

IPO FACT SHEET
Chengdu Expressway Company Limited (1785 HK)
ISSUE STATISTICS

Offer Size:	HK\$880m
Placement Tranche:	400m shares
Price:	HK\$2.20
Board lot:	1,000
Entry fee:	HK\$ 2,222.17
Historical PE	8.43x
Net tangible asset per share:	HK\$ -0.87
Market Cap (post-IPO):	HK\$880m
Open:	28 Dec 2018
Close:	12.00 noon on 7 Jan 2019
Trading:	15 Jan 2019
Sponsor:	CLSA Capital Markets Limited

Year ended 31 Dec	(RMB\$'000)	yoy % chg
Revenue		
2016	1,185,201	51.0%
2017	1,784,298	50.6%
Profit for the year/period		
2016	324,350	6.1%
2017	367,790	13.4%

BACKGROUND

- They are principally engaged in the operation, management and development of expressways located in and around Chengdu, Sichuan province.
- As of the Latest Practicable Date, their expressway network includes four expressways: Chengguan Expressway, Chengpeng Expressway, Chengdu Airport Expressway and Chengwenqiong Expressway.
- In addition, they also hold 40% of the equity interests in, Chengbei Exit Expressway.
- The expressways they operate and invest in are all strategically located and form an integral part of the expressway network around Chengdu, connecting various areas with rich industrial, cultural and tourism resources along the way.

BUSINESS STRATEGY AND FUTURE PLANS

- Strategic acquisitions or investments in expressways and continuing to improve the quality and capacity of our existing expressways.
- Continuing to improve operating efficiency and enhance profitability.
- Exploring new business models and other revenue streams.
- Exploring new opportunities arising from favorable policies in Chengdu and Sichuan province.

COMPETITIVE STRENGTHS

- Unique geographical advantages and strategic position of their expressways in Chengdu, Sichuan province, the economic hub in western China with rich tourism resources.
- An integral part of the expressway network around Chengdu with a stable traffic volume.
- Stable cash flow from toll income.
- Extensive operation experience and strong support from their Controlling Shareholders.
- Experienced management team.

KEY RISKS

- Any decline in traffic volume may adversely affect their revenue and earnings.
- Their results of operations may be affected by competing roads and other forms of transportation, resulting in a decrease in the overall traffic volumes on their expressways.
- Their business expansion may require substantial capital investment and external financing and their ability to arrange for additional external financing can be limited.
- Changes in the relevant accounting standards on the service concession arrangement and changes in their judgments and assumptions in applying these accounting standards may have material impacts on the measurement and reporting of their service concession arrangements.
- They have net current liabilities and net operating cash outflow, which may expose us to certain liquidity risks, constrain their operational flexibility as well as adversely affect their financial conditions and ability to expand their business.
- There is a mismatch between their revenue and the underlying cash flows for their projects accounted for as service concession arrangements, which can adversely affect their financial performance and liquidity position.
- Cost overruns and delays of their expansion project may adversely affect their results of operations.
- Changes in interest rates in the PRC have affected and will continue to affect their financing costs and, ultimately, their results of operations.

DIVIDEND POLICY

- Expect to distribute approximately 60.0% to 70.0% of their annual distributable profits as dividends in the future.

USE OF PROCEEDS

	HK mn	As a percentage of gross proceeds from the Invitation (%)
For acquiring or investing in other expressways.	556.10	70.0%
To expand their business within the industry chain by establishing new business segments or acquiring other complementary business.	79.40	10.0%
To improve the operational efficiency of their expressways by increasing the use of automated ticketing device for their MTC toll lanes and the use of frictionless payment technology as well as improving their surveillance and traffic management capabilities.	79.40	10.0%
For general corporate and working capital purposes.	79.40	10.0%
Total:	794.40	100.00%

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