



**SHENZHEN EXPRESSWAY COMPANY LIMITED**

Stock code: 00548(SEHK) 600548(SSE)

# 2015 Annual Results Presentation



**19 March 2016**



# Contents

**Business Review**

**Outlook and Plans**

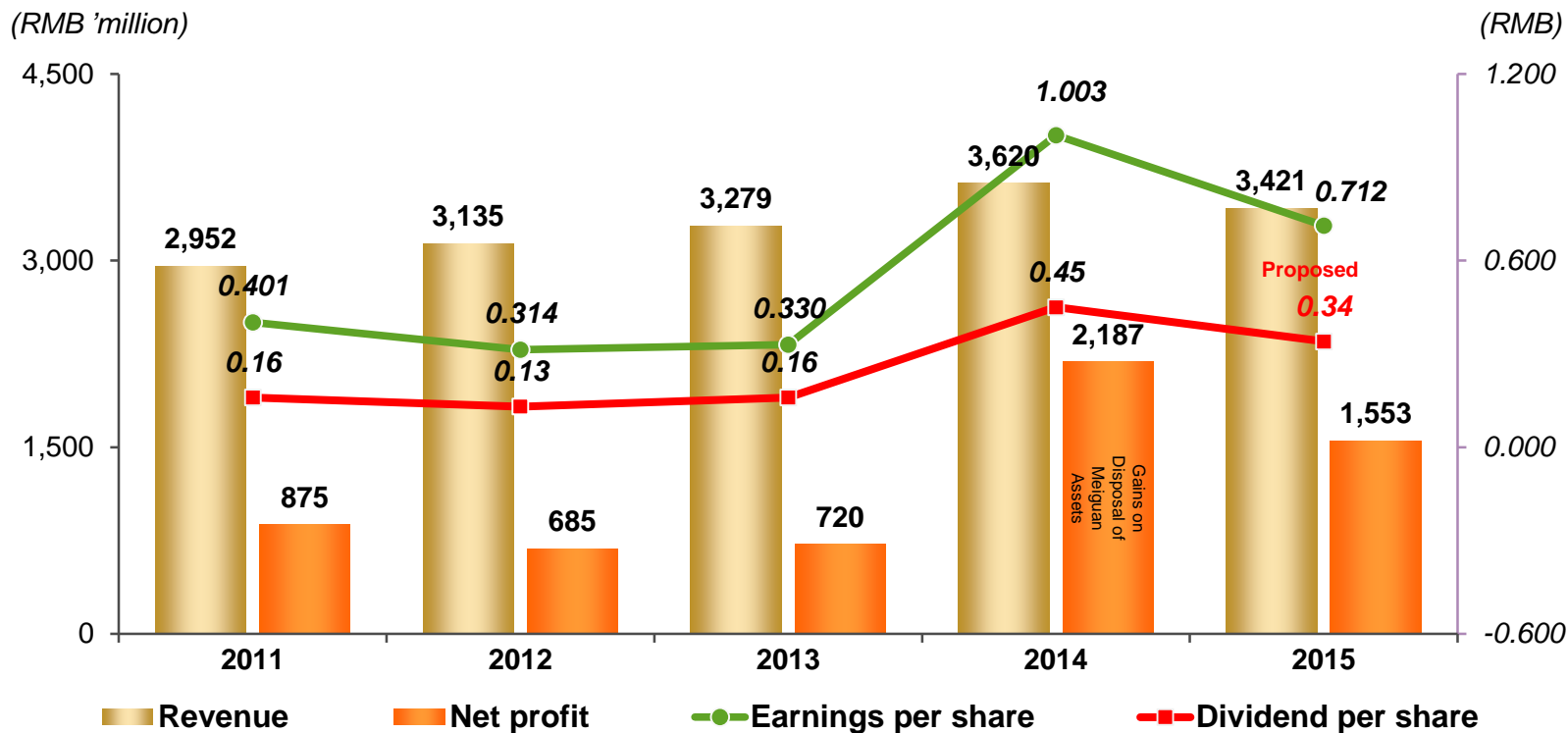
**Financial Analysis**

**Appendix**

In this material, 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 (CASBE), and also were complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules of HKEx.





# Business Review

**Financial Analysis**

**Outlook and Plans**

**Appendix**



# Operational Performance - Impact Factors

## Macro environment

- The downside pressure on the domestic economy was significant, however, the regional economic growth was relatively stable and conducive to the general growth of the regional transportation and logistics demand via highway.
- There was no material change on the policies of toll highway industry.
- The negative impacts of Toll Free Scheme on Holidays, Green Passage Toll Free Policy, and Standardization Scheme in Guangdong Province still existed. However, the impact on YOY changes has generally been eliminated.

## Changes in road networks

- Benefiting from the changes in neighboring road networks, the higher traffic capacity and efficiency after the project's maintenance works of road surface, and the growth of toll revenue of Jihe Expressway was better than that of other projects in Shenzhen region.
- The toll collection of Yantian'ao Tunnel in Shenzhen has been cancelled with effect from February 2015, bringing a diversion impact on the traffic volumes of lorries on Yanpai Expressway and Yanba Expressway and also a slight negative effect on Jihe Expressway.
- The preventive maintenance works of Nanguang Expressway and Section B of Yanba Expressway have been implemented in 2015, which have negatively affected the traffic conditions and operational performance of the projects and the connected roads to a certain extent.
- Guangle Expressway and Erguang Expressway commenced operation at the end of 2014. As their layouts are similar to that of Qinglian Expressway, certain diversions on Qinglian Expressway have been resulted.
- The operational performance of Wuhuang Expressway was still under the negative impact of various factors including the commencement of operation of nearby road networks and implementation of traffic control measures for municipal roads. However, the impact on YOY changes has been eliminated.

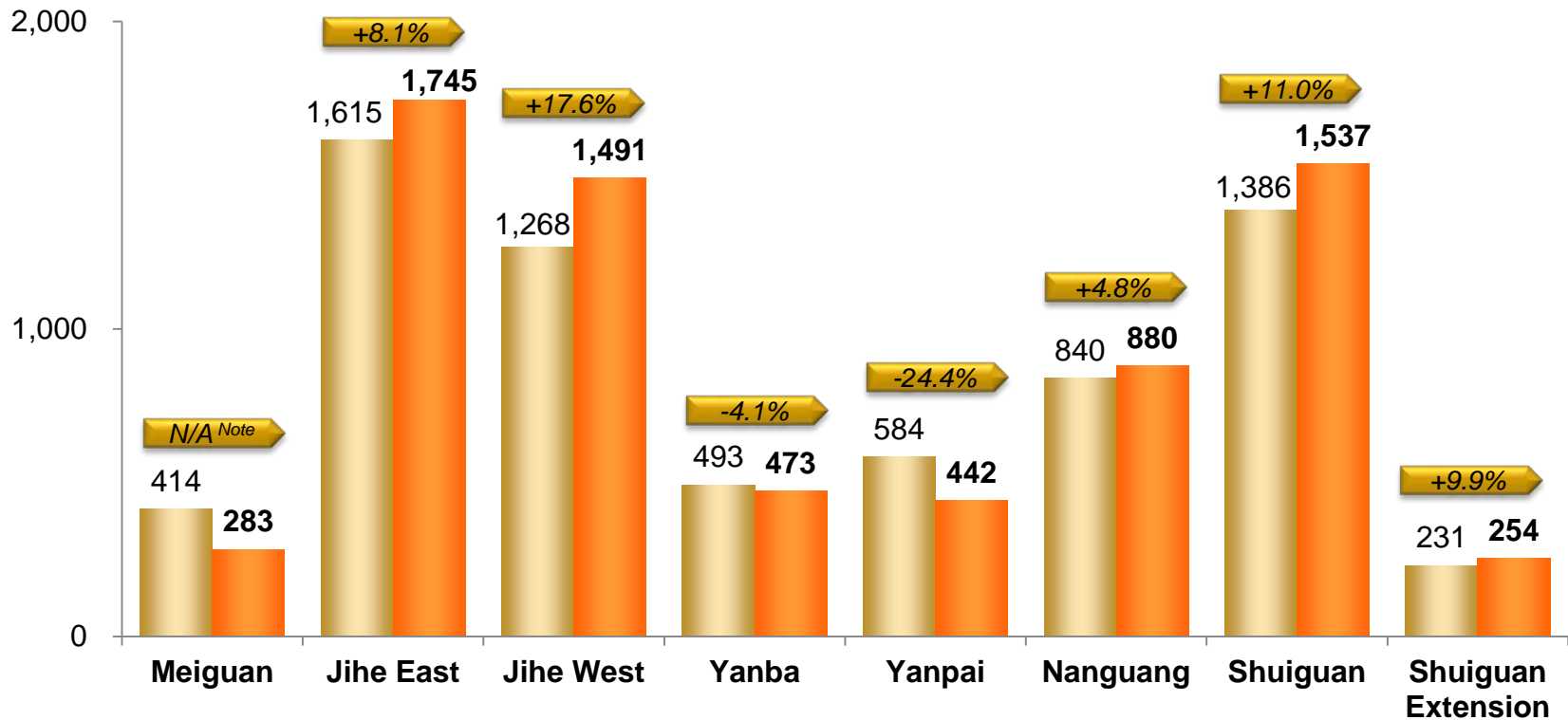


# Operational Performance - Shenzhen Region

## Average Daily Toll Revenue

(RMB '000)

■ 2014 ■ 2015



Note: Since 1 April 2014, the toll adjustment proposal of Meiguan Expressway was officially implemented, no YOY change data has been provided as a relatively great change on the toll mileage.

