Shenzhen International
深國際

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

2022 INTERIM REPORT 中期報告

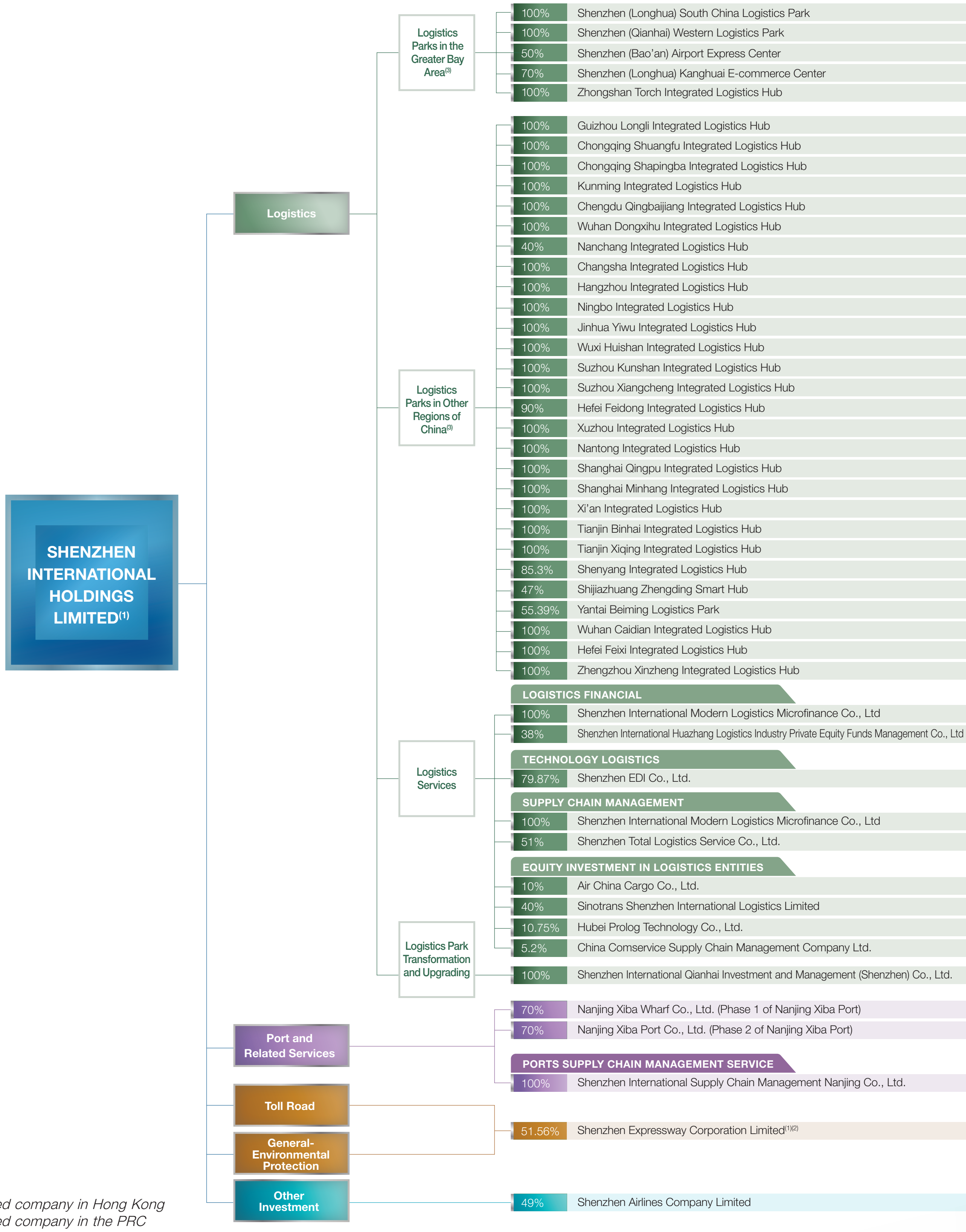
CONTENTS

2022
INTERIM REPORT

CORPORATE PROFILE

The Group defines the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, the Beijing-Tianjin-Hebei areas as well as other major logistics gateway cities as key strategic regions. Through investment, mergers & acquisitions, restructuring and consolidation, the Group focuses on the investment, construction and operation of logistics infrastructure in the four major areas of "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure" (including inland ports, urban integrated logistics parks, air cargo terminals and railway logistics terminals) and toll roads. The Group provides its clients with value-added logistics services including intelligent warehouse management and integrated cold chain warehousing, and also expanded its business segments to include the comprehensive development of lands related to the "logistics + commerce" industries as well as the investment in and operation of general-environmental protection business, thereby creating greater value for its shareholders.

Set out below is a simplified corporate structure of the Group as at 30 June 2022 which excludes intermediate holding entities, and the percentages of interests shown represent the percentages for which the Group has effective control.



(1) *Listed company in Hong Kong*
(2) *Listed company in the PRC*
(3) *Only projects in operation are included*

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)*
Liu Zhengyu *(Chief Executive Officer)*
Wang Peihang
Dai Jingming

Non-Executive Directors:
Hu Wei
Zhou Zhiwei

Independent Non-Executive Directors:
Cheng Tai Chiu, Edwin#
Pan Chaojin
Zeng Zhi
Wang Guowen*

AUDIT COMMITTEE

Zeng Zhi *(Chairman)*
Cheng Tai Chiu, Edwin#
Pan Chaojin
Wang Guowen*

NOMINATION COMMITTEE

Pan Chaojin *(Chairman)*
Wang Peihang
Zeng Zhi
Wang Guowen*

REMUNERATION AND APPRAISAL COMMITTEE

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

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 2021) (Stock Code: 149689)
RMB Bonds (First Tranche 2022) (Stock Code: 149768)

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

LEGAL ADVISER

Reed Smith Richards Butler LLP *(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
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)*

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
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

INVESTOR RELATIONS CONSULTANT

PRChina Limited
17/F, Yat Chau Building
262 Des Voeux Road Central, Hong Kong

Resigned on 1 September 2022
* *Appointed on 1 September 2022*

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**	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Toll roads and general-environmental protection business								
– Revenue	**4,618**	4,838	**1,735**	1,943	**396**	627	**2,131**	2,570
– Construction service revenue	**300**	225	**–**	–	**–**	–	**–**	–
Toll roads and general-environmental protection business sub-total	**4,918**	5,063	**1,735**	1,943	**396**	627	**2,131**	2,570
Logistics business								
– Logistics parks	**740**	611	**234**	376	**7**	23	**241**	399
– Logistics services	**230**	553	**19**	29	**5**	–	**24**	29
– Port and related services	**1,580**	1,060	**103**	106	**–**	–	**103**	106
– Logistics park transformation and upgrading services	**19**	–	**2,982**	(38)	**–**	860	**2,982**	822
Logistics business sub-total	**2,569**	2,224	**3,338**	473	**12**	883	**3,350**	1,356
Head office	**–**	–	**(65)**	(136)	**(2,496)**	(816)	**(2,561)**	(952)
Total	**7,487**	7,287	**5,008**	2,280	**(2,088)**	694	**2,920**	2,974
Finance income							**175**	181
Finance costs							**(1,556)**	(684)
Finance costs – net							**(1,381)**	(503)
Profit before income tax							**1,539**	2,471

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2022 HK$ million	*2021 HK$ million*	*Increase/ (Decrease)*
Results			
Revenue (excluding construction service revenue)	**7,187**	7,062	2%
Operating profit	**5,008**	2,280	120%
Profit before income tax	**1,539**	2,471	(38%)
Profit attributable to shareholders	**582**	960	(39%)
Basic earnings per share (HK dollar)	**0.26**	0.44	(41%)
EBITDA to interest expense multiple	**2.91**	6.60	(3.69)[r]
	30 June 2022 HK$ million	*31 December 2021 HK$ million*	*Increase/ (Decrease)*
Financial Position			
Total assets	**137,110**	138,051	(1%)
Total equity	**61,130**	67,672	(10%)
Debt asset ratio (Total liabilities/Total assets)	**55%**	51%	4*
Ratio of Net borrowings to Total equity	**69%**	48%	21*
Ratio of Total borrowings to Total equity	**89%**	65%	24*
Net asset value per share attributable to shareholders (HK dollar)	**14.7**	17.1	(14%)

r *Change in multiple*

* *Change in percentage point*

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Operating Results	For the six months ended 30 June **2022** **HK$'000**	 2021 HK$'000 (Restated)	 Increase/ (Decrease)
Revenue (excluding construction service revenue from toll roads)	**7,186,537**	7,062,114	2%
Construction service revenue from toll roads	**300,461**	225,069	33%
Total revenue	**7,486,998**	7,287,183	3%
Operating profit	**5,008,198**	2,279,788	120%
Profit before tax and finance costs	**2,920,150**	2,973,735	(2%)
Profit attributable to shareholders	**581,575**	959,671	(39%)
Basic earnings per share (HK dollars)	**0.26**	0.44	(41%)

The economic development of the PRC faced tremendous challenges such as falling demand and supply chain disruptions due to frequent pandemic outbreaks across the PRC and geopolitical crisis in the first half of 2022. While diligently preventing and controlling the pandemic, the Group made concerted efforts to proactively establish the all-round logistics ecosystem of "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" and to persistently develop the competitiveness and sustainability of its main logistics business in strict adherence to its "14th Five-Year" development strategy.

In the first half of 2022, the Group seized market opportunities and maintained stable growth in its core businesses. Revenue for the six months ended 30 June 2022 (the "Period") amounted to approximately HK$7,187 million, representing an increase of 2% as compared to the corresponding period of the previous year. Profit attributable to shareholders decreased by 39% as compared to the corresponding period of the previous year to HK$582 million, mainly due to the significant decline in financial performance of Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate of the Group, which enlarged its net loss to approximately RMB4,594 million during the Period due to the impact of the persisting pandemic and rising fuel costs.

During the Period, revenue from the logistics business decreased by 17% as compared to the corresponding period of the previous year to HK$969 million, mainly due to the proactive adjustment and optimization by the Group of its logistics service business mix and divestment from businesses with lower gross profit margin and/or those with relatively higher risks. Profit of the logistics business attributable to shareholders decreased by 46% as compared to the corresponding period of the previous year, mainly due to the absence of a one-off gain of HK$175 million from the disposal of the Nanchang Integrated Logistics Hub project (the "Nanchang Project") recorded in the corresponding period of the previous year. Excluding such one-off gain from the previous year, profit attributable to shareholders would have increased by 19% as compared to the corresponding period of the previous year.

Guided by its strategy to establish a foothold in Shenzhen, to penetrate the Greater Bay Area and to expand across the country, the Group focused further on its main logistics business and refined its core competitive strength by pushing through the construction of logistics projects and putting them into operation in an orderly manner. As at 30 June 2022, the Group has established footholds in nearly 40 key logistics gateway cities across the country, managed and operated a total of 33 logistics projects, with a total operation area of approximately 4 million square meters. It ranked ninth in the industry in terms of market share in the high-standard warehouse sector.

During the Period, the Group achieved a breakthrough in its land acquisitions in the Greater Bay Area by successfully winning its bid for two warehouse construction sites in Nanhai District and Shunde District, Foshan, respectively, adding approximately 280,000 square meters to the Group's land reserve in the Greater Bay Area. In addition, the Group successfully acquired two high-quality logistics warehouse projects with an aggregate site area of approximately 918,000 square meters and a total gross floor area of approximately 406,000 square meters in the two core gateway cities of Zhengzhou and Hefei for approximately RMB1,710 million. This acquisition was instrumental in the Group's realization of its "One City, Multiple Logistics Parks" strategy, expansion of its asset size and strengthening of its market position. The acquisition will also enlarge the Group's total reserve of logistical assets, laying the foundation for potential asset securitization in the future.

As for logistics park transformation and upgrading business, the Group is steadily advancing the development and construction of the Qianhai Project. This project has achieved remarkable profits and provided strong support to the Group's performance improvements. In February and June 2022, Shenzhen Vanke Development Company Limited ("Shenzhen Vanke") injected approximately RMB915 million and RMB1,480 million, respectively, into Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd ("Qianhai Business"). Upon the completion of the second batch of capital contribution, the Group's shareholding in Qianhai Business was diluted to 50%. As a result, Qianhai Business ceased to be a subsidiary of the Company, and the Group ceased to consolidate the financial results of Qianhai Business. The capital contribution contributed a gain before tax of approximately RMB2,487 million to the Group.

During the Period, revenue from the port and related services business increased by 49% as compared to the corresponding period of the previous year to HK$1,580 million, which was mainly attributable to the Group's active expansion into new businesses. However, profit attributable to shareholders slipped moderately due to a number of factors such as the rise in transportation costs and other operating costs. As the port business is an important segment in the Group's "Four Growth Engines" layout strategy, the Group has carried on the "Port Connection Action" strategy during the Period by actively exploring and constantly acquiring quality port projects, and exploring new businesses in order to improve the Group's revenue. The Group successfully acquired the Fengcheng Shangzhuang Project, the Jingjiang Port Project and the Shenqiu Port Project in 2020. As the construction of these projects proceeds in an orderly manner and they are expected to commence operation successively by the end of 2022, a multi-point port network is taking shape.

The Group's toll road and general-environmental protection businesses are managed and operated by Shenzhen Expressway Corporation Limited ("Shenzhen Expressway"), a subsidiary held as to approximately 52% by the Company. Affected by the pandemic in the first half of 2022, toll revenue of the toll roads operated and invested by the Group decreased as compared to the corresponding period of the previous year. Overall revenue and net profit of Shenzhen Expressway for the Period decreased by 3% and 36% as compared to the corresponding period of the previous year to HK$4,918 million and HK$1,052 million, respectively. Profit of Shenzhen Expressway attributable to the Group for the Period decreased by 30% as compared to the corresponding period of the previous year to HK$523 million.

On 11 January 2022, the Group completed the acquisition of 71.83% equity interest in Shenzhen Investment Holdings Bay Area Development Company Limited ("Bay Area Development", the shares of which are listed on the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") (Stock Code: 00737)) and consolidated its results in the Group's financial statements on the basis of business combination under common control. Pursuant to the requirement of the relevant accounting standards, the Company made retrospective adjustments to the figures in the consolidated financial statements for the previous year. Through the successful acquisition of Bay Area Development, Shenzhen Expressway acquired the interests of two premium and mature expressway assets (being Guangzhou-Shenzhen section of G4 Beijing-Hong Kong-Macao Expressway ("Guangshen Expressway") and Guangzhou-Zhuhai West Expressway ("GZ West Expressway")) in the core area of the Greater Bay Area and a major project in relation to the transformation and expansion of Guangshen Expressway. This acquisition further consolidated the Group's core advantages in the investment, construction and operation of toll roads, regional market share in the toll road industry, future profitability and cash flow, thereby laying the foundation for realizing long-term sustainable development.

Shenzhen Airlines, an associate held as to 49% by the Group, recorded a net loss for the Period of RMB4,594 million (equivalent to HK$5,519 million) due to the decline in demand for air passenger transportation resulting from the ongoing pandemic in the PRC, the continual rise in fuel costs, and the exchange rate fluctuations. Loss of Shenzhen Airlines attributable to the Group amounted to approximately RMB2,256 million (equivalent to HK$2,710 million). In face of tough challenges in the market, the economy of the PRC is remarkably resilient and the fundamentals of the passenger segment of the domestic aviation industry is expected to remain positive in the long run. The rising vaccination rate and rollout of therapeutic drugs for COVID-19 will help boost the recovery of the tourism segment of the aviation industry. Shenzhen Airlines will prepare itself for future recovery in the industry by refining its route layout, rationalizing its capacity allocation and strengthening overall cost control.

LOGISTICS BUSINESS

OVERVIEW

The Group has extensive experience in the development, operation and management of logistics parks. Based in Shenzhen, the Group focused on economically affluent regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and the Beijing-Tianjin-Hebei areas. Through self-construction, acquisition and other methods, the Group continues to consolidate its logistics assets and expand its operating scale in order to establish a comprehensive "water, road, air, and rail" logistics infrastructure network. At the same time, the Group strives to become "the first in Shenzhen, the leading comprehensive logistics services provider in the Greater Bay Area and one of the top logistics companies in China", takes the development and operation of urban high-end logistics complexes such as high-standard warehouses and digital logistics hubs as its core business functions, and meets customer needs in a comprehensive manner by providing integrated logistics services such as intelligent warehousing and storage, cold chain, supply chain finance and third-party logistics.

As at 30 June 2022, the Group has established footholds in approximately 40 key logistics gateway cities across the country, and managed and operated a total of 33 logistics projects with a planned land area of approximately 10.24 million square meters in aggregate, among which approximately 7.95 million square meters have obtained operation rights and approximately 4 million square meters were put into operation with an overall occupancy rate of approximately 80%.

ANALYSIS OF OPERATING ENVIRONMENT

In the first half of 2022, first-tier cities such as Beijing, Shanghai and Shenzhen were hit by the pandemic and faced enormous economic pressure due to frequent COVID-19 outbreaks across the PRC. In light of the economic impact of the pandemic, the PRC government rolled out several rounds of economic stimulus policies, thereby gradually reviving the economy since the second quarter of 2022. The logistics industry, in which the main business of the Group operates, demonstrated its stabilizing role in fighting against the pandemic, maintaining people's livelihood and promoting economic recovery. Nevertheless, as the growth in the overall demand of the society for logistics services slowed down despite continuous expansion driven by the comprehensive domestic industrial sectors, it still faces both challenges and opportunities.

To seize opportunities and rise to the challenges, the Group responded proactively to such changes in the external environment and the impacts of the relevant policies. Building on its footholds in the Shenzhen Pioneering Demonstration Zone and the Guangdong-Hong Kong-Macao Greater Bay Area, it is seizing opportunities to construct a modern logistics system to upgrade its logistics infrastructure across the country. Apart from seizing market opportunities to speed up its construction of regional networks in the Greater Bay Area and across the country while expanding its business scale by actively exploring investment and merger and acquisition opportunities, it is also steadfastly pursuing stable, high-quality and sustainable development by constantly improving its operating and management capability, optimizing its customer mix and perfecting both the "Investment, Construction, Financing and Operation" and "Investment, Construction, Operation and Transformation" closed-loop business models.

ANALYSIS OF OPERATING PERFORMANCE

Logistics Park Business

I. Logistics Parks in the Greater Bay Area

Guided by the strategy of establishing a foothold in Shenzhen and focusing on the Greater Bay Area, the Group has established its presence in cities such as Zhongshan, Zhaoqing and Foshan among the cities in the Greater Bay Area in addition to Shenzhen. The strategic vision of entering into the Greater Bay Area is materialising. The Group strives to strengthen its investment layout in the Greater Bay Area and has developed a series of new products, namely the "Shenzhen International Digital Logistics Hubs" in response to the smart and intelligent development trend in the industry and the local government's initiative on intensive land use.

As at 30 June 2022, the Group has established 11 logistics projects across the Greater Bay Area, of which 4 were already in operation/under management, including 3 projects in Shenzhen and 1 project in Zhongshan. Projects under construction included the SZ Pinghunan Project, the SZ Liguang Project, the SZ Yantian Comprehensive Bonded Project as well as the Foshan Nanhai Integrated Logistics Hub Project and the Foshan Shunde Integrated Logistics Hub Project. The Group is actively driving the construction of the SZ Pingshan Project.

Logistic Hub Projects in Shenzhen

In recent years, the Group has been actively driving the reform and upgrade of its logistics parks in Shenzhen in accordance with industrial and urban development trends.

Projects in Operation

The first phase of **Shenzhen (Longhua) South China Logistics Park** ("SZ South China Logistics Park") operated smoothly during the Period. With a site area of approximately 62,000 square meters and a gross floor area of approximately 200,000 square meters, the second phase of this project will be developed and constructed in two stages. The completion acceptance filing of the first stage was completed in November 2021. Focusing on the urban and industrial development of Shenzhen and aligning with the "Digital Longhua" development strategy of Longhua District, this project will be developed into "South China Digital Valley" that will tap into the development of the digital industry and concentrate on attracting enterprises in three major fields, namely artificial intelligence, 5G technologies and industrial Internet, with the aim of promoting the integration of regional industries and cities, and empowering regional development with digital industry.

Shenzhen (Qianhai) Western Logistics Park ("SZ Western Logistics Park") is located in Shenzhen Qianhaiwan Comprehensive Bonded Port Area (深圳前海灣綜合保稅港區) with a total operating area of approximately 122,000 square meters. It provides bonded logistics, on-site value adding, loading, unloading, distribution and other logistics services. It was awarded by the Ministry of Commerce of the PRC as the second batch of National Exemplary E-Commerce Bases, listed as a pilot project of Shenzhen Cross-border E-commerce Center (深圳市跨境電商展示中心) and recognized as an advanced certified enterprise under the Authorized Economic Operator Program. As at 30 June 2022, the overall occupancy rate of the project was 100%.

Shenzhen (Longhua) Kanghuai E-commerce Center ("SZ Kanghuai E-commerce Center") is the Group's first project operated by entrusted management and has an operating area of approximately 143,000 square meters. SZ Kanghuai E-commerce Center actively explores the development model of green freight distribution, and has built an "Intensive, Efficient, Green and Intelligent" urban freight distribution service system. This project 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 project include warehouse logistics services, large data centers, office buildings, dormitories, restaurants, supermarkets, etc. The project 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 2022, it attained an overall occupancy rate of 96%.

Projects in Construction

Shenzhen (Longgang) Pinghunan Integrated Logistics Center ("SZ Pinghunan Project")

In August 2021, a joint venture was set up to invest in and develop the SZ Pinghunan Project in accordance with the cooperation agreement entered into between the Group and China Railway Guangzhou Group Co., Ltd. In September 2019, the SZ Pinghunan Project was selected by the National Development and Reform Commission of the PRC and the Ministry of Transport of the PRC as one of the first batch of 23 national integrated logistics hub projects to be developed as a national logistics hub to provide logistics services. The SZ 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 and reduce the traffic of roads connecting ports and pollutant emissions, thereby optimizing regional transportation system, which are important for improving logistics efficiency and reducing logistics costs and are in line with green urban development concepts.

Being the first logistics park jointly developed by the Group and a railway enterprise, the SZ Pinghunan Project has a site area of approximately 900,000 square meters and an estimated gross floor area for logistics warehouse of approximately 850,000 square meters (the final gross floor area is subject to the approval by the relevant governmental authorities of Shenzhen), among which the operating area for railway, toll and logistics sites amounts to approximately 700,000 square meters. The Group pioneered the model of "obtaining strata titles in multi-level logistics construction to be constructed over the railway freight station" in the SZ Pinghunan Project, thereby achieving integrated "rail transportation and modern logistics" development. It will become a benchmark for intensive use of land resources.

The Group intends to turn this project into an exemplary multimodal transportation hub for the whole country as well as Asia. While preserving the functions of the original rail yard, the construction of the modern large-scale intelligent logistics complex will upgrade the rail yard into an exemplary integrated logistics hub that incorporates multimodal road, railway and water transportation, regional distribution and delivery, public warehousing and logistics information services. On the one hand, the SZ Pinghunan Project will effectively meet the huge demand for high-end logistics infrastructure arising from the operation of Shenzhen Municipality, perfect the city's multimodal transportation system, consolidate and relieve surrounding scattered, low-efficiency and low-performance logistics facilities, and become a modern public logistics service platform serving Shenzhen, the Guangdong-Hong Kong-Macao Greater Bay Area as well as the whole Southern China so as to boost the position of Shenzhen as an important city and entrepot trade hub under the Belt and Road Initiative. On the other hand, it will enable the Group to accumulate high-quality assets with long-term performance for its future development, enlarge the scale and network coverage of its logistics operations, and strengthen its market position in the Greater Bay Area as well as the rest of the country. Thus, the development of the SZ Pinghunan Project is in line with the Group's business development strategy and planning.

The rail yard/freight yard at the first phase of the SZ Pinghunan Project has been handed over gradually and in operation since early 2022. It has been operating smoothly, and the area of rail yard/freight yard in operation for the first phase is approximately 170,000 square meters. Meanwhile, land acquisition, building design and other tasks for the second phase of facilities constructed over the railway freight station are progressing in full swing. The Group aims at putting it into operation by the end of 2025.

Shenzhen (Longhua) Liguang Digital Logistics Hub ("SZ Liguang Project") is located in Longhua District, Shenzhen, with a site area of approximately 45,000 square meters in a prime geographical location. It will be built into a logistics park with a high plot ratio comprising six levels above ground and two levels underground, with a planned gross floor area of 265,000 square meters. The SZ Liguang Project will become a modern, high-standard, intelligent and eco-friendly exemplary logistics park. Once completed, it will further consolidate the Group's share in Shenzhen's logistics market. The construction of the main structures was completed in 2021. Meanwhile, the leasing work of the project is progressing well and preliminary understanding on cooperation has been reached with several renowned logistics enterprises. The Group has been speeding up the construction of this project and aims at putting it into operation in the first half of 2023.

