



**SHENZHEN EXPRESSWAY COMPANY LIMITED**

Stock code: 00548(SEHK) 600548(SSE)

# 2020 Interim Result

21 August 2020



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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.



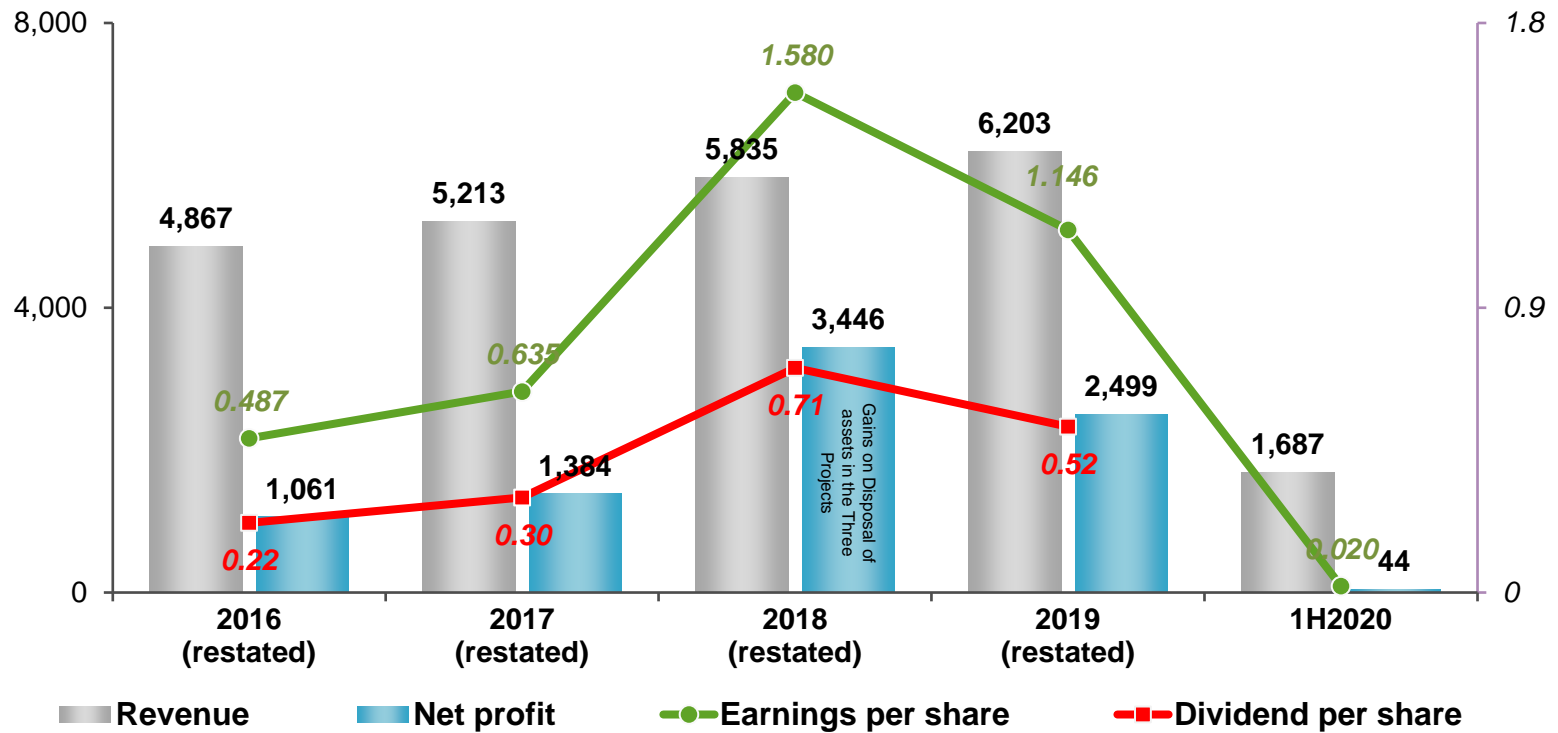
# Financial Analysis

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# Financial Highlights





# Financial Analysis

## - Income Highlights

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	1H2020	1H2019 (restated)	Change in Amount	Change
<b>Net profit attributable to owners of the Company (RMB 'million)</b>				
	44	1,579	-1,535	-97.22%
<b>Earnings per share (EPS) (RMB)</b>				
	0.020	0.724	-0.704	-97.22%
<b>Return on equity – weighted average (ROE) (%)</b>				
	0.24%	8.80%		-8.56 p.pt
<b>Excluding non-recurring items <sup>Note</sup> :</b>				
<b>Net profit attributable to owners of the Company (RMB 'million)</b>				
	-12	1,414	-1,426	-100.83%
<b>Earnings per share (EPS) (RMB)</b>				
	-0.005	0.649	-0.654	-100.83%
<b>Return on equity – weighted average (ROE) (%)</b>				
	-0.06%	7.92%		-7.98 p.pt

Note: The non-recurring items mainly include finance income arising from the early repayment of finance leases by Baotou Nanfeng, the fair value gain/loss on Forex Swap, the special subsidies and funding for headquarters economic development received from the government, fair value change proceeds from the equity interests in Water Planning Company and Guangdong UETC, income tax effects, etc.



# Financial Analysis

## - Revenue, Cost & Expenses

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	1H2020 (RMB 'million)	1H2019 (restated) (RMB 'million)	Change in Amount (RMB 'million)	Change
<b>Revenue</b>	<b>1,687</b>	<b>2,708</b>	<b>-1,021</b>	<b>-37.71%</b>
<b>Toll highways</b> <i>Note 1</i>	<b>1,046</b>	<b>2,204</b>	<b>-1,158</b>	<b>-52.55%</b>
<b>Clean energy</b> <i>Note 2</i>	<b>228</b>	<b>-</b>	<b>+228</b>	<b>N/A</b>
<b>Solid waste and hazardous waste treatment</b> <i>Note 2</i>	<b>195</b>	<b>-</b>	<b>+195</b>	<b>N/A</b>
<b>Entrusted management services</b> <i>Note 3</i>	<b>127</b>	<b>85</b>	<b>+42</b>	<b>+48.81%</b>
<b>Real estate development</b> <i>Note 4</i>	<b>-</b>	<b>309</b>	<b>-309</b>	<b>-100.00%</b>
<b>Other businesses</b> <i>Note 5</i>	<b>91</b>	<b>109</b>	<b>-18</b>	<b>-16.39%</b>
<b>Cost of services</b>	<b>1,458</b> <i>Note 5</i>	<b>1,413</b>	<b>+45</b>	<b>+3.20%</b>
<b>Toll highways</b>	<b>944</b>	<b>1,052</b>	<b>-108</b>	<b>-10.27%</b>
<b>Clean energy</b> <i>Note 2</i>	<b>146</b>	<b>-</b>	<b>+146</b>	<b>N/A</b>
<b>Solid waste and hazardous waste treatment</b> <i>Note 2</i>	<b>189</b>	<b>-</b>	<b>+189</b>	<b>N/A</b>
<b>Entrusted management services</b> <i>Note 3</i>	<b>109</b>	<b>81</b>	<b>+29</b>	<b>+35.46%</b>
<b>Real estate development</b> <i>Note 4</i>	<b>-</b>	<b>199</b>	<b>-199</b>	<b>-100.00%</b>
<b>Other businesses</b> <i>Note 5</i>	<b>70</b>	<b>81</b>	<b>-11</b>	<b>-13.59%</b>
<b>General and administrative expenses</b> <i>Note 6</i>	<b>101</b>	<b>84</b>	<b>+18</b>	<b>+21.01%</b>

Note 1: Due to the implementation of the expressway toll-free policy during the epidemic the toll revenue of the Group decreased by 53% YOY.

