SHENZHEN EXPRESSWAY COMPANY LIMITED

Stock code: 00548(SEHK) 600548(SSE)

2021 First Quarterly Results
2020 Annual Results

30 April 2021

Contents

2021 First Quarterly Results

2020 Annual Results

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.

2021 First Quarterly Results

Financial Analysis
- Income Highlights

	1Q2021	1Q2020 (restated) Note 1	Change YOY
Revenue (RMB 'million)	**1,962**	475	+313.31%
Net profit attributable to owners of the Company (RMB 'million)	**541**	-133	N/A
Earnings per share (EPS) (RMB) Note 2	**0.227**	-0.061	N/A
Return on equity - weighted average (ROE) Note 2	**2.56%**	-0.72%	+3.28 p.pt

Note 1: Due to the consolidation of Financial Leasing Company, Logistics Finance Company and Longda Company into the Group in 2020 as a jointly controlled entity, the Company adjusted the data of consolidated financial statements for the previous year pursuant to relevant requirements under the Accounting Standards for Business Enterprises.

Note 2: In 2020, the Company issued RMB4 billion of perpetual bonds, which were included in other equity instruments. The impact of perpetual bonds was deducted when calculating the above earnings per share and weighted average return on net assets pursuant to relevant requirements.

Financial Analysis

Revenue & Investment Income

	1Q2021	1Q2020 (restated)	Change YOY
	(RMB '000)		
Revenue	**1,962,016**	474,712	+313.31% Note 1

	1Q2021	1Q2020	Change YOY
Investment income	**153,881**	36,878	+317.27% Note 2

Note 1: The comparable toll revenue in the current period increased by 268% YOY due to the impact of the Toll-free Policy during the Epidemic. Moreover, the revenue contribution from the newly-operated Outer Ring Phase I was added and the revenue from Guilong Development Project and the environmental protection business increased.

Note 2: Lower investment income in the same period of last year due to the impact of the Epidemic and the increase in the performance of Derun Environment in the current period.

Financial Analysis
- Costs & Expenses

	1Q2021	1Q2020 (restated)	Change YOY
	(RMB '000)		
Cost of services	**1,056,874**	518,400	+103.87% Note 1
Financial expenses	**199,898**	199,041	+0.43% Note 2
	1Q2021	**1Q2020**	**Change YOY**
General and administrative expenses	**72,435**	42,874	+68.95% Note 3
Income tax expenses	**166,823**	-50,106	N/A

Note 1: Including depreciation and amortization expenses due to the increase in traffic volume and the development cost of commercial housing carried forward from the Guilong Development Project in the current period (YOY: nil).

Note 2: After hedging the "Gain from changes in fair value - Income from changes in fair value of foreign currency swap instruments", the Group's comprehensive financial cost during the Reporting Period was RMB199,744,000, representing a YOY increase of 17.04%, which was mainly due to a YOY increase in the scale of interest-bearing borrowing.

Note 3: The implementation of pension insurance Reduction and Exemption Policy in phases during the corresponding period last year given the impact of the Epidemic, and the corresponding increase in employee expenses following expansion of the Group's business scale in the current period.

Financial Analysis
- Investment & Borrowings

Capital expenditure: RMB2.69 billion

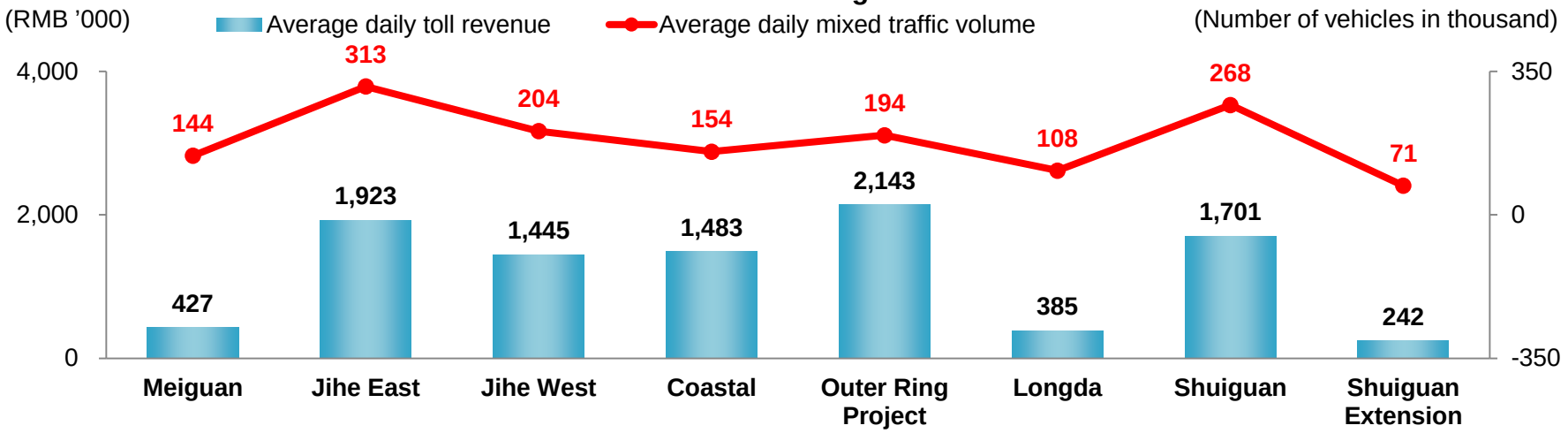
Total amount of outstanding interest-bearing liabilities as at 31 March 2021: RMB23.1 billion (31 December 2020: RMB19.3 billion), representing an increase of approximately 19.43% over the beginning of the year, which was mainly due to the increase in borrowings as a result of the debt-bearing acquisition of wind power projects in Mulei and the purchase of new office tower by the Group during the Reporting Period.

Debt-to-asset ratio as at 31 March 2021: 54.02% (representing an increase of 1.67 percentage points over the beginning of the year).

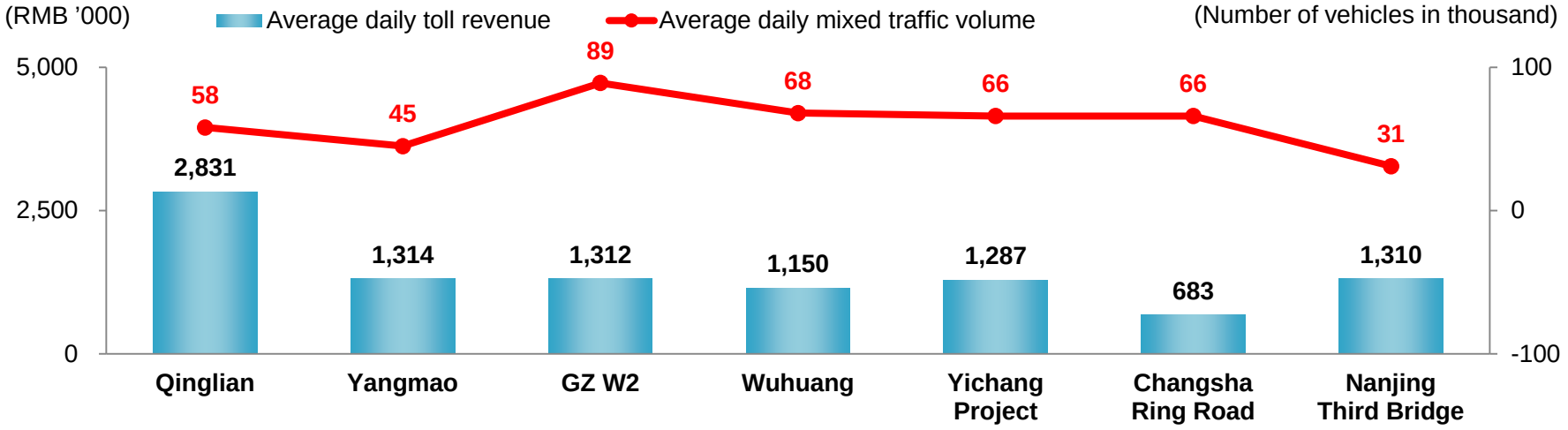
Composite borrowing costs: 4.01% (2020: 4.16%), which was mainly due to the issuance of two tranches of ultra-short-term financing bonds with a total amount of RMB2 billion during the Reporting Period. The Group further optimized its debt structure by using the funds raised from the bonds as well as other low-cost funds.

Toll Highway Business
- Operating Performance

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



Average Daily Mixed Traffic Volume & Average Daily Toll Revenue
Other Regions



During the Spring Festival in 2021, due to the response to the national advocate on staying at the existing location, the number of travelling vehicles reduced and toll revenue was less than in normal years.

The macro economy in China has shown recovery and steady growth. The toll highways operated and invested by the Group resumed their normal operational performance during the Reporting Period. Given a relatively lower base of the corresponding period last year, the traffic volume and toll revenue of all toll highways recorded a significant YOY growth during the Reporting Period.

Changes of road networks resulted positive or negative impacts on project performance:

Meiguan Expressway: ↑ north relocation of large-scale production enterprises, increase in production bases along the route; ↑ the preferential policy for freight cars implemented on Changhu Expressway and Congguan Expressway (Dongguan Section) (including the subsidiary road of Qingxi); ↑ the opening of Outer Ring Phase I.

Jihe Expressway: ↑ the major cargo freight artery for west-to-east traffic of Shenzhen; ↓ the opening of Outer Ring Phase I.

Coastal Project: ↑ freight preferential policy; ↑ the development and construction in Qianhai and western port region; ↑ the opening of the connecting lane of Dongbin Tunnel Shahe West Section; ↑ the opening of Outer Ring Phase I.

Qinglian Expressway: ↑ the operation of all sections of Xuguang Expressway, the opening of Qingyun Section of Shanzhan Expressway, and the reopening of Qingyuan Bridge.

Yangmao Expressway: ↓ self-renovation and expansion; ↓ the opening of adjacent road network such as Shanzhan Expressway; ↓ the closure for construction work at linked road.

GZ W2: ↑ the improvement of the surrounding road networks and official opening of the adjacent Foqingcong Expressway promoted the increase in its short-distance traffic volume; ↓ the opening of Guangfozhao Expressway caused certain diversion impact on its overall traffic volume.

Yichange Expressway: ↑ the opening of Changyi North-Line Expressway; ↑ the construction of Changsha-Yiyang-Changde High-Speed Railway pulled up its traffic volume for trucks to a certain extent.

Changsha Ring Road: ↑ the recovery of the peripheral economic and business zone; ↑ the opening of the peripheral highway network of Changyi North-Line Expressway and other expressways.

