Shenzhen International
深國際

INTERIM REPORT
中期報告
2021

物流天下
德行天下

LOGISTICS WITH ETHICS,
FOR A BETTER WORLD

Shenzhen International Holdings Limited
深圳國際控股有限公司

(Incorporated in Bermuda with limited liability)
（於百慕達註冊成立之有限公司）

Stock Code 股份代號：00152

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2021

INTERIM REPORT

CORPORATE PROFILE

Shenzhen International Holdings Limited, a company incorporated in Bermuda, is a company listed on the main board of The Stock Exchange of Hong Kong Limited. The Group is indirectly held as to approximately 43.49%* equity interest by the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal through Shenzhen Investment Holdings Company Limited. The Group is principally engaged in logistics, toll road, port and environmental protection businesses.

The Group defines the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and the Pan-Bohai Rim as strategic regions, endeavours to invest in, construct and operate logistic infrastructure projects including integrated logistics hubs and toll roads, and provides value-added logistics services to customers based on these infrastructures. Through expansion, mergers and acquisitions, restructuring and consolidation, the Group expands into various business segments such as comprehensive development of lands related to the logistics industry as well as investment in and operation of environmental protection business with the aim of creating greater value for its shareholders.

* *As at 30 June 2021*

Set out below is a simplified corporate structure of the Group as at 30 June 2021 which excludes intermediate holding entities, and the percentages of interests shown represent the percentages for which the Group has effective control.

SHENZHEN INTERNATIONAL HOLDINGS LIMITED[(1)]

LOGISTICS BUSINESS

Logistics Parks[(3)]

100%	Shenzhen South China Logistics Park
100%	Shenzhen Western Logistics Park
50%	Shenzhen Airport Express Center
70%	Shenzhen International Kanghuai E-commerce Center
85.30%	Shenzhen International Shenyang Integrated Logistics Hub
100%	Shenzhen International Kunshan Integrated Logistics Hub
100%	Shenzhen International Wuhan Dongxihu Integrated Logistics Hub
90%	Shenzhen International Hefei Integrated Logistics Hub
40%	Shenzhen International Nanchang Integrated Logistics Hub
47%	Shenzhen International Shijiazhuang Integrated Logistics Hub
100%	Shenzhen International Wuxi Integrated Logistics Hub
100%	Shenzhen International Hangzhou Integrated Logistics Hub
100%	Shenzhen International Guizhou Integrated Logistics Hub
100%	Shenzhen International Ningbo Integrated Logistics Hub
100%	Shenzhen International Changsha Integrated Logistics Hub
100%	Shenzhen International Tianjin Zhonglong Integrated Logistics Hub
100%	Shenzhen International Chongqing Integrated Logistics Hub
100%	Shenzhen International Shanghai Qingpu Integrated Logistics Hub
100%	Shenzhen International Zhongshan Torch Integrated Logistics Hub
100%	Shenzhen International Kunming Integrated Logistics Hub
55.39%	Shenzhen International Shandong Booming Total Logistics Park
100%	Shenzhen International Yiwu Integrated Logistics Hub
100%	Shenzhen International Xi'an Integrated Logistics Hub
100%	Shenzhen International Nantong Integrated Logistics Hub
100%	Shenzhen International Xuzhou Integrated Logistics Hub
100%	Shenzhen International Suzhou Xiangcheng Integrated Logistics Hub

Logistics Services

Third Party Logistics Service
(100% – Shenzhen International Supply Chain Management Co., Ltd.)
(51% – Shenzhen Total Logistics Service Co., Ltd.)

Logistics Information Service
(79.87% – Shenzhen EDI Co., Ltd.)

Logistics Financial Service
(100% – Shenzhen International Modern Logistics Microfinance Co., Ltd)

Investments and Management of Logistics Equity
(38% – Shenzhen International Huazhang Logistics Industry Private Equity Funds Management Co., Ltd)

40%	Sinotrans Shenzhen International Logistics Limited
10.75%	Hubei Prolog Technology Co., Ltd.

Port and Related Services

70%	Nanjing Xiba Wharf Co., Ltd. (Phase 1 of Nanjing Xiba Port)
70%	Nanjing Xiba Port Co., Ltd. (Phase 2 of Nanjing Xiba Port)

Supply Chain Management Services of Port
(100% – Shenzhen International Supply Chain Management Nanjing Co., Ltd.)

Logistics Park Transformation and Upgrading

53.39%	Meilin Checkpoint Project
100%	Qianhai Project[(4)]

TOLL ROAD BUSINESS

51.56%	Shenzhen Expressway Company Limited[(1)(2)]

OTHER INVESTMENTS

49%	Shenzhen Airlines Company Limited
0.7%	CSG Holding Co., Ltd.[(2)]

(1) Listed company in Hong Kong
(2) Listed company in the PRC
(3) Only projects in operation are included
(4) Excluding a residential land use project held by an associate in which the Group holds 50% equity interest and a office project held by a subsidiary in which the Group holds 83.3% equity interest

In this report, the English names of the PRC entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:
Li Haitao *(Chairman)*
Wang Peihang
Dai Jingming

Non-Executive Directors:
Hu Wei
Zhou Zhiwei

Independent Non-Executive Directors:
Cheng Tai Chiu, Edwin
Pan Chaojin
Chan King Chung

AUDIT COMMITTEE

Chan King Chung *(Chairman)*
Cheng Tai Chiu, Edwin
Pan Chaojin

NOMINATION COMMITTEE

Pan Chaojin *(Chairman)*
Chan King Chung
Wang Peihang

REMUNERATION AND APPRAISAL COMMITTEE

Pan Chaojin *(Chairman)*
Li Haitao
Cheng Tai Chiu, Edwin

JOINT COMPANY SECRETARIES

Liu Wangxin
Lam Yuen Ling, Eva

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 2206-2208, 22nd Floor
Greenfield Tower, Concordia Plaza
No. 1 Science Museum Road
Tsimshatsui East
Kowloon, Hong Kong

SHENZHEN OFFICE

Shenzhen International Building
8045 Hongli West Road
Futian District, Shenzhen

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

COMPANY WEBSITE

www.szihl.com

SHARES

Hong Kong Stock Exchange:
Stock Code: 00152

SECURITIES

Hong Kong Stock Exchange:
USD Perpetual Securities (Stock Code: 05042)

Shenzhen Stock Exchange:
RMB Bonds (First Tranche) (Stock Code: 112636)
(delisted on 22 January 2021)
RMB Bonds (Second Tranche) (Stock Code: 112798)

AUDITOR

Deloitte Touche Tohmatsu
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

LEGAL ADVISER

Reed Smith Richards Butler *(Hong Kong Legal Adviser)*

PRINCIPAL BANKERS

Agricultural Bank of China *(PRC Domestic Bank)*
Bank of China
Bank of Communications
China Citic Bank *(PRC Domestic Bank)*
China Construction Bank *(PRC Domestic Bank)*
China Development Bank *(PRC Domestic Bank)*
China Everbright Bank *(PRC Domestic Bank)*
China Merchants Bank *(PRC Domestic Bank)*
China Minsheng Bank *(PRC Domestic Bank)*
DBS Bank
Huaxia Bank *(PRC Domestic Bank)*
Industrial and Commercial Bank of China *(PRC Domestic Bank)*
Industrial Bank *(PRC Domestic Bank)*
MUFG Bank, Ltd.
Ping An Bank
Shanghai Pudong Development Bank *(PRC Domestic Bank)*
Standard Chartered Bank

PRINCIPAL SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

INVESTOR RELATIONS CONSULTANT

Wonderful Sky Financial Group
9th Floor, The Center
99 Queen's Road Central, Central, Hong Kong

ANALYSIS OF REVENUE AND PROFIT BEFORE FINANCE COSTS AND TAX BY PRINCIPAL ACTIVITIES

For the six months ended 30 June *(HK$ million)*	**Revenue**		**Operating profit/(loss)**		**Share of profit of associates and joint ventures**		**Profit before finance costs and tax**	
	2021	*2020*	***2021***	*2020*	***2021***	*2020*	***2021***	*2020*
Toll roads and environmental protection business								
– Revenue	**4,838**	1,905	**1,967**	175	**404**	155	**2,371**	330
– Construction service revenue	**225**	868	**–**	–	**–**	–	**–**	–
Toll roads and environmental protection business sub-total	**5,063**	2,773	**1,967**	175	**404**	155	**2,371**	330
Logistics business								
– Logistics parks	**611**	389	**376**	103	**23**	6	**399**	109
– Logistics services	**553**	599	**29**	17	**–**	–	**29**	17
– Port and related services	**1,060**	641	**106**	89	**–**	–	**106**	89
– Logistics park transformation and upgrading services	**–**	–	**(38)**	–	**860**	–	**822**	–
Logistics business sub-total	**2,224**	1,629	**473**	209	**883**	6	**1,356**	215
Head office	**–**	–	**(136)**	3,802	**(816)**	(1,223)	**(952)**	2,579
Total	**7,287**	4,402	**2,304**	4,186	**471**	(1,062)	**2,775**	3,124
Finance income							**137**	121
Finance costs							**(555)**	(485)
Finance costs – net							**(418)**	(364)
Profit before income tax							**2,357**	2,760

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2021 HK$ million	*2020 HK$ million*	*Increase/ (Decrease)*
Results			
Revenue (excluding construction service revenue)	**7,062**	3,534	100%
Operating profit	**2,304**	4,186	(45%)
Profit before income tax	**2,357**	2,760	(15%)
Profit attributable to shareholders	**961**	1,713	(44%)
Basic earnings per share (HK dollar)	**0.44**	0.79	(44%)
EBITDA to interest expense multiple	**8.07**	8.67	-0.60ʳ
	30 June 2021 HK$ million	*31 December 2020 HK$ million*	*Increase/ (Decrease)*
Financial Position			
Total assets	**120,891**	113,187	7%
Total equity	**59,522**	58,479	2%
Debt asset ratio (Total liabilities/Total assets)	**51%**	48%	3*
Ratio of Net borrowings to Total equity	**38%**	29%	9*
Ratio of Total borrowings to Total equity	**62%**	55%	7*
Net asset value per share attributable to shareholders (HK dollar)	**15.4**	15.7	(2%)

ʳ *Change in multiple*

* *Change in percentage point*

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Operating Results	For the six months ended 30 June 2021 HK$'000	2020 HK$'000	Increase/ (Decrease)
Revenue (excluding construction service revenue from toll roads)	**7,062,114**	3,534,356	100%
Construction service revenue from toll roads	**225,069**	867,680	(74%)
Total revenue	**7,287,183**	4,402,036	66%
Operating profit	**2,303,617**	4,186,615	(45%)
Profit before tax and finance costs	**2,775,318**	3,124,264	(11%)
Profit attributable to shareholders	**960,781**	1,713,233	(44%)
Basic earnings per share (HK dollars)	**0.44**	0.79	(44%)

In the first half of 2021, notwithstanding the resurgence of the novel coronavirus pandemic (the "Pandemic") in certain regions, the Pandemic was under effective control in the PRC and the overall situation was stable. The Group actively responded to the changes in internal and external environment, seized market opportunities and actively explored investment, acquisition and merger opportunities with an aim to expand its business scale. Meanwhile, it has continued to optimise its operation management capacity and actively promoted the development of its short closed-loop "investment, construction, financing and operation" integrated logistics hub business model to enhance efficiency and secure steady income. The operating results from the Group's core business segments have basically returned to pre-pandemic levels and demonstrated a growing momentum. For the six months ended 30 June 2021 (the "Period"), the revenue of the Group increased by 100% as compared to the corresponding period of the previous year to HK$7,062 million.

In respect of the logistics business, the total revenue of the logistics business for the Period increased by 37% as compared to the corresponding period of the previous year to HK$2,224 million, mainly due to the outbreak of the Pandemic and rent relief program implemented by the Group during the same period of the previous year. In 2021, revenue rebounded to the pre-pandemic level driven by the continuous recovery in demand for logistics facilities due to the effective implementation of the pandemic prevention and control policy. In addition, profit attributable to shareholders increased by 766% as compared to the corresponding period of the previous year to HK$1,230 million, attributable to successful injection of the Nanchang Integrated Logistics Hub project into the fund and completion and delivery of the residential project of the first phase of the Qianhai Project during the Period.

In order to develop new competitive advantages, the Group progressively promoted the construction and operation of logistics projects in an orderly manner. The Group has established footholds in a total of 30 key logistics gateway cities across the country as at 30 June 2021. The number of projects in operation increased to 26 while the total operating floor area reached 2.78 million square meters and the overall occupancy rate exceeded 92%.

During the Period, the Group achieved a breakthrough in its closed-loop "investment, construction, financing and operation" integrated logistics hub business model. In June 2021, the Group successfully injected Nanchang Integrated Logistics Hub project into a logistics real estate private equity fund established jointly by the Group and Goldstone Investment Co., Ltd., which resulted in recognition of a profit attributable to shareholders of HK$175 million to the Group with an asset appreciation rate of 64%. The said securitisation of assets was a monumental attempt under the development model for integrated logistics hubs, as it established sources of equity financing, lowered finance cost, increased asset efficiency, and facilitated the continuous sustainable development and further accelerated the expansion of the integrated logistics hub business. In the second half of 2021, the Group will actively progress the injection of the Hefei and Hangzhou projects into a fund and prepare for the public offering of Real Estate Investment Trusts ("REITs") of target assets under the policy framework.

During the Period, the total revenue and net profit of Shenzhen Expressway Company Limited ("Shenzhen Expressway"), a subsidiary held as to approximately 52% by the Company, increased by 154% and 4,421%, respectively, as compared to the corresponding period of the previous year to HK$4,838 million (2020: HK$1,905 million) and HK$1,595 million (2020: HK$35.28 million), respectively, which was mainly due to the outbreak of the Pandemic and the toll-free policy implemented during part of the corresponding period of the previous year. Moreover, the opening of first phase of the Shenzhen Outer Ring Project at the end of 2020 and the satisfactory development of the environmental protection business during the Period both boosted growth on revenue of Shenzhen Expressway.

During the Period, the Pandemic permeated globally and dealt a heavy blow to the passenger air transport industry, resulting in a plunge in demand for air travel, and it affected the operation of Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate in which the Group holds a 49% equity interest. Nevertheless, as the PRC government has adopted tight and effective Pandemic control measures, the passenger traffic of Shenzhen Airlines recovered gradually during the Period. Both passenger rides and passenger transport volume recorded increase as compared to the corresponding period of the previous year. Total revenue grew by 46% as compared to the corresponding period of the previous year to RMB9,681 million (equivalent to HK$11,639 million). Shenzhen Airlines's net loss in the Period amounted to approximately RMB1,366 million (equivalent to HK$1,643 million), representing a loss decrease of 39% as compared to the corresponding period of the previous year. The Group's share of losses incurred by Shenzhen Airlines amounted to approximately HK$811 million (2020: loss of HK$1,223 million) during the Period. In the second half of 2021, the Pandemic is expected to gradually subside as vaccination rate increases, the domestic and foreign air transportation demand will recover steadily. Shenzhen Airlines will bolster its competitiveness by keeping abreast of market dynamics, converting passenger flights into cargo flights, strengthening cost control, rationalizing its capacity allocation and improving its key market network.

In the first half of 2020, the Group entered into the land use right transfer agreements with the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen (深圳市前海深港現代服務業合作區管理局) (the "Qianhai Authority") in respect of the third phase of Qianhai Project and recognised a one-off gain before taxation of approximately HK$3,906 million. Due to the absence of such one-off gain during the Period, the operating profit and profit attributable to the shareholders decreased as compared to the corresponding period of the previous year. Taking into account the ongoing control policies over China's real estate industry and the risks it entails, the Group is actively considering bringing forward means of unlocking value of the residential, commercial, office buildings and relevant assets in Shenzhen held by the Group.

Overall Review

In recent years, the Group has continued to increase its investments and pursued a number of merger and acquisition and investment projects in order to step up the scale of its core logistics business. On 29 June 2021, the Group entered into the sale and purchase agreement for its first acquisition of logistics park assets including high-standard logistics warehouse projects located in the three core cities of Shanghai, Tianjin and Chongqing. The acquisition will contribute approximately 297,000 square meters of site area and approximately 246,000 square meters of gross floor area to the Group's portfolio and promote the implementation of the Group's strategy of "multiple logistics parks within one city", enlarging its asset portfolio and enhancing its market position. At the same time, securitisation of assets is becoming more straightforward as public offerings of the pilot schemes for PRC infrastructure REITs are successfully completed. In the future, the Group may consider participating in such schemes to securitise its assets to accelerate implementation of its "investment, construction, financing and operation" business model.

In the meantime, the Group is speeding up its development in the intelligent logistics industry. During the Period, the Group entered into a capital injection agreement to invest in China Comservice Supply Chain Management Company Ltd. ("China Comservice") (a subsidiary of China Communications Services Corporation Limited, which ranks first in the domestic telecommunication logistics industry in terms of market share), pursuant to which the Group will become the third largest shareholder of China Comservice. China Comservice is a unique integrated logistics enterprise with a "5A" qualification in the telecommunications industry in the PRC. Not only will the Group be able to synchronise and connect its logistics warehouse network with that of China Comservice, but it can also complement each other in various aspects to achieve win-win by jointly developing high-end logistics value-added services in emerging sectors, such as information and communications, data center, etc.

During the Period, Shenzhen Longhua District People's Government formally announced the preparation and redevelopment of its six key industrial land plots in order to comprehensively upgrade the district's urban infrastructure and build a high standard urban core area. The Group's South China Logistics Park is also included in one of the six key redevelopment and preparation projects in Longhua District. The Group will actively promote the transformation and upgrade of South China Logistics Park and strive to achieve the goal of maximising the value of the relevant assets for the shareholders of the Company.

On 10 August 2021, the Group entered into a sale and purchase agreement with a wholly owned subsidiary of Shenzhen Investment Holdings Company Limited ("SIHCL"), the indirect controlling shareholder of the Company, to acquire 100% equity interest in Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. ("Shenzhen Investment Infrastructure") at an estimated total consideration of no more than HK$10,479 million. Upon completion, the Company will indirectly own 71.83% equity interests in Shenzhen Investment Holdings Bay Area Development Company Limited (stock code of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"): 00737) ("Bay Area Development"). The completion of transaction is subject to the fulfilment or waiver of certain conditions precedent. Completion of the transaction will further consolidate the Group's core advantage in toll road investment, construction and operation, as well as its regional market share, future profitability and cash flow, which would allow the Group to achieve sustainable long-term development through increasing its growth potential and market value.

LOGISTICS BUSINESS

Analysis of Operating Performance

Logistics Park Business

The Group focuses on the investment and construction of logistics infrastructure in major cities across the country and strives for the development and expansion of its logistics business so as to expand the network and scale of its operation and maintain long-term sustainable development. As at 30 June 2021, the Group managed and operated a total of 26* logistics projects in a total of 30 key logistics gateway cities across the country with an aggregate owned and planned land area of approximately 7.50 million square meters, among which approximately 5.07 million square meters have been acquired and approximately 2.78 million square meters were put in operation. Attributable to the market demand for quality modern logistics facilities and effective marketing, these projects recorded satisfactory leasing performance with an overall occupancy rate of 92%.

* *Excluding a joint venture, the Shenzhen Airport Express Center*

I. Integrated Logistics Hubs Business

The Group has many years of experience in the development, operation and management of logistics parks. Since 2013, the Group has fully adopted the "Integrated Logistics Hubs" development strategy with a view to building a modern intelligent logistics platform with "large-scale logistics park network + integrated logistics services" as its core competitive edge.

The business model of integrated logistics hubs is based on city and inter-city distribution centers that are equipped with warehousing, distribution and transfer capabilities, raw and fresh food cold chain centers, as well as e-commerce centers. It also provides commercial and financial value-added services, as well as high-quality and efficient services to numerous e-commerce platforms, courier companies, producers and manufacturers.

The Group continued to increase its efforts to develop its logistics business and to enlarge the scale, efficiency and competitiveness of its core logistics operations. On 29 June 2021, the Group acquired several high-standard logistics warehouse projects in the three core cities of Shanghai, Tianjin and Chongqing at an aggregate amount of approximately RMB1,600 million. The acquisition of these projects will contribute approximately 297,000 square meters of site area and approximately 246,000 square meters of gross floor area to the Group's portfolio, rapidly expanded its nationwide logistics operating area and accelerated the implementation of "multiple logistics parks within one city" strategy in core cities. On the other hand, the Group will also identify logistics park investment opportunities in various regions across the country to expand its logistics park network and enlarge the total reserve of its mature logistics assets, thereby laying the foundation for potential future assets securitization.

While exploring new integrated logistics hub projects for development, the Group is also making steady progress with the construction or planned construction of projects to ensure meeting the work schedules. In the first half of 2021, the integrated logistics hub projects in Nantong and Xuzhou were completed and put into operation, resulting in an increase of approximately 200,000 square meters in the operating area of integrated logistics hubs. In addition, the construction works of the second phase of the Hangzhou Project, the Qingbaijiang Project in Chengdu, the Caidian Project in Wuhan, the Erqi Project in Zhengzhou, the Jiangyin Project in Wuxi and the second phase of the Yiwu Project have begun as planned. Several projects are expected to be completed and put into operation in the second half of 2021 and 2022.

Building up the closed-loop "Investment, Construction, Financing and Operation" Integrated Logistics Hubs Business Model

As the logistics and warehousing industry proliferates and rent surges, the value of integrated logistics hubs will rise steadily. The Group is actively exploring possible ways to securitize the assets of its integrated logistics hubs and implement the short closed-loop "investment, construction, financing and operation" business model. Under this model, the securitization of the assets of integrated logistics hubs will not only accelerate fund recovery, shorten project turnover time, lower gearing ratio and ensure adequate cash flows, but also realize asset appreciation from the development, construction, incubation and operation of the integrated logistics hubs and crystalize the actual value of such assets, thereby enabling rapid expansion of the Group's urban integrated logistics hubs operation and management.

Investment – *Investment and expansion. Using the Group's years of extensive investment experience in the logistics and warehousing sector, quality logistics projects will be identified with an aim to increasing the scale of investment.*

Construction – *Project construction. High-standard logistics and multipurpose warehousing products at reasonable cost that are widely accepted by the market will be constructed. Emphasis is placed on the marketability of these assets and enhancement of project construction management skills.*

Financing – *Integration of assets and financing. Through securitization of assets, accelerate fund recovery, lower gearing ratio, ensure adequate cash flows and crystalize the actual value of such assets.*

Operation – Operation and management. To maintain core competitiveness and grasp customer resources, overall control over the operation and management of the integrated logistics hub projects will be retained and value-added park services in logistics park operation will be added.

In the first half of 2021, the development of the closed-loop "investment, construction, financing and operation" business model achieved substantial progress. The Group successfully issued its first logistics real estate private equity fund jointly with Goldstone Investment Co., Ltd. and other investors and injected the Nanchang Project into this fund, thereby implementing the securitization of the assets of the first logistics park project. The injection of the Nanchang Project into the fund under the "investment, construction, financing and operation" model has gradually unlocked the value of the integrated logistics hub and laid the foundation for long-term sustainable development by realizing a profit attributable to shareholders of approximately HK$175 million and an asset appreciation rate of 64%. On the other hand, the Group will continue to earn service fees by providing professional services, such as operational, maintenance, marketing, etc., to the logistics parks held by the fund. It is anticipated that the Group can generate cash return and related service fees in aggregate of approximately RMB7.5 million for the first year.

In the second half of 2021, the Group will continue to progress the injection of the Hefei Project and the first phase of the Hangzhou Project into a fund. Meanwhile, the Group will rigorously plan the issuance of publicly traded REITs and inject mature integrated logistics hubs into it. Through various channels, the Group seeks to improve the development of closed-loop "investment, construction, financing and operation" business model, accelerate the return of capital, optimize its industry model, enlarge its scale of operation and enhance its profitability.