Shenzhen (Pingshan) Digital Logistics Hub ("SZ Pingshan Project") is located in Pingshan District, Shenzhen, an advantageous location surrounded by enterprises in new generation industries such as information technology, biopharmaceutical and new energy vehicles with huge demand for logistics services. In October 2021, the Group entered into a transfer agreement to acquire 70% equity interest in the project company and completed the acquisition of this project in April 2022.

On 26 May 2022, the Group and the People's Government of Pingshan District, Shenzhen, entered into a strategic cooperation agreement to commence the comprehensive "Industry + Logistics" strategic cooperation, deepen collaboration in the fields of intelligent logistics, industrial parks and the development and operation of integrated urban complexes, and turn the SZ Pingshan Project into an innovative demonstration base for in-depth integration and coordinated development of "High-end Manufacturing + Intelligent Logistics".

At the end of 2021, the Group successfully won the bid for the land parcels of **Shenzhen (Yantian) Comprehensive Bonded Digital Logistics Hub** ("SZ Yantian Comprehensive Bonded Project") with a site area of approximately 32,000 square meters and a planned gross floor area of approximately 127,000 square meters. Building on an international hub port comprising Yantian Port and Yantian Comprehensive Bonded Zone, this project will be built into a world-leading digital, intelligent and green-bonded investment and operation complex with the main aims of developing a new bonded business model and setting a premium brand and innovative benchmark for the operation and management of bonded logistics parks. The construction of this project commenced on 26 June 2022. The Group will make every effort to accelerate the progress of this project with a goal of putting it into operation by the end of 2023.

Other Projects in the Greater Bay Area

While establishing a foothold in Shenzhen, the Group accelerated the development of quality projects in other regions of the Greater Bay Area.

With a gross floor area of 66,000 square meters, the **Zhongshan Torch Integrated Logistics Hub Project** is the first project of the Group in the Greater Bay Area (excluding Shenzhen) to help the integrated development of logistics on both sides of the Pearl River. With nearly three years of refined management following the project's acquisition in 2019, operation and service quality has greatly improved, and the occupancy rate has reached nearly 100%.

At the beginning of 2022, the Group successfully won its bid for two warehouse construction sites in Nanhai District, Foshan and Shunde District, Foshan, respectively, for the development of **Foshan Nanhai Integrated Logistics Hub Project and Foshan Shunde Integrated Logistics Hub Project**. They added approximately 280,000 square meters to the Group's land reserve and represented a major breakthrough in the Group's logistics project planning in the Greater Bay Area. To emphasize the dedication and sophistication in their overall planning, the Group intends to build these two warehouse facility projects into modern high-standard logistics parks that integrate warehousing, distribution, freight forwarding, trading, after-sales services and e-commerce.

Furthermore, the Group will actively procure the acquisition of land for the integrated logistics hub project in Gaoyao, Zhaoqing, for which an investment proposal has been devised during the Period.

II. Logistics Parks in Other Regions of PRC

While focusing on the Greater Bay Area, the Group also stepped up its investment in economically affluent regions such as the Yangtze River Delta, Bohai Rim and the Beijing-Tianjin-Hebei areas. In particular, the Group capitalized on the opportunity to implement its "One City, Multiple Logistics Parks" strategy in first and second tier logistics gateway cities in order to realize its overall national strategic layout, increase its penetration rate and project density in key cities, consolidate the foundation of its high-standard warehouse network, and create synergy on a national level.

As of 30 June 2022, the Group established the layout of integrated logistics hubs in more than 30 logistics gateway cities in other regions across the country (excluding the Greater Bay Area and logistics park management projects). The Group had in aggregate 28 operating integrated logistics hub projects with a total operating area of over 3.3 million square meters, and the hubs in operation achieved satisfactory occupancy rate.

During the Period, the Group indirectly acquired two high-quality logistics warehouse projects in the two core cities of Zhengzhou and Hefei at a total amount of approximately RMB1,710 million. With an aggregate site area of approximately 918,000 square meters and an operating area of approximately 406,000 square meters, these two projects, namely Zhengzhou Xinzheng Integrated Logistics Hub and Hefei Feixi Integrated Logistics Hub, mainly provide services to local industries, with customers including those in the express delivery industry, third-party logistics industry and customized logistics industry. The Group plans to use the vacant land of these two projects to build high-standard warehouses. After completion of the two projects in the next two years, their total operating area will exceed 700,000 square meters, rendering them the more influential comprehensive logistics parks in Zhengzhou and Hefei. Through the above acquisitions, the Group can further accelerate its strategy of " One City, Multiple Logistics Parks" in core cities and enhance its market share and influence among core logistics gateway cities and across the country.

In addition, the Group continued to strengthen the expansion of its logistics business in core regions such as the Yangtze River Delta, provincial capital cities and Hainan Free Trade Port. During the Period, the Company completed investment plans for a number of integrated logistics hub projects, such as Wuhan Huangpi Integrated Logistics Hub and Wenzhou Longgang Integrated Logistics Hub, with an additional planned site area of over 200,000 square meters, and successfully acquired land use rights for Xiangtan Yuetang Integrated Logistics Hub with an area of 100,000 square meters during the Period.

While continuing to explore new integrated logistics hub projects, the Group has also been steadily working on projects under construction and preparation to ensure that the progress of such projects is in line with expectations. In the first half of 2022, Wuhan Caidian Integrated Logistics Hub and stage B of the first phase of Changsha Integrated Logistics Hub were successively completed and put into operation, providing an additional operating area of over 170,000 square meters. In addition, the Zhengzhou Erqi Integrated Logistics Hub, Wuxi Jiangyin Integrated Logistics Hub and the E-commerce Industrial Park in Yiwu have commenced construction work as planned, and they are expected to be completed and put into operation gradually in 2022 and 2023.

The Shijiazhuang Zhengding Smart Hub Project (the "Shijiazhuang Project") invested and constructed by the Group in Shijiazhuang is the first industrial-city complex in the PRC that integrates the two major industries of logistics and commerce. With a gross floor area of approximately 500,000 square meters, the project will be an industrial-city complex integrating backbone cold chain base, quality agricultural product display base and medicine logistics. The project is expected to be substantively completed and put into operation in 2025.

In addition, capitalizing on its strong brand influence and ability to operate mature parks, the Group has undertaken a number of management projects across the PRC. Yueyang Smart Commercial and Trading Park (岳陽智慧商貿物流園) is the first management project outside Shenzhen. It became the first integrated smart commercial and trading logistics park featuring commercial and trading, storage and e-commerce showroom functions in Yueyang City. With a completed area of approximately 52,000 square meters, the storage facilities of the first phase of the project have been operating well since it was put into operation. Furthermore, the Group has been vigorously pushing through the development and operation of several other management projects, such as the Hainan Yangpu Project, the Guangdong Huiyang Project and the Jiangxi Fengcheng Project.

Expanding the Closed-loop "Investment, Construction, Financing and Operation" Integrated Logistics Hubs Business Model

As the logistics and warehousing industry proliferates and rental surges continuously, the value of integrated logistics hubs is expected to rise steadily. The Group is actively exploring possible channels to securitize the assets of its integrated logistics hubs and implement the closed-loop "investment, construction, financing and operation" business development model. Under this model, the offering of logistics real estate investment funds will not only accelerate the Group's capital recovery, shorten its project turnover time, lower its gearing ratio and ensure adequate cash flows, but also enable the Group to realize asset appreciation from the development, construction, incubation and operation of the integrated logistics hubs in advance, thereby enabling rapid expansion of the Group's urban integrated logistics hubs operation and management.

Identifying quality logistics projects with the aim of expanding asset scale

Operating and managing the parks in order to fulfill management services

Constructing high-standard and multipurpose logistics and warehousing products that are widely accepted by the market at reasonable costs

Exploring equity financing channels in order to diversify financing channels

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 the aim of increasing the scale of investment.*
Construction	– *Project construction. High-standard and multipurpose logistics and warehousing products that are widely accepted by the market will be constructed at reasonable costs. Emphasis will be placed on the liquidity of these assets and enhancement of project construction and management standards.*
Financing	– *Integration of assets and financing. Through securitization of assets through public offering of REITs, capital recovery will be accelerated, gearing ratio will be lowered, adequate cash flows will be ensured and asset value appreciation will be crystalized.*
Operation	– *Operation and management. To enhance 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 will be added.*

Following the successful injection of Nanchang Project into a fund in 2021, the Group will continue to procure the injection of, among other projects, the Hefei Feidong Integrated Logistics Hub and the second phase of the Hangzhou Integrated Logistics Hub into private equity funds. At the same time, the Group will actively plan to issue publicly traded REITs with mature integrated logistics hub projects as their underlying assets. Through multiple channels, the Group seeks to improve the closed-loop "investment, construction, financing and operation" business development model, accelerate its capital recovery, optimize its industry model, enlarge its scale of operation and enhance its profitability while maintaining the Group's operation rights to its projects.

As at 30 June 2022, the details of the Group's major logistics projects are shown as follow:

	Project name	Location	Planned Site Area* (0'000sq.m. (Approximate))	Acquired site area (0'000sq.m. (Approximate))	Area in operation (0'000sq.m. (Approximate))	Commencement date/Expected commencement date of the operation of the first phase of the project** (year.month)
Logistics Parks in Greater Bay Area	Shenzhen (Longhua) South China Logistics Park	Shenzhen Longhua Logistics Park	57.8	57.8	31.2	2003
	Shenzhen (Qianhai) Western Logistics Park	Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, Shenzhen	N/A	N/A	12.2	2003
	Shenzhen (Longhua) Kanghuai E-commerce Center (operated through leasing)	Pingan Road, Guanlan Street, Longhua District, Shenzhen	N/A	N/A	14.3	2018.01
	Shenzhen (Longhua) Liguang Digital Logistics Hub	Liguang Village, Guanlan Street, Longhua District, Shenzhen	4.5	4.5	–	2023
	Shenzhen (Pingshan) Digital Logistics Hub	Eastern Lanzhu Road, Longtian Street, Pingshan District, Shenzhen	12.0	12.0	–	2024
	Shenzhen (Yantian) Comprehensive Bonded Digital Logistics Hub	First Phase of Yantian Comprehensive Bonded Zone, Yantian District, Shenzhen	3.2	3.2	–	2024
	Shenzhen (Longgang) Pinghunan Railway Integrated Logistics Center	Hengdong Cenling Road, Nanwan Street, Longgang District, Shenzhen	90	90@	–	2025
	Zhongshan Torch Integrated Logistics Hub	Zhongshan Torch Hi-Tech Industry Development Zone, Zhongshan	5.8	5.8	6.6	2019.09
	Zhaoqing Gaoyao Integrated Logistics Hub	Jinli Town, Gaoyao District, Zhaoqing	10.0	–	–	–
	Foshan Nanhai Integrated Logistics Hub	Nanhai District, Foshan	7.6	7.6	–	2025
	Foshan Shunde Integrated Logistics Hub	Shunde District, Foshan	20.0	20.0	–	2025
	Sub-total		**210.9**	**200.9**	**64.3**	
Logistics Parks in Other Regions of PRC	**Southern Area**					
	Zhanjiang Integrated Logistics Hub	Mazhang District, Zhanjiang	20.0	11.0	–	2023.06
	Hainan Chengmai Integrated Logistics Hub	Jinma Modern Logistics Center, Chengmai County, Hainan	6.3	6.3	–	2024
	Southwestern Area					
	Guizhou Longli Integrated Logistics Hub	Guizhou Shuanglong Modern Service Industrial Cluster	34.8	34.8	14.2	2018.05
	Guiyang Xiuwen Integrated Logistics Hub	Zhazuo Industrial Park, Xiuwen Economic Development Zone, Guiyang	20.0	20.6	–	2025
	Chongqing Shuangfu Integrated Logistics Hub	Shuangfu New District, Jiangjin District, Chongqing	15.7	10.4	5.8	2019.12
	Chongqing Shapingba Integrated Logistics Hub	Shapingba District, Chongqing	14.6	14.6	11.6	2021.09
	Kunming Integrated Logistics Hub	Yangzonghai Scenic Area, Kunming	17.2	17.2	11.9	2020.01
	Chengdu Qingbaijiang Integrated Logistics Hub	International Railway Logistics Park, Qingbaijiang District, Chengdu	12.9	12.5	13.3	2021.10
	Central China					
	Wuhan Dongxihu Integrated Logistics Hub	Dongxihu District, Wuhan	13.3	12.6	6.3	2016.10
	Wuhan Caidian Integrated Logistics Hub	Changfu Logistics Park, Caidian District, Wuhan	26.7	12.9	11.7	2022.03
	Wuhan Huangpi Integrated Logistics Hub	Huangpi District, Wuhan	6.7	–	–	–
	Nanchang Integrated Logistics Hub ▱	Nanchang Economic and Technological Development Zone, Nanchang	N/A	N/A	8.7	2017.06
	Changsha Integrated Logistics Hub	Jinxia Economic Development Zone, Changsha	34.7	29.8	13.3	2018.10
	Xiangtan Yuetang Integrated Logistics Hub	Yuetang Economic Development Zone, Xiangtan	10.2	10.0	–	2024
	Yueyang Smart Commercial and Trading Logistics Park◢	New Port Area, Chenglingji District, Yueyang	N/A	N/A	5.2	2020.10

As at 30 June 2022, the details of the Group's major logistics projects are shown as follow: *(continued)*

	Project name	Location	Planned Site Area* (0'000sq.m. (Approximate))	Acquired site area (0'000sq.m. (Approximate))	Area in operation (0'000sq.m. (Approximate))	Commencement date/Expected commencement date of the operation of the first phase of the project** (year.month)
Logistics Parks in Other Regions of PRC	**Zhejiang Area**					
	Hangzhou Integrated Logistics Hub	Hangzhou Dajiangdong Industrial Cluster, Hangzhou	43.3	42.7	43.6	2017.11
	Ningbo Integrated Logistics Hub	Ningnan Trade and Logistics Park, Ningbo	19.4	9.2	5.7	2018.10
	Jinhua Yiwu Integrated Logistics Hub	Yunxi Village under the jurisdiction of Choucheng Street, Yiwu, Jinhua	44.0	41.7	27.2	2020.12
	Jinhua Economic Development Integrated Logistics Hub	Jinhua Economic and Technological Development Zone, Jinhua	13.6	–	–	–
	Wenzhou Longgang Integrated Logistics Hub	Longgang District, Wenzhou	13.9	–	–	–
	Jiangsu and Anhui Area					
	Wuxi Huishan Integrated Logistics Hub	Huishan District, Wuxi	34.7	24.6	12.0	2017.10
	Wuxi Jiangyin Integrated Logistics Hub	Jiangyin Lingang Economic and Technological Development Zone, Wuxi	13.3	13.3	–	2023
	Suzhou Kunshan Integrated Logistics Hub	Lujiazhen, Kunshan, Suzhou	11.7	11.7	9.6	2016.06
	Suzhou Xiangcheng Integrated Logistics Hub	International Logistics Park, Wangting Village, Xiangcheng District, Suzhou	3.3	3.3	1.9	2020.12
	Hefei Feidong Integrated Logistics Hub^	Anhui Hefei Commercial and Logistics Development Zone, Feidong County, Hefei	13.8	13.3	9.3	2016.10
	Hefei Feixi Integrated Logistics Hub	Feixi County, Hefei	49.7	49.7	19.1	2022.05
	Jurong Integrated Logistics Hub	New City District, Northern Jurong	40.0	13.1	–	2024
	Xuzhou Integrated Logistics Hub	Xuzhou National Hi-Tech Industrial Development Zone, Xuzhou	14.0	13.3	7.2	2021.04
	Nantong Integrated Logistics Hub	Haimen Industrial Park, Nantong	15.2	15.2	12.9	2021.01
	Shanghai Qingpu Integrated Logistics Hub	Huaxin Town, Qingpu District, Shanghai	2.3	2.3	3.0	2019.09
	Shanghai Minhang Integrated Logistics Hub	Zhuanqiao Town, Minhang District, Shanghai	3.5	3.5	5.2	2021.09
	Huai'an Integrated Logistics Hub	Huai'an Economic and Technology Development Zone, Huai'an	11.1	–	–	–
	Northern Area					
	Xi'an Integrated Logistics Hub	Xi'an National Civil Aerospace Industrial Base, Xi'an	12.0	12.0	9.3	2020.08
	Tianjin Binhai Integrated Logistics Hub^	West Wing of Tianjin Development Zone, Tianjin	6.0	6.0	3.3	2019.01
	Tianjin Xiqing Integrated Logistics Hub	Yangliuqing Town, Xiqing District, Tianjin	11.6	11.6	7.8	2021.09
	Zhengzhou Erqi Integrated Logistics Hub	Mazhai Industrial Cluster, Erqi District, Zhengzhou	11.0	11.0	–	2022.10
	Zhengzhou Xinzheng Integrated Logistics Hub	Xinzheng City, Zhengzhou	42.2	42.2	21.5	2022.05
	Taiyuan Zonggai Integrated Logistics Hub	Xiaohe Industrial Park, Xiaodian District, Taiyuan	12.7	–	–	–
	Shenyang Integrated Logistics Hub	Shenyang International Logistics Park, Yuhong District, Shenyang	70.0	24.1	24.2	2016.04
	Shijiazhuang Zhengding Smart Hub	Zhengding County, Shijiazhuang	46.7	31.0	6.4	2017.07
	Shijiazhuang Yuanshi Integrated Logistics Hub	Yuanshi County, Shijiazhuang	14.4	–	–	–
	Yantai Beiming Logistics Park	Yantai Economic and Technological Development Zone, Yantai	6.9	6.9	4.0Δ	2008.06
	Sub-total		**813.4**	**594.4**	335.2	
	Total		**1024.3**	**795.3**	**399.5**	

Notes:

* *Planned site areas represent the site areas as shown in the agreements with local governments. Actual site and gross floor areas are subject to various factors and consequential adjustment*

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

@ *The SZ Pinghunan Project has obtained operation rights in respect of land with a site area of 900,000 square meters. The rail yard/freight yard of the first phase of the project has been handed over gradually and in operation since early 2022. The area of rail yard/freight yard in operation is approximately 170,000 square meters*

Δ *Including an 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% equity interest*

^ *The names of these projects has been changed from Hefei Integrated Logistics Hub and Tianjin Zhonglong Integrated Logistics Hub to Hefei Feidong Integrated Logistics Hub and Tianjin Binhai Integrated Logistics Hub, respectively*

▲ *A management service project*

Logistics Service Business

With technologies relating to artificial intelligence, big data and 5G maturing gradually, the combination of new applications such as automatic sorting, precise delivery and contactless distribution has facilitated the migration of the logistics industry from being traditional labor-intensive to high technology and digitalization. Emerging industries such as intelligent logistics and cold chain logistics have become major trends for the future development of the logistics industry. In recent years, the Group has sped up its exploration into intelligent and cold chain businesses in order to diversify its revenue streams.

Under an initiative to build new intelligent warehousing and cold chain logistics growth engines, the Group accelerated the development of its intelligent and cold chain warehousing business by planning and constructing cold chain logistics, intelligent warehousing and other emerging strategic and ancillary projects in the first half of 2022. As at June 2022, the Group has a total of 370,000 square meters of completed, under-construction and planned intelligent and cold chain logistics projects.

In respect of the cold chain business, the Group has planned and constructed cold warehouses in logistics hub projects such as the SZ Liguang Project, the SZ Pinghunan Project, the Shijiazhuang Project, and the logistics hub projects in Qingbaijiang of Chengdu, Minhang of Shanghai, Tianjin and Zhengzhou. In particular, the cold warehouse with an area of approximately 20,000 square meters in the Shijiazhuang Project has been put into operation, while those in the Chengdu Qingbaijiang Integrated Logistics Hub and the SZ Liguang Project with areas of approximately 17,000 square meters and 50,000 square meters, respectively, are expected to be ready for operation within one year. In addition, a cold chain warehouse project jointly developed by the Group and VX Logistics Properties in Jiangning of Nanjing, with an area of approximately 30,000 square meters, is expected to be put into operation in 2024.

For the development of intelligent warehouses, the Group has finished the intelligent transformation and commenced the operation of 15,000 square meters of warehouses, thereby increasing the utilization rates of the storage space of its clients, such as Pedder Logistics and Ruhnn Holding. During the Period, the Group continued to push through the intelligent transformation of several projects in order to meet the needs of its clients to further enhance their inventory turnover efficiency and the utilization rates of their storage space.

Looking forward, the Group will continue to stay abreast of the development of the intelligent warehousing and cold chain industry, look out for quality acquisition targets in the industry, facilitate the development of new business, and build up new logistics business growth engines.

Shenzhen EDI Co., Ltd., ("EDI Co"), a subsidiary of the Company, operates the largest digitally-enabled public service platform for container transport in Southern China. It also constructs and operates the EDI's network information exchange platform for the Shenzhen port. As the data service provider of Maersk, Duffy, Mediterranean, COSCO and other major international liner companies in Southern China, its business network covers all terminals in the eastern and western port areas of Shenzhen. Meanwhile, it is also the single largest data network provider for key hub ports in Southern China and barge terminals in the west bank of the Pearl River. Shenzhen Southern Electronic Port Co., Ltd. (深圳市南方電子口岸有限公司), a subsidiary of EDI Co, undertakes the construction and operation of the China (Shenzhen) International Trade Single Window (中國(深圳)國際貿易單一窗口), creating a "one-stop" international trade service platform for Shenzhen to provide local foreign trade enterprises with convenient and efficient online import and export customs clearance services. During the Period, EDI Co carried on the marketing for its existing products, upgraded shipping-related solutions, launched mobile smart application (APP) products, and attracted strategic investors that can achieve business synergies in an orderly manner.

Other Logistics Strategic Investments

The Group is also actively exploring upstream and downstream companies along the logistics industry chain that can diversify all-round logistics ecosystem combining "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics", and seize the opportunity of emerging industries in logistics field and policy layout, capture the potential investment opportunities of multimodal transportation, air and sea freight forwarding and integrated logistics services enterprises, selecting quality logistics asset projects and accumulating underlying resources to give full effort to the synergy of the projects while obtaining a good return on investment.

The Group has set up a joint venture with Sinotrans Limited ("Sinotrans") to operate the Bay Area Express (灣區號) in Shenzhen as well as other principal businesses such as international cargo agency and international train operation. The China-Europe Railway 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 with a total length of 13,438 kilometers. As of 30 June 2022, the China-Europe Railway Express has made a total of 201 trips with a trading amount of approximately USD850 million, thereby greatly benefiting the economy and society. On 3 December 2021, the Bay Area Express set off on a brand new international train route running between China and Laos, and the China-Laos-Thailand International Railway Channel opened in March 2022. On 21 April 2022, the first cold-chain-only train running among China, Laos and Thailand set off from Pinghunan. This train marked the first end-to-end experimental cold chain service among China, Laos and Thailand as well as the first two-way cold chain train service among China, Laos and Thailand for Southern China. Capitalizing on the numerous routes of the Bay Area Express, the Group's logistics parks have also rolled out one-stop services covering goods consolidation, freight forwarding and booking, loading and unloading, warehousing and transportation, thereby improving the utilization rate of warehouses and coordination between logistics parks, and generating new revenue from the value-adding process. As all the routes of the Bay Area Express begin from the Pinghunan freight terminal, the Bay Area Express will help the Pinghunan Integrated Logistics Hub boost its throughput and develop all sorts of value-added services, thereby providing solid support to the long-term stable growth of the Group's logistics business.

In 2020, the Group completed a strategic investment in Hubei Prolog Technology Co., Ltd. (湖北普羅格科技股份有限公司) ("Prolog"), a leading integrated intelligent warehouse system company. The Group actively promoted post-investment synergy and completed the intelligent transformation of some warehouses in the Shijiazhuang Project together with Prolog. In the future, the Group and Prolog will further cooperate to actively explore further application of intelligent logistics technologies in the park ecology and jointly explore new value brought about by technology to warehouses and logistics parks.

In 2021, the Group became the third largest shareholder of 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). China Comservice is the only integrated logistics enterprise with a "5A" qualification in the telecommunications industry in the PRC. The Group will be able to synchronize and connect its logistics warehouse network with that of China Comservice. The parties have conducted preliminary study and research on the feasibility of cooperation in several projects. Looking forward, they will complement each other in various aspects to achieve win-win results by jointly developing high-end logistics value-added services in emerging sectors, such as information and communications, data center and others.

