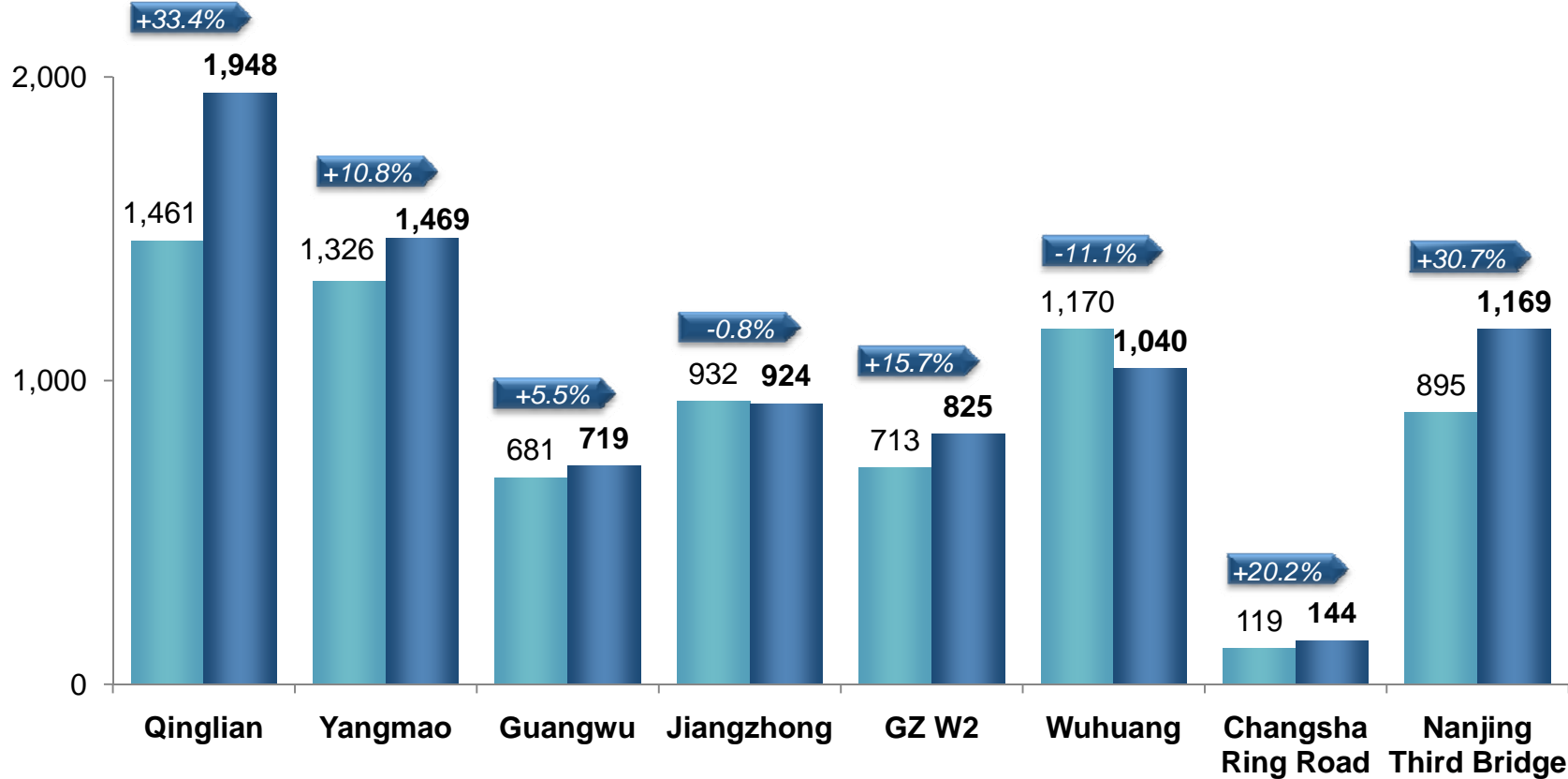




Average Daily Toll Revenue

(RMB '000)

■ 2012 ■ 2013



- Under the stable macro economy environment in China, most of the toll highways of the Group maintained a relatively stable organic growth.
- In 2013, the negative impact of the Standardization Scheme implemented in Guangdong Province and the Toll Free Scheme on Holidays implemented across the country persisted and was extended to affect the entire year. Of which, the implementation of Standardisation Scheme had bigger negative effects on Jihe Expressway and Meiguan Expressway.
- Expansion works for North Section of Meiguan Expressway and the maintenance works of Jihe West negatively affected the traffic conditions and operational performance of the projects and the connected roads.
- Benefited from the certain sections of Nanping (Phase II) has opened in the connected areas and marketing campaigns implemented, the toll revenue of Nanguang Expressway recorded a significant YOY growth.
- A number of expressways commenced to operation in Hunan Province and the traffic control measures were implemented on the surrounding roads during the period of overhaul, which brought Qinglian Expressway a rapid growth in toll revenue.
- The operational performance of Wuhuang Expressway was negatively affected by the opening of parallel roads and the implementation of traffic control measures in local.
- The restricted access measure brought positive effect on the operational performances of Nanjing Third Bridge and GZ W2 Expressway.

Standardization Scheme

Starting from 1 June 2012, the toll fees of the expressways in Guangdong province had been standardized based on the unified toll rate, toll coefficient, calculating method for ramps and rounding principles. Subsequent adjustment was made for the increase of the toll fees as a result of the implementation of the above mentioned policy.

Toll Free Scheme on Holidays

The State Council approved in the middle of 2012 that the toll fees for passenger cars with seven seats or less were waived during the periods of four public holidays, Spring Festival, Tomb Sweeping Day, Labor Day and National Day, and their consecutive days off.



Jihe East

The main maintenance works have been completed in January 2013, which enhance the road utilization and traffic capacity.

Meiguan

The reconstruction and expansion works of North Section have been completed at the end of 2013, which will enhance the road network's traffic capacity.

