Shenzhen International
深國際

LOGISTICS WITH ETHICS
FOR A BETTER WORLD

物流天下
德行天下

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

(Incorporated in Bermuda with limited liability)

Stock Code : 00152

ANNUAL REPORT 2023

物流天下
德行天下

Logistics with Ethics
For a Better World

Corporate Vision

continues to grow stronger, better and larger to become a first-class industrial group

Corporate Mission

to boost the real economy and to fully assume the role of a state-owned municipal ancillary service developer and operator to serve cities, industries and people's livelihood

Corporate Character

the integration of knowledge and action for
driving steady and far-reaching development

Core Values

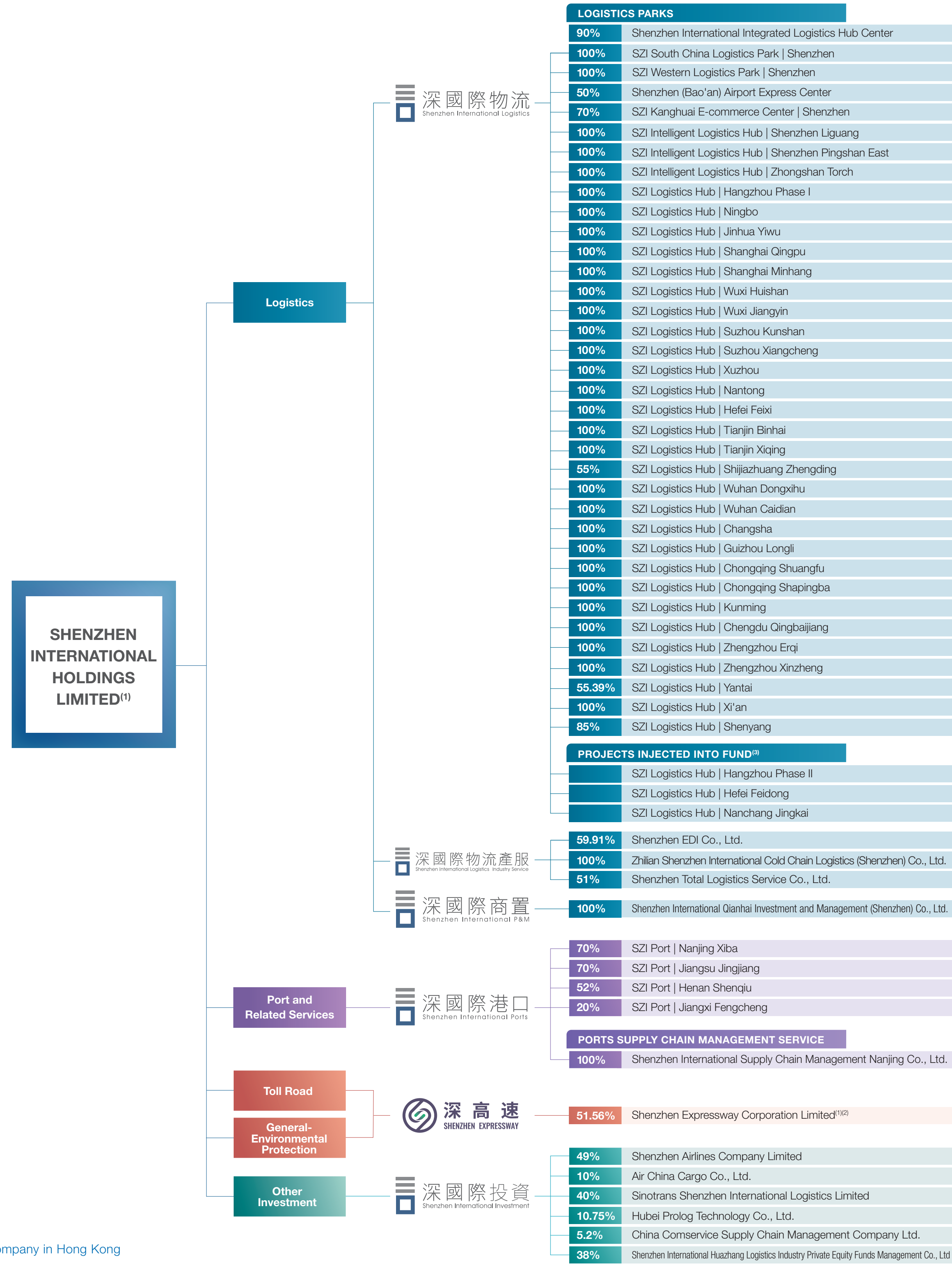
hard work, open-mindedness,
pragmatism and coordination

Content

CORPORATE PROFILE

The Group perceives the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, the Beijing-Tianjin-Hebei areas and 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 customers with value-added logistics services including intelligent warehouse and integrated cold chain warehousing, and also expanded its business segments to include the comprehensive development of land 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 31 December 2023 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) SZI Logistics Hub (Hangzhou Phase II), SZI Logistics Hub (Hefei Feidong) and SZI Logistics Hub (Nanchang Jingkai) are held by Shenshi Smart Logistics Infrastructure Private Equity Partnership (Limited Partnership), a joint venture held by the Group as to 40% equity interest.

(4) The simplified corporate structure of the Group only included corporate entities and projects which are in operation as at 31 December 2023.

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

Independent Non-Executive Directors:
Pan Chaojin
Zeng Zhi
Wang Guowen
Ding Chunyan

AUDIT COMMITTEE

Zeng Zhi *(Chairman)*
Pan Chaojin
Wang Guowen

NOMINATION COMMITTEE

Pan Chaojin *(Chairman)*
Wang Peihang
Zeng Zhi

REMUNERATION AND APPRAISAL COMMITTEE

Pan Chaojin *(Chairman)*
Li Haitao
Wang Guowen

SUSTAINABILITY COMMITTEE

Liu Zhengyu *(Chairman)*
Wang Peihang
Zeng Zhi
Ding Chunyan

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

Shenzhen Stock Exchange:
RMB Bonds (First Tranche 2021) (Stock Code: 149689)
RMB Bonds (First Tranche 2022) (Stock Code: 149768)
RMB Bonds (First Tranche 2023) (Stock Code: 148372)
RMB Bonds (Second Tranche 2023) (Stock Code: 148398)
RMB Bonds (Fourth Tranche 2023) (Stock Code: 148465)

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

Bank of China
Bank of Communications
China CITIC Bank
China Construction Bank *(PRC Domestic Bank)*
China Development Bank *(PRC Domestic Bank)*
China Everbright Bank
China Merchants Bank
Chong Hing Bank
DBS Bank
Huaxia Bank
Industrial and Commercial Bank of China
Industrial Bank *(PRC Domestic Bank)*
MUFG Bank, Ltd.
Ping An Bank

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

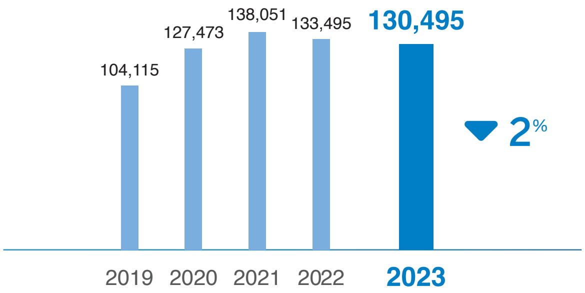
Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

INVESTOR RELATIONS CONSULTANT

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

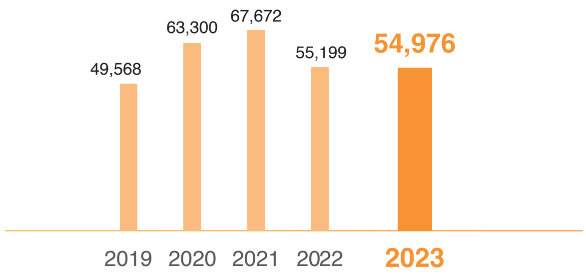
Total Assets Value

(HK$ million)



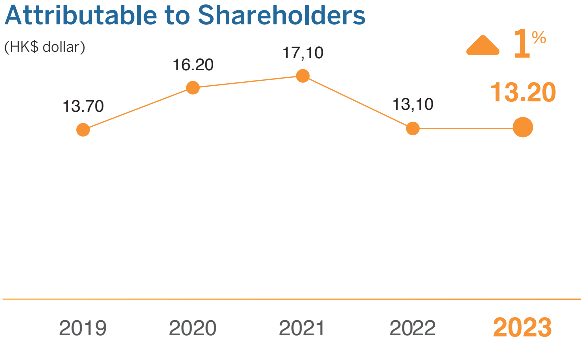
Total Equity

(HK$ million)



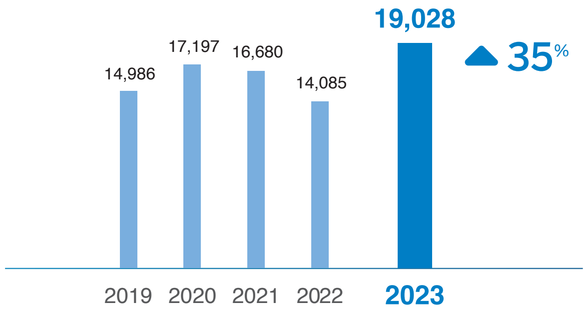
Net Asset Value per Share Attributable to Shareholders

(HK$ dollar)



Revenue*

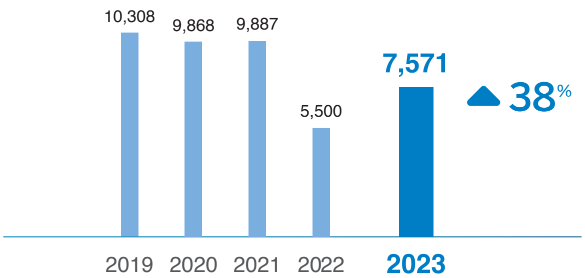
(HK$ million)



* *Excluding revenue from construction services for toll roads*

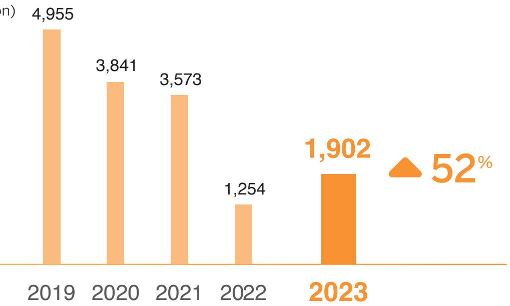
Profit before Finance Costs and Tax

(HK$ million)



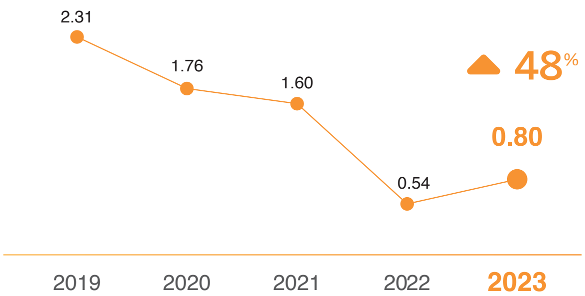
Profit Attributable to Ordinary Shareholders of the Company

(HK$ million)



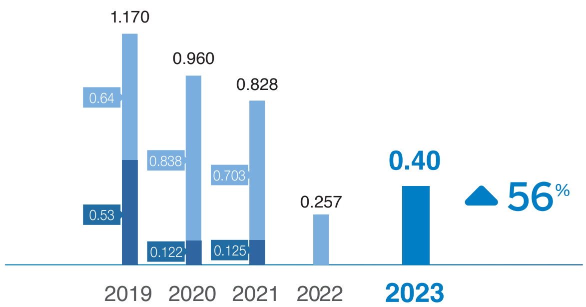
Earnings per Share (Basic)

(HK$ dollar)



Dividend per Share

(HK$ dollar)



