



深圳高速公路集团股份有限公司

Shenzhen Expressway Corporation Limited

Stock code: 600548 (A) 00548 (H)

E-news

No. 2022-01

12 April 2022

E-Flash Report

# 2021 Annul Results

- 2021 Annul Results Briefing
- Frequently Asked Questions

## 2021 Annul Results Briefing

From 30 to 31 March 2022, Shenzhen Expressway held the 2021 annual results briefing in the form of live video broadcast and teleconference on the two online platforms of Roadshow China and Panorama · Global Roadshow. The number of participants and live streaming views of the briefing session was nearly 3,000. In the two briefing sessions, the Management of the Company and the participants had full communication on the Company's operating performance in 2021, business progress in each sector, the impact of the epidemic on the Company, investment and financing plans, and development strategy, etc.

The content of the above briefings can be accessed through RoadshowChina platform (<https://www.roadshowchina.cn/Meet/detail.html?mid=13319>) (Chinese only) and Panorama · Global Roadshow platform (<https://rs.p5w.net/html/131419.shtml>) (Chinese only). The Company's presentation material is available at: <https://www.sz-expressway.com/uploadfiles/2022/03/20220329205330396.pdf>





## Frequently Asked Questions

1. The total revenue target of the Company in 2022 is RMB12 billion. Which sectors will mainly contribute to the Company's revenue?

A: Based on a reasonable analysis and prudent judgment of the business environment and operating conditions, the Company has set a revenue target of RMB12 billion for 2022. Among them, the toll road segment is still the largest source of revenue. The general-environmental protection segment is expected to have a good improvement this year. The entrusted management business segment and the engineering construction service segment are expected to continue the development of the original projects.

2. What is the scale and annual investment pace of the wind power business in the Company's 14<sup>th</sup> Five-Year Plan?

A: According to the Company's "14<sup>th</sup> Five-Year" Development Strategy, the Company will focus on clean energy power generation business, with the combination of light and heavy assets and equity participation and investment control, and actively layout the industry chain supporting businesses including the investment and operation of wind power and photovoltaic power station, wind turbine equipment, wind turbine aftermarket operation and maintenance, energy storage, carbon trading and electricity distribution, to create an "integrated" clean energy system with the features of Shenzhen Expressway. The total installed capacity of the wind farm projects currently controlled by the Company is 648MW. It plans to continue to carry out holding investment in several standard wind farms and photovoltaic power station projects during the strategic period. The cumulative installed capacity at the end of the strategic period is not less than 1.3GW.

3. What is the progress of the reconstruction and expansion of Jihe Expressway? How much will the traffic volume be affected during the construction period?

A: Jihe Expressway is a part of the national highway and an important traffic artery in Shenzhen and even the Greater Bay Area. Its traffic volume has reached the limit and needs to be reconstructed and expanded. The current planning is proposed according to the 8+8 double-layer composite channel scheme and the on-site assembly-type industrialized construction method.

The project has been approved by the Development and Reform Commission of Guangdong Province at the end of 2020, and the preliminary design and budget plan of the project have been approved by the MOT. The Company is actively carrying out related work such as construction drawing revision and tendering, and strives to fully start the reconstruction and expansion of Jihe Expressway within this year. The project duration is expected to be 5 years. The model of investment and financing of the reconstruction and expansion of Jihe Expressway is still under negotiation with relevant government departments, and the Company will timely perform the approval process upon confirmation of the model.

Due to the tight construction period and the normal operation of the existing two-way 6-lane, the toll revenue will be affected in a certain during the reconstruction and expansion period. The Company will take relevant management measures, and the impact is expected to be controlled.



4. What is the impact of the recent epidemic on the traffic volume of the Company's toll road projects? Will the Company be able to meet this year's revenue target of RMB12 billion?

A: Since the beginning of this year, the epidemic in Shenzhen and neighboring areas has been repeated. In order to better and faster control the epidemic, Shenzhen has pressed the "pause button" for a week. Some areas have implemented temporary traffic control, and the traffic volume has decreased accordingly. According to the current statistics, the impact of the epidemic on the traffic volume of expressways in Shenzhen area of the Group is at the level of 10%-20%. We believe that the unified deployment and implementation of strong measures by the Shenzhen government will help control the impact of the epidemic. With the full recovery of economic activities in Shenzhen, the traffic volume of each road section will return to normal levels.