Jihe West

The maintenance works for the road surface were carried out and entered into the road surface construction phase at the end of 2013. It is scheduled to be completed in the first half of 2014.

Yanba

The study and design for the preventive maintenance program are conducting.

Outer Ring

The preliminary research work is continued to push forward but the actual investment model and developing plans of the project are still uncertain.

Coastal Project

The construction of Phase I was completed as scheduled in the year. Coastal Company is currently pushing forward the preliminary work of Phase II.

The project opened to traffic for trial operation in November 2013. The details of entrusted operation management are still under negotiation.

Nanping (Phase II)

All investment of Section A has been completed in 2013, and the project is currently subject to the settlement and government audit work.

Most of the construction works of Section B are not ready to be commenced at the moment.

Guilong Project

The entrusted construction work proceeded steadily as scheduled, nearly 80% progress of the construction in physical shape has been completed.

In order to effectively reduce the risk of fund recovery and realize expected or even more incomes from the project, since 2012, Guishen Company (Shenzhen Expressway holds 70% of interests) has successfully won the bid for the land with an area of approximately 1,240,000 square meters. The area of approximately 200,000 square meters in the obtained lands has been approved to conduct further development on their own. The preliminary works including planning and design is in progress.

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Financial Analysis—Income Highlights



	2013 (RMB 'million)	2012 (RMB 'million)	Change in Amount (RMB 'million)
Net profit attributable to owners of the Company	720	685	+35
Earnings per share (EPS) (RMB)	0.330	0.314	+0.016
Return on equity – weighted average (ROE) (%)	7.40%	7.33%	+0.07p.pt
Revenue	3,279	3,135	+145
Cost of services	1,526	1,511	+15
Investment income	186	129	+56
Financial expenses	582	622	-40
Effects of loss from disposal of Qinglian Class 2 Road assets (consolidated)^{Note}	181	-	+181

Note: Qinglian Class 2 Road has ceased toll collection according to the relevant requirements of the government. Based on current stage of the negotiation, the Group disposed the net book value of relevant assets of Qinglian Class 2 Road as at the end of 2013. The relevant net assets and asset cleanup costs amounted to RMB241 million, which resulted in the decrease amounting to RMB181 million in net profit in the consolidated statements and resulted in the decrease amounting to RMB138 million in the net profit attributable to owners of the Company after deducting minority interests.

Financial Analysis—Revenue, Cost & Expenses



	2013 <i>(RMB 'million)</i>	2012 <i>(RMB 'million)</i>	Change in Amount <i>(RMB 'million)</i>
Revenue	3,279	3,135	+145
Toll revenue	2,898	2,726	+172
Entrusted management services revenue	267	294	-28
Other revenue	114	114	+1
Cost of services	1,526	1,511	+15
Cost of traffic services	1,409	1,302	+108
Cost of entrusted management services	53	152	-99
Cost of other businesses	64	57	+7
General and administrative expenses (G&A)	88	80	+8

Financial Analysis—Toll Revenue

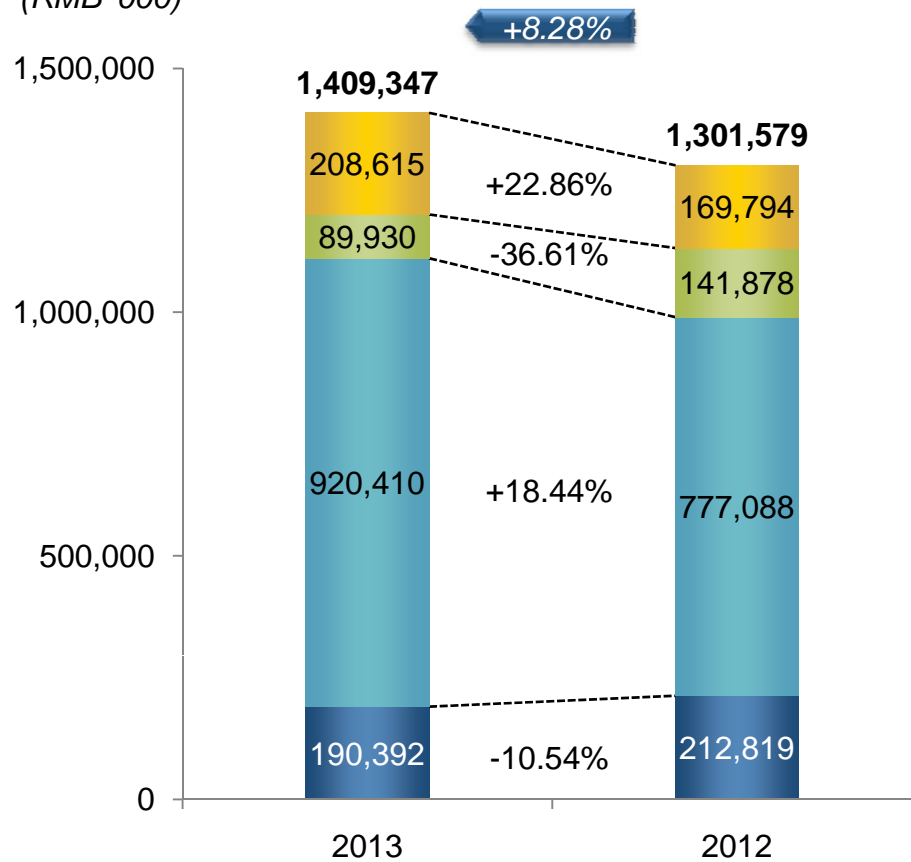


	2013 (RMB '000)	2012 (RMB '000)	Change in Amount (RMB '000)
Toll highway			
Qinglian Project	710,963	537,170	+173,793
Jihe East	485,006	453,795	+31,211
Jihe West	382,605	395,217	-12,612
Wuhuang	379,753	459,692 ^{Note}	-79,939
Meiguan	293,125	320,454	-27,329
Nanguang	287,325	230,123	+57,202
Yanpai	197,476	188,123	+9,353
Yanba	162,038	141,779	+20,259
Total	2,898,291	2,726,353	+171,938

Note: Included toll revenue of RMB32,532,000 from the clearance of overlapping mileages with E'dong Bridge from September 2010 to December 2012.