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

(HK$ million)	*Revenue*	*Operating profit*	*Share of profit of associates and joint ventures*	*Profit before finance costs and tax*
		2023		
Toll roads				
– Revenue	**8,829**	**2,932**	**808**	**3,740**
– Construction service revenue	**1,496**	**–**	**–**	**–**
Toll roads sub-total	**10,325**	**2,932**	**808**	**3,740**
Logistics parks	**1,519**	**629**	**25**	**654**
Logistics services	**319**	**23**	**8**	**31**
Port and related services	**2,805**	**167**	**–**	**167**
Logistics park transformation and upgrading business	**5,556**	**3,277**	**61**	**3,338**
Sub-total	**10,199**	**4,096**	**94**	**4,190**
Head office functions	**–**	**(554)**	**195**	**(359)**
Total	**20,524**	**6,474**	**1,097**	**7,571**
Finance income				**241**
Finance costs				**(2,618)**
Finance costs – net				**(2,377)**
Profit before income tax				**5,194**
		2022		
Toll roads				
– Revenue	9,330	2,697	670	3,367
– Construction service revenue	1,444	–	–	–
Toll roads sub-total	10,774	2,697	670	3,367
Logistics parks	1,573	1,597	15	1,612
Logistics services	390	29	5	34
Port and related services	2,762	191	–	191
Logistics park transformation and upgrading business	30	2,838	38	2,876
Sub-total	4,755	4,655	58	4,713
Head office functions	–	(268)	(2,312)	(2,580)
Total	15,529	7,084	(1,584)	5,500
Finance income				304
Finance costs				(2,873)
Finance costs – net				(2,569)
Profit before income tax				2,931

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is depicted below. The 2023 figures are extracted from the audited financial statements. The 2019 to 2022 figures were restated accordingly due to the completion of acquire 100% equity interest in Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd..

	Year ended 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**20,523,798**	15,529,301	18,541,926	19,452,409	16,820,326
Profit before income tax	**5,194,129**	2,930,926	8,956,258	8,991,919	9,176,036
Income tax expense	**(2,289,221)**	(994,769)	(2,726,653)	(3,270,109)	(2,087,168)
Profit before NCI	**2,904,908**	1,936,157	6,229,605	5,721,810	7,088,868
Perpetual securities holders	**–**	(92,999)	(92,075)	(91,866)	(92,951)
Non-controlling interests	**(1,003,265)**	(589,239)	(2,564,519)	(1,789,091)	(2,041,045)
Profit attributable to sharholders	**1,901,643**	1,253,919	3,573,011	3,840,853	4,954,872

	As at 31 December				
	2023	2022	2021	2020	2019
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Fixed assets	**19,780,766**	17,874,497	19,087,069	12,745,050	10,031,443
Investment properties	**15,080,718**	10,226,082	7,697,726	611,305	576,796
Land use rights	**4,231,866**	3,181,633	3,328,772	3,802,321	3,393,684
Investments in associates & joint ventures	**28,363,657**	28,489,600	31,745,283	26,069,289	26,421,571
Other Financial Asset	**1,155,711**	1,021,738	1,144,780	2,382,291	563,253
Intangible assets	**29,280,325**	29,941,138	32,922,243	31,645,704	26,260,742
Other non-current assets	**12,157,965**	12,283,240	12,205,148	9,163,015	4,966,671
Net current assets	**(21,565,540)**	(18,107,422)	(4,230,942)	2,427,762	14,202,398
Non-current liabilities	**(33,509,807)**	(29,711,332)	(36,227,904)	(25,547,090)	(36,848,161)
Net assets	**54,975,661**	55,199,174	67,672,175	63,299,647	49,568,397
Equity					
Issued capital	**2,393,150**	2,387,810	2,266,714	2,194,991	2,161,842
Reserves	**29,189,056**	28,860,054	36,605,854	33,431,865	27,507,640
Equity attributable to ordinary shareholders	**31,582,206**	31,247,864	38,872,568	35,626,856	29,669,482
Perpetual securities	**–**	–	2,330,939	2,330,939	2,330,939
Non-controlling interests	**23,393,455**	23,951,310	26,468,668	25,341,852	17,567,976
Total equity	**54,975,661**	55,199,174	67,672,175	63,299,647	49,568,397

KEY EVENTS IN 2023

OPERATION MANAGEMENT

MAR

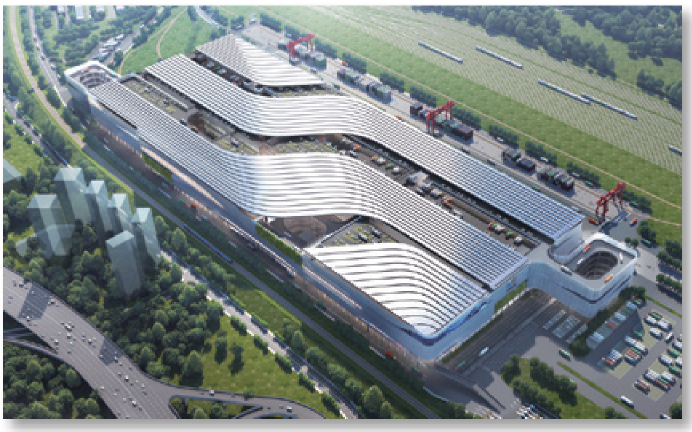
- Four general-purpose berths in the first phase of the Shenqiu Project in Henan commenced operation, represents an accelerated forming of the "1+3" Port Connection Action strategy

APR

- The roofing of the main structure of the SZI Intelligent Logistics Hub (SZ Yantian) was successfully completed, thereby marking a major milestone in the civil engineering works of the project. The project was completed and passed acceptance procedure at the end of 2023

JUN

- The Group successfully obtained the land use rights to the industrial space with a site area of approximately 334,000 square meters on top of the Shenzhen International Intergrated Logistics Hub Center (known as Pinghunan Project). This project will adopt a groundbreaking "Logistics Hub Over a Railway + Strata Titles in Multi-level Development" integrated development model in the PRC



JUN

- In the first half of 2023, the Group obtained the warehousing land plots for SZI Logistics Hub (Taiyuan), SZI Logistics Hub (Chengdu Wenjiang) and SZI Logistics Hub (Nanjing Jiangning), thereby signifying the further advancement of SZI's strategic plans to construct integrated logistics hubs in key logistics gateway cities, achieving the Group's strategic "One City, Multiple Logistics Parks" layout in Chengdu, and speeding up the construction of a cold chain network by the Group

JUL

- Six berths in the first phase of the Fengcheng Port Project in Jiangxi commenced operation

SEP

- The Company successfully issued onshore corporate bonds of RMB5 billion in aggregate at an average coupon rate of 2.94% in July and September, respectively

OCT

- During 2023, the Group successfully obtained the logistics land plots for the SZI Intelligent Logistics Hub (Foshan Gaoming) and SZI Intelligent Logistics Hub (Zhaoqing Gaoyao) in the Greater Bay Area, representing the further expansion of the Group's strategic network in the Greater Bay Area and a major breakthrough in its strategy to make Foshan as its "Second Home Base"

DEC

- Jingjiang Port Project in Jiangsu officially commenced operation

OCT

- The Group entered into a land consolidation and preparation supervision agreement with the relevant government departments of Longhua District for commencing the land preparation of the first phase of the SZI South China Logistics Park, thereby marking the actual implementation of the transformation work and a major breakthrough in the Group's "long closed-loop" development model

DEC

- The Group successfully obtained the land plot of the SZI Highway Freight Logistics Hub (SZ Bao'an), which is the first highway logistics hub under the 3-level "7+30+N" logistics hub layout to be constructed in Shenzhen

CORPORATE HONORS

JUL

- The Company's Environmental, Social and Governance Report 2022 was awarded "Sustainable Development Category – Gold" in the Quam IR Awards 2022

OCT

- The Company was recognized as a "Key Third-party Logistics Enterprise" by the Transport Bureau of Shenzhen Municipality

OCT

- The Company was named an "Exemplary Enterprise with High-Quality Development in the Greater Bay Area" by the Greater Bay Area Industrial Collaborative Development Association in Guangdong

AUG – OCT

- The Company's Annual Report 2022 was granted 6 annual report awards in the 2022 Vision Awards presented by the League of American Communications Professionals (LACP), 3 annual report awards in ARC Awards for Annual Reports and 3 awards in IADA International Annual Report Design Awards organized by The International Annual Report Design Awards (IADA)

NOV

- The Company was granted the "Green Environmental Protection Award" at the Sixth Social Responsibility Exhibition organized by China Social Responsibility 100 Forum and CSR Cloud Research Centre

DEC

- The Group was granted a "Listed Company Award of Excellence (Main Board)" presented by Hong Kong Economic Journal

DEC

- The Company once again won the "Best Investment Value Listed Company" in the Golden Bauhinia Awards presented by Hong Kong Ta Kung Wen Wei Media Group as well as the "Most Favoured Hong Kong Stock Connect Company" at the presentation ceremony of 2023 Outstanding Companies under Jinge Awards held by Gelonghui

DEC

- The Company ranked 13th in the "ESG Pioneer 100 Index for Pioneers of State-Owned Enterprises" in the "Blue Book of Social Responsibility of State-Owned Enterprises (2023)", and our case "Striving to become a leading benchmark in the logistics industry and embracing the mission of serving the steady development of the Greater Bay Area" was selected as an excellent case in the Blue Book

EMERGING **GROWTH** PROMISING **FUTURE**

The Chinese economy staged a recovery for the first time in 2023 following three years of prevention and control efforts directed at containing the COVID-19 pandemic. The global political and economic landscape was marked by an increasing number of unfavorable dynamics that interacted with domestic cyclical and structural contradictions, restraining social demand and leading to a slowdown in the growth of the logistics industry. Facing this intricate, challenging external environment with a multitude of obstacles, the Group proactively overcame the adverse conditions by steadfastly adhering to its core principle of "seeking progress while maintaining stability and advancing with determination", diligently assessing the prevailing circumstances and tasks at hand and making solid progress in its strategic deployments. With a focus on both capacity building and high-quality development, the Group made significant headway in project development in its core businesses and achieved significant progress in the transformation of SZI South China Logistics Park, safeguarding the overall stability of enterprise development and laying solid foundations for the Group's future growth.

UPHOLDING COMMITMENTS AND SAFEGUARDING DIVIDEND DISTRIBUTION

For the year ended 31 December 2023 (the "Year"), the Group's overall revenue increased by 32% to approximately HK$20,524 million as compared to the previous year, while the profit attributable to shareholders increased by 52% to approximately HK$1,902 million as compared to the previous year.

The board of directors (the "Board") of the Company recommended the payment of a final dividend of HK$0.40 per share for 2023 to shareholders, totalling HK$957 million with a the payout ratio of 50%.

PRECISE, ROBUST EXPANSION OF CORE BUSINESSES WITH SOLID, EFFECTIVE BUSINESS OPERATIONS

In response to the 2023's complex and uncertain external environment, the Group adjusted its investment strategies in a timely manner. Adhering to the principles of "Stable Investment" and "Prioritizing Excellence", the Group placed its business focus on core cities and high-quality assets, driving the expansion of its core businesses in both breadth and depth. It also stepped up its efforts to develop its all-round "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" logistics ecosystem, in which it achieved solid results.