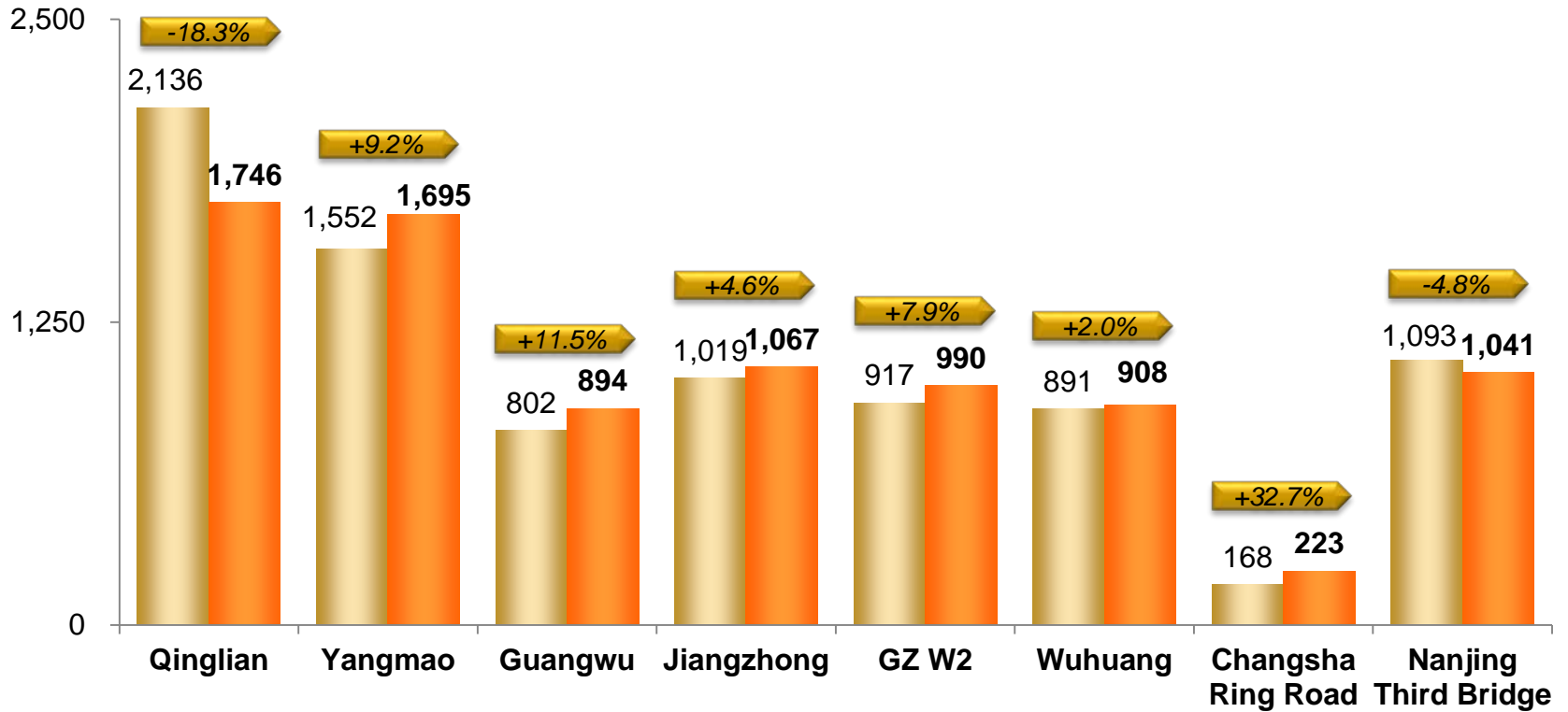


# Operational Performance - Other Regions

## Average Daily Toll Revenue

(RMB '000)

■ 2014 ■ 2015





# Business Development - Management Improvement

## Inter-network Toll Collection

- In June 2015, Guangdong Province and Hubei Province implemented the adjustment of the classification standard of vehicles on expressways and toll-by-weight for lorries in accordance with national standards and achieved the target of the nationwide inter-network toll collection for expressways. By making good use of database in the inter-network toll collection system, the Group effectively implemented supervisions over green passages and inspections of overloading vehicles and strived to reduce toll loss. Meanwhile, the Group continued to optimize the standardized operation management modules and constantly improved the traffic condition and efficiency of roads, with a view to enhance the competitiveness and operational performance of projects.

## Marketing Measures

- The Group continued to carry out multi-aspect works on marketing and management of the road networks with emphasis on Qinglian Expressway, Nanguang Expressway and Yanba Expressway, with an aim to develop the growth potential of each project and reduce the diversion impact on projects.

## Maintenance Works

- Within the year, the Group conducted preventive maintenance works for Nanguang Expressway and Section B of Yanba Expressway and the small-scale specialized works, such as reinforcement of slopes and expansion of toll stations to ensure the safety and free traffic of highways.
- The Group ensured continuous improvement of road technology and condition and prolonged the useful life of the roads, thereby effectively reducing their total maintenance cost.





# Business Development - Project Progress 1

## Shuiguan Expressway

- Acquired an additional 10% interests in Qinglong Company with an initial consideration of RMB280 million and the proportion of equity interests in Shuiguan Expressway owned by the Group has increased from the original 40% to 50%. Qinglong Company has been consolidated into the Group's financial statements. The equity interests held prior to the acquisition date shall be remeasured at fair value and the difference between the fair values and its carrying amount since 30 October 2015 shall be credited as investment income of the current period, resulting in an increase of RMB900 million in the Group's net profit during the Reporting Period.
- Benefits to enhance the control over the operation and management of Qinglong Company, which will in return help improve the profitability and cash flow of the Group in the future and further consolidate the core advantages of the Group in respect of investment, management, and operation of highways, which is in line with the development strategies and overall interests of the Group.



## Business Development - Project Progress 2

### Consulting Company

- The Group obtained effective control over Consulting Company by amending its articles of association during the Reporting Period and Consulting Company has been consolidated into the Group's financial statements since 1 July 2015. The equity interests held prior to the acquisition date were remeasured at fair value and the difference between the fair values and its carrying amount shall be credited as investment income of the current period, resulting in an increase of RMB4,527,000 in the Group's net profit during the Reporting Period.
- Consulting Company is a professional project consulting company with independent legal person qualification, its scope of business covers preliminary consultancy, survey design, tendering agency, construction costs consultancy, engineering supervision, project test, project inspection 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.
- The consolidation of Consulting Company into the financial statements of the Group is of great significance to the Company in achieving the integration of industrial chain.



## Business Development - Project Progress 3

10

### Toll Adjustment of Nanguang Expressway, Yanpai Expressway, and Yanba Expressway (Three Projects)

- On 30 November 2015, the Company and Shenzhen government entered into the agreement. The toll adjustment proposal for the Three Projects will be implemented in two phases: the Company implements the toll-free policy for the Three Projects, while Shenzhen government makes cash compensation to the Company based on the adjustment mechanism accordingly.
  - Phase 1 (7 February 2016 - 31 December 2018): the Company implements the toll-free policy for the Three Projects, under which it may retain the Fee Entitlement Right and continue to be responsible for the management and maintenance of such sections; meanwhile, Shenzhen government acquires traffic services of the Three Projects from the Company and makes compensation for the exempted toll fees.
  - Phase 2 (commencing from 1 January 2019): Shenzhen government can opt to adopt the adjustment mechanism in Phase 1 (Option 1) continuously or it can resume possession of the Fee Entitlement Right of the Three Projects earlier and make compensation accordingly (Option 2). If Shenzhen government opts to Option 2, the Company will no longer retain the Fee Entitlement Right of the Three Projects and will no longer be responsible for the corresponding management and maintenance.
- Compensation arrangements: in the case that Option 1 or Option 2 is adopted during Phase 2, the tentative amounts of total compensation will be RMB9,688 million and RMB7,652 million respectively. Such amounts will be settled, recognized or adjusted in accordance with the settlement terms under the agreement.
- All conditions precedent under the agreement have been fulfilled on 29 January 2016, and the toll-free policy has been implemented for the Three Projects starting from 7 February 2016. The Company has received the first payment of RMB 6,588 million as scheduled.
- Based on the estimated cash flow to be generated by future revenue and/or income of the Three Projects, the Company acquired a large amount of cash assets at a reasonable consideration and capital cost, which will enable the Company to improve its financial position and enhance its ability and provide rooms for business expansion and exploration of new industries. The Company will also step up its effort in acquiring main business projects and developing new industries, with a view to improve its asset structure for long-term development as a whole and achieve new industry layout as soon as possible.



