SHENZHEN EXPRESSWAY COMPANY LIMITED

Stock code: 00548(SEHK) 600548(SSE)

2019 Annual Results

18 March 2020

Contents

[redacted]

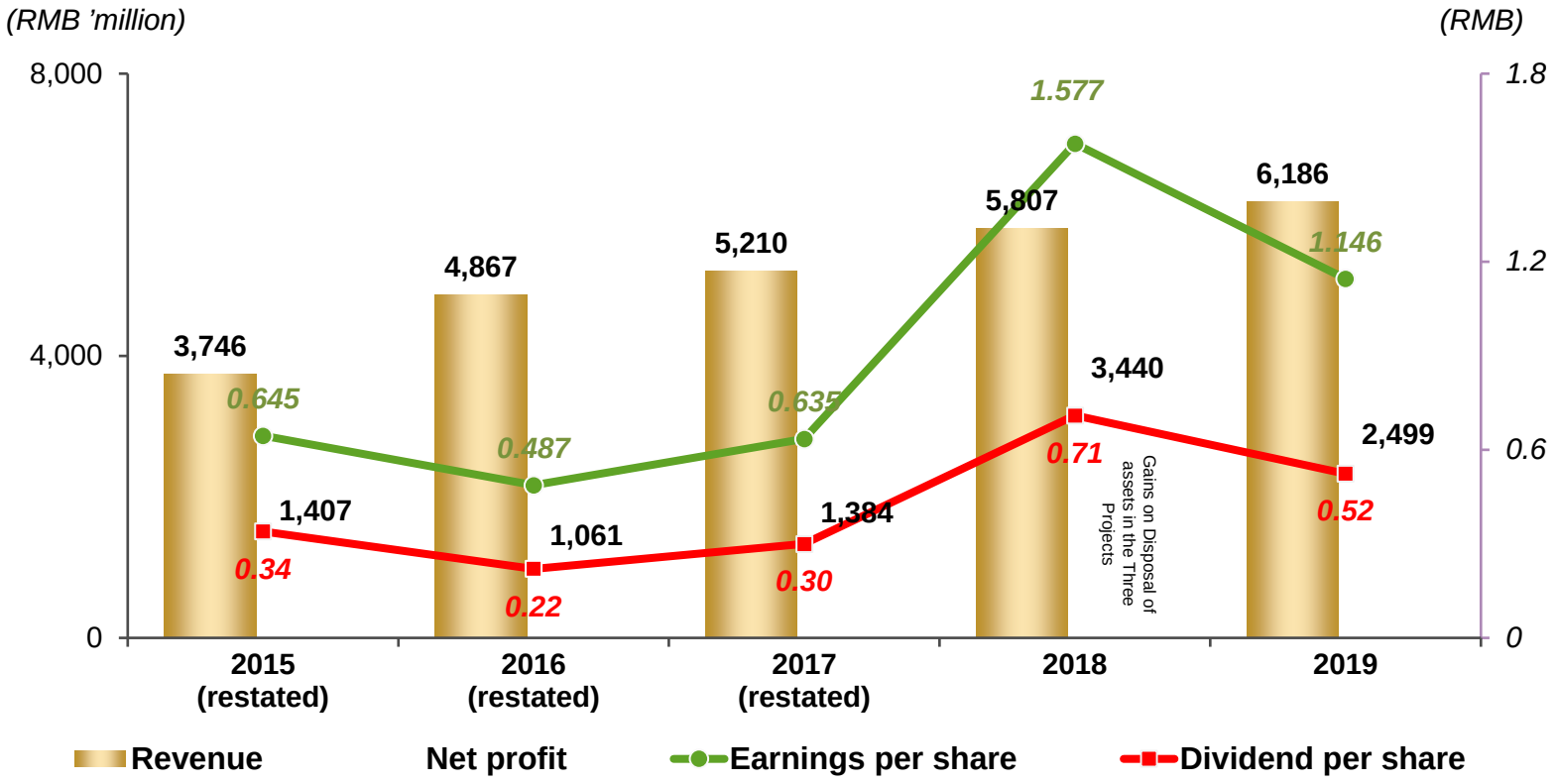
Business Review

Plans for 2020

Appendix

Financial Analysis

Financial Highlights



- Due to the consolidation of Coastal Company into the Group as a jointly controlled entity and according to relevant accounting policy requirements, the Company adjusted the data of consolidated financial statements before 2018 retrospectively.

Financial Analysis
- Income Highlights

	2019	2018	Change in Amount	Change
Net profit attributable to owners of the Company *(RMB 'million)*	**2,499**	3,440	-941	-27.34%
Earnings per share (EPS) *(RMB)*	**1.146**	1.577	-0.431	-27.34%
Return on equity – weighted average (ROE) *(%)*	**14.14%**	22.85%	-8.71 p.pt	
Excluding non-recurring items *Note* ***:***				
Net profit attributable to owners of the Company *(RMB 'million)*	***2,244***	*1,538*	*+706*	*+45.89%*
Earnings per share *(EPS) (RMB)*	***1.029***	*0.705*	*+0.324*	*+45.89%*
Return on equity – weighted average *(ROE) (%)*	***12.62%***	*10.91%*	*+1.71* p.pt	

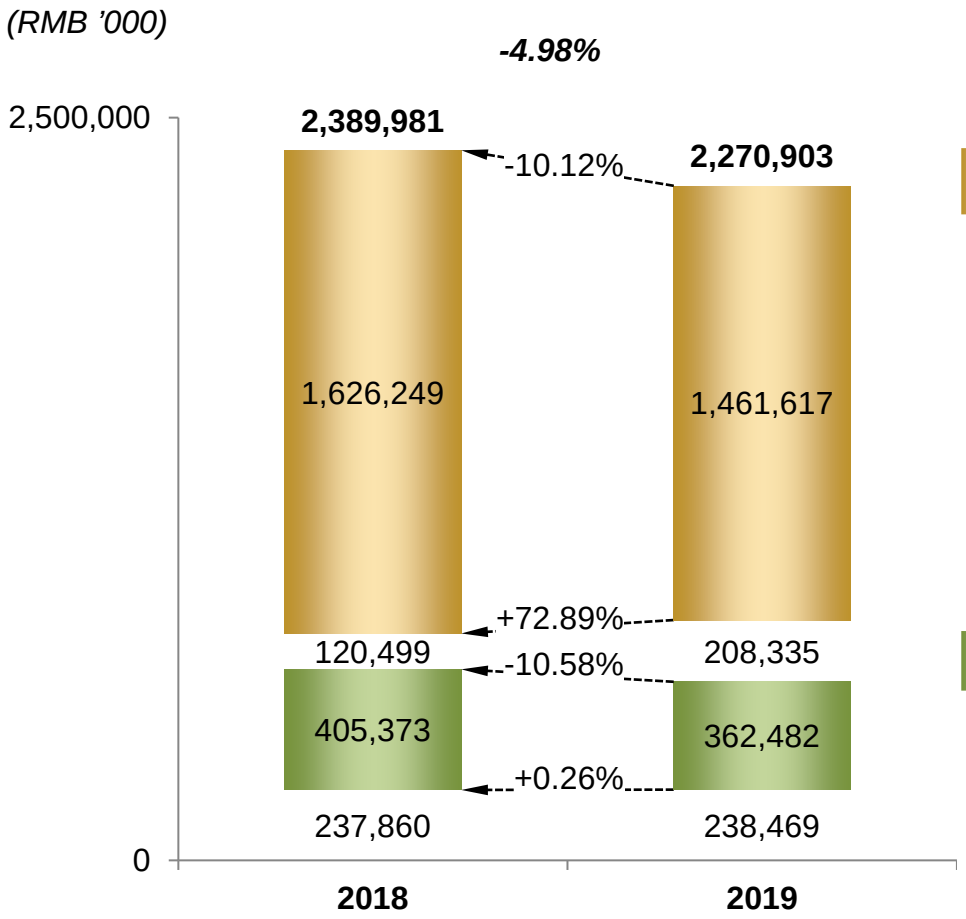
Note: The non-recurring items of 2019 mainly include equity transfer income recognized from transfer of equity and debt of 4 subsidiaries including Guizhou Shengbo, fair value change proceeds from the equity interests in Water Planning Company and Guangdong UETC, gains from completion of foreign currency swaps, gains from adjustment of the contingent consideration of the acquisition of Shuiguan Expressway, etc.