Focused development of the core logistics park business. The Group currently has established presence in nearly 40 cities across the country, with a contracted land area of more than 10 million square meters. Within this area, 37 projects with a combined operating area of approximately 4.76 million square meters have commenced operations. As the Group continues to expand its business presence, it has become the eighth-largest participant in the high-standard warehouse segment by market share. First, the Group worked to advance the configuration of the Shenzhen Three-tier Logistics Station, supporting Shenzhen's development as a global logistics center. The Group successfully won tenders for land parcels at SZI Highway Freight Logistics Hub (SZ Bao'an) and has applied for inclusion in the production and service-oriented national logistics hub, helping Shenzhen to become a "four pronged" national logistics hub. The Group completed the acquisition of Shenzhen Pingshan East Project, and signed a memorandum of understanding to collaborate– with Shenzhen SEZ Construction Group Co., Ltd. to develop a "Multi-storey Factories" and "Multi-storey Warehouses" project in the Luozu area. Additionally, it signed a letter of intent for cooperation at Shenzhen Bantian Project with Shenzhen Pingnan Railway Co., Ltd. Second, the Group focused on developing Foshan as its "Second Home Base", laying the foundations for becoming a "Top-three Logistics Provider in the Greater Bay Area". The Group continued to foster comprehensive collaboration with Foshan Municipal Government and has acquired a land parcel for the Foshan Gaoming Project. Currently, three ongoing projects are under way in Foshan, all of which have entered the development phrase. The Group also acquired a land parcel for the Zhaoqing Gaoyao Project, marking "another triumph" in its deployment in the Greater Bay Area. Third, the Group actively optimized its layout across the country by adhering to the principle of "Prioritizing Excellence", with significant progress achieved in project configuration in Beijing. Seizing the opportunities afforded by the window period of logistics land supply in Beijing, the government worked hand-in-hand with enterprises to promote project development. The Group signed a Beijing Fangshan Project cooperation framework agreement with the district government, and Beijing Shunyi Project has been progressing steadily, guided by the approach of "First-class Development, Accelerated Progress, Parallel Advancement, and Supervision-driven Promotion". Additionally, the Group acquired land resources for high-quality projects in Nanning Jingkai, Chengdu Wenjiang, and Taiyuan, etc.

Accelerating the development of the port network. With projects such as Shenqiu Port, Fengcheng Port, and Jingjiang Port completed and having commenced operations during the Year, the Group has established a comprehensive port operation industry chain, with Nanjing Xiba Port and Jingjiang Port as key hub ports, the upstream of Shenqiu Port as a hub for cargo consolidation, the downstream Fengcheng Port as a hub for distribution, and Nanjing Supply Chain Asset-light Company as the business linking the port operation industry chain, further enhancing the core competitiveness of the Group's port sector.

Making solid progress in the air cargo and railway integrated logistics businesses. Focusing on the development strategies of the air cargo and railway integrated logistics businesses, the Group has been actively promoting substantial progress in projects such as air cargo logistics hubs in Beijing and Shenzhen, by pursuing cooperation with enterprises, which are controlled by the central government and local government in China, and integrating resource advantages. The Group successfully acquired the land use right of overhead space of the first industrial space development built on a railway yard within China in the Pinghunan Project, which is designated as "SZI Integrated Logistics Hub Center" (i.e. the "Pinghunan Project"). Currently, the project officially commenced construction. The China-Europe Railway Express in Shenzhen has been operating steadily for three years, with a total of 576 trips made, carrying goods worth more than US$1.8 billion, and 18 export routes established. The newly opened premium China-Europe Railway Express connecting Shenzhen with cities such as Shanghai, Changsha, Zhuzhou, Ningbo, and Kashi, has formed a new pattern of simultaneous development in international and domestic railway logistics businesses.

Setting sail and progress in the intelligent and cold chain logistics businesses. The Group has established an asset-light operation joint venture with a leading cold chain enterprise, enabling its swift entry into the cold chain logistics operation business and the enhancement of its core capabilities, guided by its business model of "Self-exploration of asset-heavy project + Joint operation of asset-light project". The joint venture successfully secured a contract for a Walmart cold storage warehouse project, leveraging the SZ Liguang Project. In addition, the Group successfully acquired a land parcel for the Nanjing Jiangning Cold Chain Project, and the construction has already commenced. The transformation of the Shanghai Minhang Project from a dry warehouse to a cold storage warehouse has been completed and the facility has officially commenced operations. The A8 warehouse at the Shijiazhuang Zhengding Project has commenced operation to establish a pharmaceutical industrial park + specialized cold chain industrial park, maintaining a high level of operational efficiency. The Group has been accelerating the expansion of its cold chain business, aiming to boost the operational cash flow of its logistics business, enhance its return on investment, and strengthen its industrial competitiveness.

Continually strengthening the foundation of the toll road and general-environmental protection businesses. The Group has progressively strengthened and expanded its toll road operations and the configuration of its general-environmental protection business through its listed subsidiary, Shenzhen Expressway Corporation Limited ("Shenzhen Expressway"). In the toll road business, major projects such as the second phase of the Shenzhen Coastal Project, the third phase of the Shenzhen Outer Ring Project, and the Longli River Bridge have been progressing steadily. Expansion work on the Beijing-Hong Kong-Macao Expressway commenced in late 2023, while the construction of the Outer Ring Project and pre-construction work on Jihe Expressway Reconstruction and Expansion Project are also making solid progress. In the general-environmental protection business, Shaoyang Organic Waste Treatment Project has commenced trial operations, Ya'an Organic Waste Treatment Project is currently in the initial stages of development, and Guangming Environment Park Project concluded its equipment debugging and acceptance procedures in December 2023. With regard to capital and financing, Shenzhen Expressway capitalized on market opportunities by actively seeking ways to minimize funding costs. In line with this approach, the Group opted to issue green corporate bonds, super-short-term commercial papers and medium-term notes at an opportune time. Additionally, its proposed plan to issue A shares to specific entities was approved at the shareholders' general meeting during the Year, with relevant work currently under way in an orderly manner. In the meantime, Shenzhen Expressway has initiated a pilot application project for real estate investment trusts (REITs), comprising a 100% equity interest in the toll highway operations of the Yichang Expressway and its ancillary facilities, which serve as the underlying infrastructure project. The issuance has been completed by March 2024.

ACHIEVING PIVOTAL MILESTONES IN THE REALMS OF "INVESTMENT, CONSTRUCTION, FINANCING AND OPERATION" AND "INVESTMENT, CONSTRUCTION, OPERATION AND TRANSFORMATION"

To realize the long closed-loop "Investment, Construction, Operation and Transformation" business model, the Group is firmly seize the unprecedented opportunities brought about by China's urbanization process, vigorously promoting the transformation and upgrading of its logistics park projects in core urban cities through industrial upgrading and renovation as well as development and operation. In 2023, the Group achieved a major breakthrough in the transformation and upgrading of Phase I of SZI South China Logistics Park Project and signed the "Land Consolidation and Preparation Supervision Agreement" with relevant local government bodies to implement the project with a comprehensive approach involving monetary compensation and reservation of land. Phase I of the SZI South China Logistics Park Project will be transformed and developed for logistics and warehousing purposes into a piece of comprehensive land focusing on digital economy industries and supporting high-end commercial and residential functions in the future. By reclaiming the reserved land in phases, the Group aims to gradually carry out development of the reserved land in accordance with new planned functions. The Group expects that the investment returns generated will provide long-term support for the growth and performance of the Group's businesses and deliver significant returns to its shareholders. Yicheng Qiwanli, a project developed and operated solely by the Group, commenced pre-sales on 28 September 2022. The project was completed and delivered in December 2023. Significant achievements were made in the land swap and development of two office and commercial sites in Qianhai. A joint working group led by relevant government departments has been established and is actively promoting the relevant work, which is expected to be completed by 2024.

Through implementing the short closed-loop "Investment, Construction, Financing and Operation" business model, the Group has made a breakthrough in the issuance of publicly traded REITs. The application for issuance of the Group's first listed REITs project, with mature logistics hub projects in Hangzhou and Guizhou as the underlying assets, is progressing smoothly and the listing and issuance of the REITs project will be arranged in accordance with the market conditions and the progress of regulatory approval. Meanwhile, the Group is methodically strategizing its private equity fund offerings and proactively engaging with potential counterparties. It has devised plans for a new logistics, warehousing and storage infrastructure fund, and has been examining strategies for setting up development-focused funds and upstream and downstream investment funds in the industry chain.

ADVANCING CAPACITY BUILDING TO NEW HEIGHTS

In recent years, the Group has been steadfast in its commitment to enhancing governance standards through continuous reform and the transformation of operational mechanisms. This commitment has yielded steady improvements in the Group's corporate governance, market position and capacity building. As a red-chip company incorporated overseas and listed in Hong Kong, the Group strictly complies with the applicable rules and regulations. The Group also places great importance on establishing an effective Board and continuing to enhance its corporate governance standards. The Group has rolled out a market-oriented reform of its "Eight Abilities" to optimize its performance appraisal system and stimulate its corporate vitality. Additionally, the Group is focusing on team building and fortifying team combat competence to improve its core competitiveness.

After earning the "Double Hundred Benchmark Enterprise" honor in 2022, the Group was once again recognized as such an enterprise in 2023. It was also selected for inclusion in the "State-owned Enterprises Social Responsibility Pioneer 100 Index". The Group and its subsidiaries have won more than 80 accolades, including the "2023 Guangdong-Hong Kong-Macao Greater Bay Area High-Quality Development Benchmark Enterprise" award, the "Listed Company with the Best Investment Value" award at the China Securities Golden Bauhinia Awards, "China's Green Logistics ESG Vanguard Enterprise in Whole Industry Chain" award, the "National-level Exemplary Logistics Park" award and the "Top 100 Brands in Shenzhen" award, reflecting the Group's market recognition and the high regard for the Group's corporate value.

OUTLOOK

The meeting of the Politburo of the Chinese Communist Party held in December 2023 set the tone for China's economic priorities in 2024, emphasizing the need to strengthen macroeconomic governance and regulation, coordinate the expansion of domestic demand, advance supply-side structural reforms, consolidate and enhance the positive momentum of economic recovery, and convey positive policy signals. From 2024 onwards, amid the continuous revival of economic growth and the successive implementation of a range of proactive policies, the corresponding political effects are expected to gradually become evident, and China's economic development is poised to maintain its resilience and long-term positive growth. Logistics infrastructure will play a crucial role in promoting the sustained improvement of the national economy, continuously enhancing its internal dynamics and enduringly improving social expectations. The fourth meeting of the Central Commission for Financial and Economic Affairs, which was held earlier, emphasized reducing overall logistics cost in society as a critical measure for fostering high-quality economic and social development. Efforts should be made to boost the development of the comprehensive transportation service system, bolster the efficient connectivity of the transportation network, accelerate the construction of a unified national transportation and logistics market, expedite the development of intelligent logistics and green logistics, and strengthen guaranteed access to important resources. These measures will help further improve the business environment for enterprises engaged primarily in logistics infrastructure, such as Shenzhen International, while at the same time continuously boosting the overall efficiency and comprehensive service capacity of the industry. In the fourth quarter of 2023, the China Logistics Prosperity Index (LPI) saw a revival despite volatility and pressure on the market, and the logistics and real estate markets gradually gained positive momentum in their recovery, with supply and demand remaining in balance. In the current market landscape, which presents both opportunities and challenges, the Group will actively respond to macro-environmental shifts and industry development trends, firmly seizing opportunities arising from the policy of "Shenzhen's expeditious construction of a globally influential logistics center" and focusing on the key tasks of realizing high-quality development and capacity building.

