



SHENZHEN EXPRESSWAY COMPANY LIMITED

Stock code: 00548(SEHK) 600548(SSE)

2020 Third Quarterly Results

29 October 2020

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 2020

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Revenue amounted to RMB1,739 million with a YOY increase of 16.72%.

Toll revenue amounted to RMB1,261 million with a YOY increase of 1.06%.

Revenue from general environmental protection business amounted to RMB230 million, mainly from the revenue contribution of Nanjing Wind Power, Baotou Nanfeng and Lande Environmental.

Net profit attributable to owners of the Company amounted to RMB586 million with a YOY increase of 1.93%.

January - September 2020

Revenue amounted to RMB3,426 million with a YOY decrease of 18.39%.

Toll revenue amounted to RMB2,307 million with a YOY decrease of 33.17%, mainly attributable to the implementation of the expressway Toll-free Policy from January to May.

Revenue from general environmental protection business amounted to RMB653 million, mainly from the revenue contribution of Nanjing Wind Power, Baotou Nanfeng and Lande Environmental.

Net profit attributable to owners of the Company amounted to RMB630 million with a YOY decrease of 70.75%, mainly due to the decrease in the toll revenue from toll highways operated and invested by the Group.



Financial Highlights

	Jul-Sep 2020	Jul-Sep 2019 (restated)	Change YOY
Revenue (RMB 'million)	1,739	1,490	+16.72%
<i>Including: Toll revenue</i> (RMB 'million)	1,261	1,248	+1.06%
Net profit attributable to owners of the Company (RMB 'million)	586	575	+1.93%
Earnings per share (EPS) (RMB '000)	0.269	0.264	+1.93%
	Jan-Sep 2020	Jan-Sep 2019 (restated)	Change YOY
Revenue (RMB 'million)	3,426	4,198	-18.39%
<i>Including: Toll revenue</i> (RMB 'million)	2,307	3,453	-33.17%
Net profit attributable to owners of the Company (RMB 'million)	630	2,153	-70.75%
Earnings per share (EPS) (RMB '000)	0.289	0.987	-70.75%
Return on equity -weighted average (ROE)	3.45%	11.81%	-8.36 p.pt



Financial Analysis

Cost & Expenses - Cost & Expenses

	Jul-Sep 2020	Jul-Sep 2019 (restated)	Change YOY	Jan-Sep 2020	Jan-Sep 2019 (restated)	Change YOY
	(RMB '000)			(RMB '000)		
Cost of services	912,259	711,101	+28.29%	2,370,615	2,124,255	+11.60%
General and administrative expenses	70,229	55,873	+25.69%	171,336	139,427	+22.89%
Financial expenses	76,249	202,129	-62.28%	417,006	470,601	-11.39%
Income tax expenses	156,212	147,761	+5.72%	138,386	-41,168	N/A

From July to September, the YOY increase in exchange gains from US dollar bonds as affected by exchange rate fluctuations, resulting in a corresponding decrease in financial expenses.

From January to September, income tax expenses decreased YOY due to the recognition of deferred income tax assets related to part of Coastal Company's compensable losses of previous period and impairment of road assets, etc., during the corresponding period of last year.



Financial Analysis

- Investment & Borrowings

Capital expenditure from January to September 2020: RMB3,646 million, which was mainly used for the construction expenditures of projects such as Outer Ring Project and kitchen waste project of Lande Environmental, as well as the equity investment expenditure of projects such as Lande Environmental, Vanho Securities, Shenzhen State-owned Assets Collaborative Development Private Fund, Environmental Technology Industry M&A Fund, and reconstruction and expansion of Yangmao Expressway.

Total outstanding interest-bearing liabilities at the end of 30 September 2020: RMB22,633 million (as at 31 December 2019: RMB16,821 million), representing an increase of 34.55% over the beginning of the year, mainly due to 1) the decrease in cash inflow from the operations and investments of the Group during the epidemic, 2) the drawing of loan from the bank consortium by Outer Ring Project, 3) the investment in the projects such as Lande Environmental, Vanho Securities and Shenzhen State-owned Assets Collaborative Development Private Fund, as well as 4) the consolidation of liabilities from Lande Environmental into the financial statements of the Group.