Details of Cost of Traffic Services

(RMB '000)



- Employee expenses
- Road maintenance expenses
- Depreciation and amortisation
- Other business costs

- The employee expenses YOY increased as a result of the increased number of toll collection staff, the general increase in the payment standard of salaries and benefits.
- There was a YOY decrease in the maintenance expense of the highways as the special maintenance expense for Qinglian Class 2 Road decreased YOY and the actual maintenance expense for Jihe East was lower than the budgeted amount.

Financial Analysis—Traffic Services Profit



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	Cost of Traffic Services		Traffic Services Profit (before Interests, Tax and G&A) ^{Note1}	
	2013 (RMB '000)	Change in Amount (RMB '000)	2013 (RMB '000)	Change in Amount (RMB '000)
Toll highway				
Jihe West	89,847	-454	280,841	-10,747
Qinglian Project	426,246	+60,806	263,388 ^{Note2}	+109,272
Jihe East	252,625	+27,003	216,103	-3,481
Meiguan	111,795	+10,151	174,580	-33,470
Wuhuang	200,160	-24,521	169,505	-51,565
Nanguang	144,717	+27,580	133,790	+27,837
Yanpai	85,140	+4,038	106,364	+2,556
Yanba	98,817	+3,165	60,820	+19,066
Subtotal	1,409,347	+107,768	1,405,391	+59,468
Loss from disposal of Qinglian Class 2 Road assets			(241,245)	-241,245
Profit before interests, tax and G&A from toll highways operated by the Group			1,164,146	-181,777

Note1: Profit before interests, tax and G&A = total profit + G&A + interest expense.

Note2: Excluded the effect of loss from disposal of Qinglian Class 2 Road assets.

Financial Analysis—Profit from Entrusted Construction Management Services (ECMS)



	Income		Cost		ECMS Profit (before Interests, Tax and G&A)	
	2013 (RMB '000)	Change in Amount (RMB '000)	2013 (RMB '000)	Change in Amount (RMB '000)	2013 (RMB '000)	Change in Amount (RMB '000)
ECMS projects						
Nanping (Phase I)	555	-128,524	3,357	-58,426	-2,821	-65,767
Nanping (Phase II)	75,179	-9,181	13,658	-43,219	57,139	+32,876
Coastal Project	46,821	+10,960	18,709	-3,308	25,485	+13,435
Guilong Project	123,123	+113,587	14,409	+5,210	104,516 ^{Note}	+104,516
Other project	2,978	-14,672	2,928	+491	-	-14,387
Total	248,656	-27,830	53,061	-99,252	184,319	+70,673

Note: Based on 70% equity interests held by the Company, the profit from Guilong Project attributable to the Company amounted to RMB73,161,000 in 2013.

Financial Analysis—Investment Income



	<i>Toll Revenue</i>	<i>Cost of Services</i>	<i>Investment Income of the Group</i>	
	2013 <i>(RMB '000)</i>	2013 <i>(RMB '000)</i>	2013 <i>(RMB '000)</i>	Change in Amount <i>(RMB '000)</i>
Toll highway				
Joint ventures:				
Changsha Ring Road	52,396	34,118	13,046	+10,102
Associates:				
Shuiguan	473,659	164,888	61,633	+3,875
Shuiguan Extension	64,258	51,684	(4,309)	+782
Yangmao	536,230	190,872	56,941	+17,445
Guangwu	262,268	108,985	20,850	+130
Jiangzhong	337,415	234,388	3,061	+2,366
GZ W2	301,044	139,985	9,660	+6,637
Nanjing Third Bridge	427,581	161,191	21,111	+15,027
Subtotal	2,454,851	1,086,111	181,993	+56,577
Others (including investment income from Consulting Company and other investment income)			3,684	+213
Total			185,677	+56,790

Financial Analysis—Financial Expenses



	2013 (RMB '000)	2012 (RMB '000)	Change in Amount (RMB '000)
Item			
Interest expenses	599,086	619,767	-20,681
Less: Interest capitalised	- 16,968	- 9,330	+7,638
Interest income	24,975	34,557	-9,582
Add: Others (exchange gain/loss)	+ 632	+ 12,151	-11,519
Add: Time value of provisions for maintenance/resurfacing	+ 24,503	+ 34,387	-9,884
Financial expenses	582,278	622,418	-40,140
Composite borrowing cost —nominal cost (%)	5.84%	5.75%	+0.09p.pt

Financial Analysis—Assets & Liabilities Highlights



	31 December 2013 (RMB 'million)	31 December 2012 (RMB 'million)	Change in Amount (RMB 'million)
Total equity attributable to owners of the Company	9,974	9,536	+438
Net assets per share (RMB)	4.57	4.37	+0.20
Total assets	22,840	24,209	-1,369
of which: Cash and cash equivalents	1,090	1,954	-864
Total liabilities	11,601	13,336	-1,735
of which: Total borrowings	9,298	10,564	-1,266