In respect of high-quality development, the Group will continue to optimize its "Four Growth Engines": logistics, ports, toll roads, and general-environmental protection industries, intensifying its focus on its core businesses in strict adherence to its "14th Five-Year" development strategy. In its core logistics business, the Group will continue to strengthen its presence in core regions by adhering to the dual strategy of "land acquisition" with "mergers and acquisitions". The Group will focus on projects that emphasize quality and efficiency through its dual strategy of direct investment and fund utilization, progressing toward the goal of becoming "the premier enterprise in our field in Shenzhen, one of the top three such enterprises in the Greater Bay Area, and one of the top five in the country". In its core port business, which the Group plans to spin off, it will plan project investments in a scientific manner and step up its efforts to improve the operational performance of new projects, seeking to enhance the core competitiveness of the segment. In its core toll road business, the Group will actively expand its expressway investment, construction, and management business, extend the operating life of toll road projects, and maintain a competitive edge in the business through new construction, expansion, mergers and acquisitions, and resource integration, among other things. In its core general-environmental protection business, the Group will maintain its focus on organic waste treatment, hazardous waste treatment, and clean energy generation, accelerate its business expansion and the extension of its operational capabilities while enhancing its resource investment and construction efforts, with the aim of becoming a segment leader with industry-leading scale advantages. The Group will also seek to explore and make moderate investments in high-quality environmental protection projects, such as those involving the scrapping of retired vehicles, and in municipal environmental protection initiatives.

The Group will continue to optimize its long and short closed-loop business models of "Investment, Construction, Operation and Transformation" and "Investment, Construction, Financing and Operation". In respect of short closed-loop business model of "Investment, Construction, Financing and Operation", the Group will continue to launch both publicly traded REITs and private equity funds, and will accelerate the issuance of publicly traded REITs after evaluating its current circumstances and market conditions. The Group will also actively promote its newly established, exit-focused logistics warehousing private equity fund, incorporate new logistics park projects into private equity funds in a timely manner, and accelerate the realization of its asset value, in order to provide strong support for the sustainable development of its logistics business. In respect of its long closed-loop business model of "Investment, Construction, Operation and Transformation", the Group will speed up the transformation of Phase I of SZI South China Logistics Park and the swap and development of two office and commercial sites in Qianhai to enhance the interest coordination and unlock value, build up sufficient resource reserves to drive the Group's further development.

In respect of capacity building, the Group will further enhance corporate governance standards through its management improvement. By implementing brand establishment and enhancement, strengthening financial management capacities with comprehensive fortification of risk control and management, the Group will continue to deepen its reforms, continuously build up its core competence and strengthen its core corporate functions. To achieve a stable and sustainable development, the Group will persistently enhance its operational and managerial capabilities through diligent execution of all tasks.

With perseverance and effort, goals become attainable as obstacles are overcome and new opportunities are discovered. Having navigated various challenges in recent years, the Group has consistently strengthened its solid foundations and fostered a vigorous drive for progress. With our goals in sight, we will maintain our motivation and momentum, steadily advancing our high-quality development goals. The Group will spare no effort to generate greater value and optimal returns for all shareholders.

ACKNOWLEDGEMENT

Last but not least, on behalf of the Board, I would like to take this opportunity to express our most sincere gratitude to our shareholders, investors and business partners for their dedicated support and confidence, and express our gratitude to all our staff for their diligence and precious contributions to the Group during the past year.

Li Haitao
Chairman

28 March 2024

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OVERALL REVIEW

OVERALL REVIEW

Operating Results	2023 HK$'000	2022 HK$'000	Increase/ (Decrease)
Revenue (excluding construction service revenue from toll roads)	**19,027,625**	14,085,196	35%
Construction service revenue from toll roads	**1,496,173**	1,444,105	4%
Total revenue	**20,523,798**	15,529,301	32%
Operating profit	**6,473, 918**	7,083,667	(9%)
Profit before tax and finance costs	**7,570, 646**	5,499,519	38%
Profit attributable to shareholders	**1,901,643**	1,253,919	52%
Basic earnings per share (HK dollars)	**0.80**	0.54	48%
Final Dividend per share (HK dollar)	**0.40**	0.257	56%

In 2023, global economic growth slowed further amid geopolitical turbulence. Although the Chinese economy showed signs of recovery, the foundations for economic recovery remained weak. While it will take time for market demand to fully recover, various segments in which the Group operates are under pressure. Nevertheless, the Group's overall results remained resilient, supported by its solid foundations and diversified business portfolio.

In face of significant market pressure and challenges, the Group, on the one hand, remained steadfast in its strategic determination and continued to focus on its core logistics business strictly in accordance with its "14th Five-Year development strategy", seeking progress while maintaining stability in building its comprehensive logistics ecosystem of "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics". On the other hand, the Group proactively responded to such challenges by making agile adjustments to its investment and development strategies based on the prevailing circumstances, consistently strengthening its risk management, and enhancing operational efficiency, thereby promoting the Group's high-quality and sustainable development.

For the year ended 31 December 2023 (the "Year"), the Group recorded total revenue of approximately HK$20,524 million, representing an increase of 32% as compared to the previous year. The increase was mainly attributable to the completion and delivery of "Yicheng Qiwanli", a residential project located in Qianhai ("Yicheng Qiwanli Project"), which falls under the Group's logistics park transformation and upgrading business, and contributed revenue of approximately HK$5,500 million during the Year. Profit attributable to shareholders of the Group increased by 52% year-on-year to approximately HK$1,902 million. This was mainly due to the completion and delivery of the Yicheng Qiwanli Project which contributed profit of HK$1,563 million, and the absence of further recognition of losses attributable to the Company's associate, namely Shenzhen Airlines Company Limited ("Shenzhen Airlines") during the Year, in accordance with the applicable accounting standards.

During the Year, the Group recorded operating profit of approximately HK$6,474 million, representing a decrease of 9% as compared to the previous year. Such decrease was mainly due to the profits of approximately HK$657 million contributed from the injection of certain logistics park projects into private equity funds under the Group's "Investment, Construction, Financing and Operation" short closed-loop business model in the previous year, which was not repeated during the Year.

In respect of the logistics business, revenue for the Year decreased by 6% to approximately HK$1,838 million as compared to the previous year, mainly due to factors such as sustained sluggishness in market demand and intense competition within the industry. Profit attributable to shareholders amounted to approximately HK$532 million, representing a decrease of 63% as compared to the previous year, mainly due to the absence of gains attributable to the injection of logistics park projects into the private funds under the "Investment, Construction, Financing and Operation" business model during the Year.

As at 31 December 2023, the Group established its footprint in nearly 40 key logistics gateway cities nationwide, managing and operating 37 logistics hub projects with a total operating area of more than 4.76 million square meters. In recent years, focusing on the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area"), the Group has strategically positioned itself in Shenzhen and Foshan, the two logistics hub cities with close connectivity and synergies. In June 2023, the Group successfully obtained the land use right for an area of approximately 334,000 square meters of overhead space in Shenzhen International Integrated Logistics Hub Center (the "Pinghunan Project"), with a planned gross floor area of approximately 850,000 square meters. In addition, the Group has acquired a total of approximately 930,000 square meters of land in 2023, including land parcels of approximately 75,000 square meters for the SZI Highway Freight Logistics Hub (SZ Bao'an), and approximately 267,000 square meters for the SZI Intelligent Logistics Hub (SZ Pingshan East) in Shenzhen. Further, the Group secured two land parcels for its logistics operations in other areas of the Greater Bay Area – one in Foshan City's Gaoming District and the other in Zhaoqing City's Gaoyao District.

As at the end of 2023, the Group had obtained operation rights to approximately 9.08 million square meters of land, of which over 2.6 million square meters were in the Greater Bay Area, an increase of 600,000 square meters compared to the end of the previous year. This represents a further consolidation and strengthening of the Group's leading position in the Greater Bay Area.

During the Year, the Group steadily advanced its long closed-loop business model of "Investment, Construction, Operation and Transformation", the revenue from the logistics park transformation and upgrading business increased significantly as compared to the previous year, reaching approximately HK$5,556 million. This was primarily driven by the completion and delivery of the Yicheng Qiwanli Project which resulted in recognition of approximately HK$5,500 million in revenue. However, due to the gain from the capital increase of Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd ("Qianhai Business") in the previous year which was not repeated during the Year, the profit attributable to shareholders for the Year saw a year-on-year decline of 39% to approximately HK$1,746 million. In 2023, the Group achieved a breakthrough in the transformation and upgrading of SZI South China Logistics Park. In October 2023, the Group entered into a "Land Consolidation and Preparation Supervision Agreement" with relevant government departments regarding development of first phase of the SZI South China Logistics Park, which covers an area of approximately 530,000 square meters. The transformation and upgrading works of the project have now progressed to the implementation stage, and in the future, the Group will gradually realize its profits through obtaining strata titles and developing reserved land pursuant to the new development plan.

In respect of its "Investment, Construction, Financing and Operation" short closed-loop business model, the Group sped up the application and issuance of publicly traded infrastructure REITs ("public REITs") with mature logistics hub projects in Hangzhou and Guizhou as its underlying assets during the Year. The application and issuance of the public REITs progressed smoothly, and the Group is currently actively pursuing the issuance of public REITs and will proceed with listing(s) based on market conditions and regulatory approval progress.

The port and related services business recorded revenue of approximately HK$2,805 million for the Year, representing an increase of 2% as compared to the previous year. Profit attributable to shareholders decreased by 15% to approximately HK$87.75 million, primarily due to the decrease in business volume in Nanjing Xiba Port as a result of a decline in market demand. The effectiveness of the Group's "Port Connection Action" strategy was demonstrated by the successive commencement of operation of Jingjiang Port, Shenqiu Port and Fengcheng Port during the Year. The Group will proactively develop the recently commenced projects to establish strong business synergies with Nanjing Xiba Port, further enhance transportation efficiency and improve customer service capabilities, thereby increasing market share and reducing operational risks in the port sector.

The Group's toll road business and general-environmental protection business are managed and operated through a listed subsidiary of the Company, namely Shenzhen Expressway Corporation Limited ("Shenzhen Expressway"). During the Year, Shenzhen Expressway recorded a total revenue of approximately HK$10,325 million, representing a decrease of 4% as compared to the previous year. Benefitting from the rebound of traffic volume on toll roads operated or invested in by the Group, coupled with stringent cost control, Shenzhen Expressway recorded a net profit of approximately HK$2,650 million, representing a 18% increase as compared to the previous year. Due to the completion and delivery of partial commercial apartments by Shenzhen International United Land Co., Ltd. ("United Land Company"), an associate company of Shenzhen Expressway, Shenzhen Expressway recognized a share of profit of associates. Meanwhile, due to the profit recognized by the Group on the disposal of its investment in United Land Company in 2021, an offset of approximately HK$750 million was required in 2023 on a consolidated basis of the Group. The profit of Shenzhen Expressway attributable to the Group for the Year increased by 54% to approximately HK$1,005 million as compared to the previous year.

To minimize the impact of exchange rates, the Group has taken measures and achieved positive outcome. During the Year, the Group recorded a net foreign exchange loss of approximately HK$553 million, representing a decrease of 52% as compared to the previous year. To mitigate the impact of exchange rate fluctuations, the Group closely monitored the trends of exchange rate changes and persistently pursued the optimization of its domestic and foreign currency structure, while at the same time, improved its overall debt structure by issuing onshore bonds in China to replace offshore debts in Hong Kong dollar. In July and September 2023, the Company issued corporate bonds to professional investors in China. The bonds, listed on the Shenzhen Stock Exchange, were in the principal amount of RMB1,500 million with a coupon rate of 2.88%, RMB1,600 million with a coupon rate of 2.99%, and RMB1,900 million with a coupon rate of 2.95%, respectively. Meanwhile, the Company has used its internal funds and proceeds from such onshore bond issuance to repay and replace offshore foreign currency loans, optimize debt maturity and currency structure, continuously reduce the amount of foreign currency loans and secure long-term low-cost funding to further reduce its financial cost.

