



SHENZHEN EXPRESSWAY COMPANY LIMITED

Stock code: 00548(SEHK) 600548(SSE)

2018 Third Quarterly Results Presentation

25 October 2018

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.

Company Profile

- The Company was incorporated at the end of 1996 and listed in Hong Kong and Shanghai in 1997 and 2001, respectively. 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%.
- Core business: The Company principally engages in the investment, construction, operation and management of toll highways and roads, as well as other urban and transport infrastructure. Other urban infrastructure mainly refers to the further environmental protection business areas including water environmental remediation and solid waste treatment. In the current stage, the Company operated and invested in a total of 19 toll highway projects, which mainly located in Shenzhen region and Pearl River Delta area of Guangdong Province as well as economically developed provinces outside of Guangdong Province. The mileage of the highways (on equity basis) is approximately 622km. The Company is the largest toll road operator in Shenzhen City.
- Total assets: RMB44.4 billion (as at 30 September 2018)
- Development Strategies
 - Development orientation: Construction and operation service provider of urban and transport infrastructure.
 - Development strategy: Consolidating and strengthening the business of toll highway and proactively expanding the environmental protection business with solid waste treatment, water environment remediation, and sanitation integration as the main direction.
 - Development goals: the main business indicators of the toll road business will reach the leading level of domestic industry by 2020; the subdivision of environmental protection business will strive to achieve the leading level of industry within 3 to 5 years; to create intelligent transportation, intelligent environmental protection, and intelligent Shenzhen Expressway.

July - September 2018

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- The overall traffic volume and toll revenues of the toll highway projects maintained growth with toll revenue increasing by 2.72% YOY.
- Revenue amounted to RMB1,463 million with a YOY increase of 7.27%.
- Net profit amounted to RMB552 million with a YOY increase of 19.75%.

January - September 2018

- The overall traffic volume and toll revenues of the toll highway projects maintained growth with toll revenue increasing by 9.96% YOY.
- Revenue amounted to RMB4,140 million with a YOY increase of 13.31%.
- Net profit amounted to RMB1,521 million with a YOY increase of 30.43%.

Financial Highlights 1

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	Jul - Sep 2018	Jul -Sep 2017 (restated)	Change YOY
<i>(RMB 'million)</i>			
Revenue	1,463	1,363	+7.27%
Including: Toll revenue	1,363	1,327	+2.72%
Net profit attributable to owners of the Company	552	461	+19.75%
Earnings per share (EPS) <i>(RMB)</i>	0.253	0.211	+19.75%

Financial Highlights 2

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	Jan - Sep 2018	Jan -Sep 2017 (restated)	Change YOY
<i>(RMB 'million)</i>			
Revenue	4,140	3,654	+13.31%
Including: Toll revenue	3,825	3,479	+9.96%
Net profit attributable to owners of the Company	1,521	1,166	+30.43%
Earnings per share (EPS) (RMB)	0.697	0.535	+30.43%
Return on equity -weighted average (ROE) (%)	10.78%	8.00%	+2.78p.pt

Financial Analysis

- Revenue & Investment Income

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	Jul-Sep 2018	Jul-Sep 2017 (restated)	Change YOY	Jan-Sep 2018	Jan-Sep 2017 (restated)	Change YOY
	(RMB '000)			(RMB '000)		
Revenue	1,462,638	1,363,476	+7.27%	4,140,160	3,653,767	+13.31%
Toll revenue	1,362,918	1,326,883	+2.72%	3,825,403	3,478,991	+9.96%
Other revenue	99,720	36,594	+172.51%	314,758	174,776	+80.09%
Investment income	196,741	158,899	+23.81%	485,353	405,490	+19.70%

- The growth of revenue was mainly due to the increase in toll revenue.
- The YOY increase in toll revenue from January to September was mainly due to :
 - the revenue contribution resulted from the consolidation of Shenchang Company and Yichang Company into the combined financial statements;
 - the growth of toll revenue from the existing ancillary toll highways.
- The YOY increase in other revenue from January to September was mainly due to the growth of revenues from real estate development of Guilong Development Project and entrusted management services.
- From January to September, the addition of investment income is from Derun Environment.