Financial Analysis
- Revenue, Cost & Expenses

	2019 (RMB 'million)	2018 (RMB 'million)	Change in Amount (RMB 'million)	Change
Revenue	**6,186** Note 1	5,807	+379	+6.52%
Toll highways	***4,569***	*5,066*	-497	*-9.81%* Note 2
Entrusted management services	**376**	*246*	+130	*+52.85%* Note 3
Real estate development	**457**	*286*	+171	*+59.94%*
Revenue from sales of wind power equipment	**511**	-	+511	*N/A*
Revenue from wind power generation	**88**	-	+88	*N/A*
Advertising and others	**184**	*209*	-25	*-11.74%* Note 4
Cost of services	**3,500** Note 5	2,858	+641	*+22.44%*
Toll highways	**2,271**	*2,390*	-119	*-4.98%*
Entrusted management services	**357**	*184*	+173	*+94.00%* Note 3
Real estate development	**255**	*174*	+82	*+47.00%*
Revenue from sales of wind power equipment	**396**	-	+396	*N/A*
Revenue from wind power generation	**34**	-	+34	*N/A*
Advertising and others	**187**	*111*	+76	*+68.56%*
General and administrative expenses	**351**	210	+141	*+67.30%* Note 6

Note 1: Excluding the effect of the toll revenue from the Three Projects for the corresponding period of last year, the comparable revenue increased by 21.78% YOY.
Note 2: Excluding the effect of the toll revenue from the Three Projects for the corresponding period of last year, the comparable toll revenue increased by 5.32% YOY.
Note 3: Both revenue and cost from entrusted management service increased YOY, mainly due to the progress of the entrusted construction projects and the newly-added entrusted management and maintenance services for Nanguang, Yanpai, Yanba and Longda Expressways (the "Four Expressways").
Note 4: Mainly due to the decrease in revenue from advertising.
Note 5: Excluding the effect of the toll revenue from the Three Projects for the corresponding period of last year, the comparable cost of services increased by 32.65% YOY.
Note 6: Mainly due to the increase in the number of managerial staff, the increase in the withdrawal of profit increment based bonus for the year, and the consolidation of Nanjing Wind Power into the financial statements.

Financial Analysis
- Operating Costs from Toll Highways



Depreciation and amortization

- The Three Projects were repurchased by the government.

Road maintenance expenses

- The reversal of the balance of provision for road maintenance responsibility of Nanguang Expressway and Yanpai Expressway for the corresponding period last year.

Employee expenses

- The Three Projects were repurchased by the government.

Other business costs

Financial Analysis

- Operating Profit from Toll Highways

	Cost of Services		Operating Profit	
	2019 *(RMB '000)*	*Change in Amount* *(RMB '000)*	2019 *(RMB '000)*	Change in Amount *(RMB '000)*
Toll highway				
Qinglian	**485,484**	+53,719	**351,532**	+22,601
Jihe East	**333,416**	-77	**434,825**	+10,444
Jihe West	**136,243**	+16,892	**531,420**	-4,184
Shuiguan	**480,124**	+13,086	**171,898**	+4,530
Coastal	**285,670**	+26,687	**246,901**	+41,070
Yichang	**204,845**	+4,068	**198,673**	-9,023
Wuhuang	**210,942**	-17,696	**201,592**	+44,989
Changsha Ring Road	**54,633**	+3,783	**101,513**	+8,330
Meiguan	**79,548**	+706	**60,196**	+11,051
Total	**2,270,903**	+101,061	**2,298,551**	+129,807

Operating profit = Operating income – Operating costs

Financial Analysis

- Operating Profits from Environmental Business & Real Estate Development

	Operating Income		*Operating Costs*		Operating Profit	
	2019 *(RMB '000)*	***Change in Amount*** *(RMB '000)*	***2019*** *(RMB '000)*	***Change in Amount*** *(RMB '000)*	**2019** *(RMB '000)*	**Change in Amount** *(RMB '000)*
Guilong real estate development	**456,902**	+171,230	**255,162**	+81,585	**201,740**	+89,645
Environmental business Note 1	**598,968**	+598,968	**430,022**	+430,022	**168,947**	+168,947
Entrusted management services Note 2	**376,403**	+130,142	**356,797**	+172,877	**19,606**	-42,735

Operating profit = Operating income – Operating costs

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

Note 2: Mainly including the entrusted construction management of the toll adjustment of Meiguan Expressway and the entrusted operation management of Longda Expressway and the Four Expressways.

Financial Analysis

e - Investment Income

Item	2019 *(RMB '000)*	2018 *(RMB '000)*	Change in Amount *(RMB '000)*
Associates:			
Guangwu Project			
Yangmao Expressway			
Jiangzhong Project			
GZ W2 Expressway			
Nanjing Third Bridge			
United Land Company (Meilin Checkpoint Renewal Project)			
Derun Environment			
Other Note			

- Investment income increased by123.67% YOY, which was mainly due to the increase in the investment income arising from the recognition of the revenue of development of commercial housing of Meilin Checkpoint Renewal Project Phase I and the transfer of 810 mu Guilong land.

Note: Others are attributable to the investment income of Shuiguan Extension, Consulting Company and Bank of Guizhou.

Financial Analysis
- Financial Expenses

Item	2019 *(RMB '000)*	2018 *(RMB '000)*	Change in Amount *(RMB '000)*
Interest expenses	**734,526**	1,060,159	-325,633
Less: **Interest capitalised**	**133,609**	69,829	+63,780
Interest income	**50,849**	81,318	-30,469
Add: **Exchange loss**	**33,399**	133,365	-99,966
Others	**-10,530**	12,629	-23,159
Total financial expenses	**572,938**	1,055,006	-482,068[Note 1]

	2019	2018	Change in Amount
Comprehensive borrowing cost - nominal costs *(%)*	**4.39%**	4.66%	-0.27 p.pt
Average borrowing scale*(RMB 'billion)*	**14.8**	21.1	-63[Note 2]

Note 1: Financial expenses decreased by 45.69%, which was mainly due to the assets and liabilities being carried forward simultaneously upon the repurchase of the Three Projects by the government at the end of 2018, the decrease in interest expenses as a result of the reduction in borrowing scale, and the YOY decrease in exchange losses as foreign liabilities were affected by fluctuation in RMB exchange rate.

Note 2: Mainly due to the transfer-out of the corresponding interest-bearing liabilities under the repurchase of the Three Projects.