Dividend

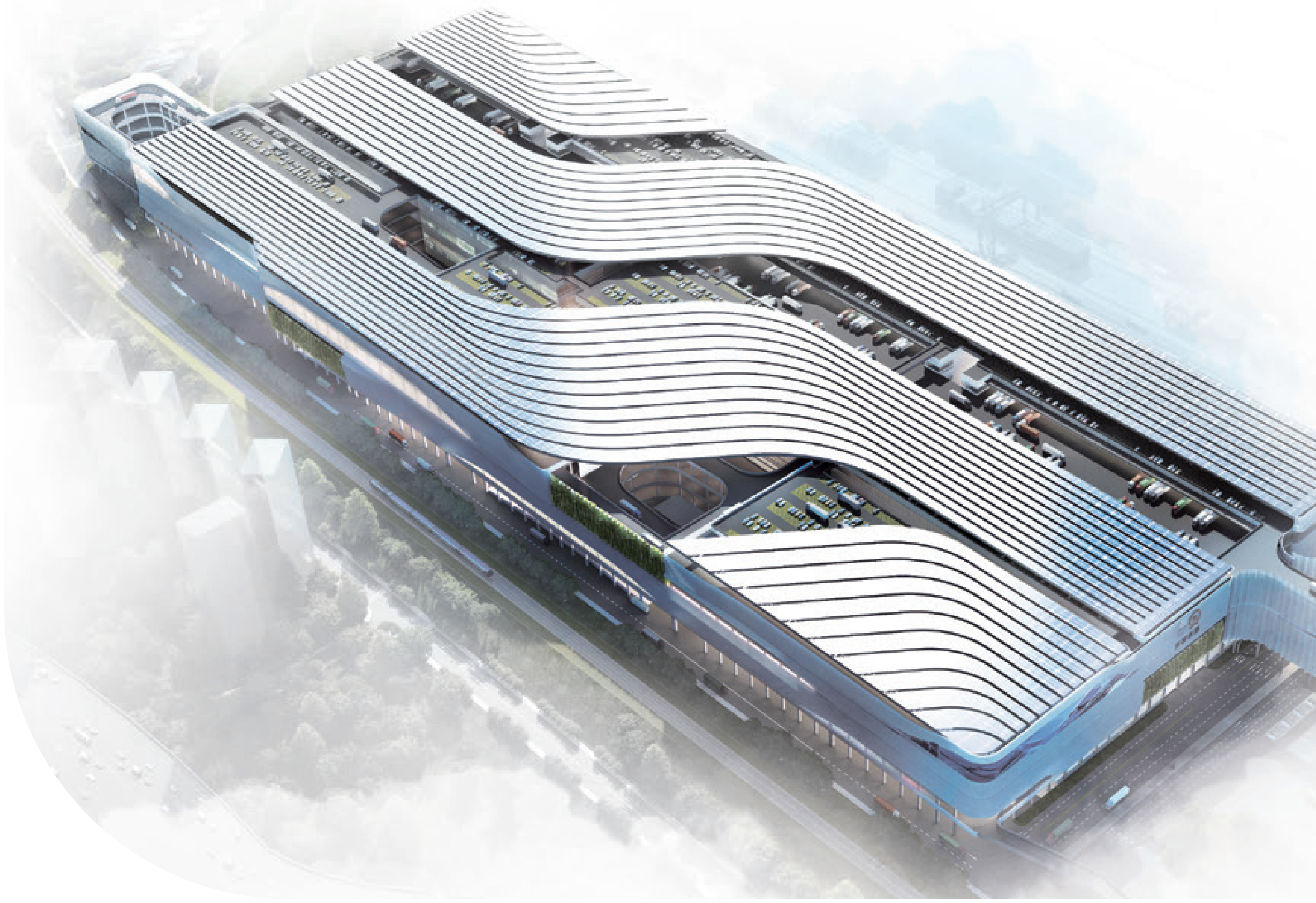
The board of directors of the Company (the "Board") is committed to maintaining a stable dividend policy and brings sustainable returns to the shareholders of the Company. Having considered the composition of the profit and cash flows of the Group, the Board recommended a final dividend of HK$0.40 per share for the Year (2022: final dividend of HK$0.257). Dividend per share increased 56% as compared to the previous year. Total dividend amounts to HK$957 million (2022: HK$614 million), representing an increase of 56%, as compared to the previous year.

The Board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to: (1) the approval of the proposed final dividend at the forthcoming annual general meeting of the Company ("2024 Annual General Meeting"); and (2) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the scrip shares to be issued pursuant thereto.

物流業務

02

LOGISTICS BUSINESS



OVERVIEW

The Group has extensive experience in the development, operation and management of logistics parks. Based in Shenzhen, the Group has focused on economically affluent regions such as the Greater Bay Area, the Yangtze River Delta and the Beijing-Tianjin-Hebei Region. The Group continues to consolidate its logistics assets and expand its operating scale through self-construction, acquisition and other methods to build a comprehensive "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight" logistics infrastructure network. At the same time, the Group strives to become "the leading first-class comprehensive logistics services provider in China", adopts as its core business functions the development and operation of urban high-end logistics complexes such as high-standard warehouses and intelligent logistics hubs, 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 31 December 2023, the Group has a presence in approximately 40 key logistics gateway cities in China, managing and operating a total of 37 logistics projects with a total planned land area of more than 10 million square meters, of which approximately 9.08 million square meters have obtained operation rights, and approximately 4.76 million square meters were in operation with an overall occupancy rate of approximately 90% within mature logistics parks.

During the Year, the Group further extended the rollout of its One City, Multiple Logistics Parks strategy in core cities. This strategy not only enables the Group to enjoy economies of scale, reducing operating costs and facilitating synergies across all logistics parks, it also creates a local service network that meets the diverse needs of customers and enhances the quality and efficiency of services, providing more opportunities and room for the Group's development. The Group aims to promote high-quality development in its logistics business by continuously adhering to the spirit of open-mindedness, cooperation and innovation.

ANALYSIS OF OPERATING ENVIRONMENT

In 2023, the global economic recovery remained slow as hampered by the combined impact of soaring inflation, escalating interest rates, intensifying geopolitical conflict, and deepening adjustments in global industry and supply chains, putting heavy downward pressure on China's import and export trades, and leading to weakened demand. In the logistics and warehousing sector in which the Group's core business operates, rapid growth in customer demand from sectors such as emerging e-commerce, cross-border e-commerce, and upstream and downstream of the new-energy vehicle industries brought fresh structural opportunities to the logistics and warehousing market, despite lower customer demand in the traditional e-commerce and express delivery industries. To adapt to the new wave of changes in consumer demand, the Chinese government has successively implemented a series of policies and measures to facilitate the logistics industry's high-quality development, and logistics enterprises are ushering in new development opportunities.

To better adapt to emerging trends, the Group actively responded to the changes in the external environment and industry development trends, firmly seizing opportunities arising from the policy of "Shenzhen speeding up the construction of a logistics center with significant global influence", and aiming to build itself into a distinctive first-class industrial conglomerate in the transportation and logistics sector. On the one hand, the Group will continue to focus on expanding high-quality projects in the core areas of first-tier cities and prominent second-tier cities with exceptional operational efficiency and strong resilience, so as to drive the continuous expansion of its market share and the ongoing enhancement of its industry influence. On the other hand, the Group will continue to enhance its dual closed-loop business models of "Investment, Construction, Financing and Operation" and "Investment, Construction, Operation and Transformation", proactively seek opportunities to tap into ancillary businesses in logistics parks, while building momentum for its long-term development.

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 continued to establish its stronghold in Shenzhen while establishing its presence in cities such as Foshan, Zhongshan and Zhaoqing, gradually expanding its business network in the Greater Bay Area. While continuously expanding its investment setting in the Greater Bay Area, the Group has proactively pursued opportunities arising from the development of "Multi-storey Warehouses" and created a new series of offerings, such as the "SZI Intelligent Logistics Hub", in line with the industry's trend towards smart and intelligent development.

As at 31 December 2023, the Group has established 14 logistics projects across the Greater Bay Area, among which six projects (including five projects in Shenzhen) are in operation/under management. Currently, five projects (including three projects in Shenzhen) are under construction. The Group has obtained the operation rights of over 2.6 million square meters of land in the Greater Bay Area, of which approximately 790,000 square meters have been put into operation.

Projects in Operation

SZI Intelligent Logistics Hub (SZ Liguang) is located in Longhua District of Shenzhen and has a site area of approximately 45,000 square meters and a gross floor area of approximately 217,000 square meters. It will be built as a logistics park with a high plot ratio, comprising six above-ground floors and two underground floors. With intelligent hardware as its foundation and digital platform as its carrier, the project will leverage cutting-edge information technology such as 5G to become an "ecological, intelligent and innovative" modern benchmark logistics park that integrates multiple industries. It serves as a benchmark project as part of the Group's "Multi-storey Warehouses" strategy. The project is designed to comprise various facilities, including cold storage warehouses, temperature-controlled warehouses, automated stereoscopic warehouses, along with e-commerce incubation and operation centers and ancillary service centers providing comprehensive logistics services encompassing logistics and warehousing, transaction demonstration, distribution and consolidation, urban distribution and circulation processing. Shenzhen Liguang Project has been put into operation in phases since July 2023.

SZI Intelligent Logistics Hub (SZ Pingshan East) is a quality logistics park project acquired by the Group in July 2023 for a total contract consideration of approximately RMB749 million. The project is located in Pingshan District of Shenzhen and has a total site area of approximately 267,000 square meters and a gross floor area of approximately 94,000 square meters. It currently accommodates prime customers such as Walmart and Xuefeng Cold Chain. The Group intends to develop it as one of the first pilot projects for "Multi-storey Warehouses + Multi-storey Factories" in Shenzhen, demonstrating high-quality logistics warehousing and industrial production space for Shenzhen. In addition, the project is adjacent to a number of the Group's other logistics projects, providing an opportunity for coordinated development in the area and is conducive to further expansion of the Group's market influence in Shenzhen and the Greater Bay Area. As at 31 December 2023, the overall occupancy rate of the park reached 100%.

SZI South China Logistics Park is located in Longhua District of Shenzhen and has a site area of approximately 580,000 square meters. The project is developed in two phases. The first phase is a comprehensive industrial park focusing on bonded logistics and commercial functions. It has been transforming into a digital economic park under the overall planning of the Shenzhen Municipal Government during the Year and the demolition work is being carried out in stages. It has received a demolition compensation fee of approximately RMB302 million.

SZI Western Logistics Park is located in Nanshan District of Shenzhen, which is a project leased and operated by the Group from the government with an operating area of approximately 91,000 square meters. It provides mainly bonded logistics, warehousing and storage, loading, unloading, distribution and on-site value adding services. The project was listed by the Ministry of Commerce of the PRC in the second batch of Exemplary E-Commerce Bases, designated as a pilot project in the Shenzhen Cross-border E-commerce Center and recognized as an advanced certified enterprise under the Authorized Economic Operator (AEO) Program. As at 31 December 2023, the overall occupancy rate of the park reached 100%.

SZI Kanghuai E-commerce Center is located in Longhua District of Shenzhen and has an operating area of approximately 143,000 square meters. It is the first asset-light management project operated by the Group. The SZI 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 Shenzhen's demonstration projects for the Green Freight Distribution City. Currently, the center provides a range of services, including warehouse logistics, large-scale data centers, office buildings, dormitories and restaurants, etc. This project also supports interactive sharing and intelligent interchange of data across the park with an intelligent park information management system. The center has achieved stable operations and has successfully attracted a number of branded logistics enterprises, resulting in satisfactory leasing progress. As at 31 December 2023, the project achieved an overall occupancy rate of approximately 95%.

SZI Intelligent Logistics Hub (Zhongshan Torch) is located in Zhongshan Torch Hi-tech Industrial Development Zone with an operating area of approximately 66,000 square meters. Subsequent to its acquisition in 2019, the project has undergone years of refined management, leading to significant improvement in service quality. As at 31 December 2023, the overall occupancy rate reached almost 100%.