II. Shenzhen Logistics Parks Business

As at 30 June 2021, the Group managed and/or operated a total of three logistics projects and the Liguang Project (under construction) in Shenzhen. The logistics projects of the Group in Shenzhen had a total land area of approximately 620,000 square meters, of which approximately 540,000 square meters was in operation with an overall occupancy rate of approximately 98%.

In the first half of 2021, South China Logistics Park actively explored the potential for increasing its revenue and profits with its existing resources. It actively expanded the high value-added customs bonded business by conducting intelligent upgrade at its existing warehouses and establishing an intelligent warehouse that allows players in the customs bonded trade between Hong Kong and Shenzhen to pack bulk goods into containers. It also put effort into the recovery and leasing of assets subject to expiring leases, thereby significantly increasing rental amount per unit for new leases.

Meanwhile, capitalizing on the Group's brand influence and operating ability, South China Logistics Park was engaged in a new logistics park management project, namely Yueyang Intelligent Commercial and Trading Park（岳陽智慧商貿物流園）. With a gross floor area of approximately 250,000 square meters, this project will become the first integrated intelligent commercial and trading logistics park featuring commercial and trading, storage and e-commerce showroom functions in Yueyang. The first phase of the project will comprise storage facilities, of which approximately 50,000 square meters of high-standard warehouse and sorting and distribution center have been completed. The second phase will offer commercial auxiliary facilities. In the first half of 2021, Yueyang Intelligent Commercial and Trading Park achieved full occupancy.

Shenzhen International Kanghuai E-commerce Center is the Group's first asset-light project operated by way of leasing and it has an operating area of approximately 138,000 square meters. This park is one of the Green Freight Distribution Pilot Projects（綠色貨運配送示範工程）in Shenzhen. Business services provided in the park include warehouse logistics services, large data center, office buildings, dormitories, restaurants, supermarkets and others. The park also supports interactive sharing and intelligent interchange of data across the park with an intelligent park information management system. The operations of the project have stabilized and achieved satisfactory marketing results after successfully attracting a number of branded logistics enterprises. As at 30 June 2021, it attained an overall occupancy rate of 96%.

The Group has been actively driving the reform and upgrade of its logistics parks in Shenzhen in accordance with industrial and urban development trends. During the Period, it continued to progress the development and construction of the second phase of South China Logistics Park and the Liguang Project. Taking advantage of the positioning of Shenzhen where the park is located, and in order to seize the significant development opportunities in the industry, the second phase of South China Logistics Park will be developed into a combination of a global procurement and supply chain management platform, corporate headquarters as well as e-commerce and logistics financing platform. With a site area of approximately 62,000 square meters and a gross floor area of approximately 182,000 square meters, the second phase of the park will be developed and constructed in two stages. Completion and delivery of the first stage is expected to take place in 2021. On the other hand, with a site area of approximately 45,000 square meters, the Liguang Project is planned to be a logistics park with six levels above ground and two levels underground, comprising a total gross floor area of 265,000 square meters. The Liguang Project will be built as a modern, high-standard, intelligent and eco-friendly benchmark logistics park. Once completed, it will further consolidate the Group's market share in the Shenzhen area. Piling and foundation work was completed during the Period while the construction of the main structures started in early May. It is anticipated that this project will be put into operation in 2023.

Pinghunan Integrated Logistics Hub Project

In 2020, the Group and China Railway Guangzhou Group Co., Ltd. entered into a cooperation agreement, pursuant to which the parties agreed to establish a joint venture to invest in and develop the Pinghunan Integrated Logistics Hub Project（平湖南綜合物流樞紐項目）(the "Pinghunan Project"). The joint venture company was incorporated in August 2021. In September 2019, the Pinghunan Project was selected as one of the first batch of 23 national integrated logistics hub projects to be developed as a national logistics hub for business by the National Development and Reform Commission of the PRC and the Ministry of Transport of the PRC. The Pinghunan Project is positioned to meet the demand for distribution services for international, domestic and regional commercial and trading activities as well as demand for distribution services from large-scale customers by providing logistics and related value-added services, such as commodity warehousing, intermodal delivery and distribution services, so as to play a major role and become an important platform and backbone hub in the national logistics network.

Being the first logistics park to be jointly developed by the Group and a railway enterprise, the Pinghunan Project has a site area of approximately 900,000 square meters and an expected gross floor area of approximately 800,000 square meters (the final gross floor area is subject to the approval by the relevant governmental authorities of Shenzhen). The first phase of this project will be dedicated to operations for provision of warehouse logistics, port container depot and rail container transportation services. The second phase of the project involves the construction of a modern logistics park over the railway freight station. The Group plans to develop this project into a leading intermodal logistics hub in the country so as to diversify the logistics business of the Group. Building on the unique rail freight transportation terminal in Shenzhen as well as the nearby infrastructure of high-quality ancillary expressways and ports, the project is expected to generate stable income from the leasing of logistics facilities, in addition to instigating e-commerce express, urban distribution, cold chain, rail freight and other supply chain services. It can also coordinate and interact with the Group's integrated logistics hub network in cities across the nation in order to derive better synergies and generate considerable income for the Group.

In addition, the Pinghunan Project will be designed with an aim to enable seamless connection between road and railway logistics facilities. The use of expressways and railways for freight consolidation and distribution can greatly enhance railway freight consolidation capacity and service efficiency, transfer throughput from roads to railways, reduce the traffic of roads connecting ports and thus pollutant emissions, thereby enhancing the improvement of regional transportation system, which are important for improving logistics efficiency and reducing logistics costs and in line with green urban development concepts.

Being one of the major cities in the Guangdong-Hong Kong-Macao Greater Bay Area, the supply of logistics and warehousing land in Shenzhen has become scarce whilst demand grows rapidly. The Group's Pinghunan Project pioneered the model of "obtaining ownership rights in multi-story logistics facilities to be constructed over the railway freight station", integrating development of "rail transportation and modern logistics". It will become a national construction benchmark of the concentrated use of land resources for the whole nation. The implementation of the Pinghunan Project will allow the Group to accumulate high-quality long-term efficient assets for its future development, enlarge the scale and network coverage of its logistics operations, and strengthen its market position in the Guangdong-Hong Kong-Macao Greater Bay Area as well as the rest of the country. Thus, the development of the Pinghunan Project is in line with the Group's business development strategy and planning.

Meanwhile, the Group plans to increase its efforts in the development of a network of railway logistics resources and will actively develop new projects such as the railway freight stations in various cities like Changsha, Guangzhou and Foshan.

The Group is in strategic cooperation with, among others, the logistics hub of the Shenzhen airport, which is one of the second batch of national logistics hubs. In addition to the road and railway intermodal transportation of Pinghunan Project, air cargo services will also be added to the logistics network of the Group in order to establish a logistics network covering "road, railway and air" for the Shenzhen region, facilitate the integration of multiple transportation modes, provide comprehensive logistics services, realise network synergy and enhance operating efficiency.

Details of the Group's major logistics projects as at 30 June 2021 are as follows:

	Project name	Location	Site area/ Planned site area (approximate square meters)	Acquired site area (approximate square meters)	Area in operation (approximate square meters)	Commencement date/Expected commencement date of operation of the first phase of the project*
Shenzhen Logistics Parks	South China Logistics Park	Shenzhen Longhua Logistics Park	578,000	578,000	290,000	2003
	Yueyang Smart Commercial and Trading Park[@] (logistics park management project)	New Port Area, Chenglingji District, Yueyang	N/A	N/A	51,000	Oct 2020
	Western Logistics Park[#]	Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone	N/A	N/A	111,000	2003
	Shenzhen International Kanghuai E-commerce Center (operated through leasing)	Pingan Road, Guanlan Street, Longhua District, Shenzhen	N/A	N/A	138,000	Jan 2018
	Liguang Project	Liguang Village, Guanlan Street, Longhua District, Shenzhen	45,000	45,000	–	2023
	Sub-total		623,000	623,000	590,000	
Integrated Logistics Hub	Guizhou Integrated Logistics Hub	Guizhou Shuanglong Modern Service Industrial Cluster	348,000	350,000	148,000	May 2018
	Chongqing Integrated Logistics Hub	Shuangfu New District, Jiangjin District, Chongqing	157,000	104,000	58,000	Dec 2019
	Kunming Integrated Logistics Hub	Yangzonghai Scenic Area, Kunming	172,000	172,000	121,000	Jan 2020
	Chengdu Qingbaijiang Integrated Logistics Hub	International Railway Logistics Park, Qingbaijiang District, Chengdu	129,000	125,000	–	Oct 2021
	Chengdu Xinjin Integrated Logistics Hub	Xinjin Logistics Park, Tianfu New District, Chengdu	173,000	–	–	Dec 2023
	Wuhan Dongxihu Integrated Logistics Hub	Dongxihu District, Wuhan	133,000	126,000	67,000	Oct 2016
	Wuhan Caidian Integrated Logistics Hub	Changfu Logistics Park, Caidian District, Wuhan	267,000	129,000	–	Mar 2022
	Nanchang Integrated Logistics Hub[□]	Nanchang Economic and Technological Development Zone, Nanchang	N/A	N/A	91,000	Jun 2017
	Changsha Integrated Logistics Hub	Jinxia Economic Development Zone, Changsha	347,000	298,000	85,000	Oct 2018
	Zhuzhou Integrated Logistics Hub	Yunlong Demonstration Zone, Zhuzhou	126,000	–	–	Dec 2023
	Hangzhou Integrated Logistics Hub	Hangzhou Dajiangdong Industrial Cluster, Hangzhou	427,000	427,000	207,000	Nov 2017
	Ningbo Integrated Logistics Hub	Ningnan Trade and Logistics Park, Ningbo	194,000	92,000	60,000	Oct 2018
	Yiwu Integrated Logistics Hub	Yunxi Village under the jurisdiction of Choucheng Street, Yiwu, Jinhua	440,000	417,000	246,000	Dec 2020
	Wuxi Integrated Logistics Hub	Huishan District, Wuxi	347,000	246,000	125,000	Oct 2017
	Jiangyin Integrated Logistics Hub	Jiangyin Lingang Economic and Technological Development Zone, Wuxi	133,000	133,000	–	Aug 2023
	Kunshan Integrated Logistics Hub	Lujiazhen, Kunshan, Suzhou	117,000	117,000	85,000	Jun 2016
	Hefei Integrated Logistics Hub	Anhui Hefei Commercial and Logistics Development Zone, Feidong County, Hefei	138,000	135,000	99,000	Oct 2016
	Jurong Integrated Logistics Hub	New City District, Northern Jurong	400,000	131,000	–	Dec 2023
	Xuzhou Integrated Logistics Hub	Xuzhou National Hi-Tech Industrial Development Zone, Xuzhou	140,000	133,000	76,000	Apr 2021
	Nantong Integrated Logistics Hub	Haimen Industrial Park, Nantong	152,000	152,000	125,000	Jan 2021
	Shanghai Qingpu Integrated Logistics Hub	Huaxin Town, Qingpu District, Shanghai	23,000	23,000	31,000	Sep 2019
	Huai'an Integrated Logistics Hub	Huai'an Economic and Technological Development Zone, Huai'an	111,000	–	–	Dec 2023
	Jinhua Integrated Logistics Hub	Jinhua Economic and Technological Development Zone, Jinhua	136,000	–	–	May 2024
	Suzhou Xiangcheng Integrated Logistics Hub	International Logistics Park, Wangting Village, Xiangcheng District, Suzhou	33,000	33,000	20,000	Dec 2020
	Shenyang Integrated Logistics Hub	Shenyang International Logistics Park, Yuhong District, Shenyang	700,000	241,000	264,000	Apr 2016
	Shijiazhuang Integrated Logistics Hub	Zhengding County, Shijiazhuang	467,000	335,000	64,000	Jul 2017
	Xi'an Integrated Logistics Hub	Xi'an National Civil Aerospace Industrial Base, Xi'an	120,000	120,000	93,000	Aug 2020
	Jinan Zhangqiu Integrated Logistics Hub	Zhangqiu District, Jinan	180,000	–	–	Dec 2023
	Tianjin Zhonglong Integrated Logistics Hub	West Wing of Tianjin Development Zone, Tianjin	60,000	60,000	32,000	Jan 2019
	Zhengzhou Integrated Logistics Hub	Zhengzhou International Logistics Park, Zhengzhou Economic Development Zone, Zhengzhou	267,000	–	–	Dec 2023
	Zhengzhou Erqi Integrated Logistics Hub	Mazhai Industrial Cluster, Erqi District, Zhengzhou	109,000	109,000	–	Nov 2022
	Shandong Booming Total Logistics Park	Yantai Economic and Technological Development Zone, Yantai	70,000	70,000	37,000[Δ]	2008
	Zhanjiang Integrated Logistics Hub	Mazhang District, Zhanjiang	200,000	110,000	–	Jun 2023
	Zhongshan Torch Integrated Logistics Hub	Zhongshan Torch Hi-Tech Industry Development Zone, Zhongshan	57,000	57,000	58,000	Sep 2019
	Sub-total		6,873,000	4,445,000	2,192,000	
	Total		7,496,000	5,068,000	2,782,000	

Notes:

* *The expected dates of operation are estimations and are subject to update according to construction progress*

@ *Yueyang Smart Commercial and Trading Park is a logistics park management project undertaken by South China Logistics Park*

\# *The land originally owned by Western Logistics Park has been transferred to the Qianhai Authority pursuant to the terms of the land preparation and consolidation agreement for the Qianhai Project*

Δ *Including floor area of approximately 10,000 square meters operated through leasing*

□ *An integrated logistics hub project company held by Shenshi Smart Logistics Infrastructure Private Equity Partnership (Limited Partnership) (深石（深圳）智慧物流基礎設施私募基金合夥企業（有限合夥）), a joint venture held by the Group as to 40% effective interest*

Logistics Service Business

Based on its network of logistics hubs across the country, the Group effectively strengthened its competitiveness in the logistics industry by stepping up the development of integrated logistics services.

With the technologies relating to artificial intelligence, big data and 5G mature, the combination of new application scenarios such as automatic sorting, precise delivery and contactless distribution facilitates the logistics industry to undergo high technology and intelligent upgrade and move away from being a traditional labor-intensive industry. Emerging industries such as intelligent logistics and cold chain logistics have become major trends of the future development of the logistics industry. Furthermore, as the PRC consumer market upgrades and expands, new e-commerce segments such as raw and fresh food and pharmaceutical products are rapidly growing, resulting in surging demand for the storage of refrigerated and pharmaceutical products. As such, accelerating the development of intelligent warehouses and cold chain projects will present both new opportunities and challenges for the logistics industry.

The Group actively explored the intelligent warehouse business and formulated the strategy for the development of intelligent warehouses at the end of 2019 to strive for logistics business innovation. It currently has approximately 110,000 square meters of intelligent warehouses under construction and in operation. In particular, Hangzhou Integrated Logistics Hub project successfully invited Ruhnn Holding to apply Whalehouse's Picking Spider System (PSS), which has enhanced the utilization rate of its storage space by 6 times. On the other hand, South China Logistics Park upgraded and revamped the intelligent warehouse of an existing customer, Pedder Logistics. Following this upgrade, the same volume of service can be delivered within 10,000 square meters instead of 20,000 square meters. The Shijiazhuang Project reached an agreement with Shanghai Pharma to develop an intelligent medical warehouse, of which approximately 11,000 square meters have officially been put into operation while approximately 14,000 square meters were under construction. Meanwhile, the Group also accelerated the development of its industry portfolio to capture market demand and foster the cold chain business. It is currently constructing approximately 120,000 square meters of cold storage, of which approximately 100,000 square meters are located in the Shenzhen area.

Following the completion of the strategic investment in Hubei Prolog Technologies Co., Ltd. (a logistics technology company) at the end of 2020, the Group achieved another breakthrough during the Period by entering into a capital injection agreement to invest in, and will become the third largest shareholder of China Comservice, which is the unique integrated logistics enterprise in the telecommunications industry with a "5A" qualification in the PRC. Under this cooperation, the Group can synchronize and connect its logistics warehouse network with that of China Comservice. On the other hand, both parties may also complement each other in different aspects and realize a win-win situation by jointly developing high-end logistics value-added services in emerging sectors, such as information and communications, data center, etc.

On 9 November 2020, the Group entered into a capital increase agreement with Air China Cargo Co., Ltd. ("Air China Cargo") to acquire a 10% equity interest in Air China Cargo by way of capital contribution of approximately RMB1,565 million. This transaction is being reviewed by regulatory authorities. At the moment, the Pandemic is still wreaking havoc across the world. As air transportation is the most time-effective way to deliver emergency supplies and maintain supply chain, air cargo will have a rapidly growing demand. Through the strategic equity investment in Air China Cargo, the Group will be able to quickly enter the air cargo industry, which has high entry barrier and is highly monopolistic, in order to extend its integrated logistics service capability and achieve a new profit stream.

In 2020, the Group set up a joint venture with Sinotrans Limited to operate the Bay Area Express (灣區號) in Shenzhen, a train running between China and Europe. The launch of the Bay Area Express established a new trade route linking Shenzhen and countries along the "Belt and Road Initiative" and facilitates the stable flow of foreign investment and trade. It also represents a key action of the Shenzhen Municipal Government to integrate itself into the "Belt and Road Initiative" and promote the "Building of the Guangdong-Hong Kong-Macao Greater Bay Area and the Pilot Demonstration Zone of Socialism with Chinese Characteristics" (also called the "development of two regions"). Spanning across 13,438 kilometers, the Bay Area Express sets off from Shenzhen to Duisburg, Germany via Dzungarian Gate in Xinjiang, serving one of the longest train routes of the PRC between China and Europe. Three trains run this route every week. In the first half of 2021, this train between China and Europe operated smoothly and its volume of rail traffic demonstrated growth momentum. Leveraging the Bay Area Express which runs between China and Europe, the logistics parks of the Group have commenced one-stop services such as cargo consolidation and packaging, agent booking service, loading and unloading, warehousing and transportation. In particular, the fast-growing bulk cargo consolidation and packaging operation can increase the utilization rate of warehouses, create synergy among logistics parks of the Group and generate new value-adding income. Furthermore, it will benefit the freight volume of the Pinghunan integrated logistics hub and the development of its various value-added services by using the Pinghunan Railway Station as the terminal of the train between China and Europe. This will in turn provide a solid foundation for the long-term stable growth of the Group's logistics business.

Port and Related Services Business

The port business has one general bulk cargo terminal with a tonnage capacity of 50,000 tonnes, four general bulk cargo terminals each with a tonnage capacity of 70,000 tonnes and depots with an area of approximately 830,000 square meters in Nanjing Xiba (inclusive of the first and second phases of the port). In respect of the second phase of the port, the Group entered into a land resumption agreement with the local government in August 2019, pursuant to which the general bulk cargo terminal with a tonnage capacity of 50,000 tonnes and two of the general bulk cargo terminals with a tonnage capacity of 70,000 tonnes each were officially transferred in July 2020 and leased back to the Group for operation since August 2020; the depot of the second phase of the port with an area of approximately 430,000 square meters was transferred in November 2019. The depot of the first phase of the port with a site area of approximately 400,000 square meters is currently in operation. The Nanjing Xiba Port provides various services such as unloading and loading, lightering and train loading, etc.

In the first half of 2021, Nanjing Xiba Port continued to optimize its customer portfolio industry layout. It has made a huge effort in reaching out to customers with business growth potential while maintaining existing customers. In the first half of 2021, a total of 251 seagoing vessels (including 29 foreign vessels) berthed at Nanjing Xiba Port with a total throughput of 19.91 million tonnes, representing a year-on-year increase of 14.4%, of which 2.70 million tonnes was shipped by train, representing a year-on-year increase of 7.6%. By taking advantage of the port's large-scale assets, the supply chain business for thermal coal, petroleum coke and foundry coke were established and are operating in an orderly manner. In addition, the Group is actively exploring new businesses such as "ship-to-rail transfer" business, and optimizing its port business portfolio in order to capitalize on its function as a distribution and consolidation hub for ships and railway.

The Group also made further effort in searching for quality port project. The Group successfully acquired the Fengcheng Shangzhuang Project, the Jingjiang Port Project and the Shenqiu Port Project in 2020. The construction of the Fengcheng Shangzhuang Project, which is owned by the Group as to 20%, commenced at the end of December 2020 and is currently proceeding as planned. The Jingjiang Port Project is also progressing in an orderly manner. The approval procedures are currently underway and it is expected that construction will begin in 2022. The Jingjiang Port Project will effectively take up the functions and customer base of the second phase, while creating good synergies with the first phase of the Nanjing Xiba Port. This project will play an important role in widening and adjusting, among other things, the types and sources of goods processed by the port segment. Furthermore, in the first half of 2021, the Group and Shenqiu County Government entered into a strategic cooperation agreement to step up their cooperation in the development of ancillary urban infrastructure, especially in planning and construction of logistics parks, the provision of port processing and its value-added services as well as integrated water and rail transportation.

Logistics Park Transformation and Upgrading Business

The Group has actively pushed through the adjustment, transformation and upgrading of the land use rights of its logistics parks, vigorously built up the long closed-loop "investment, construction, operation and transformation" development model of its traditional logistics parks and effectively revitalized its assets and resources in reserve, in order to provide long-term support to the Group's business development and financial performance, and maximize the value of the relevant assets and in turn value for the shareholders of the Company.

I. Qianhai Project

On 30 June 2020, the Group entered into three land use right transfer agreements with the Qianhai Authority in respect of three land parcels under the third phase of the Qianhai Project in relation to the compensation for the remaining land consolidation and preparation in Qianhai. These agreements marked the successful completion of the Group's land consolidation and preparation work of Qianhai Project. The Qianhai Project represents the first of the Group's project successfully implemented under the long closed-loop "investment, construction, operation and transformation" development model. Through such land consolidation and preparation in Qianhai, the Group obtained compensations equivalent to approximately RMB8,373 million, through the swap of land with a total area of approximately 120,000 square meters and a gross floor area of approximately 390,000 square meters (comprising saleable residential area of approximately 190,000 square meters and apartment area of approximately 25,000 square meters) under the new land planning conditions. Gain from land value appreciation represents the initial benefit of the land consolidation and preparation in Qianhai. As the swapped land parcels are gradually developed and released into the market, the project will continue to unlock value from its development in the next few years, which would in turn further support continuous improvement of the Group's performance.

The first phase of the Qianhai Project has a total gross floor area of approximately 110,000 square meters, comprising approximately 51,000 square meters of residential project, approximately 35,000 square meters of office project and approximately 25,000 square meters of commercial project. In the first phase of the Qianhai Project, the residential project jointly developed by the Group and Shum Yip Land Co., Ltd., namely PARKVIEW BAY, was completed and delivered in June 2021. The office project, which was positioned as the information port for the "Belt and Road Initiative" in Qianhai jointly constructed and developed by the Group and China Center for Information Industry Development (中國電子信息產業發展研究院) ("CCID"), is included in the "3-Year Action Plan of Shenzhen to Participate in the Construction of the Belt and Road (2019-2021)" (深圳市參與「一帶一路」建設三年行動方案(2019年-2021年)). Capitalizing on Qianhai's special zone position and policy advantage in the Guangdong-Hong Kong-Macao Greater Bay Area, this project will benefit from the Group's extensive supply chain management experience and CCID's strong information technology service capacity and will focus on the development of supply chain services, intelligent manufacturing services as well as promoting the deep integration of the digital and real economies across the Guangdong-Hong Kong-Macao Greater Bay Area and countries/regions along the "Belt and Road Initiative". The registration of completion for this project was completed on 27 July 2021 and its marketing and operating works were proceeding in an orderly manner. As at early August 2021, contracted leases of this project reached 8,000 square meters. As for the commercial project, the Group and SCPG (印力集團) will capitalize on the strengths of each other and turn the Mawan area in Qianhai into a unique boutique commercial project. Roadshows have been held to promote this project under the brand "Qianhai Yinli" (前海•印里) to the public. As at early August 2021, several potential lessees have expressed their intentions to lease an aggregate of 45% of the commercial area available for lease. This project will be put into operation in 2022.