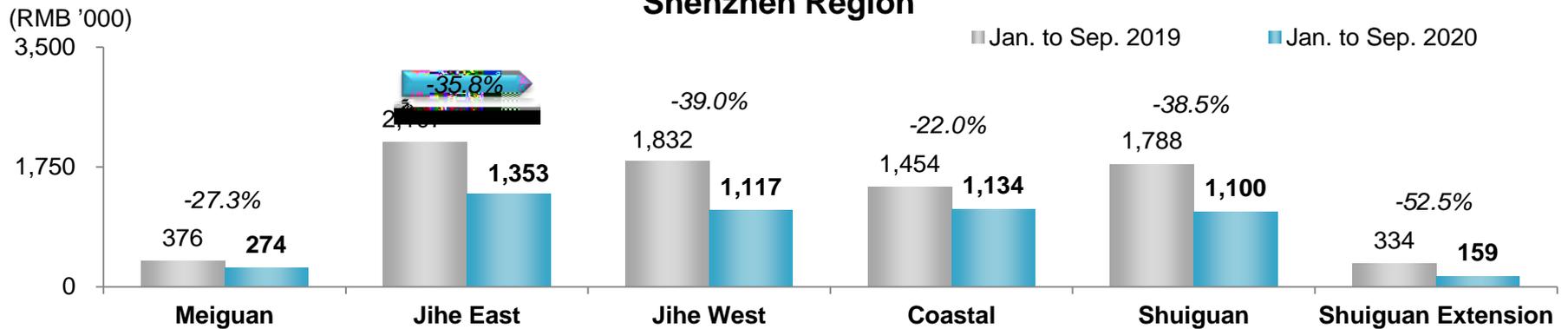
Debt-to-asset ratio at the end of 30 September 2020: 59.60%, representing an increase of 5.78 percentage points over the beginning of the year, mainly due to the increase of total outstanding interest-bearing liabilities.

Composite borrowing costs: 4.22% (same period of 2019: 4.38%)

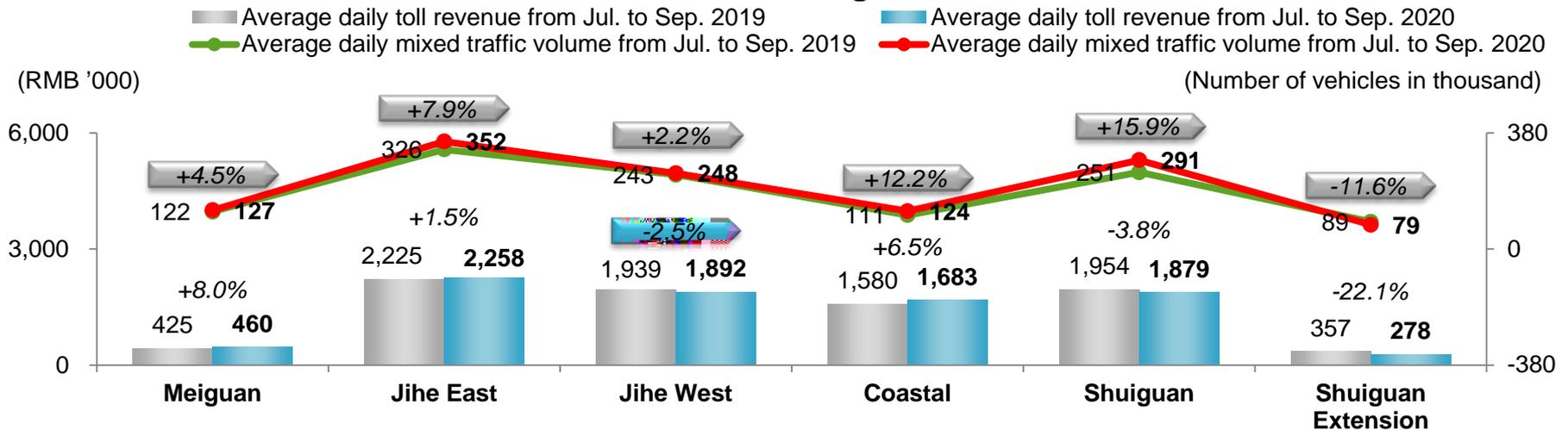
Operational Performance of Toll Highways

- Shenzhen Region

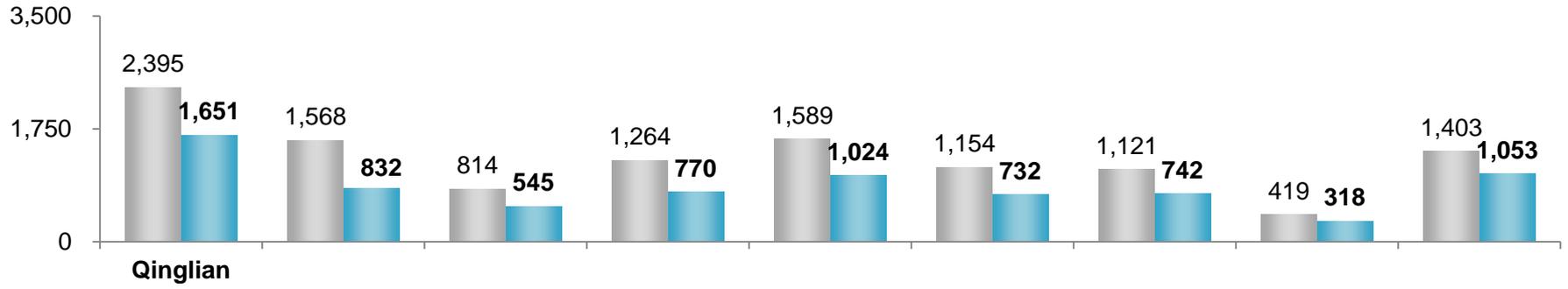
Average Daily Toll Revenue Shenzhen Region



