



SHENZHEN EXPRESSWAY COMPANY LIMITED

Stock code: 00548(SEHK) 600548(SSE)

2017 First Quarterly Results Presentation



26 April 2017



Financial Highlights

	1Q2017	1Q2016	Change
	<i>(RMB 'million)</i>		
Revenue	1,031	998	+3.37%
Including: Toll revenue	941	894	+5.25%
Net profit attributable to owners of the Company	349	252	+38.51%
Earnings per share (EPS) (RMB)	0.160	0.115	+38.51%
Return on equity - weighted average (ROE) (%)	2.71%	2.01%	+0.70p.pt

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

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



Operational Performance – Shenzhen Region

	Average Daily Toll Revenue			Average Daily Mixed Traffic Volume		
	1Q2017	1Q2016	Change	1Q2017	1Q2016	Change
Project	<i>(RMB '000)</i>			<i>(Number of vehicles in thousands)</i>		
Meiguan	316	273	+15.7%	84	75	+12.8%
Jihe East	1,783	1,751	+1.8%	247	226	+9.2%
Jihe West	1,567	1,509	+3.9%	197	179	+10.3%
Shuiguan	1,614	1,421	+13.6%	209	197	+6.2%
Shuiguan Extension	280	268	+4.5%	94	77	+21.5%

- Pursuant to the agreement entered into between the Company and the Transport Commission of Shenzhen Municipality, the toll-free policy has been implemented for Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the “Three Projects”) from 00:00 on 7 February 2016, and the Company calculated and recognized the income in accordance with the methods set out in the agreement. The Company no longer discloses data for the Three Projects.
- The traffic volume which is toll free during the holidays is not included in the figures of average daily mixed traffic volume.



Operational Performance – Other Regions

	Average Daily Toll Revenue			Average Daily Mixed Traffic Volume		
	1Q2017	1Q2016	Change	1Q2017	1Q2016	Change
Project	<i>(RMB '000)</i>			<i>(Number of vehicles in thousands)</i>		
Qinglian	2,337	2,211	+5.7%	46	41	+13.3%
Yangmao	1,895	1,938	-2.2%	52	48	+7.5%
Guangwu	856	1,030	-16.9%	40	41	-3.3%
Jiangzhong	1,156	1,056	+9.4%	130	108	+20.0%
GZ W2	1,076	965	+11.4%	61	51	+20.5%
Wuhuang	1,062	983	+8.1%	52	46	+12.3%
Changsha Ring Road	304	262	+16.1%	28	23	+23.1%
Nanjing Third Bridge	1,294	1,108	+16.7%	34	30	+14.8%

- The traffic volume which is toll free during the holidays is not included in the figures of average daily mixed traffic volume.



Operational Performance – Brief Description

- Benefiting from the positive effects such as regional economic growth along highway and the implementation of the policy of toll-by-weight for lorries, GZ W2 Expressway has recorded greater growth in terms of both average daily traffic volume and toll revenue.
- Benefiting from the positive effects of the improvement of the surrounding road networks, both the average daily traffic volume and toll revenue of Jiangzhong Project recorded a YOY growth.
- Due to the diversion impacts of the parallel Jianguo Expressway, the operational performance of Guangwu Project decreased greatly YOY.
- The diversion risen from neighboring roads on Qinglian Expressway still exists, but the impact was gradually weakening.
- The diversion risen from neighboring roads on Wuhuang Expressway still existed. However, benefited from the rapid growth of car ownership in the surrounding cities and the growth of large truck traffic, Wuhuang Expressway had a good operational performance.
- Benefiting from the regional economic development, the traffic volume of large truck on Nanjing Third Bridge has grown significantly, boosting its operational performance.
- Benefitted from the positive effects of the improvement of road networks and the growth of business of enterprises along the highway, both traffic volume and toll revenue of Changsha Ring Road maintained a relatively rapid YOY growth.



Financial Analysis – Revenue & Investment Income

	1Q2017	1Q2016	Change in Amount	Change
	<i>(RMB '000)</i>			
Revenue	1,031,336	997,749	+33,587	+3.37%
Toll revenue	941,057	894,141	+46,916	+5.25%
Other income	90,279	103,608	-13,329	-12.86%
Investment income	97,903	62,444	+35,459	+56.79%

- Excluding the effect of de-consolidating the Consultant Company from the Group's financial statements since 30 November 2016, the Group's operating revenue increased by 10.90% YOY, mainly due to the growth of toll revenue of toll highways subordinated to the Group and recognition of real estate development revenue from Guilong Development Project.
- The increase of investment income was mainly due to the new investment income of Bank of Guizhou in the amount of RMB29 million.



Financial Analysis – Cost & Expenses

	1Q2017	1Q2016	Change in Amount	Change
	<i>(RMB '000)</i>			
Cost of services	511,314	523,406	-12,092	-2.31%
General and administrative expenses	17,894	24,203	-6,309	-26.07%
Financial expenses	127,587	133,274	-5,687	-4.27%
Income tax expenses	98,323	75,323	+23,000	+30.53%

- During the Reporting Period, excluding the impact of changes of consolidation scope, the cost of services increased by 13.70% YOY, mainly due to the growth of depreciation and amortization costs and the carry-forward of real estate development cost of Guilong Development Project.
- The increase of taxable income led to an increase in income tax expenses.



Financial Analysis – Investment & Borrowings

- Capital expenditure: RMB1.31 billion
- Total amount of outstanding interest-bearing liabilities at the end of 31 March 2017: RMB13.427 billion (including compensation for the toll adjustment of the Three Projects)

(31 March 2016: RMB12.767 billion, 31 December 2016: RMB12.941 billion)
- Debt-to-asset ratio at the end of 31 March 2017: 53.87%

(31 March 2016: 52.40%)
- Composite borrowing costs: 4.79% (same period of 2016: 5.12%)



Significant Matters

Yichang Expressway

- Yiyang to Changde, a two-way expressway with four lanes of which the main lane has a length of 73.1 km. It is a section of the connection line from Zhangjiajie to Changsha of Erguang Expressway.
- The Company entered into an equity transfer agreement with Ping An Ventures on 20 January 2017 to acquire Ping An Ventures' 100 % equity in Yichang Expressway for RMB1.27 billion.
- Yichang Expressway is situated in a superior location with good investment value. Since Yichang Expressway commenced operation, it has maintained good business records with steady growth of traffic volume and toll revenue. The obtaining of interest in Yichang Expressway through at a reasonable price helps the Company to expand its asset scale and profit base, increase stable cash, and further strengthen its core advantages in the investment, management and operation of the highways, which fulfils the Company's development strategies and overall interests.

Capital Increase of Water Planning Institute

- On 6 April 2017, the Company and Shenzhen Property Right Exchange entered into the Transaction Confirmation Letter, confirming that the Company is the final A Class investor of 50% equity increase for Shenzhen Water Planning and Designing Institute Co., Ltd ("Water Planning Institute"). It subscribed for 15 % of the equity interest as enlarged by the Capital Increase of Water Planning Institute at a consideration of RMB10.315/registered capital totaling RMB61.89 million.

Short-term Wealth Management Product

- The Company bought short-term capital-guaranteed Renminbi wealth management products from the cooperative banks, return rate of which ranging between 2.50 % to 4.10%, provided that the security and liquidity of the funds at hand are guaranteed. In the first quarter of 2017, the Company conducted 13 transactions of short-term wealth management products with 5 banks. As at the end of the Reporting Period, the balance of wealth management products is RMB650 million, and no principle and interest payment are overdue. In the first quarter of 2017, the Company actually generated gains of RMB5,177,000 (including tax).

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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