## Business Development - Project Progress 4

11

### Outer Ring Project

- The total length is approximately 93 km with six-lane.
- The length of Section A of Outer Ring (north side of Shenzhen Waterlands Resort in Bao'an District (connecting with Coastal Expressway) - interchange of Shenshan Expressway in Longgang District (excluding Dongguan section)) is approximately 60 km.
- Agreements were signed on 18 March 2016: the investment budget for Section A of Outer Ring is approximately RMB20.59 billion, among which, the Group will invest RMB6.5 billion and receive 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.
- The proposal for Section A of Outer Ring is the first toll highway project undertaken 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 proposal is subject to the approval at the general meeting of the Company.





# Business Development - Entrusted Construction Management

## Project Construction

- Longda Municipal Section is scheduled to be completed in the first half of 2016.
- Guanlan Renmin Road - Meiguan Expressway Joints project has commenced construction.

## Acceptance and Audit

- The construction work of the main part of the New Toll Station of Meiguan and Facilities Project was completed and put into use in February 2015. Its delivery and inspection works were completed and the coordination of other works, such as audit of construction drawing budget, are also underway.
- Most of the construction works of Resettlement Project Phase II are basically completed and the inspection and acceptance work has commenced.
- Tasks such as the completion settlement and the government audit of Coastal Phase I, Nanping Phase II and Dezheng Road Project were still underway.
- Coordinate and monitor the recovery of revenue of entrusted construction projects.

## Preliminary Planning

- The feasibility research, opinions on site planning and selection, earthquake safety assessment report of Coastal Phase II have been approved and the tender of construction and supervision of certain contracted sections were completed.
- Coordinate with the government to organize and arrange the construction works for Outer Ring Project. The construction drawing design for Section A has been approved and most of the works in relation to tenders of consultation have been completed, while other tasks including land preparation, procedures for land use, as well as relocation of pipelines and cables are now underway.



# Business Development - Resource Acquisition and Development 1

## Guilong Land

- Relying on BT Project, from 2012 up to the Reporting Date, the Group has successfully won the bids for parcels of land with an area of approximately 1,540,000 square meters with a total consideration of approximately RMB809 million:
  - Conduct further development of the land with an area of 200,000 square meters on their own. The construction of Phase I Group A of Guilong Development Project (Interlaken Town Project) (approximately 70,000 square meters) is almost completed, which is expected to be delivered and put into use in 2016.

The development and construction works of Phase I Group B (approximately 86,000 square meters) have commenced. As at the end of the Reporting Period, the construction drawing design and tender of construction has been completed and is now proceeding to launch of sales events.

- Yuelong Company, which owns approximately 200,000 square meters of Guilong Land, has executed the transfer contract with the transfer price of approximately RMB180 million. Since the transferee failed to perform the contract on schedule, the transaction has been suspended.
- Guizhou Property entered into two transfer agreements with SZ International Logistics to transfer the entire equity in and creditors' rights of Guizhou Pengbo (which will hold approximately 322.9 mu of logistics land lots) and 51% equity interest in Guizhou Hengtongli (which will hold approximately 143.9 mu of commercial and residential land lots) to SZ International Logistics, at considerations of approximately RMB95.267 million and RMB44.021 million respectively following the regrouping.
- 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 - Resource Acquisition and Development 2

14

### Meilin Checkpoint Renewal Project

- Pursuant to the relevant agreement and the approval of the general meeting of the Company, 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.
- Entered into land use right transfer contracts as scheduled, paid 30% of the land premium, 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.).
- According to current progress of the related work, 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 at the end of the Reporting Period, the assessment for compensation and negotiation between United Land Company and the operators and tenants of the existing properties on the land were basically completed while the execution of relevant agreements and cleaning up works are still in progress.
- 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 promoting the introduction of cooperation parties with Shenzhen International, so as to timely realize the commercial value of the project.



## Business Development - Resource Acquisition and Development 3

15

### Bank of Guizhou

- The Company subscribed an additional 382,000,000 shares issued by Bank of Guizhou with a consideration of RMB596 million, representing 4.15% of the total share capital of Bank of Guizhou after the capital increase.
- 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.





# Financial Analysis

**Business Review**

**Outlook and Plans**

**Appendix**



## Financial Analysis - Income Highlights

17

	2015 (RMB 'million)	2014 (RMB 'million)	Change in Amount (RMB 'million)	Change
<b>Net profit attributable to owners of the Company</b>	<b>1,553</b>	2,187	-634	-29.00%
<b>Earnings per share (EPS) (RMB)</b>	<b>0.712</b>	1.003	-0.29	-29.00%
<b>Return on equity - weighted average (ROE) (%)</b>	<b>12.94%</b>	20.14%		-7.20p.pt
<b>Excluding non-recurring items<sup>Note</sup>:</b>				
<b>Net profit attributable to owners of the Company</b>	<b>527</b>	964	-437	-45.29%
<b>Earnings per share (EPS) (RMB)</b>	<b>0.242</b>	0.442	-0.20	-45.29%
<b>Return on equity - weighted average (ROE) (%)</b>	<b>4.39%</b>	8.88%		-4.49p.pt

Note: The non-recurring items mainly include the profit resulted from the remeasurement of equity interests held prior to the acquisition date at fair value due to the consolidation of Consulting Company and Qinglong Company into the Group's financial statements, and the interest income from the compensation receivables of toll collection adjustment of Meiguan Expressway.



# Financial Analysis - Revenue, Cost & Expenses

	2015 (RMB 'million)	2014 (RMB 'million)	Change in Amount (RMB 'million)
<b>Revenue</b>	<b>3,421</b>	<b>3,620</b>	<b>-200</b> <sup>Note1</sup>
<i><b>Toll highways</b></i>	<i><b>3,014</b></i>	<i><b>3,008</b></i>	<i><b>+6</b></i>
<i><b>Entrusted management services</b></i>	<i><b>95</b></i>	<i><b>503</b></i>	<i><b>-409</b></i>
<i><b>Engineering consulting services</b></i> <sup>Note2</sup>	<i><b>191</b></i>	<i><b>-</b></i>	<i><b>N/A</b></i>
<i><b>Advertising and others</b></i>	<i><b>121</b></i>	<i><b>109</b></i>	<i><b>+11</b></i>
<b>Cost of services</b>	<b>1,679</b>	<b>1,705</b>	<b>-27</b>
<i><b>Toll highways</b></i>	<i><b>1,419</b></i>	<i><b>1,470</b></i>	<i><b>-50</b></i>
<i><b>Entrusted management services</b></i>	<i><b>39</b></i>	<i><b>172</b></i>	<i><b>-133</b></i>
<i><b>Engineering consulting services</b></i> <sup>Note2</sup>	<i><b>143</b></i>	<i><b>-</b></i>	<i><b>N/A</b></i>
<i><b>Advertising and others</b></i>	<i><b>77</b></i>	<i><b>63</b></i>	<i><b>+13</b></i>
<b>General and administrative expenses</b>	<b>134</b>	<b>88</b>	<b>+46</b>

Note 1: The decline of revenue was mainly due to a significant YOY decrease in revenue of entrusted construction management services.

Note 2: Consulting Company and Qinglong Company have been consolidated into the Group's financial statements on since 1 July 2015 and 30 October 2015, respectively.



# Financial Analysis - Operating Income

	2015 (RMB '000)	2014 (RMB '000)	Change in Amount (RMB '000)
<b>Toll highway</b>			
Qinglian	637,172	779,751	-142,579
Jihe East	636,945	589,321	47,624
Jihe West	544,207	462,659	81,548
Wuhuang	331,593	325,202	6,391
Nanguang	321,130	306,476	14,654
Yanpai	161,218	213,233	-52,015
Yanba	172,652	180,032	-7,380
Meiguan	103,245	150,958	-47,713
Shuiguan <sup>Note</sup>	105,895	-	+105,895
<b>Total</b>	<b>3,014,057</b>	<b>3,007,632</b>	<b>+6,425</b>

Note: Qinglong Company has been consolidated into the Group's financial statements since 30 October 2015.

- The Toll Free Section of Meiguan Expressway has canceled toll collection since 1 April 2014 and the fact that Qinglian Expressway, Yanpai Expressway and Yanba Expressway were affected by diversion, leading to respective YOY decreases in toll revenues.
- Benefitted from the organic growth of traffic volume, maintenance of neighboring road sections and proactive marketing campaigns, the operational performance of other ancillary toll highways have all achieved considerable growth.