Financial Analysis

Assets and Liabilities Highlights

	31 December 2019 *(RMB 'million)*	31 December 2018 *(RMB 'million)*	Change in Amount *(RMB 'million)*	Change
Total equity attributable to owners of the Company	**18,375**	17,387	+988	+5.68%
Net assets per share *(RMB)*	**8.43**	7.97	+0.46	+5.68%
Total assets	**44,924**	41,101	+3,823	+9.30%
of which: ***Cash and cash equivalents***	***2,932***	*2,581*	*+351*	*+13.60%*
Total liabilities	**24,200**	21,561	+2,639	+12.24%
of which: ***Total outstanding interest-bearing liabilities***	***16,821***	*13,923*	*+2,899*	*+20.82%* Note

Note: Total outstanding interest-bearing liabilities increased by 20.82% over the end of 2018, mainly contributed to the withdrawal of project loans for the Outer Ring Project due to an increase in the construction expenditures, receipt of the shareholder loan from United Land Company and the consolidation of Nanjing Wind Power and Baotou Nanfeng into the financial statements.

Financial Analysis
Debt Ratio and Repayment

	31 December 2019	31 December 2018
Debt-to-asset ratio (Total liabilities / Total assets)	**53.87%**	52.46%
Net borrowings-to-equity ratio ((Total borrowings - cash and cash equivalents) / Total equity)	**67.02%**	58.04%
Net borrowing / EBITDA ((Total borrowings - cash and cash equivalents) / Earnings before interests, tax, depreciation and amortization) Note	**3.09**	2.20

	2019	2018
Interest covered multiple ((Profit before tax + interest expenses) / Interest expenses)	**4.56**	5.54
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortization / Interest expenses)	**6.93**	7.21

- Affected by the increase in total interest-bearing liabilities and the profit distribution for 2018, the debt-to-asset ratio and the net borrowings-to-equity ratio of the Group increased to a certain extent as compared with that at the beginning of the year.
- The Group's businesses demonstrated steady development, recording an increase in revenue while further enhancing the effectiveness of cost management and steadily improving the debt repayment capability.

Note: 2018 Net borrowing/EBITDA indicator does not include gains on disposal of the Three Projects.

Financial Analysis
- Borrowing Structure

Financial Analysis
- Capital Expenditure 1

- In 2019年, the total capital expenditure of the Group amounted to RMB2,562 million, of which, equity investments amounted to RMB619 million and non-equity investments amounted to RMB1,772 million.

(RMB 'million)				Actual Expenditure in 2019				
Non-equity investments				**Equity investments**				**Total**
Outer Ring Project	Coastal Phase II	ETC renovation	Others	Reconstruction and expansion of Yangmao Expressway	Nanjing Wind Power	Baotou Nanfeng Note	Bank of Guizhou	
1,351	19	164	238	109	510	0	171	
1,772				**790**				**2,562**

Financial Analysis
- Capital Expenditure 2

(RMB 'million)	Capital Expenditure Plan			
	2020	2021	2022	Total
Non-equity investments	**3,422.0**	**2,750.0**	**267.2**	**6,439.2**
Outer Ring Project	*1,179.2*	*1,770.6*	-	***2,949.8***
Coastal Phase II	*18.5*	*16.7*	*16.7*	***51.9***
Settlement of completed projects such as Qinglian Expressway, Reconstruction and Expansion of Meiguan Expressway, etc.	*39.5*	-	-	***39.5***
Initial expenditure for Reconstruction and Extension of Jihe Expressway	*400.5*	-	-	***400.5***
ETC renovation investment	*189.6*	-	-	***189.6***
Reinforcement of Changsha Ring Road Pavement Structure	*272.7*	*73.6*	*11.4*	***357.7***
Kitchen waste project of Lande Environmental	*700.0*	*300.0*	-	***1,000.0***
Guangming Environmental Park Project	*358.0*	*350.0*	-	***708.0***
Other investment *(Investment in mechanical and electrical equipment, etc.)*	*264.1*	*239.1*	*239.1*	***742.3***
Equity investments	**816.9**	***196.6***	**196.6**	**1,210.1**
Reconstruction and expansion of Yangmao Expressway	*103.8*	*196.6*	*196.6*	***496.9***
Environmental protection projects of Lande Environmental *Note*	*379.5*	-	-	***379.5***
Environmental Technology Industry M&A Fund	*135.0*	-	-	***135.0***
Other projects	*198.7*	-	-	***198.7***
Total	**4,239.0**	**2,946.6**	**463.8**	**7,649.4**

Note: The total investment in Lande Environmental Project is not more than RMB809,600,000, among which approximately RMB379,500,000 was the consideration of the transfer and approximately RMB430,100,00 was the capital contribution. Upon consolidation of Lande Environmental into the financial statements of the Group, the capital increase was offset internally, and the investment amount is accounted for not more than RMB379,500,000 on a consolidated basis.

Business Review

Internal and External Operating Environment

- China’s overall economic operation was basically stable and remained within a reasonable range despite the downward pressure.
- The economic structure in Guangdong and Shenzhen continued to be optimized. The regional GDP of Guangdong Province and Shenzhen recorded a YOY growth of 6.2% and 6.7% respectively, which were higher than the national average.
- In 2019, the State and the government departments at all levels have successively issued a series of environmental protection policies.
- Located in Guangdong-Hong Kong-Macau Greater Bay Area and Pioneering Demonstration Zone for Socializm.
- The Group unites as one and Seeks stability in development.

Toll Highway
- Operational Performance 1

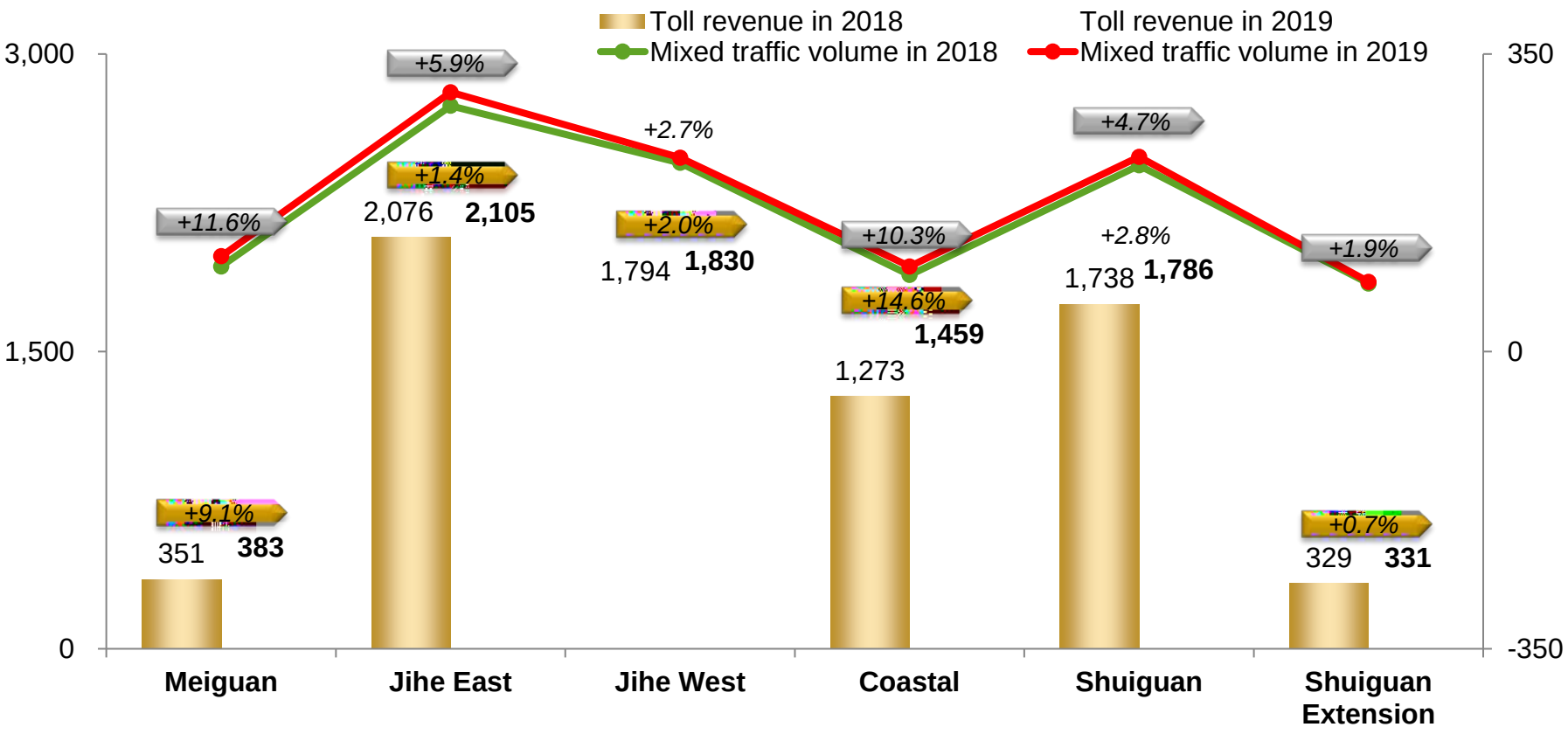
- The Group's overall operational performance in toll highway projects remained stable.
- Removal of provincial boundary highway toll stations, ETC renovation and promotion, and the new standard for vehicle classification have a negative impact on the Group's toll revenue in the short term, but the impact is controllable.
- Changes of road networks resulted positive or negative impacts on project performance:

Factor	Project
Road network improvement	↑Meiguan, ↑Coastal, ↑Qinglian, ↑Wuhuang, ↑Changsha Ring Road
Diversion	↓Yangmao, ↓Guangwu, ↓Jiangzhong, ↓Yichang
Self-maintenance or construction	↓Shuiguan, ↓Yangmao
Maintenance or construction of surrounding roads	↑GZ W2 Expressway
Toll free or return to traffic on surrounding roads	↑Jihe, ↓GZ W2 Expressway
Implementation of measures	↑ Coastal, ↑ Qinglian, ↑ Nanjing Third Bridge, ↓ Yangmao, ↓Jiangzhong, ↓Yichang, ↓Changsha Ring Road
Economic changes and others	↑Wuhuang, ↑Changsha Ring Road, ↑Nanjing Third Bridge

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

(RMB '000)

(Number of vehicles in thousand)

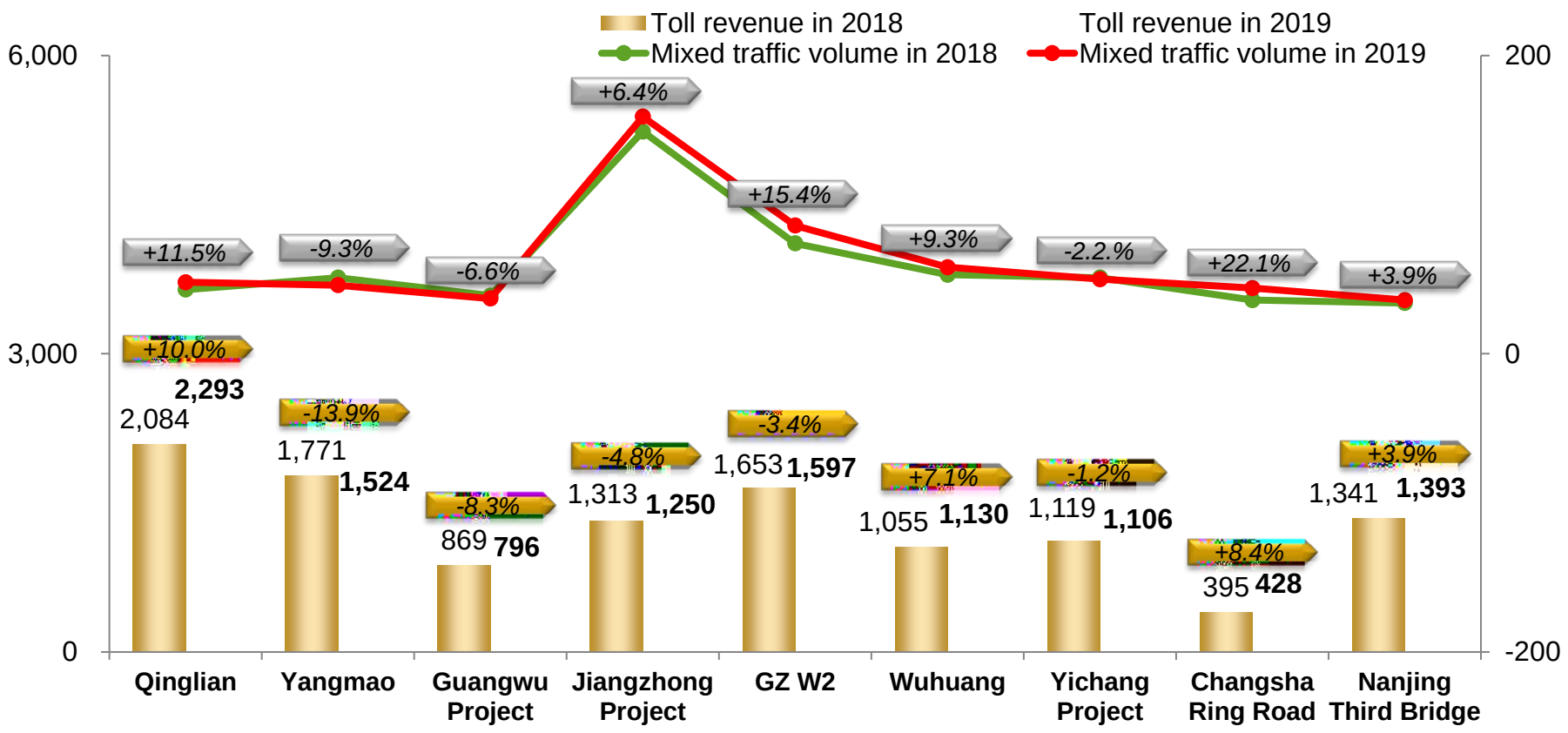


- Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.

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

(RMB '000)

(Number of vehicles in thousand)



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

Section A of Outer Ring

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

- It is the first toll highway project invested by the Group based on PPP model. The project can effectively achieve a balance between the public welfare and reasonable return on business investment of infrastructure.

- As at the end of 2019, approximately 67% of the project has been completed. Phase I is scheduled to open to traffic by the end of 2020.

Shenzhen Section of Guangshen Coastal Expressway (Coastal Project)

- Acquired 100% equity interests in Coastal Company at a consideration of RMB1,472 million.
- Coastal Project is a dual eight-lane expressway with the total mileage of approximately 37 km. 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 has been opened to traffic by sections since November 2019. As at the end of 2019, approximately 40% of Coastal Phase II has been completed.
- Coastal Project implements the 50% discount policy for trucks passing through the Coastal Project from 1 March 2018 to 31 December 2020, Shenzhen Transportation Bureau provides cash compensation amount of RMB300 million to Coastal Company. The compensation is included in toll revenue on a monthly basis.
- It enjoys an excellent geographical location and an economically viable neighborhood region. Its operational performance will enter a period of rapid growth.