Note 2: In the first half of 2020, Nanjing Wind Power, Baotou Nanfeng and Lande Environmental respectively generated wind power equipment sales revenue of RMB121 million and cost of RMB1 million, wind power generation revenue of RMB108 million and cost of RMB46 million, and solid waste and hazardous waste treatment revenue of RMB195 million and cost of RMB189 million.

Note 3: The construction progress of entrusted construction projects was progressing, and the revenue and cost of entrusted management services had increased YOY.

Note 4: Failure to deliver commercial housing by Guilong Development Project.

Note 5: Decrease in advertising revenue and cost.

Note 6: The increase in the Group's general and administrative expenses was due to the consolidation of Lande Environmental into the financial statements.



# Financial Analysis

## - Operating Income from Toll Highways

	1H2020 (RMB '000)	1H2019 (RMB '000)	Change in Amount (RMB' 000)	Change
<b>Toll highway</b>				
Qinglian	208,989	422,006	-213,017	-50.48%
Jihe East	162,853	370,418	-207,565	-56.04%
Jihe West	132,167	321,785	-189,618	-58.93%
Shuiguan	128,407	308,281	-179,874	-58.35%
Coastal	155,884	251,688	-95,804	-38.06%
Yichang	93,655	200,770	-107,115	-53.35%
Wuhuang	91,488	195,510	-104,022	-53.21%
Changsha Ring Road	39,830	70,296	-30,466	-43.34%
Meiguan	32,653	63,545	-30,892	-48.61%
<b>Total</b>	<b>1,045,927</b>	<b>2,204,299</b>	<b>-1,158,372</b>	<b>-52.55%</b>







# Financial Analysis

## - Operating Profit from Toll Highways

	Cost of Services		Operating Profit	
	1H2020 (RMB '000)	Change in Amount (RMB '000)	1H2020 (RMB '000)	Change in Amount (RMB '000)
<b>Toll highway</b>				
Qinglian	216,379	-10,226	-7,390	-202,790
Jihe East	127,327	-16,957	35,526	-190,608
Jihe West	54,497	+317	77,670	-189,935
Shuiguan	202,033	-29,091	-73,626	-150,783
Coastal	129,930	-5,639	25,954	-90,164
Yichang	68,328	-34,958	25,327	-72,157
Wuhuang	91,475	-4,591	14	-99,431
Changsha Ring Road	26,193	+370	13,637	-30,837
Meiguan	28,111	-7,265	4,542	-23,627
<b>Total</b>	<b>944,273</b>	<b>-108,040</b>	<b>101,654</b>	<b>-1,050,332</b>

Operating profit = Operating income – Operating costs



# Financial Analysis

## - Operating Profits from Environmental Business & Real Estate Development

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	Operating Income		Operating Costs		Operating Profit	
	1H2020 (RMB '000)	Change in Amount (RMB '000)	1H2020 (RMB '000)	Change in Amount (RMB '000)	1H2020 (RMB '000)	Change in Amount (RMB '000)
<b>Sales of wind power equipment</b>	<b>120,544</b>	<b>+120,544</b>	<b>100,362</b>	<b>+100,362</b>	<b>20,182</b>	<b>+20,182</b>
<b>Wind power generation</b>	<b>107,614</b>	<b>+107,614</b>	<b>46,000</b>	<b>+46,000</b>	<b>61,614</b>	<b>+61,614</b>
<b>Solid waste and hazardous waste treatment</b>	<b>194,811</b>	<b>+194,811</b>	<b>188,576</b>	<b>+188,576</b>	<b>6,235</b>	<b>+6,235</b>
<b>Guilong real estate development</b>	<b>-</b>	<b>-309,498</b>	<b>-</b>	<b>-199,220</b>	<b>0</b>	<b>-110,278</b>
<b>Entrusted management services</b> <small>Note</small>	<b>127,025</b>	<b>+41,664</b>	<b>109,052</b>	<b>+28,548</b>	<b>17,973</b>	<b>+13,116</b>

**Operating profit = Operating income – Operating costs**

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



# Financial Analysis

## - Investment Income

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	1H2020 (RMB '000)	1H2019 (RMB '000)	Change in Amount (RMB '000)
<b>Item</b>			
<b>Associates:</b>			
Guangwu Project	-1,222	20,246	-21,468
Yangmao Expressway	5,801	41,646	-35,845
Jiangzhong Project	-4,836	18,714	-23,550
GZ W2 Expressway	-2,057	31,323	-33,380
Nanjing Third Bridge	6,119	29,583	-23,464
United Land Company (Meilin Checkpoint Renewal Project)	-4,138	-4,163	+25
Derun Environment	98,900	97,105	+1,795
Other <small>Note 1</small>	43,914	65,936	-22,022
<b>Sub-total</b>	<b>142,482</b>	<b>300,390</b>	<b>-157,909</b>
Investment income arising from transfer of subsidiaries <small>Note 2</small>	-	267,176	-267,176
Dividend received from United Electronic	-	28,080	-28,080
Investment income from wealth management products	-	1,445	-1,445
<b>Total</b>	<b>142,482</b>	<b>597,091</b>	<b>-454,609</b>

- Investment income decreased by 76% YOY.

Note 1: Investment income attributable to the Shuiguan Extension, Consulting Company and Bank of Guizhou.

Note 2: Transfer of Guilong land.



# Financial Analysis

## - Financial Expenses

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	1H2020 (RMB '000)	1H2019 (restated) (RMB '000)	Change
<b>Item</b>			
<b>Interest expenses</b>	454,189	346,701	+31.00%
Less: <b>Interest capitalised</b>	122,416	59,212	+106.74%
<b>Interest income</b>	29,618	26,153	+13.25%
Add: <b>Exchange loss</b>	33,023	1,026	+3,117.72%
<b>Finance income arising from the early repayment of finance leases</b>	+ -1,166	+ -	N/A
<b>Others</b>	6,745	6,110	+10.39%
<b>Total financial expenses</b>	<b>340,757</b>	<b>268,472</b>	<b>+26.92%<sup>Note</sup></b>
	<b>1H2020</b>	<b>1H2019</b>	<b>Change</b>
<b>Comprehensive borrowing cost</b> - nominal costs (%)	4.32%	4.42%	-0.1 p.pt
<b>Average borrowing scale</b> (RMB 'billion)	18.9	13.9	+36.26%

- The interest expenses increased as the average borrowing scale went up.
- Exchange losses increased YOY as foreign liabilities were affected by fluctuation in RMB exchange rate.
- After considering the gains from changes in fair value of foreign currency swap, the comprehensive financial cost was RMB309,949,000, representing a YOY increase of 22.21%.



# Financial Analysis

## - Assets and Liabilities Highlights

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	30 June 2020 (RMB 'million)	31 December 2019 (restated) (RMB 'million)	Change in Amount (RMB 'million)	Change
<b>Total equity attributable to owners of the Company</b>	<b>17,377</b>	18,395	-1,018	-5.53% <i>Note 1</i>
<b>Net assets per share (RMB)</b>	<b>7.97</b>	8.44	-0.47	-5.53%
<b>Total assets</b>	<b>49,425</b>	45,265	+4,160	+9.19% <i>Note 2</i>
<i>of which: Cash and cash equivalents</i>	<b>3,600</b>	2,933	+666	+22.72%
<b>Total liabilities</b>	<b>29,175</b>	24,362	+4,813	+19.75%
<i>of which: Total outstanding interest-bearing liabilities</i>	<b>19,857</b>	16,821	+3,036	+18.05% <i>Note 2</i>

Note 1: In the first half of 2020, the profit of toll highways invested by the Group declined.