Financial Analysis

- Cost & Expenses

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	Jul-Sep 2018	Jul-Sep 2017 (restated)	Change YOY	Jan-Sep 2018	Jan-Sep 2017 (restated)	Change YOY
	(RMB '000)			(RMB '000)		
Cost of services	693,873	620,732	+11.78%	1,876,734	1,744,069	+13.34%
General and administrative expenses	33,492	37,928	-11.70%	75,688	78,444	-3.51%
Financial expenses	325,683	196,826	+65.47%	826,232	546,493	+51.19%
Income tax expenses	132,192	112,114	+17.91%	399,940	314,125	+27.32%

- From January to September, Cost of services recorded a YOY increase of 13.34%, mainly due to the effect of the consolidation of Shenchang Company and Yichang Company, the increases in the depreciation and amortization expenses of other ancillary toll highways and in the cost of entrusted management services.
- From January to September, financial expenses recorded a YOY increase of 51.19%, mainly due to the increases in the average borrowing scale and in exchange losses resulting from Foreign currency liabilities and H-share dividends impacted by the depreciation of Renminbi. Exchange losses from USD debentures and the fair value gains basically achieved financial hedging.

Financial Analysis

- Investment & Borrowings

- Capital expenditure from January to September 2018: RMB729 million
- Total outstanding interest-bearing debts at the end of 30 September 2018: RMB21,407 million (as at 31 December 2017 (restated): RMB21,686 million)
- Debt-to-asset ratio at the end of 30 September 2018: 62.22% (decreasing by 1.9 percentage points over the beginning of the year) (after deducting the compensation for pre-receipt of fees and charges for the Three Projects and the balance of funds allocated by Outer Ring Project and Coastal Phase II Project, the debt-to-asset ratio is about 52.89%)
- Composite borrowing costs: 4.69% (same period of 2017 (restated): 4.73%)

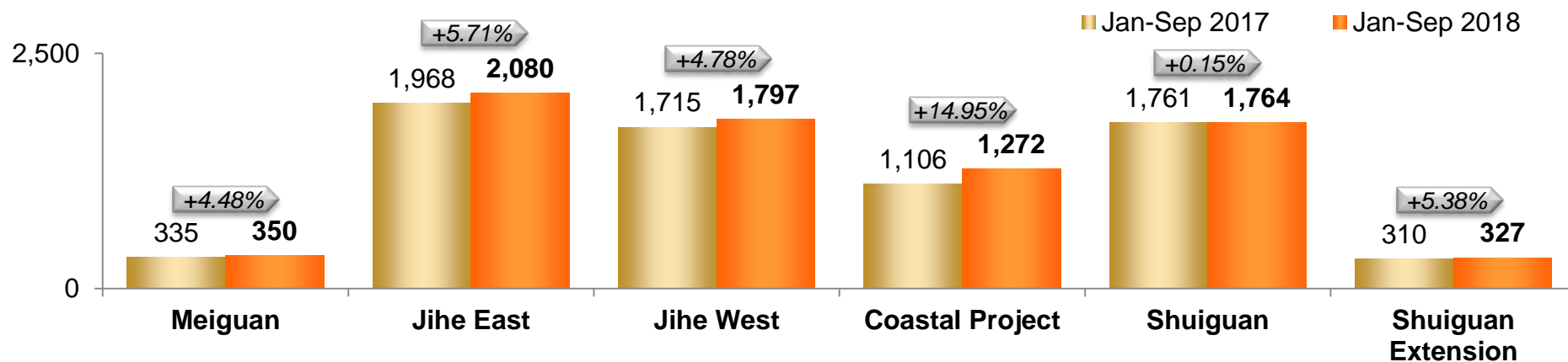
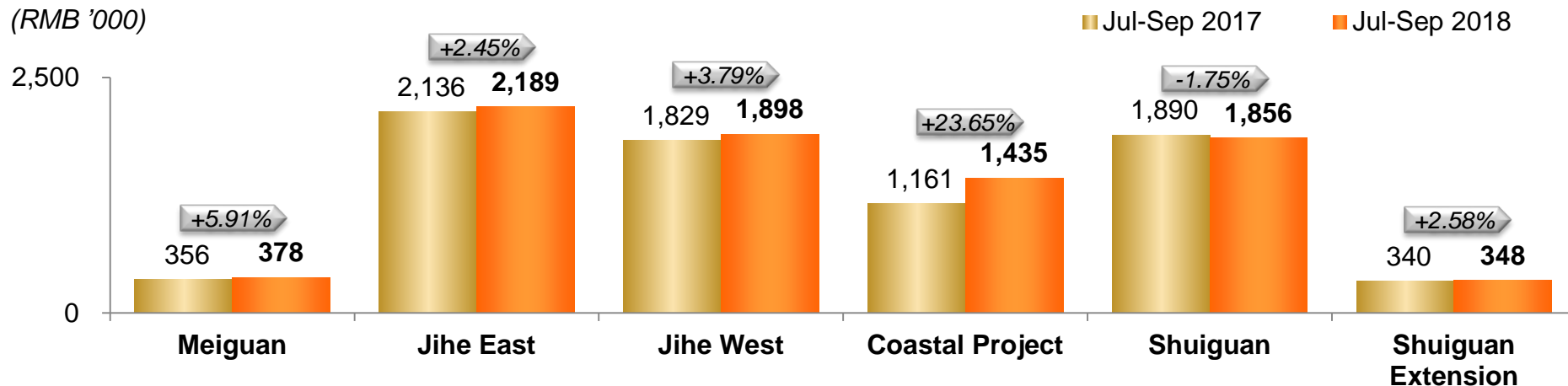
Operational Performance