Reconstruction and Expansion of Jihe Expressway

- To improve road safety and quality and the traffic environment, the Group actively promoted the preliminary works such as the preliminary design of the reconstruction and expansion of Jihe Expressway.

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). It is scheduled to be completed in 2022.

Shenshan Second Expressway

- The Company was entrusted by the Shenzhen Government for the preliminary works of Shenshan Second Expressway.

Guangming Environmental Park

- On 30 October 2019, the consortium formed by companies including Environmental Company, a wholly-owned subsidiary of the Group, won the bid for Guangming Environmental Park Project. The consortium contributes RMB200 million to set up the project company, of which Environmental Company contributes RMB130 million in return for the controlling shareholding of 65% equity interest in the project company.
- 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, large pieces waste (wasted furniture) and greening waste. The project shall be implemented under the BOT model. The proposed concession period of the project is 10 years. The static total investment of the project is estimated to be approximately RMB708 million.
- The project company is currently under preparation and the preliminary works of the project are proceeding in a steady and orderly manner.

Lande Environmental

- Environmental Company will, at the price of RMB5.06 per share, acquire and subscribe for a total of no more than 160 million shares (including the acquisition of no more than 75 million shares and the subscription of 85 million new shares) in Lander Environmental. The aggregate amount of the acquisition and the subscription shall be not more than RMB809.6 million. Environmental Company will acquire not more than 68.1045% of shares in Lande Environmental after the completion of the transaction. As of the date of this report, the Group holds approximately 53.2067% of the shares in Lande Environmental, and Lande Environmental has been included into the consolidated financial statements of the Group since 20 Jan 2020.
- Lande Environmental is currently an important enterprise in the field of organic waste comprehensive treatment, construction and operation 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. It currently has a total of 16 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 able to generate relatively stable returns.
- The organic waste treatment industry has a relatively large room for development as supported by the national environmental protection policies.

General-Environmental Protection - Project Development 3

Nanjing Wind Power

- The Group acquired 51% controlling equity interests in Nanjing Wind Power by ways of equity transfer and capital increase 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.
- Nanjing Wind Power is a high-tech company specializing in wind power, a type of renewable new energy. As it possesses the technological capacity to self-develop and produce large scale wind power generating units, as well as the experience and ability to develop, construct, operate and manage wind farms, the market prospect for business development of Nanjing Wind Power is promising.
- Clean energy, being an emerging sector in the general-environmental protection industry, will be a new industrial development direction that the Group has decided to place strong emphasis on in its development strategies. With the continuous improvement and implementation of national policies, the clean energy industry such as wind power will usher in historical opportunities, and the investment value of wind power industry will be highlighted in the future.

Baotou Nanfeng

- The Group acquired 67% equity interests in Baotou Nanfeng at a consideration of RMB0.67 and assumed shareholders' responsibility for the debt of Baotou Nanfeng of approximately RMB1,352 million. Baotou Nanfeng has been consolidated into the financial statements of the Group since 17 September 2019.
- Baotou Nanfeng is principally engaged in the investment, operation and management of five wind power generation farms in Inner Mongolia Autonomous Region, among which four wind power generation farms are located in Damao Banner, Baotou City of the Inner Mongolia Autonomous Region, while the remaining one is located in Bayan Obo Mining District, Baotou City of the Inner Mongolia Autonomous Region. The said wind power generation farms have connected and commenced power generation since 2018. Baotou Nanfeng has 165 wind turbines with a total installed capacity of 247.5MW and an approved feed-in tariff of RMB0.49/kWh.
- Investing in Baotou Nanfeng can foster business synergy with Nanjing Wind Power. The Group can gain coordinated advantages along the entire production chain ranging from wind farm resources and the wind power equipment manufacturing to wind farm construction, investment and operation, which has laid a foundation for the Group to rapidly tap into the wind power industry and make further development.

Guilong Project

- 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 3,005 mu (approximately 2 million square meters) with a total consideration of approximately RMB961 million:
  - 1,045 mu (approximately 697,000 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 were basically delivered and the revenue of RMB679 million has been recognized.
    - Phase II (approximately 389 mu, equivalent to 260,000 square meters) is under development. Among which, Stage I launched 238 sets of villas, all of which have been sold out and 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 299 mu, equivalent to 153,000 square meters) is under development. Among which, Stage I launched 271 sets of villas, of which 217 have been contracted for sale and payments have been received. It is expected to be completed by the end of 2020. The construction of Stage II project, which is intended to be commercial supporting property, has commenced.
  - 504 mu (approximately 336,000 square meters) competed the sale in 2016 with the transaction price of RMB150 million.
  - 296 mu (approximately 197,000 square meters) completed the sale in 2018 with the transaction price of RMB180 million.
  - 810 mu (approximately 540,000 square meters) completed the sale in 2019 with the transaction price of RMB567 million.
  - In 2018, bid for 235 mu (approximately 157,000 square meters) of Duohua Bridge Project with the transaction price of RMB118 million. In 2019, bid for 115 mu (approximately 77,000 square meters) of Guilong Project with the transaction price of RMB65 million.
- The Group will, through means such as timely market transfer, cooperation or self-development based on the overall market conditions and development opportunities, realize the market value of the lands it holds and the Group's investment gains as soon as possible, at the same time prevent the contractual and market risks in relation to the lands in an effective way.

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 a capacity building area of not more than 486,400 square meters (including public affiliated facilities, etc.).
- The Company, XTC Company and United Land Company reduced the capital of the project on 2 February 2018. The total amount of capital reduction was RMB4.5 billion.
- In April 2018, United Land Company has increased the compensation with 9,120 square meters of office building for Meiguan Company. It will increase the net profit attributable to shareholders of the Company by approximately RMB169 million in 2018.
- 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. Vanke holds the equity interests of 30% with the capital increase of RMB2.9 billion. The equity interests of XTC Company and Shenzhen Expressway are 35.7% and 34.3%, respectively.
- The Meilin Checkpoint Renewal Project will be developed in three phases within 3 to 5 years. Phase I comprises residential units with a saleable area of approximately 75,000 square meters, pre-sold houses of more than 830 sets 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 2019, the houses of Phase I Hefengxuan have all been sold and payments have been received. Phase II Heyaxuan has been launched to the market in the end of September of 2019, and a total of approximately 510 sets have been subscribed and contracted for, representing a contract signing rate of 75%. Phase III of the project is applying for relevant construction and the preliminary engineering work has commenced.

Other Businesses

Bank of Guizhou

- The Group respectively subscribed for the additional shares issued by Bank of Guizhou in 2015 and 2016, with a total of 426 million shares of Bank of Guizhou. The equity interests held by the Group accounted for approximately 3.44% of the total share capital of Bank of Guizhou.
- The Board of the Company has approved to increase the shareholding in Bank of Guizhou with a total investment amount of not more than RMB190 million from 11 June 2019 to 20 May 2021. Bank of Guizhou has been listed on the HKEx since 30 December 2019, 76,207,000 shares of which were subscribed under IPO by the Group at a price of HK$2.48/share. The Group held a total of around 502,000,000 shares in Bank of Guizhou, which accounted for approximately 3.44% of its total share capital as at the end of 2019.

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 12.86% 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.

Guangzhou Fund

- Established in December 2017 as the Group’s channel for expanding the financing models in the transport infrastructure industry and environmental protection industry and a platform for incubating projects.
- The Board approved the capital injection of Fund Management Company by way of public listing and competitive negotiation. Two strategic investors were introduced with a shareholding of 49% in aggregate.