The Group also formally became the fourth largest shareholder of Air China Cargo Co., Ltd. ("Air China Cargo") in 2021, and the Group's annualized rate of return from the investment in Air China Cargo exceeded 40% for that year. Grasping this opportunity, the Group entered the air logistics industry, which is highly monopolistic with a high entry barrier, from a relatively advantageous starting point. Meanwhile, the Group established good relationship and strategic cooperation with Air China Cargo, and will explore business cooperation opportunities in various aspects in the area of air logistics and air cargo terminals in the future. During the Period, the parties are actively promoting cooperation in air logistics projects in Shenzhen, Hangzhou and Beijing, and are jointly building up a comprehensive logistics system integrating air logistics, high-standard warehouses, cold chain logistics and others.

In May 2021, as a strategic investor, the Group participated in one of the national pilot projects of public REITs, the Hongtu Innovation Yantian Port Warehousing and Logistics Closed-end Infrastructure Securities Investment Fund (紅土創新鹽田港倉儲物流封閉式基礎設施證券投資基金), with an annualized rate of return exceeding 50% for that year. The project strengthened the synergy between the Group and other state-owned enterprises, and accumulated valuable experience for the Group's subsequent issuance of domestic public REITs and other capital operations.

To implement the intelligent logistics development strategy, the Group, Shenzhen Airport Co., Ltd. (深圳市機場股份有限公司) and Shenzhen Capital Holdings Co., Ltd (深圳市資本運營集團有限公司) jointly established the "Intelligent Airport Logistics Industry Fund" (智慧空港物流產業基金) in 2021. During the Period, the Group has completed a strategic investment in CIMC Transportation Technology Co., Ltd. through this fund.

Furthermore, the Group invested in the Comprehensive Reform Experiment (Shenzhen) Fund (綜合改革試驗(深圳)基金) as a limited partner during the Period. This investment will help the Group strengthen the operation, management and planning of its fund business as well as revitalize underlying assets.

FINANCIAL ANALYSIS

Revenue from Logistics Business

For the six months ended 30 June

	2022 HK$'000	2021 HK$'000	Increase/ (decrease)
Logistics Parks in Greater Bay Area	**218,975**	268,389	(18%)
Logistics Parks in Other Regions of China	**520,938**	342,867	52%
Sub-total of Logistics Park Business	**739,913**	611,256	21%
Logistics Service Business	**229,470**	553,135	(59%)
Total	**969,383**	1,164,391	(17%)

Profit Attributable to Shareholders from Logistics Business

For the six months ended 30 June

	2022 HK$'000	2021 HK$'000	Increase/ (decrease)
Logistics Parks in Greater Bay Area*	**73,339**	100,318	(27%)
Logistics Parks in Other Regions of China	**94,968**	215,939	(56%)
Sub-total of Logistics Park Business	**168,307**	316,257	(47%)
Logistics Service Business	**4,559**	4,154	10%
Total	**172,866**	320,411	(46%)

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

During the Period, the revenue from the logistics business decreased by 17% as compared to the corresponding period of the previous year to HK$969 million, mainly due to the Group's proactive business restructuring, consolidation of the logistics service business and divestment from business with relatively low gross profit margin and/or relatively high risk by the Group during the Period. Profit of the logistics business attributable to shareholders decreased by 46% as compared to the corresponding period of the previous year, mainly due to the absence of a one-off gain of HK$175 million from the disposal of the Nanchang Project recorded in the corresponding period of the previous year. Excluding such one-off gain, profit attributable to shareholders would increase by 19% as compared to the corresponding period of the previous year.

During the Period, revenue from the logistics park business increased by 21% as compared to the corresponding period of the previous year to HK$740 million, mainly attributable to new revenue contributed by new logistics parks completed and commenced operation as well as new logistics park projects acquired during the Period. Profit attributable to shareholders decreased by 47% as compared to the corresponding period of the previous year to HK$168 million, mainly due to the absence of one-off gain from the disposal of the Nanchang Project recorded in the corresponding period of the previous year.

During the Period, revenue from the logistics service business decreased by 59% as compared to the corresponding period of the previous year to HK$229 million, mainly due to business restructuring. Profit attributable to shareholders for the Period increased by 10% as compared to the corresponding period of the previous year to HK$4.56 million.

LOGISTICS PARK TRANSFORMATION AND UPGRADING BUSINESS

OVERVIEW

The Group firmly seizes the historic opportunity arising from the urbanization process in the PRC, vigorously promotes the transformation and upgrading of its logistics park projects located in key urban centers, and implements the long closed-loop "investment, construction, operation and transformation" logistics park development model through the adjustment of the land use, upgrading, transformation, development and operation of its logistics park projects. Logistics park transformation and upgrading projects maximize the value of relevant assets. The investment income provides long-term support to the Group's business development and financial performance, and generates considerable returns for the Company's shareholders.

ANALYSIS OF OPERATING PERFORMANCE

Qianhai Project

The Qianhai Project represents the Group's first successfully implemented project under the long closed-loop "investment, construction, operation and transformation" development model. By way of land consolidation and preparation in Qianhai, the Group obtained compensation equivalent to approximately RMB8,373 million through the swap of land with a total site area of approximately 120,000 square meters and a total gross floor area of approximately 390,000 square meters (comprising saleable residential area of approximately 190,000 square meters and saleable apartment area of approximately 25,000 square meters) under the new land planning conditions. The gain from appreciation of land value represents the initial benefit of the land consolidation and preparation in Qianhai. As the swapped land parcels developed gradually and following the release of completed properties into the market, the project will continue to unlock value from its development in the next few years, which in turn will support steady growth in the Group's performance.

The Qianhai Project will be developed in three phases. The first phase of the Qianhai Project has a total gross floor area of approximately 110,000 square meters, comprising residential area of approximately 51,000 square meters, office area of approximately 35,000 square meters and commercial area of approximately 25,000 square meters. The residential project in the first phase of the Qianhai Project, namely the PARKVIEW BAY（頤灣府）, which was jointly developed by the Group and Shum Yip Land Co., Ltd. ("Shum Yip Land"), was delivered in June 2021.

The office project in the first phase of the Qianhai Project is "Qianhai Shenzhen-Hong Kong Digital Economy Town"（前海深港數字經濟小鎮）(the "Town") jointly managed and operated by the Group and China Center for Information Industry Development ("CCID"). Capitalizing on Qianhai's position as a special zone and policy advantage in the Greater Bay Area, this project will benefit from the Group's extensive supply chain management experience and CCID's strong information technology service capacity, focus on the development of supply chain service and intelligent manufacturing service businesses, and promote deeper integration of the digital and real economies across the Greater Bay Area and countries/regions along the "Belt and Road Initiative". The benchmark project in the Town, namely Shenzhen International Yidu Building（深國際頤都大廈）, completed the inspection and acceptance procedures in July 2021 and has been put into operation. Positioned as AIOT + ecological courtyard with industrial operation services, it continues to attract enterprises in the digital industry as tenants for the workspace. In the first half of 2022, Shenzhen International Yidu Building successfully obtained LEED-CS Platinum certification awarded by U.S. Green Building Council, which is a testament to the project's status as one of the world renowned environmentally-friendly office buildings. As at 30 June 2022, the occupancy rate of the office project reached 62%. All the contracted tenants are highly promising enterprises in the digital industry. As for the commercial project, the Group and SCPG（印力集團）will leverage the strengths of each other and make concerted efforts to turn the Mawan area in Qianhai into a unique boutique commercial project named "Qianhai Yinli"（前海 • 印里）. This project has commenced trial operation on 30 June 2022 and is scheduled to officially commence operation in September 2022. At present the leasing of Qianhai Yinli is actively underway.

To optimize the allocation of the Group's resources by focusing its resources on the development of its main logistics business so as to generate higher return for its shareholders, the Group introduced Shenzhen Vanke as a strategic investor of Qianhai Business by ways of capital contribution and capital increase in February and June 2022, respectively. Shenzhen Vanke injected RMB915 million and RMB1,480 million in two batches to Qianhai Business. Upon the completion of the second batch of capital contribution, the Group's shareholding in Qianhai Business was diluted to 50%, and Qianhai Business ceased to be a subsidiary of the Company. The capital contribution contributed a gain before tax of approximately RMB2,487 million to the Group. The Group and Shenzhen Vanke will jointly develop part of the residential land in the second and third phases of the Qianhai Project held by Qianhai Business.

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. This phase will be developed in two parts. In particular, the construction of Yicheng Qiwanli（頤城棲灣里）, which is developed and operated solely by the Group and has a plot ratio-based gross floor area of approximately 64,900 square meters (comprising residential area of approximately 51,000 square meters and commercial area of approximately 6,000 square meters), officially commenced in March 2021 and is scheduled to commence the pre-sale in September 2022. As for the residential units of the second phase of the Qianhai Project developed jointly with Shenzhen Vanke comprising residential area of approximately 40,000 square meters and commercial area of approximately 3,400 square meters, the construction has officially commenced in February 2022 with pre-sale scheduled to commence within 2022. Considering the overall planning and the shortage of residential projects in the Qianhai area, it is expected that the value of the Group's resources in the Qianhai area will be fully reflected with the construction and sale of the second phase of the Qianhai Project.

The third phase of the Qianhai Project has a plot ratio-based gross floor area of approximately 172,000 square meters in aggregate. The residential project of the third phase of the Qianhai Project developed jointly with Shenzhen Vanke has a plot ratio-based gross floor area of approximately 80,000 square meters, comprising residential area of approximately 50,000 square meters, apartment area of approximately 25,000 square meters and commercial area of approximately 5,000 square meters. The Group has officially commenced the construction of this residential project in February 2022 and is striving to commence pre-sale within 2022. The Group will also individually develop and operate a piece of office land and a piece of commercial land with an aggregate plot ratio-based gross floor area of approximately 92,500 square meters (comprising office area of approximately 79,500 square meters, commercial area of approximately 12,000 square meters and community and health centers of 1,000 square meters) in the third phase of the Qianhai Project.

Progress of Transformation and Upgrading of SZ South China Logistics Park

With the in-depth implementation of the "two-region national development" strategy, the Greater Bay Area will become one of the most open and vibrant economic zones in the PRC. However, land supply in the Greater Bay Area is limited and land resources in the core areas are particularly scarce. Covering an area of approximately 580,000 square meters, the Group's SZ South China Logistics Park is located in the central axis and a core node of Shenzhen. It is the largest traditional warehousing and logistics park of the Group in Shenzhen and represents the scarcest land resource reserved for urban development. Promoting the transformation of SZ South China Logistics Park is a key part in the Group's exploration of the long closed-loop "investment, construction, operation and transformation" development model. In the next few years, the Group will proactively promote the transformation of the park area into functional headquarters for the digital economy, which in turn will gradually unlock its intrinsic value.

The transformation of SZ South China Logistics Park was supported by various policies during the first half of 2022. The Shenzhen Land and Space Plan, Protection and Development Plan for the 14th Five-Year Plan (《深圳市國土空間規劃保護與發展「十四五」規劃》) issued by the Shenzhen Municipal Government in early March signified the enforcement and implementation of the strategic plans and planning principles under the General Land and Space Plan (2020-2035) (《國土空間總體規劃(2020-2035)》) ahead of schedule. The key "non-logistics" role of SZ South China Logistics Park has been exemplified. Afterwards, the Shenzhen Municipal Government issued the Measures for Coordinating Interests in Land Consolidation and Preparation in Shenzhen (Draft for Comments) (《深圳市土地整備利益統籌辦法(徵求意見稿)》), pursuant to which SZ South China Logistics Park has been included in the new policy on coordinating interests in land consolidation and preparation as a transferred state-owned land for the first time. Meanwhile, SZ South China Logistics Park was incorporated in the "one axis, one ring road, three centers and multiple parts" spatial plan under the Spatial Planning for the District Hub of Meilin Checkpoint in Shenzhen (《深圳市梅林關樞紐片區空間規劃》). Furthermore, speeding up the implementation of spatial and industrial planning of SZ South China Logistics Park has been included in the 2022 Report of the Work of the Government of Longhua District 2022(《龍華區政府2022年工作報告》), while promoting the transformation of the first phase of SZ South China Logistics Park has also been listed as one of the key tasks of the local government. These developments indicated that the assumption for the inclusion of SZ South China Logistic Park in the planning and design of southern Longhua has been officially recognized by the government of Longhua District.

These new policies issued by governmental authorities in Shenzhen will facilitate the transformation and upgrading of SZ South China Logistics Park. The Group will make every effort to seize the opportunities brought by the comprehensive redevelopment of Shenzhen, enhance the positioning of its transformation projects in such plans, seek a mutually beneficial solution for all parties involved, promote the government's pilot schemes and implementation, and achieve substantive progress as soon as possible.

FINANCIAL ANALYSIS

Revenue and Profit attributable to shareholders of Logistics Park Transformation and Upgrading Business
For the six months ended 30 June

	2022 ***HK$'000***	*2021* *HK$'000*	*Increase/ (Decrease)*
Revenue	**19,448**	–	N/A
Profit attributable to shareholders	**2,980,255**	853,776	249%

During the Period, revenue from logistics park transformation and upgrading business increased to HK$19.45 million. This is mainly attributable to the new rental income of Shenzhen International Yidu Building, the office project in the first phase of the Qianhai Project, which was newly put into operation. Profit attributable to shareholders increased by 249% as compared to the corresponding period in the previous year to HK$2,980 million, mainly because the Company introduced a strategic investor which made two batches of capital contribution and capital increase during the Period and unlocked the profit in advance.

PORT AND RELATED SERVICES BUSINESS

OVERVIEW

Nanjing Xiba Port, in which the Group holds 70% equity interest, is located in the New Materials Industrial Park in Jiangbei New District, Nanjing. It is one of the major deep-water port areas planned and constructed by the government of Nanjing City and is also the only public bulk cargo terminal for vessels with a tonnage of over 10,000 tonnes located in the north of the Yangtze River in Nanjing Port. It has the capability of providing various services such as unloading and loading, lightering, train unloading and loading, warehousing, etc. Nanjing Xiba Port (inclusive of the first and second phases of the port) has one general bulk cargo terminal with a tonnage capacity of 50,000 tonnes, two general bulk cargo terminals each with a tonnage capacity of 70,000 tonnes and two general bulk cargo terminals each with a tonnage capacity of 100,000 tonnes, and depots with an area of approximately 400,000 square meters in the first phase of the port, which are connected to the port area by rail link, and have unique regional advantages and good conditions to realize integrated river-sea, rail-water and road-water transportation.

Furthermore, the Group has launched the "Port Connection Action" in recent years and has been exploring quality port projects in addition to the aforementioned Nanjing Xiba Port. The Group successfully acquired the Fengcheng Shangzhuang Project, the Jingjiang Port Project and the Shenqiu Port Project in 2020. As the construction of these projects proceeds in an orderly manner and the ports will be put into operation by the end of 2022, a multi-point port network has begun to take shape.

ANALYSIS OF OPERATING PERFORMANCE

In the first half of 2022, Nanjing Xiba Port overcame the impact of various unfavorable factors and improved its quality and efficiency by exploiting the potential of its major customers and reaching out to new customers so as to increase business volume. At the same time, it has continued to optimize its business structure by consolidating its integrated "rail-to-ship transfer" business while developing the container-to-bulk business. In the first half of 2022, its business volume continued to rank first amongst 11 ports of its type along the Yangtze River as a total of 242 seagoing vessels berthed at Nanjing Xiba Port with a total throughput of 19.3 million tonnes, of which 2.36 million tonnes were shipped by train.

As for the port supply chain business, the Group capitalized on the resources of several major ports and adopted a "consolidation, development and transformation" concept to consolidate mature businesses and customers, develop new markets and business, continuously reinforce risk management and control, and expand into new income streams. In addition to the provision of premium "logistics + procurement", "logistics + sales" and "logistics + purchase and sales" services for coal and petroleum coke to its customers, the Group also actively engages in the integration of port supply chain resources. In the first half of 2022, the supply chain business brought in new customers in the thermal coal sector and expanded its upstream channel. This segment made multiple breakthroughs in new businesses such as the importation of thermal coal, cement coal, coal for chemical processing and coking coal while actively extending its industry chain to other value-added processing services such as ore blending and processing. It has not only secured premium upstream and downstream customers for the other asset-heavy terminal projects under construction by the Group, but also attracted information, logistics and business flows, thereby realizing business growth year by year through effectively facilitating the transformation and upgrading of its port assets from freight loading, unloading and trans-shipment ports into large-scale integrated port services platforms.

Rapid Progress of Investment and Construction Projects

Branching out from Nanjing Xiba Port, the Group will put additional efforts into the search of quality port projects, speed up the construction of the Jingjiang Port Project and the Shenqiu Port Project, explore premium shoreline assets, complete the "1 + N" multi-point port network, and transform and upgrade its ports into green, intelligent, safe, efficient and modern ports by making full use of advanced technologies.

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 project is expected to commence operation in October 2022.

In relation to the Jingjiang Port Project, the Group and the Jingjiang Municipal Government entered into a cooperation agreement in 2020 to jointly construct and operate the project. Located in the Economic Development Zone of Jingjiang City, the Jingjiang Port Project is planned to have two new main berths with a tonnage of 100,000 tonnes for vessels (with hydraulic structure with a tonnage of 150,000 tonnes) along the Yangtze River and five reconstructed lakeside inland berths with a tonnage of 1,000 tonnes for vessels (with hydraulic structure with a tonnage of 3,000 tonnes). Upon completion, it will effectively take up the functions and customer resources upon the expropriation of the second phase of the Nanjing Xiba Port Project. This project was listed as a key project in the service industry of Jiangsu Province in 2021 and 2022, and the construction is pivotal for the increase of the market share of the Group's port segment. The Group will strive to upgrade this project into a model integrated river-sea transportation hub port, a national energy base in Jingjiang, a modern coal distribution and consolidation logistic hub and an integrated coal trading center. This shoreline project was approved by the Ministry of Transport in December 2021, and the construction thereof has been approved and officially commenced in the first half of 2022. The project is expected to be put into operation by the second half of 2023.

In early 2021, the Group entered into a cooperation agreement with, among other parties, the government of Shenqiu County and Henan Angang Zhoukou Steel Co., Ltd. (河南安鋼周口鋼鐵有限責任公司) in relation to the port project at Shenqiu Port Logistics Park. A joint venture has been set up pursuant to such cooperation agreement, the equity interest of which is held as to 40% by the Group. The Shenqiu Port Project is located along the Shaying River in Shenqiu County. It is planned to build 23 berths for vessels with a tonnage of 1,000 tonnes in three phases. It is expected that the annual capacity of the port will increase by 28 million tonnes after all these berths are put into full operation. Furthermore, in the first half of 2021, the Group and the government of Shenqiu County entered into a strategic cooperation agreement to step up their cooperation in the development of ancillary urban infrastructure business, especially in the planning and construction of logistics parks, the provision of port processing and value-added services, as well as integrated water-rail transportation, in order to achieve a mutually successful cooperation. The Group will expedite the construction of this project with the aim of establishing an integrated port, industry and urbanisation project, utilizing its strengths in port development, and transforming this project into an efficient, environmentally friendly and advanced bulk cargo terminal.

The port business is an important segment in the "Four Growth Engines" layout strategy of the Group. Under the "Port Connection Action" strategy, the Group has established two integrated river-sea transportation hub ports, one regional distribution port and one large-scale integrated river trade port and an interconnected asset-heavy port and supply chain platform along the middle and lower Yangtze River. A unique new development framework that involves investments, mergers and acquisitions in the port sector and coordination between multi-regional ports and the supply chain business has been devised. Furthermore, the Group will firmly implement the "Port Connection Action" strategy, consolidate and enhance its core competitiveness in the port segment and strive to become a competitive inland port operator in the market by continuously expanding the asset-heavy investment layout of port projects combined with the asset-light supply chain business under the principle of "focusing mainly on M&A and supplemented by new construction" during the period of the Company's "14th Five-Year" development strategy.

FINANCIAL ANALYSIS

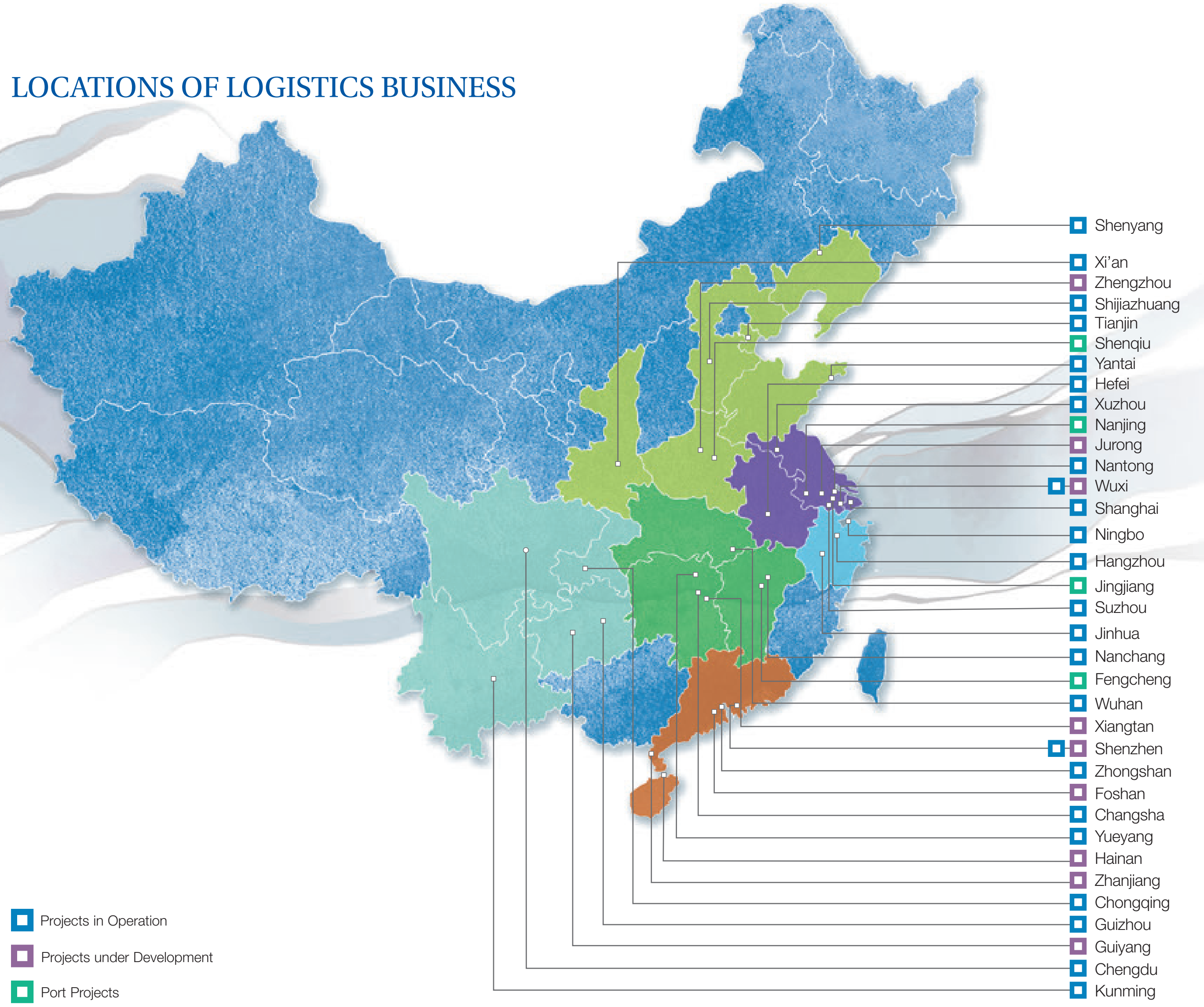
Revenue and Profit attributable to shareholders of Port and Related Services Business

For the six months ended 30 June

	2022 ***HK$'000***	*2021* *HK$'000*	*Increase/* *(Decrease)*
Revenue	**1,579,745**	1,059,502	49%
Profit attributable to shareholders	**53,487**	55,451	(4%)

During the Period, revenue from the port and related services business increased by 49% as compared to the corresponding period of the previous year to HK$1,580 million, mainly attributable to the Group's effective efforts on developing new businesses. However, the profit attributable to shareholders decreased 4% as compared to the corresponding period of the previous year to HK$53.49 million due to factors such as increased transportation costs and leasing costs.