Note 2: The withdrawal of consortium loans for Outer Ring Project, the consolidation of Baotou Nanfeng and Lande Environmental into the financial statements and so on.



# Financial Analysis

## - Debt Ratio and Repayment

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	30 June 2020	31 December 2019 (restated)
<b>Debt-to-asset ratio</b> (Total liabilities / Total assets)	59.03%	53.82%
<b>Net borrowings-to-equity ratio</b> ((Total borrowings - cash and cash equivalents) / Total equity)	80.29%	66.44%
<b>Net borrowing / EBITDA</b> ((Total borrowings - cash and cash equivalents) / Earnings before interests, tax, depreciation and amortization) <sup>Note</sup>	15.39	3.08
	1H2020	1H2019 (restated)
<b>Interest covered multiple</b> ((Profit before tax + interest expenses) / Interest expenses)	0.64	5.76
<b>EBITDA interest multiple</b> (Earnings before interests, tax, depreciation and amortization / Interest expenses)	2.50	8.21

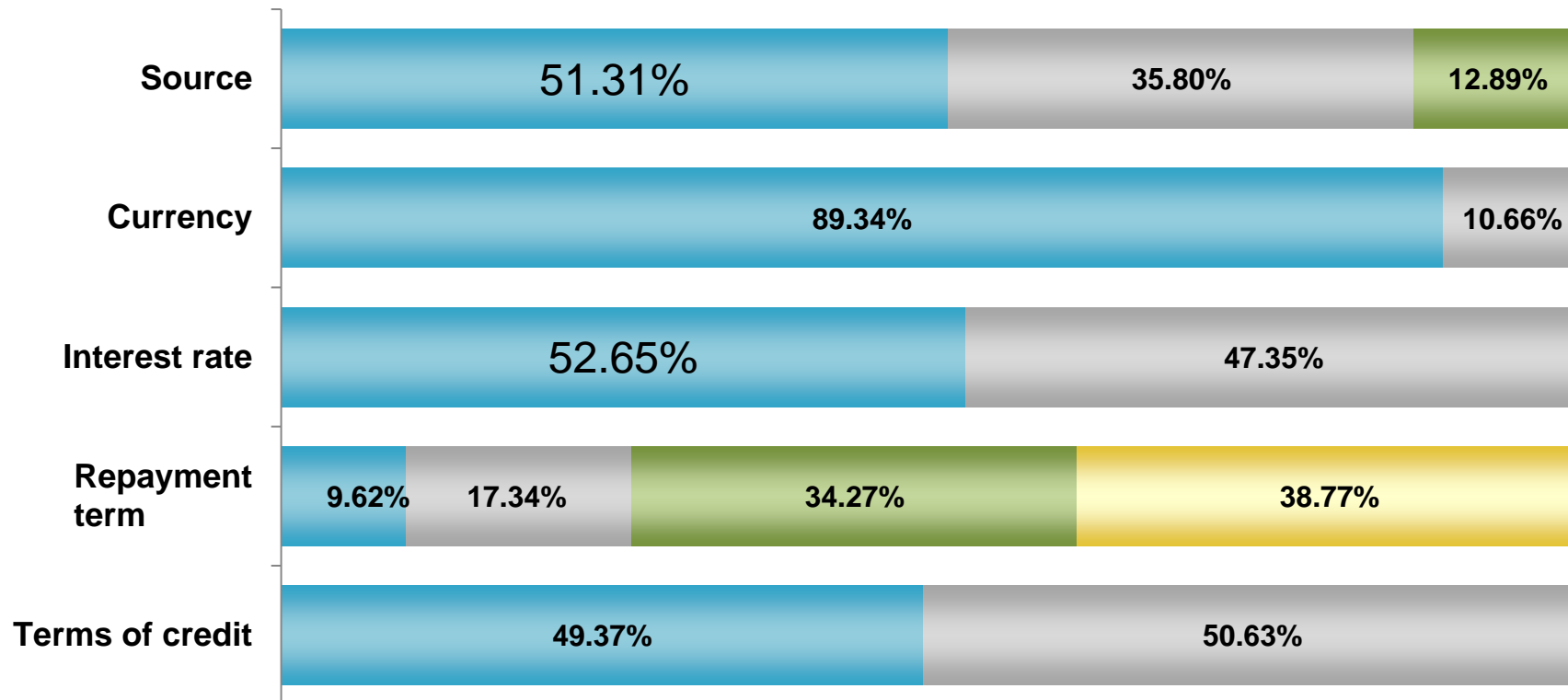
- Affected by the increase in interest-bearing liabilities scale, profit decline during the epidemic and the share profit distribution for 2019, the debt-to-asset ratio and the net borrowings-to-equity ratio of the Group increased to a certain extent as compared with that at the beginning of the year.
- The changes of the debt repayment indicators were short-term periodic and the financial situation remained at a safe level.



# Financial Analysis - Borrowing Structure

## Borrowing Structure

(as at 30 June 2020)



- During the Reporting Period, the Company continued to maintain the highest credit rating of AAA for domestic entities and maintained the existing investment grade ratings for international entities. As for credit ratings of debt, corporate bonds and medium-term notes remained at the highest credit rating of AAA.



# Financial Analysis

## - Capital Expenditure 1

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- In the first half of 2020, the total capital expenditure of the Group amounted to RMB2,136 million, of which, equity investments amounted to RMB1,120 million and non-equity investments amounted to RMB1,016 million.
- The Group's total capital expenditure will be expected to be approximately RMB7.5 billion from the second half of 2020 to 2022, which mainly comprised construction expenditures of projects such as investment in Outer Ring Project, kitchen waste project of Lande Environmental, Guangming Environmental Park PPP Project, investment in road properties and mechanical and electrical equipment in the auxiliary operation sections, and equity investment expenditure of capital increase and share subscription project of Vanho Securities, etc.
- During the Reporting Period, the Group's net cash inflows from operating activities amounted to RMB-157 million (2019 interim (restated): RMB819 million) <sup>Note</sup>.
- As at 30 June 2020, un-utilized banking facilities amounted to RMB12.2 billion.

Note: The Group's net cash inflows from operating activities decreased by RMB976 million YOY, mainly due to the decrease in toll revenue and the consolidation of Lande Environmental into the financial statements.





# Financial Analysis

## - Capital Expenditure 2

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(RMB 'million)	Capital Expenditure Plan			
	2H2020	2021	2022	Total
<b>Non-equity investments</b>	<b>2,053,235</b>	<b>2,758,026</b>	<b>617,210</b>	<b>5,428,471</b>
<i>Outer Ring Project</i>	403,317	1,770,616	-	<b>2,173,932</b>
<i>Coastal Phase II</i>	15,032	16,720	16,720	<b>48,472</b>
<i>Settlement of completed projects such as Qinglian Expressway, Reconstruction and Expansion of Meiguan Expressway, etc.</i>	39,053	-	-	<b>39,053</b>
<i>Initial expenditure for Reconstruction and Extension of Jihe Expressway</i>	394,627	-	-	<b>394,627</b>
<i>ETC renovation investment</i>	129,191	-	-	<b>129,191</b>
<i>Reinforcement of Changsha Ring Road Pavement Structure</i>	258,361	73,600	11,400	<b>343,361</b>
<i>Kitchen waste project of Lande Environmental</i>	574,830	300,000	-	<b>874,830</b>
<i>Guangming Environmental Park PPP Project</i>	-	358,000	350,000	<b>708,000</b>
<i>Other investments (Investment in mechanical and electrical equipment, etc.)</i>	238,824	239,090	239,090	<b>717,004</b>
<b>Equity investments</b>	<b>1,682,950</b>	<b>196,580</b>	<b>196,590</b>	<b>2,076,120</b>
<i>Reconstruction and expansion of Yangmao Expressway</i>	61,000	196,580	196,590	<b>454,170</b>
<i>Environmental protection projects of Lande Environmental</i>	169,959	-	-	<b>169,959</b>
<i>State-owned Assets Collaborative Development Fund</i>	300,000	-	-	<b>300,000</b>
<i>Qiantai Company Project <sup>Note</sup></i>	175,000	-	-	<b>175,000</b>
<i>Boyuan Company Project</i>	6,991	-	-	<b>6,991</b>
<i>Capital increase and share subscription project of Vanho Securities</i>	950,000	-	-	<b>950,000</b>
<i>Other projects</i>	20,000	-	-	<b>20,000</b>
<b>Total</b>	<b>3,736,184</b>	<b>2,954,606</b>	<b>813,800</b>	<b>7,504,590</b>

Note: The total investment amount in the project of Qiantai Company is RMB225 million, among which RMB175 million was the consideration for equity transfer, while the remaining amount was for capital injection and will be set-off after Qiantai Company is consolidated into the Group. Accordingly, the investment amount after taking into account the consolidation was RMB175 million.