The Group's revenue target of RMB12 billion for 2022 is the result of the Management's reasonable analysis and prudent judgment based on the business environment and operating conditions, and has also taken into account the impact of the epidemic on the Company's operation at the beginning of the year. If the epidemic does not occur on a large scale again during the year, and the Company further expands in the field of general-environmental protection business, its revenue can effectively compensate for the phased impact of the epidemic on the toll road segment, and the Management of the Company is confident to meet the operating target.

5. What is the positioning of Shenzhen Expressway and Bay Area Development? As an H-share listed company, will Bay Area Development have a capital operation plan?

A: The successful acquisition of Bay Area Development is of great significance to the consolidation and upgrading of Shenzhen Expressway's main toll road business and its sustainable development in the future. After the acquisition of Bay Area Development, Shenzhen Expressway, as a major shareholder, will support the development of the core business of Bay Area Development in the Guangdong-Hong Kong-Macao Greater Bay Area, including the investment, construction, operation and management of toll roads and land development along the routes. The positioning of the two companies is clear. The strategic positioning of Shenzhen Expressway is "toll road + general-environmental protection", and the development positioning of Bay Area Development is committed to becoming an investment and financing platform in the Guangdong-Hong Kong-Macao Greater Bay Area with full strength centered on the expressway assets and land development along the routes in the area.

In the future, the two parties will give full play to their respective advantages and form an overall development pattern of synergistic development in the near term and differentiated development in the long term. The reconstruction and expansion of GS Expressway has been widened from two-way 6 lanes to 10 - 12 lanes, which is an important business for Bay Area Development in the next few years and is being vigorously promoted. In addition, Shenzhen Expressway signed a memorandum with Bay Area Development, which plans to inject Coastal Expressway (Shenzhen Section) into Bay Area Development. Relying on the convenient financing channels in Hong Kong and the support of its major shareholder, Bay Area Development will continue to carry out capital operation, further expand its business scope, and improve its business capacity, as well as bring profit contribution to its shareholder of Shenzhen Expressway.



6. How will Shenzhen Expressway and Bay Area Development operate in synergy after Coastal Project is injected into Bay Area Development?

A: Shenzhen Expressway uses its own high-quality resources to promote the synergistic development of itself and Bay Area Development. On the one hand, it can achieve operational synergy. At present, Bay Area Development has already owned GS Expressway, and Coastal Project is the second core express channel between Guangzhou and Shenzhen. At present, Bay Area Development already has GS Expressway, and after it the riverside project After Bay Area Development owns these two core channels to Guangzhou, Shenzhen Expressway can make use of rich operation and management experience to coordinate and manage toll roads in Shenzhen region including GS Expressway and Coastal Project, so as to maximize resource pooling, refine management and reduce overall operating costs.

On the other hand, it can achieve capital operation synergy. The injection of Coastal Project into Bay Area Development, firstly, is to make Bay Area Development obtain high-quality assets, which is conducive to its bigger and stronger and helps to improve its valuation level; secondly, is to build the overseas investment and financing platform of Shenzhen Expressway Group, broaden its the equity financing channels, seek low-cost financial support for its development, and help the development of its dual core businesses and industrial transformation and upgrading; thirdly, to help Shenzhen Expressway to recover cash for reinvestment and redevelopment. After the acquisition of Bay Area Development, Shenzhen Expressway's total asset liability ratio in the consolidated financial statements increased from 53% to 58 - 59%, and the debt financing ability was limited to a certain extent. The transfer of the controlling interest in Coastal Project, but the project is still within the scope of the consolidated statements of Shenzhen Expressway. At the same time, Shenzhen Expressway is also able to recover part of the funds from it for other projects, such as the reconstruction and expansion of Jihe Expressway, the construction of Outer Ring Phase III and the investment of general-environmental protection projects, which will help Shenzhen Expressway achieve the objectives of the 14<sup>th</sup> Five-Year Development Plan and help enhance the market competitiveness of Bay Area Development.

7. What is the operational performance of GS Expressway and GZ West Expressway in 2021?

A: In 2021, the average daily toll revenue and the average daily traffic volume of GS Shenzhen Expressway were RMB8.09 million and 93,000 vehicles with a YOY increase of 24% and 26%, respectively. The average daily toll revenue and the average daily traffic volume of GZ West Expressway were RMB3.76 million and 53,000 vehicles with a YOY increase of 26% and 23%, respectively.