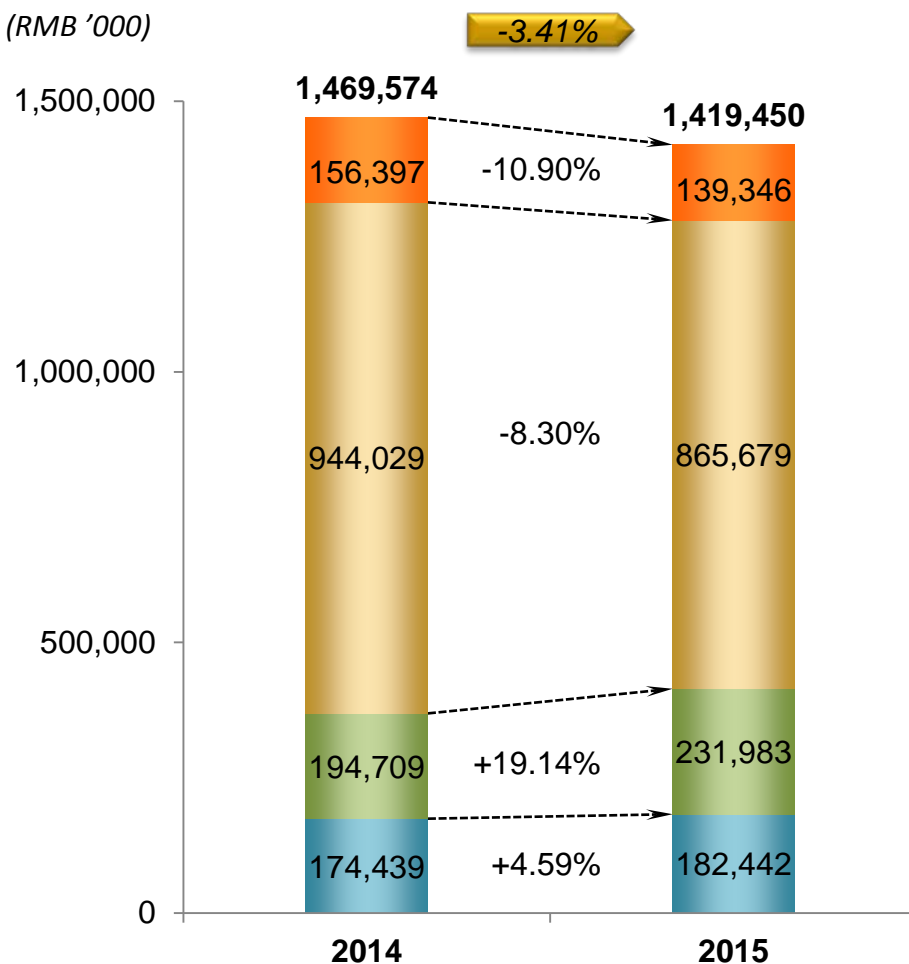




# Financial Analysis - Operating Costs

## Cost Breakdown of Toll Highway Business:

(RMB '000)



- Road maintenance expenses <sup>Note 1</sup>
- Depreciation and amortization <sup>Note 2</sup>
- Employee expenses <sup>Note 3</sup>
- Other business costs

Note 1: Main reasons of the decrease: recognition of Qinglian Company's road maintenance cost of RMB38,000,000.

Note 2: Main reasons of the decrease: the Group's disposal of the related assets of Toll Free Section of Meiguan Expressway during the second quarter of 2014; adjustment of unit amortisation amount of the concession intangible assets in some toll highways since the fourth quarter of 2014; a decrease in depreciation and amortisation costs resulting from the decrease in traffic volume in some roads.

Note 3: Main reasons of increase: the consolidation of Qinglong Company into the financial statements, which has resulted in an increase in employee expenses; the adjustment of the salaries and average number of toll-collection staff accordingly.



# Financial Analysis - Operating Profit from Main Business

21

	Cost of Services		Operating Profit	
	2015 (RMB '000)	Change in Amount (RMB '000)	2015 (RMB '000)	Change in Amount (RMB '000)
<b>Toll highway</b>				
Qinglian	104,596	+2,730	439,611	+78,818
Jihe East	274,142	-29,858	362,803	+77,482
Jihe West	372,000	-66,868	265,172	-75,711
Wuhuang	165,560	+6,273	155,570	+8,381
Nanguang	178,835	+3,152	152,758	+3,239
Yanpai	80,306	-11,689	80,912	-40,326
Yanba	109,146	-179	63,506	-7,201
Meiguan	61,251	-27,299	41,994	-20,414
Shuiguan <sup>Note</sup>	73,614	+73,614	32,281	+32,281
<b>Total</b>	<b>1,419,450</b>	<b>-50,124</b>	<b>1,594,607</b>	<b>+56,549</b>

Note: Qinglong Company has been consolidated into the Group's financial statements since 30 October 2015.

- Operating profits of both Jihe East and Jihe West increased following the growth of their toll revenue and the adjustment of unit amortization amount of concession intangible assets..
- The decrease in toll revenues has resulted in a decrease in operating profits of Qinglian Expressway, Yanpai Expressway and Yanba Expressway.

**Operating profit = Operating income - Operating costs**



# Financial Analysis - Operating Profit from Entrusted Management Service

Operating Income		Operating Costs		Operating Profit (based on the proportion of equity)	
2015 (RMB '000)	Change in Amount (RMB '000)	2015 (RMB '000)	Change in Amount (RMB '000)	2015 (RMB '000)	Change in Amount (RMB '000)

Entrusted management project						
Resettlement Phase II	17,672	+17,621	581	+531	17,091	+17,090
Coastal Phase I	24,666	-210,391	15,708	-135,053	8,958	-75,338
Guilong Project	9,968	-183,142	5,680	-19,836	3,002 <sup>Note 1</sup>	-114,314
Nanping Phase II	6,223	-26,253	3,790	+13,260	2,433	-39,513
Other projects <sup>Note 2</sup>	36,087	-6,655	13,721	+8,103	22,366	-14,758
<b>Total</b>	<b>94,617</b>	<b>-408,819</b>	<b>39,480</b>	<b>-132,995</b>	<b>53,850</b>	<b>-226,833</b>

Note 1: The Company holds 70% equity interests of Guilong Project.

Note 2: Include New Toll Station of Meiguan and Facilities Project, Dezheng Road Project, Longda Project, etc.

**Operating profit = Operating income - Operating costs**



# Financial Analysis - Investment Income

	<i>Toll revenue</i>	<i>Cost of services</i>	<i>Investment Income of the Group</i>	
	<i>2015 (RMB '000)</i>	<i>2015 (RMB '000)</i>	<i>2015 (RMB '000)</i>	<i>Change in Amount (RMB '000)</i>
<b>Toll highway</b>				
<b>Joint ventures:</b>				
Changsha Ring Road	81,304	45,461	13,823	+39,054
<b>Associates:</b>				
Shuiguan	455,216	149,158	73,042	+2,507
Shuiguan Extension	92,618	68,169	2,163	+3,401
Yangmao	618,404	159,256	79,685	+14,748
Guangwu	326,278	114,721	37,431	+9,694
Jiangzhong	389,305	257,708	10,998	+3,782
GZ W2	361,450	150,931	-450	-14,259
Nanjing Third Bridge	379,786	130,188	31,733	+6,084
<b>Subtotal</b>	<b>2,704,361</b>	<b>1,075,592</b>	<b>248,425</b>	<b>+65,011</b> <sup>Note</sup>
<b>Others (Consulting Company, Guangdong UETC, and United Land Company)</b>			<b>2,548</b>	<b>-1,080</b>
<b>The recognized investment income resulting from the remeasurement of the equity interests held by Qinglong Company and Consulting Company prior to the acquisition date at fair value</b>			<b>904,017</b>	<b>+904,017</b>
<b>Total</b>			<b>1,154,991</b>	<b>+902,937</b>

Note: The increase of investment income was mainly attributable to the growth of toll revenue from most toll highway projects operated by the joint ventures and associates and the overall decrease in borrowing scale and financial costs.





# Financial Analysis - Financial Expenses

	<b>2015</b> <i>(RMB '000)</i>	<b>2014</b> <i>(RMB '000)</i>	<b>Change in Amount</b> <i>(RMB '000)</i>
<b>Item</b>			
<b>Interest expenses</b>	<b>489,200</b>	525,036	-35,836
Less: <b>Interest capitalized</b>	- <b>4,110</b>	- 83	+4,027
<b>Interest income</b>	<b>124,480</b>	107,937	+16,543
<b>Exchange gain/loss and others</b>	<b>(5,896)</b>	4,941	-10,837
Add: <b>Time value of provisions for maintenance/resurfacing</b>	+ <b>4,194</b>	+ 7,203	-3,009
<b>Financial expenses</b>	<b>370,700</b>	419,278	-48,578
<b>Composite borrowing cost</b> - nominal cost (%)	<b>5.53%</b>	5.81%	-0.28p.pt

Note: The decrease of financial expenses was mainly attributable to the decrease in the Group's average borrowing scale and capital costs during the Reporting Period.



# Financial Analysis - Assets and Liabilities Highlights

	31 December 2015 (RMB 'million)	31 December 2014 (RMB 'million)	Change in Amount (RMB 'million)
<b>Total equity attributable to owners of the Company</b>	<b>12,369</b>	11,798	+571
<b>Net assets per share (RMB)</b>	<b>5.67</b>	5.41	+0.26
<b>Total assets</b>	<b>31,671</b>	24,329	+7,341
<i>of which: Cash and cash equivalents</i>	<b>6,181</b>	1,255	+4,926
<b>Total liabilities</b>	<b>16,710</b>	11,209	+5,501
<i>of which: Total borrowings</i>	<b>13,276</b>	8,049	+5,227

- The prepayment from Shenzhen government for compensation for the toll adjustment of the Three Projects, the consolidation of Consulting Company and Qinglong Company into the Group's financial statements during the Reporting Period resulted in a significant increase in both assets and liabilities.