# Business Review

Business Review





# Internal and External Operating Environment

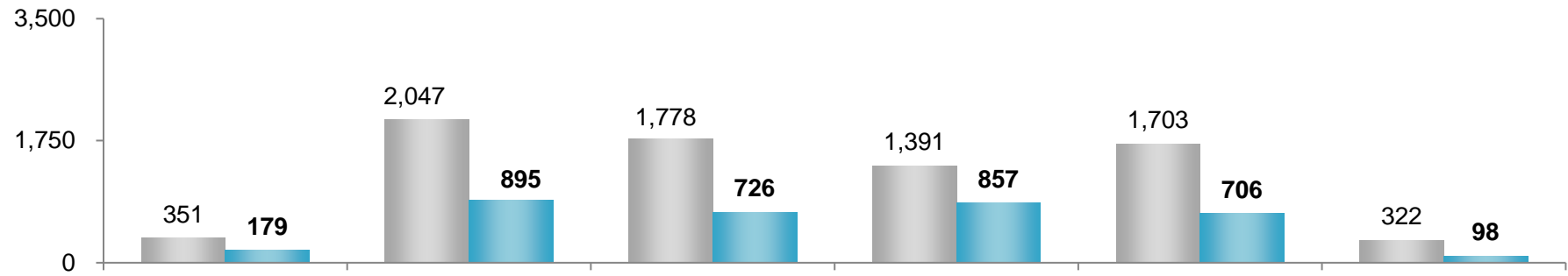
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- Affected by the coronavirus pneumonia epidemic, economic indicators of major economies around the world have declined and the economic development in China faced huge pressure and challenges.
- Since March 2020, the epidemic has been brought under control in China. The Chinese economy showed a positive trend of gradual recovery quarter-on-quarter. The orderly economic recovery is conducive to the general growth of the regional transportation and logistics demand via highway.
- The implementation of policies such as the promotion of ETC application, the new standard for vehicle classification, and the cancellation of toll collection on mileage in relation to interchanges connecting ramp at transportation hubs in Guangdong, have had a staged negative impact on the Company's toll revenue. In the long-term, the application and promotion of ETC will improve traffic efficiency, reduce cost of services.

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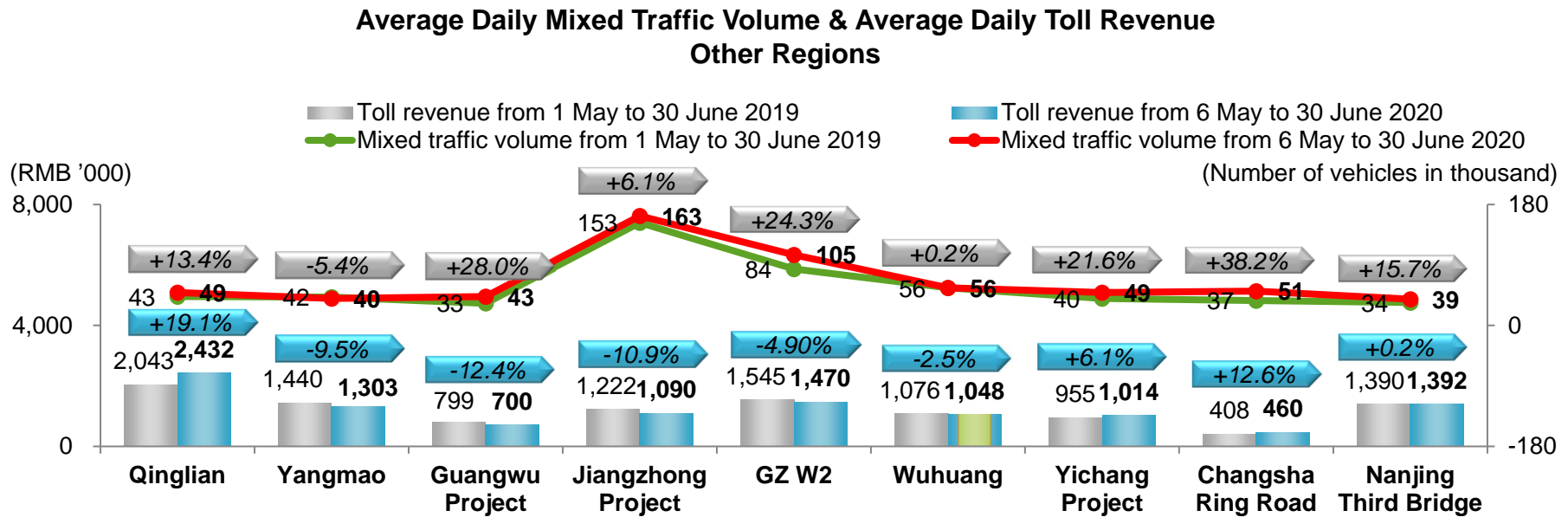
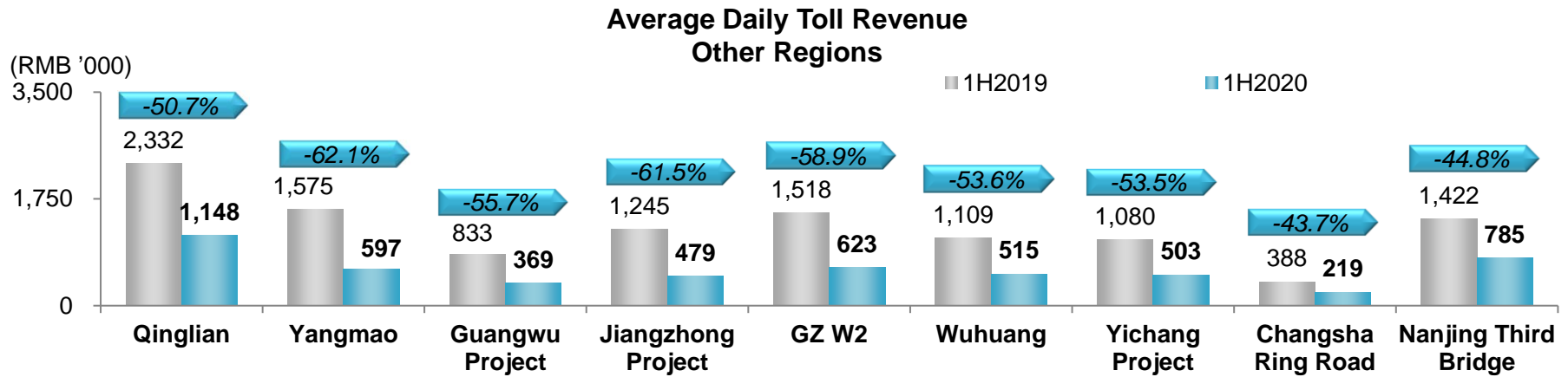