Nanjing Third Bridge: ↑ the implementation of the differentiated charging for trucks in Jiangsu Province pulled up its traffic volume for trucks; ↓ the opening of Nanjing Fifth Bridge.

The operational performance of Wuhuang Expressway has returned to the normal level.

Management of Resource Recovery of Solid Waste

Lande Environmental actively promoted the construction and operation of projects in hand. One new project was added during the Reporting Period, with a total of 18 organic waste treatment projects. Among which, 4 BOT projects have been put into commercial operation.

In February 2021, the Group successfully won the bid for Shenzhen Guangming Environmental Park Project. During the Reporting Period, the Company completed the establishment of a project company, and is actively conducting the preliminary works such as submitting the project proposal for approval, the relevant design and tendering.

During the Reporting Period, Qiantai Company has been establishing the internal management systems and actively arranging connection with external resources, with an aim to prepare for expansion in market and the relevant business.

Clean Energy

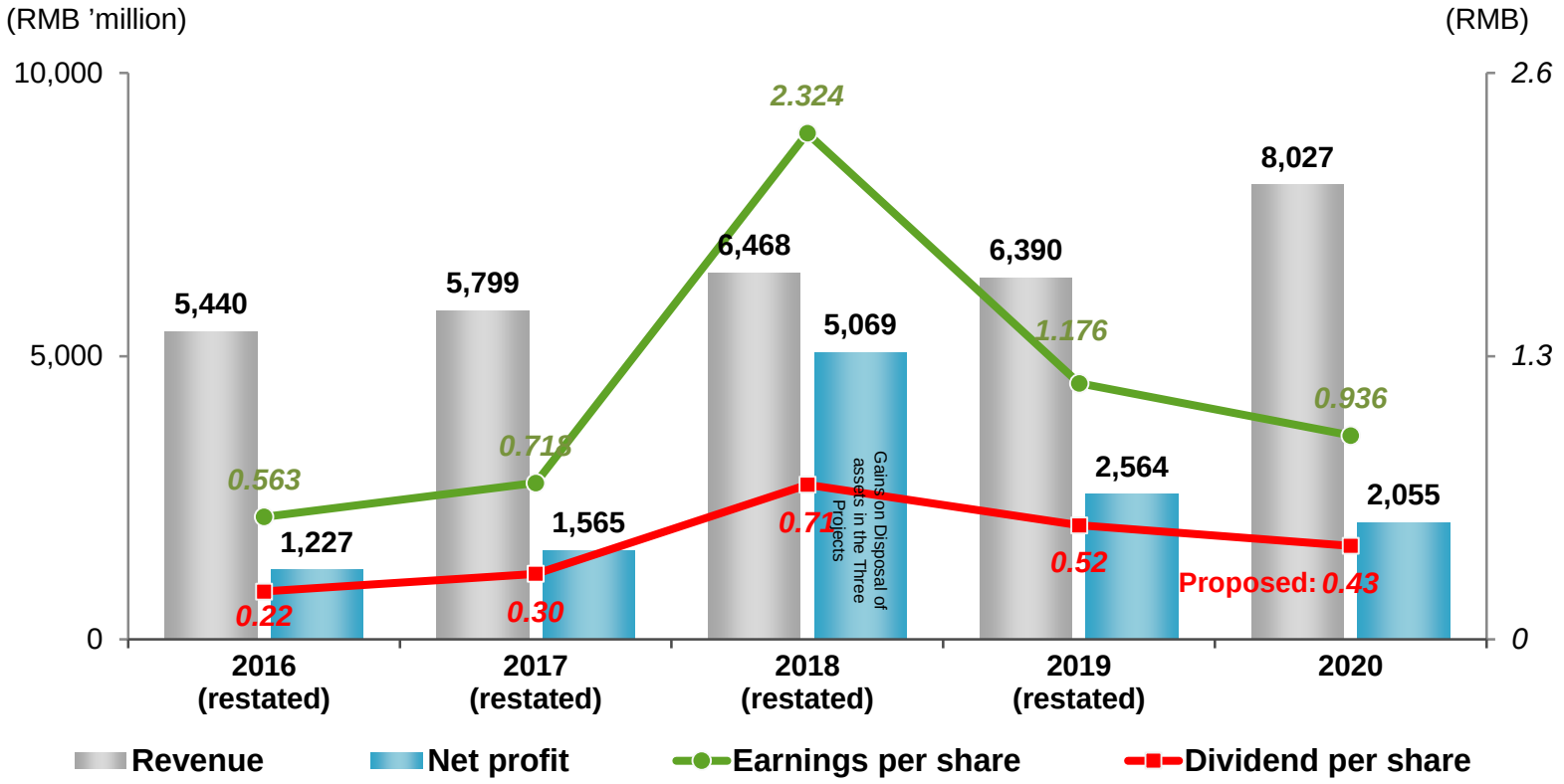
During the Reporting Period, to actively respond to the requirements of the new energy plan and the target of carbon emissions peak under the 14th Five-Year Plan, New Energy Company stepped up its efforts in expanding the markets of wind power and photovoltaic power, actively promoted pre-acquisition projects and large base projects of grid parity in various provinces and regions, deepened collaboration with advanced enterprises in the industry.

Nanjing Wind Power pushed forward with the signing of wind turbine sales orders. At the same time, to prepare for the times of grid parity in advance, Nanjing Wind Power has implemented various measures for future business development, including stepping up its efforts in technological R & D and the development of procurement to further reduce manufacturing costs, improving the quality of after-sales operation and maintenance services, and strengthening market expansion.

During the Reporting Period, Baotou Nanfeng continued to improve the operation and management of wind farms. Baotou Nanfeng recorded an on-grid power supply of 182,156.18 MWh, representing an YOY increase of 24%.

During the Reporting Period, the Group completed the acquisition of 100% equity interests in three wind power projects in Mulei, Xinjiang and completed a total of 70,579.73MWh of the on-grid power.

Financial Highlights



Due to the consolidation of Financial Leasing Company, Logistics Finance Company and Longda Company into the Group as a jointly controlled entity, the Company adjusted the data of consolidated financial statements to previous years retrospectively pursuant to relevant requirements under the Accounting Standards for Business Enterprises.

Financial Analysis
- Income Highlights

Net profit attributable to owners of the Company

RMB2,055 million

Excluding the impact of the Group's recognition of deferred income tax assets of Coastal Company in 2019, net profit increased by approximately 0.32% YOY.

Earnings per share (EPS)

RMB0.936

In 2020, the Company issued RMB4 billion of perpetual bonds, which were included in other equity instruments. The impact of perpetual bonds was deducted when calculating the above earnings per share and weighted average return on net assets pursuant to relevant requirements.

Return on equity – weighted average (ROE)

10.83%

Financial Analysis

Revenue, Cost & Expenses

	2020 (RMB 'million)	2019(restated) (RMB 'million)	Change in Amount (RMB 'million)	Change
Revenue	**8,027**	6,390	+1,636	+25.61%
Toll highways Note 1	*4,387*	*4,722*	*-335*	*-7.10%*
Clean energy Note 2	*1,666*	*599*	*+1,067*	*+178.19%*
Recovery and solid waste management Note 2	*843*	*-*	*+843*	*N/A*
Other environmental protection businesses	*12*	*0.176*	*+11*	*+6,510.92%*
Entrusted management services Note 3	*511*	*376*	*+134*	*+35.69%*
Real estate development Note 4	*351*	*457*	*-106*	*-23.16%*
Other businesses Note 5	*258*	*236*	*+22*	*+9.20%*
Cost of services	**5,215**	3,586	+1,629	+45.43%
Toll highways Note 1	*2,422*	*2,345*	*+77*	*+3.27%*
Clean energy Note 2	*1,340*	*430*	*+910*	*+211.66%*
Recovery and solid waste management Note 2	*696*	*-*	*+696*	*N/A*
Other environmental protection businesses	*3*	*0.003*	*+3*	*+95,916.03%*
Entrusted management services Note 3	*406*	*357*	*+50*	*+13.92%*
Real estate development Note 4	*171*	*255*	*-84*	*-32.84%*
Other businesses Note 5	*175*	*198*	*-23*	*-11.69%*
General and administrative expenses Note 6	**363**	351	+12	+3.47%

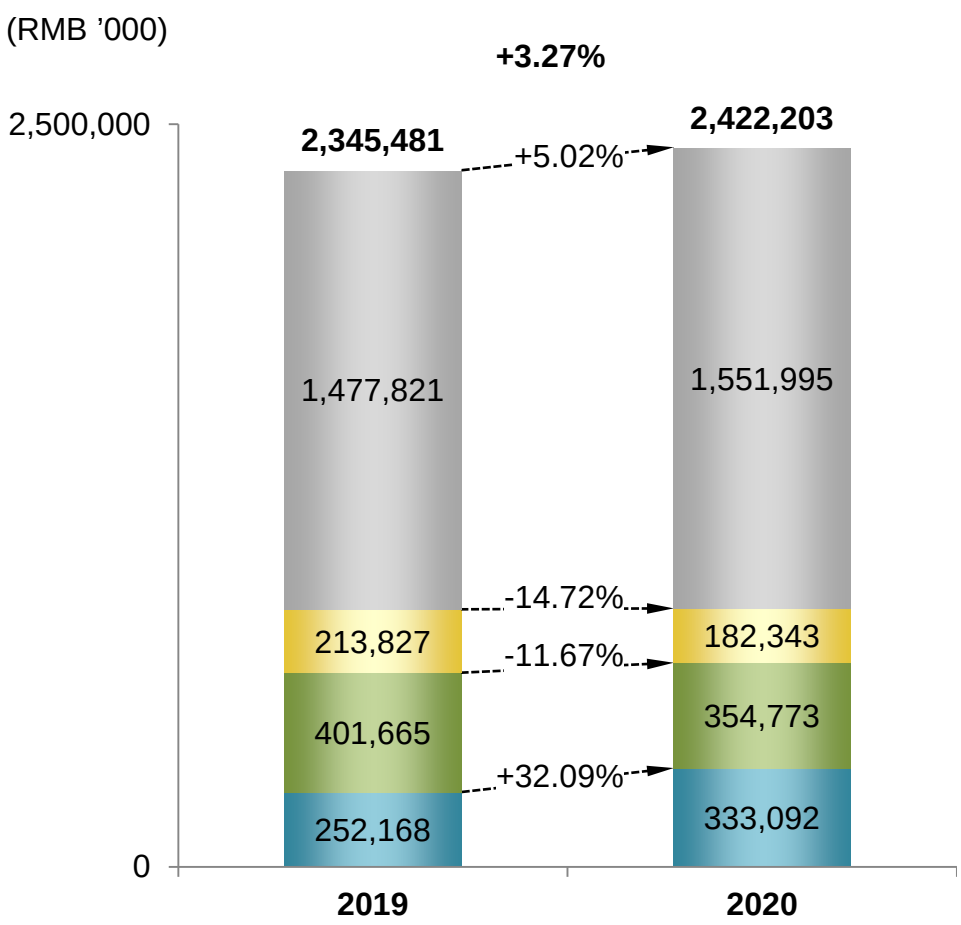
Note 1: Due to the implementation of the expressway toll-free policy during the Epidemic the toll revenue of the Group decreased YOY.
Note 2: Including Nanjing Wind Power, Baotou Nanfeng and Lande Environmental.
Note 3: Related to the construction progress of the entrusted construction projects.
Note 4: Guilong Development Project.
Note 5: Mainly including finance leases, advertising, etc.
Note 6: The increase in general and administrative expenses was mainly due to the consolidation of Lande Environmental.