The second phase of the Qianhai Project has a plot ratio-based gross floor area of approximately 110,000 square meters, comprising residential area of approximately 91,000 square meters. The construction of the second phase of the Qianhai Project officially commenced in March 2021. Considering the overall planning of and the shortage of solely residential projects in the Qianhai area, it is expected that the construction and sale of the second phase of the Qianhai Project will greatly enhance the value of the Group's resources in the Qianhai area.

The third phase of the Qianhai Project has a plot ratio-based gross floor area of approximately 172,000 square meters in aggregate, comprising residential area of approximately 50,000 square meters and apartment area of approximately 25,000 square meters, which are available for sale. It also comprises office buildings with a floor area of approximately 79,000 square meters as well as commercial floor area of approximately 17,000 square meters, which represent saleable area. Currently, the Group is planning to conduct an in-depth cooperation with the Qianhai Authority to establish a bonded design center for research and development, an international logistics distribution center, a Shenzhen-Hong Kong distribution center and a bonded exhibition and exchange center, to promote the comprehensive development of the Group's logistics-related lands.

II. Meilin Checkpoint Project

The Meilin Checkpoint Project is located at the previous site of Huatongyuan Logistics Centre. The Group successfully obtained the land parcel under the new land planning conditions and transformed and upgraded it into a comprehensive development project in the course of the historic implementation of the then urban renewal plan of Meilin Checkpoint by the Shenzhen Municipal Government. The project is adjacent to Futian District in downtown Shenzhen, located in a functional development area in the city center and a key development zone of the city. It is situated at an advantageous geographical location with good investment value and appreciation potential. The land parcels of the Meilin Checkpoint Project have been transformed and upgraded to a comprehensive development project with a total plot ratio-based gross floor area of approximately 486,000 square meters comprising residential, commercial, office, business apartments, as well as public utility and ancillary facilities. With the phased development and sale of the Meilin Checkpoint Project, the Group has generated ample capital to provide solid financial support for the development of the Group's logistics business.

The Meilin Checkpoint Project is developed and constructed in three phases: the first phase includes residential properties with a saleable area of approximately 75,000 square meters and indemnificatory housing (保障房) of approximately 42,000 square meters; the second phase will provide residential properties with a saleable area of approximately 68,000 square meters, and the third phase will provide residential properties with a saleable area of approximately 63,000 square meters and office and business apartment complexes of approximately 190,000 square meters. The overall planning of this project includes the commercial ancillary properties of approximately 34,500 square meters.

All residential units of the first phase of the Meilin Checkpoint Project, namely He Feng Xuan (和風軒), have been sold out and delivered to their owners for use. The inspection and acceptance of He Ya Xuan (和雅軒), which is the second phase of the Meilin Checkpoint Project, have been completed in 2020 while its renovation are currently proceeding in batches. The third phase of the project, namely He Song Xuan (和頌軒), has commenced construction and presales in December 2020, and all of its residential units have been sold out.

III. Transformation and upgrading of South China Logistics Park

As economic growth in the PRC speeds up and the "two-region national development" strategy rolls out, the Guangdong-Hong Kong-Macao Greater Bay Area will become one of the most open and vibrant economic zones in the country. However, land supply in the Greater Bay Area is limited and land resources in the core areas are particularly scarce. Being the Group's biggest traditional logistics park in Shenzhen, South China Logistics Park has a site area of approximately 580,000 square meters, occupying a convenient prime location with ample development potential. It is expected that the successful transformation of this park will materialize the long closed-loop "investment, construction, operation and transformation" development model, unlock its intrinsic value gradually, and bring substantial economic return for the Group in the next few years.

The transformation and upgrading of South China Logistics Park made significant progress in the first half of 2021. It was endorsed in the "Shenzhen General Land and Space Plan (2020-2035) (Draft)" (《深圳市國土空間總體規劃(2020-2035年)》(草案)) and the land parcels within the park was included in the "urban core zone" with higher strategic position. In addition, South China Logistics Park is now part of the key industrial zones of Longhua District and its upgrade and transformation has been incorporated in the "Outline of the 14th Five-year Plan for National Economic and Social Development and the Long-Range Objectives Through the Year 2035 of Longhua District, Shenzhen" (《深圳市龍華區國民經濟和社會發展第十四個五年規劃和二零三五年遠景目標綱要》) and the "Proposal for the Promotion of the Renewal and Development of Key Industrial Zones of Longhua District" (《龍華區關於推進重點產業片區更新整備工作方案》).

Financial Analysis

During the Period, revenue from the Group's logistics business amounted to HK$2,224 million, representing an increase of 37% as compared to the corresponding period of the previous year, while profit attributable to shareholders from the logistics business rose by 766% as compared to the corresponding period of the previous year to HK$1,230 million, mainly attributable to the continuous recovery in demand for logistics facilities and the rebound in revenue to basically the pre-pandemic level due to the effective control of the Pandemic in the PRC, as well as completion and delivery of and hence the recognition of an investment gain of HK$860 million from the residential project of the first phase of the Qianhai Project during the Period, which contributed to the revenue and profit of the Group.

Revenue from Each Logistics Business Unit

For the six months ended 30 June

	2021 HK$'000	*2020 HK$'000*	*Increase/ (decrease)*
Logistics Park Business	**611,256**	389,455	57%
Logistics Service Business	**553,135**	598,681	(8%)
Port and Related Services Business	**1,059,502**	640,881	65%
Logistics Park Transformation and Upgrading Business	**–**	–	–
Total	**2,223,893**	1,629,017	37%

Profit Attributable to Shareholders from Each Logistics Business Unit

For the six months ended 30 June

	2021 HK$'000	*2020 HK$'000*	*Increase/ (decrease)*
Logistics Park Business*	**316,257**	79,896	296%
Logistics Service Business	**4,154**	12,225	(66%)
Port and Related Services Business	**55,451**	49,811	11%
Logistics Park Transformation and Upgrading Business	**853,776**	–	N/A
Total	**1,229,638**	141,932	766%

* *Including Shenzhen Airport Express Center which is a joint venture and is accounted for using the equity accounting method*

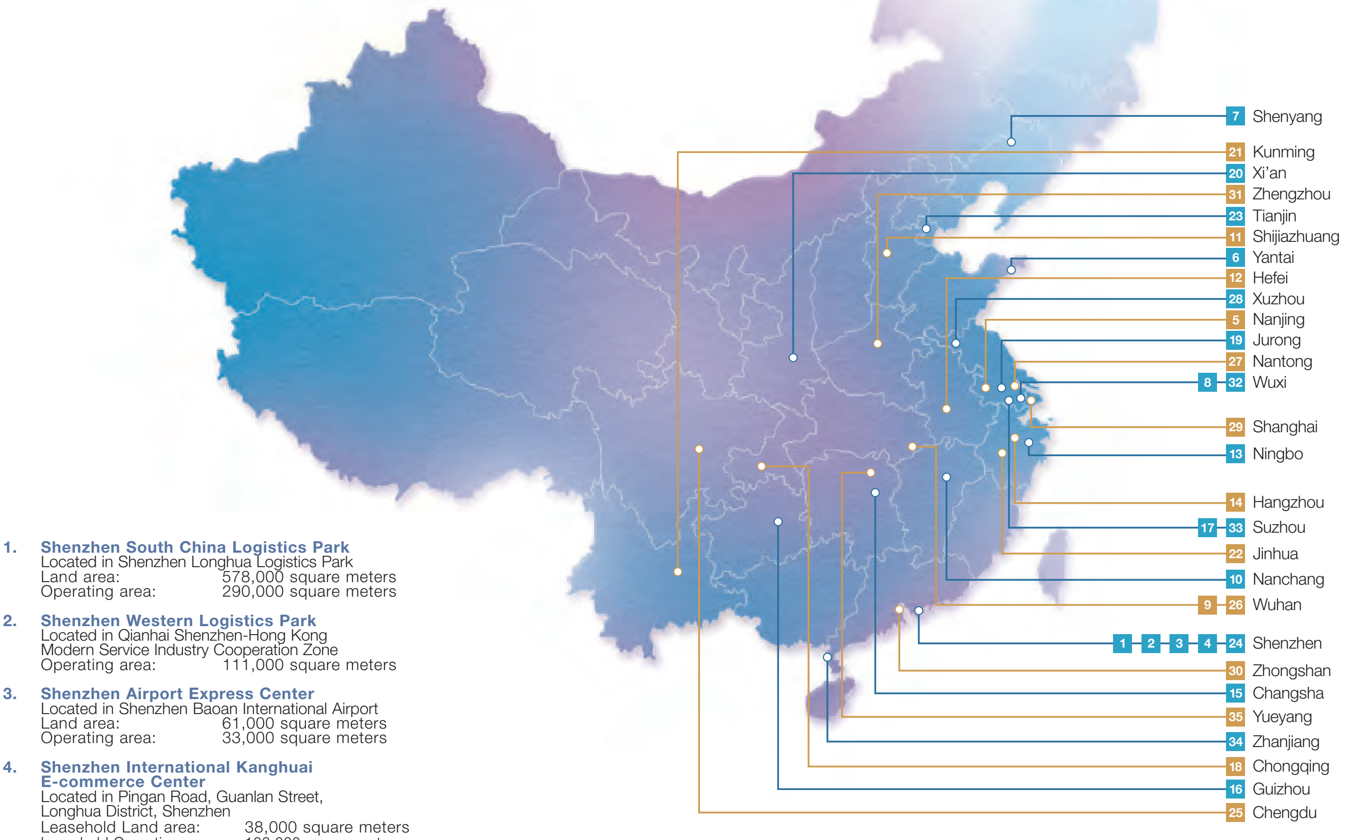
During the Period, revenue from the logistics park business increased by 57% as compared to the corresponding period of the previous year to HK$611 million, which was mainly due to the outbreak of the Pandemic and rent relief program implemented by the Group during the same period of previous year. In 2021, revenue rebounded to the pre-pandemic level driven by the continuous recovery in demand for logistics facilities due to the effective implementation of the pandemic prevention and control policy. Profit attributable to shareholders increased by 296% as compared to the corresponding period of the previous year to HK$316 million, which was mainly attributable to the successful injection of the Nanchang Integrated Logistics Hub Project into the fund during the Period, resulting in a profit attributable to shareholders of HK$175 million.

During the Period, revenue from the logistics service business decreased by 8% as compared to the corresponding period of the previous year to HK$553 million whilst operating costs increased due to the changes to international shipping rates. As a result, profit attributable to shareholders decreased by 66% as compared to the corresponding period of the previous year to HK$4.15 million.

During the Period, revenue and profit attributable to shareholders from the port and related service business increased by 65% and 11% as compared to the corresponding period of the previous year to HK$1,060 million and HK$55.45 million, respectively, mainly attributable to the Group's effective efforts on developing new customers and maintaining existing customers, as well as the successful launch of new business operations, which boosted the revenue growth of the port and related service business.

During the Period, the logistics park transformation and upgrading business contributed profit of HK$854 million to the Group, which mainly comprised the investment gain resulted from the delivery of the residential project, PARKVIEW BAY, jointly developed by the Group and Shum Yip Land Co., Ltd., being the first phase of the Qianhai Project in June 2021.

LOCATIONS OF LOGISTICS BUSINESS



1. **Shenzhen South China Logistics Park**
   Located in Shenzhen Longhua Logistics Park
   Land area: 578,000 square meters
   Operating area: 290,000 square meters

2. **Shenzhen Western Logistics Park**
   Located in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone
   Operating area: 111,000 square meters

3. **Shenzhen Airport Express Center**
   Located in Shenzhen Baoan International Airport
   Land area: 61,000 square meters
   Operating area: 33,000 square meters

4. **Shenzhen International Kanghuai E-commerce Center**
   Located in Pingan Road, Guanlan Street, Longhua District, Shenzhen
   Leasehold Land area: 38,000 square meters
   Leasehold Operating area: 138,000 square meters

5. **Nanjing Xiba Port**
   Located in Nanjing Chemical Industrial Park
   Land area: 400,000 square meters
   Operating area: 271,000 square meters

6. **Shenzhen International Shandong Booming Total Logistics Park**
   Located in Yantai Economic and Technological Development Zone, Yantai
   Land area: 70,000 square meters
   Operating area: 37,000 square meters

7. **Shenzhen International Shenyang Integrated Logistics Hub**
   Located in Shenyang International Logistics Park, Yuhong District, Shenyang
   Land area: 241,000 square meters
   Operating area: 264,000 square meters

8. **Shenzhen International Wuxi Integrated Logistics Hub**
   Located in Huishan District, Wuxi
   Land area: 246,000 square meters
   Operating area: 125,000 square meters

9. **Shenzhen International Wuhan Dongxihu Integrated Logistics Hub**
   Located in Dongxihu District, Wuhan
   Land area: 126,000 square meters
   Operating area: 67,000 square meters

10. **Shenzhen International Nanchang Integrated Logistics Hub**
    Located in Nanchang Economic and Technological Development Zone, Nanchang
    Operating area: 91,000 square meters

11. **Shenzhen International Shijiazhuang Integrated Logistics Hub**
    Located in Zhengding County, Shijiazhuang
    Land area: 335,000 square meters
    Operating area: 64,000 square meters

12. **Shenzhen International Hefei Integrated Logistics Hub**
    Located in Anhui Hefei Commercial and Logistics Development Zone, Feidong County, Hefei
    Land area: 135,000 square meters
    Operating area: 99,000 square meters

13. **Shenzhen International Ningbo Integrated Logistics Hub**
    Located in Ningnan Trade and Logistics Park, Ningbo
    Land area: 92,000 square meters
    Operating area: 60,000 square meters

14. **Shenzhen International Hangzhou Integrated Logistics Hub**
    Located in Hangzhou Dajiangdong Industrial Cluster, Hangzhou
    Land area: 427,000 square meters
    Operating area: 207,000 square meters

15. **Shenzhen International Changsha Integrated Logistics Hub**
    Located in Jinxia Economic Development Zone, Changsha
    Land area: 298,000 square meters
    Operating area: 85,000 square meters

16. **Shenzhen International Guizhou Integrated Logistics Hub**
    Located in Guizhou Shuanglong Modern Service Industrial Cluster
    Land area: 350,000 square meters
    Operating area: 148,000 square meters

17. **Shenzhen International Kunshan Integrated Logistics Hub**
    Located in Lujiazhen, Kunshan, Suzhou
    Land area: 117,000 square meters
    Operating area: 85,000 square meters

18. **Shenzhen International Chongqing Integrated Logistics Hub**
    Located in Shuangfu New District, Jiangjin District, Chongqing
    Land area: 104,000 square meters
    Operating area: 58,000 square meters

19. **Shenzhen International Jurong Integrated Logistics Hub**
    Located in New City District, Northern Jurong
    Land area: 131,000 square meters

20. **Shenzhen International Xi'an Integrated Logistics Hub**
    Located in Xi'an National Civil Aerospace Industrial Base, Xi'an
    Land area: 120,000 square meters
    Operating area: 93,000 square meters

21. **Shenzhen International Kunming Integrated Logistics Hub**
    Located in Yangzonghai Scenic Area, Kunming
    Land area: 172,000 square meters
    Operating area: 121,000 square meters

22. **Shenzhen International Yiwu Integrated Logistics Hub**
    Located in Yunxi Village under the jurisdiction of Choucheng Street, Yiwu, Jinhua
    Land area: 417,000 square meters
    Operating area: 246,000 square meters

23. **Shenzhen International Tianjin Zhonglong Integrated Logistics Hub**
    Located in West Wing of Tianjin Development Zone, Tianjin
    Land area: 60,000 square meters
    Operating area: 32,000 square meters

24. **Liguang Project**
    Located in Liguang Village, Guanlan Street, Longhua District, Shenzhen
    Land area: 45,000 square meters

25. **Shenzhen International Chengdu Qingbaijiang Integrated Logistics Hub**
    Located in International Railway Logistics Park, Qingbaijiang District, Chengdu
    Land area: 125,000 square meters

26. **Shenzhen International Wuhan Caidian Integrated Logistics Hub**
    Located in Changfu Logistics Park, Caidian District, Wuhan
    Land area: 129,000 square meters

27. **Shenzhen International Nantong Integrated Logistics Hub**
    Located in Haimen Industrial Park, Nantong
    Land area: 152,000 square meters
    Operating area: 125,000 square meters

28. **Shenzhen International Xuzhou Integrated Logistics Hub**
    Located in Xuzhou National Hi-Tech Industrial Development Zone, Xuzhou
    Land area: 133,000 square meters
    Operating area: 76,000 square meters

29. **Shenzhen International Shanghai Qingpu Integrated Logistics Hub**
    Located in Huaxin Town, Qingpu District, Shanghai
    Land area: 23,000 square meters
    Operating area: 31,000 square meters

30. **Shenzhen International Zhongshan Torch Integrated Logistics Hub**
    Located in Zhongshan Torch Hi-Tech Industry Development Zone, Zhongshan
    Land area: 57,000 square meters
    Operating area: 58,000 square meters

31. **Shenzhen International Zhengzhou Erqi Integrated Logistics Hub**
    Located in Mazhai Industrial Cluster, Erqi District, Zhengzhou
    Land area: 109,000 square meters

32. **Shenzhen International Jiangyin Integrated Logistics Hub**
    Located in Jiangyin Lingang Economic and Technological Development Zone, Wuxi
    Land area: 133,000 square meters

33. **Shenzhen International Suzhou Xiangcheng Integrated Logistics Hub**
    Located in International Logistics Park, Wangting Village, Xiangcheng District, Suzhou
    Land area: 33,000 square meters
    Operating area: 20,000 square meters

34. **Shenzhen International Zhanjiang Integrated Logistics Hub**
    Located in Mazhang District, Zhanjiang
    Land area: 110,000 square meters

35. **Yueyang Smart Commercial and Trading Park**
    Located in New Port Area, Chenglingji District, Yueyang
    Leasehold Operating area: 51,000 square meters

TOLL ROAD BUSINESS

Overview

The Group's toll road business spans across the Shenzhen region, other regions in Guangdong Province and other provinces in China. The Group operates and invests in a total of 15 expressway projects. As at the date of this report, the Group operates the toll road business through Shenzhen Expressway, a subsidiary held by the Company as to approximately 52%, whose H shares and A shares are listed on the Stock Exchange and the Shanghai Stock Exchange respectively. The total toll length of toll roads invested in or operated by the Group was approximately 174 km, 246 km and 187 km in the Shenzhen region, other regions in Guangdong Province and other provinces in China, respectively.

Besides consolidating the toll road business, the Group also prudently explores collaboration opportunities with leaders and branded enterprises in the environmental protection industry in recent years, aiming to enter various market sectors such as environmental protection and clean energy from an advantageous starting point. At the moment, Shenzhen Expressway has established a two-pronged framework with two core businesses, namely toll road and environmental protection, which is expected to enhance development potential for the Group in the long term.

Analysis of Operating Performance

Toll Road Business

The operating performance of the Group's toll roads during the Period is as follows:

			Average daily toll revenue	
Toll roads	***Interest held by the Group***	***Length by toll (approximate km)***	***First half of 2021 (RMB'000)***	*Increase/ (decrease) compared to the corresponding period of 2020*
Shenzhen region:				
Meiguan Expressway	100%	5.4	**441**	146.4%
Jihe East	100%	23.7	**1,946**	117.4%
Jihe West	100%	21.8	**1,477**	103.4%
Shenzhen Coastal Project *(Notes 1 and 2)*	100%	36.6	**1,514**	76.7%
Shenzhen Outer Ring Project *(Note 3)*	100%	60.0	**2,310**	N/A
Longda Expressway	89.93%	4.4	**387**	131.7%
Shuiguan Expressway	50%	20.0	**1,724**	144.2%
Shuiguan Extension	40%	6.3	**241**	145.9%
Other regions in Guangdong Province *(Note 4)*:				
Qinglian Expressway	76.37%	216.0	**2,491**	117.0%
Yangmao Expressway	25%	79.8	**1,272**	113.1%
Guangzhou Western Second Ring	25%	40.2	**1,337**	114.6%
Other provinces in China:				
Wuhuang Expressway	100%	70.3	**1,148**	122.9%
Yichang Project	100%	78.3	**1,225**	143.5%
Changsha Ring Road	51%	34.7	**708**	223.3%
Nanjing Third Bridge	25%	15.6	**1,370**	74.5%

Notes:

(1) The Shenzhen Coastal Project refers to the Shenzhen section of Guangshen Coastal Expressway (Guangzhou to Shenzhen) and comprises Shenzhen Coastal Phase I and Shenzhen Coastal Phase II. Shenzhen Coastal Phase I, which was completed and commenced operation at the end of 2013, is the main line of the Shenzhen Coastal Project. Shenzhen Coastal Phase II, the construction of which commenced in December 2015, includes the connection line on the Shenzhen side of the Shenzhen-Zhongshan Bridge, the airport interchange and the Shenzhen World Exhibition & Convention Center interchange.

(2) Pursuant to the truck toll adjustment agreement (the "Toll Adjustment Agreement") in respect of the Coastal Project entered into between the Shenzhen Transportation Bureau and the project company of the Shenzhen section of Guangshen Coastal Expressway (Guangzhou to Shenzhen) ("Coastal Company"), all types of trucks passing though the Shenzhen Coastal Project between 1 March 2018 and 31 December 2020 were to be charged at 50% of standard toll, and Shenzhen Transportation Bureau paid Coastal Company RMB302 million as compensation. After the expiration of the Toll Adjustment Agreement, the Shenzhen Transportation Bureau, Shenzhen Expressway and Coastal Company entered into an agreement on compensation for freight traffic stipulating that trucks passing though the Coastal Project between 1 January 2021 and 31 December 2024 will be charged at 50% of standard toll, and the tolls waived will be paid by the government to Shenzhen Expressway and Coastal Company in a lump sum in March of the following year.

(3) Length by toll of the first and second phase of the Shenzhen Outer Ring Project is around 60 km, in which the first phase commenced operation on 29 December 2020 and the second phase is under construction.

(4) On 24 December 2020, Shenzhen Expressway entered into transfer agreements in respect of a 30% equity interest in Yunfu City Guangyun Expressway Company Limited (Guangwu Project) and a 25% equity interest in Guangdong Jiangzhong Expressway Company Limited (Jiangzhong Project). The transactions were completed during the Period.

During the Period, the operating performance of each of the Group's expressway projects was affected to various degrees by factors including changes in policy as well as changes in competitive (or complementary) nearby road networks. Furthermore, construction or renovation of the expressway project itself may also affect its own operating performance during the period in which the construction or renovation is conducted. In particular:

- The Shenzhen Coastal Project is an important gateway for diverting port traffic from Shenzhen's western port area. During the Period, benefiting from the economic development and construction work in Qianhai and the western port area in Shenzhen as well as the synergies between road networks brought by the opening of westbound section of Shahe West Connection Road of the Dongbin Tunnel, the Shenzhen Coastal Project recorded a satisfactory growth in terms of average daily traffic volume.

- The first phase of the Shenzhen Outer Ring Project, with a total length of approximately 50.74 kilometers, was officially opened to traffic at the end of December 2020. It is the first expressway in the PRC with full 5G network coverage enabled by adopting multifunctional smart lamp posts as carrier. During the Period, the first phase of the Shenzhen Outer Ring Project performed well in operation and increased traffic flow of Meiguan Expressway and the Shenzhen Coastal Project whilst diverted some of the traffic flow away from Jihe Expressway.