- During the epidemic prevention and control period from January to April 2020, due to various impacts such as lockdown of cities, closure of expressways, and toll free, the toll income from the toll highways operated and invested by the Group decreased significantly YOY. From January to April 2020, the toll revenue decreased by RMB1,125 million YOY.
  - 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 resumed back to normal level and exceeded the same period of previous year. However, due to the 5% discount on ETC, the adjustment of vehicle classification and relevant charging standards and so on, the overall toll revenue slightly decreased YOY. Among them:
    - The changes in surrounding road network have promoted the growth of freight traffic on Coastal Expressway (Shenzhen Section).
    - The average daily toll revenue decreased significantly mainly due to the adjustment of ramp toll mileage in Guangdong Province, which has affected Jihe East, Shuiguan Expressway and Shuiguan Extension. In additional, Shuiguan Extension was also affected by the diversion of adjacent roads.
    - The opening of Qingyun Section of Shanzhan Expressway and Qingyuan Bridge in succession has further improved the surrounding road network of Qinglian Expressway. The role of Qinglian Expressway as the traffic artery has been further highlighted and its operational performance has performed well.
- “ 2020 年 1 月 至 4 月 疫 情 防 控 期 间 ， 受 各 种 影 响 ， 如 城 市 封 锁 、 高 速 公 路 封 闭 、 免 收 通 行 费 等 ， 本 集 团 所 属 各 项 目 的 收 费 额 同 比 下 降 了 1.125 亿 元 。
- “ 2020 年 5 月 6 日 至 6 月 30 日 部 分 收 费 恢 复 期 间 ， 本 集 团 所 属 各 项 目 的 总 体 交 通 量 已 恢 复 到 正 常 水 平 并 超 越 了 同 期 上 一 年 的 水 平 。 然 而 ， 受 到 5% 的 ETC 折 扣 、 车 类 分 类 调 整 及 相 关 收 费 标 准 调 整 等 因 素 的 影 响 ， 总 体 收 费 额 同 比 略 有 下 降 。 其 中 包 括 ：





# Toll Highway - Operational Performance 2



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



# Toll Highway - Project under Construction 1

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## 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.
- As at mid-2020, approximately 76% of the project has been completed. Phase I is scheduled to open to traffic by the end of 2020.
- 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.



# Toll Highway

## - Project under Construction 2

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### 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 mid-2020, approximately 59% 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.





# Toll Highway

## - Project Development 1

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### Reconstruction and Expansion of Jihe Expressway

- The Group and various administrative authorities have reached basic consensus on the overall construction plan of Jihe Expressway reconstruction and expansion project. The preliminary work such as the engineering feasibility and the preliminary design has been basically completed. The Company is actively pushing forward the drawing design and cost consultation and aims to start construction within 2020, with a construction period of about 5 years.

### Shenshan Second Expressway

- The Company is carrying out the preliminary work such as inspection and design of Shenshan Second Expressway (Shenzhen - Shanwei).
- Shenshan Second Expressway has a total length of approximately 35km and will have access to a number of main routes including Outer Ring Expressway upon completion. Becoming an express traffic passage between Shenzhen City and the Shenshan Special Cooperation Zone. It will act as a significant role in facilitating the cooperation and development among the areas such as Shenzhen, Huizhou and Shanwei.

### 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.



# Toll Highway

## - Project Development 2

### Boyuan Company

- On 29 May 2020, Operation Development Company, a wholly-owned subsidiary of the Group, acquired 60% of the equity interests in Guangdong Boyuan Construction Engineering Co., Ltd (“Boyuan Company”) at a consideration of approximately RMB6.99 million.
- Boyuan Company possesses a grade two qualification for general contractor in terms of road project construction as well as relatively leading professional technological advantages and extensive experience in operation management in the field of highway maintenance.
- Upon completion of the acquisition, it will of ac as welliVelopme n '



# General Environmental Protection

## - Solid Waste and Hazardous Waste Treatment 1

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### Lande Environmental

- Environmental Company, 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 Lander Environmental. Environmental Company holds approximately 67.14% of the shares in Lande Environmental. 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. As of the end of August 2020, it has a total of 18 organic waste treatment projects under BOT/PPP model, including 3 commercial operation projects, 4 trial operation projects, 10 projects under construction, and 1 new bid-winning project, most of which are located in cities with better economic development, have relatively long concession period, and able to generate relatively stable returns.
- With the impact of the epidemic, its business development has not aligned with its increasing treatment capacity. With the gradual recovery and unleashing the potential of the public's consumption capacity since the epidemic has been brought under control, as well as the stricter implementation of waste classification and management regulations, Nanning Kitchen Project and Guiyang Kitchen Project, which have been in commercial operation, have resumed full production operations in the first half of 2020, and it is expected that part of the trial operation projects will gradually achieve full production operation in the second half of 2020. The waste treatment business is expected to develop and expand gradually in the future.
- Lande Environmental made progress in the construction of various EPC projects actively in the first half of 2020, resulting in a significant YOY increase in the revenue from EPC construction and equipment business.



# General Environmental Protection

## - Solid Waste and Hazardous Waste Treatment 2

27

### Qiantai Company

- In August 2020, Shenshan Company, a wholly-owned subsidiary of the Company, acquired 50% of equity interests in Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Limited (“Qiantai Company”) with a total capital contribution of RMB225 million by way of capital increase and transfer.
- Qiantai Company possesses qualification for scrapping 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 scrapping new energy vehicles, Qiantai Company possess relatively strong integrated strength in the field of scrapping new energy vehicles and electric-vehicle battery technologies as well as the upstream and downstream markets.
- Upon completion of the acquisition of controlling interests, the Group will be able to capture the opportunities in the development of emerging market by promptly entering the sector of scrapping new energy vehicles, solid waste and hazardous waste disposal of electric-vehicle battery and post-market recycling and application. The acquisition aligns with the Group’s strategic development vision to explore the general environmental protection business sector.



# General Environmental Protection

## - Clean Energy 1

28

### 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.
- With the impact of the epidemic, the progress of production delivery and sales of Nanjing Wind Power were delayed and affected its interim results. Nanjing Wind Power is making every effort to ensure the completion of its business objectives of this year and is making preparation in advance for business development in the two years through measures such as increasing market sales, enhancing supply chain and production management, and strengthening receipt of payments of sales.
- Wind power has become the main source of power supply for the society. The problem of wind power curtailment has been improved rapidly, which indicates a new stage of stable and sound development of wind power industry in the long run.



# General Environmental Protection

## - Clean Energy 2

29

### 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. Its 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.
- Baotou Nanfeng continued to improve wind farm operation and management during the epidemic and outperformed various interim business objectives.
- Baotou Nanfeng is actively working on the application of renewable energy power generation subsidies, in order to obtain power generation subsidies for its existing projects as soon as possible.

### New Energy Company

- The Group has 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 the mainstay and photovoltaic and energy storage as the supplement.



# General Environmental Protection

## - Water Environmental Remediation and Others

30

### 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. During the Reporting Period, Water Planning Company undertook three BO projects in respect of sewage treatment facilities, successfully won the bid for over 70 projects and received sufficient business orders.



# Other Infrastructure

## - Development and Management of Land 1

31

### 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 3,005 mu (approximately 2 million square meters).

#### Guilong Project

- Guilong Project has a land of approximately 2,770 mu with a transaction amount of approximately RMB961 million, of which, 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 has been 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 fully delivered for use, and payments have been received. Stage II launched 95 sets of commercial supporting property, of which 58 sets have been contracted for sale and delivered for use, and payments have been received.
  - Phase III is under development. Among which, Stage I (approximately 162 mu, equivalent to 107,000 square meters) launched 271 sets of villas, of which 225 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.
  - Planning and design work for the remaining land development is in progress.
- The equity of approximately 1,610 mu (equivalent to 1,073,000 square meters) of land has been transferred in batches from 2016 to 2019, with a total transaction amount of approximately RMB897 million.