LOCATIONS OF LOGISTICS BUSINESS



Greater Bay Area

- Shenzhen (Longhua) South China Logistics Park
- Shenzhen (Qianhai) Western Logistics Park
- Shenzhen (Bao'an) Airport Express Center
- Shenzhen (Longhua) Kanghuai E-commerce Center
- Shenzhen (Longhua) Liguang Digital Logistics Hub
- Shenzhen (Pingshan) Digital Logistics Hub
- Shenzhen (Yantian) Comprehensive Bonded Digital Logistics Hub
- Shenzhen (Longgang) Pinghunan Railway Integrated Logistics Center
- Zhongshan Torch Integrated Logistics Hub
- Foshan Nanhai Integrated Logistics Hub
- Foshan Shunde Integrated Logistics Hub

Southern Area (Guangdong (other than Greater Bay Area), Hainan)

- Zhanjiang Integrated Logistics Hub
- Hainan Chengmai Integrated Logistics Hub

Southwestern Area (Guizhou, Chongqing, Sichuan, Yunnan)

- Guizhou Longli Integrated Logistics Hub
- Guiyang Xiuwen Integrated Logistics Hub
- Chongqing Shuangfu Integrated Logistics Hub
- Chongqing Shapingba Integrated Logistics Hub
- Kunming Integrated Logistics Hub
- Chengdu Qingbaijiang Integrated Logistics Hub

Central China (Hubei, Hunan, Jiangxi)

- Wuhan Dongxihu Integrated Logistics Hub
- Wuhan Caidian Integrated Logistics Hub
- Nanchang Integrated Logistics Hub
- Changsha Integrated Logistics Hub
- Xiangtan Yuetang Integrated Logistics Hub
- Yueyang Smart Commercial and Trading Logistics Park

Zhejiang Area

- Hangzhou Integrated Logistics Hub
- Ningbo Integrated Logistics Hub
- Jinhua Yiwu Integrated Logistics Hub

Jiangsu and Anhui Area (Shanghai, Jiangsu, Anhui)

- Wuxi Huishan Integrated Logistics Hub
- Wuxi Jiangyin Integrated Logistics Hub
- Suzhou Kunshan Integrated Logistics Hub
- Suzhou Xiangcheng Integrated Logistics Hub
- Hefei Feidong Integrated Logistics Hub
- Hefei Feixi Integrated Logistics Hub
- Jurong Integrated Logistics Hub
- Xuzhou Integrated Logistics Hub
- Nantong Integrated Logistics Hub
- Shanghai Qingpu Integrated Logistics Hub
- Shanghai Minhang Integrated Logistics Hub

Northern Area (Tianjin, Shaanxi, Henan, Liaoning, Hebei, Shandong)

- Xi'an Integrated Logistics Hub
- Tianjin Binhai Integrated Logistics Hub
- Tianjin Xiqing Integrated Logistics Hub
- Zhengzhou Erqi Integrated Logistics Hub
- Zhengzhou Xinzheng Integrated Logistics Hub
- Shenyang Integrated Logistics Hub
- Shijiazhuang Zhengding Smart Hub
- Yantai Beiming Logistics Park

Port Projects (Jiangsu, Jiangxi, Henan)

- Nanjing Xiba Port
- Fengcheng Shangzhuang Project
- Jingjiang Port Project
- Shenqiu Port Project

TOLL ROAD BUSINESS

OVERVIEW

The Group's toll road business is coordinated and operated by Shenzhen Expressway, a subsidiary held by the Group as to approximately 52% and whose H shares and A shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. As at the date of this report, Shenzhen Expressway has invested in and operated a total of 17 expressway projects, which spanned across the Guangdong-Hong Kong-Macao Greater Bay Area and extended to Hunan Province, Hubei Province, Jiangsu Province, Chongqing Municipality and so on across the country. The total toll lengths of toll roads invested in or operated by the Group in the Shenzhen region, other regions in Guangdong Province and other provinces in China were approximately 174.4 km, 350.3 km and 187.2 km, respectively.

ANALYSIS OF OPERATING PERFORMANCE

The operating performances of the toll roads operated or invested in by Shenzhen Expressway during the Period are as follows:

Toll roads	*Interests held*	*Toll length (approximate km)*	*Average daily mixed traffic volume ('000 vehicles)*	*Average daily toll revenue (RMB'000)*
Shenzhen region:				
Meiguan Expressway	100%	5.4	130	358
Jihe East	100%	23.7	267	1,665
Jihe West	100%	21.8	175	1,217
Shenzhen Coastal Project *(Notes 1 and 2)*	100%	36.6	131	1,266
Shenzhen Outer Ring Project *(Note 3)*	100%	60	221	2,434
Longda Expressway	89.93%	4.426	131	346
Shuiguan Expressway	50%	20	221	1,500
Shuiguan Extension	40%	6.3	52	180
Other regions in Guangdong Province:				
Qinglian Expressway	76.37%	216	44	1,713
Guangshen Expressway *(Note 4)*	45%	122.8	507	6,214
GZ West Expressway *(Note 4)*	50%	98	215	2,918
Yangmao Expressway	25%	79.8	44	1,725
Guangzhou Western Second Ring	25%	40.2	70	1,090
Other provinces in China:				
Wuhuang Expressway	100%	70.3	65	1,080
Yichang Project	100%	78.3	53	1,078
Changsha Ring Road	51%	34.7	82	660
Nanjing Third Bridge	25%	15.6	28	1,243

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, includes the main line of the Shenzhen Coastal Project and related facility projects. Shenzhen Coastal Phase II, the construction of which commenced in December 2015, includes the Shenzhen World Exhibition & Convention Center interchange and the connection line on the Shenzhen side of the Shenzhen-Zhongshan Bridge. The Shenzhen World Exhibition & Convention Center interchange was completed and opened to traffic in 2019.*

(2) *According to the freight compensation agreement entered into by Shenzhen Transport Bureau, Shenzhen Expressway and the project company of the Guangshen Coastal Expressway (Guangzhou to Shenzhen) ("Coastal Company"), during the period from 1 January 2021 to 31 December 2024, trucks passing through the Shenzhen Coastal Project should be charged at 50% of the standard toll rates, and tolls waived by Coastal Company shall be paid by the government in a lump sum in March of the following year.*

(3) *The first and second phases of the Shenzhen Outer Ring Project were opened to traffic on 29 December 2020 and 1 January 2022, respectively.*

(4) *On 11 January 2022, Shenzhen Expressway completed the acquisition of the 100% equity interest in Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd., thereby indirectly holding approximately 71.83% of the shares in Bay Area Development, which is in turn indirectly entitled to the rights to share 50% and 45% of the profits of GZ West Expressway and Guangshen Expressway, respectively.*

During the Period, the operating performances of Shenzhen Expressway's expressway projects were affected to different extents by factors including changes in policy as well as changes in nearby competitive (or complementary) road network. Furthermore, the construction or renovation of the projects may also affect their own operating performances during the period in which the construction or renovation is conducted. In particular:

- Being an important gateway to divert port traffic from Shenzhen's western port area, the Shenzhen Coastal Project recorded a year-on-year decrease in average daily traffic volume during the Period due to the pandemic despite the continual implementation of the preferential policy under the toll adjustment agreement.

- Being the first expressway in the PRC with full 5G network coverage enabled by adopting multifunctional smart lamp posts as carrier, the Shenzhen Outer Ring Project recorded year-on-year increases in both traffic volume and toll revenue attributable to the synergies between the first phase and the second phase, which was opened to traffic on 1 January 2022. As the most convenient highway artery connecting East and West Shenzhen, the Shenzhen Outer Ring Project achieved synergies in terms of traffic volume with Meiguan Expressway, the Shenzhen Coastal Project and Longda Expressway while diverting some of the traffic along the whole Jihe Expressway.

- Traffic of Qinglian Expressway has been diverted to some extent as Guanglian Expressway (Guangzhou to Lianzhou), which runs mostly parallel to Qinglian Expressway, was opened to traffic at the end of 2021. Culmindated with the impact of the pandemic, and Qinglian Expressway recorded a relatively substantial year-on-year decrease in toll revenue for the Period. Nevertheless, the project company of Qinglian Expressway is actively attracting traffic by promoting through different channels the advantages of Qinglian Expressway, which passes through numerous economic centers with many industrial parks and tourist attractions, in providing a relatively convenient and fast route for traffic in neighboring areas. In addition, the opening of, among other networks, the connection line connecting Lianzhou to nearby Erguang Expressway (Erenhot to Guangzhou) has in general benefited the operating performance of Qinglian Expressway.

- The average daily traffic volume of Guangshen Expressway, which is an important express route between Guangzhou and Shenzhen, and GZ West Expressway and is an integral part of the ring road in the Pearl River Delta, has recovered since May 2022 as production and business activities along these highways rebounded.

- Affected by several occasions of freezing rain, cold snaps and the pandemic, the Yichang Project and Changsha Ring Road in Hunan recorded year-on-year decreases in both average daily traffic volumes and toll revenues.

Key Construction Projects

Invested in 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 Shenzhen upon completion. While the second phase of the Shenzhen Outer Ring Project opened to traffic on 1 January 2022, Shenzhen Expressway has been actively implementing the preliminary processes, such as refining the design, conducting environmental impact assessments and preparing other special reports, for every part of the third phase of the Shenzhen Outer Ring Project during the Period.

In respect of the second phase of the Shenzhen Coastal Project, 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 has become 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. During the Period, Shenzhen Expressway industriously carried out road bed, bridge and ancillary works with a special focus on the piling and other construction works on the eastern artificial island. As at the date of this report, about 74% of the overall construction of the second phase of the Shenzhen Coastal Project has been completed. In particular, about 78%, 78% and 10% of the construction of the road bed, bridges and road surface, respectively, have been completed.

During the Period, Shenzhen Expressway actively negotiated the form of collaboration and commercial terms of the transformation and expansion of Jihe Expressway with the aim of carrying out the approval process in a timely manner when the final proposal is confirmed.

Acquisition

On 11 January 2022, Shenzhen Expressway completed the acquisition of the entire equity interest in Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. ("Shenzhen Investment Infrastructure"). For details, please refer to the announcements of the Company dated 10 August 2021 and 11 January 2022.

Shenzhen Investment Infrastructure indirectly held 71.83% equity interest in Bay Area Development, which in turn owns the interests of two premium and mature expressway assets (being Guangshen Expressway and GZ West Expressway) in the core area of the Greater Bay Area and a major project in relation to the transformation and expansion of Guangshen Expressway. This acquisition is in line with the development strategy of the Group and is in the Group's interest as a whole as it further consolidated the Group's core advantages in the investment in and operation of toll roads, regional market share in the toll road industry, and improved future profitability and cash flow, thereby expanding the Group's development potential and market value for the purpose of realizing long-term sustainable development.

FINANCIAL ANALYSIS

During the Period, toll revenue and net profits of Shenzhen Expressway decreased by 13% and 11% as compared to the corresponding period of the previous year to HK$2,895 million (2021: HK$3,345 million) and HK$1,112 million (2021: HK$1,243 million), respectively, due to the pandemic's impact on the Pearl River Delta Region (especially in Shenzhen) and the diversion of traffic as a result of the opening of the Guanglian Expressway.

GENERAL-ENVIRONMENTAL PROTECTION BUSINESS

OVERVIEW

The Group's general-environmental protection business is managed by Shenzhen Expressway. Shenzhen Expressway has entered the fields of environmental protection and clean energy business from an advantageous starting point by actively seeking cooperation opportunities with leading enterprises in the general-environmental protection industry. Through investment, mergers and acquisitions in recent years, Shenzhen Expressway has gradually turned its focus to the industries of clean energy and solid waste reutilization and management, thereby realizing the initial layout of the general-environmental protection business.

As at the date of this report, the general-environmental protection businesses invested in or operated by Shenzhen Expressway are set out below:

	Projects	***Interests held***
Clean energy	Mulei Wind Power Project[1]	100%
	Baotou Nanfeng Wind Power Technology Co., Ltd.	100%
	Yongcheng Zhuneng Project[2]	100%
	Zhongwei Gantang Project[3]	100%
	Nanjing Wind Power Technology Co., Ltd.	51%
	Huaian Zhongheng New Energy Co., Ltd.	20%
Reutilization and management of solid waste	Guangming Environmental Park Project[4]	100%
	Shenzhen Lisai Environmental Technology Limited	70%
	Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd.	85.17%
	Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Co., Ltd.	63.33%
Water environmental remediation and others	Chongqing Derun Environment Co., Ltd.	20%
	Shenzhen Water Planning & Design Institute Co., Ltd.	11.25%

ANALYSIS OF OPERATING PERFORMANCE

Clean Energy

Clean energy is an emerging field in the general-environmental protection industry. With the progressive goals of reaching "emission peak" and "carbon neutrality", the PRC government has launched a series of industrial policies and development plans to promote the development of the clean energy industry. The wind power and photovoltaic power generation industries will usher into a new phase of stable and healthy development in the long run. Shenzhen Expressway will seize the opportunity to build a distinctive "integrated" clean energy system. As at the date of this report, wind power projects invested in and operated by Shenzhen Expressway had an accumulated installed capacity of 648 MW and were all completed and grid-connected wind farms that received government subsidies and located in areas with strong wind and stable electricity demands.

1 *Held by Mulei County Qianzhi New Energy Development Co., Ltd. (木壘縣乾智能源開發有限公司), Mulei County Qianhui New Energy Development Co., Ltd. (木壘縣乾慧能源開發有限公司) and Mulei County Qianxin Energy Development Co., Ltd. (木壘縣乾新能源開發有限公司).*

2 *Held by Shanghai Zhuneng New Energy Technology Co., Ltd. (上海助能新能源科技有限公司).*

3 *Held by NingXia Zhongwei Xintang Corporation Ltd. (寧夏中衛新唐新能源有限公司).*

4 *Shenzhen Guangming Environmental Park PPP Project (investment and operation projects of organic waste treatment) invested in and built by the Company using the BOT (build-operate-transfer) model.*

During the Period, Shenzhen Expressway continuously improved the operation and management levels of its wind farms, actively explored production potential and market opportunities of all farms, and rigorously enhanced their operating efficiency as described below.

Nanjing Wind Power Technology Co., Ltd. ("Nanjing Wind Power Company"), a subsidiary in which Shenzhen Expressway holds 51% equity interest, proceeded with its projects under construction, pushed through the implementation of its planned projects, strengthened management integration and cost control, and provided the subsequent operation and maintenance service for, among other projects, Huaian Zhongheng New Energy Co., Ltd., Zhongwei Gantang Project and Yongcheng Zhuneng Project in a diligent manner. Due to factors such as the impact of pandemic in its operating regions, delay in the implementation of its backlog order of projects and slowing down of construction progress, the production and operation of Nanjing Wind Power Company were hampered.

Baotou Nanfeng Wind Power Technology Co., Ltd. ("Baotou Nanfeng Company"), a wholly-owned subsidiary of Shenzhen Expressway, is principally engaged in the investment in, operation and management of 5 wind power generation farms in Inner Mongolia Autonomous Region of the PRC. 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 maintained stable operation and fed an aggregate of 337,725 MWh of electricity to the grid.

In recent years, Shenzhen Expressway actively undertook on-site visits and research on new energy industry chain projects, and devoted more efforts to the investment in, and mergers and acquisitions of, high-quality wind power projects. Shenzhen Expressway has successively acquired the entire equity interests in Mulei County Qianzhi New Energy Development Co., Ltd., Mulei County Qianhui New Energy Development Co., Ltd., and Mulei County Qianxin New Energy Development Co., Ltd. (collectively, the "Mulei Wind Power Project"). The Mulei Wind Power Project is located in Changji Hui Autonomous Prefecture in Xinjiang Uygur Autonomous Region. It has a total of 166 wind power generator units with a total actual installed capacity of 299 MW. During the Period, the Mulei Wind Power Project supplied an aggregate of 409,904 MWh of electricity to the grid. In addition, Shenzhen Expressway New Energy Holdings Co., Ltd, a wholly-owned subsidiary of Shenzhen Expressway, established a joint venture with State Power Investment Corporation Fujian Electric Power Co., Ltd. in 2021 and completed the acquisition of a 51% equity interest in Nanjing Avis Transmission Technology Co., Ltd. ("Nanjing Avis") during the Period. Nanjing Avis is a leading enterprise in the wind turbine gearbox operation and maintenance industry in the PRC, having high-quality customer resources and core technical strength. Through the acquisition of Nanjing Avis, the Group may, on one hand, cooperate with a leading company in the industry to jointly expand in the after-sales operation and maintenance service market in the clean energy business; and, on the other hand, help to expand the Group's integrated wind power industry chain and enlarge the Group's profit base.

Reutilization and Management of Solid Waste

Supported by the national environmental protection policy, the organic waste treatment industry has a relatively large room for development. Shenzhen Expressway regards organic waste treatment as a significant segment under the general-environmental protection industry, and actively builds itself into a segment leader with industry-leading technology and scale advantages.

Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental Company") is one of the key providers of comprehensive organic waste treatment, construction and operation services in the PRC and provides customers with systematical and comprehensive solutions regarding municipal organic wastes such as kitchen waste and waste leachate. During the Period, Shenzhen Expressway agreed to subscribe for approximately 270,000,000 shares issued by Bioland Environmental Company at a price not exceeding RMB1,550 million in aggregate. This transaction has been completed in August 2022, the equity interest held by Shenzhen Expressway in Bioland Environmental Company will increase from 67.14% to 85.17%. As at the date of this report, Bioland Environmental Company had a total of 19 organic waste treatment projects under PPP model (including Build-Operate-Transfer (BOT) projects) with a designed kitchen waste treatment capacities of over 4,000 tons per day, of which 11 projects spanning across 11 provinces and regions and 16 prefecture-level cities in the country have commenced commercial operation. Most of these projects are located in cities with relatively good economic development and have longer concession periods for the Group to obtain relatively stable returns.

During the Period, Shenzhen Expressway completed an increase in its equity interest in a subsidiary, Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Co., Ltd. ("Qiantai Company"), to 63.33%. Qiantai Company is qualified for scrapping retired new energy vehicles and providing "integrated" comprehensive utilization of retired new energy vehicles and their power batteries while also scrapping and recycling petrol-powered vehicles. It is also the only whitelist enterprise qualified under the "Industry Standards and Conditions for the Comprehensive Utilisation of Waste Power Batteries for New Energy Vehicles"（新能源汽車廢舊動力蓄電池綜合利用行業規範條件）in Shenzhen. During the Period, Qiantai Company established good cooperative relationships with the upstream and downstream companies of certain industries and e-hailing platforms. As all of its operations are breaking new grounds, as the next step, Qiantai Company will make full use of its advantageous qualification as a whitelist enterprise to actively explore synergies with upstream and downstream enterprises and set up a closed-loop regional industry chain.

In February 2021, Shenzhen Expressway officially entered into an agreement with the Urban Management and Comprehensive Law Enforcement Bureau of Guangming District, Shenzhen in respect of the Guangming Environmental Park Project, pursuant to which Shenzhen Expressway shall incorporate a project company, which shall in turn be responsible for the investment, financing, design, construction, transformation, operation, maintenance and handover procedures of the project. Located in Guangming District, Shenzhen, the Guangming Environmental Park Project will be developed into a large-scale treatment plant with a processing capacity of 1,000 tons per day for organic waste, 100 tons per day for bulky waste (discarded furniture) and 100 tons per day for garden waste, and will be implemented under the BOT model. During the Period, Shenzhen Expressway overcame the adverse impact of the pandemic and actively conducted the construction of the main structure and the procurement and installation of major equipment of the Guangming Environmental Park Project.

In April 2022, Shenzhen Expressway completed the acquisition of 70% equity interest in Shenzhen Lisai Environmental Technology Limited ("Lisai Environmental"), which has been consolidated into Shenzhen Expressway's financial statements since the first half of 2022. Through this acquisition, Shenzhen Expressway will obtain the concession to handle kitchen waste in Longhua District, Shenzhen, thereby boosting Shenzhen Expressway's share in Shenzhen's kitchen waste treatment market.

Water Environmental Remediation and Others

Chongqing Derun Environment Co., Ltd., in which Shenzhen Expressway holds 20% equity interest, holds two subsidiaries listed on the Shanghai Stock Exchange, namely Chongqing Water Group Co., Ltd (stock code: 601158) and Chongqing Sanfeng Environment Group Corp., Ltd. (stock code: 601827), which are principally engaged in, among other things, water supply and sewage treatment; investment in, construction of, turnkey equipment for, and operation and management of waste incineration power generation projects; and environmental restoration.

Shenzhen Water Planning & Design Institute Co., Ltd. in which Shenzhen Expressway holds 11.25% equity interest, was officially listed on the ChiNext of Shenzhen Stock Exchange (stock code: 301038) in August 2021.

FINANCIAL ANALYSIS

During the Period, revenue from the general-environmental protection business increased by 28% as compared to the corresponding period of the previous year to HK$1,005 million. In particular, revenue from the clean energy business and the reutilization of solid waste business increased by 10% and 46%, respectively, mainly attributable to increase in revenue from newly acquired wind power generation projects and Lisai Environmental, as well as the commencement of commercial operation of some projects of Bioland Environmental Company. Net profit of the general-environmental protection business for the Period amounted to HK$194 million, representing an increase of 16% as compared to the corresponding period of the previous year.

OTHER INVESTMENT

Shenzhen Airlines

In the first half of 2022, the number of passenger flights plunged due to travel restrictions and quarantine measures implemented in Shenzhen and various regions. During the Period, Shenzhen Airlines carried 6.54 million passengers and recorded a passenger traffic of 9,924 million passenger-kilometer, representing a decrease of 50% and 49%, respectively, as compared with the corresponding period of the previous year.

Shenzhen Airlines' total revenue for the Period decreased by 45% to RMB5,308 million (equivalent to HK$6,377 million) (2021: RMB9,681 million (equivalent to HK$11,639 million)) as compared with the corresponding period last year. In particular, passenger revenue decreased by 46% to RMB4,632 million (2021: RMB8,531 million). At the same time, factors such as skyrocketing fuel costs and exchange rate fluctuations have put further burden on the operation of airlines. As a result, net loss of Shenzhen Airlines for the Period amounted to RMB4,594 million (equivalent to HK$5,519 million) (2021: net loss of RMB1,366 million (equivalent to HK$1,643 million)), of which the Group's share of losses incurred by Shenzhen Airlines amounted to approximately HK$2,710 million (2021: loss of HK$811 million).

As at 30 June 2022, Shenzhen Airlines had 227 (2021: 226) aircraft in its fleet. It currently operates 311 routes comprising 307 domestic routes and 4 international routes.

Looking forward to the second half of 2022, although the market will still be full of challenges and changes due to the impact of the persisting pandemic, the PRC will remain in a critical period of strategic opportunities and the fundamentals of the passenger segment of its air transport industry will stay positive in the long run. The rising vaccination rate and rollout of therapeutic drugs will help boost the recovery of the tourism segment of the air transport industry. Furthermore, the integrated development of the Pearl River Delta Region and Guangdong, Hong Kong and Macau will unlock the economic development potential of the hinterland and hence give sustained and solid support to the business development of Shenzhen Airlines. Shenzhen Airlines will bolster its competitiveness and prepare itself for future recovery and rebound in the industry by keeping abreast of market dynamics, refining its route layout, rationalizing its capacity allocation, improving its service quality, strengthening overall cost control and reinforcing its safety system.

OUTLOOK FOR THE SECOND HALF OF 2022

Looking forward to the second half of 2022, infrastructure investment will surge at a relatively high rate under the policies of the PRC to stabilize growth. To revitalize the logistics industry, the central government has issued a series of policies to support the transportation and logistics industry, including expediting the layout and the construction planning of the logistics hub network, building a backbone cold chain logistics system, accelerating the development of smart logistics, enhancing rail, express and air freight transportation capacity, and supporting the pilot schemes for infrastructure Real Estate Investment Trusts (REITs). The Group will stay abreast of PRC's development policies, seize growth opportunities across the industry, adhere to its core operating philosophy of "seeking steady growth in an ever-changing environment", achieve strategic breakthroughs in terms of business scale and industrial structure, and promote higher quality, more efficient and sustainable development.

Diversifying All-round "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" System by Speeding up Merger, Acquisition, Consolidation and Development

Driven by a series of government policies in favor of the industry, consolidation and development in the logistics industry will speed up in the second half of 2022 despite uncertainty as to the external environment. The Group will carry on its two-pronged approach that comprises both new construction and mergers and acquisitions in order to extend its "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure Network" around strategic logistics and warehousing centers, realize economies of scale between its logistics hubs, expedite the development of multi-modal transportation, and prepare for the launch of investment funds for the logistics industry chain so as to tap into the capital market. In respect of logistics parks, while focusing on rapidly enlarging the scale of its business in the Greater Bay Area and forming an industrial network in the Greater Bay Area with the cities of Shenzhen and Foshan as the core supporting points, the Group will also vigorously promote the implementation of its "One City, Multiple Logistics Parks" strategy in Shenzhen, diligently complete the construction of the digital logistics hubs projects including Longhua Liguang and the Yantian Comprehensive Bonded Zone, and promptly begin the construction of the Pingshan Digital Logistics Hub Project. In addition, Shenzhen has recently issued the "Shenzhen Modern Logistics Station Layout Plan (2021-2035)", which proposes to build a three-tier "7+30+N" logistics station layout. As a major participant in the plan, the Group will undertake most of the project development and will continue to seize the opportunities arising from the planning of Shenzhen's three-tier logistics yards to build a high quality, highly efficient and strongly connected green and intelligent logistics hub benchmark project, so as to seize the first opportunity in the layout of Shenzhen.