- Average Daily Toll Revenue

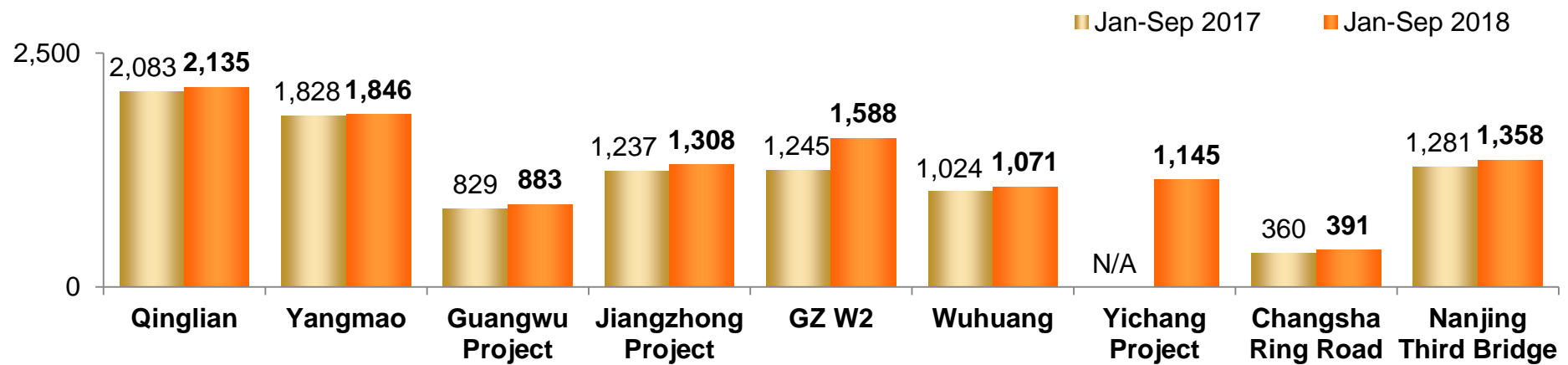
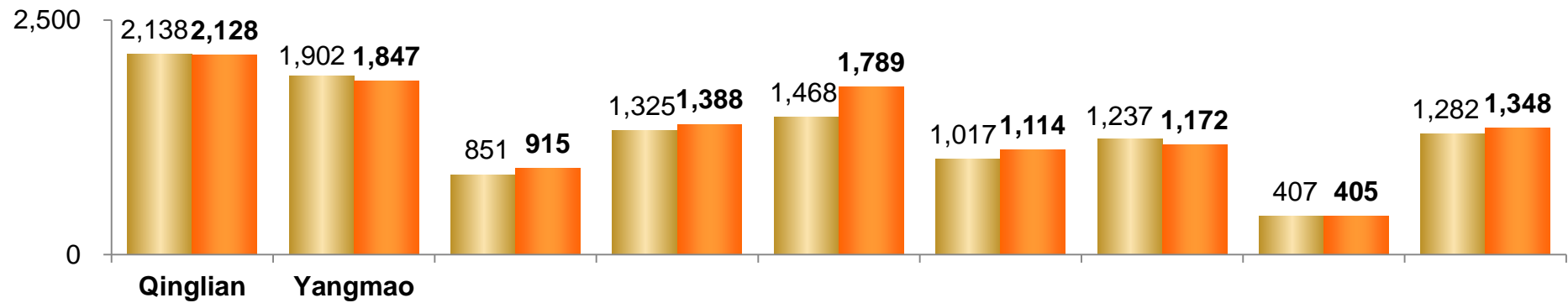
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Shenzhen Region

(RMB '000)



- 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.



Operational Performance

- Average Daily Mixed Traffic Volume

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	Jul-Sep 2018	Jul-Sep 2017	Change YOY	Jan-Sep 2018	Jan-Sep 2017	Change YOY
Shenzhen region	<i>(Number of vehicles in thousands)</i>			<i>(Number of vehicles in thousands)</i>		
Meiguan	108	100	+7.83%	99	92	+8.20%
Jihe East	304	295	+2.95%	288	270	+6.54%
Jihe West	235	231	+1.74%	221	215	+2.76%
Coastal Project	97	89	+9.22%	90	81	+10.58%
Shuiguan <small>Note</small>	235	232	+1.25%	222	214	+3.54%
Shuiguan Extension <small>Note</small>	85	81	+5.06%	80	74	+7.47%

■ Coastal Project has been consolidated into the statements since February 2018.