Financial Analysis

Operating Income from Toll Highways

	2020 (RMB '000)	2019 (RMB '000)	Change
Toll highway			
Qinglian	**832,485**	837,016	-0.54%
Jihe East	**736,384**	768,241	-4.15%
Jihe West	**615,025**	667,663	-7.88%
Shuiguan	**606,994**	652,022	-6.91%
Coastal	**548,429**	532,571	+2.98% Note
Yichang	**305,899**	403,518	-24.19%
Wuhuang	**304,076**	412,534	-26.29%
Changsha Ring Road	**146,796**	156,146	-5.99%
Meiguan	**143,677**	139,744	+2.81%
Longda	**142,897**	152,672	-6.40%
Outer Ring	**4,012**	-	N/A
Total	**4,386,674**	4,722,127	-7.10%

Financial Analysis
- Operating Costs from Toll Highways



Depreciation and amortization

The completion of the relevant network of the national toll collection at the end of 2019 and the conversion to fixed assets, the upward adjustment of the amortization amount of Yichang Expressway since 2020, and a YOY increase in traffic volume as a result of the Toll-free Policy during the Epidemic.

Road maintenance expenses

No large-scale special maintenance costs in the current period.

Employee expenses

The decrease in the number of toll collection staff and the overtime expenses during the Epidemic, and the implementation of pension insurance Reduction and Exemption Policy in phases.

Other business costs

Provision for the operation and management expenditure related to ancillary toll roads.

Financial Analysis
- Operating Profit from Toll Highways

	Cost of Services		Operating Profit	
	2020 *(RMB '000)*	***Change***	**2020** (RMB '000)	**Change**
Toll highway				
Qinglian	***507,870***	*+4.61%*	**324,615**	-7.66%
Jihe East	***338,656***	*+1.57%*	**397,728**	-8.53%
Jihe West	***162,257***	*+19.09%*	**452,769**	-14.80%
Shuiguan	***488,304***	*+1.70%*	**118,690**	-30.95%
Coastal	***282,028***	*-1.27%*	**266,401**	+7.90%
Yichang	***212,318***	*+3.65%*	**93,581**	-52.90%
Wuhuang	***187,601***	*-11.06%*	**116,475**	-42.22%
Changsha Ring Road	***65,665***	*+20.19%*	**81,130**	-20.08%
Meiguan	***78,125***	*-1.79%*	**65,552**	+8.90%
Longda	***94,636***	*+26.90%*	**48,261**	-38.20%
Outer Ring	***4,742***	*N/A*	**-730**	N/A
Total	***2,422,203***	*+3.27%*	**1,964,472**	-17.34%

Operating profit = Operating income – Operating costs

Financial Analysis

- Operating Profits from Environmental Business & Real Estate Development

	Operating Income		Operating Costs		Operating Profit	
	2020 (RMB '000)	Change	2020 (RMB '000)	Change	2020 (RMB '000)	Change
Clean energy Note 1	1,665,755	+178.19%	1,340,213	+211.66%	325,543	+92.89%
Management of resource recovery of solid waste	843,231	N/A	696,359	N/A	146,872	N/A
Other environmental protection businesses	11,635	+6,510.92%	2,996	+95,916.03%	8,640	+4897.41%
Entrusted management services Note 2	510,745	+35.69%	406,456	+13.92%	104,288	+431.92%
Real estate development	351,098	-23.16%	171,359	-32.84%	179,739	-10.91%
Other businesses Note 3	257,599	+9.20%	174,932	-11.69%	82,667	+118.63%

Operating profit = Operating income – Operating costs

Note 1: Mainly including the sales of wind turbine equipment and wind power generation.

Note 2: Mainly including entrusted construction management projects such as Duohua Bridge Project and entrusted operation management projects such as Longda Expressway and the Four Expressways.

Note 3: Mainly including finance leases, advertising, etc.

Financial Analysis
- Investment Income

Item	2020 (RMB '000)	2019 (RMB '000)	Change in Amount (RMB '000)
Investment income attributable to associates:			
Associated toll highway enterprises in total	**172,489**	219,856	-47,367
United Land Company (Meilin Checkpoint Renewal Project)	**395,731**	377,224	+18,507
Derun Environment	**206,420**	193,468	+12,953
Others Note 1	**138,342**	131,491	+6,852
Sub-total	**912,982**	922,038	-9,055
Investment income arising from transfer of subsidiaries Note 2	**-**	262,207	-262,207
Investment income from other non-current financial assets	**6,395**	30,125	-23,730
Gains from completion of foreign currency swaps	**17,955**	26,860	-8,905
Others	**31**	1,422	-1,411
Total	**937,363**	1,242,672	-305,309

Investment income decreased by 24.57% YOY: the recognition of equity transfer income from the transfer of Guilong land during the corresponding period of last year, and the decrease of profit in toll highways operated by associates in the current period.

Note 1: Including Consulting Company, Bank of Guizhou, Shengchuang Environmental Technology and Guizhou Hengtongli.

Note 2: Transfer of Guilong land.

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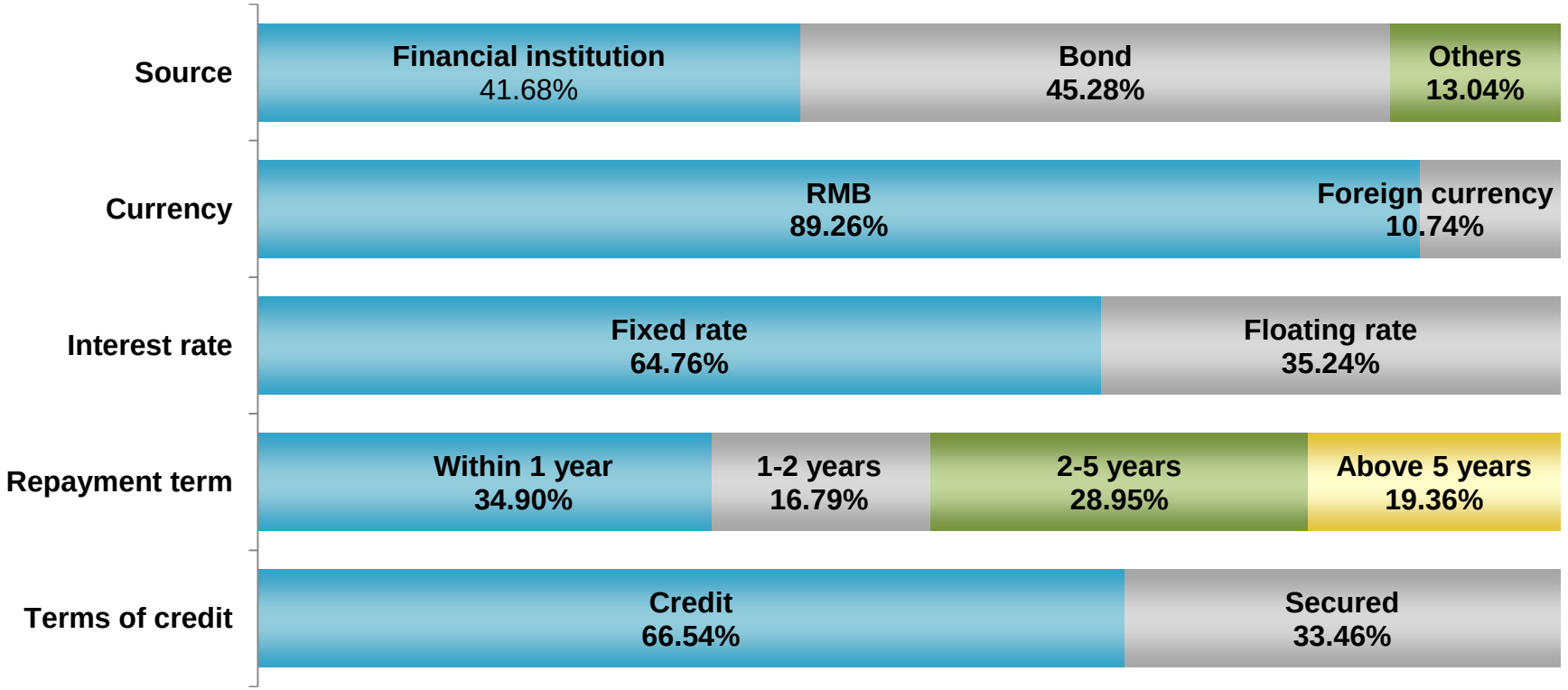
ities Highlights

Borrowing Structure

(as at 31 December 2020)



Maintained the highest credit rating and bond rating of AAA for domestic entities, and the investment grade from international rating.

Financial Analysis - Capital Expenditure-1

Financial Analysis - Capital Expenditure 2

(RMB '000)	Capital Expenditure Plan			
	2021	2022	2023	Total
Non-equity investments	**3,346,348**	**1,731,462**	**440,304**	**5,518,114**
Outer Ring Project	*727,086*	*941,577*	-	***1,668,663***
Coastal Phase II	*21,669*	*321,669*	*321,669*	***665,007***
Kitchen waste project of Lande Environmental	*656,648*	*88,216*	*8,400*	***753,264***
Guangming Environmental Park PPP Project	*230,000*	*380,000*	*98,191*	***708,191***
Acquisition of the office property	*1,601,547*	-	-	***1,601,547***
Reinforcement of Changsha Ring Road pavement structure	*109,398*	-	*12,044*	***121,442***
Equity investments	**1,463,039**	**215,000**	**-**	**1,678,039**
Reconstruction and expansion of Yangmao Expressway	*192,500*	*35,000*	-	***227,500***
Mergers & acquisitions and capital increase of wind farm projects	*1,015,240*	-	-	***1,015,240***
Shengchuang Environmental Technology Industry Fund	*135,000*	*180,000*	-	***315,000***
Other projects	*120,299*	-	-	***120,299***
Total	**4,809,387**	**1,946,462**	**440,304**	**7,196,153**

The Board approved capital expenditures of approximately RMB2,622 million for the reconstruction and expansion of Jihe Expressway, the early stage of Shenshan Second Expressway and Outer Ring Phase III, etc. The investment and financing methods of such projects are not yet determined.