Outlook and Plans

Operating Environment & Conditions in 2020

- Novel coronavirus pneumonia (“NCP”) has significantly impacted economic activities. The current operating results of the Group will be negatively affected.
- A series of policies have brought historic opportunities for state-owned enterprise reform and regional development.
- China’s expressway construction has entered into a stage of stable growth with new mileage increasing steadily and quality operational highway projects will become rare resources in the future.
- The policy direction of the new “Regulations for the Administration of Toll Highways” (“New Regulations”) is still based on the long-term stable development of the industry. The purpose of the local policies is to ensure smooth traffic in the road network. The environmental protection industry has received strong support from the State. The local policy measures support the rapid development of the industry and at the same time strengthen the supervision of the industry.
- The changes of regional road networks will result in certain positive or negative impacts on the Group’s toll highway projects.

- The Company will, on the basis of its achievements from the transformation and development in the previous strategic phase, continue to pursue the development of its two core businesses, namely transport and urban infrastructure and general-environmental protection. Leveraging its core businesses, the Company will also proactively explore and cultivate new businesses, such as comprehensive urban service and integration of industry and finance.

- The Company will pursue a market-oriented and innovation-driven strategy, so as to seize the opportunities of this era from the Guangdong-Hong Kong-Macao Greater Bay Area and the Building of a Pioneering Demonstration Zone for Socializm with Chinese Characteristics in Shenzhen to implement state-owned enterprise reform and facilitate the quality and sustainable development of the Group.

Operating Targets

- All toll highway projects operated and invested by the Group will implement a toll-free policy during the outbreak of the epidemic from 00:00 on 17 February 2020. In view of the time period for the toll-free policy during the epidemic and the relevant supporting policies are still not yet determined, the Group's 2020 operating targets are also subject to considerable uncertainty. The Group will closely monitor relevant policy trends and actively adopt coping strategies, and it will determine and disclose its operating targets in a timely manner.

Toll Highway Business

- Minimize the impact caused by the toll-free policy implemented during the period of prevention and control of the epidemic, and further optimize its cost management and control system.
- Strive to maintain the construction quality of Coastal Phase II and Section A of Outer Ring, and minimize the impact on construction progress brought by the epidemic.
- Proactively explore opportunities for mergers and restructuring, invest in promising toll highway and bridge projects and continue to strengthen its core business of toll highway.

Environmental Protection Business

- Ensure Guangming Environmental Park Project can be completed as scheduled.
- Complete the handover of and coordination for Lande Environmental Project, and promote the construction and operation of various BOT/PPP as planned.
- Capitalize opportunities from the market to step up its effort in boosting the production capacity of Nanjing Wind Power.
- Improve the systems of safe operation and cost control for wind farms in Baotou to guarantee the electricity production target.
- Pursue appropriate investment opportunities with a focus on segments such as waste treatment, hazardous industrial waste and clean energy.
- Continue to recruit and cultivate professional talents, improve performance appraisal and salary incentive mechanism, enhance the dedication to the research and development of environment technology, and further enhance the core competitiveness.

Objectives & Priorities for 2020 - 2

Strategic Research & Business Expansion

- Complete the formulation, approval and implementation of the “2020–2024 Development Strategies”.
- Continue to promote the preliminary work of the reconstruction and expansion of Jihe Expressway, the construction work of Duohua Bridge and Bimeng Project, the development and sales in relation to Meilin Checkpoint Renewal Project, the land development and cash realization of Guilong Land, and the preliminary works such as the feasibility study of infrastructure construction of roads in Shenzhen-Shanwei Special Cooperation Zone.
- Research, reserve, select and examine projects on toll highway and environmental sub-sectors that are in line with the Company’s development strategies and continue to pay attention to and control risks.

Financial Management

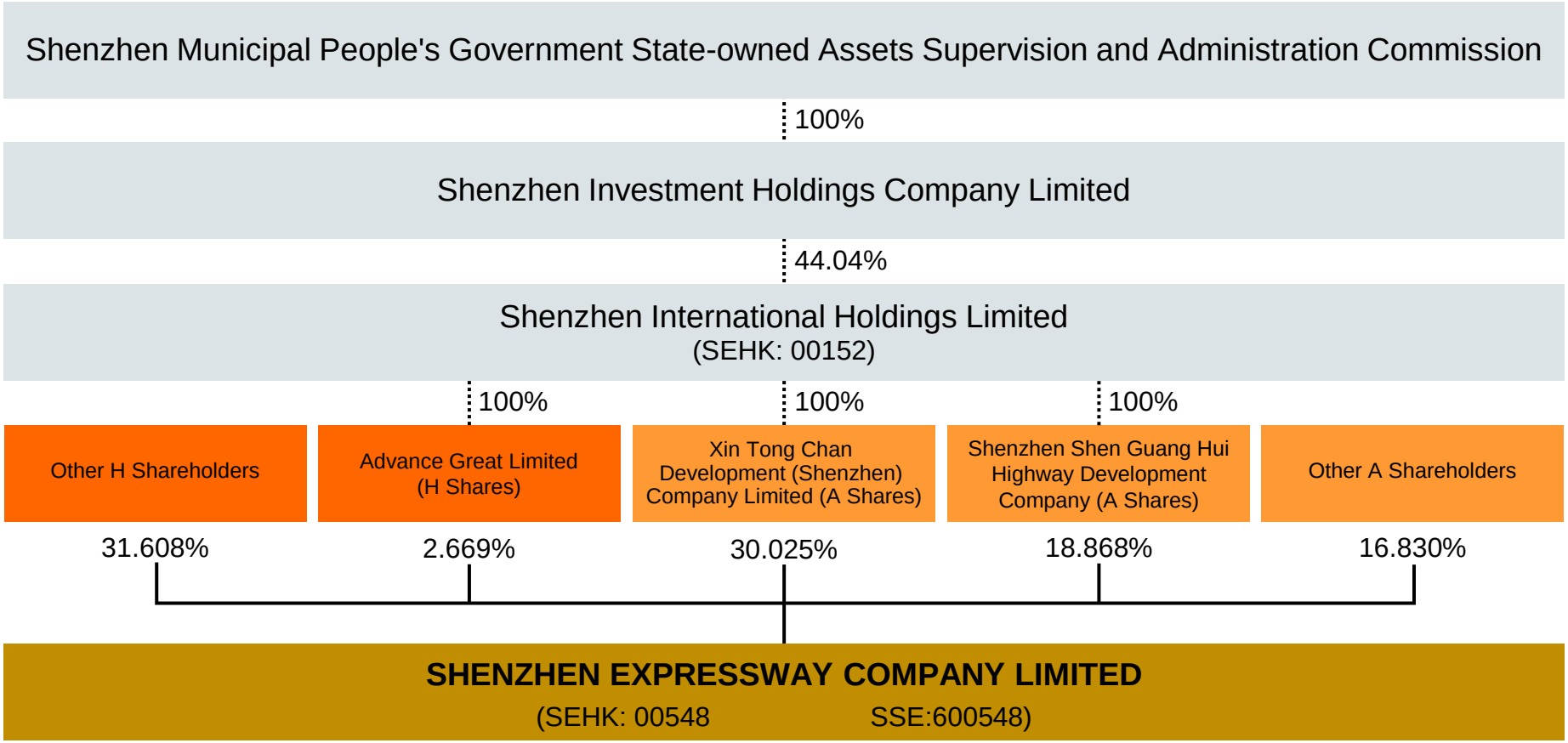
- Strengthen the classification management and control and financial management on the invested companies.
- Strengthen capital planning and management, implement budget and medium and long-term forecast management, and coordinate financial resources.
- Actively promote the non-public offering of H shares, at the same time maintain sound fund management and financing to reduce financing costs and ensure financial safety.