Financial Analysis—Debt Ratio & Repayment

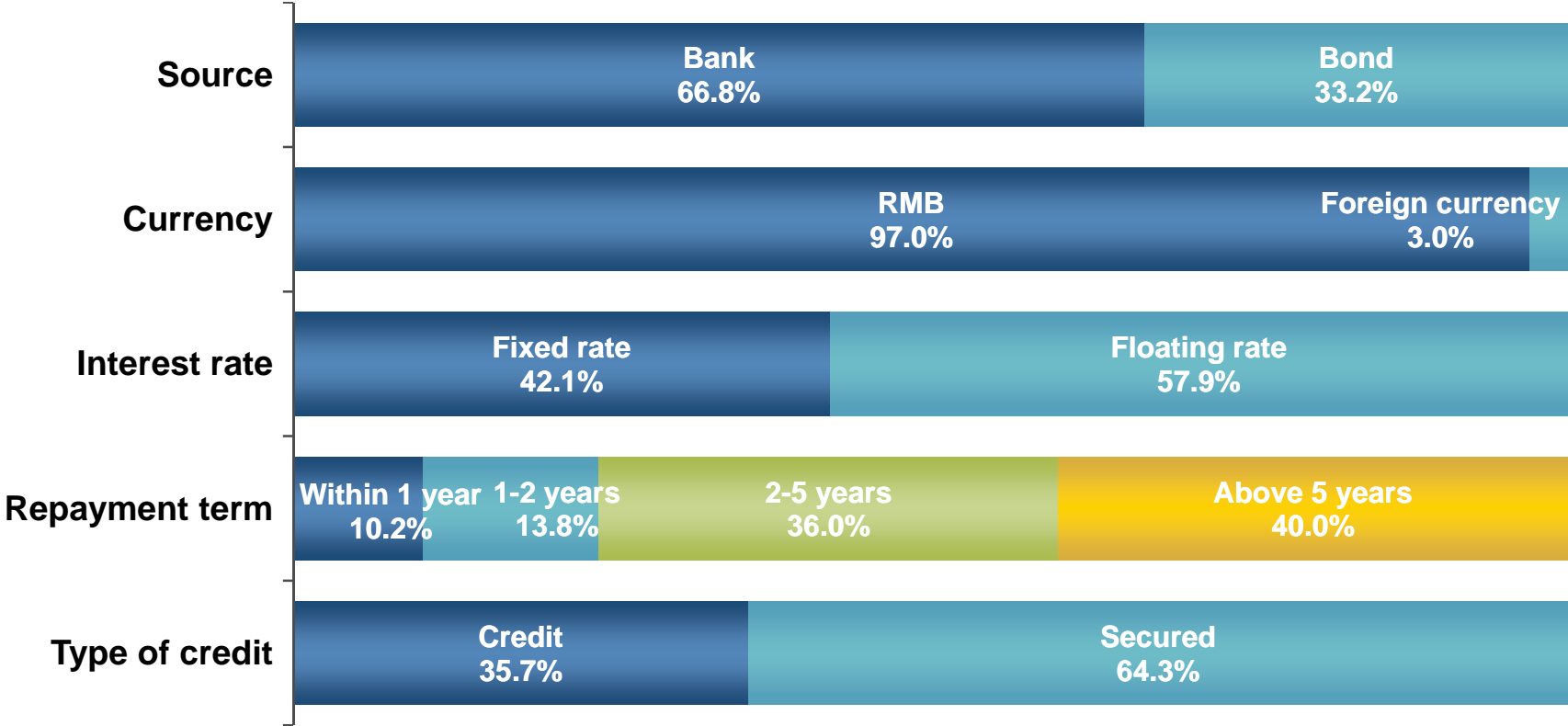


	31 December 2013	31 December 2012
Debt-to-asset ratio (total liabilities / total assets)	50.79%	55.09%
Net borrowings-to-equity ratio ((total borrowings – cash and cash equivalents) / total equity)	73.03%	79.18%

	2013	2012
Interest covered multiple ((profit before tax + interest expenses) / interest expenses)	2.44	2.42
EBITDA interest multiple (earnings before interests, tax, depreciation and amortization / interest expenses)	3.98	3.66

Borrowing Structure

(as at 31 December 2013)



Financial Analysis—Capital Expenditure



- In 2013, the Group's capital expenditures mainly comprised the remaining construction investments and settlements of projects such as the reconstruction into an expressway for Qinglian Class 1 Highway and Nanguang Expressway, and the reconstruction and expansion for Meiguan Expressway, totaling approximately RMB644 million.
- During the Reporting Period, the Group's net cash inflows from operating activities and cash return on investments totaled RMB1,854 million (2012: RMB1,617 million), representing a YOY growth of 14.66%.
- As at the end of the Reporting Period, unutilized banking facilities amounted to RMB6.0 billion.

2014-2016 Capital Expenditure Plan	2014 (RMB '000)	2015 (RMB '000)	2016 (RMB '000)	Total (RMB '000)
Item				
Reconstruction and expansion for Meiguan Expressway	123,860	-	38,306	162,166
Qinglian Project	174,310	13,618	-	187,928
Nanguang Expressway	80,890	10,390	-	91,280
Other investment (electrical equipments, etc.)	188,550	-	-	188,550
Total	567,610	24,008	38,306	629,924