At the same time, it will widely and rapidly acquire quality assets in affluent regions and key gateway cities across the country while ensuring the on-schedule operation of its projects under construction, and continue to actively promote the implementation of the "One City, Multiple Logistics Parks" strategy in accordance with the principle of selecting the best among the best and going one step further in order to raise its market position. At this stage, more than two parks have been set up in key cities such as Shanghai, Wuhan, Chongqing, Wuxi, Suzhou, Zhengzhou, Hefei, Tianjin, Shijiazhuang and Jinhua.

As to the port and related services business, the Group will further accelerate the development of its port network by selecting additional sites along the Pearl River while strengthening coordination with the main logistics business in terms of planning, and closely monitoring the construction progress of the new projects in Jingjiang Port and Shenqiu Port according to its long-term strategic plan to develop multi-modal transportation.

As for aviation logistics business, the Group will actively promote the implementation of air cargo terminal projects. At present, the Shenzhen air cargo terminal has reached an agreement with Air China Cargo and Shenzhen Airlines on the mode of cooperation and the project has entered the substantive approval stage. The Beijing Capital Airport cargo terminal project has completed the evaluation of customer requirements and is actively communicating with the Provisional Airport Management Committee on the path of implementation of the project.

In respect of railway logistics business, the Group will bolster its strategic cooperation with state-owned enterprises such as China Railway Guangzhou Group Co., Ltd. and actively promote projects such as Danzao in Foshan, Datian in Guangzhou and the operation of domestic shuttle trains to fully utilize the advantages of each party and the business synergy to achieve mutually beneficial outcomes.

In the second half of 2022, the Group will focus on promoting professionalism and efficiency in the logistics industry. The current "Dual Circulation" development strategy of the PRC is fueling demand for high-standard, cold chain and intelligent warehouses. Building on its own logistics hub network, the Group will speed up the formation of a new "intelligent + cold chain" business engine by rapidly assembling underlying assets, such as vigorously accelerating the construction of intelligent and cold chain projects including the Longhua Liguang Project, the Qingbaijiang Project in Chengdu, the Minhang Project in Shanghai, the Xiqing Project in Tianjin, the A8 Project in Shijiazhuang, the Longzhuo Project in Western Logistics Park and the Bofeng Project in SZ South China Logistics Park. Also, the Group will broaden its search for quality investment and merger and acquisition opportunities in addition to its strategic investments in Prolog and China Comservice in order to seize the momentum of development in the intelligent warehousing and cold chain segments in a proactive manner.

The Group will take advantage of the size of the roof of the logistics park to explore the application of distributed photovoltaic, combining photovoltaic, storage, charging and battery testing functions, helping to create a new "light, storage, charging and inspection" integrated solution in the future, and ultimately realizing a "zero carbon park".

Unleashing Asset Value and Coordinating Development of Dual Closed-Loop Business Models

In the second half of 2022, the Group will make steady progress on projects under the long closed-loop "investment, construction, operation and transformation" business model. On one hand, it will exploit existing assets by launching the pre-sale of residential units in the second phase of the Qianhai Project according to its schedule, carry on investment promotion of the first phase of the Qianhai Project and the first part of the second phase of SZ South China Logistics Park, and speed up the construction of the second phase of the Qianhai Project and the commercial project in Shijiazhuang. On the other hand, it will increase the value of its assets such as pushing through the transformation and upgrading of SZ South China Logistics Park. Following the approval by governmental authorities of the Longhua District for the inclusion of SZ South China Logistics Park in southern Longhua District, the Group will keep an eye on the statutory planning process in order to maximize the value of this asset.

The Group will also optimise the short closed-loop "investment, construction, financing and operation" business model in various ways. It will speed up asset securitization by means of flexible allocation of REITs-like funding to be generated mainly from publicly traded REITs and supplemented by private funds so as to expand its financing channels and enhance its capital efficiency. In particular, the Group will speed up the injection of integrated logistics hub projects, such as the Hefei Project and the second phase of the Hangzhou Project, into funds in the second half of 2022. It will also speed up the offering of the first batch of its publicly traded REITs to take advantage of policies promulgated by the government to facilitate asset securitization.

Through the dual closed-loop business development models of "investment, construction, operation and transformation" and "investment, construction, financing and operation", the Group will be able to speed up cash recovery, optimize its capital structure, improve revolving development planning and acquire more logistics resources in order to accumulate long-term high-quality assets and achieve rapid development of its main logistics business.

Supporting Long-term Sustainable Development with both Conventional and Emerging Businesses

While the Group develops and consolidates its main logistics business, Shenzhen Expressway has been reinforcing its core toll road business, maintaining its competitiveness in the industry and generating stable revenue. At the same time, the Group has been investing in and improving the general-environmental protection business, gathering future development momentum and grasping important sustainable business development opportunities in the short, medium and long run.

In the second half of 2022, the Group will continue to improve the refined operation level of toll roads, consolidate the operation of the newly opened second phase of the Shenzhen Outer Ring Project, build the third phase of the Shenzhen Outer Ring Project and the second phase of the Shenzhen Coastal Project, carry out the follow-up work for the development in the Bay Area, acquire more quality assets, and enlarge its business scale and profits. With respect to the development of the general environmental protection business, the Group will proactively seize market opportunities brought by the "carbon peak and carbon neutrality" policies implemented by the central government, step up its investment and expansion in the reutilization and management of solid waste and clean energy segments, and speed up the negotiation and implementation of potential projects. To broaden its revenue streams and foster high-quality sustainable development, the Group will also actively explore organic waste treatment, comprehensive kitchen waste utilization, wind power and photovoltaic projects under its dual business model that comprises both investment and new construction.

Looking forward to the second half of 2022, the Group will continue to focus on growing its core businesses, unleash its potential, increase overall proficiency, improve lean management, optimize its strategic plans and enhance its operational efficiency in order to create greater value and return for all shareholders of the Company.

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 maintain a platform 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 working environment which will in turn secure sustainable talent supply to support business development. To further consolidate the proper implementation of the Group's "14th Five-Year" strategy, the Group is currently devising a human resources sub-strategy. This sub-strategy will provide for a systematic analysis of the problems in the existing human resources system, define clear strategic positioning for future human resources development, formulate separate plans for each human resources function and establish a comprehensive human resources supply chain that incorporates selection, employment, development and retention based on the internal and external conditions necessary for the Group's development in order to provide ample and capable human resources for realizing the Group's "14th Five-Year" strategy.

EMPLOYEES AND POLICIES ON REMUNERATION AND BENEFITS

As at 30 June 2022, the Group had a total of 8,737 (2021: 8,699) employees. During the Period, staff benefit expenses (including directors' remuneration) were approximately HK$819 million (2021: approximately HK$735 million).

Being one of the enterprises shortlisted for the "Double-Hundred Action" state-owned enterprise reform promulgated by the State-owned Assets Supervision and Administration Commission of the State Council, the Group has greatly revolutionized the employment, compensation and fringe benefit policies for its employees. The Group has established and sought to continuously improve its comprehensive remuneration management system, long-term incentive and discipline program, and 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. A database of the correlation between remuneration and performance has been established by the Group based on the results of the above remuneration and performance benchmarking analysis conducted in 2021. The Group has started evaluating the value of each position, 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, establishing a performance-related pay system, building a scientific salary system, and setting a scientific fixed float ratio of salary in order to motivate staff to strive for business success. Staff performance is assessed on a regular basis, the outcome of which will be closely reflected in remuneration adjustments and promotion. In order to stimulate staff performance, staff members who rank amongst the bottom in appraisals will be required to make improvements. To further revolutionize the Group's career progression and remuneration policy, promotions and remuneration adjustments are made according to the group-wide staff performance assessment and a sound performance-based remuneration distribution system. The Group has been enhancing its existing long-term incentive system through in-depth research on relevant policies and regulations, taking into consideration the Group's circumstances. The Comprehensive Incentive Implementation Program was announced to realize benchmarking of 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 promoting implementation of the "14th Five-Year" Strategic Plan. The Group provides its employees with comprehensive fringe benefits, including health checks, mandatory provident funds, medical insurance and education allowances.

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 broadens its recruitment channels. In the first half of 2022, the Group continuously recruited management personnel and professionals in logistics and environmental protection related sectors through market-oriented recruitment and campus recruitment and provided proper induction training for new employees in order to enrich its management and professional teams and optimize the talent structure according to the Group's development strategy and business needs and an assessment-based recruitment principle. With the aim of motivating the operation 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's employees, and an "8-Talent" human resource management system in order to achieve flexible staff promotion, demotion, recruitment, dismissal, pay rise, pay cut and redesignation arrangements. The Group has improved the management talent selection and training programs. Recruitment of management personnel at all levels is conducted openly. The recruitment process includes both examination and daily assessment in addition to interviews and tests, and a large group of talented young staff members were selected. Moreover, the Group establishes a "dual channel" for employee promotion. The Group also places a strong emphasis on the grooming and retention of internal staff by carrying out group-wide internal secondment at different levels, and organizing the first batch of outstanding young cadres to carry out practical activities of living and working with local farmers in poverty alleviation villages, thereby establishing a strong backup team of talented staff.

The Group also emphasizes 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 different groups such as middle and senior management and frontline staff. The annual training program for 2022 focuses on 5 aspects, namely internal secondment at different levels, co-living and co-working with farmers in rural villages, internal training, the grooming of middle- and high-end talent, and volunteering for the fight against COVID-19. At the same time, external lecturers were invited to give specific training during the Period. To further reinforce the Group's talent reserve and effectively conduct induction of new employees and training of frontline staff, 18 new employees from the Group's headquarters and subsidiaries participated in the spring co-living and co-working activity with farmers in Heyuan. In addition, staff members were strongly encouraged to participate in professional training courses organized by external institutions to sustainably enhance their professional knowledge and job skills.

SAFETY AND HEALTH

The Group strives to provide a safe, efficient and comfortable working environment for employees. Since 2022, 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 health checks and educational materials relating to occupational health with an aim to create a healthy and safe working environment for its employees.

FINANCIAL POSITION

	30 June 2022 HK$ million	*31 December 2021 HK$ million (restated)*	*Increase/ (Decrease)*
Total Assets	**137,110**	138,051	(1%)
Total Liabilities	**75,980**	70,379	8%
Total Equity	**61,130**	67,672	(10%)
Net Asset Value attributable to shareholders	**35,014**	38,873	(10%)
Net Asset Value per share attributable to shareholders (HK dollar)	**14.7**	17.1	(14%)
Cash	**11,943**	11,985	–
Bank borrowings	**33,427**	25,569	31%
Other borrowings	**476**	575	(17%)
Notes and bonds	**20,202**	18,015	12%
Total Borrowings	**54,105**	44,159	23%
Net Borrowings	**42,162**	32,174	31%
Debt-asset Ratio (Total Liabilities/Total Assets)	**55%**	51%	4#
Ratio of Total Borrowings to Total Assets	**39%**	32%	7#
Ratio of Net Borrowings to Total Equity	**69%**	48%	21#
Ratio of Total Borrowings to Total Equity	**89%**	65%	24#

Change in percentage points

KEY FINANCIAL INDICATORS

As at 30 June 2022, the Group's total assets and total equity amounted to approximately HK$137,110 million and HK$61,130 million, respectively, while the net asset value attributable to shareholders was approximately HK$35,014 million. Net asset value per share was HK$14.7, representing a decrease of 14% as compared to the end of last year, mainly due to, among other things, fluctuations in RMB exchange rates, the issuance of scrip dividend and the distribution of dividends. The debt-to-asset ratio was 55%, representing an increase of 4 percentage points as compared to the end of last year. The gearing ratio (calculated on the basis of net borrowings to total equity) was 69%, representing an increase of 21 percentage points as compared with that for the end of last year. Such increase was primarily due to the additional borrowings incurred as a result of increased investment activities during the Period. The financial position of the Group remained healthy and stable.

CASH FLOW AND FINANCIAL RATIOS

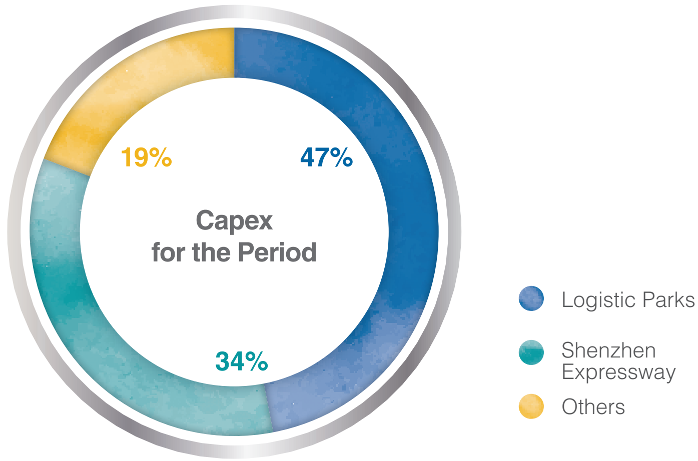
During the Period, net cash generated from operating activities amounted to approximately HK$4,211 million. Net cash used in investing activities amounted to approximately HK$6,495 million. Net cash generated from financing activities amounted to approximately HK$3,523 million. The Group's core businesses maintained a stable cash inflow. The Group closely monitors changes in total borrowings with a view to maintaining its financial ratios at a stable and healthy level.

CASH BALANCE

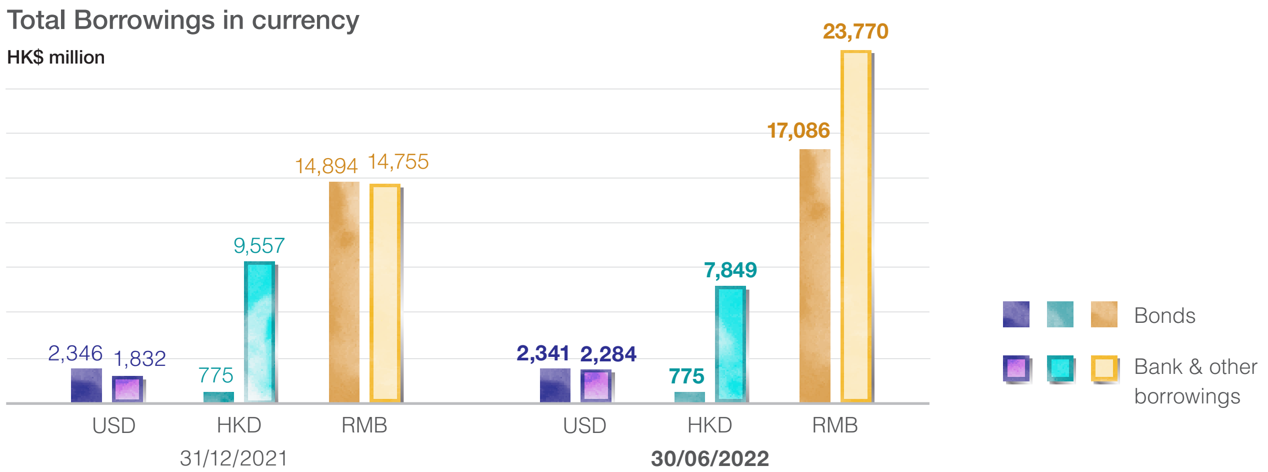
As at 30 June 2022, cash held by the Group amounted to approximately HK$11,943 million (31 December 2021 (restated): HK$11,985 million), which was similar to that at the end of last year. To facilitate the Group's operation and development in the PRC, cash held by the Group is primarily denominated in 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.

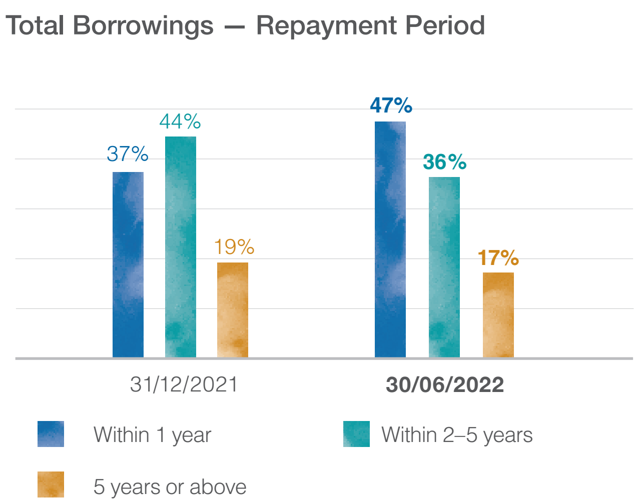
CAPITAL EXPENDITURES

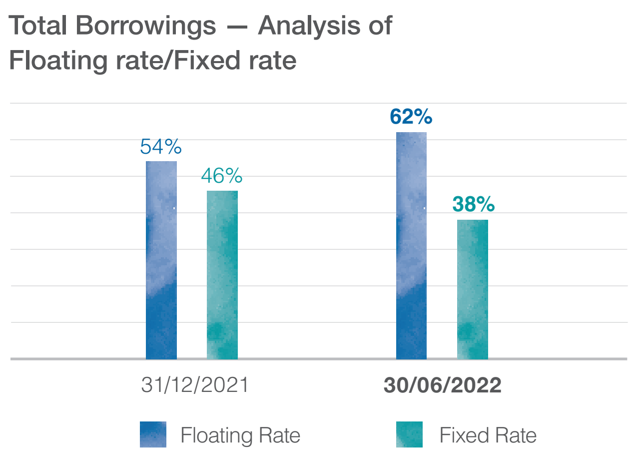
The Group's capital expenditures for the Period amounted to approximately RMB3,100 million (equivalent to HK$3,700 million), primarily comprising investments of approximately RMB1,490 million in the construction of "Integrated Logistics Hub" projects and investments of approximately RMB1,060 million in Shenzhen Expressway's projects. The Group expects that the capital expenditures for the second half of 2022 will amount to approximately RMB4,800 million (equivalent to HK$5,600 million), including approximately RMB2,500 million for "Integrated Logistics Hub" projects, approximately RMB1,360 million for Shenzhen Expressway's projects and approximately RMB650 million for port projects.



BORROWINGS







As at 30 June 2022, the Group's total borrowings amounted to approximately HK$54,105 million, representing an increase of 23% as compared with the end of last year. During the Period, the Company issued Panda Bonds of RMB1,000 million, and Shenzhen Expressway, a subsidiary of the Group, issued corporate bonds (first batch) of RMB1,500 million. 47%, 36% and 17% of the Group's total borrowings were due for repayment within 1 year, within 2 to 5 years and after 5 years, respectively.

The Group maintained close business relationships with financial institutions in Hong Kong and the PRC. It seized favorable opportunities in both the Hong Kong and PRC markets by conducting several financing activities to capitalize on the differences in costs. It further optimized its debt portfolio and struck a balance between its interest rate and foreign exchange risks. The Group closely monitored its overall borrowing structure, and effectively maintained 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 2021 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$. During the Period, as the ongoing COVID-19 and geopolitical crisis affected global economic and trade development, economic growth was subject to a great deal of uncertainty, and RMB/US$ exchange rates fluctuated relatively wildly in the second quarter. 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 2022, the ratio between the Group's borrowings in RMB and other currencies was around 76%:24%.

Liquidity Risk Management

As of 30 June 2022, the Group had cash on hand and standby banking facilities of approximately HK$92,900 million. The Group maintained adequate funds and credit facilities and optimized 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. China Lianhe Credit Rating Co., Ltd, a domestic credit rating agency, assigned an "AAA" credit rating to the Company. These ratings reflected favourable capital market recognition of the Group's financial soundness and solvency, and demonstrated confidence in the Group's 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 2022, 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 42 to 86, which comprise the condensed consolidated balance sheet as of 30 June 2022 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.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 August 2022

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2022

(For reference only) *As at 30 June 2022* *RMB'000*		NOTES	*As at 30 June 2022* *HKD'000* *(unaudited)*	*As at 31 December 2021* *HKD'000* *(restated)*
	ASSETS			
	Non-current assets			
7,965,927	Investment properties	6	**9,329,968**	7,697,726
16,768,236	Property, plant and equipment	6	**19,639,536**	19,087,069
2,872,657	Land use rights	6	**3,364,555**	3,328,772
2,207,864	Construction in progress	6	**2,585,926**	3,927,282
26,576,061	Intangible assets	6	**31,126,799**	32,922,243
605,724	Goodwill		**709,445**	657,917
16,706,444	Interests in associates	7	**19,567,163**	19,560,227
10,011,879	Interests in joint ventures	8	**11,726,258**	12,185,056
891,456	Other financial assets	9	**1,044,104**	1,144,780
673,944	Deferred tax assets		**789,346**	859,835
5,773,643	Other non-current assets	10	**6,762,290**	6,760,114
91,053,835			**106,645,390**	108,131,021
	Current assets			
5,366,052	Inventories and other contract costs	11	**6,284,906**	9,562,059
290,557	Contract assets		**340,310**	484,529
836,062	Other financial assets	9	**979,225**	973,640
9,112,857	Trade and other receivables	12	**10,673,293**	6,654,253
207,860	Derivative financial instruments		**243,453**	260,713
439,774	Restricted bank deposits		**515,078**	930,741
545,000	Deposits in banks with original maturities over three months		**638,323**	1,023,786
9,212,194	Cash and cash equivalents		**10,789,639**	10,030,535
26,010,356			**30,464,227**	29,920,256
117,064,191	**Total assets**		**137,109,617**	138,051,277

At 30 June 2022

(For reference only) As at 30 June 2022 RMB'000		NOTES	As at 30 June 2022 HKD'000 (unaudited)	As at 31 December 2021 HKD'000 (restated)
	EQUITY AND LIABILITIES			
	Equity attributable to ordinary shareholders of the Company			
11,285,788	Share capital and share premium	13	**13,218,304**	12,331,648
18,609,323	Other reserves and retained earnings	14	**21,795,881**	26,540,920
29,895,111	**Equity attributable to ordinary shareholders of the Company**		**35,014,185**	38,872,568
1,990,156	**Perpetual securities**	15	**2,330,939**	2,330,939
20,307,852	**Non-controlling interests**		**23,785,257**	26,468,668
52,193,119	**Total equity**		**61,130,381**	67,672,175
	Liabilities			
	Non-current liabilities			
24,430,759	Borrowings	16	**28,614,147**	27,910,782
1,146,514	Lease liabilities		**1,342,837**	1,430,391
2,271,541	Deferred tax liabilities		**2,660,507**	2,782,820
3,572,856	Other non-current liabilities	17	**4,184,652**	4,103,911
31,421,670			**36,802,143**	36,227,904
	Current liabilities			
10,784,851	Trade and other payables	18	**12,631,589**	15,755,370
220,870	Contract liabilities	19	**258,690**	290,329
541,313	Income tax payable		**634,005**	1,760,252
21,764,200	Borrowings	16	**25,490,982**	16,247,986
138,168	Lease liabilities		**161,827**	97,261
33,449,402			**39,177,093**	34,151,198
64,871,072	**Total liabilities**		**75,979,236**	70,379,102
117,064,191	**Total equity and liabilities**		**137,109,617**	138,051,277