- Xuguang Expressway, an expressway between Xuchang in Henan and Guangzhou in Guangdong, comprising Guangqing, Qinglian, Yuelin, Suiyue, Lintong and Lannan expressways, has been fully connected and enhanced the role of Qinglian Expressway as the main artery connecting southern China and the norther hinterland in central China. In addition, the continuous improvement in the road network of the nearby Qingyun section of Shanzhan Expressway. Therefore, the operating performance of Qinglian Expressway maintained stable.

- Attributable to the rapid resumption and growth of economic activities in the nearby regions, Wuhuang Expressway recorded outstanding operating performance during the Period.

- As a result of the ongoing positive impact of the rebound of neighboring economic regions and the launch of nearby road systems such as the Changyi North-Line Expressway (Changsha-Yiyang), the operating performance of Changsha Ring Road improved significantly.

Key Construction Project

Invested by the Group under the public-private-partnership (PPP) model, the Shenzhen Outer Ring Project, which will be developed in three phases, is by far the longest toll road in Shenzhen's expressway network and will link up with 10 expressways and 8 first tier highways in the Shenzhen region upon completion. During the Period, the Group put additional resources and efforts into the construction of the second phase of the Shenzhen Outer Ring Project. The section of the Shenzhen Outer Ring Project from Huiyan Expressway to the north of Shenshan Expressway has been linked up. As at the date of this report, around 83% of the first and second phase of the Shenzhen Outer Ring Project as a whole has been completed. At the same time, the Group is actively carrying out the surveying, design and other preliminary preparation work of the third phase of the Shenzhen Outer Ring Project.

In respect of Shenzhen Coastal Phase II, the Shenzhen World Exhibition & Convention Center interchange has been opened to traffic and connected to the exhibition and convention center since 2019. The toll station of Coastal Expressway at the Shenzhen World Exhibition & Convention Center interchange has also commenced operation and became a major transportation hub that facilitates modern logistics, business, trade, exhibitions and conventions as well as regional economic co-operation and the development of nearby urban areas. The construction design and plan of Shenzhen Coastal Phase II were adjusted to take into account of the construction of the eastern man-made island of the Shenzhen-Zhongshan Bridge. As at the date of this report, according to the adjusted construction plan, about 52.6% of the overall construction of Shenzhen Coastal Phase II has been completed. In particular, about 67%, 65% and 10% of the construction of the road bed, bridges and road surface, respectively, have been completed.

Acquisition

On 15 March 2021, Shenzhen Expressway and SIHCL entered into a memorandum of understanding for the intended acquisition of the 71.83% equity interest in Bay Area Development. On 10 August 2021, a wholly owned subsidiary of Shenzhen Expressway and a wholly owned subsidiary of SIHCL entered into a sale and purchase agreement for the acquisition of the 100% equity interest in Shenzhen Infrastructure at the estimated total consideration of no more than HK$10,479 million. The Company will indirectly own as to 71.83% equity interest in Bay Area Development upon completion. The completion of this acquisition is subject to the satisfaction or waiver of certain conditions precedent, including the approval to be obtained at the general meetings of the Company and Shenzhen Expressway. For details, please refer to the announcement of the Company dated 10 August 2021.

Bay Area Development has interests in quality road assets such as Guangshen Expressway and Guangzhu West Expressway, which are located in the heart of the Guangdong-Hong Kong-Macao Greater Bay Area. Upon completion, the acquisition will reinforce the Group's core competence in expressway investment, construction and operation, regional market share in the expressway industry, future profitability and cash flows, and it can also actively promote the transformation and expansion of Guangzhou-Shenzhen Expressway and land development through a combination of the land along its alignment development plan, unlock the value of the land along its alignment development, achieving sustainable long-term development, and further enhancing the development and market value of the Group which is in line with the development strategy of the Company and in the interest of the Company and its shareholders as a whole.

Environmental Protection Business

While strengthening the core toll road business, Shenzhen Expressway actively explored investment prospects and opportunities in the environmental protection sectors such as reutilization and management of solid waste, as well as clean energy during the Period.

During the Period, Chongqing Derun Environment Company Limited, in which Shenzhen Expressway owns 20% equity interest, continued to focus on markets in Chongqing and its surrounding region and maintained its leadership in Chongqing's water supply and sewage treatment market. Its subsidiary, Chongqing Sanfeng Environment Group Corp., Ltd., was officially listed on the Shanghai Stock Exchange (stock code: 601827) on 5 June 2020.

During the Period, Shenzhen Water Planning & Design Institute Company Limited ("Water Planning & Design Institute"), in which Shenzhen Expressway owns 11.25% equity interest, achieved a continual increase in market share with a year-on-year increase of 42% in newly secured contracts. Water Planning & Design Institute was listed on ChiNext Board of the Shenzhen Stock Exchange (stock code: 301038) in August 2021.

Since the acquisition of the 51% equity interest in Nanjing Wind Power Technology Co., Ltd. ("Nanjing Wind Power Company") in 2019, Shenzhen Expressway has implemented a series of measures to strengthen the internal management of this subsidiary, thereby improving its operations and management in different respects. Nanjing Wind Power Company zealously delivered and commissioned its wind turbines and received sale proceeds of approximately RMB160 million and signed wind farm project orders amounting to nearly 100 megawatt-hours during the Period. Nanjing Wind Power Company will work towards its annual targets and pave the way for its future business development by, among other things, stepping up its technology research and development efforts and diversifying its supply chain.

In addition, Shenzhen Expressway holds the 100% equity interest in Baotou Nanfeng Wind Power Technology Co., Ltd. ("Baotou Nanfeng Company"), which is principally engaged in the investment, operation and management of five wind power generation farms in Inner Mongolia Autonomous Region of China. Baotou Nanfeng Company has abundant wind power resources and enjoys synergies with Nanjing Wind Power Company along the industry chain. During the Period, Baotou Nanfeng Company fed an aggregate of 382,436 megawatt-hours of electricity to the grid, representing a year-on-year increase of 19.06%.

During the Period, Shenzhen Expressway completed the acquisition of the entire equity interest in Mulei County Qianzhi Energy Development Co., Ltd., Mulei County Qianhui Energy Development Co., Ltd. and Mulei County Qianxin Energy Development Co., Ltd. (the "Mulei Wind Power Project"), which operate in Changji Hui Autonomous Prefecture in Xinjiang Uygur Autonomous Region, through a combination of equity transfer and capital injection. After being consolidated by the Group, the Mulei Wind Power Project fed an aggregate of 339,412 megawatt-hours of electricity to the grid during the Period. The Mulei Wind Power Project has ample wind power resources and has wind farm developments with high values. It also enjoys a certain degree of guaranteed electricity sales for being one of the ancillary projects of the Zhundong-Southern Anhui ultra high voltage direct current transmission line in the PRC.

Shenzhen Expressway holds 67.14% equity interest in Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental Company"), which is one of the key providers of comprehensive organic waste treatment, construction and operation services in the PRC. During the Period, Shenzhen Expressway vigorously improved the construction and operation of Bioland Environmental Company's projects, thereby boosting the year-on-year growth in revenue from its waste treatment operations business. The engineering, procurement and construction (EPC) business also recorded a year-on-year increase, while the equipment manufacturing business achieved significant progress in market expansion. As at the date of this report, it has a total of 18 organic waste treatment build-operate-transfer (BOT)/PPP projects with an aggregate designed daily kitchen waste treatment capacity of over 4,000 tonnes in 14 counties and cities in 10 provinces across the country.

Furthermore, in late 2020, Shenzhen Expressway completed the acquisition of 50% equity interest in Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Limited ("Qiantai Company"). With more than 10 proprietary intellectual property rights related to key technologies for recycling electric-vehicle battery and dismantling new energy vehicles. During the Period, Qiantai Company recycled nearly 1,500 end-of-life vehicles by cooperating with relevant companies in the industry to participate in the industry chain. Leveraging its advantageous qualifications, Qiantai Company will engage in different types of collaborations and expand into the upstreams and downstreams decommissioned high power battery markets in the future.

Financial Analysis

Toll roads operated and invested by the Group have resumed full toll collection in the second half of 2020. Coupled with the launch of the first phase of the Shenzhen Outer Ring Project, toll revenue collected by Shenzhen Expressway during the Period was HK$3,345 million (2020: HK$1,183 million), representing an increase of 183% as compared to the corresponding period of the previous year. At the same time, the environmental protection business attained satisfactory expansion and increased investment returns, which have in turn boosted the growth on revenue of Shenzhen Expressway.

Total revenue of Shenzhen Expressway for the Period was HK$4,838 million (2020: HK$1,905 million), representing an increase of 154% as compared to the corresponding period of the previous year. Profit before taxation and finance cost amounted to HK$2,371 million (2020: HK$330 million), representing an increase of 618% as compared to the corresponding period of the previous year. Net profit was HK$1,595 million (2020: HK$35.28 million), representing an increase of 4,417% as compared to the corresponding period of the previous year. Profit of Shenzhen Expressway attributable to the Group for the Period increased by 1,167% as compared to the corresponding period of the previous year to HK$749 million (2020: HK$59.11 million).

OTHER INVESTMENTS

Shenzhen Airlines

As at 30 June 2021, Shenzhen Airlines has 226 (2020: 218) aircraft in its fleet. It currently operates 257 routes comprising 255 domestic routes and 2 international routes. All routes serving the Hong Kong, Macau and Taiwan regions had been suspended due to the Pandemic.

During the Period, the Pandemic permeated across the world and dealt a heavy blow to the passenger air transport industry resulting in a plunge in demand for air travel. Nevertheless, the tight and effective control of the Pandemic in the PRC allowed the domestic air travel market to gradually recover. During the Period, the passenger transport volume of Shenzhen Airlines resumed its growth and reached 11.05 million passenger rides (2020: 7.84 million passenger rides) with a passenger traffic of 16,347 million passenger-km (2020: 11,685 million passenger-km), representing an increase of 41% and 40%, respectively, as compared to the corresponding period of the previous year. During the Period, total revenue of Shenzhen Airlines grew by 46% as compared to the corresponding period of the previous year to RMB9,681 million (equivalent to HK$11,639 million) (2020: RMB6,641 million (equivalent to HK$7,304 million). In particular, passenger revenue increased by 48% to RMB8,531 million (2020: RMB5,773 million).

However, the resurgence of the Pandemic in the Guangzhou and Shenzhen regions in June 2021 and other external factors offset part of the revenue growth which had a certain impact on the profitability of Shenzhen Airlines. As a result, net loss of Shenzhen Airlines for the Period amounted to RMB1,366 million (equivalent to HK$1,643 million) (2020: net loss of RMB2,227 million (equivalent to HK$2,451 million), representing a year-on-year decrease of 39%. The group's share of losses incurred by Shenzhen Airlines amounted to approximately HK$811 million (2020: loss of HK$1,223 million) during the Period.

In the second half of 2021, it is expected that the Pandemic will gradually subside across the globe as vaccination rate increases. The domestic and foreign air transport demand are thus expected to recover steadily. Shenzhen Airlines will bolster its competitiveness and seize the opportunities brought by the international and domestic "Dual Circulation" economic strategy by keeping abreast of market dynamics, converting passenger flights into cargo flights, strengthening cost control, rationalizing its capacity allocation and improving its key market network.

CSG Holding Co., Ltd. ("CSG")

Taking into account the Group's business development, cash requirement and internal resource allocation as well as capital market conditions, the Group has been divesting its shareholding in CSG as and when appropriate in order to maximize the benefits of the Company and its shareholders.

During the Period, the Group disposed of approximately 17.54 million A shares of CSG (2020: nil) at an average selling price of approximately RMB10.35 (equivalent to HK$12.44) per share, recording a profit after tax of approximately HK$46.98 million.

As at 30 June 2021, the Group held a total of approximately 21.63 million A shares of CSG, representing approximately 0.7% of the total issued share capital of CSG. The A shares of CSG held by the Group are classified as financial assets measured at fair value through profit or loss. As the share price of the A shares of CSG as at the end of June 2021 was higher than that as at the end of December 2020, profit after tax of approximately HK$55.78 million was recorded therefrom for the Period.

As the Group sold all of its remaining A shares in CSG in July 2021, the Group does not hold any A shares of CSG as at the date of this report.

OUTLOOK FOR THE SECOND HALF OF 2021

Looking forward to the second half of 2021, the Pandemic will remain as the largest uncertainty and challenge faced by the global economies. Nevertheless, macro-economy is growing steadily in the PRC and the country's long-term economic development and fundamentals stay positive under its current "Dual Circulation" national development framework. Meanwhile, the continuance of the Pandemic has turned online shopping into the norm. Demand for contactless delivery will bring business opportunities for intelligent warehouses, cold chain, real-time logistics and inter-city delivery. Market demand for high-standard warehouses will continue to be strong. Capitalizing on opportunities brought by this round of structural growth, the Group will expand rigorously to pave the way for its high-quality development in the future.

Despite the complex and ever-changing business environment in the future, the management of the Group believes that with each challenge comes an opportunity. As such, the Group will remain vigilant about market dynamics and regularly review the Group's development strategies and risk control systems. On the other hand, the Group will capitalize on its distinct competitive edge in terms of urban auxiliary infrastructure and ample cash flows from the core toll road and logistics businesses to promote the development of the intelligent warehouse and cold chain businesses, as well as expand its scale by speeding up its investment, merger and acquisition projects to ultimately achieve sustainable development.

Fully Implementing both the "Investment, Construction, Operation and Transformation" and the "Investment, Construction, Financing and Operation" Business Development Models to Achieve Greater Economies of Scale and Efficiency of Logistics Business

In the second half of 2021, the Group will continue to seize the opportunities arising from urban development and renewal under its long closed-loop "investment, construction, operation and transformation". The Group will actively promote the development and sale of the Meilin Checkpoint Project and the Qianhai Project. Meanwhile, the Group is actively considering bringing forward means of unlocking value of relevant assets in Shenzhen held by the Group after taking into account the ongoing control policies over real estate market in the PRC and the risks it entails. On the other hand, the Group will vigorously speed up the transformation and upgrade of South China Logistics Park and engage in the urban planning of the southern Longhua District in accordance with the new round of urban development planning. South China Logistics Park with a site area of approximately 580,000 square meters, situated in the core region of Longhua, is the largest single logistics park of the Group. Taking into account its prime location and convenient access to transportation, the park is expected to contribute considerable economic returns to the Group upon successful transformation.

Meanwhile, the Group will build up the short closed-loop "investment, construction, financing and operation" business model in multiple ways, aiming to speed up asset securitization, push integration of industry and finance, expand its nationwide presence, diversify its income streams and accelerate the sustainable rolling development of logistics parks. In the second half of 2021, it will rigorously advance the injection of integrated logistics hub projects into a fund, such as the Hefei Project and the first phase of the Hangzhou Project while proactively exploring the possible launch of publicly traded REITs of infrastructure in PRC.

Through the "investment, construction, operation and transformation" and the "investment, construction, financing and operation" business development models, the Group will realize earnings in advance, optimize its capital structure, and further obtain logistic resources to accumulate long-term high-quality assets, in order to achieve rapid development of logistic business.

Establishing a Comprehensive Logistics Ecosystem Combining "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" to Promote Business Coordination

The Group is establishing a comprehensive logistics ecosystem combining "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" in accordance with its 14th Five-year Strategic Development Plan. This ecosystem covers logistics parks along land routes, inland ports, air cargo terminals and railroad freight stations. To be an intelligent storage service provider, the Group will nurture the operational and integrated programming capabilities of intelligent warehouses. Moreover, a cold chain logistics operation will be developed as a new core competence by leveraging the strengths of the Group's well-established network of logistics parks.

Outlook for the Second Half of 2021

In the second half of 2021, the Group will continue to seize the strategic opportunities brought about by, among other things, the Belt and Road Initiative, the Guangdong-Hong Kong-Macao Greater Bay Area, the Shenzhen demonstration pilot zone and the Yangtze River Economic Belt, and strengthen its presence in logistics infrastructure and related industries. It will expand its integrated logistics hub network across the country through a two-pronged approach, which includes construction as well as mergers and acquisitions. It will put extra effort into expanding in regions with competitive edge, such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, the Beijing-Tianjin-Hebei integration zone and the Hainan Free Trade Port. It will also implement the strategy of "multiple logistics parks within one city" across key logistics hubs so as to further enlarge its market share. Meanwhile, the Group will also continue to strengthen the market position of its operating logistics parks, push forward their intelligent transformation and improve the capability of its marketing, operational and integrated services. In addition, the Group will speed up the planning of logistics parks and hubs in Shenzhen, accelerate the development and construction of key projects in the Shenzhen region, such as the Liguang Project and Pinghunan Integrated Logistics Hub Project, increase the density of highquality logistics assets in Shenzhen and its surrounding cities and promote interactions with the logistics hub of the Shenzhen airport and other air cargo terminals in order to establish a logistics network covering road, railway and air, enhance logistics efficiency and reduce logistics costs. Going forward, the Group will make the most out of its logistics parks along land routes and enhance its scale of operation as a whole by fully combining both the long closed-loop "investment, construction, operation and transformation" and the short closed-loop "investment, construction, financing and operation".

Building on Nanjing Xiba Port, the Group will continuously establish its planned port network and strengthen its leading position in upstream and downstream Yangtze River by stepping up its investments in quality port projects and expending its network. It will enable more cooperation based on its urban ancillary infrastructure projects and enhance its overall competitiveness.

In 2020, the Group engaged in various collaboration in terms of the development of a logistics park, air cargo business and rail transport routes between China and Europe with central enterprises including China Railway Guangzhou Group Co., Ltd., China National Aviation Capital Holding Co., Ltd and Sinotrans Limited. It will fully leverage the competitive edge of each party's resources to derive synergies. In the second half of 2021, the Group will continue to cooperate with state-owned enterprises and strive to make substantive progress in investments such as investing in air cargo terminals and railway freight stations, with the aim of realizing mutual benefits.

In the second half of 2021, the Group will continue to promote the development of intelligent and cold chain logistics businesses based on its owned warehouse facilities. Firstly, it will nurture the operational and integrated programming capabilities of its intelligent warehouses. Secondly, it will expedite the development of the cold chain logistics business by leveraging the strengths of its well-established network of logistics parks with a view to drive its future business growth.

In the second half of 2021, the Group will continue to consolidate and boost the strength of toll road business by accelerating equity investments in the Bay Area Development, refining the operating and management models of existing toll road projects, improving coordination among different projects and enhancing its competitiveness and synergies in core areas, and in turn enhancing its overall operating performance. For the environmental protection business, the Group will continue to focus on management of recycling solid waste, clean energy generation and other segments in order to enlarge its market share and influence in the organic waste disposal segments. At the same time, the Group will seek more suitable investment opportunities in order to seize the opportunities brought by the latest state support of the new energy market, achieve consolidation and synergies between its existing businesses and other resources of the Group, and promote the Group's high-quality sustainable growth.

2021 marks the beginning of the Group's 14th Five-year Strategic Development Plan. The Group will capitalize on the golden strategic opportunities brought by the development of two regions, namely the Guangdong-Hong Kong Macau Greater Bay Area and Shenzhen Pilot Demonstration Zone, to attain its owned development goals and create greater value and returns for all shareholders. The Group is working on growing into a unique and top industrial group with a corporate value of hundreds of billions.

HUMAN RESOURCES

Human Resources Philosophy

Driven by the philosophy of "embracing the dedicated as the foundation", the Group's human resources management strategy has always been a core component of the Group's overall planning. The Group strives to provide a stage for honest and virtuous elites while helping diligent and hardworking craftsmen succeed. In recent years, the Group recruits and promotes operation and management staff in accordance with a talent-based system focusing on the standard of "selflessness, virtues, high capability, strong motivation and great performance" with the aims of establishing a scientifically reasonable human resources management platform to create a fair and harmonious work environment which will in turn secure sustainable talent supply to support business development.

Employees and Policies on Remuneration and Benefits

As at 30 June 2021, the Group had a total of 8,699 (2020: 7,532) employees. During the Period, staff benefit expenses (including directors' remuneration) were approximately HK$735 million (2020: approximately HK$490 million).

Being one of the enterprises shortlisted for the "Double-Hundred Action" reform promulgated by the State-owned Assets Supervision and Administration Commission of the State Council, the Group has revolutionized the employment, compensation and fringe benefit policies for its employees. The Group has put in place and seeks to continuously improve its comprehensive remuneration management system, long-term incentive and discipline program, and its performance management system. Employees' salaries are commensurate with their positions, competence and performance and determined with reference to the prevailing market conditions. The Group has finished benchmarking its remuneration scheme against market standard and the value of individual positions by evaluating the value of each position, through analyzing and measuring the disparity in such value based on the results of such evaluation and the degree of specialization of each position, accurately matching the remuneration offered by the Group to market standards, and establishing a performance-related pay system in order to motivate staff to strive for business success. Staff performance is assessed on a regular basis, the outcome of which will be reflected in remuneration and promotion. In order to stimulate staff performance, staff members who rank amongst the bottom in appraisals will be required to make improvements. Besides, in order to accommodate the Group's long-term development, the Group has established a long-term incentive and discipline program under which the options granted to and exercised by the management, senior management of subsidiaries and key staff members of the Group and the exercise of such options under the Company's share option scheme are linked to stringent performance targets so as to align incentive income with the growth of the Company's operating results. The Group has been enhancing its existing long-term incentive program. Through in-depth research on relevant policies and regulations, taking into consideration the Group's circumstances, the "Comprehensive Incentive Implementation Program" was announced to establish standards for salary, performance and industry norms, complementing the long-term incentive and discipline programs implemented by the subsidiaries, motivating the management and employees to work harder and to implement the 14th Five-Year Strategic Plan. The Group provides its employees with comprehensive fringe benefits, including staff health check, the mandatory provident fund, medical insurance and education allowance.

Employee Development and Training Programs

The Group puts strong emphasis on attracting and nurturing talents and continuously improves its talent recruitment and selection process and broaden its recruitment channels. In 2021, the Group continuously recruited management personnel and professionals in logistics and environmental protection related sectors through market-oriented recruitment and campus recruitment to enrich its management and professional teams and optimize the talent structure according to the Group's development strategy, business needs and assessment-based recruitment principle. With the aim of motivating the operating and management teams of its subsidiaries to achieve business success, the Group has devised the "Proposal for the Comprehensive Implementation of Employment Term and Contract Management System for Management Members" in order to improve the employment term and contract management of the Group and its subsidiaries, and an "8-Talent" human resource management system in order to achieve flexible staff promotion, demotion, recruitment, dismissal, remuneration and redesignation arrangements. The Group has improved the management talent selection and training programs. Open recruitment of management personnel at all levels are conducted. The recruitment process considers both examination and daily assessment, in addition to interview and test results and a large group of talented young staff members were selected. The Group also places a strong emphasis on the training and retention of internal staff by carrying out internal secondment at different levels, thereby establishing a strong backup team of talented staff.

The Group also emphasizes on staff training by continuing to make its training system more comprehensive and systematic. At the beginning of each year, the Group formulates an annual training program which includes specific training for middle and senior management and frontline staff as well as training on regulations and other topics. It continued to invite a major national tertiary education institute, namely Sun Yat-sen University, to provide systematic and specific training to selected talents in 2019 and 2020. At the same time, external lecturers were invited to give specific training during the Period. Through multiple rounds of selection, 24 "Shenzhen International Internal Trainers" were employed. In May 2021, the "Shenzhen International College" learning system was rolled out to provide over 3,000 general training courses. In addition, staff are strongly encouraged to participate in professional training courses organized by external institutions to enhance their professional knowledge and job skills.