## Financial Analysis - Debt Ratio and Repayment

	31 December 2015	31 December 2014
<b>Debt-to-asset ratio (Total liabilities / Total assets)</b>		
	52.76%	46.07%
<b>Net borrowings-to-equity ratio</b> (Total borrowings - cash and cash equivalents) / Total equity)		
	47.42%	51.78%
	2015	2014
<b>Interest covered multiple</b> (Profit before tax + interest expenses) / interest expenses)		
	4.38	6.57
<b>EBITDA interest multiple</b> (Earnings before interests, tax, depreciation and amortization / interest expenses)		
	6.20	8.42

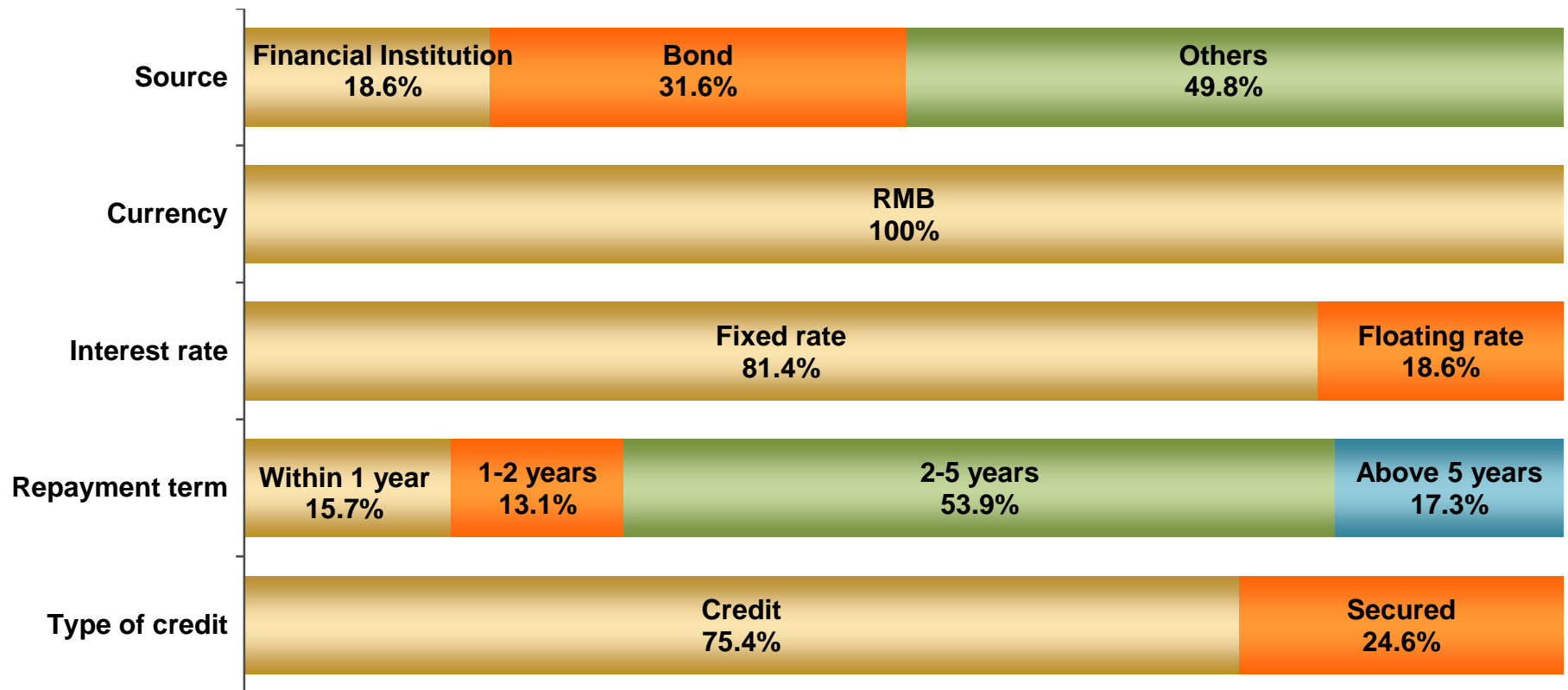
- As a result of the prepayment from Shenzhen government for compensation for the toll adjustment of the Three Projects during the Reporting Period, the debt level remained at the same level as last year.
- As a result of the recognition of gains on disposal of Meiguan Assets in the corresponding period of last year, the interest covered multiple and EBITDA interest multiple recorded a YOY decrease.



# Financial Analysis - Borrowing Structure

## Borrowing Structure

(as at 31 December 2015)





## Financial Analysis - Capital Expenditure 1

- In 2015, the total capital expenditure of the Group amounted to RMB1.475 billion, of which, equity investments amounted to RMB1.347 billion and non-equity investments amounted to RMB0.128 billion (mainly including the settlements of projects such as upgrade of Qinglian Class I Highway to an expressway and the reconstruction and expansion for Meiguan Expressway, the investment in road properties and mechanical and electrical facilities of the highway sections operated by subsidiaries and capital expenditures of the subsidiaries).
- The Group's total capital expenditure will be expected to be approximately RMB7.877 billion from 2016 to 2018, which mainly comprised investment in Outer Ring Project, construction settlements of projects such as reconstruction and expansion of Meiguan Expressway, and investment in road properties and mechanical and electrical equipment of the highway sections operated by subsidiaries as well as the planned investments on associates.
- During the Reporting Period, the Group's net cash inflows from operating activities and cash return on investments totaled RMB1.94 billion (2014: RMB1.89 billion).
- As at the end of the Reporting Period, unutilized banking facilities amounted to RMB5.43 billion.





## Financial Analysis - Capital Expenditure 2

29

(RMB 'million)	Actual Expenditure	Capital Expenditure Plan			
	2015	2016	2017	2018	Total
<b>Investment in intangible assets and fixed assets</b>	<b>128</b>	<b>1,043</b>	<b>2,632</b>	<b>2,260</b>	<b>5,935</b>
<i>Outer Ring Project</i>	-	759	2,623	2,259	<b>5,641</b>
<i>Reconstruction and expansion of Meiguan Expressway</i>	9	64	-	-	<b>64</b>
<i>Qinglian Project</i>	26	57	1.4	-	<b>58</b>
<i>Nanguang Expressway</i>	6	66	7.3	1.4	<b>75</b>
<i>Other investment (Investment in mechanical and electrical equipment, etc.)</i>	87	97	-	-	<b>97</b>
<b>Equity investments</b>	<b>1,347</b>	<b>1,942</b>	-	-	<b>1,942</b>
<i>United Land Company</i> <sup>Note</sup>	524	1,896	-	-	<b>1,896</b>
<i>Fameluxe Investment</i>	220	46	-	-	<b>46</b>
<i>Bank of Guizhou</i>	596	-	-	-	-
<i>Other investments</i>	7	-	-	-	-
<b>Total</b>	<b>1,475</b>	<b>2,985</b>	<b>2,632</b>	<b>2,260</b>	<b>7,877</b>

Note: The investment plan on United Land Company is made on the assumption that there is no transfer of shareholding in such company in future and the current specific arrangement in respect to the current land acquisition and relocation of the Meilin Checkpoint Urban Renewal Project. In the event that there is any change in the abovementioned assumption and work plan, the relevant capital expenditure will be adjusted accordingly.



## Provisions for Asset Impairment of Qinglian Expressway and changes in accounting estimates

30

- As the diversion impact on Qinglian Expressway caused by newly constructed neighboring road sections was larger than expected, according to the relevant requirements of the Accounting Standards for Business Enterprises, during the Reporting Period, the Group has made impairment provisions of RMB620 million for the concession intangible assets of Qinglian Expressway, resulting in a decrease of the Group's net profit for the Reporting Period of RMB355 million.
- According to the relevant requirements of the accounting standards, the Group reduced the carrying amount of deferred tax assets of Qinglian Company by RMB45,934,000 at the end of 2015, resulting in a decrease of RMB35,080,000 of the Group's net profit in 2015. Such changes in accounting estimates did not create a significant impact on the financial position and operating result of the Group in 2015.
- The reduction of net profit attributable to owners of the Company resulting from the abovementioned matters totaled RMB0.39 billion.



# Outlook and Plans

**Business Review**

**Financial Analysis**

**Appendix**



# Operating Environment & Conditions in 2016

32

- The Chinese economy will still maintain its growth to a certain extent, but the domestic economy will still be under more downside pressure.
- The operational environment of toll highway industry remains uncertain, but the industrial policies continue to regular the industry management to promote the sound and healthy growth of the industry.
- The demand for the traffic infrastructure of the state and local authorities and the short of funds for construction exist and the government is pushing forward the application of PPP mode, both of which provide more opportunities and challenges to the Company.
- The progress of new form of urbanization provides more business opportunities for the Company to develop its entrusted management business with its professional skill and experience.
- It is expected that the Central Bank would adopt a more stable and healthy monetary policy. It will help the Company to make reasonable financing arrangement and lower the capital cost.
- The changes of regional road networks will result in certain positive or negative impacts on the Group's toll highway projects.