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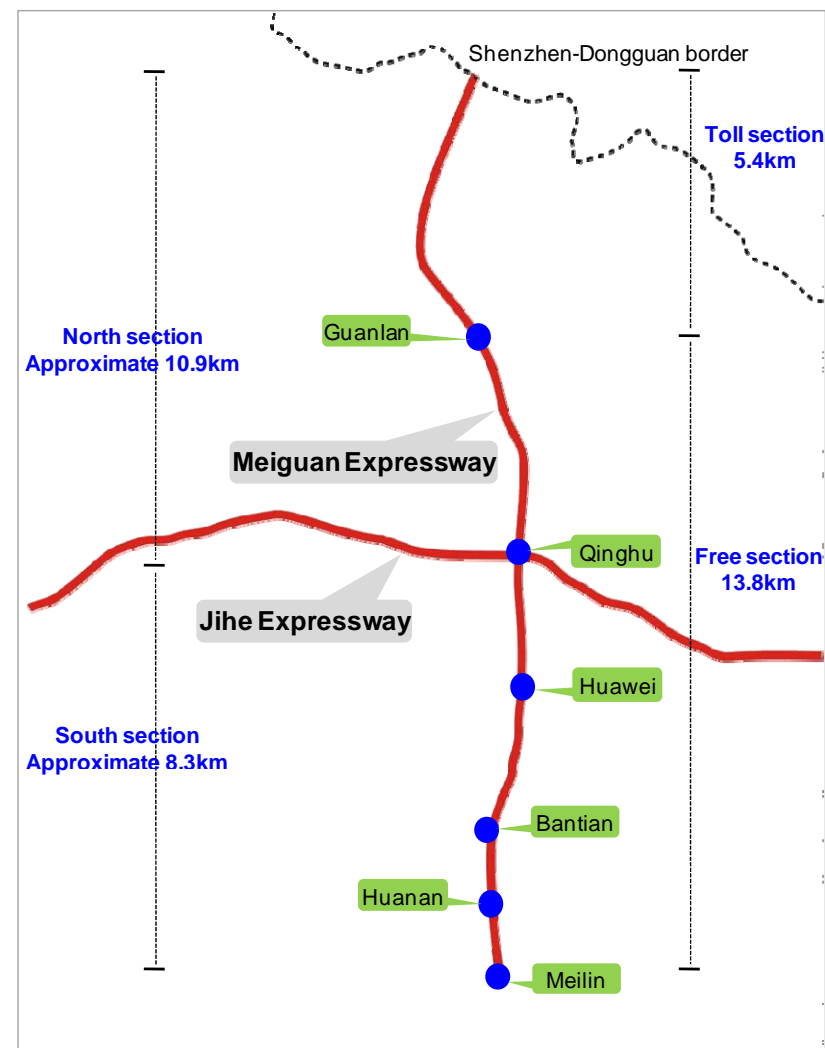
- The progress of urbanization and the transition and upgrade of regional economy are still carrying forward in China. It is expected that the total traffic demand will maintain steadily.
- There are a lot uncertainties over the economic and political environment.
- The competition or promotion among different modes of transportation will exist in the long term.
- The overall yields of toll highway projects showed a downward trend. The traditional profit model is facing the challenge.
- The industry management standards are getting stricter. The negative impact brought by the issued policies is becoming stable and clear. However, the Government's whole approach of industry management is yet to be clear.
- The overall currency policy is expected to remain stable. However, the credit line will be relatively tighter.

Toll Adjustment of Meiguan Expressway



- On 27 January 2014, the Group signed the “Agreement on the Toll Adjustment and Compensation and the Transfer of Assets Regarding Meiguan Expressway” with Shenzhen Government.
- Implement toll-free for the Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km from 24:00 on 31 March 2014, and remain the toll of Shenzhen-Dongguan border to Guanlan section of Meiguan Expressway with a mileage of 5.4 km.
- Shenzhen Government makes cash compensation to the Group, including the compensation of the present value of future income of the Toll Free Section for approximately RMB1,598 million and other relevant costs/expenses for approximately RMB1,102 million (part of the compensation will subject to the audit). The compensation will be paid by three installments.
- The arrangement must be obtained the approval of the General Meeting of the Company and Shenzhen Government’s final approval. The Company has proposed to hold the Extraordinary General Meeting on 28 March 2014 to consider and approve the resolution.

Diagram of Meiguan Expressway



Objectives & Priorities for 2014



Operation management

- Improve service quality, adjust on marketing initiatives, attract traffic flows, and explore the market potential.
- Advance the work on inter-network toll collection in Guangdong province.
- Complete the maintenance works and preventive maintenance works with high quality.

Construction management

- Push forward the progress of the construction, achieve management targets.
- Timely recovery of entrusted construction revenue.
- Seize opportunities of market expansion for entrusted construction.

Business development

- Conduct the research and negotiation for the proposals in respect of Coastal Project and Outer Ring Expressway.
- Follow up the succeeding works of Meiguan Expressway and Qinglian Class 2 Road.
- Advance the progress of the project of BT-linked land development.

Financial management

- Study various financial instruments, timely implement new plans to issue bonds.
- Improve the forecasting and daily management of cash flow and the dividend management of investee companies.

Strategy research

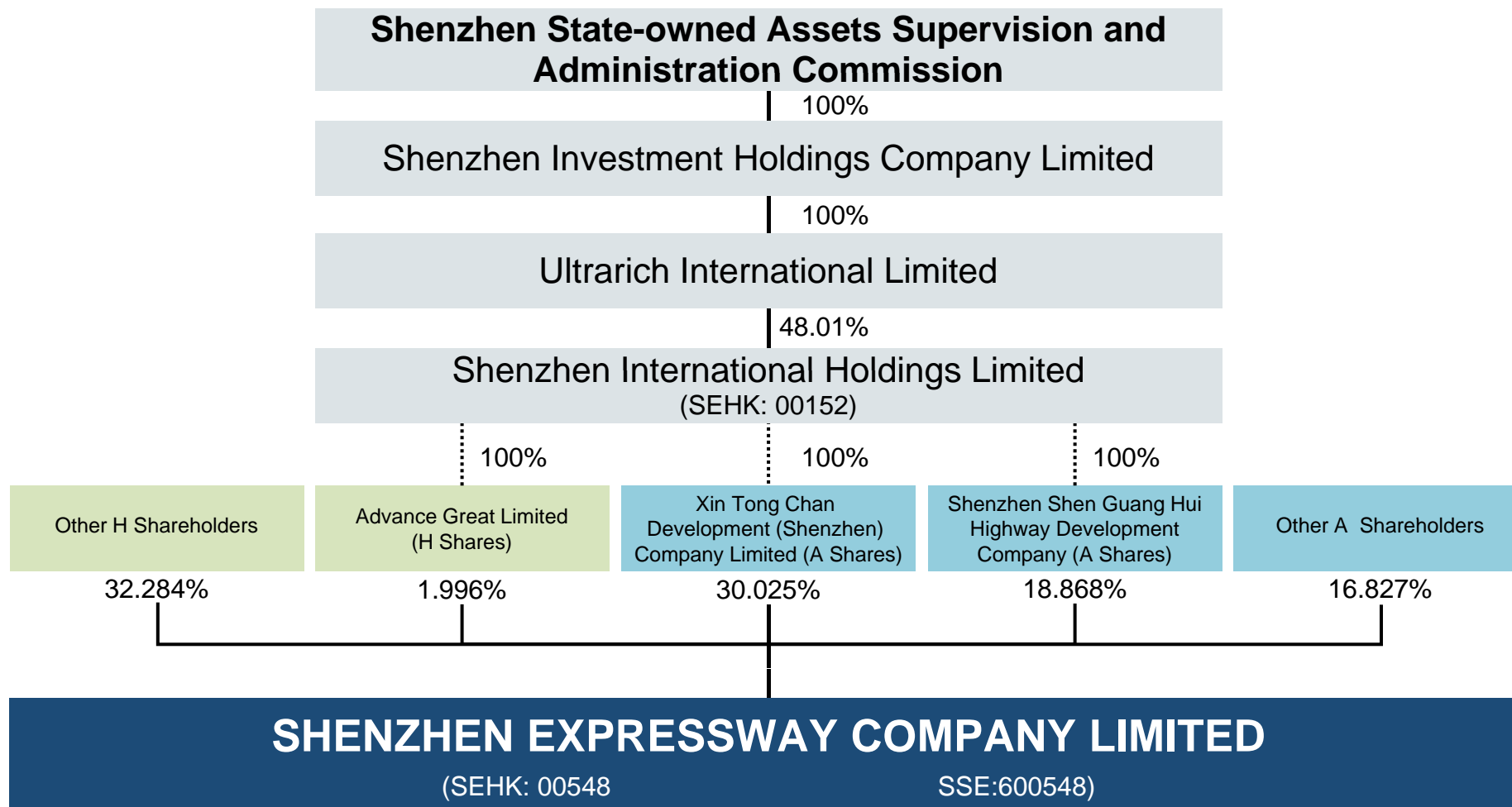
- Capture the market opportunities of business development and asset consolidation.
- Conduct in-depth strategic research and formulate the next five-year strategy.