Positive

China achieved positive economic growth against the background of the global epidemic.

The orderly recovery of the national economy is conducive to the general growth of the regional transportation and logistics demand via highways.

China's highway construction has entered a stage of steady growth, and high-quality operational highway projects will become a scarce resource. A series of environmental protection policies issued by the state and government departments at all levels are beneficial to recovery and solid waste industry and the clean energy power generation industry.

Deepening the development of state-owned enterprises reform while located in Guangdong-Hong Kong-Macau Greater Bay Area and Pilot Demonstration Area of Socialism.

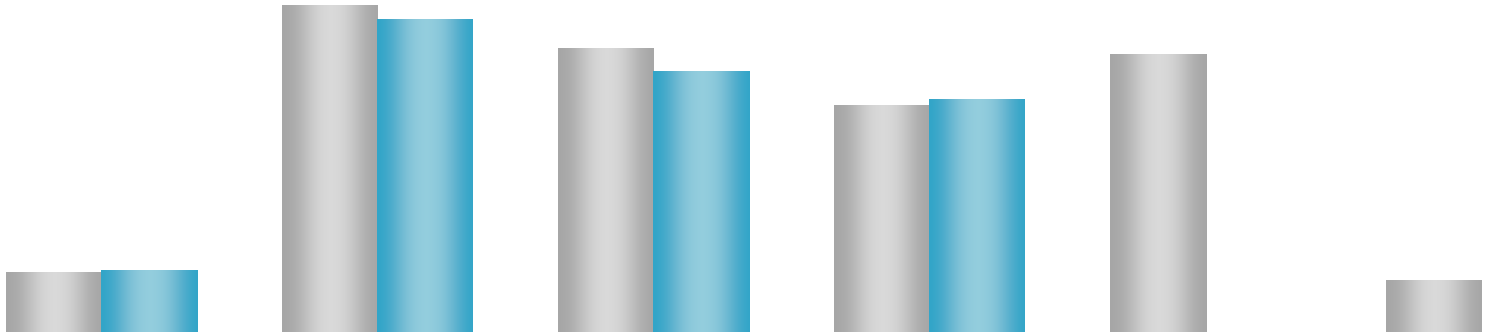
Monetary policy remained stable and increasingly flexible, market liquidity remained sufficient, resulting in a decline in the fund prices.

The Company has drawn up the draft of its Strategic Development Plans for the 14th Five Year Plan.

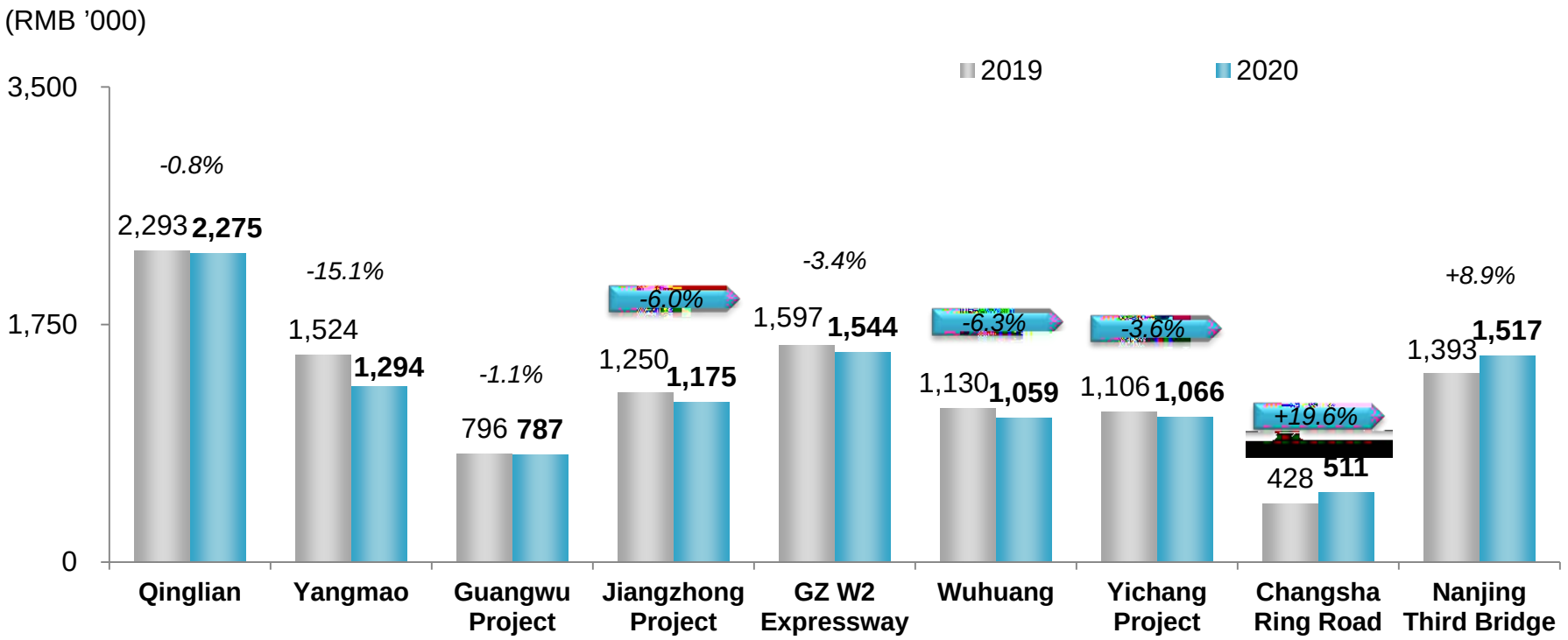
Negative

A toll-free policy was implemented for all vehicles using toll highways during the Epidemic.

The implementation of policies such as ETC related measures, the new standard for vehicle classification, and the cancellation of mileage tolling for hub interchange ramps in Guangdong, have had a phase-by-phase negative impact on the Company‘s toll revenue.



Average Daily Toll Revenue
Other Regions



Based on the Company's understanding and assessment on the document of the Guangdong provincial transport authorities regarding the toll-free policy during the Epidemic, the Company recognized an income for the expressway projects in Guangdong Province.

The Company signed a transfer agreement on 24 December 2020 in respect of 30% equity interests in Guangyun Company and 25% equity interests in Jiangzhong Company.

In 2020, the overall toll revenue from toll highways operated and invested by the Group recorded a YOY decrease, mainly due to the impact of the Epidemic and the implementation of the Toll-free Policy during the Epidemic.

During part of toll collection resumption period from 6 May to 30 June 2020, The overall traffic volume of the toll highways operated and invested by the Group has gradually resumed back to normal since 6 May 2020.

Changes of road networks resulted positive or negative impacts on project performance:

Factor	Affected Projects
Road network improvement	Coastal, Outer Ring (Shenzhen Section), Qinglian, GZ W2 Expressway, Yichang, Changsha Ring Road
Diversion	Shuiguan Extension, Yangmao, GZ W2 Expressway, Yichang
Self-maintenance or construction	Yangmao
Maintenance or construction of surrounding roads	Yangmao, Yichang, Wuhuang
Policy or natural causes	Yangmao, Jihe, Shuiguan, Shuiguan Extension, Yichang, Wuhuang
Resumption of production or operation or economic changes	Meiguan, Jihe, Coastal, Qinglian, Wuhuang, Changsha Ring Road, Nanjing Third Bridge

The Company signed a transfer agreement in December 2020 in respect of 30% equity interests in Guangyun Company and 25% equity interests in Jiangzhong Company.

Outer Ring Project

It is from Coastal Expressway in the west to the interchange of Shenshan Expressway in the east (excluding Dongguan section) with the length of approximately 60km with six-lane, of which, the length of Phase I is about 50.74km and that of Phase II is about 9.35km.

Phase I of Outer Ring officially commenced operation on 29 December 2020. The average daily toll revenue in the first month was RMB2.33 million, which exceeded expectations.

Outer Ring Phase II is under full construction, while the preliminary work for Outer Ring Phase III , such as the survey and design, is being carried out.

Shenzhen Section of Guangshen Coastal Expressway (Coastal Project)

Coastal Project is a dual eight-lane expressway with a total mileage of approximately 37km. It is comprised of Coastal Phase I and Coastal Phase II. Coastal Phase I was opened to traffic on 28 December 2013. Coastal Phase II is under construction and will be opened to traffic in sections from November 2019 until 2024.

According to the newly signed agreement, Coastal Project continues to implement the 50% discount policy for trucks passing through the Coastal Project from 1 January 2021 to 31 December 2024. Based on the actual traffic volume, the government will pay the Group a one-off compensation for the previous year in March of the following year.

It enjoys an excellent geographical location and an economically vibrant neighborhood region. Its operational performance is undergoing a period of rapid growth.

Reconstruction and Expansion of Jihe Expressway

The reconstruction and expansion of Jihe Expressway was granted the approval by the Development and Reform Commission of Guangdong Province in the end of 2020 and the feasibility plan of the project was reviewed and approved by the Ministry of Transportation. According to the current plan, the reconstruction and expansion of Jihe Expressway will be carried out in accordance with the double-decker composite channel scheme (8+8 lanes), using prefabricated industrial construction methods. The model of investment and financing of the Jihe Expressway reconstruction and expansion project is still under negotiation, and the construction period is expected to be about 5 years.

Shenshan Second Expressway

According to the current plan, Shenshan Second Expressway is planned to be constructed with four lanes in each direction and will be completed in two separate phases, including the Shenzhen section branch line of Outer Ring Expressway (Daya Bay - Pingshan) with a construction length of approximately 15.28km, on which the Company is conducting preliminary research; and the Huidong branch line of Western Shenshan Expressway (Shenshan Special Cooperation Zone - Huidong County) with a construction length of approximately 25.24km to be constructed in the far future. The above branch lines will be connected by the existing Huishen Coastal Expressway with a length of approximately 31.7km.