Safety and Health

The Group strives to provide a safe, efficient and comfortable work environment for employees. Since 2021, the Group continued to organize a number of work safety education training programs and provided work safety guidelines to employees on the identification and prevention of safety hazards in the work place. The Group also provides various types of physical examinations related to occupational health and educational materials with an aim to create a healthy and safe working environment for its employees.

FINANCIAL POSITION

	30 June 2021 HK$ million	*31 December 2020 HK$ million*	*Increase/ (Decrease)*
Total Assets	**120,891**	113,187	7%
Total Liabilities	**61,369**	54,708	12%
Total Equity	**59,522**	58,479	2%
Net Asset Value attributable to shareholders	**34,852**	34,387	1%
Net Asset Value per share attributable to shareholders (HK dollar)	**15.4**	15.7	(2%)
Cash	**14,800**	15,104	(2%)
Bank borrowings	**18,241**	14,466	26%
Other borrowings	**569**	489	16%
Notes and bonds	**18,349**	17,093	7%
Total Borrowings	**37,159**	32,048	16%
Net Borrowings	**22,359**	16,944	32%
Debt-asset Ratio (Total Liabilities/Total Assets)	**51%**	48%	3#
Ratio of Total Borrowings to Total Assets	**31%**	28%	3#
Ratio of Net Borrowings to Total Equity	**38%**	29%	9#
Ratio of Total Borrowings to Total Equity	**62%**	55%	7#

Change in percentage points

Key Financial Indicators

As at 30 June 2021, the Group's total assets and total equity amounted to approximately HK$120,891 million and HK$59,522 million, respectively, while the net asset value attributable to shareholders was approximately HK$34,852 million. Net asset value per share was HK$15.4, representing a decrease of 2% as compared to the end of last year. The debt-asset ratio was 51%, which was 3 percentage points higher than that at the end of last year. The ratio of total borrowings to total equity was 62%, representing an increase of 7 percentage points as compared to the end of last year. The financial position of the Group remained healthy and stable.

Cash Flow and Financial Ratios

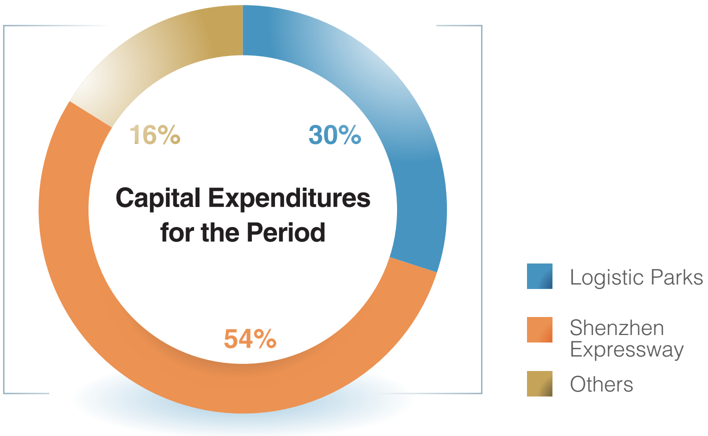
During the Period, net cash generated from operating activities amounted to approximately HK$3,124 million. Net cash used in investing activities amounted to approximately HK$2,851 million. Net cash generated from financing activities amounted to approximately HK$1,703 million. The core businesses of the Group have basically returned to pre-pandemic level and contributed stable cash inflow to the Group. The Group closely monitors changes in total borrowings with a view to maintaining its financial ratios at a healthy level.

Cash Balance

As at 30 June 2021, cash held by the Group amounted to approximately HK$14,800 million (31 December 2020: HK$15,104 million), representing a decrease of 2% as compared to the end of last year. To facilitate the Group's operation and development in the PRC, cash held by the Group is primarily denominated in RMB. The Group maintains an effective treasury policy to manage its cash on hand that centralizes the allocation of funds with the aim of reducing idle funds and achieving higher return on its cash portfolio in order to provide strong support for the development of its business.

Capital Expenditures

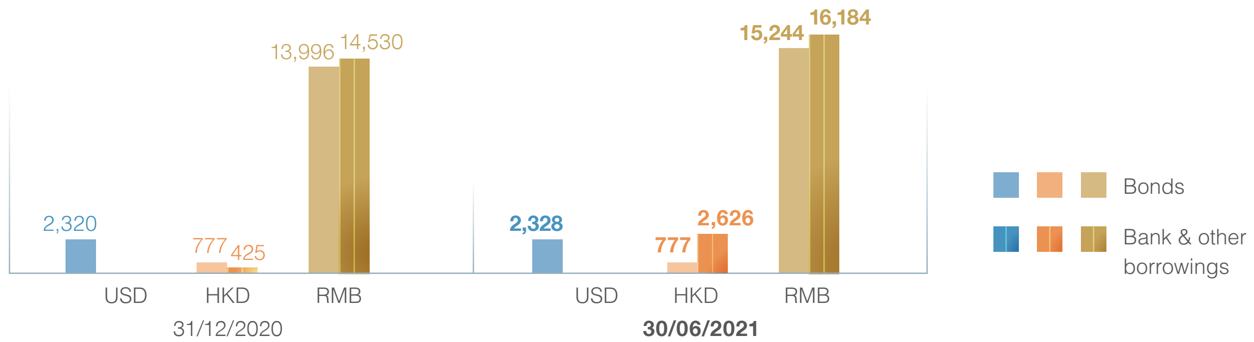
The Group's capital expenditures for the Period amounted to approximately RMB3,930 million (equivalent to HK$4,730 million), primarily comprising investments in the construction of "Integrated Logistics Hub" projects of approximately RMB1,070 million and investments in Shenzhen Expressway's projects of approximately RMB2,130 million. The Group expects the capital expenditures for the second half of 2021 to be approximately RMB5,100 million (equivalent to HK$6,200 million), including approximately RMB1,880 million for the "Integrated Logistics Hub" projects, approximately RMB1,200 million for Shenzhen Expressway's projects and approximately RMB800 million for United Land Company's projects.



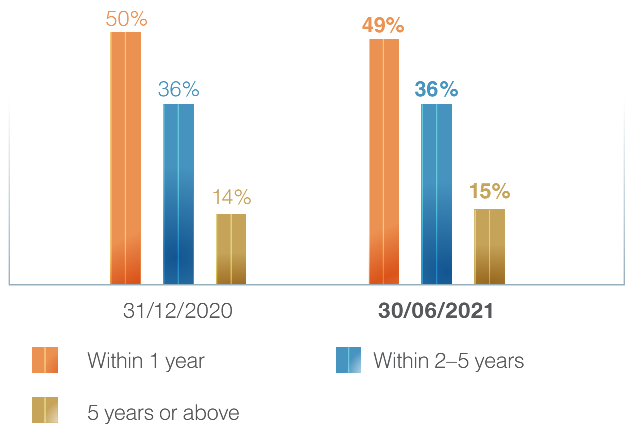
Borrowings

Total Borrowings in currency

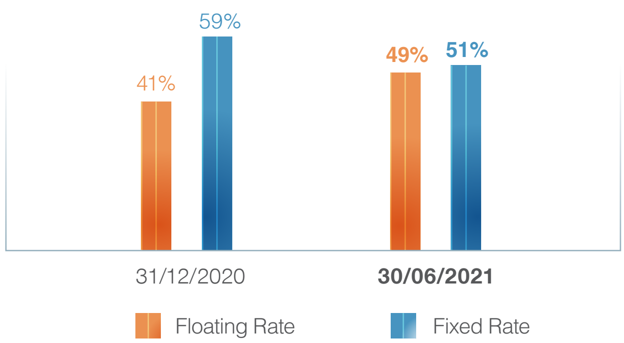
HK$ million



Total Borrowings — Repayment Period



Total Borrowings — Analysis of Floating rate/Fixed rate



As at 30 June 2021, the Group's total borrowings amounted to approximately HK$37,159 million, representing an increase of 16% as compared with the end of last year. During the Period, Shenzhen Expressway, a subsidiary of the Company, issued green corporate bonds of RMB1,200 million. 49%, 36% and 15% of the Group's total borrowings were due for repayment within 1 year, within 2 to 5 years and in 5 years or above, respectively.

The Group constantly improves its financial management. It has conducted several onshore and offshore financing activities with the aim of using different financial instruments in a flexible manner so as to capitalize on the differences in costs. The Group seized favorable market conditions and effectively lowered its finance costs. The Group closely monitors its overall borrowing structure, continuously optimizes its debt portfolio, strikes a balance between its interest rate and foreign exchange risks, and effectively maintains funds with high cost efficiency in order to meet its overall capital needs.

The Group's Financial Policy

Except for the updates as stated below, the Group's financial policies were in line with those disclosed in its annual report for 2020 and set out in those statements.

Exchange Rate Risk

The cash flows, cash on hand and assets of the businesses operated by the Group are mainly denominated in RMB, whereas loans are mainly denominated in RMB, HK$ and US$. Due to a number of factors such as impact of the Pandemic, the global economy and the China-US trade conflicts, RMB to US$ exchange rates continued to exhibit volatility. During the Period, the Group recorded an exchange gain of approximately HK$11.1 million. The Group will continue to monitor the foreign exchange market, adjust the currency structure of its borrowings and utilize hedging instruments as appropriate to manage its exchange rate risk. As at 30 June 2021, the ratio between the Group's borrowings in RMB and other currencies was around 85%:15%.

Liquidity Risk Management

The Group currently has cash on hand and standby banking facilities of approximately HK$72,900 million. The Group maintains adequate funds and credit facilities and optimizes its capital structure continuously to ensure that it is capable of operating as a going concern while expanding its business, and to mitigate liquidity risk.

Credit Ratings

During the Period, three leading international credit rating agencies, namely Moody's, Standard & Poor's and Fitch Ratings, maintained their investment-grade credit ratings of the Company of Baa2, BBB and BBB, respectively. CSCI Pengyuan Credit Rating Co., Ltd, a domestic credit rating agency, assigned an "AAA" credit rating to the Company. These ratings reflected high capital market recognition of the Group's financial soundness and solvency, and demonstrated the Group's confidence in realizing sustainable and quality growth.

Pledge of Assets, Guarantees and Contingencies

For details of the Group's pledge of assets, guarantees and contingencies as at 30 June 2021, please refer to notes 16 and 27, respectively, of the condensed consolidated financial statements.

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF SHENZHEN INTERNATIONAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shenzhen International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 70, which comprise the condensed consolidated balance sheet as of 30 June 2021 and the related condensed consolidated income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("HKSRE 2410") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

OTHER MATTER

The comparative condensed consolidated income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2020 and the relevant explanatory notes included in these condensed consolidated financial statements were extracted from the interim financial information of the Group for six-month period ended 30 June 2020 reviewed by another auditor who expressed an unmodified conclusion on the interim financial information on 25 August 2020. The comparative condensed consolidated balance sheet as at 31 December 2020 were extracted from the consolidated financial statements of the Group for the year ended 31 December 2020 audited by the same auditor who expressed an unmodified opinion on those statements on 26 March 2021.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 August 2021

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2021

(For reference only) *As at 30 June 2021 RMB'000*		NOTES	***As at 30 June 2021 HKD'000 (unaudited)***	*As at 31 December 2020 HKD'000 (audited)*
	ASSETS			
	Non-current assets			
492,724	Investment properties	6	**592,003**	611,305
13,745,460	Property, plant and equipment	6	**16,515,031**	12,742,544
3,192,662	Land use rights	6	**3,835,951**	3,802,321
3,829,773	Construction in progress	6	**4,601,433**	3,099,947
26,296,553	Intangible assets	6	**31,595,042**	31,645,704
241,707	Goodwill		**290,408**	279,035
12,768,030	Interests in associates	7	**15,340,659**	14,431,233
191,216	Interests in joint ventures		**229,744**	90,022
1,026,387	Other financial assets	8	**1,233,194**	2,345,483
1,369,398	Deferred tax assets		**1,645,318**	1,688,335
3,461,163	Other non-current assets	9	**4,158,552**	3,471,528
66,615,073			**80,037,335**	74,207,457
	Current assets			
13,193,179	Inventories and other contract costs	10	**15,851,471**	14,721,654
379,368	Contract assets		**455,807**	408,532
479,091	Other financial assets	8	**575,623**	936,949
7,633,095	Trade and other receivables	11	**9,171,085**	7,221,519
877,742	Restricted bank deposits		**1,054,598**	2,521,504
2,108,039	Deposits in banks with original maturities over 3 months		**2,532,788**	3,508,668
9,332,298	Cash and cash equivalents		**11,212,661**	9,073,474
–	Disposal group held for sale	12	**–**	587,346
34,002,812			**40,854,033**	38,979,646
100,617,885	**Total assets**		**120,891,368**	113,187,103

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2021

(For reference only) As at 30 June 2021 RMB'000		NOTES	As at 30 June 2021 HKD'000 (unaudited)	As at 31 December 2020 HKD'000 (audited)
	EQUITY AND LIABILITIES			
	Equity attributable to ordinary shareholders of the Company			
10,267,909	Share capital and share premium	13	**12,336,789**	11,529,380
18,739,326	Other reserves and retained earnings	14	**22,515,110**	22,857,273
29,007,235	**Equity attributable to ordinary shareholders of the Company**		**34,851,899**	34,386,653
1,940,041	**Perpetual securities**	15	**2,330,939**	2,330,939
18,592,996	**Non-controlling interests**		**22,339,296**	21,761,340
49,540,272	**Total equity**		**59,522,134**	58,478,932
	Non-current liabilities			
15,703,269	Borrowings	16	**18,867,318**	16,175,771
589,090	Lease liabilities		**707,786**	737,751
1,354,061	Deferred tax liabilities		**1,626,891**	2,253,391
1,385,806	Other non-current liabilities	17	**1,665,032**	1,565,424
19,032,226			**22,867,027**	20,732,337
	Current liabilities			
10,787,097	Trade and other payables	18	**12,960,587**	12,884,246
125,544	Derivative financial instruments		**150,840**	99,356
5,301,584	Contract liabilities	19	**6,369,799**	2,816,549
539,035	Income tax payable		**647,645**	2,185,511
15,223,971	Borrowings	16	**18,291,447**	15,872,334
68,156	Lease liabilities		**81,889**	117,838
32,045,387			**38,502,207**	33,975,834
51,077,613	**Total liabilities**		**61,369,234**	54,708,171
100,617,885	**Total equity and liabilities**		**120,891,368**	113,187,103

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2021

(For reference only) *Six months ended 30 June* *2021* *RMB'000*		NOTES	*Six months ended 30 June* *2021* *HKD'000* *(unaudited)*	*2020* *HKD'000* *(unaudited)*
6,060,750	**Revenue**	5, 20	**7,287,183**	4,402,036
(3,906,161)	Cost of sales		**(4,696,598)**	(3,835,327)
2,154,589	**Gross profit**		**2,590,585**	566,709
224,777	Other gains and losses	21	**270,262**	3,930,775
98,118	Other income	22	**117,973**	73,387
(78,935)	Distribution costs		**(94,908)**	(51,234)
(359,839)	Administrative expenses		**(432,655)**	(320,470)
(122,792)	Impairment losses on trade receivables and contract assets		**(147,640)**	(12,552)
1,915,918	**Operating profit**		**2,303,617**	4,186,615
18,775	Share of profit of joint ventures		**22,574**	6,123
373,539	Share of profit (loss) of associates	7	**449,127**	(1,068,474)
2,308,232	**Profit before finance costs and income tax**		**2,775,318**	3,124,264
113,874	Finance income	23	**136,917**	120,514
(461,674)	Finance costs	23	**(555,097)**	(484,560)
(347,800)	Finance costs – net	23	**(418,180)**	(364,046)
1,960,432	**Profit before income tax**		**2,357,138**	2,760,218
(389,502)	Income tax expense	24	**(468,320)**	(1,014,819)
1,570,930	**Profit for the period**		**1,888,818**	1,745,399
	Attributable to:			
799,082	Ordinary shareholders of the Company		**960,781**	1,713,233
38,255	Perpetual securities holders of the Company		**45,996**	45,931
733,593	Non-controlling interests		**882,041**	(13,765)
1,570,930			**1,888,818**	1,745,399
	Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)			
	Basic	25	**0.44**	0.79
	Diluted	25	**0.44**	0.79

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	NOTE	*Six months ended 30 June* **2021** *HKD'000* *(unaudited)*	2020 *HKD'000* *(unaudited)*
Profit for the period		**1,888,818**	1,745,399
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Share of other comprehensive income of associates		**63,882**	78,370
Items that will not be reclassified to profit or loss:			
Currency translation differences from functional currency to presentation currency		**1,009,972**	(953,985)
Net movement in fair value on other financial assets	14	**–**	(134)
		1,009,972	(954,119)
Other comprehensive income (expense) for the period, net of tax		**1,073,854**	(875,749)
Total comprehensive income for the period		**2,962,672**	869,650
Total comprehensive income (expense) attributable to:			
Ordinary shareholders of the Company		**1,770,237**	1,073,668
Perpetual securities holders of the Company		**45,996**	45,931
Non-controlling interests		**1,146,439**	(249,949)
		2,962,672	869,650

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to Ordinary Shareholders of the Company						
	Share capital and share premium HKD'000	*Other reserves HKD'000 (note 14)*	*Retained earnings HKD'000 (note 14)*	*Total HKD'000*	*Perpetual securities HKD'000*	*Non-controlling interests HKD'000*	*Total equity HKD'000*
As at 1 January 2020 (audited)	11,098,877	3,418,538	15,767,620	30,285,035	2,330,939	14,725,298	47,341,272
Profit (loss) for the period	–	–	1,713,233	1,713,233	45,931	(13,765)	1,745,399
Other comprehensive expense	–	(639,565)	–	(639,565)	–	(236,184)	(875,749)
Total comprehensive income (expense) for the six months ended 30 June 2020	–	(639,565)	1,713,233	1,073,668	45,931	(249,949)	869,650
Transactions with owners in their capacity as owners							
Employee share option scheme							
– proceeds from shares issued (note 13)	7,450	–	–	7,450	–	–	7,450
– recognition of share-based payments and forfeited options (note 13)	4,288	–	–	4,288	–	–	4,288
Transfer from reserve	–	1,111	(1,111)	–	–	–	–
Dividend relating to 2019 (note 26)	–	–	(2,530,140)	(2,530,140)	–	–	(2,530,140)
Issue of scrip shares as dividend (note 26)	404,935	–	–	404,935	–	–	404,935
Dividend paid/payables to non-controlling interests by subsidiaries	–	–	–	–	–	(950,217)	(950,217)
Non-controlling interests arising on business combinations	–	–	–	–	–	502,247	502,247
Transactions with non-controlling interests	–	1,273	–	1,273	–	(1,273)	–
Capital injection by non-controlling interests	–	–	–	–	–	12,758	12,758
Capital reduction by non-controlling interests	–	–	–	–	–	(26,947)	(26,947)
Distribution for perpetual securities (note 15)	–	–	–	–	(45,931)	–	(45,931)
Total transactions with owners	416,673	2,384	(2,531,251)	(2,112,194)	(45,931)	(463,432)	(2,621,557)
As at 30 June 2020 (unaudited)	11,515,550	2,781,357	14,949,602	29,246,509	2,330,939	14,011,917	45,589,365

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to Ordinary Shareholders of the Company						
	Share capital and share premium HKD'000	*Other reserves HKD'000 (note 14)*	*Retained earnings HKD'000 (note 14)*	*Total HKD'000*	*Perpetual securities HKD'000*	*Non-controlling interests HKD'000*	*Total equity HKD'000*
As at 1 January 2021 (audited)	11,529,380	5,950,834	16,906,439	34,386,653	2,330,939	21,761,340	58,478,932
Profit for the period	–	–	960,781	960,781	45,996	882,041	1,888,818
Other comprehensive income	–	809,456	–	809,456	–	264,398	1,073,854
Total comprehensive income for the six months ended 30 June 2021	–	809,456	960,781	1,770,237	45,996	1,146,439	2,962,672
Transactions with owners in their capacity as owners							
Employee share option scheme							
– proceeds from shares issued (note 13)	55,462	–	–	55,462	–	–	55,462
– recognition of share-based payments and forfeited options (note 13)	3,106	–	–	3,106	–	–	3,106
Transfer from reserve	–	153,349	(153,349)	–	–	–	–
Dividend relating to 2020 (note 26)	–	–	(2,112,400)	(2,112,400)	–	–	(2,112,400)
Issue of scrip shares as dividend (note 26)	748,841	–	–	748,841	–	–	748,841
Dividend paid/payables to non-controlling interests by subsidiaries	–	–	–	–	–	(672,972)	(672,972)
Capital injection by non-controlling interests	–	–	–	–	–	104,489	104,489
Distribution for perpetual securities (note 15)	–	–	–	–	(45,996)	–	(45,996)
Total transactions with owners	807,409	153,349	(2,265,749)	(1,304,991)	(45,996)	(568,483)	(1,919,470)
As at 30 June 2021 (unaudited)	12,336,789	6,913,639	15,601,471	34,851,899	2,330,939	22,339,296	59,522,134

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	NOTES	*Six months ended 30 June* **2021** **HKD'000** **(unaudited)**	2020 HKD'000 (unaudited)
Cash flows from operating activities			
Cash generated from operations		**5,720,875**	435,391
Income tax paid		**(2,597,133)**	(1,475,910)
Net cash generated from (used in) operating activities		**3,123,742**	(1,040,519)
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash paid	29	**(699,884)**	(245,614)
Derecognition of a subsidiary	29	**(27,174)**	–
Purchase of property, plant and equipment, land use rights, construction in progress, intangible assets and other non-current assets		**(4,004,299)**	(2,247,765)
Advance to non-controlling interests		**–**	(428,949)
Increase in interests in associates and joint ventures		**(533,335)**	(195,502)
Proceeds from disposal group held for sale		**587,346**	329,961
Proceeds from disposal of property, plant and equipment, and concession intangible assets		**60,118**	39,568
Proceeds from disposal of other financial assets		**819,095**	–
Purchase of other financial assets		**(309,726)**	(534,470)
Withdrawal of restricted bank deposits and deposits in banks with original maturities over 3 months		**975,880**	672,993
Interest received		**112,991**	115,273
Dividends received		**168,110**	44,105
Cash generated from other investing activities		**–**	8,954
Net cash used in investing activities		**(2,850,878)**	(2,441,446)
Cash flows from financing activities			
Interest paid		**(411,581)**	(327,544)
Proceeds from borrowings		**10,613,332**	7,341,557
Repayments of borrowings and lease liabilities		**(6,627,489)**	(2,969,315)
Proceeds on issue shares of the Company		**55,462**	7,450
Dividends paid to the Company's and subsidiaries' shareholders		**(1,985,047)**	(2,448,514)
Distribution for perpetual securities holders	15	**(45,996)**	(45,931)
Advance from an associate		**–**	879,894
Capital injections by non-controlling interests		**104,489**	12,758
Cash used in other financing activities		**–**	(36,357)
Net cash generated from financing activities		**1,703,170**	2,413,998
Net increase (decrease) in cash and cash equivalents		**1,976,034**	(1,067,967)
Cash and cash equivalents at the beginning of the period		**9,073,474**	11,931,764
Effect of foreign exchange rates changes		**163,153**	5,558
Cash and cash equivalents at the end of the period		**11,212,661**	10,869,355

1. GENERAL

The principal activities of Shenzhen International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), and its associates and joint ventures include the following businesses:

- Toll roads and environmental protection business; and
- Logistics business.

The Group's operations are mainly in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in Bermuda and is an investment holding company. The address of its registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

The Company is listed on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). One of the major subsidiaries of the Company, Shenzhen Expressway Company Limited ("Shenzhen Expressway"), is also listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange.