#### Duohua Bridge Project

- The total length of Duohua Bridge Project is about 2.2 km, the major construction work of the project is the construction of Duohua Bridge. The total investment amount of the project is approximately RMB900 million and the construction period of the project is expected to be approximately 3 years. As at mid-2020, approximately 46% of the physical work of the project have been completed.
- In 2018, bid for 235 mu (approximately 157,000 square meters) of Duohua Bridge Project with the transaction price of RMB118 million.





## Other Infrastructure - Development and Management of Land 2

32

### 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 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



## Other Infrastructure - Entrusted Management & Others

33

### 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, etc.
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### Others

- Nanmen River Comprehensive Treatment Project in Shenzhen-Shanwei Special Cooperation Zone, One Apartment, etc.



# Financial Business 1

34

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

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## 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 is conducive for the Group to give full play to its financing advantages, and helps to provide financial leasing services to satisfy the capital required in the principal businesses and the upstream and downstream of the industry chain of the Group. It is an important way for the Group to achieve “industrial-financial integration” and its business synergy strategy, which will help to enhance the overall value of the Group.
- Financial Leasing Company has been proactively expanding business after optimization. As of the end of August 2020, Financial Leasing Company has invested an amount of approximately RMB314 million in the business of industrial-financial integration.



### 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 industry and a platform for incubating projects.
- In order to effectively consolidate its resources, expand the fund-raising channels and establish a market-oriented talent management system, Fund Management Company is actively promoting the introduction of two strategic investors through public listing and competitive negotiation with a shareholding of 49% in aggregate.

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### 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.

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### 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.
- As the investment focus is on infrastructure and public utilities and financial and strategic emerging industries which are supported by national policies, it has potentials for development. Participating in the fund can provide the Company with more investment opportunities for Shenzhen's state-owned enterprises, and may have a synergy effect of industry and finance, which is conducive to the continuous development of the Company.

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### Vanho Securities

- Vanho Securities is a comprehensive securities firm with full license controlled by the Shenzhen SASAC. Its principal business has developed steadily. The Company proposes to invest an amount of approximately RMB950 million for subscription of approximately 8.68% of the enlarged equity interest in Vanho Securities.
- 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; on other hand, 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

36

### 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.

# Plans for 2H





# Major Works in 2H2019 - 1

38

## Toll Highway Business

- Continue to strive for a reasonable supporting and protective policies and try to reduce the impact of the implementation of the toll-free policy during the epidemic.
- Continue to reduce costs and increase incomes, accurately split, improve service levels, and increase profitability.
- Properly carry out the construction work of Coastal Phase II, Section A of Outer Ring, etc., and use the major projects such as the reconstruction and expansion of Jihe Expressway as carriers to further enhance the level of informatization and intelligence.
- Proactively explore opportunities for mergers and restructuring, invest in promising toll highway and bridge projects and continue to strengthen the core business of toll highway.

## General Environmental Protection

- Focus on segments such as organic urban waste treatment, industrial hazardous waste and clean energy, pursue appropriate investment opportunities and strive to realize integration of and synergy between its existing businesses and other resources of the Group.
- Further optimize the internal management of environmental protection subsidiaries, effectively expand the production capacity, and promote the construction and operation of various BOT/PPP projects as planned.
- Continue to recruit and cultivate professional talents, improve performance appraisal and salary incentive mechanism, enhance the research and development of environment technology, and further enhance the core competitiveness.



## Major Works in 2H2019 - 2

39

### Strategic Research and Business Expansion

- Complete the formulation, approval and implementation of the “2020–2024 Development Strategies”.
- 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.
- 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.

### Financial Management

- Actively promote the non-public offering of H shares and the issuance of corporate bond to replenish the Company’s capital, at the same time maintain sound fund management and financing so as to ensure financial safety.
- Coordinate financial resources, strengthen the management of existing credit lines so as to maintain sufficient credit lines.
- Strengthen the management over the invested companies and establish a comprehensive authorization system.

### Corporate Governance

- Adhering to the principles of good corporate governance, further improve corporate governance and various operational rules with the aim to effectively improve the transparency, independence and integrity of the Company’s operations, enhance and optimize the multi-level incentive and restraint system so as to promote healthy and stable development of the Company.



