



SHENZHEN EXPRESSWAY COMPANY LIMITED

Stock code: 00548(SEHK) 600548(SSE)

2019 Third Quarterly Results

30 October 2019

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.



July - September 2019

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- Revenue amounted to RMB1,486 million with a YOY increase of 1.61%. Excluding the effect of the toll revenue from Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the “Three Projects”) for the corresponding period of last year, the revenue increased by 18.27% YOY.
- The toll revenue decreased by 8.41% YOY, after deducting the impact of the Three Projects, the toll revenue increased by 7.90% YOY. The overall traffic volume and toll revenue of the comparable toll highway projects maintained growth.
- Net profit attributable to owners of the Company amounted to RMB574 million with a YOY increase of 4.00%.

January - September 2019

- Revenue amounted to RMB4,185 million with a YOY increase of 1.09%. Excluding the effect of the toll revenue from the Three Projects for the corresponding period of last year, the revenue increased by 16.51% YOY.
- The toll revenue decreased by 9.75% YOY, after deducting the impact of the Three Projects, the toll revenue increased by 5.34% YOY. The overall traffic volume and toll revenue of the comparable toll highway projects maintained growth.
- Net profit attributable to owners of the Company amounted to RMB2,151 million with a YOY increase of 41.44%.



Financial Highlights

	Jul-Sep 2019	Jul-Sep 2018	Change in Amount	Change YOY
Revenue (RMB 'million)	1,486	1,463	+24	1.61%
Including: Toll revenue (RMB 'million)	1,248	1,363	-115	-8.41%
Net profit attributable to owners of the Company (RMB 'million)	574	552	+22	+4.00%
Earnings per share (EPS) (RMB)	0.263	0.253	+0.010	+4.00%
	Jan-Sept 2019	Jan-Sept 2018	Change in Amount	Change YOY
Revenue (RMB 'million)	4,185	4,140	+45	+1.09%
Including: Toll revenue (RMB 'million)	3,453	3,825	-373	-9.75%
Net profit attributable to owners of the Company (RMB 'million)	2,151	1,521	+630	+41.44%
Earnings per share (EPS) (RMB)	0.986	0.697	+0.289	+41.44%
Return on equity -weighted average (ROE) (%)	12.10%	10.78%	+1.32p.pt	

- The Three Projects were repurchased by the government at the end of 2018 and the toll revenue of the Three Projects will no long be recognized since 2019.



Financial Analysis

- Revenue & Investment Income

	Jul-Sep 2019	Jul-Sep 2018	Change YOY	Jan-Sep 2019	Jan-Sep 2018	Change YOY
	<i>(RMB '000)</i>			<i>(RMB '000)</i>		
Revenue	1,486,215	1,462,638	+1.61%	4,185,408	4,140,160	+1.09%
Toll revenue	1,248,230	1,362,918	-8.41%	3,452,530	3,825,403	-9.75%
Other revenue	237,985	99,720	138.65%	732,878	314,758	+132.84%
Investment income	209,163	196,741	+6.31%	806,254	485,353	+66.12%

- Excluding the effect of the toll revenue from the Three Projects for the corresponding period of last year, the revenue from January to September increased by 16.51% YOY, which was mainly due to the increase in toll revenue and the revenue of real estate development.
- Excluding the effect of the toll revenue from the Three Projects for the corresponding period of last year, the toll revenue from January to September increased by 5.34% YOY, which was mainly due to the organic growth of traffic volume and the continuous optimization of surrounding road networks.
- The YOY increase in other revenue from January to September was mainly due to the increase in delivered units in the current period of Guilong Development Project, newly-recognized revenue from the compensation service for operating cost of new toll stations of the Three Projects and the entrusted management and maintenance service for the Four Expressways (the Three Projects and Longda Expressway), and newly-contributed revenue from newly acquired Nanjing Wind Power and Baotou Nanfeng.
- From January to September, the increase of investment income was mainly due to the recognition of the equity transfer income of four subsidiaries including Guizhou.