Reconstruction and Expansion of Yangmao Expressway

Yangmao Expressway started the four-to-eight-lane reconstruction and expansion construction in mid-2018 with a total approved estimated budget of RMB8 billion (of which Shenzhen Expressway contributes RMB700 million according to its proportion of shares). As at the end of 2020, approximately 46% of the reconstruction and expansion of Yangmao Expressway has been completed. It is scheduled to be completed in 2022.

Toll Highway

Engineering Development Company

In May 2020, Operation Development Company, a wholly-owned subsidiary of the Group, acquired 60% of the equity interest in Guangdong Boyuan Construction Engineering Co., Ltd. at a consideration of RMB6.99 million. It was renamed as Shenzhen Expressway Engineering Development Co., Ltd. ("Engineering Development Company") in September 2020.

Engineering Development Company possesses a grade two general contractor qualification for road construction. It also has leading professional and technological advantages and extensive experience in operation management in the field of highway maintenance. The acquisition will help the Group to expand its businesses relating to the upstream and downstream industrial chains such as highway and municipal road maintenance and construction, acquire more types of construction projects in Shenzhen and other areas, and thus developing its core competitiveness in the segments of comprehensive highway management and maintenance

Architecture Technology Company

In November 2020, Construction Company, a wholly-owned subsidiary of the Group, has set up a joint venture called Shenzhen Expressway Architecture Technology Development Company Limited ("Architecture Technology Company") with China Power Construction South Investment Co., Ltd. and China Railway 23rd Bureau Group Co., Ltd.. The registered capital of Architecture Technology Company is RMB40,000,000. Among them, Construction Company holds 51% of the equity interest, while the other two parties each hold 24.5% of the equity interest.

Prefabricated construction is in line with the future development trend of the traffic construction sector. Leveraging the equipment and technological advantages of the cooperating parties, Architecture Technology Company will build a production base for prefabricated construction parts. Coupled with the construction requirements of the reconstruction and expansion of Jihe Expressway, it will generate synergies with the Group's toll highway business, which will be beneficial to enhancing the core advantages of the Group's main businesses.

Lande Environmental

Environmental Company, a wholly-owned subsidiary of the Group, at the price of RMB5.06 per share, has acquired and subscribed for a total of 158 million shares (including the acquisition of 72,734,600 shares and the subscription of 85 million new shares) in Lande Environmental, representing a shareholding ratio of approximately 67.14%. Lande Environmental has been included into the consolidated financial statements of the Group since 20 January 2020 and is now renamed as Shenzhen Expressway Lande Environmental Technology Group Holdings Co., Ltd..

Lande Environmental is currently an important enterprise in the field of comprehensive treatment, construction and operation of organic waste in the PRC. It possesses the capabilities of technology research and development, equipment manufacturing, integration and sales, investment and construction, operation and maintenance throughout the industry chain. As of the end of December 2020, it has a total of 17 organic waste treatment projects under BOT/PPP model, most of which are located in cities with better economic development, have relatively long concession period, and are able to generate relatively stable returns.

Affected by the epidemic, the operating income of the waste treatment business of Lande Environmental recorded a slight YOY increase. Its EPC construction business recorded a significant YOY growth and its manufacturing and sales and other businesses also recorded growth in 2020.

The Group increased its research and development investment in Lande Environmental. Lande Environmental obtained nine new patents in 2020 and Lande Environmental Technological Research Institute was set up in December 2020 upon approval.

Guangming Environmental Park

The Company won the bid for the Guangming Environmental Park Project on February 2021 through an open tender.

Guangming Environmental Park Project is located in Guangming District, Shenzhen. The project will be developed into a treatment plant with a processing capacity of 1,000 tons/day for kitchen waste, bulky garbage (abandoned furniture) and greening garbage. The project shall be implemented under the BOT model. The proposed concession period of the project is 10 years. The concession can be extended for 5 years with the approval of the district government. The static total investment of the project is estimated to be approximately RMB708 million.

Qiantai Company

Infrastructure and Environmental Protection Company, a wholly-owned subsidiary of the Group, acquired 50% of equity interests in Qiantai Company with a total capital contribution of RMB225 million by way of capital increase and transfer. Qiantai Company has been included in the consolidated financial statements of the Group since 16 December 2020.

Qiantai Company possesses qualification for dismantling and recycling of new energy vehicles and is principally engaged in electric-vehicle battery recycling business and vehicle scrapping business. Owning over 10 independent intellectual property rights related to key technologies of electric-vehicle battery recycling and dismantling and recycling of new energy vehicles, Qiantai Company possesses relatively strong integrated strength in the field of scrapping new energy vehicles and electric-vehicle battery technologies as well as in the upstream and downstream markets. It has obtained two new technological patents in 2020.

With the acquisition of controlling interests in Qiantai Company, the Group will be able to capture the opportunities in emerging market development by promptly entering the sector of dismantling and recycling of new energy vehicles, treatment of solid and hazardous waste from electric-vehicle batteries and post-market recycling and application.

Others

The Group will demonstrate the regional advantages and resources advantages of the Company. It will gradually establish a comprehensive service system integrating cleaning and treatment of household waste. On this basis, the Group will also expand into the upstream and downstream industrial chain.

The Group also proactively conducted site visits and negotiations in respect of research and investment projects regarding treatment of industrial hazardous waste and sewage in the field of industrial environmental protection. In conjunction with the regional expansion strategy, the Group will participate in comprehensive urban development and construction and seek opportunities in strategically expanding into the area of construction and operation of environmental protection projects such as municipal sanitation integration and treatment of industrial solid waste.

Nanjing Wind Power

Nanjing Wind Power performed the delivery plan on schedule and achieved its annual performance targets by improving the coordination and management of the supply chain, optimizing the production process constantly, promoting the development and unleashing of production capacity of production bases.

Nanjing Wind Power focuses on the long-term deployment layout and actively developed projects in reserve to make preparation in advance for business development in the future.

Baotou Nanfeng

The Group entered into an agreement to acquire the remaining 33% of equity interests in Baotou Nanfeng at the price of RMB0.33 on 1 March 2021. After the acquisition, the Company will hold 100% of equity interest in Baotou Nanfeng in total.

With the increasing demand of power supply in Mengxi Region and stable local policies on wind power, Baotou Nanfeng recorded an aggregate on-grid power supply of 644,131MWh in 2020, representing an increase of 11.35% as compared to the same period of the previous year.

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 subsidies for renewable energy power generation and the first subsidy fund has already been received in 2020.

New Energy Company

In August 2020, the Group established a wholly-owned subsidiary named Shenzhen Expressway New Energy Holdings Co., Ltd (“New Energy Company”) with a registered capital of RMB1.4 billion, as the Group's investment, financing and management platform for the development of new energy industry with wind power as core and photovoltaic and energy storage as ancillary.

Mulei Wind Power Project

Guangdong New Energy Company, a wholly-owned subsidiary of New Energy Company, invested a total amount of approximately RMB450 million to acquire 100% equity interest in the wind power projects named Qianzhi and Qianhui in Mulei.

The wind power projects in Mulei are located in Changji Hui Autonomous Prefecture, Xinjiang Uygur Autonomous Region with 133 wind turbines. The aggregated actual installed capacity of Qianzhi Project and Qianhui Project is 249.5 MW. Connection of power networks were completed and power generation started in the end of 2020. The approved feed-in tariff is RMB0.49/kWh.

The wind power projects in Mulei possesses abundant wind resources with a relatively high value for wind power development. It is also a project of ultra high voltage in Zhundong - Southern Anhui region with promising power consumption. The acquisition of the wind power projects in Mulei will expand the scale of the Group’s clean energy business, thereby generating sound investment returns and thus further consolidating the core capabilities and position of the Group in the wind power industry.

General Environmental Protection
- Water Environmental Remediation and Others

Derun Environment

In 2017, Environmental Company, a wholly-owned subsidiary of the Group, acquired 20% equity interests in Derun Environment. Derun Environment is a comprehensive environmental enterprise with majority owned subsidiaries including Chongqing Water and Sanfeng Environment, etc., and with major business segments including water supply and sewage treatment, waste incineration power generation and environmental restoration, etc.

On 5 June 2020, Sanfeng Environment (601827) was officially listed on SSE.

Water Planning Company

The Group holds 15% equity interests in Water Planning Company. In 2020, Water Planning Company had abundant orders and the accumulated value of newly signed contracts completed during the year was nearly RMB1.5 billion, representing an increase of approximately 14% as compared to the same period of the previous year and a continuous growth of market share. Water Planning Company has been granted the approval for offering and listing on the ChiNext Market of the Shenzhen Stock Exchange in January 2021.

Projects in Longli Guizhou

Relying on BT Projects of Guilong Road and Duohua Bridge, from 2012 up to the Reporting Date, the Group has successfully won the bids for parcels of land in Longli, Guizhou with an area of approximately 3,037 mu (approximately 2.02 million square meters), including approximately 2,770 mu of Guilong Project land with a transaction amount of approximately RMB960 million, and approximately 268 mu of Duohua Bridge Project land with a transaction amount of approximately RMB147 million.

Guilong Project

The interests in approximately 1,610 mu (approximately 1.073 million square meters) have been transferred in batches from 2016 to 2019, with a total transaction amount of approximately RMB 897 million.

1,075 mu (approximately 717,000 square meters) has been conducted secondary self-development as Shenzhen Expressway Interlaken Town:

Phase I (approximately 247 mu, equivalent to 164,000 square meters) has been developed. A total of 313 sets of villas have been delivered and the revenue of RMB679 million has been recognized.

Phase II (approximately 398 mu, equivalent to 265,000 square meters) is under development. Among which, Stage I launched 238 sets of villas, all of which have been fully delivered for use, and payments have been received. Stage II launched 95 sets of commercial supporting property, of which 57 sets have been contracted for sale and delivered for use, and payments have been received.

Phase III (approximately 485 mu, equivalent to 323,000 square meters) is under development. Among which, Stage I launched 271 sets of villas, of which 228 have been contracted for sale and payments have been received. As at the end of 2020, 132 sets of houses have been delivered. Stage II would launch 244 sets of commercial supporting property and is expected to be completed by the end of 2021. Stage III would launch over 1,200 sets of houses, of which 12 sets have been contracted for sale and payments have been received. It is expected to be completed in mid-2022.

The remaining land is under planning.

