



深圳高速公路股份有限公司

Shenzhen Expressway Company Limited

Stock code: 600548 (A) 00548 (H)

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E-Newsletter

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Opening Message

GUIDANCE

- Opening Message
- Company News
- Frequently Asked Questions
- Shareholders' Calendar

Dear investors:

In the first half of this year, the spread of the epidemic in the world had a significant impact on various industries, and Shenzhen Expressway was no exception, with the Group recording a loss for the first time in the first quarter.

In the face of the difficulties, the Company maintained an efficient and orderly work rhythm. In addition to taking the lead in resuming production and work, the Company has also improved production efficiency through measures, such as strengthening production and quality management, using innovative technology applications. The Group strives to achieve the completion target of the projects under construction on schedule, such as Outer Ring Expressway and Meilin Checkpoint real estate project, and effectively controls cost. At present, the Group is still in communication with the transportation authorities regarding the supporting measures related to toll free and is closely following up on the arrangements.

The external environment is uncertain, but the belief of Shenzhen Expressway people to keep moving forward and continue to reward shareholders is certain. Although the Company's operations were significantly affected by the epidemic in the first half of the year, the Management based on reasonable analysis and expectations of the operating environment and operating conditions, set the same operating target as last year, that is, revenue of RMB6~6.9 billion. The Company has formulated rigorous and feasible work plans and programs for this purpose. On the one hand, the Company strengthens the operation management of the existing projects, reduces costs and increases efficiency, while does well in the construction of major projects and completes on schedule. On the other hand, the Company increases investment and mergers and acquisitions of new projects to supplement its sources of income, while improving the ability of risk resistance. In terms of financial management, the Company focuses on fund management to maintain safe and sufficient liquidity and lower financial costs, as well as optimizes the debt structure to enhance its financial strength and enhance the space for subsequent development.

Chairman: HU Wei



Company News

Investor Relations Activities

- On 7 January 2020, the Company participated in “BOC International Investment Seminar Luncheon: Global Investment Outlook 2020” in Hong Kong.
- On 8 January 2020, the Company participated in “Northeast Securities 2020 (Shenzhen) Industry Forum & Listed Companies Communication Meeting” in Shenzhen.
- On 7 May 2020, the Company participated in “HuaChuang Securities 2020 Mid-term Conference (Online)”.
- On 8 May 2020, the Company participated in “Haitong Securities 2020 Spring Listed Companies Communication Meeting” online.
- On 12 May 2020, the Company participated in “Northeast Securities Listed Companies Online Exchange Conference-2020 Summer”.
- On 13 May 2020, the Company participated in “Western Securities 2020 Spring Investment Conference” online.
- On 19 May 2020, the Company participated in “Daiwa China A-Share Conference 2020 (Virtual Meetings)”.
- On 5 June 2020, the Company participated in “Industrial Securities 2020 Semi-annual Investment Strategy Summit (Transportation Session)” online.
- On 9 June 2020, the Company participated in “CICC Investment Strategy Conference 2H2020 - Opportunities and Challenges in the Post-COVID-19 World” online.
- On 10 June 2020, the Company participated in “Citi Industrials/Logistics/SME Corporate Day (Virtual)”.
- On 15 June 2020, the Company participated in “CITICS Capital Market Conference 2020” online.
- On 22 June 2020, the Company participated in “Huatai Securities 2020 Summer Investment Summit”.

Market Evaluation & Recognition

- In January 2020, Shenzhen Expressway won the “Best IR Front Line Award” and the “Best Information Disclosure Award”, Ms. ZHENG Zheng, IR Director, won the “Best Leader Award” and the “Popular Goddess Award” in Roadshow China the Third China Excellent IR.



Frequently Asked Questions

1. How is the operational performance of the Company's toll highway projects after the resumption of toll collection?

A: The highways in China have resumed tolls since 6 May. From the available data, traffic volume has generally returned to normal. At present, the operating performance of the Group's toll highway projects in general has returned to normal. The traffic flow of the Wuhuang Expressway, which is in the worst-hit areas of the epidemic, has also recovered relatively well.