As at 30 June 2021, Ultrarich International Limited ("Ultrarich") directly owned 985,635,960 ordinary shares of the Company, representing approximately 43.49% of the issued share capital of the Company. As Shenzhen Investment Holdings Company Limited ("SIHCL") held 100% equity interest in Ultrarich, it had a deemed interest in 43.49% of the equity in the Company held by Ultrarich and was the largest shareholder of the Company. SIHCL is supervised and managed by Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission ("Shenzhen SASAC"). The directors of the Company regard Shenzhen SASAC as having control of the Company's relevant activities and is the de facto controller of the Company due to the voting power it held in the Company.

The condensed consolidated financial statements is presented in Hong Kong dollar ("HKD") thousands, unless otherwise stated.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2020.

Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

Application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

3.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

3.2 Transition and summary of effects

As at 1 January 2021, the Group has several borrowings interest of which are indexed to benchmark rates that will be or maybe subject to interest rate benchmark reform.

The following shows the total amounts of outstanding contracts. The amounts of borrowings are shown at their carrying amounts are shown at their notional amounts.

	HKD Hong Kong Interbank Offered Rate *HKD'000*
Secured bank borrowings	124,912
Unsecured bank borrowings	299,890
	424,802

The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period.

Other than disclosed as above, the application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES

The preparation of the interim financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 December 2020.

Construction service revenue recognition relating to concession contracts

Income and expenses associated with construction services and upgrade services provided under the concession service arrangements are recognised using the percentage of completion method. Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable.

Due to the fact there was no real cash flow realised/realisable during the construction phase of the infrastructure during the service concession arrangements, in order to determine the construction service revenue to be recognised during the reporting period, the directors of the Company made estimates of the respective amounts by making reference to the provision of project management services by the Group for construction of toll roads for respective PRC local governments without the corresponding grants of the toll road operating rights and entitlement to future toll revenues in return for management service fees. The directors of the Company have drawn an analogy of the construction of toll roads under the service concession arrangements as if the Group were providing construction and project management services. Accordingly, construction service revenue under the respective service concession arrangements is recognised at the total expected construction costs of the related toll roads plus management fees, computed at a percentage of the costs.

The directors of the Company estimated that the construction costs are close to the revenue, and thus the gross profit derived from the construction activities was insignificant.

4. CRITICAL ACCOUNTING ESTIMATES *(continued)*

Amortisation of concession intangible assets

The Group applied HK(IFRIC) – Interpretation 12 "Service Concession arrangements" and recognised concession intangible assets under the service concession arrangements and provides amortisation thereon.

Amortisation of concession intangible assets is provided based on the proportion of actual traffic volume for a particular period over the total projected traffic volume throughout the periods within which the Group is granted the rights to operate those roads. Adjustments may need to be made to the carrying amounts of concession intangible assets should there be a material difference between total projected traffic volume and the actual results.

The Group performs periodic assessments of the total projected traffic volume. The Group appoints independent professional traffic consultants to perform independent professional traffic studies and makes appropriate adjustment if there is a material difference between projected traffic volume and actual traffic volume.

Impairment of concession intangible assets

The estimated recoverable amount is taken into account when considering the impairment of concession intangible assets. When conducting impairment test of concession intangible assets, management forecasts future cash flows to determine the recoverable amount. Key assumptions used include the growth rate of traffic flows, toll rate, operating period, maintenance costs, and required rate of return. Given these assumptions, if the Group's management believes the recoverable amount will exceed the carrying amount after a thorough review, then no impairment is provided for concession intangible assets for the current period. The Group will continue to closely review the impairment of concession intangible assets, and make adjustments in the periods where there are indications that the relevant accounting estimates need to be adjusted.

Impairment test of interests in associates

The Group determines at end of each reporting date whether there is any objective evidence that the interests in the associates is impaired. When conducting impairment test of interest in associate, the Group estimates a recoverable amount of the relevant associate which is the higher of value in use and fair value less cost of disposal. Where the recoverable amount are less than or more than expected due to changes in conditions, facts and circumstances, an additional impairment loss or reversal of impairment loss may arise.

5. SEGMENT INFORMATION

The Group's operations are organised in two main business segments:

- Toll roads and environmental protection business; and
- Logistics business.

Head office functions include corporate management functions and investment and financial activities of the Group. It also includes one-off and non-recurring activities of the Group.

The chief operating decision-maker has been identified as the board of directors of the Company (the "Board"). The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Toll roads and environmental protection business includes (i) development, operation and management of toll highway; and (ii) sales of wind turbine equipment, kitchen waste disposal projects construction, operation and equipment sales of wind power stations.

Logistics business includes: (i) logistics parks which mainly include the construction, operation and management of logistics centres and integrated logistics hubs; (ii) logistics services which include the provision of third party logistics services, logistics information services and financial services to customers; (iii) port and related services and (iv) logistics park transformation and upgrading services.

The Board assesses the performance of the operating segments based on a measure of profit for the period.

5. SEGMENT INFORMATION *(continued)*

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the board of directors, the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance for the period is set out below.

For the six months ended 30 June 2021 (unaudited)

	Toll road and environmental protection business	*Logistics business*					*Head office functions*	*Total*
		Logistics parks	*Logistics services*	*Port and related services*	*Logistics park transformation and aggrading*	*Subtotal*		
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Revenue from contracts with customers within the scope of HKFRS 15								
– Point in time	4,251,238	173,719	553,135	1,059,502	–	1,786,356	–	6,037,594
– Over time	812,052	–	–	–	–	–	–	812,052
Subtotal	5,063,290	173,719	553,135	1,059,502	–	1,786,356	–	6,849,646
Revenue from other sources								
– Leases from logistics parks	–	437,537	–	–	–	437,537	–	437,537
Revenue	5,063,290	611,256	553,135	1,059,502	–	2,223,893	–	7,287,183
Operating profit (loss)	1,967,156	376,363	29,195	105,700	(38,306)	472,952	(136,491)	2,303,617
Share of profit of joint ventures	–	21,809	–	–	–	21,809	765	22,574
Share of profit (loss) of associates	404,034	929	–	–	860,186	861,115	(816,022)	449,127
Finance income	52,288	4,731	860	360	38,150	44,101	40,528	136,917
Finance costs	(450,617)	(46,111)	(9,028)	(3,014)	–	(58,153)	(46,327)	(555,097)
Profit (loss) before income tax	1,972,861	357,721	21,027	103,046	860,030	1,341,824	(957,547)	2,357,138
Income tax expense	(378,251)	(39,729)	(6,414)	(26,205)	(2,159)	(74,507)	(15,562)	(468,320)
Profit (loss) for the period	1,594,610	317,992	14,613	76,841	857,871	1,267,317	(973,109)	1,888,818
Non-controlling interests	(845,819)	(1,735)	(10,459)	(21,390)	(4,095)	(37,679)	1,457	(882,041)
Subtotal	748,791	316,257	4,154	55,451	853,776	1,229,638	(971,652)	1,006,777
Loss attributable to perpetual securities holders of the Company	–	–	–	–	–	–	(45,996)	(45,996)
Profit (loss) attributable to ordinary shareholders of the Company	748,791	316,257	4,154	55,451	853,776	1,229,638	(1,017,648)	960,781
Depreciation and amortisation	1,371,162	179,975	10,265	18,870	37	209,147	29,690	1,609,999
Capital expenditure								
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	2,620,494	1,049,996	9,985	11,607	176	1,071,764	312,041	4,004,299
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets arising from acquisition of a subsidiary (note 29)	2,607,721	–	–	–	–	–	–	2,607,721
– Additions in interests in associates	190,423	–	–	–	–	–	216,424	406,847

5. SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2020 (unaudited)

	Toll roads	*Logistics business*				*Head office functions*	*Total*
		Logistics parks	*Logistics services*	*Port and related services*	*Subtotal*		
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Revenue from contracts with customers within the scope of HKFRS 15							
– Point in time	1,549,249	98,459	598,681	640,881	1,338,021	–	2,887,270
– Over time	1,223,770	–	–	–	–	–	1,223,770
Subtotal	2,773,019	98,459	598,681	640,881	1,338,021	–	4,111,040
Revenue from other sources							
– Leases from logistics parks	–	290,996	–	–	290,996	–	290,996
Revenue	2,773,019	389,455	598,681	640,881	1,629,017	–	4,402,036
Operating profit	174,966	102,971	17,369	88,967	209,307	3,802,342	4,186,615
Share of profit of joint ventures	–	5,814	–	–	5,814	309	6,123
Share of profit (loss) of associates	155,045	(60)	–	–	(60)	(1,223,459)	(1,068,474)
Finance income	32,213	1,608	476	56	2,140	86,161	120,514
Finance costs	(342,552)	(9,798)	(747)	(15)	(10,560)	(131,448)	(484,560)
Profit before income tax	19,672	100,535	17,098	89,008	206,641	2,533,905	2,760,218
Income tax credit (expense)	15,605	(22,431)	(2,273)	(21,064)	(45,768)	(984,656)	(1,014,819)
Profit for the period	35,277	78,104	14,825	67,944	160,873	1,549,249	1,745,399
Non-controlling interests	23,831	1,792	(2,600)	(18,133)	(18,941)	8,875	13,765
Subtotal	59,108	79,896	12,225	49,811	141,932	1,558,124	1,759,164
Loss attributable to perpetual securities holders of the Company	–	–	–	–	–	(45,931)	(45,931)
Profit attributable to ordinary shareholders of the Company	59,108	79,896	12,225	49,811	141,932	1,512,193	1,713,233
Depreciation and amortisation	859,773	141,152	19,905	19,225	180,282	35,301	1,075,356
Capital expenditure							
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	1,116,041	363,243	25,918	10,402	399,563	719,878	2,235,482
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets arising from acquisition of a subsidiary	2,120,203	–	–	–	–	–	2,120,203
– Additions in interests in associates	195,502	–	–	–	–	–	195,502

5. SEGMENT INFORMATION *(continued)*

All revenues are derived from external customers located in the PRC. The Group's non-current assets, other than financial instruments and related deferred tax assets, are mainly located in the PRC. Revenues derived from and value of non-current assets located in other countries and regions are not material.

No analysis of the Group's assets and liabilities by reportable and operating segments is disclosed as it is not regularly provided to the chief operation decision-maker for review.

6. INTANGIBLE ASSETS AND OTHER FIXED ASSETS

	Intangible assets HKD'000	*Property, plant and equipment HKD'000*	*Land use rights HKD'000*	*Construction in progress HKD'000*	*Sub-total HKD'000*	*Investment properties HKD'000*	*Total HKD'000*
Six months ended 30 June 2021 (unaudited)							
Net book amount as at 1 January 2021	**31,645,704**	**12,742,544**	**3,802,321**	**3,099,947**	**51,290,516**	**611,305**	**51,901,821**
Acquisition of subsidiaries (note 29)	**–**	**2,555,436**	**52,285**	**–**	**2,607,721**	**–**	**2,607,721**
Derecognition of a subsidiary (note 29)	**–**	**(191,970)**	**(66,864)**	**–**	**(258,834)**	**–**	**(258,834)**
Fair value change	**–**	**–**	**–**	**–**	**–**	**(25,962)**	**(25,962)**
Additions	**696,068**	**126,109**	**63,801**	**3,118,321**	**4,004,299**	**–**	**4,004,299**
Disposals	**(284)**	**(80,405)**	**–**	**–**	**(80,689)**	**–**	**(80,689)**
Transfers	**–**	**1,659,528**	**(12,341)**	**(1,659,528)**	**(12,341)**	**–**	**(12,341)**
Exchange difference	**346,484**	**199,357**	**18,250**	**42,693**	**606,784**	**6,660**	**613,444**
Depreciation/amortisation	**(1,092,930)**	**(495,568)**	**(21,501)**	**–**	**(1,609,999)**	**–**	**(1,609,999)**
Net book amount as at 30 June 2021	**31,595,042**	**16,515,031**	**3,835,951**	**4,601,433**	**56,547,457**	**592,003**	**57,139,460**
Six months ended 30 June 2020 (unaudited)							
Net book amount as at 1 January 2020	26,260,742	10,029,717	3,393,684	1,846,436	41,530,579	576,796	42,107,375
Acquisition of a subsidiary	2,050,783	12,559	25,644	31,217	2,120,203	–	2,120,203
Fair value change	–	–	–	–	–	(13,071)	(13,071)
Additions	1,053,841	141,623	40,146	999,872	2,235,482	–	2,235,482
Disposals	(713)	(39,364)	–	–	(40,077)	–	(40,077)
Transfers	–	523,004	(109,121)	(523,004)	(109,121)	–	(109,121)
Exchange difference	(554,809)	(187,201)	(64,426)	(37,019)	(843,455)	(8,896)	(852,351)
Depreciation/amortisation	(696,104)	(340,431)	(38,821)	–	(1,075,356)	–	(1,075,356)
Net book amount as at 30 June 2020	28,113,740	10,139,907	3,247,106	2,317,502	43,818,255	554,829	44,373,084

Toll roads

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 2 to 25 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any consideration payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options. Amortisation of concession intangible assets has all been charged in the consolidated income statement within "Cost of sales". The operating rights of certain toll roads were pledged for secured borrowings as disclosed in note 16.

6. INTANGIBLE ASSETS AND OTHER FIXED ASSETS *(continued)*

Kitchen waste disposal project

Concession intangible assets related to kitchen waste disposal project allow the Company to charge the government department kitchen waste disposal fee according to negotiated price, to generate electricity by biogas, and to sell the oil and grease extracted from the kitchen waste in the franchise period.

7. INTERESTS IN ASSOCIATES

	Six months ended 30 June	
	2021	*2020*
	HKD'000	*HKD'000*
	(unaudited)	*(unaudited)*
Beginning of the period	**14,431,233**	14,527,280
Additions	**406,847**	195,502
Share of profit (loss) of associates	**449,127**	(1,068,474)
Share of other comprehensive income of associates	**63,882**	78,370
Dividends	**(166,516)**	(206,170)
Exchange difference	**156,086**	(267,027)
End of the period	**15,340,659**	13,259,481

	As at 30 June 2021	*As at 31 December 2020*
	HKD'000	*HKD'000*
	(unaudited)	*(audited)*
Unlisted investments		
Share of net assets, other than goodwill	**12,598,405**	11,721,214
Goodwill on acquisition	**2,742,254**	2,710,019
	15,340,659	14,431,233

Based on the assessment made by the directors of the Company, there were no impairment losses for the interests in associates as at 30 June 2021 (31 December 2020: Nil).

8. OTHER FINANCIAL ASSETS

	As at 30 June 2021 HKD'000 (unaudited)	As at 31 December 2020 HKD'000 (audited)
Financial assets measured at amortised cost		
– Debt security (Note (a))	–	593,684
Equity securities designated at fair value through other comprehensive income ("FVTOCI")		
– Unlisted equity securities	**56,742**	56,075
Financial assets measured at fair value through profit or loss ("FVTPL")		
– Listed securities in the PRC (Note (b))	**575,623**	343,265
– Unlisted equity securities (Note (c))	**909,423**	2,025,518
– Unlisted fund investment (Note (d))	**267,029**	263,890
	1,808,817	3,282,432
Less: non-current portion	**(1,233,194)**	(2,345,483)
Current portion	**575,623**	936,949

(a) Amount represented debt security with principal amount of RMB500 million at the rate of 4.3% per annum, which was issued by Wanhe Securities Co., Ltd. (an indirect subsidiary of Shenzhen SASAC) and guaranteed by Shenzhen Capital Holdings Co., Ltd. (a direct subsidiary of Shenzhen SASAC), was matured and settled on 7 April 2021.

(b) As at 30 June 2021, listed equity investments stated at market price represent 21,629,946 shares (31 December 2020: 39,173,196 shares) of CSG Holding Co., Ltd. ("CSG") held by the Group and investments in listed real estate investment trust ("REITs") (31 December 2020: Nil). During the period ended 30 June 2021, the Group disposed of 17,543,250 shares in CSG at a consideration of HKD217.3 million and acquired REITs amounting to RMB257.6 million (six months ended 30 June 2020: Nil).

(c) As at 30 June 2021, unlisted equity securities mainly represent the Group's interest in Shenzhen SASAC Cooperative Development Private Investment Fund ("Kunpeng Fund") (31 December 2020: Kunpeng Fund and Wanhe Securities Co., Ltd.). During the six months ended 30 June 2021, investments in Wanhe Securities Co., Ltd. was redeemed.

(d) As at 30 June 2021 and 31 December 2020, the amount represents the Group's share in Shenzhen Capital Lingxiu Logistics Facility Phase I Private Investment Fund.

9. OTHER NON-CURRENT ASSETS

As at 30 June 2021, other non-current assets mainly includes: (i) receivables of HKD989,316,000 (31 December 2020: HKD954,051,000) in relation to extension of toll period according to the compensation plan issued by the Guangdong Provincial Transportation Administration; (ii) receivables of financing leases of HKD911,170,000 (31 December 2020: HKD647,082,000); (iii) receivables of electricity subsidy of HKD638,523,000 (31 December 2020: HKD363,650,000) and (iv) receivables from agent construction business of HKD813,532,000 (31 December 2020: HKD741,197,000).

10. INVENTORIES AND OTHER CONTRACT COSTS

	As at 30 June 2021 HKD'000 (unaudited)	As at 31 December 2020 HKD'000 (audited)
Land held for future development	**4,161,302**	7,197,229
Land and properties under development for sale	**10,719,821**	6,405,424
Completed properties for sale	**628,617**	802,095
Others	**599,334**	571,483
Impairment	**(257,603)**	(254,577)
	15,851,471	14,721,654

11. TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 HKD'000 (unaudited)	As at 31 December 2020 HKD'000 (audited)
Trade receivables and bill receivables (Note (a))	**2,256,891**	2,667,184
Less: Loss allowance	**(311,833)**	(212,896)
Trade receivables, net of loss allowance	**1,945,058**	2,454,288
Lease receivables	**76,328**	62,125
Advance to non-controlling interests (note 31(d))	**2,162,682**	2,097,503
Dividend receivable from associates	**129,478**	115,810
Other debtors (Note (b))	**4,008,694**	1,173,401
	8,322,240	5,903,127
Deposits and prepayments	**848,845**	1,318,392
	9,171,085	7,221,519

11. TRADE AND OTHER RECEIVABLES *(continued)*

Notes:

(a) The settlement period of the toll revenue from toll road operations is normally within a month due to the implementation of unified toll collection policy on expressways of the Group in the PRC. Trade receivables other than toll revenue generally due within 120 days from the date of billing. The ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

	As at 30 June 2021 HKD'000 (unaudited)	*As at 31 December 2020 HKD'000 (audited)*
0 – 90 days	**1,071,868**	1,882,969
91 – 180 days	**268,643**	326,387
181 – 365 days	**567,033**	95,828
Over 365 days	**349,347**	362,000
	2,256,891	2,667,184

(b) The amounts mainly included (i) receivable of redeemed investments from Wanhe Securities Co., Ltd. of HKD1,141,415,000 (31 December 2020: Nil); (ii) receivables of construction of wind power projects of HKD619,798,000 (31 December 2020: HKD584,234,000); and (iii) consideration receivable from Nanchang Shenchang Storage Limited ("Nanchang Shenchang") of HKD457,158,000 (31 December 2020: Nil). The receivable of redeemed investments from Wanhe Securities Co., Ltd. and consideration receivable from Nanchang Shenchang were subsequently settled after the end of the reporting period.

12. DISPOSAL GROUP HELD FOR SALE

On 20 November 2020, the Group planned to dispose its all interest in two associates, Guangdong Jiangzhong Expressway Company Limited and Yunfu Guangyun Expressway Company Limited. On 28 December 2020, the buyer paid a deposit of RMB156,010,000 (equivalent to HKD185,241,000). Since the share transfer has been approved by the Board of Directors of Shenzhen Expressway on 10 November 2020, and the transfer is expected to be completed within one year, the Group's interest in these two associates are reclassified as disposal group held for sale in the Group's financial statement as at 31 December 2020. As of 30 June 2021, all assets transfer has been completed.

13. SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares	Ordinary shares HKD'000	Share premium HKD'000	Total HKD'000
As at 1 January 2020 (audited)	2,161,841,575	2,161,842	8,937,035	11,098,877
Employee share option				
– proceeds from shares issued	671,142	671	6,779	7,450
– recognition of share-based payments and forfeited options	–	–	4,288	4,288
Issue of scrip share as dividend (note 26)	31,714,868	31,715	373,220	404,935
As at 30 June 2020 (unaudited)	2,194,227,585	2,194,228	9,321,322	11,515,550
As at 1 January 2021 (audited)	**2,194,991,106**	**2,194,992**	**9,334,388**	**11,529,380**
Employee share option				
– proceeds from shares issued	**5,425,305**	**5,425**	**50,037**	**55,462**
– recognition of share-based payments and forfeited options	**–**	**–**	**3,106**	**3,106**
Issue of scrip share as dividend (note 26)	**65,929,527**	**65,930**	**682,911**	**748,841**
As at 30 June 2021 (unaudited)	**2,266,345,938**	**2,266,347**	**10,070,442**	**12,336,789**

(a) Authorised and issued shares

As at 30 June 2021, the total authorised number of ordinary shares was 3,000 million shares (31 December 2020: 3,000 million shares) with par value of HKD1.00 per share (31 December 2020: HKD1.00 per share). All issued shares are fully paid.

(b) Share options

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Six months ended 30 June 2021 (unaudited)		*Six months ended 30 June 2020 (unaudited)*	
	Average exercise price (HKD per share)	***Number of share options '000***	*Average exercise price (HKD per share)*	*Number of share options '000*
Beginning of the period	**10.677**	**34,330**	10.854	31,756
Granted	**–**	**–**	15.108	3,920
Forfeited	**11.872**	**(342)**	10.758	(1,660)
Exercised	**10.223**	**(5,425)**	11.100	(671)
Adjusted	**–**	**2,265**	–	2,861
End of the period	**9.959**	**30,828**	10.655	36,206

13. SHARE CAPITAL AND SHARE PREMIUM *(continued)*

(b) Share options *(continued)*

Share options outstanding at the end of the period/year have the following dates of maturity and exercise prices:

	Exercise price (HKD per share)	Number of share options	
		30 June 2021 '000	31 December 2020 '000
25 May 2022 (Note (i))	9.472	**26,422**	30,095
25 May 2022 (Note (ii))	12.892	**4,406**	4,235
		30,828	34,330

Notes:

(i) On 26 May 2017, 34,770,000 share options (the "2017 Share Options") with an exercise price of HKD12.628 per share were granted to certain directors of the Company and to selected employees of the Group. During the period, 342,000 (six months ended 30 June 2020: 1,660,000) of the 2017 Share Options were forfeited and 5,425,000 (six months ended 30 June 2020: 671,000) of the 2017 Share Options was exercised.

On 23 June 2021, the Company adjusted the exercise price and number of 2017 Share Options outstanding as a result of scrip dividends distribution according to the terms of the share option scheme and supplemental guidelines from the Hong Kong Stock Exchange. The exercise price of 2017 Share Options were adjusted to HKD9.472 per share and the number of share options were increased by 1,941,000.

(ii) On 18 May 2020, 3,920,000 share options (the "2020 Share Options") with an exercise price of HKD15.108 per share were granted to selected employees of the Group. During the period, 153,000 (six months ended 30 June 2020: 21,000) of the 2020 Share Options were forfeited.

On 23 June 2021, the Company adjusted the exercise price and number of 2020 Share Options outstanding as a result of scrip dividends distribution according to the terms of the share option scheme and supplemental guidelines from the Hong Kong Stock Exchange. The exercise price of 2020 Share Options were adjusted to HKD12.892 per share and the number of share options were increased by 324,000.