Projects in Construction

SZI Intelligent Logistics Hub (SZ Pingshan) is located in Pingshan District of Shenzhen and has a site area of approximately 120,000 square meters and a planned gross floor area of approximately 286,000 square meters. The Group completed the acquisition of 70% equity interest in this project in April 2022. Benefiting from its unique locational advantage, the project is surrounded by enterprises in sectors with huge demand for logistics services, such as information technology, biopharmaceutical and new energy vehicle industries. The project is positioned as a "demonstration base for deep integration of manufacturing and logistics industries" within Shenzhen's "20+8" strategic emerging industry clusters, while it also acts as an "shared intelligent logistics service center" for "9+2" strategic emerging industries in Pingshan District. Its primary objective is to provide advanced manufacturing industries with efficient and comprehensive intelligent logistics services. Upon completion, it will help address the shortage of high-standard logistics facilities in Pingshan District, significantly lower the logistics costs of manufacturing enterprises, and effectively promote the deep integration of manufacturing and logistics industries in Pingshan District. The project has been selected as one of "Shenzhen's key projects for 2023". The project has commenced construction in May 2023 and it is scheduled to be completed and commence operation by 2025.

SZI Intelligent Logistics Hub (SZ Yantian) is located in Yantian District of Shenzhen and has a site area of approximately 32,000 square meters and a planned gross floor area of approximately 91,000 square meters. The hub is a six-storey stereoscopic warehouse that will serve as one of the Group's demonstration projects for modern and premium-standard "Multi-storey Warehouses" and as a demonstration project for "Bonded Logistics+". Leveraging the policy advantages of Yantian Port, an international hub port, and Yantian Comprehensive Bonded Zone, the project will focus on the development of new forms of bonded business, and offer comprehensive logistics services with high added value such as international distribution, cross-border e-commerce, cold chain logistics and bonded showcase services. The aim is to build it up as a world's leading intelligent bonded logistics complex, featuring digitalization, intelligence and greenization. The project has been selected as one of "Shenzhen's key projects for 2023" and was awarded the honor of "Guangdong Province Green Demonstration Project". The project was completed and passed acceptance procedures at the end of 2023 and is expected to commence operation in the first half of 2024.

SZI Intelligent Logistics Hub (Foshan Nanhai) and **SZI Intelligent Logistics Hub (Foshan Shunde)** are located in Nanhai District and Shunde District of Foshan respectively. Foshan Nanhai Project has a planned gross floor area of approximately 93,000 square meters, while Foshan Shunde Project has a planned gross floor area of approximately 337,000 square meters. With an emphasis on "intensification" and "intelligence" in the overall planning, the Group aims to develop these two warehouse projects into modern high-standard logistics parks that integrate warehousing, distribution, freight forwarding, trading, aftersales services, and e-commerce seamlessly. Foshan Nanhai Project and Foshan Shunde Project are currently undergoing full-scale construction and are expected to commence operations in 2024 and 2025, respectively.

Projects under Planning

SZI Highway Freight Logistics Hub (SZ Bao'an), located in Bao'an District of Shenzhen with a site area of approximately 75,000 square meters, is one of the seven first-class highway freight hubs planned by the Shenzhen Municipal Government. The project aims at establishing a cluster of comprehensive, environmentally friendly and intelligent high-standard logistics facilities in an intensive and stereoscopic manner, leveraging Bao'an's well-established advanced manufacturing industry and its prime location on domestic and international transportation routes. With a view to facilitating the integration of high-end manufacturing and logistics industries, the project centers on the construction of core areas such as automated international logistics cloud warehouses, intelligent commercial logistics centers and cold chain centers, in order to establish a comprehensive industry-leading cluster of modern intelligent logistics facilities. The Group successfully acquired the project site in December 2023. The project is the first launched highway logistics hub project under Shenzhen's three-tier "7+30+N" logistics hub plan and has been successfully listed in "Production and Service-oriented National Logistics Hub in Shenzhen".

SZI Intelligent Logistics Hub (Foshan Gaoming), located in Gaoming District of Foshan, is a warehouse site successfully acquired by the Group in early 2023 and has a site area of approximately 157,000 square meters. It is the third logistics park invested in by the Group in Foshan, thereby marking another significant breakthrough of the "Second Home Base" and "One City, Multiple Logistics Parks" strategy in the region. The project intends to create a high standard, information-based, modern smart logistics industrial base that integrates functions such as e-commerce cloud warehousing, urban distribution, intelligent cold chains and aviation supply chains. The project commenced construction in February 2024 and is expected to commence operation within 2025.

SZI Intelligent Logistics Hub (Zhaoqing Gaoyao) is located in Gaoyao District of Zhaoqing. The Group successfully tendered for a logistics land plot of approximately 100,000 square meters in October 2023. The successful land acquisition for the Zhaoqing Gaoyao project marks "another triumph" for the Group's development in the Greater Bay Area, further strengthening its strategic configuration in the region. The Group intends to develop the site into a multi-functional supply chain industrial park, integrating a supply chain financial center and a trading and clearing center into one entity, thereby fostering closer connectivity and synergies with other projects in the Greater Bay Area such as Foshan and Zhongshan, etc. The construction is expected to commence in the second half of 2024.

II. Logistics Parks in Other Regions of the PRC

While focusing on the Greater Bay Area, the Group has optimized the strategic configuration of its nationwide network through its "Prioritizing Excellence" strategy. It also stepped up its investment in key cities of economically affluent regions such as the Yangtze River Delta and the Beijing-Tianjin-Hebei Region, in order to increase its market share, enhance penetration rate and project density in key cities, consolidate the foundation of its high-standard warehouse network, and create synergies at the national level.

As at 31 December 2023, the Group has extended its network of logistics hubs to 35 logistics gateway cities in other regions across China (excluding the Greater Bay Area), among which a total of 31 logistics hub projects with an aggregate operating area of approximately 4 million square meters were in operation. The overall occupancy rate reached 88% within mature logistics parks, demonstrating satisfactory level of occupancy.

While continuing to expand its new logistics hub projects, the Group has also been steadily advancing its ongoing and planned projects to ensure that the construction progress aligns with its expectations. In 2023, Jinhua Yiwu Project (E-commerce Industrial Park), stage A under the second phase of Changsha Project and Wuxi Jiangyin Project were successively completed and commenced operations, contributing over 334,000 square meters of operating area. In 2023, the Group has commenced a total of seven new construction projects in other regions of China (excluding the Greater Bay Area), including Wenzhou Project, Chengdu Wenjiang Project and Xiangtan Project, etc.

SZI Logistics Hub (Shijiazhuang Zhengding), invested in and constructed by the Group, is the first industrial-city complex in China that integrates the two major industries of logistics and commerce. It has a site area of approximately 310,000 square meters and a planned gross floor area of more than 500,000 square meters, among which the logistics park has a site area of approximately 200,000 square meters and is dedicated to becoming an intelligent pharmaceutical cold chain logistics base. Through the integration of storage and logistics, it is intended to establish a logistics operation system of "Channel + Hub + Grid", creating a new "Pharmaceutical Industrial Park + Backbone Cold Chain Base" business model and contributing to the high-quality development and industrial upgrading of the "Northern China Pharmaceutical Capital".

Meanwhile, the park is currently promoting the construction of a high-standard backbone cold chain logistics base with a gross floor area of more than 100,000 square meters, continuously building an intelligent pharmaceutical industrial park + e-commerce cold chain industrial park. As at 31 December 2023, the operating area of the park reached approximately 70,000 square meters, among which the pharmaceutical industrial park has a site area of approximately 40,000 square meters. The pharmaceutical industrial park has become the key regional warehouse in Hebei serving Shanghai Pharmaceuticals and China Resources Pharmaceuticals, both of which are The Fortune Global 500 enterprises. Meanwhile, the park has joined forces with the China Good Agri-Products Development & Service Association to promote the branding of products stationed in the park, actively supporting "Internet + Agricultural Products" movement from rural areas to urban markets. The inspection and acceptance procedures of A6 and A8 warehouses in the park were completed during the Year, while the A5 and A7 warehouses have been recognized as "Green Warehouses" by the China Warehousing and Distribution Association and have obtained first-level certification of Green Warehouses. In addition, the park has successfully deployed a new generation of intelligent technology and supporting automated equipment, achieving fully intelligent and visualized management throughout processes, which has significantly improved logistics efficiency.

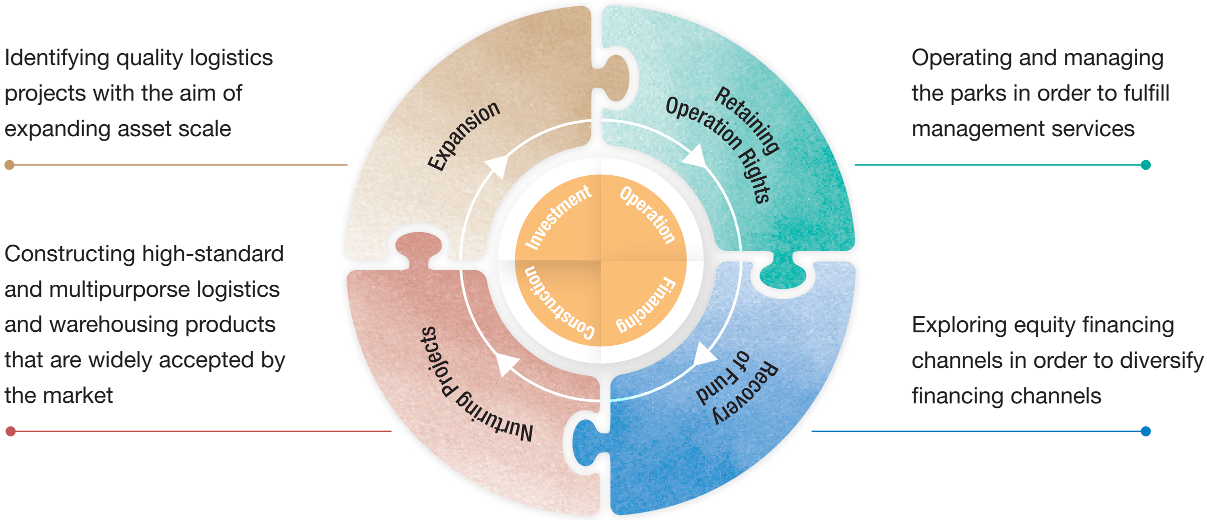
SZI Logistics Hub (Zhengzhou Xinzheng) and **SZI Logistics Hub (Hefei Feixi)** are high-quality logistics warehouse projects acquired by the Group in the first half of 2022, at a total consideration of approximately RMB1,710 million. With an aggregate site area of approximately 919,000 square meters and an operating area of approximately 406,000 square meters, the projects 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 intends to construct high-standard warehouses on the vacant land of these two projects. The total operating area will exceed 700,000 square meters upon completion, and these projects are expected to become significant logistics hubs in Zhengzhou and Hefei. Construction on the vacant land at Hefei Feixi Project commenced in the first half of 2023. The site has a gross floor area of over 134,000 square meters and is expected to commence operation in 2024. The vacant land for Zhengzhou Xinzheng Project is planned to be developed in phases and the first phase is expected to commence construction in 2024.

In 2023, the Group secured the warehouse land parcels for **Chengdu Wenjiang Project**, **Taiyuan Project** and **Nanning Jingkai Project**, with a cumulative site area of approximately 294,000 square meters, further strengthening the configuration of the Group's nationwide network of logistics hubs.

In addition, leveraging its strong brand influence and capability in mature parks operation, the Group has undertaken a number of management projects across the PRC. **Yueyang Project** is the Group's first management project outside Shenzhen. With warehouse facilities spanning an area of approximately 52,000 square meters, the project has been operating well since it commenced operations. Furthermore, the Group has been actively advancing the development of various management projects, including: **Hainan Yangpu Project**, with a gross floor area of approximately 94,000 square meters, has completed the inspection and acceptance procedures in 2023 and commenced operation in early 2024; **Guangdong Huiyang Project**, with a planned gross floor area of approximately 50,000 square meters, commenced construction in December 2023 and is expected to be put into operation in 2024; **Guangdong Chaozhou Project**, with a gross floor area of approximately 42,000 square meters, is expected to commence construction officially in 2024 and be put into operation in 2025; and the first phase of **Hubei Macheng Project**, with a gross floor area of 58,000 square meters, is expected to be put into operation in May 2024.