Financial Analysis

- Cost & Expenses

	Jul-Sep 2019	Jul-Sep 2018	Change YOY	Jan-Sep 2019	Jan-Sep 2018	Change YOY
	<i>(RMB '000)</i>			<i>(RMB '000)</i>		
Cost of services	708,686	693,873	+2.13%	2,117,380	1,976,734	+7.12%
General and administrative expenses	55,868	33,492	+66.81%	139,253	75,688	+83.98%
Financial expenses	202,602	325,683	-37.79%	471,907	826,232	-42.88%
Income tax expenses	147,179	132,192	+11.34%	-43,028	399,940	-110.76%

- Excluding the effect of the toll revenue from the Three Projects for the corresponding period of last year, the cost of services from January to September increased by 23.39% YOY, which was mainly due to the increase in operating cost of toll highways, the carry-forward of real estate development costs and entrusted management service costs, and the consolidation of newly-acquired projects into the financial statements.
- From January to September, the YOY increase of general and administrative expenses was mainly due to the increase in managerial staff, remuneration package and business expansion costs, and the consolidation of Nanjing Wind Power into the financial statements during the Reporting Period.
- From January to September, the YOY decrease of financial expenses was mainly due to the facts that the interest expenses decreased as the average borrowing scale of the Group went down, and the exchange losses recorded a YOY decrease as foreign currency borrowings were affected by the fluctuation in RMB exchange rate. After hedging the gain or loss from changes in fair value and the gain or loss from delivery, the Group's consolidated financial cost during the period from January to September 2019 recorded a YOY decrease of 49.30%.
- From January to September, the YOY decrease of income tax expenses was mainly due to the fact that Coastal Company recognized deferred income tax assets in respect of partially deductible losses and impairment of road assets incurred in previous periods.



Financial Analysis

- Investment & Borrowings

- Capital expenditure from January to September 2019: RMB1,419 million
- Total outstanding interest-bearing liabilities at the end of 30 September 2019:
RMB16,491 million (as at 31 December 2018: RMB13,923 million)
- Debt-to-asset ratio at the end of 30 September 2019: 52.83% (broadly flat with the beginning of the year)
- Composite borrowing costs: 4.38% (same period of 2018: 4.69%)



Operational Performance

- Average Daily Toll Revenue

	Jul-Sep 2019	Jul-Sep 2018	Change YOY	Jan-Sep 2019	Jan-Sep 2018	Change YOY
Shenzhen region	<i>(RMB '000)</i>			<i>(RMB '000)</i>		
Meiguan	425	378	+12.7%	376	350	+7.6%
Jihe East	2,225	2,189	+1.6%	2,107	2,080	+1.3%
Jihe West	1,939	1,898	+2.2%	1,832	1,797	+2.0%
Coastal Project	1,580	1,435	+10.1%	1,454	1,272	+14.4%
Shuiguan	1,954	1,856	+5.3%	1,788	1,764	+1.4%
Shuiguan Extension	357	348	+2.4%	334	327	+2.1%
Other regions						
Qinglian	2,519	2,128	+18.4%	2,395	2,135	+12.1%
Yangmao	1,555	1,847	-15.8%	1,568	1,846	-15.0%
Guangwu Project	778	915	-14.9%	814	883	-7.7%
Jiangzhong Project	1,301	1,388	-6.3%	1,264	1,308	-3.4%
GZ W2	1,731	1,789	-3.3%	1,589	1,588	+0.1%
Wuhuang	1,243	1,114	+11.7%	1,154	1,071	+7.7%
Yichang	1,202	1,172	+2.5%	1,121	1,145	-2.1%
Changsha Ring Road	480	405	+18.4%	419	391	+7.2%
Nanjing Third Bridge	1,367	1,348	+1.4%	1,403	1,358	+3.4%