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2022

(For reference only) Six months ended 30 June 2022 RMB'000		NOTES	*Six months ended 30 June* **2022 HKD'000 (unaudited)**	*2021 HKD'000 (unaudited and restated)*
6,232,177	**Revenue**	5, 20	**7,486,998**	7,287,183
(4,265,589)	Cost of sales		**(5,124,446)**	(4,696,598)
1,966,588	**Gross profit**		**2,362,552**	2,590,585
2,612,409	Other gains – net	21	**3,138,406**	270,262
62,674	Other income	22	**75,293**	119,274
(45,547)	Distribution costs		**(54,718)**	(94,908)
(420,765)	Administrative expenses		**(505,484)**	(457,785)
(6,535)	Impairment losses on trade receivables and contract assets		**(7,851)**	(147,640)
4,168,824	**Operating profit**		**5,008,198**	2,279,788
76,045	Share of profit of joint ventures	8	**91,356**	244,820
(1,814,136)	Share of (loss)/profit of associates	7	**(2,179,404)**	449,127
2,430,733	**Profit before finance costs and income tax**		**2,920,150**	2,973,735
145,888	Finance income	23	**175,262**	180,752
(1,295,668)	Finance costs	23	**(1,556,545)**	(683,614)
(1,149,780)	Finance costs – net	23	**(1,381,283)**	(502,862)
1,280,953	**Profit before income tax**		**1,538,867**	2,470,873
(297,471)	Income tax expense	24	**(357,365)**	(530,002)
983,482	**Profit for the period**		**1,181,502**	1,940,871
	Profit for the period attributable to:			
484,103	Ordinary shareholders of the Company		**581,575**	959,671
38,722	Perpetual securities holders of the Company		**46,518**	45,996
460,657	Non-controlling interests		**553,409**	935,204
983,482			**1,181,502**	1,940,871
	Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)			
	Basic	25	**0.26**	0.44
	Diluted	25	**0.26**	0.43

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	*2021*
	HKD'000	*HKD'000*
	(unaudited)	*(unaudited and restated)*
Profit for the period	**1,181,502**	1,940,871
Other comprehensive income/(expenses):		
Item that may be reclassified to profit or loss:		
Share of other comprehensive income of associates and joint ventures	**16,411**	64,850
Items that will not be reclassified to profit or loss:		
Currency translation differences from functional currency to presentation currency	**(2,881,627)**	1,110,834
Fair value loss on equity securities designated at fair value through other comprehensive income	**(1,266)**	(13,827)
Sub-total	**(2,882,893)**	1,097,007
Other comprehensive (expenses)/income for the period	**(2,866,482)**	1,161,857
Total comprehensive (expenses)/income for the period	**(1,684,980)**	3,102,728
Total comprehensive (expenses)/income attributable to:		
Ordinary shareholders of the Company	**(1,535,225)**	1,809,573
Perpetual securities holders of the Company	**46,518**	45,996
Non-controlling interests	**(196,273)**	1,247,159
	(1,684,980)	3,102,728

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	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 (as previously reported)	11,529,380	5,950,834	16,906,439	34,386,653	2,330,939	21,761,340	58,478,932
Business combination under common control	–	2,392,453	(1,152,250)	1,240,203	–	3,580,512	4,820,715
As at 1 January 2021 (restated)	11,529,380	8,343,287	15,754,189	35,626,856	2,330,939	25,341,852	63,299,647
Profit for the period (restated)	–	–	959,671	959,671	45,996	935,204	1,940,871
Other comprehensive income (restated)	–	849,902	–	849,902	–	311,955	1,161,857
Total comprehensive income for the six months ended 30 June 2021 (restated)	–	849,902	959,671	1,809,573	45,996	1,247,159	3,102,728
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 to 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)
Business combination under common control	–	253,661	(253,661)	–	–	–	–
Total transactions with owners	807,409	407,010	(2,519,410)	(1,304,991)	(45,996)	(568,483)	(1,919,470)
As at 30 June 2021 (unaudited and restated)	12,336,789	9,600,199	14,194,450	36,131,438	2,330,939	26,020,528	64,482,905

For the six months ended 30 June 2022

	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 2022 (as previously reported)	12,331,648	6,742,666	18,797,432	37,871,746	2,330,939	22,849,674	63,052,359
Business combination under common control	–	2,690,062	(1,689,240)	1,000,822	–	3,618,994	4,619,816
As at 1 January 2022 (restated)	12,331,648	9,432,728	17,108,192	38,872,568	2,330,939	26,468,668	67,672,175
Profit for the period	–	–	581,575	581,575	46,518	553,409	1,181,502
Other comprehensive expenses	–	(2,116,800)	–	(2,116,800)	–	(749,682)	(2,866,482)
Total comprehensive (expenses)/income for the six months ended 30 June 2022	–	(2,116,800)	581,575	(1,535,225)	46,518	(196,273)	(1,684,980)
Transactions with owners in their capacity as owners							
Transfer to reserve	–	206,694	(206,694)	–	–	–	–
Dividend relating to 2021 (note 26)	–	–	(1,876,840)	(1,876,840)	–	–	(1,876,840)
Issue of scrip shares as dividend (note 26)	886,656	–	–	886,656	–	–	886,656
Dividend paid/payables to non-controlling interests by subsidiaries	–	–	–	–	–	(1,046,910)	(1,046,910)
Capital injection by non-controlling interests	–	–	–	–	–	(187,966)	(187,966)
Distribution for perpetual securities (note 15)	–	–	–	–	(46,518)	–	(46,518)
Transfer of currency translation reserve upon derecognition of a subsidiary	–	(12,457)	12,457	–	–	–	–
Business combination under common control	–	(1,332,974)	–	(1,332,974)	–	(1,252,262)	(2,585,236)
Total transactions with owners	886,656	(1,138,737)	(2,071,077)	(2,323,158)	(46,518)	(2,487,138)	(4,856,814)
Balance as at 30 June 2022 (unaudited)	13,218,304	6,177,191	15,618,690	35,014,185	2,330,939	23,785,257	61,130,381

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	NOTES	*Six months ended 30 June* **2022** **HKD'000** ***(unaudited)***	*2021* *HKD'000* *(unaudited and restated)*
Cash flows from operating activities			
Cash generated from operations		**5,491,234**	5,693,291
Income tax paid		**(1,280,601)**	(2,773,204)
Net cash generated from operating activities		**4,210,633**	2,920,087
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash paid	1, 29	**(3,391,257)**	(699,884)
Derecognition of a subsidiary	29	**(352,349)**	(27,174)
Purchase of property, plant and equipment, land use rights, construction in progress, intangible assets and other non-current assets		**(3,390,542)**	(4,004,388)
Repayment from a joint venture		**63,575**	170,735
Loan to a joint venture		**–**	(632,440)
Increase in interests in associates and joint ventures		**(267,276)**	(533,335)
Proceeds from disposal group held for sale		**–**	587,346
Proceeds from disposal of property, plant and equipment, and concession intangible assets		**15,954**	60,118
Proceeds from disposal of other financial assets		**–**	819,095
Purchase of other financial assets		**(305,137)**	(1,145,364)
Redemption of structured deposits		**430,825**	1,322,592
Proceeds from redemption of unlisted fund investment		**59,094**	–
Withdrawal of restricted bank deposits and deposits in banks with original maturities over three months		**348,390**	1,264,446
Interest received		**175,262**	132,197
Dividends received		**118,567**	545,121
Cash generated from other investing activities		**–**	2,994
Net cash used in investing activities		**(6,494,894)**	(2,137,941)
Cash flows from financing activities			
Interest paid		**(754,233)**	(449,785)
Proceeds from borrowings		**12,742,639**	12,209,291
Repayment to a related party		**(3,126,849)**	–
Repayments of borrowings and lease liabilities		**(4,010,808)**	(7,926,107)
Proceeds on issue shares of the Company		**–**	55,462
Dividends paid to the Company's and subsidiaries' shareholders		**(1,093,068)**	(2,264,208)
Distribution for perpetual securities holders	15	**(46,518)**	(45,996)
Capital deductions by non-controlling interests		**(187,966)**	–
Capital injections by non-controlling interests		**–**	104,489
Cash used in other financing activities		**–**	51,484
Net cash generated from financing activities		**3,523,197**	1,734,630
Net increase in cash and cash equivalents		**1,238,936**	2,516,776
Cash and cash equivalents at the beginning of the period		**10,030,535**	9,763,648
Effect of foreign exchange rates changes		**(479,832)**	169,474
Cash and cash equivalents at the end of the period		**10,789,639**	12,449,898

1. GENERAL

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

- Toll roads and general-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 2022, Ultrarich International Limited ("Ultrarich") directly owned 1,059,082,483 ordinary shares of the Company, representing approximately 44.35% 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 44.35% 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"), unless otherwise stated.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Company's current liabilities exceeded its current assets by HKD8,712,866,000 as at 30 June 2022.

In order to improve the Group's financial position, to provide liquidity and cash flows and to sustain the Group as a going concern, the Group has been implementing a number of measures. These measures include but not limited to considering usage of existing banking facilities.

The directors of the Company have, at the time of approving the condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements.

1. GENERAL *(continued)*

Merger accounting for business combination involving entities under common control

On 10 August 2021, Mei Wah Industrial (Hong Kong) Limited ("Mei Wah"), a wholly-owned subsidiary of Shenzhen Expressway, entered into a sale and purchase agreement with Shenzhen Investment International Capital Holdings Co., Ltd. ("Shenzhen Investment Capital"), a wholly-owned subsidiary of SIHCL for the acquisition of 100% equity interest in Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. ("Shenzhen Investment Infrastructure"), at a consideration of approximately HKD2,450,035,000, and pursuant to which Mei Wah agreed to finance the repayment of loans owed by Shenzhen Investment Infrastructure to Shenzhen Investment Capital and certain bank loans. On 10 December 2021, such agreement was approved by the shareholders of the Company in a special general meeting. The acquisition subsequently completed on 11 January 2022, and Shenzhen Investment Infrastructure has since became a subsidiary of the Company. Shenzhen Investment Infrastructure holds 71.83% of the total issued shares of Shenzhen Investment Holdings Bay Area Development Company Limited ("Bay Area Development"), whose shares are listed on the Hong Kong Stock Exchange.

As both the Company and Shenzhen Investment Infrastructure are controlled by SIHCL before and after the acquisition and the control is not transitory, the acquisition has been regarded as business combination under common control. The acquisition has been accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5, Merger Accounting for Common Control Combinations issued by the HKICPA.

The interim financial report of the Group has been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the periods presented.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The adjustments to eliminate share capital/registered capital of the combining entities or businesses against the related investment costs have been made to merger reserve in the condensed consolidated statement of changes in equity.

The condensed consolidated income statement, condensed consolidated statement of other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the prior periods have been restated to include the operating results of Shenzhen Investment Infrastructure as if these acquisitions had been completed since the date the respective business came under the common control of SIHCL.

The condensed consolidated balance sheet as at 31 December 2021 have been restated to adjust the carrying amounts of the assets and liabilities of Shenzhen Investment Infrastructure which had been in existence as at and 31 December 2021 as if those entities or businesses were combined from the date when they first came under the common control of SIHCL (see below for the financial impacts).

1. GENERAL *(continued)*

Merger accounting for business combination involving entities under common control *(continued)*

The effect of restatements on the condensed consolidated balance sheet as at 31 December 2021 is as follows:

	As previously reported HKD'000	*Effect of business combination under common control HKD'000*	*Elimination of intra-group balance HKD'000*	*As restated HKD'000*
ASSETS				
Non-current assets				
Investment properties	7,697,726	–	–	7,697,726
Property, plant and equipment	19,078,772	8,297	–	19,087,069
Land use rights	3,328,772	–	–	3,328,772
Construction in progress	3,927,282	–	–	3,927,282
Intangible assets	32,922,243	–	–	32,922,243
Goodwill	409,152	248,765	–	657,917
Interests in associates	19,560,227	–	–	19,560,227
Interests in joint ventures	237,351	11,947,705	–	12,185,056
Other financial assets	1,120,136	24,644	–	1,144,780
Deferred tax assets	859,835	–	–	859,835
Other non-current assets	7,549,927	–	(789,813)	6,760,114
	96,691,423	12,229,411	(789,813)	108,131,021
Current assets				
Inventories and other contract costs	9,562,059	–	–	9,562,059
Contract assets	484,529	–	–	484,529
Other financial assets	542,815	430,825	–	973,640
Trade and other receivables	6,329,180	325,073	–	6,654,253
Derivative financial instruments	260,713	–	–	260,713
Restricted bank deposits	930,741	–	–	930,741
Deposits in banks with original maturities over three months	1,023,786	–	–	1,023,786
Cash and cash equivalents	7,882,525	2,148,010	–	10,030,535
	27,016,348	2,903,908	–	29,920,256
Total assets	123,707,771	15,133,319	(789,813)	138,051,277

1. GENERAL *(continued)*

Merger accounting for business combination involving entities under common control *(continued)*

	As previously reported HKD'000	*Effect of business combination under common control HKD'000*	*As restated HKD'000*
EQUITY AND LIABILITIES			
Equity attributable to ordinary shareholders of the Company			
Share capital and share premium	12,331,648	–	12,331,648
Other reserves and retained earnings	25,540,098	1,000,822	26,540,920
Equity attributable to ordinary shareholders of the Company	37,871,746	1,000,822	38,872,568
Perpetual securities	2,330,939	–	2,330,939
Non-controlling interests	22,849,674	3,618,994	26,468,668
Total equity	63,052,359	4,619,816	67,672,175
Non-current liabilities			
Borrowings	25,876,966	2,033,816	27,910,782
Lease liabilities	1,426,302	4,089	1,430,391
Deferred tax liabilities	2,622,514	160,306	2,782,820
Other non-current liabilities	1,758,774	2,345,137	4,103,911
	31,684,556	4,543,348	36,227,904
Current liabilities			
Trade and other payables	12,458,217	3,297,153	15,755,370
Contract liabilities	290,329	–	290,329
Income tax payable	1,747,538	12,714	1,760,252
Borrowings	14,379,564	1,868,422	16,247,986
Lease liabilities	95,208	2,053	97,261
	28,970,856	5,180,342	34,151,198
Total liabilities	60,655,412	9,723,690	70,379,102
Total equity and liabilities	123,707,771	14,343,506	138,051,277

1. GENERAL *(continued)*

Merger accounting for business combination involving entities under common control *(continued)*

The effect of restatements described above on the condensed consolidated income statement and condensed consolidated statement of other comprehensive income for the six months ended 30 June 2021 by line items is as follows:

	As previously reported HKD'000	*Effect of business combination under common control HKD'000*	*As restated HKD'000*
Revenue	7,287,183	–	7,287,183
Cost of sales	(4,696,598)	–	(4,696,598)
Gross profit	2,590,585	–	2,590,585
Other gains – net	270,262	–	270,262
Other income	117,973	1,301	119,274
Distribution costs	(94,908)	–	(94,908)
Administrative expenses	(432,655)	(25,130)	(457,785)
Impairment losses on trade receivables and contract assets	(147,640)	–	(147,640)
Operating profit	2,303,617	(23,829)	2,279,788
Share of profit of joint ventures	22,574	222,246	244,820
Share of profit of associates	449,127	–	449,127
Profit before finance costs and income taxes	2,775,318	198,417	2,973,735
Finance income	136,917	43,835	180,752
Finance costs	(555,097)	(128,517)	(683,614)
Finance costs – net	(418,180)	(84,682)	(502,862)
Profit before income taxes	2,357,138	113,735	2,470,873
Income tax expenses	(468,320)	(61,682)	(530,002)
Profit for the period	1,888,818	52,053	1,940,871
Profit for the period attributable to:			
Ordinary shareholders of the Company	960,781	(1,110)	959,671
Perpetual securities holders of the Company	45,996	–	45,996
Non-controlling interests	882,041	53,163	935,204
	1,888,818	52,053	1,940,871

1. GENERAL *(continued)*

Merger accounting for business combination involving entities under common control *(continued)*

	As previously reported *HKD'000*	*Effect of business combination under common control* *HKD'000*	*As restated* *HKD'000*
Profit for the period	1,888,818	52,053	1,940,871
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Share of other comprehensive income of associates	63,882	968	64,850
Items that will not be reclassified to profit or loss:			
Currency translation differences from functional currency to presentation currency	1,009,972	100,862	1,110,834
Fair value loss on equity securities designated at fair value through other comprehensive income	–	(13,827)	(13,827)
Sub-total	1,009,972	87,035	1,097,007
Other comprehensive income for the period	1,073,854	88,003	1,161,857
Total comprehensive income for the period	2,962,672	140,056	3,102,728
Total comprehensive income attributable to:			
Ordinary shareholders of the Company	1,770,237	39,336	1,809,573
Perpetual securities holders of the Company	45,996	–	45,996
Non-controlling interests	1,146,439	100,720	1,247,159
	2,962,672	140,056	3,102,728

The effect of restatements to the Group's equity on 1 January 2021 is summarised below:

	As previously reported *HKD'000*	*Effect of business combination under common control* *HKD'000*	*As restated* *HKD'000*
Share capital and share premium	11,529,380	–	11,529,380
Other reserves	5,950,834	2,392,453	8,343,287
Retained earnings	16,906,439	(1,152,250)	15,754,189
Total	34,386,653	1,240,203	35,626,856
Perpetual capital securities	2,330,939	–	2,330,939
Non-controlling interests	21,761,340	3,580,512	25,341,852
Total equity	58,478,932	4,820,715	63,299,647

1. GENERAL *(continued)*

Merger accounting for business combination involving entities under common control *(continued)*

The effect of restatements to the Group's equity on 31 December 2021 is summarised below:

	As previously reported HKD'000	*Effect of business combination under common control HKD'000*	*As restated HKD'000*
Share capital and share premium	12,331,648	–	12,331,648
Other reserves	6,742,666	2,690,062	9,432,728
Retained earnings	18,797,432	(1,689,240)	17,108,192
Total	37,871,746	1,000,822	38,872,568
Perpetual capital securities	2,330,939	–	2,330,939
Non-controlling interests	22,849,674	3,618,994	26,468,668
Total equity	63,052,359	4,619,816	67,672,175

The effect of restatements on the condensed consolidated statement of cash flows as at 30 June 2021 is as follows:

	As previously reported HKD'000	*Effect of business combination under common control HKD'000*	*As restated HKD'000*
Cash flows from operating activities			
Cash generated from/(used in) operations	5,720,875	(27,584)	5,693,291
Income tax paid	(2,597,133)	(176,071)	(2,773,204)
Net cash generated from/(used in) operating activities	3,123,742	(203,655)	2,920,087
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash paid	(699,884)	–	(699,884)
Derecognition of a subsidiary	(27,174)	–	(27,174)
Purchase of property, plant and equipment, land use rights, construction in progress, intangible assets and other non-current assets	(4,004,299)	(89)	(4,004,388)
Repayment from a joint venture	–	170,735	170,735
Loan to a joint venture	–	(632,440)	(632,440)
Increase in interests in associates and joint ventures	(533,335)	–	(533,335)
Proceeds from disposal group held for sale	587,346	–	587,346
Proceeds from disposal of property, plant and equipment, and concession intangible assets	60,118	–	60,118
Proceeds from disposal of other financial assets	819,095	–	819,095
Purchase of other financial assets	(309,726)	(835,638)	(1,145,364)
Redemption of structured deposits	–	1,322,592	1,322,592
Withdrawal of restricted bank deposits and deposits in banks with original maturities over three months	975,880	288,566	1,264,446
Interest received	112,991	19,206	132,197
Dividends received	168,110	377,011	545,121
Cash generated from other investing activities	–	2,994	2,994
Net cash (used in)/from investing activities	(2,850,878)	712,937	(2,137,941)

1. GENERAL *(continued)*

Merger accounting for business combination involving entities under common control *(continued)*

	As previously reported *HKD'000*	*Effect of business combination under common control* *HKD'000*	*As restated* *HKD'000*
Cash flows from financing activities			
Interest paid	(411,581)	(38,204)	(449,785)
Proceeds from borrowings	10,613,332	1,595,959	12,209,291
Repayments of borrowings and lease liabilities	(6,627,489)	(1,298,618)	(7,926,107)
Proceeds on issue shares of the Company	55,462	–	55,462
Dividends paid to the Company's and subsidiaries' shareholders	(1,985,047)	(279,161)	(2,264,208)
Distribution for perpetual securities holders	(45,996)	–	(45,996)
Capital injections by non-controlling interests	104,489	–	104,489
Cash used in other financing activities	–	51,484	51,484
Net cash generated from financing activities	1,703,170	31,460	1,734,630
Net increase in cash and cash equivalents	1,976,034	540,742	2,516,776
Cash and cash equivalents at the beginning of the period	9,073,474	690,174	9,763,648
Effect of foreign exchange rates changes	163,153	6,321	169,474
Cash and cash equivalents at the end of the period	11,212,661	1,237,237	12,449,898

The effect of restatement on the Group's earnings per share for the six months ended 30 June 2021 is as follows:

Basic

	HKD per share
As originally stated	0.44
Adjustments arising from business combination under common control	–
Restated	0.44

Diluted

	HKD per share
As originally stated	0.44
Adjustments arising from business combination under common control	–
Restated*	0.43

* *Rounding difference*

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 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

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 period beginning on 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

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 condensed consolidated financial statements 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 2021.

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 in accordance with HKFRS 15 "Revenue from Contracts with Customers" 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 concessions 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 concessions arrangements as if the Group were providing construction and project management services. Accordingly, construction service revenue under the respective service concessions 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 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 interest in associates

The Group determines at the end of each reporting date whether there is any objective evidence that the interest in the associate is impaired. When conducting impairment test of interest in associate, the Group adopted value in use using the present value of the future cash flows expected to arise from the associate based on the cash flows from operations, taking into account revenue growth rates, gross margin and long-term growth rate used in the cash flow projections and a suitable discount rate by reference to comparable companies, to assess the recoverable amount. Key assumptions used include the multiples and discount for lack of marketability.

5. SEGMENT INFORMATION

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

- Toll roads and general-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 general-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 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 periods ended 30 June 2022 and 2021 is set out below.

For the six months ended 30 June 2022

	Toll roads and general-environmental protection business	*Logistics business*					*Head office functions*	*Total*
		Logistics parks	*Logistics services*	*Port and related services*	*Logistics park transformation and upgrading services*	*Sub-total*		
	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	3,949,451	120,962	229,470	1,579,745	19,448	1,949,625	–	5,899,076
– Overtime	968,971	–	–	–	–	–	–	968,971
Sub-total	4,918,422	120,962	229,470	1,579,745	19,448	1,949,625	–	6,868,047
Revenue from other sources								
– Leases from logistics parks	–	618,951	–	–	–	618,951	–	618,951
Revenue	4,918,422	739,913	229,470	1,579,745	19,448	2,568,576	–	7,486,998
Operating profit/(loss)	1,735,296	234,121	19,121	103,143	2,981,572	3,337,957	(65,055)	5,008,198
Share of profit/(loss) of joint ventures	84,202	6,798	4,982	–	–	11,780	(4,626)	91,356
Share of profit/(loss) of associates	311,894	43	–	–	(244)	(201)	(2,491,097)	(2,179,404)
Finance income	108,486	38,463	1,330	1,240	25	41,058	25,718	175,262
Finance costs	(952,804)	(61,098)	(9,202)	(4,004)	(787)	(75,091)	(528,650)	(1,556,545)
Profit before income tax	1,287,074	218,327	16,231	100,379	2,980,566	3,315,503	(3,063,710)	1,538,867
Income tax expense	(235,566)	(54,122)	(4,184)	(25,837)	(311)	(84,454)	(37,345)	(357,365)
Profit for the period	1,051,508	164,205	12,047	74,542	2,980,255	3,231,049	(3,101,055)	1,181,502
Non-controlling interests	(528,690)	4,102	(7,488)	(21,055)	–	(24,441)	(278)	(553,409)
Sub-total	522,818	168,307	4,559	53,487	2,980,255	3,206,608	(3,101,333)	628,093
Profit attributable to perpetual securities holders of the Company	–	–	–	–	–	–	(46,518)	(46,518)
Profit attributable to ordinary shareholders of the Company	522,818	168,307	4,559	53,487	2,980,255	3,206,608	(3,147,851)	581,575
Depreciation and amortisation	1,343,441	196,430	23,312	20,340	107	240,189	24,900	1,608,530
Capital expenditure								
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	829,306	1,145,708	20,935	374,199	143	1,540,985	953,554	3,323,845
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets arising from acquisition of a subsidiary (Note 29)	5,414	–	–	–	–	–	21,588	27,002
– Additions in interests in associates	–	–	–	–	–	–	3,006,076	3,006,076

5. SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2021 (unaudited and restated)

	Toll roads and general-environmental protection business	Logistics business					Head office functions	Total
		Logistics parks	Logistics services	Port and related services	Logistics park transformation and upgrading services	Sub-total		
	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
– Overtime	812,052	–	–	–	–	–	–	812,052
Sub-total	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	(160,320)	2,279,788
Share of profit of joint ventures	222,246	21,809	–	–	–	21,809	765	244,820
Share of profit/(loss) of associates	404,034	929	–	–	860,186	861,115	(816,022)	449,127
Finance income	96,123	4,731	860	360	38,150	44,101	40,528	180,752
Finance costs	(579,134)	(46,111)	(9,028)	(3,014)	–	(58,153)	(46,327)	(683,614)
Profit before income tax	2,110,425	357,721	21,027	103,046	860,030	1,341,824	(981,376)	2,470,873
Income tax expense	(439,933)	(39,729)	(6,414)	(26,205)	(2,159)	(74,507)	(15,562)	(530,002)
Profit for the period	1,670,492	317,992	14,613	76,841	857,871	1,267,317	(996,938)	1,940,871
Non-controlling interests	(898,982)	(1,735)	(10,459)	(21,390)	(4,095)	(37,679)	1,457	(935,204)
Sub-total	771,510	316,257	4,154	55,451	853,776	1,229,638	(995,481)	1,005,667
Profit attributable to perpetual securities holders of the Company	–	–	–	–	–	–	(45,996)	(45,996)
Profit attributable to ordinary shareholders of the Company	771,510	316,257	4,154	55,451	853,776	1,229,638	(1,041,477)	959,671
Depreciation and amortisation	1,371,577	179,975	10,265	18,870	37	209,147	29,690	1,610,414
Capital expenditure								
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	2,620,582	1,049,996	9,985	11,607	176	1,071,764	312,041	4,004,387
– 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

All revenues are derived from external customers located in the PRC. The Group's non-current assets, other than financial instruments and deferred tax assets that mainly located in the PRC. Revenues derived from 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 operating decision-maker for review.