14. OTHER RESERVES AND RETAINED EARNINGS

	Fair value reserve (non recycling) HKD'000	*Reserve funds HKD'000*	*Capital reserve HKD'000*	*Goodwill reserve HKD'000*	*Merger reserve HKD'000*	*Revaluation surplus HKD'000*	*Other reserves HKD'000*	*Currency translation reserve HKD'000*	*Contributed surplus HKD'000*	*Other reserves Sub-total HKD'000*	*Retained earnings HKD'000*	*Total HKD'000*
As at 1 January 2020 (audited)	**(1,629)**	**3,964,848**	**59,723**	**(159,583)**	**(2,148,839)**	**507,216**	**1,894,588**	**(710,791)**	**13,005**	**3,418,538**	**15,767,620**	**19,186,158**
Profit attributable to ordinary shareholders of the Company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,713,233**	**1,713,233**
Transfer to reserve	**–**	**1,111**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,111**	**(1,111)**	**–**
Dividend relating to 2019 (note 26)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,530,140)**	**(2,530,140)**
Net movement in fair value on	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
other financial assets	**(134)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(134)**	**–**	**(134)**
Transactions with non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**1,273**	**–**	**–**	**1,273**	**–**	**1,273**
Share of other comprehensive income of associates	**–**	**–**	**–**	**–**	**–**	**–**	**27,839**	**–**	**–**	**27,839**	**–**	**27,839**
Currency translation differences	**31**	**–**	**–**	**–**	**–**	**–**	**–**	**(667,301)**	**–**	**(667,270)**	**–**	**(667,270)**
At 30 June 2020 (unaudited)	**(1,732)**	**3,965,959**	**59,723**	**(159,583)**	**(2,148,839)**	**507,216**	**1,923,700**	**(1,378,092)**	**13,005**	**2,781,357**	**14,949,602**	**17,730,959**
As at 1 January 2021 (audited)	(2,470)	4,302,859	59,723	(159,583)	(2,148,839)	507,216	2,107,160	1,271,763	13,005	5,950,834	16,906,439	22,857,273
Profit attributable to ordinary shareholders of the Company	–	–	–	–	–	–	–	–	–	–	960,781	960,781
Transfer to reserve	–	153,349	–	–	–	–	–	–	–	153,349	(153,349)	–
Dividend relating to 2020 (note 26)	–	–	–	–	–	–	–	–	–	–	(2,112,400)	(2,112,400)
Share of other comprehensive income of associates	–	–	–	–	–	–	58,101	–	–	58,101	–	58,101
Currency translation differences	(29)	–	–	–	–	–	–	751,384	–	751,355	–	751,355
At 30 June 2021 (unaudited)	(2,499)	4,456,208	59,723	(159,583)	(2,148,839)	507,216	2,165,261	2,023,147	13,005	6,913,639	15,601,471	22,515,110

15. PERPETUAL SECURITIES

On 29 November 2017 ("Issue Date"), the Company issued USD denominated senior perpetual capital security ("Perpetual Securities") with an aggregate principal amount of USD300,000,000 (approximately HKD2,340,300,000). The Perpetual Securities were issued at par value with initial interest rate of 3.95%. The Perpetual Securities were recorded as equity, after netting off related issuance costs of approximately USD1,200,000 (approximately HKD9,361,000).

The Perpetual Securities confer to the holders a right to receive distribution at the applicable distribution rate from the Issue Date semi-annually in arrears on 29 May and 29 November in each year, commencing on 29 May 2018, and may be deferred at the discretion of the Company unless compulsory distribution payment events (including distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company or repaying any securities of lower rank) has occurred. The distribution rate shall be (i) in respect of the period from, and including, the Issue Date to, but excluding 29 November 2022, (the "First Call Date"), at 3.95% per annum and (ii) in respect of the periods (A) from and including the First Call Date to, but excluding the immediately following reset date and (B) from, and including, each reset date falling after the First Call Date to, but excluding, the immediately following reset date, the treasury rate plus the initial spread of 1.85% plus 5% per annum. A reset date is defined as each of the First Call Date and each day falling on the expiry of every five calendar years after the First Call Date.

As the Perpetual Securities only impose contractual obligations on the Group to repay the principal or to pay any distributions under certain circumstances which are at the Group's discretion, they have in substance conferred upon the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligations, therefore they do not meet the definition for classification as financial liabilities under HKFRS9. As a result, the whole instrument is classified as equity, and distributions if and when declared are treated as equity dividends.

During the six months ended 30 June 2021, the profit attributable to the holders of perpetual securities, based on the applicable interest rate, was HKD45,996,000 (six months ended 30 June 2020: HKD45,931,000).

On 29 May 2021, an amount of HKD45,996,000 (six months ended 30 June 2020: HKD45,931,000) was distributed to the holders of perpetual securities.

16. BORROWINGS

	Notes	*As at 30 June 2021 HKD'000 (unaudited)*	*As at 31 December 2020 HKD'000 (audited)*
Secured bank borrowings	(a)	**8,400,641**	6,291,997
Unsecured bank borrowings		**9,839,929**	8,174,000
Medium-term notes	(b)	**2,160,813**	2,134,462
Senior notes	(c)	**774,883**	776,856
Corporate bonds	(d)	**7,365,325**	5,874,980
Panda bonds	(e)	**5,645,791**	5,932,438
Borrowings from finance lease companies	(f)	**568,758**	489,258
Super short-term commercial paper	(g)	**2,402,625**	2,374,114
		37,158,765	32,048,105
Less: Amount due within one year		**(18,291,447)**	(15,872,334)
Amount shown under non-current liabilities		**18,867,318**	16,175,771
Analysis of borrowings due within one year:			
Secured bank borrowings	(a)	**759,424**	548,868
Unsecured bank borrowings		**5,855,362**	3,359,907
Medium-term notes	(b)	**1,201,397**	1,186,727
Corporate bonds	(d)	**2,328,294**	2,319,835
Panda bonds	(e)	**5,645,791**	5,932,438
Borrowings from finance lease companies	(f)	**98,554**	150,445
Super short-term commercial paper	(g)	**2,402,625**	2,374,114
		18,291,447	15,872,334

16. BORROWINGS *(continued)*

Notes:

(a) Secured borrowings is as follows:

	As at 30 June 2021 HKD'000	*As at 31 December 2020 HKD'000*	
Qinglian Syndicated Loan	**2,338,171**	1,168,915	Secured by a pledge of the operating rights of Qinglian Expressway
Coastal Syndicated Loan	**4,227,032**	4,177,344	Secured by a pledge of the operating rights of Coastal Expressway
Qinglong Pledge Loan	**549,682**	572,904	Secured by a pledge of the operating rights of Shuiguan Expressway
Huangshi Environmental Investment Bioland Renewable Energy Co., Ltd. ("Huangshi Bioland") Pledge Loan	**61,026**	62,930	Secured by a pledge of the expected income rights of government payment, the accounts receivable formed by the future operating income of Huangshi Bioland and the equity of Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental") subsidiaries
Longyou Bioland Environmental Technologies Co., Ltd. ("Longyou Bioland") Pledge Loan	**18,623**	19,592	Secured by a pledge of the Longyou Bioland's franchise income and franchise rights
Guiyang Bell Bioland Environmental Technologies Co., Ltd. ("Guiyang Bell Bioland") Pledge Loan	**67,584**	74,210	Guaranteed by Bioland Company and a non-controlling shareholder, and secured by a pledge of the machinery and equipment of Guiyang Bell Bioland, Guiyang Bell Bioland's concession intangible assets and the equity of Bioland Environmental subsidiaries
Guangxi Bioland Environmental Technologies Co., Ltd. ("Guangxi Bioland") Pledge Loan	**18,419**	21,848	Guaranteed by Bioland Company and a non-controlling shareholder, and secured by a pledge of the equity of Bioland Environmental subsidiaries
Guangxi Bioland Pledge Loan	**64,400**	69,342	Guaranteed by Bioland Company and a non-controlling shareholder, and secured by a pledge of the machinery and equipment of Guangxi Bioland, and the equity of Bioland Environmental subsidiaries
Headquarter Pledge Loan	**913,132**	–	Secured by a pledge of certain office premises of the Group
Short-term Pledge Loan	**142,572**	124,912	Secured by a pledge of the 45% equity interests of Jade Emperor Limited, a wholly-owned subsidiary of the Company and receivables from Anhui Ruishuo Construction Co., Ltd.

16. BORROWINGS *(continued)*

Notes: (continued)

(b) On 30 July 2018, Shenzhen Expressway completed the issue of the RMB1,000 million medium-term notes, which has a term of 3 years and bears a fixed interest at 4.14% per annum. On 15 August 2018, Shenzhen Expressway completed the issue of the RMB800 million medium-term notes, which has a term of 5 years and bears a fixed interest at 4.49% per annum. The interest of medium-term notes should be paid annually and the principal should be repaid at maturity on 30 July 2021 and 15 August 2023 respectively.

(c) On 26 March 2018, the Company issued a 5-years Hong Kong dollar senior notes in an amount of HKD780,000,000 at a discount rate of 99.344%, with a coupon rate of 3.75%. The senior notes interest should be paid on 26 March, 26 June, 26 September, and 26 December of each year.

(d) Shenzhen Expressway issued long-term corporate bonds of RMB800 million for a term of 15 years bearing interest at 5.5% per annum in August 2007 ("**Corporate Bond A**"). Interest is payable annually and the principal is repayable in full upon maturity on 31 July 2022. The full amount of principal and interest of the Corporate Bond A are unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by the Shenzhen Expressway's 100% equity interest in Shenzhen Meiguan Expressway Company Limited.

On 18 July 2016, Shenzhen Expressway issued long-term corporate bonds of USD300 million for a term of 5 years ("**Corporate Bond B**"). The issuing price was equal to 99.46% of principle with bearing interest at of 2.875% per annum. Interest is payable semi-annually and the principal is repayable in full upon maturity on 18 July 2021.

On 19 March 2020, Shenzhen Expressway issued the first phase of 2020 Corporate Bonds (epidemic prevention and control bonds) of RMB1,400 million for a term of 5 years ("**Corporate Bond C**"), which carrying a coupon rate of 3.05% per annum. The interest of the Corporate Bond C should be paid annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, the issuer shall be entitled to adjust the coupon rate of corporate bonds and investors will be entitled to sell back the bonds to the issuer.

On 22 October 2020, Shenzhen Expressway issued the first phase of 2020 Corporate Bonds (Green bonds) of RMB800 million for a term of 5 years ("**Corporate Bond D**"), with a coupon rate of 3.65% per annum. The interest of corporate bonds is payable annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, the issuer shall be entitled to adjust the coupon rate of corporate bonds and investors will be entitled to sell back the bonds to the issuer.

On 19 April 2021, Shenzhen Expressway issued the first phase of 2021 Corporate Bonds (Green bonds) of RMB1,200 million for a term of 5 years ("**Corporate Bond E**"), with a coupon rate of 3.49% per annum. The interest of corporate bonds is payable annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, the issuer shall be entitled to adjust the coupon rate of corporate bonds and investors will be entitled to sell back the bonds to the issuer.

(e) On 19 January 2018, the Company issued 5-years Panda Bond-Phase I with par value of RMB300 million carrying a coupon rate of 5.2% per annum. On 12 November 2018, the Company issued 5-years Panda Bond-Phase II with par value of RMB4,700 million carrying a coupon rate of 4.15% per annum. The interest of Panda Bonds should be paid annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, the issuer shall be entitled to adjust the coupon rate of corporate bonds and investors will be entitled to sell back the bonds to the issuer. Since the investors have the rights to sell back the bonds to the Company since January 2021 and November 2021 for Panda Bond-Phase I and Panda Bond-Phase I, respectively. The Panda Bond was classified as current liabilities as at 30 June 2021 and 31 December 2020.

(f) As at 30 June 2021, the franchise rights, the land use rights and the equity of Bioland Environmental subsidiaries, with the total net book value of HKD1,546,430,000 (31 December 2020: HKD1,519,911,000), were pledged for secured borrowings from finance lease companies of HKD568,758,000 (31 December 2020: HKD489,258,000).

16. BORROWINGS *(continued)*

Notes: (continued)

(g) On 24 March 2021, Shenzhen Expressway issued the second phase of super short-term commercial paper of RMB1,000 million for a term of 180 days bearing interest at 2.75% per annum. On 16 June 2021 and 17 June 2021, Shenzhen Expressway issued the third phase of super short-term commercial paper of RMB1,000 million for a term of 270 days bearing interest at 2.62% per annum. As at 31 December 2020, the amount represented the second phase of super short-term commercial paper of RMB1,000 million bearing interest at 2.4% per annum and the third phase of super short-term commercial paper of RMB1,000 million bearing interest at 2.6% per annum, which were fully repaid during the current period.

17. OTHER NON-CURRENT LIABILITIES

	As at 30 June 2021 HKD'000 (unaudited)	*As at 31 December 2020 HKD'000 (audited)*
Compensations from government regarding operation of new toll station (Note (a))	**613,603**	488,552
Other deferred income (Note (b))	**711,193**	743,887
Long-term employee bonus	**137,947**	136,327
Operating costs in the extended period for toll road compensation	**163,760**	157,965
Others	**38,529**	38,693
	1,665,032	1,565,424

Notes:

(a) As at 30 June 2021, the amount mainly represented government compensations amounting to HKD613,603,000 (31 December 2020: HKD488,552,000) for the operation subsidy of new toll stations.

(b) As at 30 June 2021, other deferred income includes government grants amounting to HKD711,193,000 (31 December 2020: HKD743,887,000) which was received from the government for the purpose of subsidising the Group's development, operation and setting up certain integrated logistics hubs.

18. TRADE AND OTHER PAYABLE

	As at 30 June 2021 HKD'000 (unaudited)	As at 31 December 2020 HKD'000 (audited)
Trade payables (Note (a))	**979,167**	1,177,825
Construction payables	**5,022,669**	5,937,494
Dividend payable	**468,522**	69,794
Other payables and accrued expenses	**4,204,147**	3,412,710
Amount due to an associate (Note (b))	**2,102,600**	2,049,335
Financial liabilities measured at amortised cost	**12,777,105**	12,647,158
Receive in advance	**173,375**	171,337
Deferred income	**10,107**	65,751
	12,960,587	12,884,246

Notes:

(a) The ageing analysis of the trade payables based on the date of invoices was as follows:

	As at 30 June 2021 HKD'000 (unaudited)	As at 31 December 2020 HKD'000 (audited)
0 – 90 days	**574,140**	805,595
91 – 180 days	**150,384**	157,811
181 – 365 days	**54,884**	30,814
Over 365 days	**199,759**	183,605
	979,167	1,177,825

(b) The amount represents Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd. ("Qianhai Real Estate"), an associate of the Group, provided cash advance to its shareholders pro rata to their shareholdings in Qianhai Real Estate during the period ended 30 June 2021. As at 30 June 2021, RMB1,750,000,000 (equivalent to HKD2,102,600,000) (31 December 2020: RMB1,700,000,000 (equivalent to HKD2,018,523,000) was advance to Shenzhen International Qianhai Investment and Management (Shenzhen) Co., Ltd. (a wholly-owned subsidiary of the Group), which has a term of 1 year and bears a fixed interest at 3.5% per annum.

19. CONTRACT LIABILITIES

Contract liabilities mainly represent sales proceeds received from customers in connection with the Group's pre-sales of properties. Depending on market conditions, the Group requires the customers to pay off the full consideration within an agreed time frame while developments are still ongoing, rather than on delivery of properties to customer. Such advance payment schemes result in contract liabilities being recognised throughout the remaining property development period for the full amount of the contract price. During the 6 months ended 30 June 2021, the Group received the sales proceeds on third phase of the Meilin Checkpoint project, namely He Song Xuan, which commenced pre-sales in December 2020.

In addition, the contract liabilities will be increased by the amount of interest expense being accrued by the Group to reflect the effect of any significant financing benefit obtained from the customers during the period between the payment date and the completion date of delivery. As this accrual increases the amount of the contract liabilities during the period of development, it therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer.

20. REVENUE

	Six months ended 30 June	
	2021	*2020*
	HKD'000	*HKD'000*
	(unaudited)	*(unaudited)*
Revenue from contracts with customers within the scope of HKFRS 15		
Toll roads and environmental protection business		
– Toll revenue	**3,344,984**	1,182,944
– Entrusted construction management service and construction consulting service revenue	**233,988**	135,031
– Construction service revenue under service concession arrangements	**225,069**	867,680
– Environmental protection service	**778,474**	465,476
– Others	**480,775**	121,888
	5,063,290	2,773,019
Logistics Business		
– Logistics parks	**173,719**	98,459
– Logistics services	**553,135**	598,681
– Port and related services	**1,059,502**	640,881
	1,786,356	1,338,021
	6,849,646	4,111,040
Revenue from other sources		
Logistics Business		
– Leases from logistics parks	**437,537**	290,996
Total revenue	**7,287,183**	4,402,036

21. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Gain on replacement of land (Note)	**–**	3,905,586
Fair value changes on investment properties	**(25,962)**	(13,071)
Net change in fair value of other financial assets	**25,611**	30,754
Gain on disposal of other financial assets	**70,174**	–
Gain on disposal of a subsidiary (Note 29)	**175,390**	–
Others	**25,049**	7,506
	270,262	3,930,775

Note: On 30 June 2020, two wholly-owned subsidiaries of the Group entered into three separate land use right transfer agreements (collectively defined as the "Land Transfer Agreements") with the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen (the "Qianhai Authority") in respect of total land area of approximately 41,200 square meters, with plot ratio-based gross floor area of approximately 172,500 square meters. The total price for the land use right transfer is approximately RMB3,652 million (equivalent to HKD4,041 million).

The above three land use rights (the "Third Phase of Qianhai Project") represent the land use right swap contemplated in the land consolidation and preparation agreement among the Group, the Urban Planning Land and Natural Resources Bureau of the Shenzhen Municipality and the Qianhai Authority.

According to the agreement, no contractual land prices (including land use right assignment fees, land development funds and municipal ancillary facility funds) were charged for the above three land use rights which were transferred in 2020 upon signing of the Land Transfer Agreements. As a result, the Group has completed the Third Phase of Qianhai Project land consolidation and preparation and recognised other net gain of HKD3,905,586,000 in the consolidated income statement for the period ended 30 June 2020.

22. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Dividend income	**46,596**	17,313
Rental income	**11,966**	4,895
Government grants	**59,411**	51,179
	117,973	73,387

23. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2021 HKD'000 (unaudited)	2020 HKD'000 (unaudited)
Finance income		
Interest income from bank deposits	(86,103)	(115,273)
Other interest income	(50,814)	(5,241)
Total finance income	(136,917)	(120,514)
Finance costs		
Interest expenses		
– Bank borrowings	300,021	359,576
– Medium-term notes	47,477	43,392
– Corporate bonds	130,296	82,473
– Panda bonds	117,424	115,213
– Senior notes	14,421	14,593
– Interest on contract liabilities	731	19,105
– Interest on lease liabilities	12,901	17,830
– Interest costs for other financial liabilities	25,515	24,287
– Borrowings from financial lease companies	36,774	45,263
Net foreign exchange (gain) loss	(11,103)	25,519
Gains on derivative financial instruments directly attributable to borrowings	–	(33,885)
Less: finance costs capitalised on qualified assets	(119,360)	(228,806)
Total finance costs	555,097	484,560
Net finance costs	418,180	364,046

24. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the period.

The PRC Corporate Income Tax charged to the consolidated income statement was calculated based on the assessable profits of the Group's subsidiaries located in the PRC for the period at a rate of 25% (six months ended 30 June 2020: 25%) applicable to the respective companies.

PRC Land Appreciation Tax ("LAT') is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortization of land use rights, borrowing costs and all property development expenditures.

	Six months ended 30 June	
	2021 HKD'000 (unaudited)	2020 HKD'000 (unaudited)
Current income tax		
– PRC Corporate Income Tax	1,057,009	1,345,898
– Land appreciation tax	1,941	–
Deferred tax	(590,630)	(331,079)
	468,320	1,014,819

25. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary shareholders of the Company	**960,781**	1,713,233
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares in issue	**2,199,849**	2,164,118
Basic earnings per share (HK dollars per share)	**0.44**	0.79

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary shareholders of the Company	**960,781**	1,713,233
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares in issue	**2,199,849**	2,164,118
Adjustments – share options	**6,607**	7,860
Weighted average number of ordinary shares for diluted earnings per share	**2,206,456**	2,171,978
Diluted earnings per share (HKD dollars per share)	**0.44**	0.79

26. DIVIDENDS

The board of directors has resolved not to declare any interim dividend in respect of the period (six months ended 30 June 2020: Nil). The 2020 final dividend and special dividend of HKD2,112,400,000 in aggregate (HKD0.122 per ordinary share of final dividend and HKD0.838 per ordinary share of special dividend respectively) were settled in June 2021. According to the scrip dividend scheme approved by shareholders in the annual general meeting held on 18 May 2021, 65,929,527 new shares were issued at a price of HKD11.3582 per share, amounted HKD748,841,000 and the remaining dividend of HKD1,363,559,000 was paid in cash in June 2021.

27. GUARANTEES AND CONTINGENCIES

(a) As at 30 June 2021, the Group has given collateral liability guarantees by phases of approximately HKD4,691,107,000 (31 December 2020: HKD6,481,491,000) to banks in respect of housing loans extended to purchasers of properties by banks. Pursuant to the terms of guarantees, in the event of any defaults in mortgage repayments by those purchasers, the Group shall undertake to repay outstanding mortgage loans together with any accrued interest and penalty due to banks by purchasers in defaults. The validity period of the Group's guarantee shall commence from the date of grant of relevant mortgage loans and expire upon receipts of property ownership certificates by respective purchasers. The directors of the Group consider that, in case of default in repayments, the net realisable value of related properties should be able to cover outstanding mortgage loans together with any accrued interest and penalty and, accordingly, no loss allowance has been made in respect of the guarantees.

(b) On 16 December 2016, Guangxi Bioland and Yonker Environmental Protection Co.,Ltd. (Yonker Environmental) entered into a contractor agreement, in relation to a project on food and kitchen waste utilization and renovation and expansion of a harmless treatment plant. On 19 November 2019, Yonker Environmental filed with Nanning Intermediate People's Court for property preservation. At 27 November 2019, the court ruled on property preservation and froze the property of Bioland Environmental Technologies Group Corp., Ltd. ("Bioland Company") and it was required to pay the equipment fund occupancy fee, civil engineering fee, civil engineering fee interest and liquidated damages totalling RMB31,648,600.00. On 25 December 2019, Yonker Environmental filed a lawsuit against Bioland Company and its subsidiary at the Nanning Intermediate People's Court of Guangxi Zhuang Autonomous Region, pursuant to which it claimed an amount of RMB31,648,596.79 from the subsidiary of Bioland Company (being the equipment occupancy fees, project fees, interest on the project fees and penalty for breach of agreement), requested Bioland Company to assume joint and several repayment responsibility for its subsidiary. The subsidiary of Bioland Company has counter-claimed the claimant for a compensation of RMB50,000,000 for the loss from the delay in construction and failure to complete the work on time caused by the claimant. This litigation was still in process on 30 June 2021. With the assistance of the attorney representing the company in charge of the case, the board of directors believes that the outcome of the lawsuit and the compensation obligation (if any) cannot be reliably estimated.

(c) During the period, Nanjing Wind Power Co, Ltd ("Nanjing Wind Power"), a subsidy of Shenzhen Expressway made the finance lease sales cooperation with China Development Bank Financial Leasing Company Limited (hereinafter referred to as "China Development Bank Leasing"), both parties agreed that China Development Bank Leasing provide finance leasing services for end customers of Nanjing Wind Power. If end customers fail to fulfil the payment obligation under the finance lease agreement, Nanjing Wind Power shall assume the re-disposal obligation of the leased equipment, and compensate the difference between the disposal price of the leased equipment attributable to China Development Bank Leasing and the balance of finance leasing that has not been recovered. As at 30 June 2021, the finance lease balance was HKD1,013,256,000 (31 December 2020: HKD1,004,710,000).