# Thought of Operation and Development

- **Development of core business:** actively push forward the development of the toll highway business and further expand the development in the four areas of investment, construction, operation and maintenance, fostering the capital advantages and management abilities to drive the growth of the core business.
- **Exploration of new industries:** set the “construction and operation service provider of urban and transport infrastructure” as its main business direction. Comply with the PRC’s policy guidance on industry development, effectively leverage the advantages in terms of corporate resources, fully unleash the core competitiveness of the Company and demonstrate it as a well-structured and duplicable principle, so as to actively explore and engage in investment in new industries, which have a higher return than the core business, and achieve the target of stabilizing the performance growth in the near term and rendering new growth momentum in the long run. Mainly focus on the environmental protection industry as its main direction of new industries, such as water environment treatment and solid waste treatment, and moderately expand financial industry to realize the combination between industry and finance.
- **Investment and financing management:** actively explore new investment modes, strengthen the use of financial instruments in the capital market and consolidate the internal planning and management of funds so as to fully demonstrate the Company’s advantages in investment and financing and enhance the overall competitiveness for the business development of the Company.
- **Organization strength and human resources:** commit to building an organization structure which can enhance the efficiency and conform to the new development strategies, devote to creating a human resources management system which can enhance the staff motivation and in line with the best interest of the Company as a whole, ultimately realize healthy development of the Company in the long run and enhancing the value for the shareholders.





# Objectives & Priorities for 2016

## Operating Targets

- A revenue target for 2016 of not less than RMB4.1 billion, with the total of operating costs, management expenses and selling expenses (excluding depreciation and amortization) of approximately RMB1.55 billion.
- It is expected that the average borrowing scale (including the received related compensation in advance from Shenzhen government regarding the toll adjustment of Three Expressways) and the financial cost of the Group will be higher on a YOY basis.

## Toll Highway Business

- Deepen the internal management, enhance the operation management quality and operational service standard.
- Adopt customized promotion and marketing strategies to meet the toll revenue target.
- Pursue the concept of optimal maintenance cost control during the whole operation period through innovation in both technology and management.

## Construction Management Business

- Improve construction efficiency, effectively control the construction cost of the project.
- Actively explore entrusted construction business and timely recover entrusted construction revenue.

## Project Development and Management

- Push forward the progress of various activities related to Guilong Project.
- Successfully proceed the research and negotiations for the operation management mode for Coastal Project and the development mode for Meilin Checkpoint Renewal Project.
- Put more efforts in the research, reserves, selection and examination of both toll highway projects and new projects developed through exploration of new industries.

## Financing and Financial Management

- Strengthen the management of the Group's financial resources, so as to prevent capital risks.
- Conduct an in-depth research on diversification of the shareholder base and equity financing, so as to lower capital cost.
- Focus on financial policies and the change in market condition, timely adjust the overall financing strategy.



# Appendix

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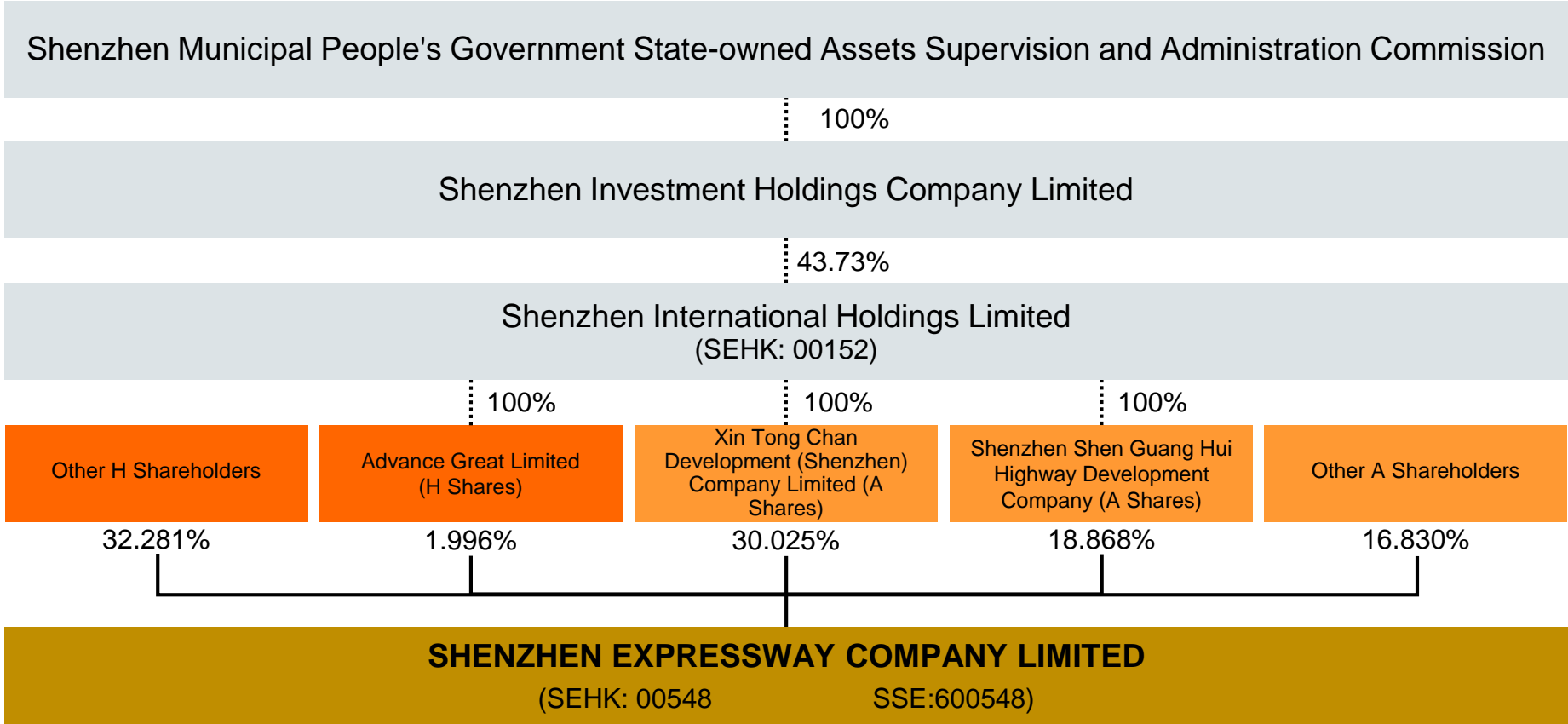
**Business Review**

**Financial Analysis**

**Outlook and Plans**



# Shareholding Structure



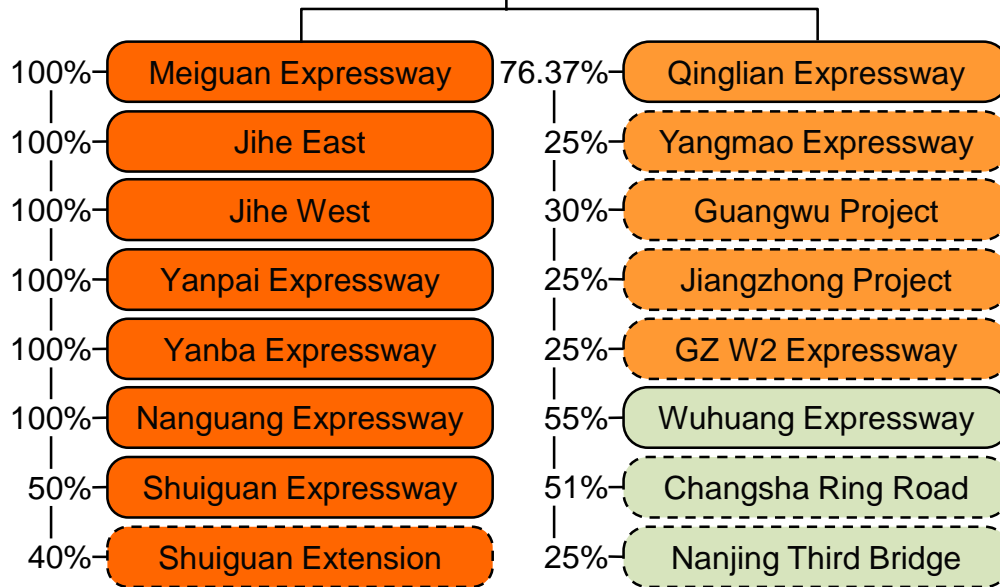
The total share capital of the Company is 2,180,770,326, of which H shares are 747,500,000, accounting for 34.28% and domestic shares are 1,433,270,326, accounting for 65.72%.



# Business Structure

## Shenzhen Expressway Company Limited

### Toll Highway Business



### Entrusted Management Business

Entrusted Construction Management  
↳ Project development and management

Entrusted Operation Management

### Other Businesses

Advertising

Engineering Consulting

Inter-network Toll Collection

Icon:

Shenzhen region in Guangdong Province

Other regions in Guangdong Province

Other provinces in the PRC

Consolidated project / business

Non consolidated project / business



# Toll Highway Projects Summary

Toll Highway	Interest Held by the Company	Location	Toll Mileage (km)	No. of Lanes	Status	Maturity
Meiguan Expressway	100%	Shenzhen	5.4 <sup>Note</sup>	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	50%	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 mode of Meiguan Expressway has been adjusted since 1 April 2014. After the adjustment, the toll mileage is 5.4 km instead of 19.2 km.