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

Note: In September 2018, Shuiguan Expressway and Shuiguan Extension adjusted their statistical caliber after January 2017, resulting in a great change in traffic volume data. The toll revenue statistics are still using the original caliber. The adjustment does not affect the actual traffic volume and toll revenue of the above-mentioned two projects.

Operational Performance

- Average Daily Mixed Traffic Volume

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	Jul-Sep 2018	Jul-Sep 2017	Change YOY	Jan-Sep 2018	Jan-Sep 2017	Change YOY
Other regions	(Number of vehicles in thousands)			(Number of vehicles in thousands)		
Qinglian	46	43	+5.90%	44	42	+5.38%
Yangmao	57	57	+1.02%	54	51	+5.52%
Guangwu Project	42	36	+17.25%	40	36	+11.15%
Jiangzhong Project	160	152	+5.49%	148	142	+3.89%
GZ W2	70	77	-9.60%	74	69	+7.37%
Wuhuang	56	54	+4.14%	55	51	+7.37%
Yichang	55	51	+6.57%	52	N/A	N/A
Changsha Ring Road	40	34	+17.79%	35	31	+14.34%
Nanjing Third Bridge	36	33	+7.55%	35	33	+7.04%

- Yichang Expressway has been consolidated into the combined financial statements of the Group since 15 June 2017.
- 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

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- After the implementation of toll-free policy for the Three Projects, the growth of traffic volume also drove the traffic growth of the connecting Jihe Expressway and Shuiguan Expressway.
- The toll-free policy implemented for Phase II of Qingping Expressway since May 2018 has slight diversion effect on the traffic volume of Shuiguan Expressway.
- Coastal Project has been consolidated into the statements since February 2018. It implements Toll Adjustment of Lorries from 1 March 2018 to 31 December 2020, which is expected to drive the freight traffic volume and has positive effect on its future operation.
- The super typhoon “Mangosteen” has a certain negative impact on the toll revenue of highway projects in Shenzhen during the Reporting Period.
- Due to the continuous impact of the diversion of Yunzhan Section of Shanzhan Expressway and the implementation of the governing over-limit and overloaded vehicles policy, the growth rates of daily average traffic volume and toll revenue of Yangmao Expressway has slowed down.
- Due to the combined effect of changes in road network, reconstruction of connected roads and implementation of traffic administration measures, though the average daily traffic volume of GZ W2 Expressway declined, its toll revenue kept a relatively high YOY growth.
- The traffic diversion effect of Jiangluo Expressway Phase II on Guangwu Project has gradually been eased by the natural growth of traffic, and its average daily toll revenue showed a steady YOY growth.
- Guangzhongjiang Expressway has a slight diversion effect on Jiangzhong Project, but benefited from the positive impact of the road network penetration effect, the average daily traffic volume and toll revenue of Jiangzhong Project increased slightly YOY.
- Guisan Expressway (Guilin-Sanjiang), which was opened at the end of October 2017, diverted some of the transit traffic volume from the Qinglian Expressway. During the Reporting Period, the average daily toll revenue of Qinglian Expressway remained stable year-on-year. The construction of Qingxi Bridge and connected engineering and Yuewang Expressway (Yueyang-Wangcheng) was completed successively at the end of the period. The traffic artery from Southern China to Central China will be further highlighted and drive the traffic volume on Qinglian Expressway.
- The diversion impact arising from neighboring road network on Wuhuang Expressway still existed. However, benefited from the rapid growth of car ownership in the surrounding cities, 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 steady 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 YOY growth of the toll revenue of Changsha Ring Road slowed down, though its natural traffic volume kept increasing.
- The operational performance of Yichang Expressway was stable, due to the factors such as the economic growth in northwestern Hunan and surrounding road construction and traffic control.

- In order to ensure the quality of the project, improve the project management level and overall return, and achieve the project's expected goals, United Land Company planned to increase the capital contribution on the existing basis. The Company would abandon the priority right of the capital increase. United Land Company intended to introduce Vanke as a strategic investor through public listing with the price for the Capital Increase of RMB2.9 billion. The three parties has entered into the “Capital Injection Agreement”, however, the Capital Increase needs to be approved by the general meeting of the Company on 13 November 2018. After completion of the Capital Increase, Vanke will have 30% interests in United Land Company and the interests owned by Xin Tong Chan and the Company in United Land will be accordingly diluted to 35.7% and 34.3%.

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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