2. Will the opening of Section A of Outer Ring be delayed due to the impact of the epidemic?

A: Outer Ring Project is a particularly high-quality toll highway project obtained by the Company in Guangdong-Hong Kong-Macao Greater Bay Area. The outbreak of novel coronavirus has delayed the construction by about 1.5 months. The Management attached great importance to this, under the premise of ensuring safety to resume work as soon as possible, and conducted an in-depth analysis of the project and focus on the important nodes to ensure that the main line of Outer Ring Project will be completed and opened to traffic by the end of 2020 according to the original plan.

3. Will the epidemic affect the delivery schedule of the Meilin Checkpoint Renewal Project?

A: The 832 residential houses of Phase I of Meilin Checkpoint Renewal Project have been sold and the payments have been received in 2019. The Company recognized the investment income of RMB377 million in 2019. The 683 residential houses of Phase II have been sold out. The epidemic has affected the construction progress of Phase II, but the project company is actively taking measures to achieve the goal of handing over the building by the end of 2020. The construction and delivery schedule of Phase III is currently uncertain as the project has been adjusted due to the newly added metro planning.

4. Why did the Company acquire the equity interests in Lande Environmental?

A: On 8 January 2020, the Company entered into an agreement and 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 Lande Environmental. The aggregate amount of the acquisition and the subscription shall be not more than RMB809.6 million.

The acquisition of equity interests in Land Environment has the following significance:

1) It is in line with the long-term development direction and interests of the Company and highly consistent with the Group's strategic development planning. The Group's 2020-2024 development strategy plan has clearly identified organic waste treatment as one of its sub-sectors, and to achieve industry leadership in the sub-sector. 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. The acquisition of Lande Environmental is in line with the long-term development direction and interests of the Group and highly consistent with the Group's strategic development planning.

2) It is conducive to accelerating the large-scale development of organic waste treatment and enhancing industry influence. In recent years, the state has stepped up efforts to dispose of kitchen waste across the country, and the organic waste treatment industry has a bright future. The acquisition of Lande Environmental helps the Group accelerate the nationwide layout and scale development of



organic waste treatment. Combined with the investment and construction of Shenzhen Guangming Kitchen Waste Treatment Project ("Guangming Environmental Park Project"), the Group is expected to enter the forefront of the country in the scale of organic waste treatment, which is conducive to establishing and enhancing the Group's industry influence in this field.

3. It is conducive to grasp the market segment of the organic waste industry and share the value of the entire industry chain. Lande Environmental has formed a full industrial chain layout and a relatively mature business model in the field of organic waste disposal. The acquisition of Lande Environmental, as the main platform to expand and deepen the organic waste treatment business, will help to seize the good development opportunities of the kitchen waste segment and share the value of the entire industry chain.

4. It is conducive to leverage synergies and obtain core technology, construction and operation experience and team, so as to provide a strong guarantee for Guangming Environmental Park Project. The acquisition of Lande Environmental helps to take advantages of its strong technological research and development advantages, relatively mature investment, construction and operation experience, as well as human resources, to coordinate and support Guangming Environmental Park Project, and provide a strong guarantee for the good development of the project.

5. It is beneficial for the Group to lock in long-term environmental protection assets and achieve long-term stable returns. The acquisition of Lande Environmental will make the Company quickly rank in the forefront of the national kitchen treatment industry in terms of asset scale, and its projects will also bring long-term and stable income to the Company. The subsequent expansion of these projects will also continue to bring the Company's asset expansion.

As one of the major companies in the domestic organic waste treatment industry, Lande Environmental has strong technical research and development capabilities in key process sections such as pretreatment and anaerobic fermentation. Lande Environmental is one of the few domestic organic waste treatment platform-type enterprise with a whole industry chain, including research and development, core equipment manufacturing, engineering construction, and project operations. The scale of the existing projects ranks among the forefront of the industry, with a relatively mature technology research and development, market development and construction operation management team. In addition, based on the professional operation of Lande Environmental, through resource injection, such as the Group's capital, engineering construction, and the platform of state-controlled listed company, the comprehensive advantages in technology, equipment, capital, and construction management of Lande Environmental will be formed. It will help the Group to seize the development opportunities of the organic waste industry as soon as possible, occupy a place in the new round of increasingly fierce project competition in cities at and above the prefectural level, and lay the foundation for the final formation of scale and core competitiveness in the field of urban organic waste disposal.