- Enhance the overall return on existing projects.
- Relying on the core business of toll highway for further development, attempt to enter into the businesses related to the Company's core business capability.
- Pay close attention to and capture the market opportunities of entrusted management business.
- Pay close attention to and study the market opportunities during the process of New Urbanization.

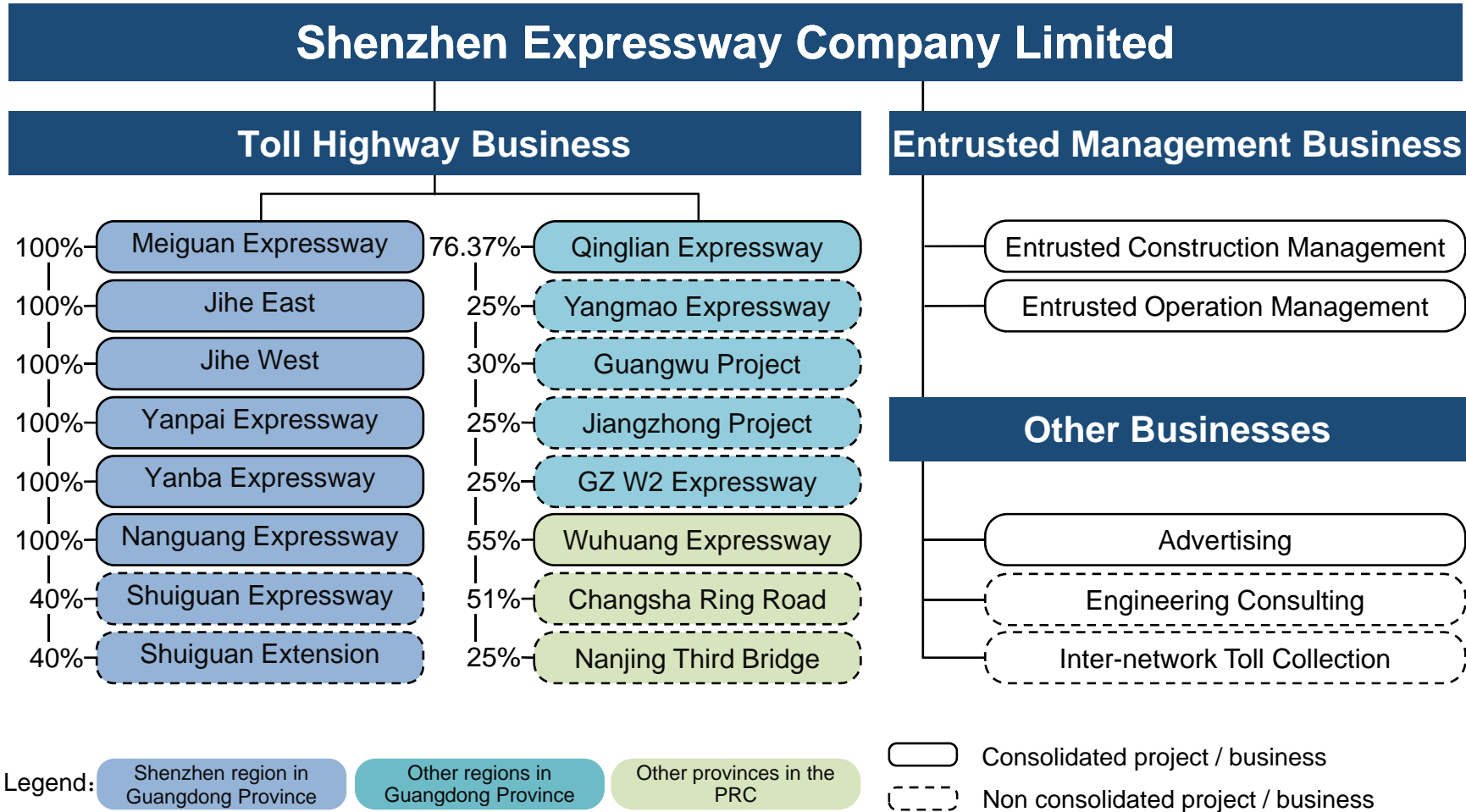
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Shareholding Structure



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%.