# Appendix

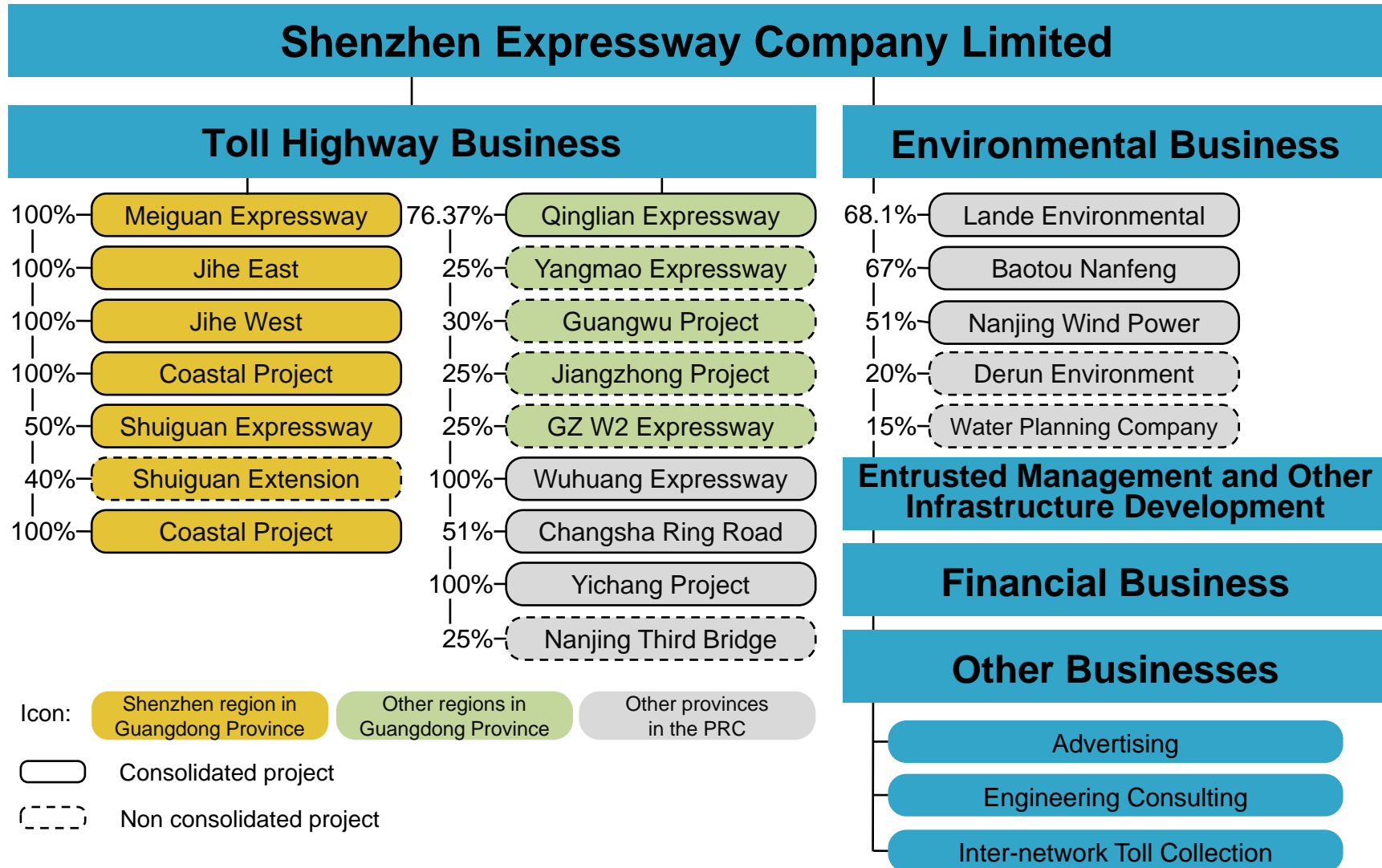
Appendix







# Business Structure





# Toll Highway Projects Summary

Toll Highway	Interest Held by the Company	Location	Toll Mileage (km)	No. of Lanes	Status	Maturity
Meiguan Expressway	100%	Shenzhen	5.4	8	Under operation	2027.03
Jihe East	100%	Shenzhen	23.7	6	Under operation	2027.03
Jihe West	100%	Shenzhen	21.8	6	Under operation	2027.03
Shuiguan Expressway	50%	Shenzhen	20.0	10	Under operation	2027.02
Shuiguan Extension	40%	Shenzhen	6.3	6	Under operation	2027.02
Coastal Project	100%	Shenzhen	36.6	8	Phase I: Under operation Phase II: Under construction	2038.12
Outer Ring Project	100%	Shenzhen	60.0	6	Under construction	-
Yangmao Expressway	25%	Guangdong	79.8	4	Under operation	2027.07
Guangwu Project	30%	Guangdong	37.9	4	Under operation	2027.11
Jiangzhong Project	25%	Guangdong	39.6	4	Under operation	2027.08
GZ W2 Expressway	25%	Guangdong	40.2	6	Under operation	2030.12
Qinglian Expressway	76.37%	Guangdong	216.0	4	Under operation	2034.07
Wuhuang Expressway	100%	Hubei	70.3	4	Under operation	2022.09
Yichang Expressway	100%	Hunan	73.1	4	Under operation	2033.12
Changsha Ring Road	51%	Hunan	34.7	4	Under operation	2029.10
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Under operation	2030.10



# Average Daily Mixed Traffic Volume for Five Years

44

(Number of vehicles)	2015	2016	2017	2018	2019
<b>Shenzhen region in Guangdong Province</b>					
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 <sup>Note 1</sup>	N/A	N/A	81,613	90,483	99,819
<b>Other regions in Guangdong Province</b>					
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
<b>Other provinces in the PRC</b>					
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 <sup>Note 2</sup>	-	-	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.

Note 2: 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 for Five Years

45

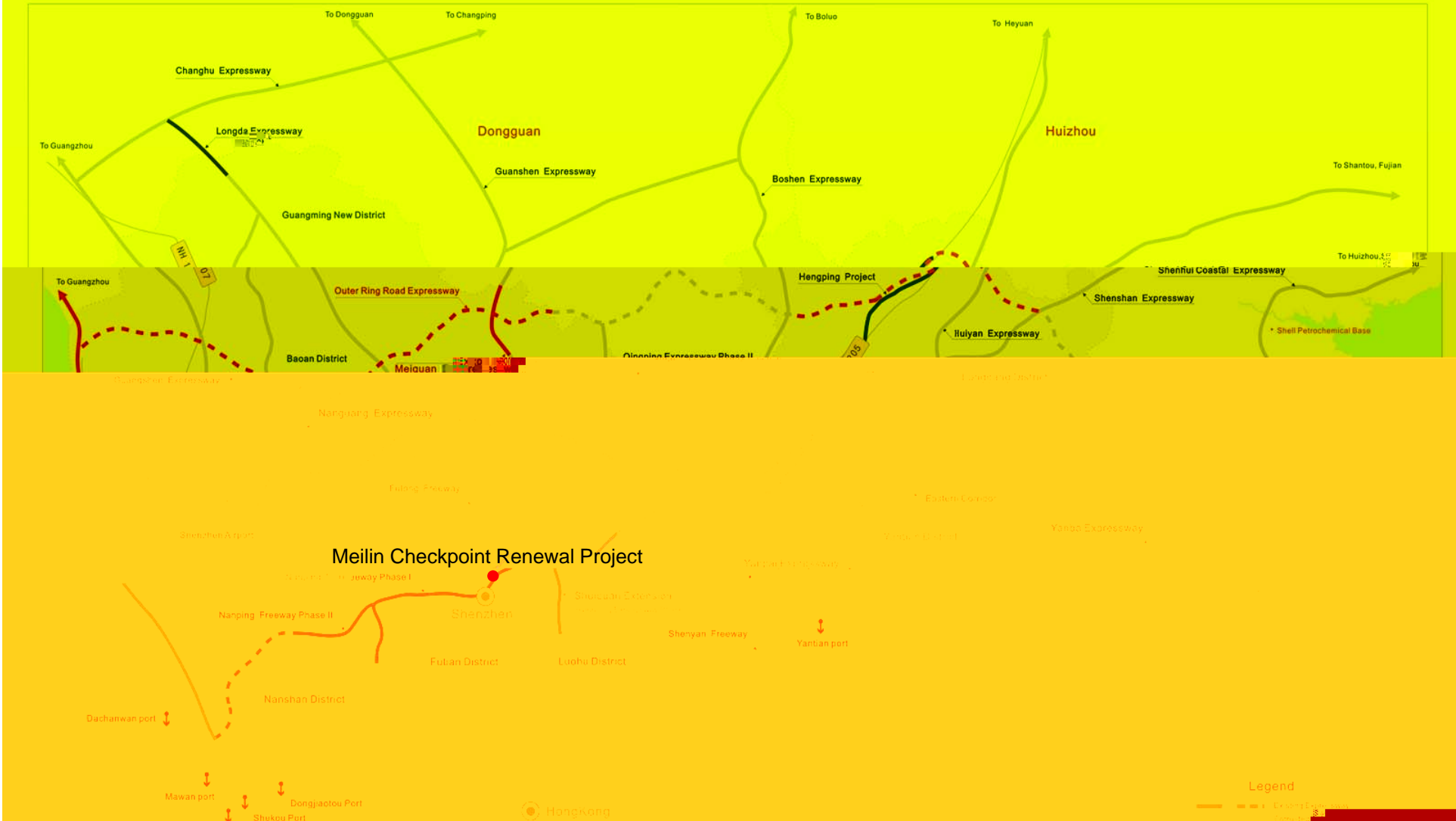
(RMB '000)	2015	2016	2017	2018	2019
<b>Shenzhen region in Guangdong Province</b>					
Meiguan Expressway	282.9	311.3	336.3	350.9	382.9
Jihe East	1,745.1	1,767.1	1962.0	2,076.4	2,104.8
Jihe West	1,491.0	1,641.7	1729.4	1,794.4	1,829.5
Shuiguan Expressway	1,537.3	1,692.9	1762.8	1,738.1	1,786.4
Shuiguan Extension	253.7	299.5	314.3	328.6	331.0
Coastal Project <sup>Note 1</sup>	N/A	N/A	1,093.1	1,273.5	1,459.1
<b>Other regions in Guangdong Province</b>					
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
<b>Other provinces in the PRC</b>					
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 <sup>Note 2</sup>	-	-	1157.3	1,119.1	1,105.5

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.

Note 2: 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.