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

With the development of the logistics and warehousing industry, the value of logistics hubs is expected to increase steadily. The Group is actively exploring possible channels to securitize the assets of its logistics hubs and implement the closed-loop "Investment, Construction, Financing and Operation" business development model. The offering of logistics real estate investment funds will not only accelerate the Group's capital recovery, shorten its project turnover time and lower its gearing ratio, but also enable the Group to realize asset appreciation returns from the development, construction, incubation and operation of the logistics hubs in advance, thereby enabling rapid expansion of the Group's urban logistics hubs operation and management scale as well as adding new impetus to its long-term stable development.



Investment – *Investment and expansion: Leveraging 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, multipurpose logistics and warehousing facilities that gain high levels of market recognition and which will be constructed at reasonable costs. An emphasis will be placed on the liquidity of these assets and the enhancement of project construction and management standards.*

Financing – *Integration of assets and financing: Through securitization of assets through public offerings of real estate investment trusts (REITs), capital recovery will be accelerated and gearing ratio will be lowered, securing adequate cash flows and realizing asset value appreciation.*

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

The Group will continue to optimize its short closed-loop "Investment, Construction, Financing and Operation" business model through various means of logistics asset securitization. On the one hand, the Group will endeavor to facilitate the application and issuance of publicly traded infrastructure REITs with mature logistics hub projects as their underlying assets. On the other hand, the Group will proactively conduct research and seek to establish new logistics real estate private equity funds to revitalize its quality logistics assets and further unleash their value while retaining the operating rights to the parks as a prerequisite. In addition, the Group will consider investing in premium benchmark projects at both upstream and downstream of the industry chain through the establishment of acquisition funds and development funds, etc. Driven by the dual engines of industry and capital, the Group will continuously promote the expansion of its core logistics business, thereby accelerating its capital recovery to attain the Group's high-quality growth.

2023 marks the second anniversary of the listing of the first batch of publicly traded infrastructure REITs in China. Amid the comprehensive implementation of the expanded fundraising mechanism of publicly traded infrastructure REITs, the launch of pilot projects for consumer-oriented infrastructure, and the optimization of regulations, China's publicly traded REITs market is maturing towards normalized issuance. To establish its first platform of publicly traded REITs and realize asset securitization, the Group is actively planning for the declaration and issuance of public REITs, with the first batch intended to include mature logistics hub projects in Hangzhou and Guizhou as underlying assets. The issuance of public REITs is aimed at revitalizing the Group's premium logistics assets, further accelerating capital recovery and optimizing its investment portfolio, thus creating a positive cycle with the prerequisite of retaining the rights to operate the parks. The Group has achieved a major breakthrough in its issuance of public REITs that the application materials related to the registration and listing of the publicly traded fund were submitted to the China Securities Regulatory Commission ("CSRC") and the Shenzhen Stock Exchange. The Group will schedule the listing and issuance based on market conditions and regulatory approval progress.

As regards the private equity funds, the Group established Shenshi (Shenzhen) Smart Logistics Infrastructure Private Fund Partnership (Limited Partnership) ("Shenshi Fund") with Goldstone Investment Limited, a subsidiary of CITIC Securities Co., Ltd. in 2021. Shenshi Fund, as the main entity, has acquired the Group's logistics hub projects located in Nanchang, Hefei and Hangzhou through public tenders. The Group has completed the injection of these three projects into Shenshi Fund in 2021 and 2022, and the projects have been running smoothly, delivering a stable operational performance. Given that the Group continues to provide professional services such as operational and maintenance functions to the abovementioned logistics hubs injected into the fund and receives service fees accordingly, the injection of the assets into the fund enables the Group to accelerate capital recovery and facilitate effective investment under the prerequisite that it retains its rights to operate the parks, demonstrating the effective implementation of its "Investment, Construction, Financing and Operation" business model. The Group is actively preparing to establish a new batch of private equity funds and will engage in research on development-focused funds and acquisition funds to promote fund investments. It will also strengthen its collaboration with peers and financial institutions in order to facilitate the integration of industry and capital, and further drive the development of its "Investment, Construction, Financing and Operation" business model.

Logistics Service Business

I. Intelligent and Cold Chain Business

As technologies relating to artificial intelligence, big data and 5G gradually mature, alongside the combined implementation of new applications including automatic sorting, precise delivery and contactless distribution, the logistics industry has been transforming from a traditional, labor-intensive model into a new stage emphasizing on technological equipment and smart upgrades. Emerging sectors such as intelligent logistics and cold chain logistics have become important trends for the future development of the industry. The Group's intelligent and cold storage warehouses are located at multiple logistics hub projects in cities such as Shenzhen, Shijiazhuang and Chengdu, serving customers such as pharmaceuticals, computer, communication and consumer (3C) electronics, footwear and apparel. To create a new growth engine for its logistics business, the Group continues to explore development trends relating to the intelligent warehouse and cold chain industries, seeking premium benchmark projects of the industry to facilitate the expansion of new business and foster quality development of the industry chain and supply chain.

As at 31 December 2023, the Group had a total of 120,000 square meters of intelligent and cold storage warehouse space in operation, and approximately 292,000 square meters are currently under construction, proposed for construction or in the planning process.

In respect of the cold chain business, the Group has continued to make encouraging progress in the planning and construction of cold storage warehouses at its logistics hubs in recent years. In 2023, guided by the "Self-exploration of asset-heavy project + Joint operation of asset-light project" business model, the Group jointly established a cold chain operation company with "VX Logistics", a leading company in cold chain logistics industry, to accelerate the development of its cold chain business. As at the end of 2023, cold storage warehouses located at SZ Liguang Project, Shijiazhuang Zhengding Project, Chengdu Qingbaijiang Project and Tianjin Xiqing Project respectively, covering an area of approximately 120,000 square meters, were put into operation. In its development of intelligent warehouses, the Group continued to carry out intelligent transformations of existing logistics hub projects. A total area of 26,000 square meters has undergone intelligent transformation and commenced operations, enhancing customers' storage space utilization rates and inventory turnover efficiency while significantly reducing labor costs.

The cold storage warehouse of **SZ Liguang Project**, currently with an operating area of approximately 51,000 square meters, has commenced operations gradually since the second half of 2023. The project is intended to be developed into an ecological, intelligent, innovative benchmark demonstration project.

Besides, the transformation from a dry warehouse into a cold storage warehouse of **Shanghai Minhang Project** was completed and passed inspection and acceptance procedures and commenced operation in December 2023. The cold storage warehouse has an area of approximately 52,000 square meters after the transformation.

In June 2023, the Group successfully acquired the land parcel for the **cold chain project at the airport of Nanjing**. Construction has been commenced on the planned cold storage warehouse area of approximately 33,000 square meters, and is expected to put into operation by the end of 2024.

In 2020, the Group completed the strategic investment in Hubei Prolog Technology Co., Ltd. ("Prolog"), a leading enterprise specializing in intelligent warehouse system integration. Subsequently, the Group has been proactively enhancing post-investment synergies by collaborating with Prolog to explore the upgraded application of intelligent logistics technology within the park ecosystem, and jointly seeking the newfound value that technology brings to warehousing and logistics parks. The Group collaborated with Prolog to complete the intelligent transformation of certain warehouses in Shijiazhuang Zhengding Project, among which, the intelligent pharmaceutical warehouse has achieved real-time visualized control of temperature and humidity, and is being developed as a leading shared intelligent warehouse for the pharmaceutical industry.

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 by market share. China Comservice is the only integrated logistics enterprise with a "5A" qualification in China's telecommunications industry. The parties have conducted preliminary studies and researched the feasibility of cooperating on projects in different cities. Looking forward, the companies will complement one another in various respects to achieve win-win results by jointly developing high-end logistics value-added services in emerging industries such as information technology, communications and data centers. In 2023, the Group signed a comprehensive cooperation agreement with China Telecom Corporation Limited, the parent company of China Comservice. With the aim of working towards developing complementary advantages and win-win cooperation, the companies will leverage their respective core competitive advantages and actively seek collaboration in areas such as telecommunications, logistics supply chains, dual-carbon goal and new energy.

To implement its intelligent logistics development strategy, the Group joined hands with Shenzhen Airport Co., Ltd. and Shenzhen Capital Holdings Co., Ltd. to establish the Intelligent Airport Logistics Industry Fund in 2021. As one of the founders of the investment fund, the Group actively promotes its operation and seeks potential high-quality targets in sectors such as cold chain logistics and new energy vehicle logistics and will continuously keep abreast of their relevant developments. As at the end of 2023, the Group has received an accumulated dividend income of approximately RMB5.05 million from the fund.

II. Marine Container Logistics Integrated Information Service

EDI Co.

Shenzhen EDI Co., Ltd. ("EDI Co."), a subsidiary of the Company, focuses on empowering the container transportation industry with digital technologies, has become a cross-border logistics supply chain digital service platform with the functions of "cargo operation platform + logistics transaction platform + container operation platform". EDI Co. has created the largest container transport SAAS public service platform in Southern China, and has also developed and is operating EDI's network information exchange platform for Shenzhen Port. During the Year, EDI Co. accelerated the incubation of its cargo owner strategic products, not only completing the launch of an export tax refund collaborative service product named "Customs Ticket Tax Financing (version 1.0)", but also expediting the preliminary establishment of its cross-border trade logistics digitalization and fulfillment platform, "Kunpeng Intelligent Transportation". "Pengyao Project", jointly developed by the Group and Shanghai Flying Fish Supply Chain Technology Co., Ltd., an investor under Cainiao AI（菜鳥）, representing a business breakthrough. Meanwhile, EDI Co. continues to undertake the operation and maintenance of the China (Shenzhen) International Trade Single Window to provide foreign trade enterprises in Shenzhen with convenient, efficient online import and export customs clearance services. During the Year, EDI Co. was selected as one of the "Top 10 Intelligent Port Forces" in the "Annual Top 100 in China Shipping Industry" by the China Shipping Gazette, and also garnered the "National Second-class Award" in the first State-Owned Enterprises Digital Scene ChangXin Professional Competition, organized by the State-owned Assets Supervision and Administration Commission of the State Council.

III. Railway Integrated Logistics Hub

Shenzhen International Integrated Logistics Hub Center (Formerly known as SZI Railway Freight Logistics Hub (SZ Pinghunan)) ("Pinghunan Project")

In August 2021, a joint venture company, Shenzhen Municipal Shenzhen International Railway Logistics Development Company Limited, was established by the Group and China Railway Guangzhou Group Co., Ltd. to invest in and develop the Pinghunan Project. The Pinghunan Project is located in Longgang District of Shenzhen, and has a total site area of approximately 900,000 square meters. In September 2019, the 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 logistics hub projects.

The Group pioneered the model of "obtaining strata titles in multi-level logistics and warehousing development to be constructed over a railway" in Pinghunan Project, optimizing the utilization of railway yard space by vertically expanding and developing modern logistics facilities, thereby achieving an integrated "Rail Transportation + Modern Logistics" development. The Group intends to develop it as a benchmark and showcase it as a "Road, Railway and Water" multimodal transportation center and national-level integrated logistics hub. It aims to meet market demand by integrating urban logistics, commercial and trade services, international and domestic railway freight services and emergency logistics support. This integration will facilitate the transformation of the single-function railway yard into a "Railway Yard + Urban Integrated Logistics Hub".