Toll Highway Projects Summary



Toll Highway	Interest Held by the Company	Location	Toll Mileage (km)	No. of Lanes	Status	Maturity
Meiguan Expressway	100%	Shenzhen	19.2 ^{Note}	6/8	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	100%	Shenzhen	29.1	6	Under operation	Section A: 2026.04 Section B: 2028.07 Section C: 2035.03
Shuiguan Expressway	40%	Shenzhen	20.0	10	Under operation	2025.12
Shuiguan Extension	40%	Shenzhen	6.3	6	Under operation	2025.12
Yanpai Expressway	100%	Shenzhen	15.6	6	Under operation	2027.03
Nanguang Expressway	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	55%	Hubei	70.3	4	Under operation	2022.09
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 Shenzhen Government, the toll of Meiguan Expressway is planned to be adjusted from 1 April 2014. This arrangement are yet to be obtained final approval made by the General Meeting and Shenzhen Government.

Average Daily Mixed Traffic Volume



<i>(Number of vehicles)</i>	2009	2010	2011	2012	2013
Shenzhen region in Guangdong Province					
Meiguan Expressway	98,318	117,244	118,976	124,921	129,769
Jihe East	93,019	111,530	118,215	128,414	149,896
Jihe West	72,800	91,111	99,390	106,564	123,343
Yanba Expressway	16,509	24,313	27,610	28,563	31,260
Yanpai Expressway	33,763	39,734	38,501	41,473	50,188
Nanguang Expressway	32,212	50,612	55,995	58,715	75,029
Shuiguan Expressway	118,064	134,561	124,714	138,285	155,477
Shuiguan Extension	32,294	40,485	31,941	29,331	39,119
Other Regions in Guangdong Province					
Qinglian Expressway	16,011	18,292	21,445	22,827	28,344
Yangmao Expressway	17,795	20,066	23,477	26,978	31,481
Guangwu Project	11,190	17,475	23,089	25,339	27,177
Jiangzhong Project	50,899	68,476	90,270	90,556	89,467
GZ W2 Expressway	14,883	28,768	33,493	34,796	42,175
Other Provinces in the PRC					
Wuhuang Expressway	32,412	38,034	37,856	39,712	39,127
Changsha Ring Road	7,342	8,558	9,516	13,206	14,015
Nanjing Third Bridge	20,029	22,057	23,293	24,680	29,312