Corporate Governance

- Adhere to the principles of good corporate governance and further improve corporate governance and various operational rules.
- Effectively improve the transparency and independence of the Company’s operations to optimize the multi-level incentive and restraint system and promote the healthy and stable development of the Company.

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
- 50% Shuiguan Expressway
- 40% Shuiguan Extension
- 100% Coastal Project
- 76.37% Qinglian Expressway
- 25% Yangmao Expressway
- 30% Guangwu Project
- 25% Jiangzhong Project
- 25% GZ W2 Expressway
- 100% Wuhuang Expressway
- 51% Changsha Ring Road
- 100% Yichang Project
- 25% Nanjing Third Bridge

Environmental Business

- 68.1% Lande Environmental
- 67% Baotou Nanfeng
- 51% Nanjing Wind Power
- 20% Derun Environment
- 15% Water Planning Company

Entrusted Management and Other Infrastructure Development

Project development and management

Other Businesses

- Advertising
- Engineering Consulting
- Inter-network Toll Collection
- Financial Business

Icon:

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

Consolidated project

Non consolidated project

Toll 0imhv72y0 ProSecQ SEMCmaqy 75.6 528 392.04 -50.64

Average Daily Mixed Traffic Volume

(Number of vehicles)	2015	2016	2017	2018	2019
Shenzhen region in Guangdong Province					
Meiguan Expressway	74,956	83,211	92,078	100,341	111,999
Jihe East	219,169	249,608	270,742	288,506	305,479
Jihe West	175,533	202,458	215,315	222,106	228,084
Shuiguan Expressway	191,354	227,055	215,595	219,407	229,198
Shuiguan Extension	75,377	97,710	75,241	80,038	81,561
Coastal Project Note 1	N/A	N/A	81,613	90,483	99,819
Other regions in Guangdong Province					
Qinglian Expressway	33,290	36,753	41,190	43,468	48,455
Yangmao Expressway	40,485	45,828	50,142	50,768	46,139
Guangwu Project	34,792	40,086	35,479	39,065	36,614
Jiangzhong Project	107,246	120,351	142,278	148,624	159,041
GZ W2 Expressway	50,007	58,638	71,316	74,100	85,522
Other provinces in the PRC					
Wuhuang Expressway	40,617	43,908	50,736	53,396	58,358
Changsha Ring Road	19,798	26,279	32,206	36,058	44,039
Nanjing Third Bridge	26,777	27,299	32,619	34,394	35,729
Yichang Expressway Note 2	-	-	47,941	50,059	50,328

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.

Average Daily Toll Revenue

(RMB '000)	2015	2016	2017	2018	2019
Shenzhen region in Guangdong Province					
Meiguan Expressway	282.9	311.3	336.3	350.9	382.9
Jihe East	1,745.1	1,767.1	1962.0	2,076.4	2,104.8
Jihe West	1,491.0	1,641.7	1729.4	1,794.4	1,829.5
Shuiguan Expressway	1,537.3	1,692.8	1762.8	1,738.1	1,786.4
Shuiguan Extension	253.7	299.5	314.3	328.6	331.0
Coastal Project Note 1	N/A	N/A	1,093.1	1,273.5	1,459.1
Other regions in Guangdong Province					
Qinglian Expressway	1,745.7	1,834.9	2016.5	2,084.1	2,293.2
Yangmao Expressway	1,694.7	1,800.3	1819.5	1,770.5	1,524.0
Guangwu Project	893.9	1,024.8	832.1	868.6	796.1
Jiangzhong Project	1,066.6	1,132.6	1249.3	1,312.9	1,249.5
GZ W2 Expressway	990.3	1,073.8	1343.2	1,653.2	1,597.1
Other provinces in the PRC					
Wuhuang Expressway	908.5	939.0	1004.9	1,055.5	1,130.2
Changsha Ring Road	222.8	311.9	373.4	394.6	427.8
Nanjing Third Bridge	1,040.5	1,097.8	1269.7	1,341.4	1,393.2
Yichang Expressway Note 2	-	-	1157.3	1,119.1	1,105.5