8. What is the progress of the company's research in REITs? Does the company have any plans to issue REITs?

A: Public REITs is an important initiative to deepen the reform of China's capital market. For enterprises in the infrastructure segment, it can not only broaden the investment and financing channels and reduce the liability ratio, but also help enterprises to actively try the operation model of separating light and heavy assets, which can promote the revaluation of enterprise assets and rapid development of enterprises.

The Company's two core businesses, namely, toll roads and general-environmental protection, are in line with the scope of the application. At present, we have already started the project research of the relevant projects, and closely follow up and study the relevant system rules and regulations as well as the market situation of the issued projects.



9. What are the reasons why Nanjing Wind Power, Bioland and Qiantai Company did not meet their performance targets last year? Can they improve their results this year?

A: The performance of Nanjing Wind Power did not meet the targets mainly due to four factors: delayed implementation of incremental orders, increased competition for onshore wind turbines, slow implementation of existing projects, and the new models productization lagging behind market demand. The Group will strengthen the internal management integration of Nanjing Wind Power, accelerate the implementation and signing of reserve projects, and enhance the project's development and cooperation. Through such development or cooperation, Nanjing Wind Power will drive wind turbine sales and improve its market competitiveness and profitability. In addition, Nanjing Wind Power, as a wind power equipment R&D and manufacturing enterprise, is an important part of the Group's wind power integration strategy, providing a solid foundation for the Group to expand new energy industries. In the future, Nanjing Wind Power will continue to rely on the Group's collaboration advantages in promoting integrated clean energy to expand its business, and we believe that Nanjing Wind Power's performance can be effectively guaranteed.

In 2021, Bioland' performance failed to meet the targets because of the delayed progress of construction projects, the failure to transfer to commercial operation in accordance with the planned timeline, the less-than-expected expansion of new projects, and the high preliminary costs. However, we are still optimistic about the organic waste treatment industry. Next, the Group will integrate and streamline the organizational structure and its subsidiary structure of Bioland in an effort to reduce costs and increase efficiency, and improve its management and profitability. At present, Bioland has 11 projects in commercial operation. As the existing projects are put into operation, it is expected that the profitability of Bioland will be greatly improved.

Qiantai Company achieved a net profit of RMB2.73 million in 2021, failing to complete the betting commitment, which was mainly due to a lag in business expansion during the integration process after the acquisition was completed at the end of 2020. We believe that the retired new energy vehicles and electric-vehicle batteries recycling business has broad growth prospects with a very explosive track. With the continued expansion of the application scale of new energy vehicles and power batteries in China, the market demand for material recycling will continue to grow, which will bring good development opportunities for Qiantai Company. We have noticed that from the second half of 2021, Qiantai Company's business volume has increased significantly and its operating results have improved significantly. In the next stage, Qiantai Company will fully leverage its qualification, location and market advantages to expand its business cooperation with upstream and downstream by carrying out various cooperation modes, and it will further develop the business of vehicle scrapping, battery gradient utilization and battery material recycling. At the same time, we will strengthen the capability of Qiantai Company's operation team to improve the operation capability and the ability to grasp business opportunities, and we are confident in Qiantai Company's future business development.



10. What is the current situation and future planning of the property development business?

A: The Company currently has two main property development projects: one is Guilong Project, which is currently carrying out the sales of Group A of Phase III, while Group B and Group C of Phase III are mainly commercial supporting properties and apartments, which are under construction. The other one is Meilin Checkpoint Renewal Project, which is currently carrying out the sales of business apartment project of Phase III. Both Phase I and Phase II have completed the sales and handover, and all residences of Phase III have also completed sales. Phase III includes a part of commercial and office buildings. The commercial project is scheduled to be completed this year and is planned to be self-owned and operated, while the office buildings are expected to be completed next year. The main work of the two projects is to complete the existing development.

**About Shenzhen Expressway**

*Shenzhen Expressway was established on 30 December 1996. In March 1997, the Company issued foreign capital shares (H Shares) which were subsequently listed on The Stock Exchange of Hong Kong Limited on 12 March 1997. In December 2001, the Company issued Renminbi-denominated ordinary shares (A Shares) which were subsequently listed on the Shanghai Stock Exchange on 25 December 2001. The Company is mainly engaged in the investment, construction, operation and management of toll highways.*

**For further information, please contact:**

**SHENZHEN EXPRESSWAY CORPORATION LIMITED**

Ms. Catherine ZHENG / Ms. Babe LIU

Tel: (86 755) 8669 8081 / 8669 8069

Fax: (86 755) 8669 8002

E-mail: [ir@sz-expressway.com](mailto:ir@sz-expressway.com)