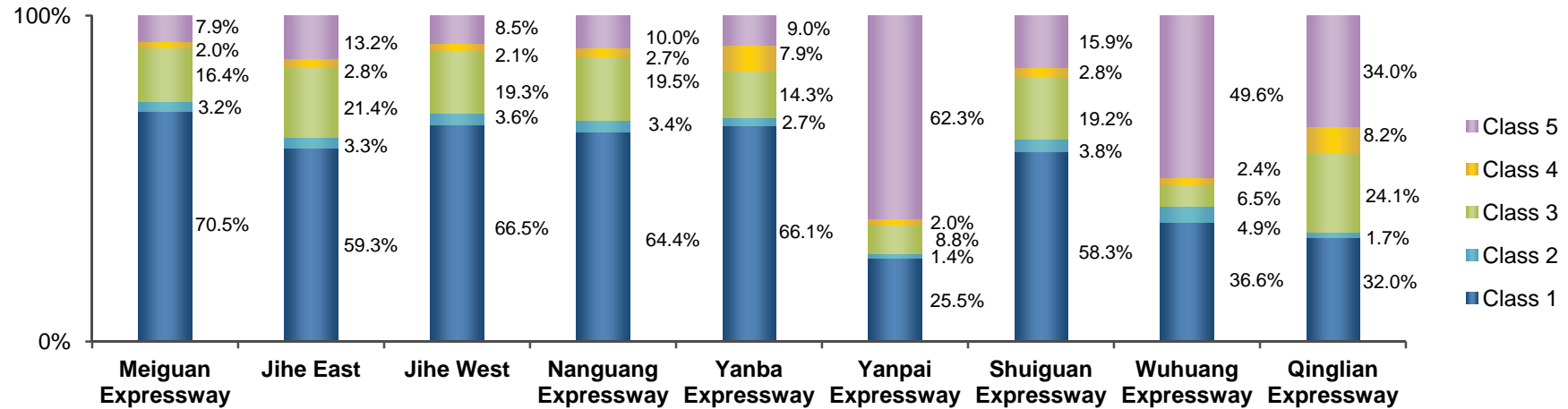
Average Daily Toll Revenue



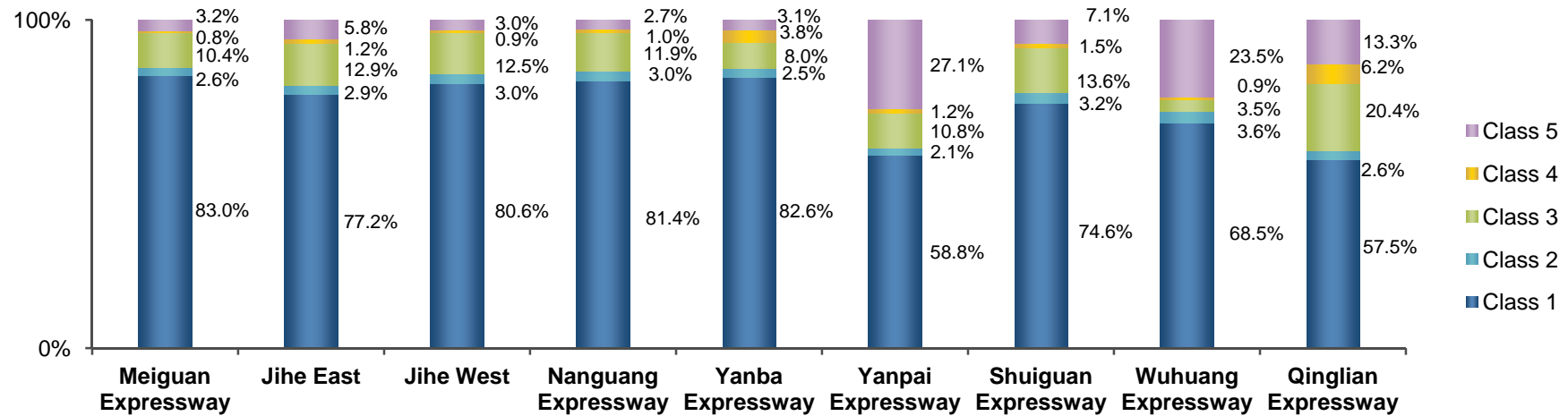
(RMB'000)	2009	2010	2011	2012	2013
Shenzhen region in Guangdong Province					
Meiguan Expressway	814.0	951.4	943.2	875.6	803.1
Jihe East	1,242.0	1,414.7	1,407.1	1,239.9	1,328.8
Jihe West	951.4	1,169.2	1,229.9	1,079.8	1,048.2
Yanba Expressway	213.4	335.4	369.3	387.4	444.1
Yanpai Expressway	382.6	428.6	463.8	514.0	541.0
Nanguang Expressway	302.9	523.5	589.0	628.8	787.2
Shuiguan Expressway	1,072.4	1,229.9	1,122.0	1,204.5	1,297.7
Shuiguan Extension	202.5	250.6	196.7	155.5	176.1
Other Regions in Guangdong Province					
Qinglian Expressway	829.9	1,036.8	1,280.4	1,460.6	1,948.1
Yangmao Expressway	967.5	1,094.9	1,209.4	1,326.2	1,469.2
Guangwu Project	305.7	471.9	644.4	681.3	718.5
Jiangzhong Project	707.2	870.2	972.4	931.6	924.1
GZ W2 Expressway	471.0	672.3	740.0	713.0	824.8
Other Provinces in the PRC					
Wuhuang Expressway	1,090.0	1,268.3	1,146.2	1,170.4	1,040.4
Changsha Ring Road	63.6	72.8	86.3	119.4	143.6
Nanjing Third Bridge	672.1	782.9	828.6	894.7	1,169.5

Vehicle Category of Major Highways in 2013

By revenue



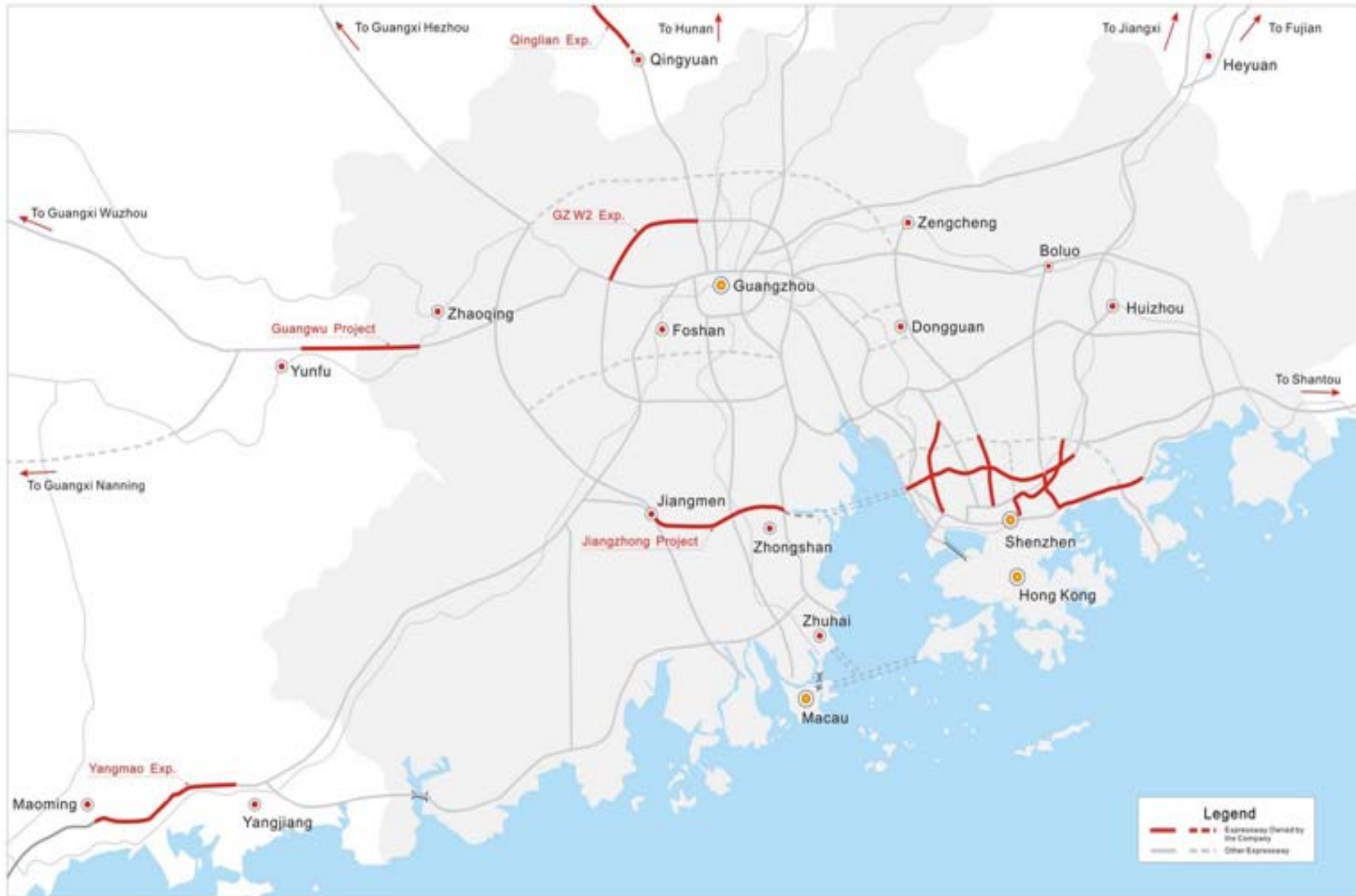
By traffic volume



Road Network of Shenzhen



Road Network of Pearl River Delta



Road Network of Qinglian Expressway



Road Network of Wuhuang Expressway

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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.