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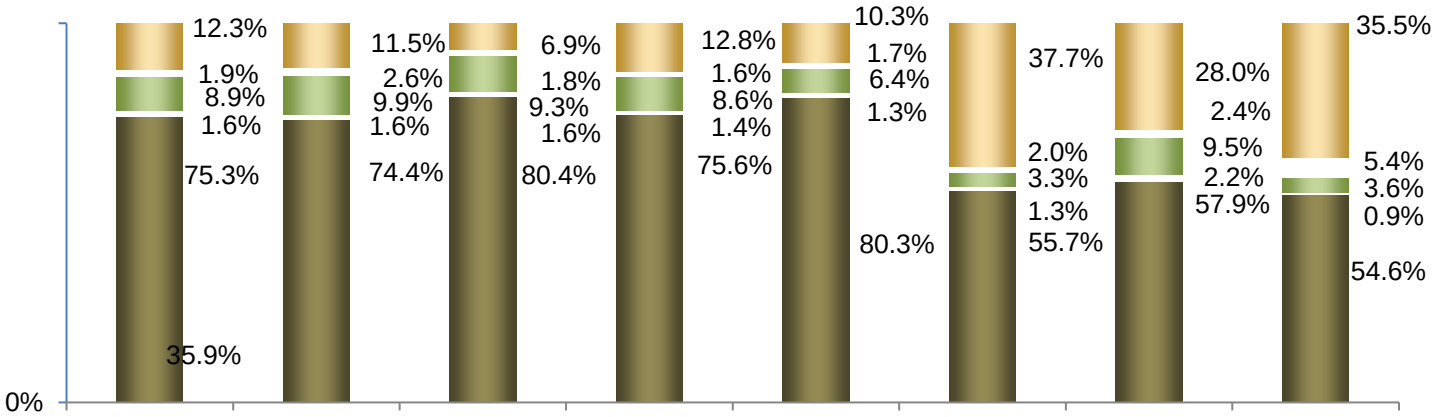
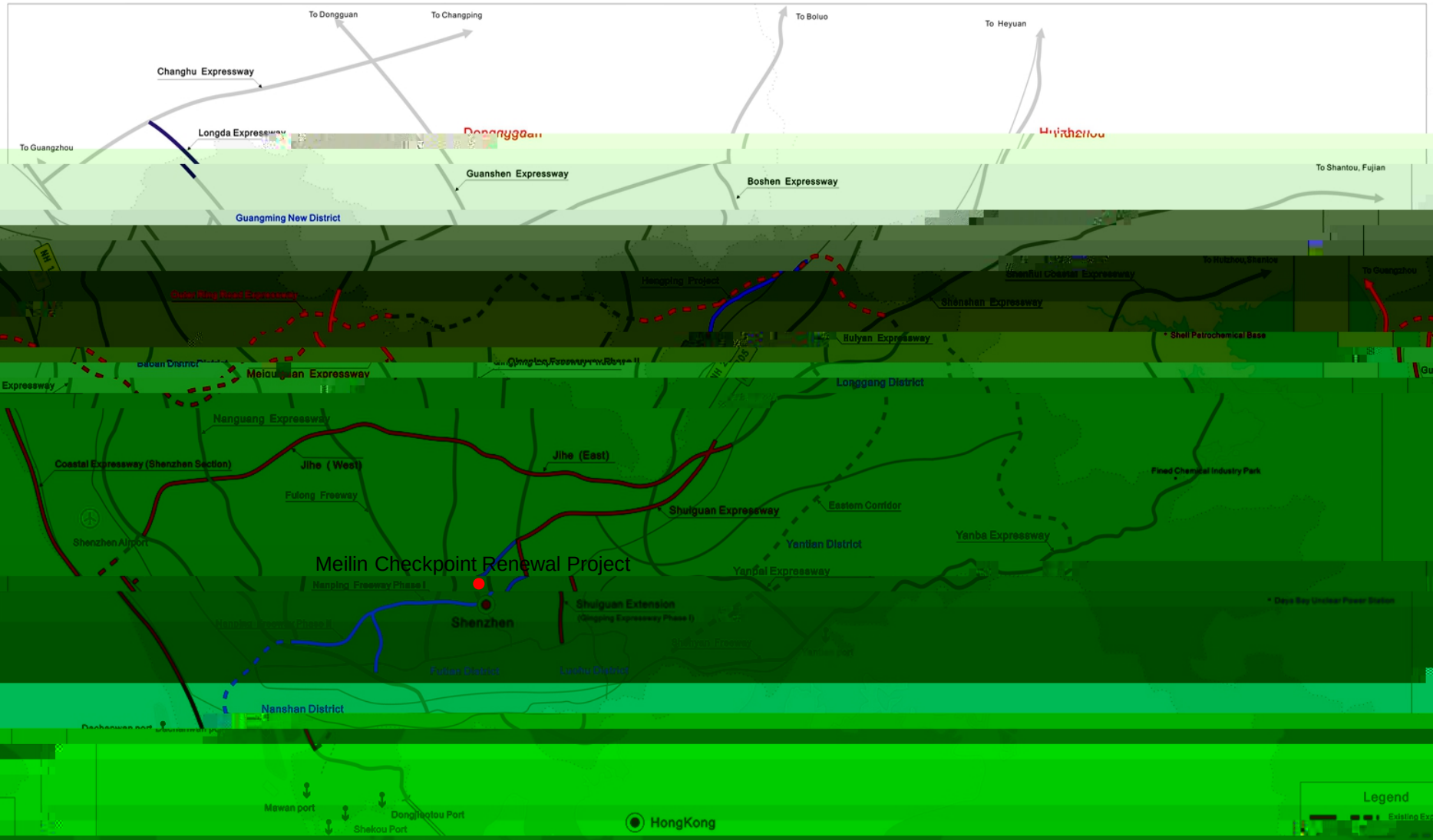
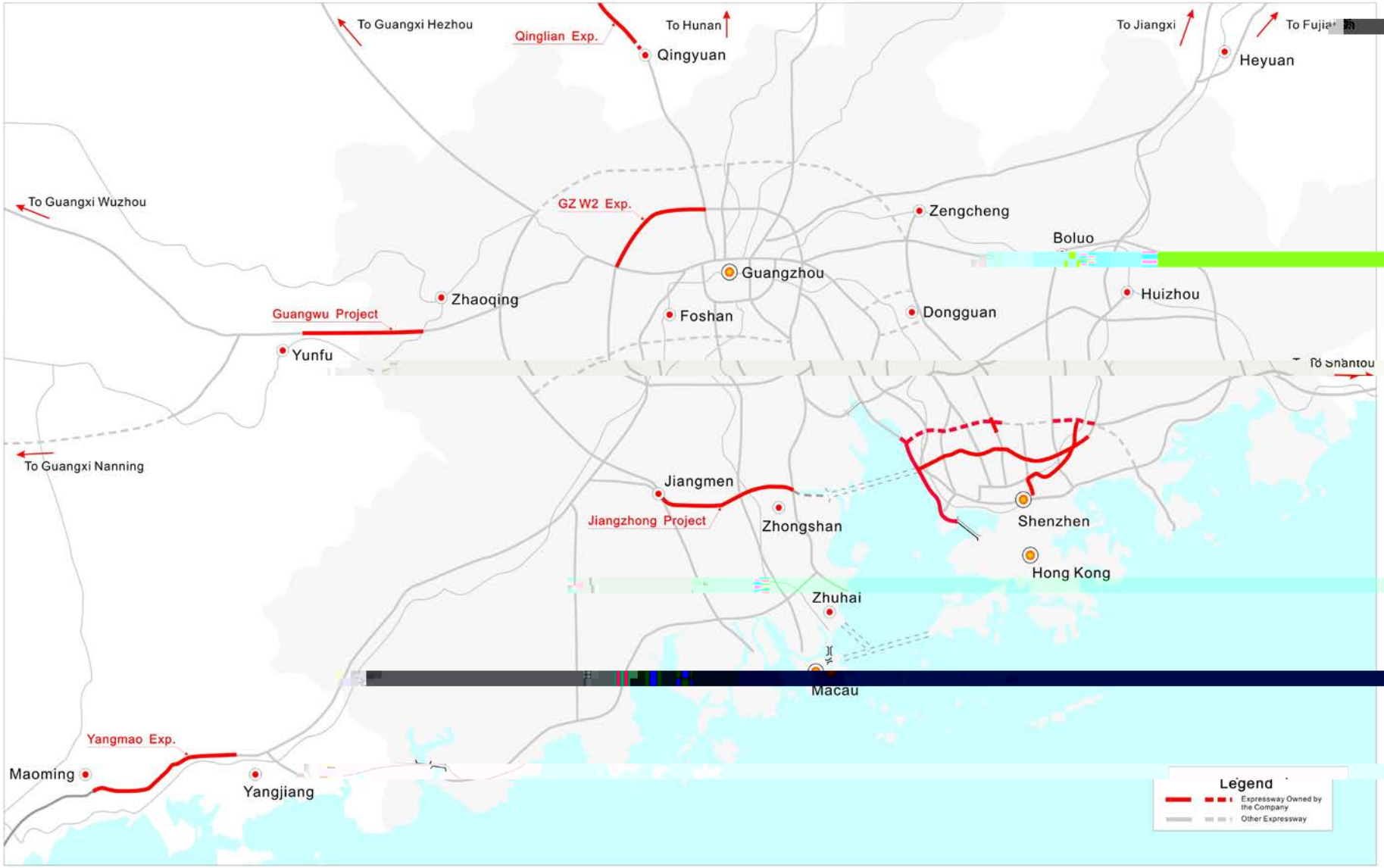
Vehicle Category of Major Highways in 2019



Road Network of Shenzhen



Road Network of Pearl River Delta



To Beijing
To Macheng
To Henan
Hanshi Exp.
HanYing Exp.
To yichang
Hanyi Exp.
Wuhan
HanE Exp.
Huanggang
Wuhuang Exp.
Ezhou
Huanghuang Exp.
Jingzhu Exp.
Huangshi
To Jiujiang, Hefei
To Hunan, Guangdong
To Guangzhou
Legend
Wuhuang Expressway
Other Expressway

To Lianyungang
Jiangsu Province
To Nantong
Ninglian Exp.
Yangzhou
Ningtong Exp.
Anhui Province
To Hefei
Hening Exp.
Nanjing
Yangtze River Tunnel
City Ring Road
Nanjing Third Bridge
Ninghang Phase 2
To Shanghai
Zhenjiang
Ningma Exp.
Maanshan
Ninghang Exp.
Wuhu
To Hangzhou
Legend
Nanjing Third Bridge
Other Expressway

To Beijing
Jingzhu Exp.
Changsha Ring Road
To Changde
Changchang Exp.
Changsha
Hurui Exp.
Xiangtan
Legend
Changsha Ring Road
Other Expressway

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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