28. COMMITMENTS

Save as disclosed elsewhere in this interim financial report, the Group has the following capital expenditure committed but not yet incurred:

	As at 30 June 2021 HKD'000 (unaudited)	*As at 31 December 2020 HKD'000 (audited)*
Capital commitments – expenditure of property, plant and equipment and concession intangible assets		
– Authorised but not contracted	**6,758,794**	4,441,544
– Contracted but not provided for	**7,503,237**	6,806,783
	14,262,031	11,248,327

29. BUSINESS COMBINATIONS AND DERECOGNITION OF SUBSIDIARIES

Business combinations

On January 25, 2021, New Energy Investment Limited, a subsidiary of the Company, entered into an acquisition agreement with independent third parties, Jiangsu Jinzhi Technology Co., Ltd. ("Jinzhi Technology"), Jiangsu Jinzhi Group Co., Ltd. (the controlling shareholder of Jinzhi Technology), Mulei County Qianzhi Energy Development Co., Ltd. ("Qianzhi Company") and Mulei County Qianhui Energy Development Co., Ltd. ("Qianhui Company"), pursuant to which the Group would acquire the entire equity interests of Qianzhi Company and Qianhui Company from Jinzhi Technology at a consideration of RMB290 million (equivalent to HKD346,927,000) and RMB160 million (equivalent to HKD191,408,000), respectively. The acquisition was completed on the same date and since then Qianhui Company became subsidiaries of the Company.

On March 26, 2021, New Energy Investment Limited, entered into an acquisition agreement with independent third parties, Jinzhi Technology, Beijing Tianrui Bofeng Power Engineering Technology Co., Ltd. and Mulei County Qianxin Energy Development Co., Ltd. ("Qianxin Company"), pursuant to which the Group would acquire the entire equity interests of Qianxin Company from Jinzhi Technology at a consideration of RMB150 million (equivalent to HKD178,140,000). The acquisition was completed on the same date and since then Qianxin Company became a subsidiary of the Company.

29. BUSINESS COMBINATIONS AND DERECOGNITION OF SUBSIDIARIES *(continued)*

Business combinations *(continued)*

The following table summarises the consideration paid for the acquisitions of subsidiaries, the fair value of assets acquired, liabilities assumed at the acquisition date:

	HKD'000 *(unaudited)*
Property, plant and equipment	2,555,436
Land use rights	52,285
Other non-current assets	117,830
Trade and other receivables	80,538
Cash and cash equivalents	16,591
Trade and other payables	(531,709)
Income tax payable	(1,430)
Borrowings	(261,024)
Lease liabilities	(1,307,244)
Deferred tax liabilities	(4,798)
Net assets acquired attributable to the Group	716,475
Total consideration paid	716,475
Cash and cash equivalent acquired	(16,591)
Net cash outflow in the acquisition including in the investing activities	699,884

Disposal of a subsidiary

On 31 May 2021, Shenzhen International China Logistics Development Limited, a subsidiary of the Company ("SICLD") and Nanchang Shenchang, a joint venture of the Group entered into the disposal agreement in selling entire equity interests of Nanchang Shenzhen International Integrated Logistics Hub Development Co. Ltd. ("Nanchang Company") to Nanchang Shenchang at a consideration of approximately RMB424,371,000 (equivalent to HKD510,245,000). The disposal was completed on 11 June 2021.

The following table summarises the amount of assets and liabilities at derecognition date:

	HKD'000 *(unaudited)*
Property, plant and equipment	191,970
Land use rights	66,864
Deferred tax assets	5,381
Other non-current assets	13,291
Trade and other receivables	10,530
Cash and cash equivalents	27,174
Trade and other payables	(32,960)
Income tax payable	(1,114)
Net assets derecognised	281,136
Total deferred cash consideration	510,245
Liabilities consumed by the Group	(53,719)
Gain on derecognition of a subsidiary	175,390
Net cash outflow in the disposal including in the investing activities	(27,174)

30. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in an active market for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities that are measured at fair value.

	As at 30 June 2021 (unaudited)			
	Level 1	***Level 2***	***Level 3***	***Total***
	HKD'000	***HKD'000***	***HKD'000***	***HKD'000***
Assets (Liabilities)				
Equity securities designated at FVTOCI				
– Unlisted equity securities	**–**	**–**	**56,742**	**56,742**
Financial assets measured at FVTPL				
– Listed securities in the PRC	**575,623**	**–**	**–**	**575,623**
– Unlisted equity securities	**–**	**–**	**909,423**	**909,423**
– Unlisted fund investment	**–**	**–**	**267,029**	**267,029**
Derivative financial instruments	**–**	**(150,840)**	**–**	**(150,840)**

	As at 31 December 2020 (audited)			
	Level 1	*Level 2*	*Level 3*	*Total*
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Assets (Liabilities)				
Equity securities designated at FVTOCI				
– Unlisted equity securities	–	–	56,075	56,075
Financial assets measured at FVTPL				
– Listed securities in the PRC	343,265	–	–	343,265
– Unlisted equity securities	–	–	2,025,518	2,025,518
– Unlisted fund investment	–	–	263,890	263,890
Derivative financial instruments	–	(99,356)	–	(99,356)

30. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

(a) Financial instruments in level 1

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

(b) Financial instruments in level 2

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Information about Level 3 fair value measurements

	Valuation techniques	*Significant unobservable inputs*	*Range*
Financial assets measured at FVTPL			
– Unlisted equity securities (Note (i))	Market comparable companies	Adjusted P/E multiplier	13.64 to 18.25
		Adjusted P/B multiplier	1.86
		The discount of lack of marketability	26.60% – 42.00%
– Unlisted fund investment (Note (ii))	Income capitalisation method	Yield	6.5%
		Market monthly rental rate (RMB/sq.m.)	23.1 – 42.0
		Occupancy rate	63% – 98%

(i) The fair value of unlisted equity instruments is determined using the price/earning ratios or price/book value of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2021, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's profit by HKD91,927,000.

(ii) The fair value of unlisted fund investment is dependent on the fair value of the underlying properties held by the unlisted fund. The fair value of completed investment properties held by unlisted fund is generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the income and reversionary potential income by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings within the subject properties and the estimated rental incremental observed in other comparable properties.

(iii) The fair value of equity securities designated at FVTOCI is determined with reference to the fair value of the underlying net assets of the investments. As at 30 June 2021 the carrying amount is not materially different from their fair value.

30. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

(c) Financial instruments in level 3 *(continued)*

Information about Level 3 fair value measurements *(continued)*

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	Six months ended 30 June	
	2021	2020
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Unlisted equity securities and fund investments:		
Beginning of the period	**2,345,483**	538,016
Changes in fair value recognised in profit or loss during the period	**–**	30,576
Net unrealised gains or losses recognised in other comprehensive income during the period	**–**	(178)
Redemptions	**(1,142,239)**	(12,917)
Exchange difference	**29,950**	(10,339)
End of the period	**1,233,194**	545,158

31. RELATED-PARTY TRANSACTIONS

As described in Note 1, the Company is de facto controlled by Shenzhen SASAC. The transactions entered into with associates, joint ventures and other state-owned entities are related party transactions. Management considers certain state-owned enterprises have material transactions with the Group in its ordinary course of business, which include but not limited to (1) capital expenditure incurred for service concession projects and construction in progress with stated owned contractors and the corresponding payable balances due to these contractors and guaranteed deposits; (2) purchase of goods, including use of public utilities; and (3) bank deposits and borrowings. These transactions are mainly carried out on terms comparable to those conducted with third parties or standards promulgated by relevant government authorities and have been reflected in the interim financial report.

Management believes that meaningful information relating to related party transactions has been disclosed.

Apart from the related party transactions and balances already disclosed in other notes to this interim financial report, the following material transactions were carried out with related parties during the period:

(a) On 1 December 2016, Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company") became an associate of Shenzhen Expressway, and Shenzhen Expressway and Consulting Company entered into a service agreement pursuant to which Consulting Company provides engineering consulting, management and testing service. During the period, Shenzhen Expressway paid service fee to Consulting Company amounting to RMB9,989,000 (equivalent to HKD12,010,000) (six months ended 30 June 2020: RMB19,085,000 (equivalent to HKD20,915,000)).

(b) The Guangdong Provincial People's Government has designated Guangdong United Electronic Services Co., Ltd. ("United Electronics") to take charge of the sub-account management of highway tolls across the province and unified management of non-cash settlement systems. Shenzhen Expressway and its subsidiaries have signed a series of agreements with United Electronics and entrusted it to provide toll settlement services for Yanjiang Expressway, Meiguan Expressway, Jihe Expressway, Qinglian Expressway, Outer Ring Expressway, Longda Expressway and Shuiguan Expressway operated by the Group. The service periods end on the expiry dates of operating periods of the individual toll roads. The related service charges are determined by the commodity price bureau of the Guangdong Province.

    During the period, Shenzhen Expressway paid service fee to United Electronics amounting to RMB12,874,000 (equivalent to HKD15,479,000) (six months ended 30 June 2020: RMB4,911,000 (equivalent to HKD5,382,000))

31. RELATED-PARTY TRANSACTIONS *(continued)*

(c) On 30 June 2021, the Group's investment commitments to related parties was RMB621,461,000 (equivalent to HKD746,679,000) (31 December 2020: RMB748,336,000 (equivalent to HKD888,549,000)), which included the capital increase commitment of Shenzhen Expressway in an associate of RMB306,336,000 (equivalent to HKD368,059,000) (31 December 2020: RMB433,336,000 (equivalent to HKD514,529,000)) and its capital contribution commitment of RMB315,000,000 (equivalent to HKD378,469,000) (31 December 2020: RMB315,000,000 (equivalent to HKD374,020,000)) for the establishment of a buyout fund.

(d) United Land Company, a non-wholly owned subsidiary of the Group, provided cash advance to its shareholders pro rata to their shareholdings in United Land Company during the six months ended 30 June 2021, as disclosed in note 11. As at 30 June 2021, RMB1,800,000,000 (equivalent to HKD2,162,682,000) (31 December 2020: RMB1,766,517,000 (equivalent to HKD2,097,503,000)) was advanced to its non-controlling shareholder, with an initial interest rate at 3.65% per annum and repayable on demand. The interest is repayable annually.

(e) As disclosed in note 29, SICLD disposed Nanchang Company to Nanchang Shenchang during the current period. A gain of disposal of subsidiary amounting to HKD175,390,000 is recognised in profit or loss.

32. EVENTS AFTER THE REPORTING PERIOD

On 15 March 2021, Shenzhen Expressway and SIHCL, the controlling shareholder of the Company, entered into a memorandum of understanding for the possible acquisition of a 71.83% equity interest in Bay Area Development Company Limited ("Bay Area Development") (Stock code: 00737). On 10 August 2021, the Group entered into a sale and purchase agreement with the wholly owned subsidiary of SIHCL to acquire 100% equity interest in Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. at an estimated total consideration of no more than HKD10,479 million. Upon completion, the Company shall indirectly own 71.83% equity interest in Bay Area Development. The completion of this acquisition is subject to the satisfaction or waiver of certain conditions precedent, including the approval to be obtained at the general meetings of the Company and Shenzhen Expressway.

As at the date of these condensed consolidated financial statements, the acquisition has not been completed.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2021 (the "Period").

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2021, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are set out as follows and in the section headed "SHARE OPTION SCHEME" below:

(a) Long positions in ordinary shares of the Company

Name of directors	***Number of shares held***	***Capacity***	***Nature of interest***	***Approximate % of issued shares of the Company*** *(Note 1)*
Mr. Li Haitao	40,644	beneficial owner	personal	0.002%
Mr. Hu Wei	130,315	beneficial owner	personal	0.006%

(b) Long positions in the ordinary shares of the associated corporation, Shenzhen Expressway Company Limited

Name of directors	***Number of shares held***	***Capacity***	***Nature of interest***	***Approximate % of issued shares in class of the associated corporation*** *(Note 2)*
Mr. Hu Wei	200,000	beneficial owner	personal	0.027%

Notes:

(1) The percentage were calculated based on the total number of shares of the Company in issue as at 30 June 2021 (i.e. 2,266,345,938 shares).

(2) The percentage was calculated based on the total number of H shares of Shenzhen Expressway Company Limited in issue as at 30 June 2021 (i.e. 747,500,000 shares).

Save as disclosed above and in the section headed "SHARE OPTION SCHEME" below, as at 30 June 2021, none of the directors or chief executives of the Company had any other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company approved and adopted a share option scheme (the "Share Option Scheme") for 10 years with effect from 16 May 2014 at the annual general meeting held on 16 May 2014.

The Share Option Scheme aims to reward, encourage and motivate the eligible participants who made contributions to the Group. Eligible participants of the scheme are determined by the board of directors of the Company (the "Board") and include (a) any full-time employee of the Group, (b) any director (including executive, non-executive or independent non-executive directors) of the Group and associates and joint ventures of the Group or (c) any substantial shareholder of the Company.

The following table sets out the details of the movements in the share options granted under the Share Option Scheme during the Period:

				Number of unlisted share options (Physically settled in kind)						*Share Price of the Company (Note 3)*	
Name and category of participants	*Date of grant of share options (Note 1)*	*Exercise period of share options*	*Exercise price of share options (Note 2)*	*As at 1 January 2021*	*Granted during the Period*	*Adjusted during the Period (Note 2)*	*Exercised during the Period*	*Cancelled/ lapsed during the Period*	*As at 30 June 2021 (Approximate % of issued shares capital of the Company)*	*Immediately before the date of grant of share options*	*Immediately before the date of exercise of share options*
			HK$							*HK$*	*HK$*
Directors											
Mr. Li Haitao	26 May 2017	26 May 2019 to 25 May 2022	9.472	1,005,993	–	79,775	–	–	1,085,768 (0.048%)	12.56	N/A
Mr. Hu Wei	26 May 2017	26 May 2019 to 25 May 2022	9.472	1,173,448	–	93,054	–	–	1,266,502 (0.056%)	12.56	N/A
Mr. Zhou Zhiwei	18 May 2020	18 May 2020 to 25 May 2022	12.892	249,734	–	19,804	–	–	269,538 (0.012%)	15.10	N/A
				2,429,175	–	192,633	–	–	2,621,808		
Other employees in aggregate	26 May 2017	26 May 2019 to 25 May 2022	9.472	27,915,592	–	1,768,461	(5,425,305)	(189,399)	24,069,349	12.56	13.03
	18 May 2020	18 May 2020 to 25 May 2022	12.892	3,985,755	–	303,947	–	(152,881)	4,136,821	15.10	N/A
				31,901,347	–	2,072,408	(5,425,305)	(342,280)	28,206,170		
				34,330,522	**–**	**2,265,041**	**(5,425,305)**	**(342,280)**	**30,827,978**		

Notes:

(1) The options granted have a specific vesting schedule of up to 26 May 2021.

(2) The exercise prices of the share options were subject to adjustment in the event of rights or bonus issues or other similar changes in the Company's share capital. In view of the distribution of the final dividend and special dividend for the year ended 31 December 2020 in scrip form, the Company has made adjustments to the exercise prices and the numbers of the outstanding share options during the Period. As a result, the exercise price per share for share options granted on 26 May 2017 and 18 May 2020 was adjusted from HK$10.223 to HK$9.472 and from HK$13.914 to HK$12.892, respectively, with effect from 23 June 2021.

(3) The share price of the Company as at the date of the grant of the share options disclosed herein was the closing price quoted by the Stock Exchange on the trading day immediately prior to the date of the grant of the share options. The share price of the Company as at the date of exercise of the share options disclosed herein was the weighted average of the closing price(s) of the shares on the day(s) immediately before the date(s) on which the share options within the disclosure category were exercised.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2021, the interests and short positions of the substantial shareholders (other than the directors or chief executives) of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO are set out below:

Long positions in ordinary shares of the Company

Name of shareholders	***Number of shares held***	***Capacity***	***Approximate % of issued shares of the Company*** *(Note 1)*
Shenzhen Investment Holdings Company Limited ("SIHCL") *(Note 2)*	952,010,090 *(Note 3)*	interest of controlled corporation	42.01%
Ultrarich International Limited ("Ultrarich") *(Note 2)*	952,010,090 *(Note 3)*	beneficial owner	42.01%
UBS Group AG *(Note 4)*	208,816,535	interest of controlled corporation	9.21%
Hermes Investment Management Ltd	132,099,393	investment manager	5.83%

Notes:

(1) The percentage was calculated based on the total number of shares of the Company in issue as at 30 June 2021 (i.e. 2,266,345,938 shares).

(2) Ultrarich was a wholly-owned subsidiary of SIHCL and held a long position of the shares of the Company. Accordingly, SIHCL was deemed to be interested in the long position of these shares of the Company held by Ultrarich.

(3) As informed by Ultrarich, it received a total of 33,625,870 scrip shares on 23 June 2021. Therefore, as at 30 June 2021, Ultrarich held a long position of 985,635,960 shares of the Company, representing approximately 43.49% of the issued shares of the Company.

(4) UBS AG, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Americas) Inc., UBS Asset Management Life Limited, UBS Switzerland AG, UBS Financial Services Inc., UBS Asset Management (Australia) Ltd, UBS Asset Management (Deutschland) GmbH, UBS Asset Management (Japan) Ltd, UBS Asset Management (Singapore) Ltd, UBS Asset Management Switzerland AG, UBS Asset Management Trust Company, UBS Asset Management (UK) Limited, UBS Fund Management (Luxembourg) S.A. and UBS Fund Management (Switzerland) AG are wholly owned by UBS Group AG. Accordingly, UBS Group AG was deemed to be interested in the long position of an aggregate of 208,816,535 shares of the Company held by these companies.

Save as disclosed above, as at 30 June 2021, the Company was not aware that any other substantial shareholder (other than the directors or chief executives) of the Company had any interests or short positions in the shares and underlying shares of the Company which are as required to be recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

CORPORATE GOVERNANCE

The Board is committed to maintaining a high standard of corporate governance in the best interests of the Company's shareholders. The corporate governance principles adopted by the Company emphasize a highly efficient Board, sound internal control and transparency and accountability to the shareholders. During the Period, the Company has complied with the requirements of the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules.

The Board

As of the date of this report, the Board consists of eight directors, including three executive directors: Messrs. Li Haitao, Wang Peihang and Dai Jingming; two non-executive directors: Messrs. Hu Wei and Zhou Zhiwei; and three independent non-executive directors: Professor Cheng Tai Chiu, Edwin and Messrs. Pan Chaojin and Chan King Chung.

The Board held 6 meetings during the Period. The following major issues were reviewed and discussed during the Period:

(1) approving the discloseable transaction in relation to acquisition of office property by Shenzhen Expressway Company Limited;

(2) approving the annual results and payment of dividend for the year 2020;

(3) reviewing the results and business operations of the first quarter of 2021;

(4) approving the discloseable transaction in relation to acquisition of several logistics companies; and

(5) approving the Environmental, Social and Governance Report for the year 2020; and

(6) approving the entering into a framework agreement in relation to the possible acquisition of shares of Suning.com Co., Ltd.

Audit Committee

Established in 1995, the Audit Committee consists of three independent non-executive directors, including Mr. Chan King Chung (chairman), Professor Cheng Tai Chiu, Edwin and Mr. Pan Chaojin. In formulating and adopting the terms of reference of the audit committee, the Board made reference to *A Guide for the Formation of an Audit Committee* issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee held 3 meetings during the Period. The following major issues were reviewed and discussed by the audit committee together with the management and the auditor of the Company (the "Auditor") during the Period:

(1) reviewing the financial report in respect of the annual results for the year 2020, confirming that the relevant disclosures in such financial report were complete, accurate and fair, and recommending the same to the Board for approval;

(2) approving the fee payable to the Auditor for auditing the annual financial report for the year 2020;

(3) considering the appointment of the new Auditor for the year 2021 and making recommendation to the Board;

(4) reviewing the adequacy of resources, qualifications and experience of the staff of the Group's accounting, financial reporting and internal audit functions as well as their training program and related budget for the year 2020;

(5) reviewing with the management and relevant departments the effectiveness of the Group's risk management and internal control system for the year 2020; and

(6) approving the Group's 2021 internal audit plan.

The Company engaged Deloitte Touche Tohmatsu, the Auditor, to review the unaudited interim financial report of the Group for the six months ended 30 June 2021. Before the approval of the interim financial report by the Board, the audit committee held a meeting with the Auditor to review the unaudited interim financial report of the Group for the six months ended 30 June 2021. The Auditor's review report is set out on page 32 of this report.

Nomination Committee

Established in December 2003, the Nomination Committee consists of three members, of whom two were independent non-executive directors. Current members of the Nomination Committee include Messrs. Pan Chaojin (chairman), Chan King Chung and Wang Peihang.

The Nomination Committee held 1 meeting during the Period. The following major issues were reviewed and discussed by the nomination committee during the Period:

(1) evaluating and making recommendations on the performance of the directors who were subject to retirement or retirement by rotation and re-election at the 2021 annual general meeting;

(2) reviewing and confirming the independence of each of the independent non-executive directors; and

(3) reviewing the structure, composition and diversity of the Board.

Remuneration and Appraisal Committee

Established in December 2003, the Remuneration and Appraisal Committee consists of three members, of whom two were independent non-executive directors. Current members of the Remuneration and Appraisal Committee include Messrs. Pan Chaojin (chairman) and Li Haitao and Professor Cheng Tai Chiu, Edwin.

The Remuneration and Appraisal Committee did not hold any meetings during the Period.

Executive Board Committee

Members of the Executive Board Committee are appointed by the Board. The committee consists of three executive directors, namely Messrs. Li Haitao, Wang Peihang, and Dai Jingming.

During the Period, the Executive Board Committee considered and discussed major issues including the annual results and payment of dividend for the year 2020 and discloseable transactions; budgets for the year 2021 and "14th Five-year Strategic Plan"; and the business development plans, capital expenditures, loans and changes in the senior management of the subsidiaries of the Company.

Attendance records of the meetings of the Board and the specialized committees thereof

Details of the directors' attendance at the meetings of the Board and the specialized committees thereof during the Period are set out in the following table:

	Number of Meetings Attended/*Number of Meetings Held During the Term of Office of the Director*			
Directors	***Board***	***Audit Committee***	***Nomination Committee***	***Remuneration and Appraisal Committee***
Executive directors				
Mr. Li Haitao	**5**/6	N/A	N/A	**0**/0
Mr. Wang Peihang	**5**/6	N/A	**1**/1	N/A
Mr. Dai Jingming	**5**/6	N/A	N/A	N/A
Non-executive directors				
Mr. Hu Wei	**5**/6	N/A	N/A	N/A
Mr. Zhou Zhiwei	**6**/6	N/A	N/A	N/A
Independent non-executive directors				
Professor Cheng Tai Chiu, Edwin	**5**/6	**3**/3	N/A	**0**/0
Mr. Pan Chaojin	**6**/6	**3**/3	**1**/1	**0**/0
Mr. Chan King Chung	**6**/6	**3**/3	**1**/1	N/A

Model Code for Securities Transactions by Directors and Relevant Employees

The Board has adopted a code of conduct (the "Code of Conduct") in respect of the transactions of the Company's securities by the directors and relevant employees of the Group on terms more stringent than those set out in the Model Code under the Listing Rules. Relevant employees include any employees of the Company or directors or employees of the subsidiaries of the Company who, as a result of their office or employment, are likely to be in possession of unpublished inside information in relation to the Group.

The Company, having made specific enquiry to all directors of the Company, confirms that all directors have complied with the standards set out in the Model Code and the Code of Conduct at all times throughout the Period.

Shenzhen International
深國際

Shenzhen International Holdings Limited
深圳國際控股有限公司