Duohua Bridge Project

Duohua Bridge Project is a BT project with a total length of about 2.2km. The major construction work of the project is the construction of Duohua Bridge. The total

Meilin Checkpoint Renewal Project

The land area of the land parcels is approximately 96,000 square meters and the land is for residential and commercial purposes with building area capacity of no more than 486,400 square meters (including public affiliated facilities, etc.). The land price of the project land parcel is about RMB13,000.00 per square meter.

The project was determined to adopt the “entrusted development” model. The equity interests of XTC Company (a wholly-owned subsidiary of Shenzhen International), Shenzhen Expressway and Vanke are 35.7%, 34.3% and 30%, respectively.

The Meilin Checkpoint Renewal Project will be developed in three phases. Phase I comprises residential units with a saleable area of approximately 75,000 square meters and affordable housing with an area of approximately 42,000 square meters; Phase II comprises residential units with a saleable area of approximately 68,000 square meters Phase III will comprise residential units with an estimated saleable area of approximately 63,000 square meters and a complex building of office and business apartment with an area of approximately 190,000 square meters. In addition, the project has reserved approximately 34,500 square meters as commercial supporting property in its overall planning.

As at the end of 2020, 832 sets of houses of Phase I Hefengxuan have all been sold and paid back with a confirmed profit of about RMB377 million in 2019; 683 sets of houses of Phase II Heyaxuan have all been sold and basically paid back with a confirmed profit of about RMB396 million in 2020; the acquisition rate of 630 sets of houses of Phase III Hesongyuan reached 88%.

Other Infrastructure
- Entrusted Management & Others

Entrusted Management

Entrusted construction management projects: Outer Ring Project, Cargo Organization Adjustment Project, Longhua Municipal Section Project, Shenshan Environmental Park Project, Duohua Bridge Project and Bimeng Project, etc.

Entrusted operation management projects: Longda Expressway, the Four Expressways (Nanguang Expressway, Yanba Expressway, and Longda Expressway), etc.

Others

One Apartment, etc.

Industrial - Financial Integration 1

Bank of Guizhou

The Group held a total of around 502 million shares in Bank of Guizhou, which accounted for approximately 3.44% of its total share capital.

Bank of Guizhou has a sound cash dividend capability and huge room for development. It was listed on the HKEx on 30 December 2019.

Financial Leasing Company

The Group acquired 48% equity interests in Financial Leasing Company held by SZ International at the consideration of RMB152 million (including debt obligations of RMB129 million). Financial Leasing Company has been consolidated into the financial statements of the Group since 15 April 2020.

The principal businesses of Financial Leasing Company comprise financial leasing services and commercial factoring business. The acquisition of Financial Leasing Company enables the Group to give full play to its financing

Fund Management Company

Established in December 2017 as the Group's channel for expanding the financing models in the transport infrastructure industry and environmental protection industries and a platform for incubating the projects.

In order to effectively consolidate its resources, expand the fund-raising channels and establish a market-oriented talent management system, two strategic investors, namely Shanghai Zezhen Investment Management Co., Ltd. and Shenzhen Kangrui Dibo Investment Co., Ltd., were introduced in September 2020. The Group has a shareholding of 51%, while the two strategic investors have a shareholding of 49% in aggregate.

Environmental Technology Industry M&A Fund

On 14 April 2020, six parties, including the Company and Shengchuang Investment, jointly invested in the establishment of Environmental Technology Industry M&A Fund. Its total capital contribution is RMB1 billion, of which, the Company contributes an amount of RMB450 million.

It focuses on four types of operational projects, comprising treatment of industrial hazardous waste, treatment of solid waste, treatment of sewage and the new energy of wind power.

It has carried out investment research on a number of projects. In June 2020, its partners completed the first tranche of capital contribution totaling RMB300 million, among which, the Company contributed an amount of RMB135 million.

State-owned Assets Collaborative Development Fund

On 17 August 2020, eight parties, including the Company and Shenzhen Kunpeng Zhanyi Equity Investment Management Co., Ltd., jointly established State-owned Assets Collaborative Development Fund with a target raising scale of RMB4.01 billion, of which the Company contributes an amount of RMB300 million, accounting for 7.48% of the total contribution.

It focuses on areas of utilities including environmental protection, new energy and infrastructure, as well as financial and strategic emerging industries, which will generate synergies with the industrial development of Shenzhen Expressway.

Vanho Securities

The Company invested an amount of approximately RMB950 million for subscription of approximately 8.68% of the enlarged equity interest in Vanho Securities.

Vanho Securities is a comprehensive securities firm with full license controlled by the Shenzhen SASAC. Its principal business has been developing steadily.

The Company's participation in the capital increase and share subscription project of Vanho Securities can, on one hand, allow the Company to share the development results in the PRC capital market and obtain certain investment income; while on the other, allow the Company to cooperate with State-owned enterprises in Shenzhen, share high-quality project resources and enhance the Company's industry-finance integration business.

Other Businesses

Advertising Company

The Group is engaged in the businesses of billboard leasing, advertising agency, design production and related businesses alongside the toll highways and at the toll stations through its wholly-owned subsidiary, Advertising Company.

Consulting Company

Consulting Company, held as to 24% by the Company, is a professional engineering consulting company with independent legal status. Its business scope covers pre-consultation, survey and design, tendering agency, cost consulting, engineering supervision, engineering experiment and testing, maintenance consulting, etc., with the qualification and capability of providing consulting services to the whole process of investment and construction of engineering project.

Guangdong UETC

Guangdong UETC, held as to 9.18% by the Company, is principally engaged in electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sales of related products.

Operating Environment & Conditions in 2021

External Environment

The "14th Five-Year" plan formulated by the state and Shenzhen has created huge room for the Company's development, such as improvement of the comprehensive transport networks, acceleration of the connection between urban clusters and rail transit network in the metropolitan circle, significant results in green transformation of production and lifestyle and more reasonable allocation of energy and resources, etc.

A series of policies have brought historic opportunities for state-owned enterprise reform and regional development.

Industry Level

China's expressway industry will turn from the incremental era to an era of stable development. It is expected that the existing toll highways will maintain relatively stable and reasonable investment returns as a whole, while new construction projects may face challenges such as rising costs and longer period of development.

The state’s policies of encouraging environmental protection and new energy industries have been promulgated continuously. The development trend of environmental protection and new energy industries has been consistently positive for a long time. Organic waste, industrial hazardous waste, clean energy and other fields will usher in a new round of development opportunities, but the market competition will become more intense.

Company Level

The Company's strategic transformation has achieved results, and the dual-wheel driving pattern of the toll road + general environmental protection has basically been established.

The Company has drawn up the draft of its Strategic Development Plans for the 14th Five-Year Plan.

Strategic Development Plans for the 14th Five-Year Plan

Objectives & Priorities for 2021 - 1

Operating Targets

A total revenue target for 2021 of exceeding RMB10 billion, with the total of operating costs, management expenses and selling expenses (excluding depreciation and amortization) of approximately RMB4.5 billion.

It is expected that the average borrowing scale and the financial cost of the Group will increase on a YOY basis.

Toll Highway Business

Continue to optimize the operation management system under the ETC model.

Increase the overall profit of projects in operation.

Promote the research and negotiation on financing plans for the reconstruction and expansion of Jihe Expressway.

Promote the construction management of projects under construction and the preliminary work of the proposed projects.

Increase the application of information technology.

Environmental Protection Business

Focus on recovery and solid waste and the clean energy sector.

Promote construction of the existing projects and acquisition of new projects, increase the market share and influence of the Group in the sub-sectors of organic waste treatment and scrap vehicle dismantling.

Seek for appropriate investment opportunities of the clean energy industry chain, enhance the management and carrying out works in relation to resource integration of existing wind power projects to secure proper completion of production missions.

Make full use of the financial instruments and financial resources provided by fund management platforms within the Group and Financial Leasing Company to actively explore the development of industry-finance integration.

Objectives & Priorities for 2021 - 2

Financial Management

Strengthen the Group's classification management and financial management on the invested companies, and optimize the authorization management system based on the characteristics of different invested enterprises.

Strengthen capital planning and management, implement budget and medium and long term forecast management, and coordinate on financial resources.

Closely monitor the changes in monetary policies and the financing environment, analyze different types of financial instruments, and actively explore new financing channels to enrich the capital source of the Company.

Maintain sound fund management and financing to reduce financing costs and ensure financial safety.

Corporate Governance

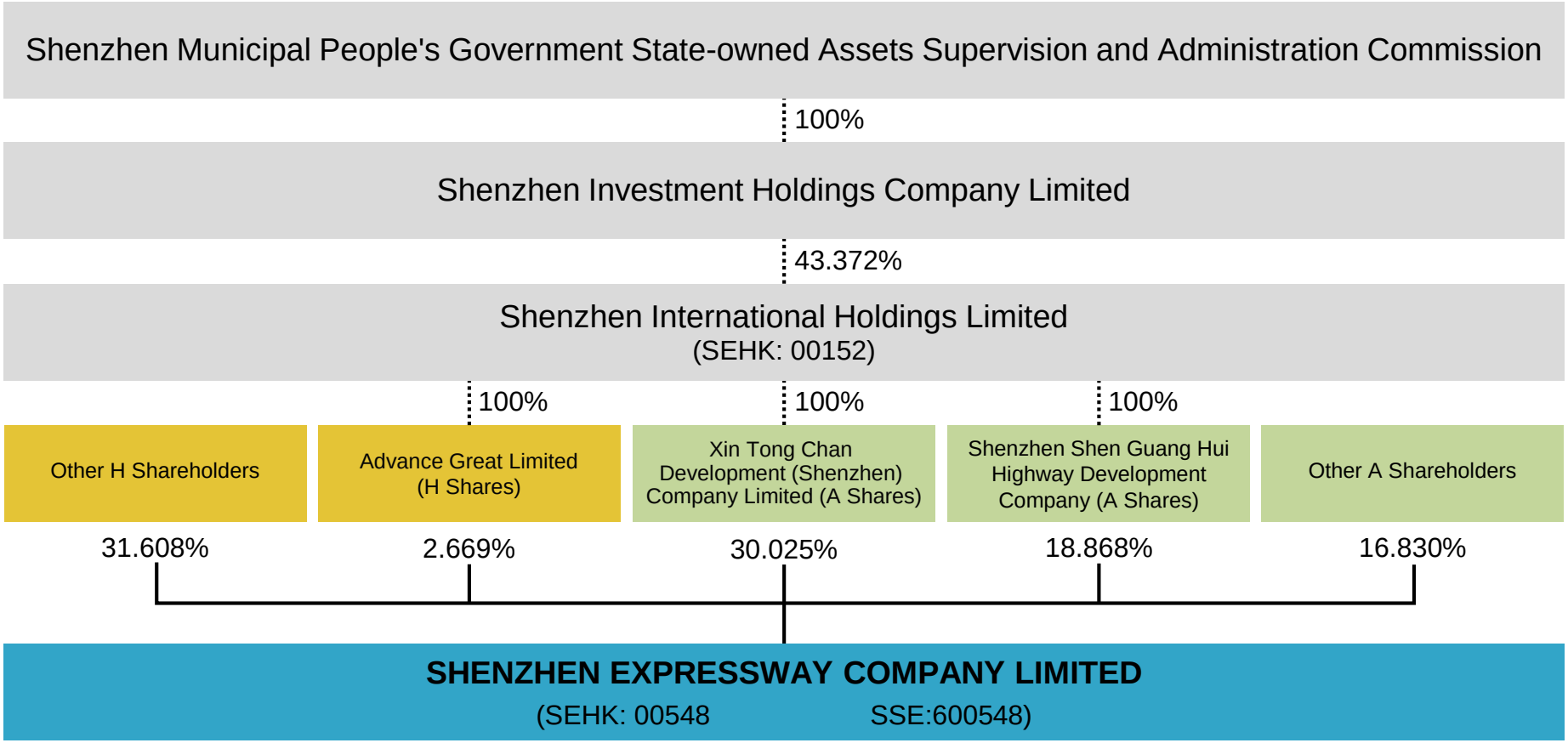
Capitalize on the comprehensive reform of state-owned enterprises and actively innovate on new mechanisms.