Average Daily Mixed Traffic Volume & Average Daily Toll Revenue Shenzhen Region



Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume. Differences may arise between such data and the actual data since the toll revenue of certain projects is needed to be recorded on the basis of estimation at the date of monthly settlement under the circumstance of inter-network toll collection.





Operational Performance of Toll Highways

- Brief Description

During the period from January to September 2020, the toll revenue from toll highways operated and invested by the Group decreased significantly YOY mainly due to the impact of the epidemic and the implementation of the expressway Toll-free Policy during the epidemic. From July to September, with the gradual recovery of the economy, the overall traffic volume of the toll expressways has returned to normal level and exceeded that in the same period of the previous year. However, the overall toll revenue only had a slight increase of 1% YOY, which was mainly due to the negative impact on the toll incurred revenue from the implementation of policies such as 5% ETC discount, the adjustment to vehicle classification and relevant charging standards. Among them, the impact on Jihe Expressway, Shuiguan Expressway, Shuiguan Extension and Yangmao Expressway is more obvious.

Changes in the road network have a positive or negative impact on the operational performance of toll highways, of which:

Shuiguan Extension is affected by the diversion of Banyin Avenue; Yangmao Expressway is affected by diversion and its own reconstruction and expansion; Wuhuang Expressway is negatively affected by the construction of the intersecting road and flood disasters.

Qinglian Expressway is positively affected by the opening of Xuguang Expressway, Qingyun Section of Shanzhan Expressway and Qingyuan Bridge, as well as the tourist season; Yichang Expressway and Changsha Ring Road are positively affected by the opening of Changyi North-Line Expressway; GZ W2 is positively affected by the connection of Foqingcong Expressway; Guangwu Expressway is positively affected by the diversion of traffic from the construction of the adjacent road network.

As at the end of September 2020, the main line of the first phase project of Shenzhen Section of Outer Ring Expressway has been completed. With a total length of approximately 51 km, the first phase of Shenzhen Section of Coastal Expressway will be well positioned for opening by the end of 2020.

In 2020, Lander Environmental added a new winning project. As of the end of the third quarter, seven projects have been put into operation (including trial operation), of which six are kitchen waste treatment projects and one is waste leachate treatment project.

The Guangming Environmental Park PPP Project has been terminated due to failure in proper performance of the contract by the consortium.

The results of Nanjing Wind Power from January to September 2020 were affected by the epidemic. Nanjing Wind Power is making up for the impact and is preparing in advance for business development in the two years through measures such as increasing market sales, enhancing supply chain and production management, as well as strengthening receipt of payments of sales.

Baotou Nanfeng recorded an aggregate on-grid power supply of 450,919 MWh during the period from January to September 2020, representing a YOY increase of 15.25%. The five wind farm subsidiaries of Baotou Nanfeng have been included in the authorized list of the first batch of projects in the region entitled to renewable energy power generation subsidies and the first subsidy fund has already been received.

In the third quarter of 2020, the Company established a wholly-owned subsidiary named Shenzhen Expressway New Energy Holdings Co., Ltd (“New Energy Company”) and it has been included in the consolidated financial statements of the Group. New Energy Company will act as a platform for investment in, financing and management of the new energy industry, which the Group will develop with a focus on wind power, supplemented by the businesses of photovoltaic power and energy storage.

In order to enhance the main strength of the Company, reduce its management level, give full play to the economic efficiency of asset integration, and satisfy the needs of the overall reconstruction and expansion of Jihe Expressway, the Company proposes to absorb and merge with Jihe East Company and Coastal Company, both being its wholly-owned subsidiaries. It was approved in the general meeting of shareholders in the third quarter.

In the third quarter of 2020, the Company issued 2020 phase II and phase III ultra-short-term financing bonds respectively with an issue size amounted to RMB1 billion each, both with a maturity of 270 days and carrying an interest rate of 2.40% and 2.60%, respectively.

On 22 October 2020, the Company completed the issuance of Phase 1 Green Corporate Bonds with an issuance size of RMB800 million and the final coupon rate of 3.65%.

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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