# Average Daily Mixed Traffic Volume

<i>(Number of vehicles)</i>	2011	2012	2013	2014	2015
<b>Shenzhen region in Guangdong Province</b>					
<b>Meiguan Expressway</b> <sup>Note</sup>	118,976	124,921	129,769	84,622	74,956
<b>Jihe East</b>	118,215	128,414	149,896	189,586	219,169
<b>Jihe West</b>	99,390	106,564	123,343	149,921	175,533
<b>Yanba Expressway</b>	27,610	28,563	31,260	35,602	36,600
<b>Yanpai Expressway</b>	38,501	41,473	50,188	57,370	56,999
<b>Nanguang Expressway</b>	55,995	58,715	75,029	86,829	96,405
<b>Shuiguan Expressway</b>	124,714	138,285	155,477	168,728	191,354
<b>Shuiguan Extension</b>	31,941	29,331	39,119	61,655	75,377
<b>Other regions in Guangdong Province</b>					
<b>Qinglian Expressway</b>	21,445	22,827	28,344	33,026	33,290
<b>Yangmao Expressway</b>	23,477	26,978	31,481	34,935	40,485
<b>Guangwu Project</b>	23,089	25,339	27,177	31,935	34,792
<b>Jiangzhong Project</b>	90,270	90,556	89,467	101,183	107,246
<b>GZ W2 Expressway</b>	33,493	34,796	42,175	46,205	50,007
<b>Other provinces in the PRC</b>					
<b>Wuhuang Expressway</b>	37,856	39,712	39,127	38,891	40,617
<b>Changsha Ring Road</b>	9,516	13,206	14,015	16,188	19,798
<b>Nanjing Third Bridge</b>	23,293	24,680	29,312	27,665	26,777

Note: 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.



# Average Daily Toll Revenue

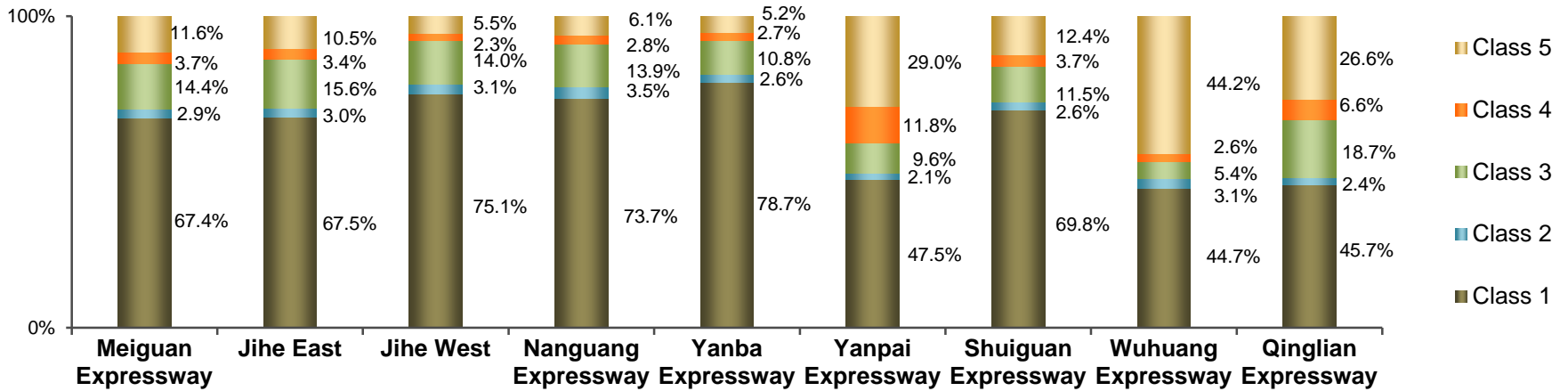
(RMB '000)	2011	2012	2013	2014	2015
<b>Shenzhen region in Guangdong Province</b>					
Meiguan Expressway <sup>Note</sup>	943.2	875.6	803.1	413.6	282.9
Jihe East	1,407.1	1,239.9	1,328.8	1,614.6	1,745.1
Jihe West	1,229.9	1,079.8	1,048.2	1,267.6	1,491.0
Yanba Expressway	369.3	387.4	444.1	493.2	473.0
Yanpai Expressway	463.8	514.0	541.0	584.2	441.7
Nanguang Expressway	589.0	628.8	787.2	839.7	879.8
Shuiguan Expressway	1,122.0	1,204.5	1,297.7	1,385.6	1,537.3
Shuiguan Extension	196.7	155.5	176.1	230.8	253.7
<b>Other regions in Guangdong Province</b>					
Qinglian Expressway	1,280.4	1,460.6	1,948.1	2,136.3	1,745.7
Yangmao Expressway	1,209.4	1,326.2	1,469.2	1,551.8	1,694.7
Guangwu Project	644.4	681.3	718.5	802.0	893.9
Jiangzhong Project	972.4	931.6	924.1	1,019.2	1,066.6
GZ W2 Expressway	740.0	713.0	824.8	917.2	990.3
<b>Other provinces in the PRC</b>					
Wuhuang Expressway	1,146.2	1,170.4	1,040.4	891.0	908.5
Changsha Ring Road	86.3	119.4	143.6	167.9	222.8
Nanjing Third Bridge	828.6	894.7	1,169.5	1,093.5	1,040.5

Note: 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.