Adhere to the principles of good corporate governance and further improve corporate governance and other management systems.

Further improve the transparency of the Company and optimize the multi-level incentive and restraint system.

Appendix

Shareholding Structure



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%.

Business Structure

Shenzhen Expressway Company Limited

Toll Highway Business

- 100% Meiguan Expressway
- 100% Jihe East
- 100% Jihe West
- 100% Coastal Project
- 100% Outer Ring Project
- 89.93% Longda Expressway
- 50% Shuiguan Expressway
- 40% Shuiguan Extension
- 76.37% Qinglian Expressway
- 25% Yangmao Expressway
- 25% GZ W2 Expressway
- 100% Wuhuang Expressway
- 100% Yichang Project
- 51% Changsha Ring Road
- 25% Nanjing Third Bridge

Environmental Business

- 100% Wind power projects in Mulei
- 100% Baotou Nanfeng
- 67.14% Lande Environmental
- 51% Nanjing Wind Power
- 20% Derun Environment
- 15% Water Planning Company

Entrusted Management and Other Infrastructure Development

Financial Business

Other Businesses

- Advertising
- Engineering Consulting
- Inter-network Toll Collection

Icon:

- Shenzhen region in Guangdong Province
- Other regions in Guangdong Province
- Other provinces in the PRC

- Consolidated project
- Non consolidated project

Toll Highway Projects Summary

Toll Highway	Interest Held by the Company	Location	Toll Mileage (km)	No. of Lanes	Status
Meiguan Expressway	100%	Shenzhen	5.4	8	Under operation
Jihe East	100%	Shenzhen	23.7	6	Under operation
Jihe West	100%	Shenzhen	21.8	6	Under operation
Shuiguan Expressway	50%	Shenzhen	20.0	10	Under operation
Shuiguan Extension	40%	Shenzhen	6.3	6	Under operation
Coastal Project	100%	Shenzhen	36.6	8	Phase I: Under operation Phase II: Under construction
Outer Ring Project	100%	Shenzhen	60.0	6	Phase I: Under operation Phase II: Under construction
Longda Expressway Note	89.93%	Shenzhen	4.426	6	Under operation
Yangmao Expressway	25%	Guangdong	79.8	4	Under operation
GZ W2 Expressway	25%	Guangdong	40.2	6	Under operation
Qinglian Expressway	76.37%	Guangdong	216.0	4	Under operation
Wuhuang Expressway	100%	Hubei	70.3	4	Under operation
Yichang Expressway	100%	Hunan	73.1	4	Under operation
Changsha Ring Road	51%	Hunan	34.7	4	Under operation
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Under operation

Note: The Company completed the acquisition of 89.93% equity interest in Longda Expressway on 1 December 2020.

Environmental Projection Projects Summary

Environmental Projection Project	Interest Held by the Company	Project Location	Capacity / Business Characteristics	Consolidation / Acquisition Time
Lande Environmental	67.14%	Nationwide	Designed treatment capacities of kitchen waste: 4,000-5,000 tons/day	January 2020
Guangming Environmental Park	-	Shenzhen	Treatment capacities of kitchen waste: 1,000 tons/day Treatment capacities of large pieces waste (wasted furniture): 100 tons/day Treatment capacities of greening waste: 100 tons/day	February 2021 (winning bid)
Qiantai Company	50%	Shenzhen	Owning over 10 independent intellectual property rights related to key technologies of electric-vehicle battery recycling and scrapping new energy vehicles	December 2020
Nanjing Wind Power	51%	Nationwide	Specializing in renewable and new energy wind power generation business, and possessing the technological capacity to self-develop and producing large scale wind power generating units, as well as the experience and ability to develop, construct, operate and manage wind farms	April 2019
Baotou Nanfeng	100%	Baotou	Total installed capacity: 247.5 MW	September 2019
Mulei Wind Power Project (Qianzhi, Qianhui)	100%	Changji Hui Autonomous Prefecture, Xinjiang Uygur Autonomous Region	Aggregated actual installed capacity: 249.5MW	January 2021 (signing)
Derun Environment	20%	Chongqing / Nationwide	A comprehensive environmental enterprise with majority owned subsidiaries including Chongqing Water and Sanfeng Environment, etc., and with major business segments including water supply and sewage treatment, waste incineration power generation and environmental restoration, etc.	May 2017 (signing)
Water Planning Company	15%	Shenzhen	A comprehensive survey and design organization for integrated water planning, and possessing a number of A-grade qualifications in areas such as water conservancy industry, municipal water supply and drainage, comprehensive engineering survey and other types of surveying etc.	July 2017 (signing)

Average Daily Toll Revenue for Five Years

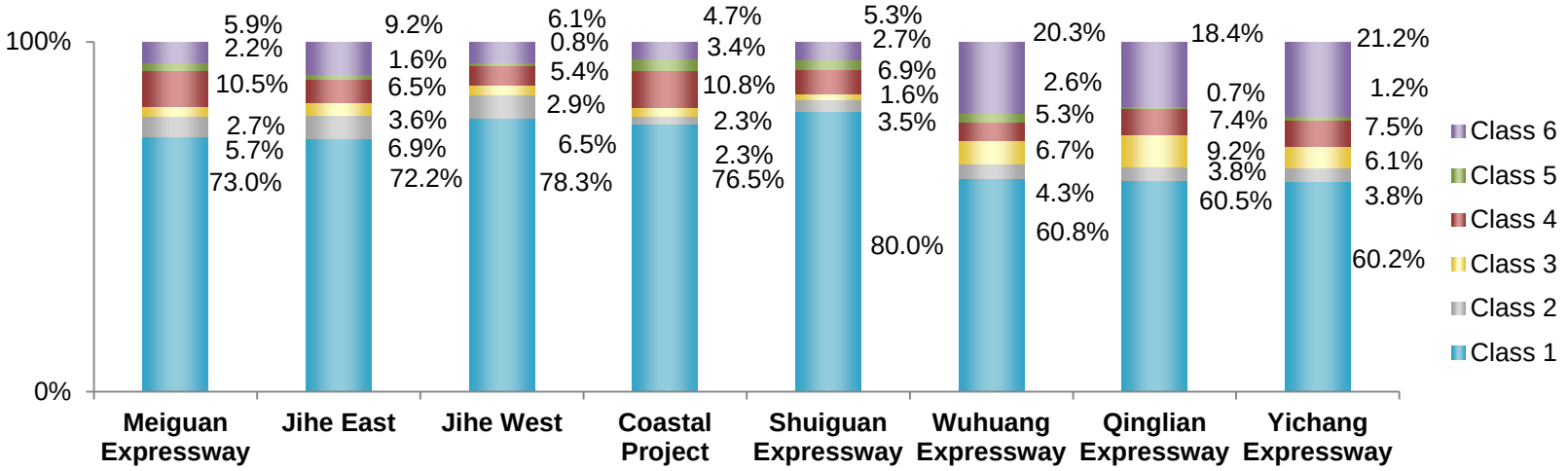
(RMB '000)	2016	2017	2018	2019	2020
Shenzhen region in Guangdong Province					
Meiguan Expressway	311.3	336.3	350.9	382.9	392.6
Jihe East	1,767.1	1,962.0	2,076.4	2,104.8	2,012.0
Jihe West	1,641.7	1,729.4	1,794.4	1,829.5	1,680.4
Shuiguan Expressway	1,692.9	1,762.8	1,738.1	1,786.4	1,658.5
Shuiguan Extension	299.5	314.3	328.6	331.0	252.8
Coastal Project Note 1	N/A	1,093.1	1,273.5	1,459.1	1,498.4
Other regions in Guangdong Province					
Qinglian Expressway	1,834.9	2,016.5	2,084.1	2,293.2	2,274.5
Yangmao Expressway	1,800.3	1,819.5	1,770.5	1,524.0	1,293.6
Guangwu Project	1,024.8	832.1	868.6	796.1	786.9
Jiangzhong Project	1,132.6	1,249.3	1,312.9	1,249.5	1,174.6
GZ W2 Expressway	1,073.8	1,343.2	1,653.2	1,597.1	1,543.5
Other provinces in the PRC					
Wuhuang Expressway	939.0	1,004.9	1,055.5	1,130.2	1,059.5
Changsha Ring Road	311.9	373.4	394.6	427.8	511.5
Nanjing Third Bridge	1,097.8	1,269.7	1,341.4	1,393.2	1,516.9
Yichang Expressway Note 2	-	1,157.3	1,119.1	1,105.5	1,065.8

Note 1: As the Company completed the acquisition of 100% equity interests in Coastal Company in February 2018, Coastal Company has been consolidated into the Group's financial statements since 8 February 2018.