6. INTANGIBLE ASSETS AND OTHER FIXED ASSETS

Intangible assets

	HKD'000
Six months ended 30 June 2022 (unaudited)	
Net book amount as at 1 January 2022	**32,922,243**
Additions	**648,578**
Exchange difference	**(1,473,249)**
Depreciation/amortisation	**(970,773)**
Net book amount as at 30 June 2022	**31,126,799**
Six months ended 30 June 2021 (unaudited and restated)	
Net book amount as at 1 January 2021	31,645,704
Additions	696,068
Disposals	(284)
Exchange difference	346,484
Depreciation/amortisation	(1,092,930)
Net book amount as at 30 June 2021	31,595,042

(i) 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 1 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 condensed consolidated income statement within "Cost of sales". The operating rights of certain toll roads were pledged for secured borrowings as disclosed in note 16.

(ii) 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.

Other fixed assets

During the six months ended 30 June 2022, the Group has changed its intention of holding certain construction in progress from operating logistics parks business to earn rentals, as evidenced by the cessation of the Group's owner-occupation of those construction in progress. Accordingly, construction in progress of HKD570,812,000 and the corresponding land use rights of HKD814,055,000 were transferred to investment properties.

In addition, the Group completed the acquisition of assets through acquisition of subsidiaries as disclosed in note 29. Accordingly, investment properties amounted to HKD1,953,904,000 were acquired through acquisition of subsidiaries during the six months ended 30 June 2022.

7. INTERESTS IN ASSOCIATES

	Six months ended 30 June	
	2022	2021
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Beginning of the period	**19,560,227**	14,431,233
Additions	**3,248,507**	406,847
Share of (loss)/profit of associates	**(2,179,404)**	449,127
Share of other comprehensive income of associates	**17,211**	63,882
Dividends	**(173,114)**	(166,516)
Exchange difference	**(906,264)**	156,086
End of the period	**19,567,163**	15,340,659

	As at 30 June 2022 HKD'000 (unaudited)	As at 31 December 2021 HKD'000 (audited)
The period-end balance comprises the following:		
Share of net assets, other than goodwill	**16,893,963**	16,761,823
Goodwill on acquisition	**2,673,200**	2,798,404
	19,567,163	19,560,227

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 2022 (31 December 2021: Nil).

8. INTERESTS IN JOINT VENTURES

	Six months ended 30 June	
	2022	2021
	HKD'000	HKD'000
	(unaudited)	(unaudited and restated)
Beginning of the period	**12,185,056**	11,638,056
Additions	**–**	126,488
Share of profit of joint ventures	**91,356**	244,820
Share of other comprehensive (expense)/income of joint ventures	**(800)**	968
Dividends	**–**	(12,024)
Exchange difference	**(549,354)**	1,716
End of the period	**11,726,258**	12,000,024

Based on the assessment made by the directors of the Company, there were no impairment losses for the interests in joint ventures as at 30 June 2022 (31 December 2021: Nil).

9. OTHER FINANCIAL ASSETS

	As at 30 June 2022 HKD'000 (unaudited)	As at 31 December 2021 HKD'000 (restated)
Equity securities designated at FVTOCI		
– Unlisted equity securities	75,822	80,610
Financial assets measured at FVTPL		
– Listed securities in the PRC (Note (a))	439,841	420,205
– Unlisted equity securities (Note (b))	1,085,405	1,003,860
– Unlisted fund investments (Note (c))	117,124	182,920
– Structured deposit (Note (d))	305,137	430,825
	2,023,329	2,118,420
Less: non-current portion	(1,044,104)	(1,144,780)
Current portion	979,225	973,640

Notes:

(a) As at 30 June 2022, listed equity investments stated at market price represent 112,000,000 shares (31 December 2021: 112,000,000 shares) of listed real estate investment trust ("REITs") amounting to HKD439,841,000 (31 December 2021: HKD420,205,000).

(b) As at 30 June 2022 and 31 December 2021, unlisted equity investments mainly represent the Group's interest in Shenzhen SASAC Cooperative Development Private Investment Fund, Shenzhen Water Planning and Design Institute Co., Ltd. and Guangdong United Electronic Services Co., Ltd..

(c) As at 30 June 2022 and 31 December 2021, the amount represents investments in the Yuanzhi Credit Suisse Smart Airport Logistics Industry Private Equity Fund and the Group's share in Shenzhen Capital Lingxiu Logistics Facility Phase I Private Investment Fund.

(d) As at 30 June 2022, the Group's structured deposit represent financial products issued by a bank, with maturity of 60 days on 12 July 2022 (31 December 2021: 90 days on 24 February 2022) and an expected return at 4.42% (31 December 2021: 4%) per annum. The investment in financial product is classified as financial assets at FVTPL at initial recognition and measured at fair value at the end of the reporting period. The directors of the Company consider the fair value of the financial products approximate to the carrying amount as at 30 June 2022 and 31 December 2021 because of the short maturity.

10. OTHER NON-CURRENT ASSETS

As at 30 June 2022, other non-current assets mainly includes: (i) receivables of HKD1,011,659,000 (31 December 2021: HKD1,033,716,000) 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 HKD1,195,082,000 (31 December 2021: HKD399,458,000); (iii) receivables of electricity subsidy of HKD1,109,170,000 (31 December 2021: HKD900,906,000); (iv) receivables from agent construction business of HKD1,887,897,000 (31 December 2021: HKD1,612,409,000); and (v) deposit paid for acquisition of Shenzhen Investment Infrastructure of HKDnil (31 December 2021: HKD749,109,000), as disclosed in note 1.

11. INVENTORIES AND OTHER CONTRACT COSTS

	As at 30 June 2022 HKD'000 (unaudited)	As at 31 December 2021 HKD'000 (audited)
Land held for future development	395,564	220,262
Land and properties under development for sale	4,884,846	8,288,445
Completed properties for sale	350,979	386,402
Others	671,055	679,890
Impairment	(17,538)	(12,940)
	6,284,906	9,562,059

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 HKD'000 (unaudited)	As at 31 December 2021 HKD'000 (restated)
Trade receivables and bill receivables (Note (a))	2,030,656	2,210,657
Less: Loss allowance	(315,709)	(327,202)
Trade receivables, net of loss allowance	1,714,947	1,883,455
Lease receivables	91,337	74,013
Advance to non-controlling interests	722	–
Dividend receivable from associates	160,031	119,587
Other debtors	1,838,753	1,549,263
Amounts due from associates	5,182,206	1,577,488
Amount due from a joint venture	257,836	323,242
	9,245,832	5,527,048
Deposits and prepayments	1,427,461	1,127,205
	10,673,293	6,654,253

Note:

(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 are 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 2022 HKD'000 (unaudited)	As at 31 December 2021 HKD'000 (audited)
0 – 90 days	628,568	1,231,482
91 – 180 days	174,368	187,771
181 – 365 days	609,497	240,506
Over 365 days	618,223	550,898
	2,030,656	2,210,657

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 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
As at 1 January 2022 (audited)	**2,266,714,438**	**2,266,715**	**10,064,933**	**12,331,648**
Issue of scrip share as dividend (Note 26)	**121,094,761**	**121,095**	**765,561**	**886,656**
As at 30 June 2022 (unaudited)	**2,387,809,199**	**2,387,810**	**10,830,494**	**13,218,304**

(a) Authorised and issued shares

As at 30 June 2022, the total authorised number of ordinary shares was 3,000 million shares (31 December 2021: 3,000 million shares) with par value of HKD1.0 per share (31 December 2021: 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 2022 (unaudited)		*Six months ended 30 June 2021 (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	**10.016**	**27,610**	10.677	34,330
Granted	**–**	**–**	–	–
Forfeited	**–**	**–**	11.872	(495)
Exercised	**–**	**–**	10.223	(5,425)
Adjusted	**–**	**–**	–	2,418
Lapsed	**–**	**(27,610)**	–	–
End of the period	**–**	**–**	9.959	30,828

For the six months ended 30 June 2021, the related weighted-average share price at the time of exercise was HKD13.85 per share.

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 (thousands)	
		30 June 2022	31 December 2021
	HKD'000	**'000**	'000
25 May 2022 (Note (i))	9.472	**–**	23,204
25 May 2022 (Note (ii))	12.892	**–**	4,406
	–	**–**	27,610

Notes:

(i) On 26 May 2017, 34,770,000 share options (the "2017 Share Options") with an exercise of HKD12.628 per share were granted to certain directors of the Company and to selected employees of the Group. The exercise price of 2017 Share Options represents the average closing price for the five business days immediately preceding the date of grant. 40% of the share options granted is to be vested on 26 May 2019, another 30% of the share options granted will be vested on 26 May 2020, and the remaining 30% of the share options granted will be vested on 26 May 2021. Vesting of the above mentioned share is conditional upon the individual performance of respective grantees and the achievement of certain performance targets of the Group.

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.

During the period, nil (six months ended 30 June 2021: 342,000) of the 2017 Share Options were forfeited and nil (six months ended 30 June 2021: 5,425,000) of 2017 Share Options were exercised. All 2017 Share Options were lapsed on 25 May 2022.

(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. The fair value of the 2020 Share Options as determined using the binominal model was HKD1.95 per option. The significant inputs used in the model were share price of HKD15 per share at grant date, exercise price shown above, volatility of 29.144%, dividend yield of 3.53%, an expected option life of 2.02 years and an annual risk-free interest rate of 0.307%. The volatility measured at the standard deviation of continuously compounded share returns in based on statistical analysis of daily share prices over the past 1 year.

On 19 June 2020, the Company adjusted the exercise price and number of 2020 Share Options outstanding according to the terms of the share option scheme and supplemental guidelines from the Stock Exchange. The exercise price of 2020 Share Options were adjusted to HKD13.914 per share and the number of share options were increased by 336,000.

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.

During the period, nil (six months ended 30 June 2021: 153,000) of the 2020 Share Options were forfeited. All 2020 Share Options were lapsed on 25 May 2022.

14. OTHER RESERVES AND RETAINED EARNINGS

	Fair value reserve 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	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 2021 (as previously reported)	(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
Business combination under common control	–	–	–	–	3,189,506	–	–	(797,053)	–	2,392,453	(1,152,250)	1,240,203
As at 1 January 2021 (restated)	(2,470)	4,302,859	59,723	(159,583)	1,040,667	507,216	2,107,160	474,710	13,005	8,343,287	15,754,189	24,097,476
Profit attributable to ordinary shareholders of the Company	–	–	–	–	–	–	–	–	–	–	959,671	959,671
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	–	64,850	–	–	64,850	–	64,850
Fair value loss on equity securities designated at fair value through other comprehensive income	(13,827)	–	–	–	–	–	–	–	–	(13,827)	–	(13,827)
Currency translation differences	(29)	–	–	–	–	–	–	798,908	–	798,879	–	798,879
Total comprehensive income	(13,856)	–	–	–	–	–	64,850	798,908	–	849,902	959,671	1,809,573
Transfer to reserve	–	153,349	–	–	–	–	–	–	–	153,349	(153,349)	–
Dividend relating to 2020 (note 26)	–	–	–	–	–	–	–	–	–	–	(2,112,400)	(2,112,400)
Business combination under common control	–	–	–	–	253,661	–	–	–	–	253,661	(253,661)	–
At 30 June 2021 (unaudited and restated)	(16,326)	4,456,208	59,723	(159,583)	1,294,328	507,216	2,172,010	1,273,618	13,005	9,600,199	14,194,450	23,794,649
As at 1 January 2022 (as previously reported)	(4,004)	4,593,932	59,723	(159,583)	(2,148,839)	532,780	2,241,651	1,614,001	13,005	6,742,666	18,797,432	25,540,098
Business combination under common control	–	–	–	–	3,258,138	–	–	(568,076)	–	2,690,062	(1,689,240)	1,000,822
As at 1 January 2022 (restated)	(4,004)	4,593,932	59,723	(159,583)	1,109,299	532,780	2,241,651	1,045,925	13,005	9,432,728	17,108,192	26,540,920
Profit attributable to ordinary shareholders of the Company	–	–	–	–	–	–	–	–	–	–	581,575	581,575
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	–	16,411	–	–	16,411	–	16,411
Fair value loss on equity securities designated at fair value through other comprehensive income	(1,266)	–	–	–	–	–	–	–	–	(1,266)	–	(1,266)
Currency translation differences	5	–	–	–	–	–	–	(2,131,950)	–	(2,131,945)	–	(2,131,945)
Total comprehensive income	(1,261)	–	–	–	–	–	16,411	(2,131,950)	–	(2,116,800)	581,575	(1,535,225)
Transfer to reserve	–	206,694	–	–	–	–	–	–	–	206,694	(206,694)	–
Dividend relating to 2021 (note 26)	–	–	–	–	–	–	–	–	–	–	(1,876,840)	(1,876,840)
Transfer of currency translation reserve upon derecognition of a subsidiary	–	–	–	–	–	–	–	(12,457)	–	(12,457)	12,457	–
Business combination under common control	–	–	–	–	(1,332,974)	–	–	–	–	(1,332,974)	–	(1,332,974)
At 30 June 2022 (unaudited)	(5,265)	4,800,626	59,723	(159,583)	(223,675)	532,780	2,258,062	(1,098,482)	13,005	6,177,191	15,618,690	21,795,881

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 HKFRS 9. 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 2022, the profit attributable to the holders of perpetual securities, based on the applicable interest rate, amounted to HKD46,518,000 (six months ended 30 June 2021: HKD45,996,000) and such amount was distributed to the holders of perpetual securities.

16. BORROWINGS

	Notes	*As at 30 June 2022 HKD'000 (unaudited)*	*As at 31 December 2021 HKD'000 (restated)*
Secured bank borrowings	(a)	**17,648,887**	10,824,370
Unsecured bank borrowings		**15,778,014**	14,785,132
Medium-term notes	(b)	**936,087**	997,845
Senior notes	(c)	**774,883**	774,883
Corporate bonds	(d)	**10,174,898**	8,833,808
Panda bonds	(e)	**5,975,397**	4,932,215
Borrowings from finance lease companies	(f)	**475,679**	534,030
Super short-term commercial paper	(g)	**2,341,284**	2,476,485
		54,105,129	44,158,768
Less: Amount due within one year		**(25,490,982)**	(16,247,986)
Amount shown under non-current liabilities		**28,614,147**	27,910,782
Analysis of borrowings due within one year:			
Secured bank borrowings	(a)	**9,141,928**	2,044,580
Unsecured bank borrowings		**12,177,243**	10,478,197
Senior notes	(c)	**774,883**	–
Corporate bonds	(d)	**936,922**	1,142,511
Borrowings from finance lease companies	(f)	**118,722**	106,213
Super short-term commercial paper	(g)	**2,341,284**	2,476,485
		25,490,982	16,247,986

16. BORROWINGS *(continued)*

(a) Secured bank borrowings are as follows:

	As at 30 June 2022 HKD'000 (unaudited)	*As at 31 December 2021 HKD'000 (restated)*	*Security*
Qinglian Syndicated Loan	**2,270,900**	2,441,591	Secured by a pledge of the operating rights of Qinglian Expressway
Coastal Syndicated Loan	**3,016,834**	3,121,350	Secured by a pledge of the operating rights of Coastal Expressway
Yongcheng Syndicated Loan	**213,165**	–	Secured by a pledge of Yongcheng project rent receivable right
Qinglong Pledge Loan	**452,389**	519,556	Secured by a pledge of the operating rights of Shuiguan Expressway
Huangshi Environmental Investment Bioland Renewable Energy Co., Ltd. ("Huangshi Bioland") Pledge Loan	**54,316**	59,665	Guaranteed by Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental") and secured by a pledge of the expected income rights of government payment, the accounts receivable formed by the future operating income and the equity of Huangshi Bioland
Longyou Bioland Environmental Technologies Co., Ltd. ("Longyou Bioland") Pledge Loan	**15,226**	17,165	Guaranteed by Bioland Environmental and 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	**51,242**	61,305	Guaranteed by Bioland Environmental and Shi Junying, and secured by a pledge of the machinery and equipment of Guiyang Bell Bioland, Guiyang Bell Bioland's concession intangible assets and equity
Guangxi Bioland Environmental Technologies Co., Ltd. ("Guangxi Bioland") Pledge Loan	**7,180**	11,280	Guaranteed by Bioland Environmental and Shi Junying, and secured by a pledge of the equity of Guangxi Bioland
Guangxi Bioland Pledge Loan	**51,534**	59,833	Guaranteed by Bioland Environmental and Shi Junying, and secured by a pledge of the machinery and equipment of Guangxi Bioland, and the equity of Guangxi Bioland

16. BORROWINGS *(continued)*

(a) Secured bank borrowings are as follows: *(continued)*

	As at 30 June 2022 HKD'000 (unaudited)	*As at 31 December 2021 HKD'000 (restated)*	*Security*
Mulei County Qianxin Energy Development Co., Ltd. ("Qianxin Energy") Pledge Loan	**114,781**	121,511	Secured by a pledge of the right to charge the electricity fee of the wind farm
Mulei County Qianzhi Energy Development Co., Ltd. ("Qianzhi Energy") Pledge Loan	**938,744**	984,978	Secured by a pledge of the right to charge the electricity fee of the wind farm
Mulei County Qianhui Energy Development Co., Ltd. ("Qianhui Energy") Pledge Loan	**603,771**	633,944	Secured by a pledge of the right to charge the electricity fee of the wind farm
Baotou Lingxiang Pledge Loan	**265,870**	–	Secured by a pledge of the right to charge the electricity fee of the wind farm
Fuzhou Lande Environmental Protection Technology Co., Ltd. ("Lande Environmental") Pledge Loan	**70,274**	73,565	Guaranteed by Bioland Group and secured by a pledge of Fuzhou project franchise right
Beihai Zhonglan Environmental Technology Co., Ltd ("Zhonglan Environmental") Pledge Loan	**70,391**	73,688	Guaranteed by Bioland Group and secured by a pledge of North Sea project franchise right
Zhuji Environmental Investment Bioland Renewable Energy Co., Ltd. ("Zhuji Bioland") Pledge Loan	**37,229**	–	Guaranteed by Bioland Group and secured by a pledge of Zhuji project franchise right
Guilin Environmental Investment Bioland Renewable Energy Co., Ltd. ("Guilin Bioland") Pledge Loan	**29,890**	–	Guaranteed by Bioland Group and secured by a pledge of Guilin project franchise right
Pledge loan of financial leasing company	**114,488**	85,826	Secured by a pledge of Yongcheng project rent receivable right
Pledge loan of financial leasing company	**6,910**	–	Secured by a pledge of Shaoguan project rent receivable right
Pledge loan of financial leasing company	**35,137**	–	Secured by a pledge of Shanxi project rent receivable right
Shenzhen Expressway Headquarter Pledge Loan	**909,358**	885,238	Secured by a pledge of certain office premises of the Group

16. BORROWINGS *(continued)*

(a) Secured bank borrowings are as follows: *(continued)*

	As at 30 June 2022 HKD'000 (unaudited)	*As at 31 December 2021 HKD'000 (restated)*	*Security*
Short-term Pledge Loan	**8,180,226**	1,519,257	Secured by a pledge of the 80.2666% equity interests of Shenzhen Investment Infrastructure
Short-term Pledge Loan	**77,711**	17,981	Secured by a pledge of the right to collect trade receivables for financial leasing projects
Short-term Pledge Loan	**61,321**	136,637	Secured by a pledge of the 45% equity interests of Jade Emperor Limited, a wholly-owned subsidiary of the Company
	17,648,887	10,824,370	

(b) 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 15 August 2023.

(c) On 26 March 2018, the Company issued a 5-year Hong Kong dollar senior notes in an amount of HKD780,000,000 at 99.344% of the principal, 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. 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 bond 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 8 July 2021, Shenzhen Expressway issued long-term corporate bonds of USD300 million for a term of 5 years. The issuing price was equal to 99.13% of principal, bearing interest at of 1.75% per annum. Interest is payable semi-annually and the bonds will mature on 7 July 2026.

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, carrying a coupon rate of 3.05% per annum. The interest of the bond 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, 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.

16. BORROWINGS *(continued)*

(d) *(continued)*

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, 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.

On 27 July 2021, Shenzhen Expressway issued the first phase of 2021 Corporate Bonds (Green bonds) of RMB1,000 million for a term of 5 years, with a coupon rate of 3.35% 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).

On 20 January 2022, Shenzhen Expressway issued the first phase of 2022 Corporate Bonds (Green bonds) of RMB1,500 million for a term of 7 years, with a coupon rate of 3.18% 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).

(e) On 29 October 2021, the Company issued 6-year Panda Bond-Phase I with par value of RMB4,000 million carrying a coupon rate of 3.29% 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 shall be entitled to sell back the bonds to the issuer.

On 10 January 2022, the Company issued 6-year Panda Bond-Phase I with par value of RMB1,000 million carrying a coupon rate of 2.95% 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 shall be entitled to sell back the bonds to the issuer.

(f) As at 30 June 2022, the franchise rights, the land use rights and the equity of Bioland Environmental subsidiaries, with the total net book value of HKD1,905,155,000 (31 December 2021: HKD2,483,188,000), were pledged for secured borrowings from finance lease companies of HKD475,679,000 (31 December 2021: HKD534,030,000). These borrowings will be matured in years ranging from 2024 to 2032 and carry interest rates range from 4.5% to 4.9% per annum.

(g) On 9 March 2022, Shenzhen Expressway issued the first phase of super short-term commercial paper of RMB1,000 million for a term of 180 days bearing interest at 2.12% per annum. On 2 June 2022, Shenzhen Expressway issued the second phase of super short-term commercial paper of RMB1,000 million for a term of 270 days bearing interest at 2.00% per annum. As at 31 December 2021, the amount represented the third phase of super short-term commercial paper of RMB1,000 million bearing interest at 2.65% per annum and the fourth phase of super short-term commercial paper of RMB1,000 million bearing interest at 2.36% per annum, which were fully repaid during the current period.

17. OTHER NON-CURRENT LIABILITIES

	As at 30 June 2022 HKD'000 (unaudited)	*As at 31 December 2021 HKD'000 (restated)*
Compensations from government regarding operation of toll station (Note (a))	**523,170**	588,711
Other deferred income (Note (b))	**861,236**	730,231
Long-term employee bonus	**219,866**	230,464
Operating costs in the extended period for toll road compensation	**167,458**	171,109
Loan from a related party	**2,257,155**	2,345,137
Others	**155,767**	38,259
	4,184,652	4,103,911

Notes:

(a) The amount mainly represents government compensations amounting to HKD490,006,000 (31 December 2021: HKD550,346,000) for the operation subsidy of toll stations and ramp.

(b) Other deferred income mainly includes government grants amounting to HKD581,491,000 (31 December 2021: HKD675,090,000) 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 PAYABLES

	As at 30 June 2022 HKD'000 (unaudited)	*As at 31 December 2021 HKD'000 (restated)*
Trade payables (Note (a))	**3,764,238**	3,872,355
Construction payables	**1,040,959**	1,748,692
Dividend payable	**950,933**	6,908
Other payables and accrued expenses	**3,023,977**	3,176,055
Amounts due to associates (Note (b))	**3,841,556**	3,811,725
Loan from a related party	**–**	3,126,849
	12,621,663	15,742,584
Deferred income	**9,926**	12,786
	12,631,589	15,755,370

18. TRADE AND OTHER PAYABLES *(continued)*

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

	As at 30 June 2022 HKD'000 (unaudited)	*As at 31 December 2021 HKD'000 (restated)*
0 – 90 days	**792,954**	1,819,439
91 – 180 days	**1,377,676**	493,793
181 – 365 days	**569,412**	1,002,740
Over 365 days	**1,024,196**	556,383
	3,764,238	3,872,355

(b) The amount mainly comprised of loan advances from Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd. ("Qianhai Real Estate") and United Land Company, the associates of the Group. As at 30 June 2022, RMB791,497,000 (equivalent to HKD927,028,000) (31 December 2021: RMB977,391,000 (equivalent to HKD1,198,371,000)) and RMB2,160,900,000 (equivalent to HKD2,530,921,000 (31 December 2021: RMB2,131,452,000 (equivalent to HKD2,613,354,000)) was advance to the Group by Qianhai Real Estate and United Land Company, respectively. The amount due to Qianhai Real Estate is an unsecured loan that bears interest at 3.5% per annum and repayable within 2022. The amount due to United Land Company is unsecured, interest-free and expected to be repaid within one year.