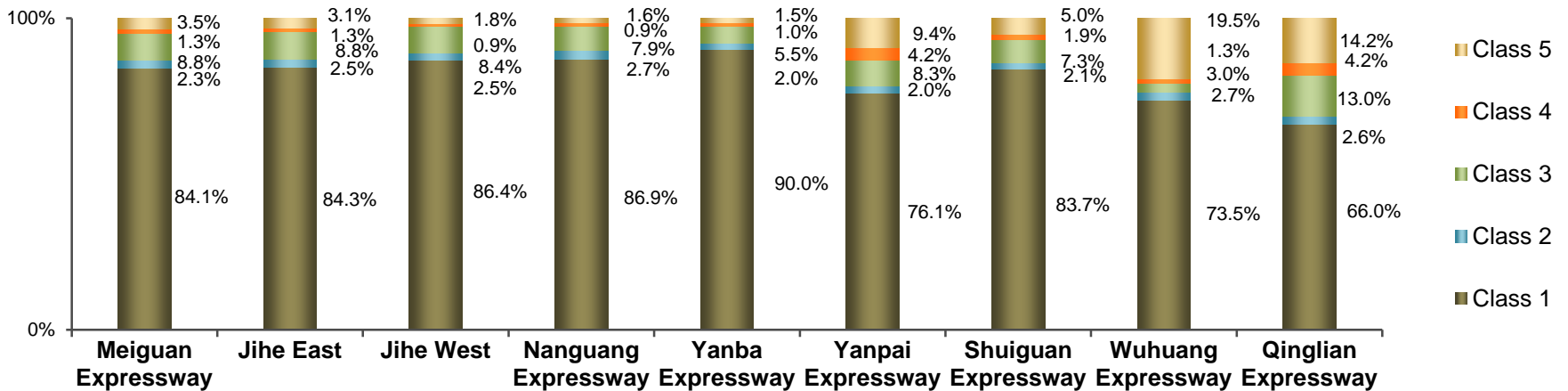


# Vehicle Category of Major Highways in 2015

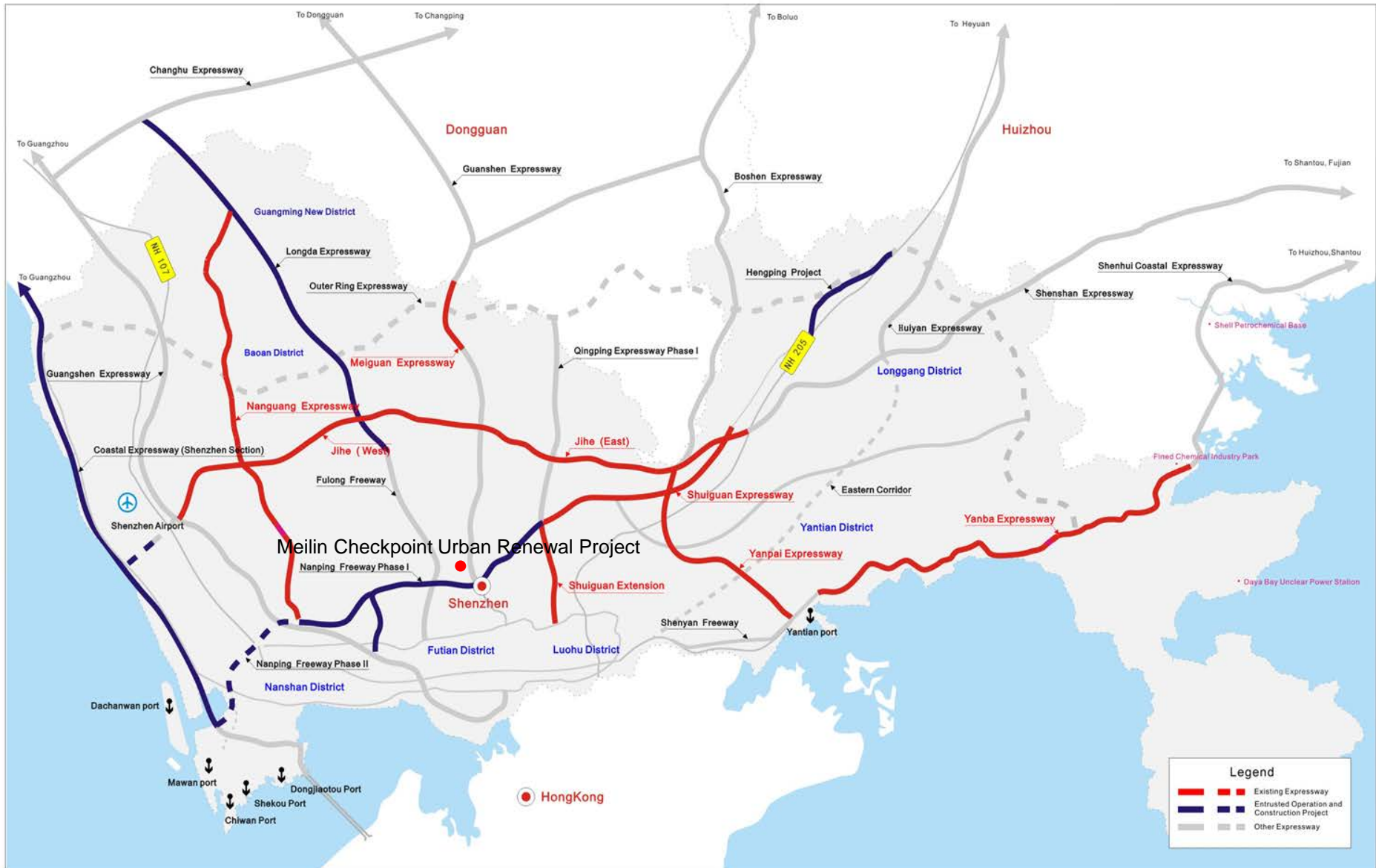
## By revenue



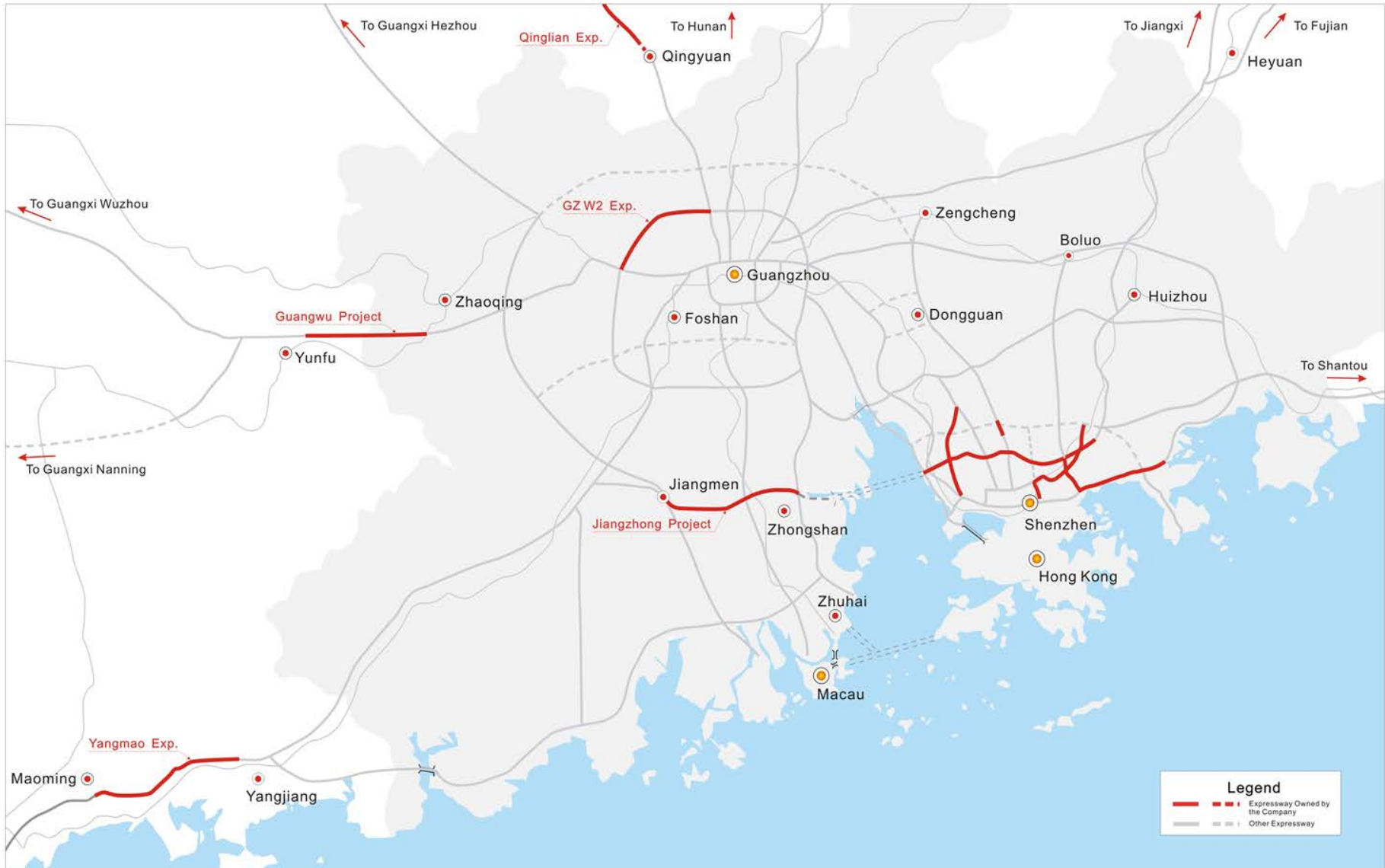
## By traffic volume



# Road Network of Shenzhen



# Road Network of Pearl River Delta





# Road Network of Qinglian Expressway



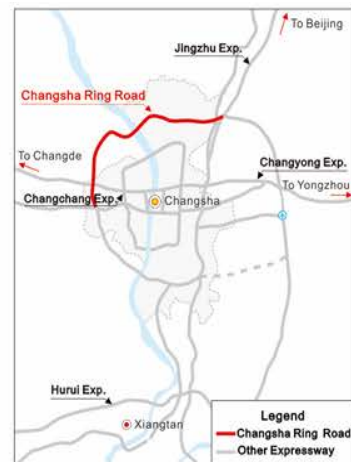
# Road Network of Wuhuang Expressway



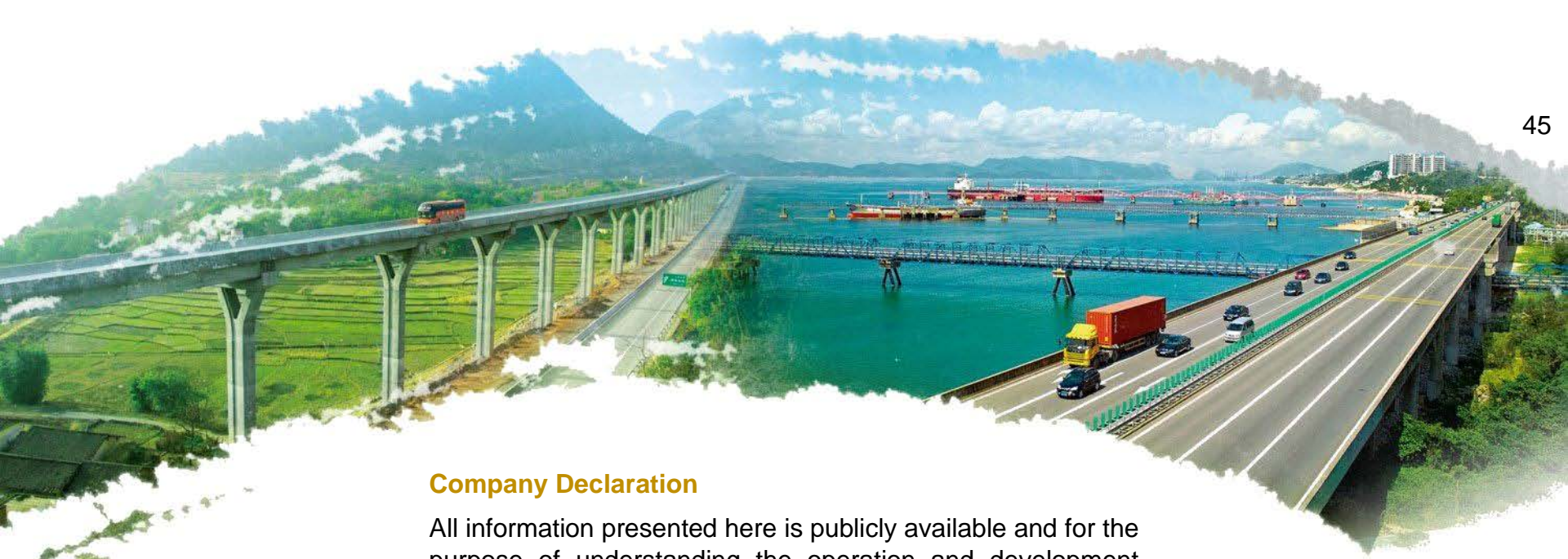
# Road Network of Nanjing Third Bridge



# Road Network of Changsha Ring Road







### 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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