Operational Performance

- Average Daily Mixed Traffic Volume

	Jul-Sep 2019	Jul-Sep 2018	Change YOY	Jan-Sep 2019	Jan-Sep 2018	Change YOY
Shenzhen region	<i>(Number of vehicles in thousands)</i>			<i>(Number of vehicles in thousands)</i>		
Meiguan	122	108	+12.8%	110	99	+11.2%
Jihe East	326	304	+7.3%	304	288	+5.7%
Jihe West	243	235	+3.2%	227	221	+2.7%
Coastal Project	111	97	+13.6%	100	90	+12.2%
Shuiguan	251	235	+6.9%	228	222	+2.8%
Shuiguan Extension	89	85	+4.8%	82	80	+2.5%
Other regions						
Qinglian	54	46	+19.0%	50	44	+12.9%
Yangmao	53	57	-7.9%	48	54	-11.9%
Guangwu Project	37	42	-11.6%	37	40	-8.1%
Jiangzhong Project	172	160	+7.6%	157	148	+6.5%
GZ W2	96	70	+37.4%	84	74	+14.0%
Wuhuang	65	56	+16.5%	60	55	+9.5%
Yichang	57	55	+3.4%	52	52	-0.1%
Changsha Ring Road	51	40	+28.2%	42	35	+20.0%
Nanjing Third Bridge	37	36	+3.2%	37	35	+4.5%

■ 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 1

- Toll revenue of each project was negatively affected by the increase in ETC users enjoying a discount of toll fees.
- The commencement of operation of Dongguan Section of Congguan Expressway has promoted the growth of traffic volume in Meiguan Expressway.
- The traffic volume of Jihe Expressway is saturated and the free pass of the Three Projects and Phase II of Qingping Expressway induced traffic volume of Jihe Expressway, which affected the traffic efficiency of Jihe Expressway.
- The repair and maintenance work in relation to the slope landslide of Shuiguan Expressway was completed in July 2019 and the construction impact has been eliminated.
- Coastal Project has entered a good growth period.



Operational Performance

- Brief Description 2

- Affected by the diversion of new roads, itself reconstruction and expansion, and the implementation of the governing over-limit and overloaded vehicles policy, both the average daily traffic volume and toll revenue of Yangmao Expressway decreased YOY.
- Affected by changes in the surrounding road networks, the short-distance traffic volume on GZ W2 Expressway increased while the full-distance traffic volume decreased, resulting in a YOY increase in average daily traffic volume, but the average daily toll revenue was broadly flat with the corresponding period of last year.
- Affected by the diversion, the average daily toll revenue of both Guangwu Project and Jiangzhong Project decreased YOY.
- The opening of all sections of Xuguang Expressway and Longhuai Section of Shankun Expressway and the implementation of traffic control measures of Qingyuan Bridge have promoted the operational performance of Qinglian Expressway.
- Due to the combined effects of factors such as growth of vehicle ownership in surrounding cities and continuous improvement of surrounding road networks, the operational performance of Wuhuang Expressway maintained a steady growth.
- Due to the diversion effect, the implementation of policies on traffic control and those governing over-limit and overloaded vehicles, both the average daily traffic volume and toll revenue of Yichang Expressway decreased slightly YOY.
- The operational performance of both Nanjing Third Bridge and Changsha Ring Road was stable.



Business Development

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- The interchange project of Shenzhen International Exhibition & Convention Center of Coastal Phase II passed the inspection and acceptance on 27 March 2019 and is scheduled to open to traffic in the near future in conjunction with the completion time of the surrounding municipal roads.
- Guishen Company obtained 115 mu of Guilong land through bidding in the first quarter. 810 mu of Guilong land completed the transaction in the second quarter.
- The Group acquired 51% controlling equity interests in Nanjing Wind Power by ways of equity transfer and capital injection at a consideration of RMB510 million in March 2019. Nanjing Wind Power has been consolidated into the Group's financial statements since 8 April 2019.
- The Group completed a capital injection of RMB4.1 billion for Coastal Company in the second quarter.
- The Group acquired 67% equity interests in Baotou Nanfeng. Baotou Nanfeng has been consolidated into the financial statements of the Group since 17 September 2019.
- Phase I of Meilin Checkpoint Renewal Project basically sold out and Phase II was opened for sale at the end of September.
- The construction of Outer Ring Project is progressing steadily as planned. It is scheduled to be completed in 2020.

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.

The background of the slide features a stylized illustration. In the foreground, a grey road curves from the bottom left towards the right. Below the road is a map of a region with yellow lines representing roads and blue areas representing water. In the middle ground, a city skyline is depicted with various yellow and white buildings. Behind the city, a long, elevated highway bridge with white pillars spans across the landscape. In the far background, there are rolling green hills and four green wind turbines of varying heights. The sky is a light, hazy green.

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