5. Why did the Company choose to raise funds by non-public issuance of H shares? What is the use of proceeds? How will the Company handle the H-shares private placement price which is higher than the market price?

A: At present, the equity financing methods mainly include A-share refinancing, such as rights issue, public offering, non-public offering, CB and preferred shares, and H-share refinancing, such as fixed-income, CB, and preferred shares. Among them, the refinancing of A shares is currently affected by the "restricted housing policy", which is difficult to implement. The main issuers of H-share preferred shares are financial institutions, such as banks. Due to the high conversion premium rate of H-share CB and no downward revision of the conversion price, the conversion rate of H-share CB is low and the debt attributes are strong, so it cannot meet the Company's capital expansion needs. Compared with the above refinancing methods, the non-public issuance of H shares has the following characteristics:

- 1) it is not affected by the "Restricted Housing Policy" of the CSRC, and the Company meets the issuance conditions;
- 2) non-public issuance of H shares does not require a designated investment project, and the use of proceeds is flexible;
- 3) it can achieve the purpose of equity financing and enhance the Company's capital strength.



The par value of the H shares to be issued is RMB1.00 each, and the total number of H shares will not exceed 300 million shares (included). The final number of H Shares to be issued will be based on market conditions after authorization by the general meeting of shareholders, and A-share and H-share class meetings. Proceeds from the issuance after deducting the related expenses will be used for the investment in principal businesses, including highways and environmental protection, the repayment of debts of the Company and its controlling subsidiaries, and also for the supplement of working capital.

Recently, the Company's stock price has been under pressure, which is closely related to the impact of the financial markets external environment and the industry policy. In the long run, the overall valuation of the Company has not changed much. It is believed that with the subsequent development of the Company's business and the gradual stabilization of the external financial markets, the Company's share price will return to a reasonable valuation level.

The issue of additional H shares is currently proceeding normally, and the relevant materials have been submitted to the China Securities Regulatory Commission for approval. Upon approval, the Company will choose the appropriate time to implement it within the approved validity period (generally 12 months).

6. How will the Company's dividend policy change under the influence of the epidemic?

A: Shenzhen Expressway has maintained a good dividend policy since its listing. The dividend payout ratio of Shenzhen Expressway has never been less than 40%. In the past three years, we strictly adopted the dividend ratio of 45% as promised.

In the future, Shenzhen Expressway will continue to adopt a stable dividend payout policy. For some of the operational difficulties and impacts caused by the epidemic in 2020, the Company will bear its responsibility to shareholders in mind and make a final decision based on comprehensive consideration of the impacts on all matters including revenue, cash flow, the Company's medium- and long-term development strategy, and shareholders' short-, medium-, and long-term return needs, and finally consider and make decisions.

Shareholders' Calendar

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| ● 18 March 2020 | Announcement of the annual results of 2019 |
| ● 19 March 2020 | Presentation conferences for the annual results of 2019 |
| ● 29 April 2020 | 2020 First Quarterly Results and online presentation and investor meeting |
| ● 23 June 2020 | Annual General Meeting 2019 and declaration of dividend for 2019 |
| ● June ~ August 2020 | Payment of dividend on A shares and H shares (tentative ^{note}) |
| ● 22 August 2020 | Announcement of the interim results of 2020 (tentative ^{note}) |
| ● 24 August 2020 | Presentation conferences for the interim results of 2020 (tentative ^{note}) |
| ● Late October 2020 | 2020 Third Quarterly Results and online presentation and investor meeting (tentative ^{note}) |

Note: Please refer to the announcement to be published in the current month for the exact dates.



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.

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