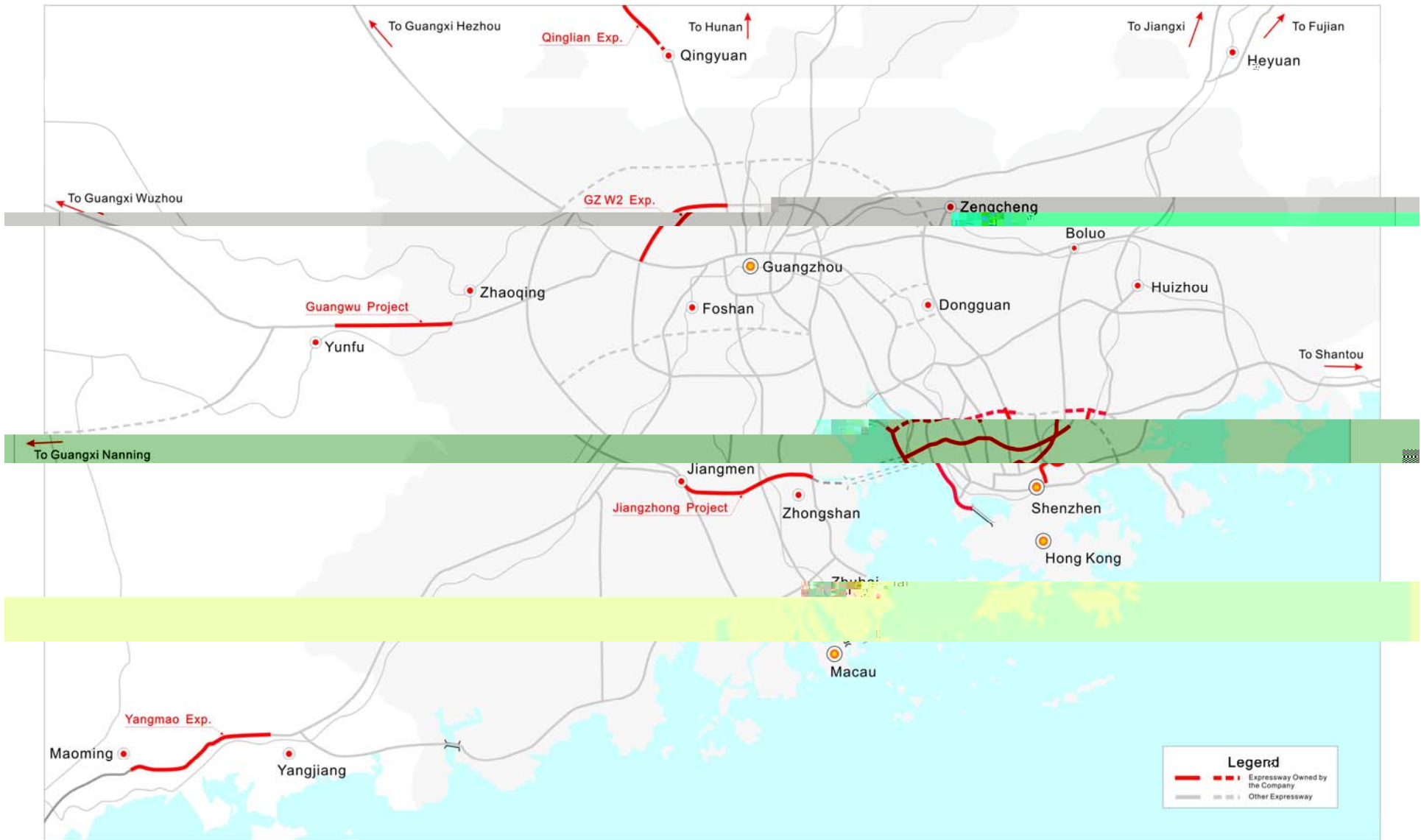


# Road Network of Shenzhen



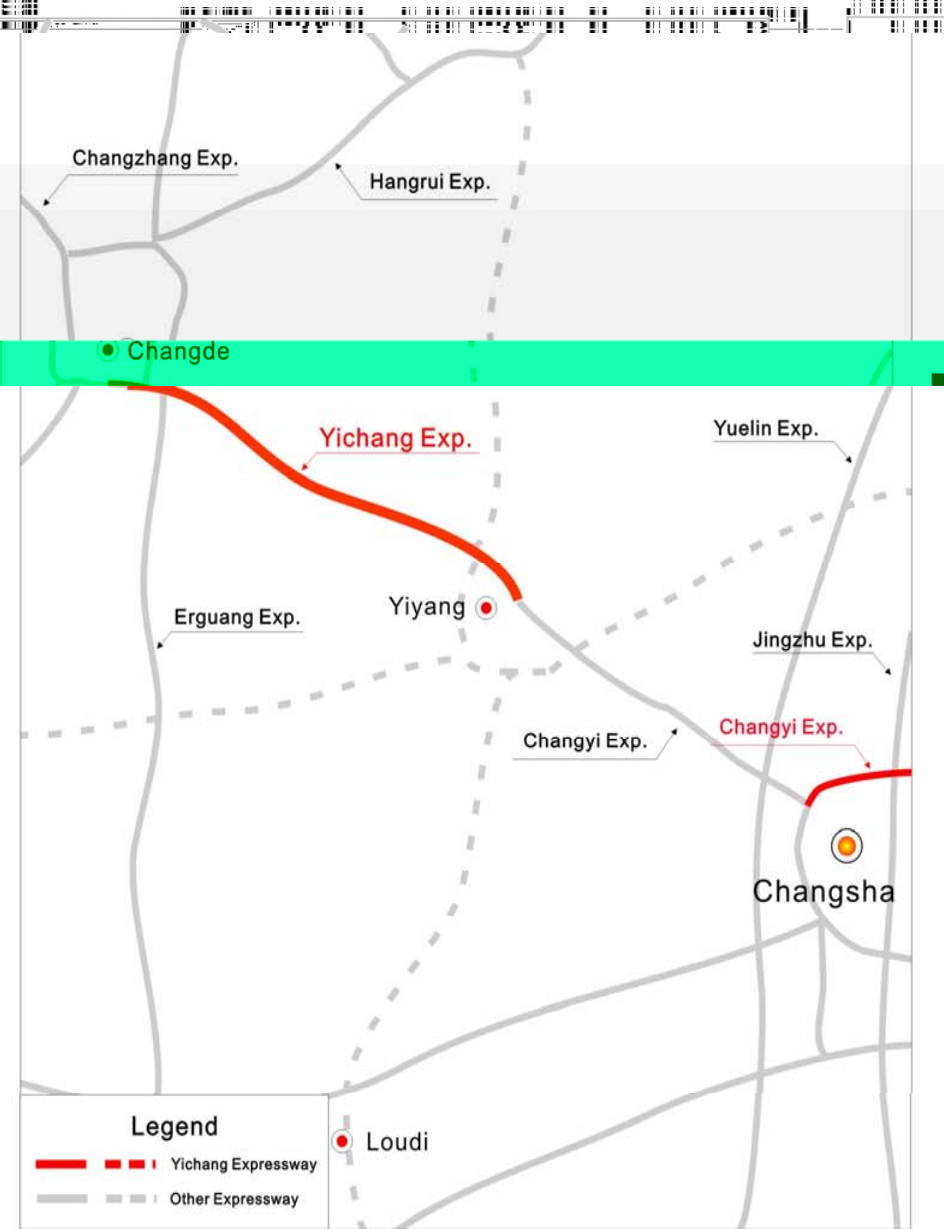


# Road Network of Pearl River Delta



# Road Network of Qinglian Expressway

# Road Network of Yichang Expressway



## Road Network of Wuhuang Expressway



**Legend**  
— Wuhuang Expressway  
— Other Expressway

## Road Network of Nanjing Third Bridge



**Legend**  
— Nanjing Third Bridge  
— Other Expressway


## Road Network of Changsha Ring Road



**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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