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. 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	
	2022	2021
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Toll roads and general-environmental protection business		
– Toll revenue	**2,895,429**	3,344,984
– Entrusted construction management service and construction consulting service revenue	**496,724**	233,988
– Construction service revenue under service concession arrangements	**300,461**	225,069
– General-environmental protection service	**1,004,577**	778,474
– Others	**221,231**	480,775
	4,918,422	5,063,290
Logistics business		
– Logistics parks	**120,962**	173,719
– Logistics services	**229,470**	553,135
– Port and related services	**1,579,745**	1,059,502
– Logistics park transformation and upgrading service	**19,448**	–
	1,949,625	1,786,356
	6,868,047	6,849,646
Revenue from other sources		
Logistics business		
– Leases from logistics parks	**618,951**	437,537
	7,486,998	7,287,183

21. OTHER GAINS – NET

	Six months ended 30 June	
	2022	2021
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Fair value changes of investment properties	**(3,573)**	(25,962)
Net change in fair value of other financial assets	**168,415**	25,611
Gain on disposal of other financial assets	**–**	70,174
Gain on disposal of a subsidiary (note 29)	**2,988,327**	175,390
Others	**(14,763)**	25,049
	3,138,406	270,262

22. OTHER INCOME

	Six months ended 30 June	
	2022	2021
	HKD'000	HKD'000
	(unaudited)	(unaudited and restated)
Dividend income	**43,052**	46,596
Rental income	**1,260**	11,966
Government grants	**30,981**	59,411
Others	**–**	1,301
	75,293	119,274

23. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2022	2021
	HKD'000	HKD'000
	(unaudited)	(unaudited and restated)
Finance income		
Interest income from bank deposits	**(167,912)**	(129,938)
Other interest income	**(7,350)**	(50,814)
Total finance income	**(175,262)**	(180,752)
Interest expenses		
– Bank borrowings	**469,128**	436,051
– Medium-term notes	**5,934**	47,477
– Senior notes	**14,641**	14,421
– Corporate bonds	**186,693**	130,296
– Panda bonds	**95,002**	117,424
– Interest on contract liabilities	**1,648**	731
– Interest on lease liabilities	**33,885**	12,901
– Other interest costs	**69,825**	25,515
– Borrowings from finance lease companies	**30,672**	36,774
Net foreign exchange losses/(gains)	**755,137**	(18,616)
Less: finance costs capitalised on qualified assets	**(106,020)**	(119,360)
Total finance costs	**1,556,545**	683,614
Net finance costs	**1,381,283**	502,862

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 condensed consolidated income statement was calculated based on the assessable profits of the Company's subsidiaries located in the PRC for the period at a rate of 25% (six months ended 30 June 2021: 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 amortisation of land use rights, borrowing costs and all property development expenditures.

	Six months ended 30 June	
	2022 HKD'000 (unaudited)	2021 HKD'000 (unaudited and restated)
Current income tax		
– PRC Corporate Income Tax	**306,365**	1,060,493
– LAT	**1,834**	1,941
Deferred tax	**49,166**	(532,432)
	357,365	530,002

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	
	2022 HKD'000 (unaudited)	2021 HKD'000 (unaudited and restated)
Earnings		
Profit attributable to ordinary shareholders of the Company	**581,575**	959,671
	'000 (unaudited)	'000 (unaudited and restated)
Number of shares		
Weighted average number of ordinary shares in issue	**2,272,736**	2,199,849
Basic earnings per share (HKD per share)	**0.26**	0.44

25. EARNINGS PER SHARE *(continued)*

(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	
	2022	2021
	HKD'000	HKD'000
	(unaudited)	(unaudited and restated)
Earnings		
Profit attributable to ordinary shareholders of the Company	**581,575**	959,671
	'000	'000
	(unaudited)	(unaudited and restated)
Number of shares		
Weighted average number of ordinary shares in issue	**2,272,736**	2,199,849
Adjustments – share options	**–**	6,607
Weighted average number of ordinary shares for diluted earnings per share	**2,272,736**	2,206,456
Diluted earnings per share (HKD per share)	**0.26**	0.43

26. DIVIDENDS

The Board has resolved not to declare any interim dividend in respect of the period (six months ended 30 June 2021: Nil). The 2021 final dividend and special dividend of HKD1,876,840,000 in aggregate (consisting of HKD0.125 per ordinary share of final dividend and HKD0.703 per ordinary share of special dividend respectively) were settled in June 2022.

According to the scrip dividend scheme approved by shareholders in the annual general meeting held on 13 May 2022, 121,094,761 new shares were issued at a price of HKD7.322 per share, amounted to HKD886,656,000 and the remaining dividend of HKD990,184,000 was paid in cash in June 2022.

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 2022, the Group has given collateral liability guarantees by phases of approximately HKD565 million (31 December 2021: HKD555 million) 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. On 27 November 2019, the court ruled on property preservation and froze the property of Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental") 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. On 25 December 2019, Yonker Environmental filed a lawsuit against Bioland Environmental and its subsidiary at the Nanning Intermediate People's Court of Guangxi Zhuang Autonomous Region, pursuant to which it claimed an amount of RMB31,648,600 from the subsidiary of Bioland Environmental (being the equipment occupancy fees, project fees, interest on the project fees and penalty for breach of agreement), requested Bioland Environmental to assume joint and several repayment responsibility for its subsidiary.

The subsidiary of Bioland Environmental 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. On October 19, 2020, Yonker Environmental changed the amounts of claims to a total of RMB51,758,000. As of 30 June 2022, the case is still in litigation. With the assistance of the attorney representing Guangxi Lande in the case, the board of directors of the company believes that the outcome of the lawsuit and the compensation obligation (if any) cannot be reliably estimated.

28. COMMITMENTS

(a) 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 2022 HKD'000 (unaudited)	*As at 31 December 2021 HKD'000 (audited)*
Capital commitments – expenditure of property, plant and equipment and concession intangible assets and land premium		
– Authorised but not contracted	**3,063,265**	–
– Contracted but not provided for	**7,917,568**	8,898,336
	10,980,833	8,898,336

29. BUSINESS COMBINATIONS, ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES AND DISPOSAL OF SUBSIDIARIES

For the period ended 30 June 2022

Acquisition of assets through acquisition of subsidiaries

On 31 March 2022, Shenzhen International China Logistics Development Limited, a wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party, Stanwick Holdings Limited (sole shareholder of Season Hero Holdings Limited ("Season Hero")), pursuant to which the Group would acquire the entire equity interests of Season Hero at a total consideration of RMB1,710,296,000 (equivalent to HKD2,034,855,000). Season Hero indirectly holds and operates the Hefei Qianlong Logistics Park and Zhengzhou Qianlong Logistics Park through Shenzhen Qianlong Yunying Guanli Co., Ltd, Qianlong Logistics Co., Ltd., Hefei Qianlong Wuliu Co., Ltd., Zhengzhou Qianlong Yunying Jituan Co., Ltd. and Zhengzhou Qianlong Wuliu Co., Ltd. The acquisition was completed on 13 May 2022, and since then Season Hero became a wholly-owned subsidiary of the Group.

The directors of the Company considered that the acquisition is not a business combination and is accounted for as an asset acquisition, as the Group had not acquired an integrated set of activities and assets. The Group had not acquired the skilled labour of the logistics parks, which is a substantive process in creating output.

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)*
Investment properties	1,953,904
Trade and other receivables	241,430
Cash and cash equivalents	108,230
Trade and other payables	(123,799)
Income tax payable	(9,204)
Contract liabilities	(2,034)
Provisions	(121,743)
Bank borrowing	(11,929)
Net assets acquired attributable to the Group	2,034,855
Total consideration satisfied by:	
Total consideration paid	1,704,064
Unsettled consideration	330,791
Net cash outflow in the acquisition included in the investing activities:	
Cash consideration paid	(1,704,064)
Cash and cash equivalents acquired	108,230
	(1,595,834)

29. BUSINESS COMBINATIONS, ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES AND DISPOSAL OF SUBSIDIARIES *(continued)*

For the period ended 30 June 2022 *(continued)*

Disposal of a subsidiary

As disclosed in the Company's announcement on 18 February 2022, the Group proposed a capital increase ("First Capital Increase") in Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd. ("Qianhai Business"), a wholly-owned subsidiary of the Group, through public tender at the Shenzhen United Property and Equity Exchange ("SUPX"), and subsequently entered into the capital increase agreement with the successful bidder, Shenzhen Vanke Development Company Limited ("Vanke Development"). Upon the completion of the First Capital Increase on 18 February 2022, the shareholding interest of the Group in Qianhai Business was diluted from 100% to 72%.

As further disclosed in the Company's announcement on 2 May 2022, the Group proposed a further capital increase ("Second Capital Increase") in Qianhai Business through public tender at the SUPX, and subsequently entered into the capital increase agreement with the successful bidder, Vanke Development. Upon the fulfilment of completion criteria stated in capital increase agreement for Second Capital Increase on 29 June 2022, the shareholding interest of the Group in Qianhai Business was further decreased from 72% to 50%. Accordingly, Qianhai Business ceased to be a subsidiary of the Group and became an associate of the Group, as the Group has no sufficiently dominant voting rights to direct the relevant activities of Qianhai Business unilaterally, and the other shareholder of Qianhai Business has the power to appoint five out of nine directors of Qianhai Business as stated in the capital increase agreement. The directors of the Company therefore conclude that the Group has only significant influence over Qianhai Business and classified Qianhai Business as an associate of the Group.

The fair value of the interests in Qianhai Business held by the Group of approximately HKD2,912,194,000 as at 29 June 2022, determined based on consideration of the 50% interests of Qianhai Business at the date of disposal, has been regarded as costs of interest in an associate from the date on which the Group ceased to have control, and is accounted for in the condensed consolidated financial statements using the equity method of accounting. The net assets of Qianhai Business at the date of losing control were as follows:

	HKD'000 (unaudited)
Property, plant and equipment	237
Investment properties	1,247,721
Inventories	3,261,145
Trade and other receivables	362,263
Cash and cash equivalents	352,349
Tax recoverable	13,993
Trade and other payables	(5,313,841)
Net liabilities derecognised	(76,133)
Net liabilities derecognised	76,133
Reclassified as interest in an associate at fair value	2,912,194
Gain on losing control	2,988,327
Cash and cash equivalents derecognised and net cash outflow in the disposal included in the investing activities	(352,349)

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 2022 (unaudited)			
	Level 1 HKD'000	***Level 2 HKD'000***	***Level 3 HKD'000***	***Total HKD'000***
Assets				
Equity securities designated at FVTOCI				
– Unlisted equity securities	**–**	**–**	**75,822**	**75,822**
Financial assets measured at FVTPL				
– Listed securities in the PRC	**439,841**	**–**	**–**	**439,841**
– Unlisted equity securities	**–**	**–**	**1,085,405**	**1,085,405**
– Unlisted fund investments	**–**	**–**	**117,124**	**117,124**
– Structured deposit	**–**	**–**	**305,137**	**305,137**
Derivative financial instruments	**–**	**–**	**243,453**	**243,453**

	As at 31 December 2021 (restated)			
	Level 1 HKD'000	*Level 2 HKD'000*	*Level 3 HKD'000*	*Total HKD'000*
Assets				
Equity securities designated at FVTOCI				
– Unlisted equity securities	–	–	80,610	80,610
Financial assets measured at FVTPL				
– Listed securities in the PRC	420,205	–	–	420,205
– Unlisted equity securities	–	–	1,003,860	1,003,860
– Unlisted fund investments	–	–	182,920	182,920
– Structured deposit	–	–	430,825	430,825
Derivative financial instruments	–	–	260,713	260,713

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.

As at 30 June 2022, the fair value of the Group's certain non-listed equity securities in level 3 were estimated using the market method. The management of the Group believes that their fair values and its changes based on valuation techniques are reasonable and are the most appropriate value at 30 June 2022. In addition, the fair value of the Group's certain non-listed equity securities and investment funds in level 3 are estimated using the recent transaction prices and with reference to the fair value of the underlying net assets of the investments. The management of the Group believes that their carrying amounts are not materially different from their fair values as at 30 June 2022.

Information about Level 3 fair value measurements

	Valuation techniques	***Significant unobservable inputs***	***Range***
Financial assets measured at FVPL			
– Unlisted equity securities (Note i)	Market comparable companies	Adjusted P/E multiplier	13.48 – 17.82
		Adjusted P/B multiplier	1.77
		The discount of lack of marketability	23.15% – 43.00%
– Unlisted fund investments (Note ii)	Income capitalisation method	Yield	6.5%
		Market monthly rental rate (RMB/sq.m.)	22.0 – 39.0
		Occupancy rate	65% – 98%

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

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

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

(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 2022, 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 HKD59,075,000.

(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 FVOCI is determined with reference to the fair value of the underlying net asset value of the investments. As at 30 June 2022 and 31 December 2021, the carrying amount is not materially different from their fair value.

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

	Six months ended 30 June	
	2022	2021
	HKD'000	HKD'000
Unlisted equity securities, fund investments and structured deposits:		
Beginning of the period	**1,698,215**	3,333,969
Changes in fair value recognised in profit or loss during the period	**19,843**	(13,827)
Net unrealised gains or losses recognised in other comprehensive income during the period	**(491)**	–
Additions	**–**	833,350
Redemptions	**(59,094)**	(2,243,742)
Exchange difference	**(74,985)**	29,950
End of the period	**1,583,488**	1,939,700

31. RELATED PARTY TRANSACTIONS AND BALANCES

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, Yunji Smart Engineering Co., Ltd. (formerly known as Shenzhen Expressway Engineering Consulting co., Ltd.) ("Yunji Smart") became an associate of Shenzhen Expressway, and Shenzhen Expressway and Yunji Smart entered into a service agreement pursuant to which Yunji Smart provides engineering consulting, management and testing service. During the period, Shenzhen Expressway paid service fee to Yunji Smart amounting to RMB6,994,000 (equivalent to HKD8,402,000) (six months ended 30 June 2021: RMB9,989,000 (equivalent to HKD12,010,000)).

(b) As at 30 June 2022, the Group's investment commitments to related parties was RMB316,450,000 (equivalent to HKD370,637,000) (31 December 2021: RMB519,426,000 (equivalent to HKD636,864,000)), which included the capital increase commitment of Shenzhen Expressway in an associate of RMBnil (equivalent to HKDnil (31 December 2021: RMB2,976,000 (equivalent to HKD3,649,000)), in a joint venture of RMB1,450,000 (equivalent to HKD1,698,000 (31 December 2021: RMB201,450,000 (equivalent to HKD246,996,000)) and its capital contribution commitment of RMB3,150,000,000 (equivalent to HKD3,689,389,000 (31 December 2021: RMB315,000,000 (equivalent to HKD386,219,000)) for the establishment of a buyout fund.

(c) As at 30 June 2022, Qianhai Real Estate, an associate of the Group, provided RMB791,497,000 (equivalent to HKD927,028,000 (31 December 2021: RMB977,391,000 (equivalent to HKD1,198,371,000)) cash advanced to the Group.

(d) On 11 January 2022, Shenzhen Expressway, a non-wholly owned subsidiary of the Group, completed the transaction in acquiring the 100% equity interest in Shenzhen Investment Infrastructure from a wholly-owned subsidiary of SIHCL, which SIHCL is the controlling shareholder of the Company. Details of the transaction has been disclosed in Note 1.

(e) As at 30 June 2022, amount due from United Land Company, an associate of the Group, of HKD1,418,746,000 (31 December 2021: HKD1,577,488,000) was unsecured, interest-free and expected to be repayable within one year.

(f) As at 30 June 2022, amount due from Qianhai Business, an associate of the Group, of HKD3,763,460,000 (31 December 2021: HKDnil) was unsecured, interest-free and expected to be repayable within one year.

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 2022 (the "Period").

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2022, the interests and short positions of the directors (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 the ordinary shares of the Company

Name of directors	***Number of shares held***	***Capacity***	***Nature of interest***	***Approximate % of the issued shares of the Company*** *(Note 1)*
Li Haitao	40,644	beneficial owner	personal	0.002%
Hu Wei	315	beneficial owner	personal	0.00001%

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

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

Note:

(1) The percentage was calculated based on the total number of shares of the Company in issue as at 30 June 2022 (i.e. 2,387,809,199 Shares).

(2) The percentage was calculated based on the total number of H shares of Shenzhen Expressway Corporation Limited in issue as at 30 June 2022 (i.e. 747,500,000 H shares).

Save as disclosed above and in the section headed "SHARE OPTION SCHEME" below, as at 30 June 2022, 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 associate 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*	*As at 1 January 2022*	*Granted during the Period*	*Adjusted during the Period*	*Exercised during the Period*	*Cancelled/ lapsed during the Period (Note 2)*	*As at 30 June 2022 (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	1,085,768	–	–	–	(1,085,768)	0 (0%)	12.56	N/A
Mr. Hu Wei	26 May 2017	26 May 2019 to 25 May 2022	9.472	1,266,502	–	–	–	(1,266,502)	0 (0%)	12.56	N/A
Mr. Zhou Zhiwei	18 May 2020	18 May 2020 to 25 May 2022	12.892	269,538	–	–	–	(269,538)	0 (0%)	15.10	N/A
				2,621,808	–	–	–	(2,621,808)	0		
Other employees in aggregate	26 May 2017	26 May 2019 to 25 May 2022	9.472	20,852,305	–	–	–	(20,852,305)	0	12.56	N/A
	18 May 2020	18 May 2020 to 25 May 2022	12.892	4,136,821	–	–	–	(4,136,821)	0	15.10	N/A
				24,989,126	–	–	–	(24,989,126)	0		
				27,610,934	–	–	–	(27,610,934)	0		

Note:

(1) All these share options granted have been vested on or before 26 May 2021.

(2) All these unexercised share options have been lapsed on 26 May 2022.

(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 2022, 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 the ordinary shares of the Company

Name of shareholders	***Number of ordinary shares held***	***Capacity***	***Approximate % of issued shares of the Company*** *(Note 1)*
Shenzhen Investment Holdings Company Limited ("SIHCL") – *Note (2)*	364,500	beneficial owner	0.01%
	1,058,717,983	interest of controlled corporation	44.34%
Ultrarich International Limited ("Ultrarich") – *Note (2)*	1,058,717,983	beneficial owner	44.34%
UBS Group AG – *Note (3)*	193,820,424	interest of controlled corporation	8.12%

Notes:

(1) The percentage was calculated based on the total number of Shares of the Company in issue as at 30 June 2022 (i.e. 2,387,809,199 Shares).

(2) Ultrarich was a wholly-owned subsidiary of SIHCL and held 1,058,717,983 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) UBS AG, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Americas) Inc., UBS Asset Management Life Ltd, UBS Switzerland AG, UBS Financial Services Inc, UBS Asset Management (Australia) Ltd, UBS Asset Management (Deutschland) GmbH, 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 193,820,424 shares of the Company held by these companies.

Save as disclosed above, as at 30 June 2022, 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 in Appendix 14 of the Listing Rules.

THE BOARD

As of the date of this report, the Board consists of nine Directors, including four executive Directors: Messrs. Li Haitao, Liu Zhengyu, Wang Peihang and Dr. Dai Jingming; two non-executive Directors: Mr. Hu Wei and Dr. Zhou Zhiwei; and three independent non-executive Directors: Professor Cheng Tai Chiu, Edwin, Mr. Pan Chaojin and Dr. Zeng Zhi.

The following major issues were reviewed and discussed by the Board during the Period:

(1) approving the change of independent non-executive Director, chairman of the Audit Committee and member of the Nomination Committee;

(2) approving the discloseable transaction in relation to introduction of strategic investor to Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd (the "Qianhai Business");

(3) reviewing the annual results and payment of dividend for the year 2021;

(4) approving the discloseable transaction in relation to acquisition of entire issued share capital in Season Hero Holdings Limited by the Group;

(5) approving the discloseable transaction in relation to second capital increase of the Qianhai Business;

(6) approving the Environmental, Social and Governance Report for the year 2021; and

(7) reviewing the results and business operations of the first quarter of 2022.

Audit Committee

Established in 1995, the Audit Committee consists of three independent non-executive Directors, including Dr. Zeng Zhi (chairman), Professor Cheng Tai Chiu, Edwin and Mr. Pan Chaojin. On 1 February 2022, Dr. Zeng Zhi was appointed as chairman of the Audit Committee while Mr. Chan King Chung resigned as chairman and member of the Audit Committee. 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 (the "Auditor") of the Company during the Period:

(1) reviewing the change of the chairman of the Audit Committee and proposing to the Board for approval;

(2) reviewing the financial report in respect of the annual results for the year 2021, confirming that the relevant disclosures in such financial report was complete, accurate and fair, and recommending the same to the Board for approval;

(3) making recommendations on the re-appointment of the Auditor;

(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 2021;

(5) reviewing with the management and relevant departments the effectiveness of the Group's risk management and internal control system for the year 2021; and

(6) approving the Group's 2022 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 2022. 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 2022. The Auditor's review report is set out on page 41 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 Mr. Pan Chaojin (chairman), Mr. Wang Peihang and Dr. Zeng Zhi. On 1 February 2022, Dr. Zeng Zhi was appointed as member of the Nomination Committee while Mr. Chan King Chung resigned as member of the Nomination Committee.

The Nomination Committee held 2 meetings during the Period. The following major issues were reviewed and discussed by the Nomination Committee during the Period:

(1) evaluating and making recommendation on the appointment of Dr. Zeng Zhi as independent non-executive Director;

(2) reviewing the change of the member of the Nomination Committee and proposing to the Board for approval;

(3) evaluating and making recommendations on the performance of the Directors who were subject to retirement or retirement by rotation and re-election at the 2022 annual general meeting;

(4) reviewing and confirming the independence of each of the independent non-executive Directors; and

(5) 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), Li Haitao and Professor Cheng Tai Chiu, Edwin.

The Remuneration and Appraisal Committee held 1 meeting during the Period. During the Period, the Remuneration and Appraisal Committee considered and discussed major issues including considering the change of composition of the Remuneration and Appraisal Committee and proposing to the Board for approval.

Sustainability Committee

Established in November 2021, the Sustainability Committee consists of one executive Director and two members of the senior management of the Company, namely Mr. Liu Zhengyu (Chairman), Mr. Fan Zhiyong and Mr. Hou Shenghai.

The Sustainability Committee held 1 meeting during the Period. During the Period, the Sustainability Committee considered and discussed major issues including approving the scope of responsibility of the ESG Working Group and the reporting boundary of Environmental, Social and Governance Report.

Executive Board Committee

Members of the Executive Board Committee are appointed by the Board. The committee consists of four executive Directors, namely Messrs. Li Haitao, Liu Zhengyu, Wang Peihang, and Dr. 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 2021, budgets for the year 2022 and discloseable transactions; and discussing 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	**3**/3	N/A	N/A	**1**/1
Mr. Liu Zhengyu	**2**/3	N/A	N/A	N/A
Mr. Wang Peihang	**3**/3	N/A	**2**/2	N/A
Dr. Dai Jingming	**3**/3	N/A	N/A	N/A
Non-executive directors				
Mr. Hu Wei	**3**/3	N/A	N/A	N/A
Dr. Zhou Zhiwei	**3**/3	N/A	N/A	N/A
Independent non-executive directors				
Professor Cheng Tai Chiu, Edwin	**3**/3	**3**/3	N/A	**1**/1
Mr. Pan Chaojin	**3**/3	**3**/3	**2**/2	**1**/1
Dr. Zeng Zhi (1)	**2**/2	**2**/2	**1**/1	N/A
Mr. Chan King Chung (2)	**1**/1	**1**/1	**1**/1	N/A

Notes:

(1) Dr. Zeng Zhi was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee on 1 February 2022.

(2) Mr. Chan King Chung resigned as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee on 1 February 2022.

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