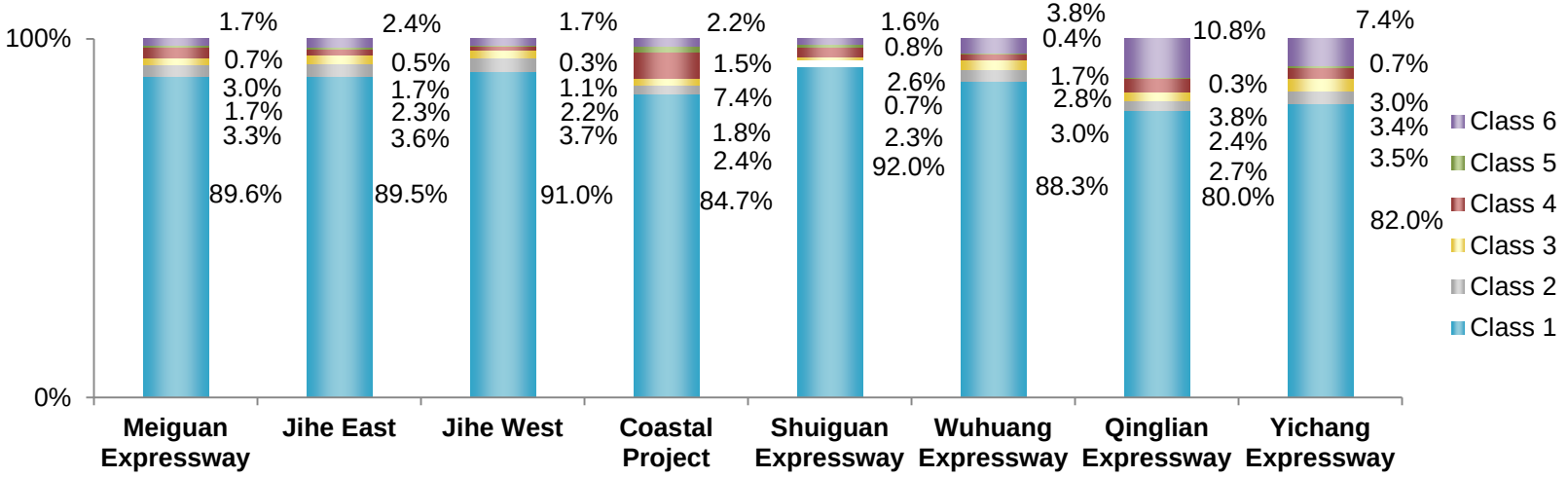
Note2: As the Company completed the acquisition of 100% equity interests in Yichang Company in June 2017, Yichang Company has been consolidated into the Group's financial statements since 15 June 2017.

Vehicle Category of Major Highways in 2020

By revenue

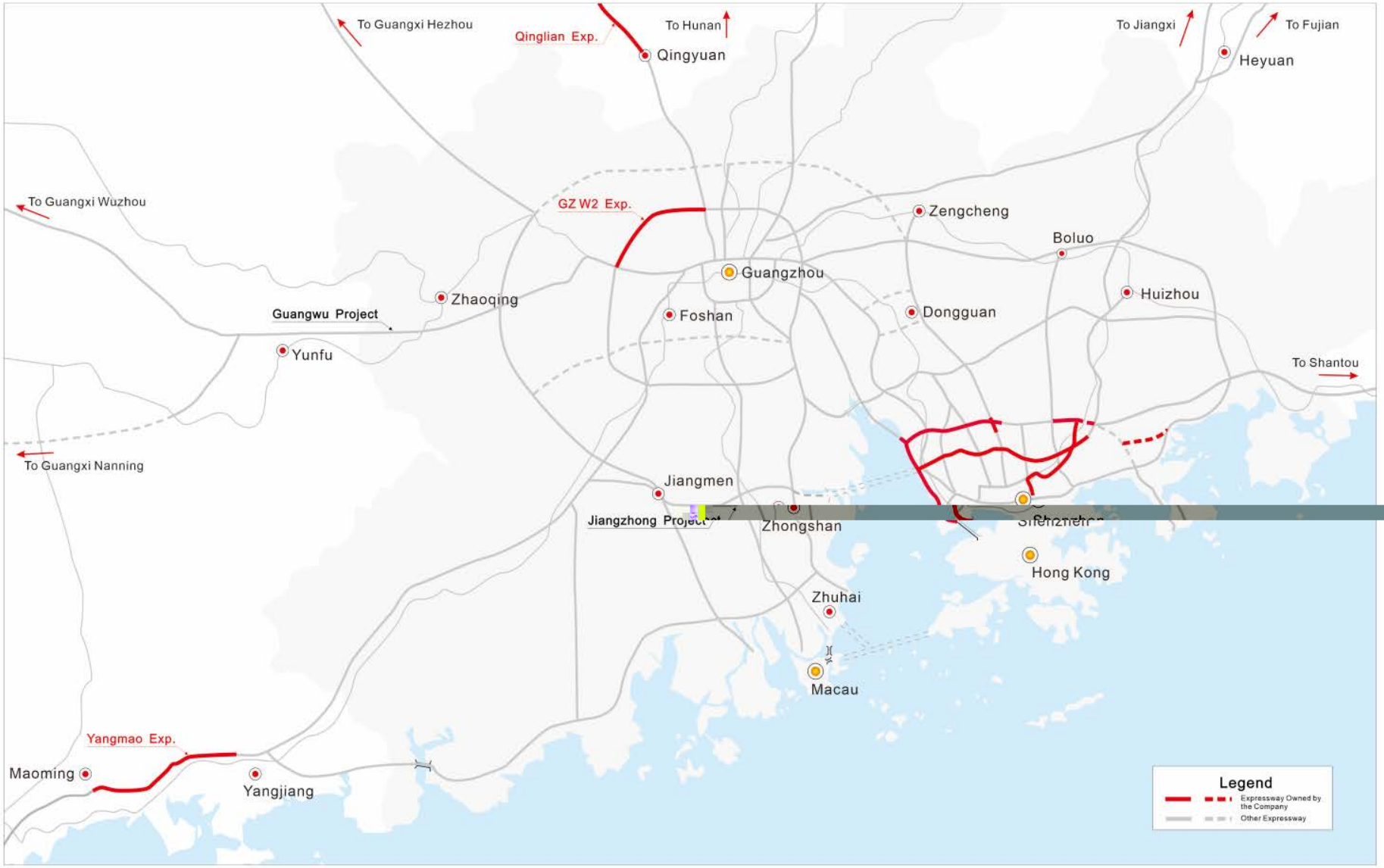


By traffic volume



Road Network of Shenzhen

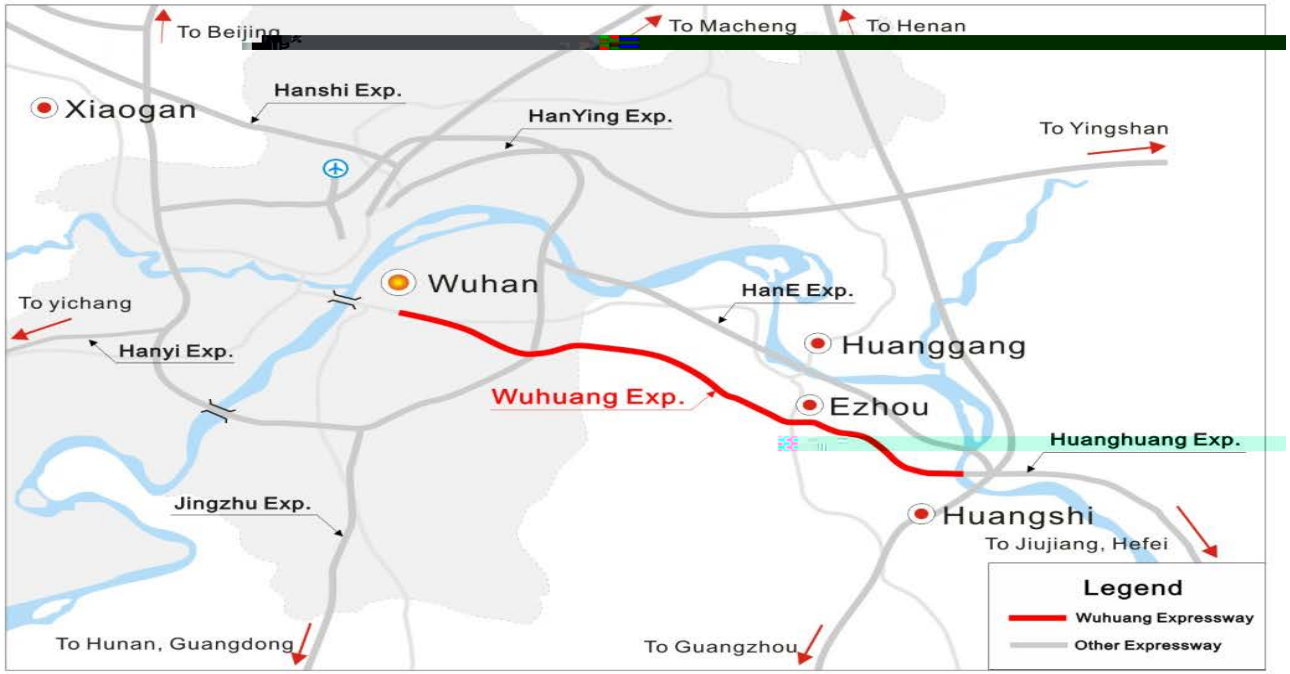
Road Network of Pearl River Delta



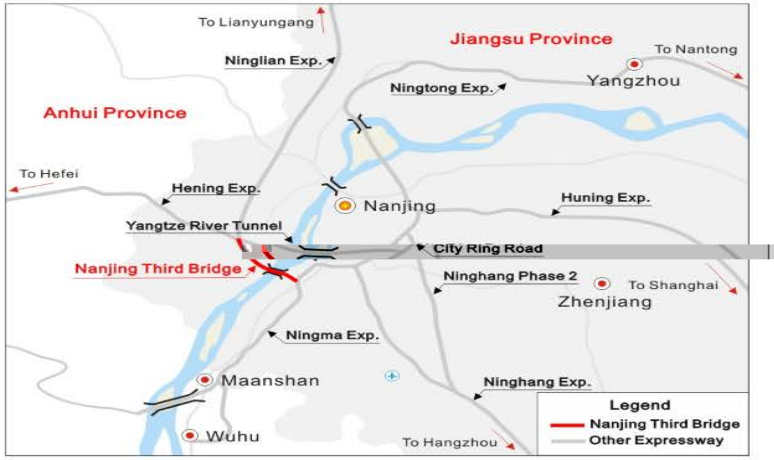
Road Network of Qinglian Expressway

Road Network of Yichang Expressway

Road Network of Wuhuang Expressway



Road Network of Nanjing Third Bridge



Road Network of Changsha Ring Road

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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