The Group has acquired operation rights of land with a site area of 900,000 square meters in the Pinghunan Project. In June 2023, it successfully secured the land use rights of approximately 334,000 square meters for the space above the overhead floor of the Pinghunan Project for the consideration of RMB1,187 million. On the premise of retaining all the planning functions of the railway yard, an 11-meter overhead floor will be built. The logistics land above the overhead floor will be used to build 850,000 square meters of logistics storage facilities. It represents the first industrial space development built on a railway yard within China and is a relatively rare land resources in Shenzhen for the construction of large-scale logistics facilities. Upon completion, the project will facilitate the expansion of the operating scale of the Group's business and its market share, effectively enhancing the Group's influence in the Greater Bay Area. The Group is currently fully committed to advancing the construction of this project and has commenced the construction work at the first half of 2024, aiming for completion at the end of 2025. The construction fee will be funded by a combination of the Group's internal and external financing.

Currently, the Group has successfully rolled out a number of freight express lines leveraging the use of the railway yard of Pinghunan Project, including the "Shenzhen – Shanghai", "Shenzhen – Hunan", "Shenzhen – Ningbo" and "Shenzhen – Kashi" multimodal transportation projects, and successfully launched self-operated railway lines connecting Shenzhen to Shanghai, Changsha, Zhuzhou, Ningbo, and Kashi, covering major economic regions including Eastern China, Central China, southwestern area and northwestern area of China, thereby materializing a breakthrough in terms of multimodal transportation business, as well as forming a new pattern of simultaneous growth of international and domestic railway freight businesses. As at 31 December 2023, the annual dispatch volume of domestic trade train routes reached 16,878 standard containers.

In addition, the Group provides various services including warehousing, port container yard and railway transportation within the Pinghunan Project, and the operational railway yard/freight yard covers an area of approximately 170,000 square meters. As at 31 December 2023, the occupancy rate of the leasable space at the railway yards/freight yard reached 100%.

Shenzhen China-Europe/China-Laos Train Route

The Group has established a joint venture with Sinotrans Limited to operate the Shenzhen China-Europe/China-Laos train routes. Principally engaged in the international cargo agency and international train operation businesses, the joint venture protects the stability of international industry chains and supply chains and contributes to the high-quality development of the "Belt and Road Initiative".

Shenzhen China-Europe Train Route is a vital link connecting Shenzhen with the international economic development. Starting from Shenzhen, it is currently one of PRC's longest train routes running between China and Europe. With 18 routes serving 42 countries, it provides stable, reliable international logistics services to more than 5,000 enterprises in Shenzhen and neighboring cities. 188 trips were made in 2023, and it has made a total of 576 trips since its launch with a trading amount of approximately USD1,870 million. In addition, international train routes running between China and Laos, among China, Laos and Thailand, and premium train routes between China and Europe were opened afterwards. As all routes originate from the Pinghunan Project site, they help boost the cargo volume of the Pinghunan Project and the efficiency of warehouse usage, strengthening the synergies between the Group's logistics hubs and creating opportunities for the development of value-added services in its logistics business.

FINANCIAL ANALYSIS

Revenue
For the year ended 31 December

	2023 HK$'000	2022 HK$'000	(Decrease)
Logistics Parks in the Greater Bay Area	**561,708**	576,113	(3%)
Logistics Parks in Other Regions of China	**956,902**	997,278	(4%)
Sub-total of Logistics Park Business	**1,518,610**	1,573,391	(3%)
Logistics Service Business	**319,109**	389,619	(18%)
Total	**1,837,719**	1,963,010	(6%)

Profit Attributable to Shareholders
For the year ended 31 December

	2023 HK$'000	2022 HK$'000	(Decrease)
Logistics Parks in the Greater Bay Area	**218,724**	272,761	(20%)
Logistics Parks in Other Regions of China	**304,900**	1,144,321	(73%)
Sub-total of Logistics Park Business	**523,624**	1,417,082	(63%)
Logistics Service Business	**8,617**	9,521	(9%)
Total	**532,241**	1,426,603	(63%)

During the Year, total revenue from the logistics business amounted to approximately HK$1,838 million, representing a decrease of 6% as compared to the previous year. Profit attributable to shareholders decreased by 63% to approximately HK$532 million as compared to the previous year.

During the Year, revenue from the logistics park business decreased by 3% to approximately HK$1,519 million as compared to the previous year, mainly due to factors such as prolonged weakness in market demand and fierce competition within the industry. Profit attributable to shareholders decreased by 63% to approximately HK$524 million as compared to the previous year, principally due to the absence of gains attributable to the injection of logistics park projects into the fund under the Group's "Investment, Construction, Financing and Operation" business model during the Year.

During the Year, revenue and profit attributable to shareholders from the logistics service business decreased by 18% to approximately HK$319 million and by 9% to approximately HK$8.62 million respectively as compared to the previous year. The decrease was mainly attributable to the business restructuring of the Group in response to the evolving economic environment and to mitigate risks.


4 SZI Western Logistics Park (Shenzhen)


5 SZI Kanghuai E-commerce Center (Shenzhen)


6 Shenzhen Liguang Project


7 Shenzhen Pingshan Project

8 Shenzhen Pingshan East Project


9 Shenzhen Yantian Project


10 Zhongshan Torch Project


11 Zhaoqing Gaoyao Project#


12 Foshan Nanhai Project#


13 Foshan Shunde Project#


14 Foshan Gaoming Project#

Conceptual rendering

As at 31 December 2023, details of the Group's major logistics projects in the Greater Bay Area are shown as follows: *(continued)*

	No.	Project name	Location	Planned site area* (0'000sq.m.)	Acquired site area (0'000sq.m.)	Area in operation (Gross floor area) (0'000sq.m)	Commencement date/Expected commencement date of the operation of the first phase of the project** (year.month)
SZI Intelligent Logistics Hubs	4	SZI Western Logistics Park (Shenzhen)	Linhai Road, Nanshan District, Shenzhen	N/A	N/A	9.1	2003
	5	SZI Kanghuai E-commerce Center (Shenzhen)▲	Ping'an Road, Guanlan Sub-district, Longhua District, Shenzhen	N/A	N/A	14.3	2018.01
	6	Shenzhen Liguang	Liguang Village, Guanlan Sub-district, Longhua District, Shenzhen	4.5	4.5	21.7	2023.07
	7	Shenzhen Pingshan	Eastern Lanzhu Road, Longtian Sub-district, Pingshan District, Shenzhen	12	12	–	2025
	8	Shenzhen Pingshan East	Jinhui Road, Kengzi Sub-district, Pingshan District, Shenzhen	26.7	26.7	9.4	2023.09
	9	Shenzhen Yantian	First Phase of Yantian Comprehensive Bonded Zone, Yantian District, Shenzhen	3.2	3.2	–	2024
	10	Zhongshan Torch	Zhongshan Torch Hi-Tech Industry Development Zone, Zhongshan	5.8	5.8	6.6	2019.09
	11	Zhaoqing Gaoyao	Jinli Town, Gaoyao District, Zhaoqing	10	10	–	2026
	12	Foshan Nanhai	Nanhai District, Foshan	7.6	7.6	–	2024
	13	Foshan Shunde	Shunde District, Foshan	20	20	–	2025
	14	Foshan Gaoming	Gaoming District, Foshan	15.7	15.7	–	2025
		Total		**260.8**	**260.8**	**78.5**	

Notes:

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

** *Expected commencement dates of operation are estimates and are subject to updates according to construction progress*

@ *the Group has obtained operation rights in respect of land with a site area of 900,000 square meters at Shenzhen International Integrated Logistics Hub Center, and has successfully secured the land use rights of approximately 334,000 square meters for the space above the overhead floor of the project in June 2023*

^ *the first phase of the SZI South China Logistics Park (Shenzhen) is currently undergoing the transformation into a digital economic park under the overall planning of the Shenzhen Municipal Government and it is expected to gradually cease operations by 2024. As at 31 December 2023, approximately 138,000 square meters of warehouse area has been demolished*

▲ *Management project*

9 Wuxi Jiangyin Project

10 Suzhou Kunshan Project

11 Suzhou Xiangcheng Project

12 Nanjing Jiangning Project

13 Jurong Project#

14 Xuzhou Project#

15 Nantong Project#

16 Huai'an Project

17 Taizhou Project#

18 Hefei Feidong Project

19 Hefei Feixi Project#

20 Tianjin Binhai Project

21 Tianjin Xiqing Project

22 Shijiazhuang Zhengding Project

24 Wuhan Dongxihu Project

25 Wuhan Caidian Project#

26 Wuhan Huangpi Project#

27 Nanchang Jingkai Project#

28 Nanchang Changbei Project#

29 Changsha Project

No project picture for No.23 (Shijiazhuang Yuanshi Project)


30 Xiangtan Project#


31 Yueyang Project


32 Guizhou Longli Project


33 Guiyang Xiuwen Project#


34 Chongqing Shuangfu Project


35 Chongqing Shapingba Project


36 Kunming Project


37 Chengdu Qingbaijiang Project


38 Chengdu Wenjiang Project#


39 Nanning Jingkai Project#


40 Zhanjiang Project#


41 Hainan Chengmai Project#


42 Haikou Gaoxin Project#


43 Zhengzhou Erqi Project


44 Zhengzhou Xinzheng Project#


45 Yantai Project


46 Xi'an Project


47 Taiyuan Project#


48 Shenyang Project

Conceptual rendering

As at 31 December 2023, details of the Group's major logistics projects in other regions of the PRC are shown as follows:

	No.	Project name	Location	Planned site area* (0'000sq.m.)	Acquired site area (0'000sq.m.)	Area in operation (Gross floor area) (0'000sq.m)	Commencement date/Expected commencement date of the operation of the first phase of the project** (year.month)
SZI Logistics Hubs		**Zhejiang Region**					
	1	Hangzhou□	Hangzhou Dajiangdong Industrial Cluster, Hangzhou	Phase I: 23.9 Phase II: N/A	Phase I: 23.9 Phase II: N/A	Phase I: 21.3 Phase II: 24.3	2017.11
	2	Ningbo	Ningnan Trade and Logistics Park, Ningbo	19.4	9.2	5.7	2018.01
	3	Jinhua Yiwu	Yunxi Village under the jurisdiction of Choucheng Sub-district, Yiwu, Jinhua	44	41.7	55.9	2020.12
	4	Jinhua Jingkai	Jinhua Economic and Technological Development Zone, Jinhua	13.6	–	–	–
	5	Wenzhou	Longgang District, Wenzhou	13.9	13.9	–	2025
		Jiangsu and Anhui Region					
	6	Shanghai Qingpu	Huaxin Town, Qingpu District, Shanghai	2.3	2.3	3	2019.09
	7	Shanghai Minhang	Zhuanqiao Town, Minhang District, Shanghai	3.5	3.5	5.2	2021.09
	8	Wuxi Huishan	Huishan District, Wuxi	34.7	24.6	12	2017.01
	9	Wuxi Jiangyin	Jiangyin Lingang Economic and Technological Development Zone, Wuxi	13.3	13.3	11.3	2023.10
	10	Suzhou Kunshan	Lujia Town, Kunshan, Suzhou	11.7	11.7	9.6	2016.06
	11	Suzhou Xiangcheng	International Logistics Park, Wangting Town, Xiangcheng District, Suzhou	3.3	3.3	1.9	2020.12
	12	Nanjing Jiangning	Jiangning District, Nanjing	3.2	3.2	–	2025
	13	Jurong	New North Town, Jurong	40	13.1	–	2026
	14	Xuzhou	Xuzhou National Hi-Tech Industrial Development Zone, Xuzhou	14	13.3	7.2	2021.04
	15	Nantong	Haimen Industrial Park, Nantong	15.2	15.2	12.9	2021.01
	16	Huai'an	Huai'an Economic and Technology Development Zone, Huai'an	11.1	–	–	–
	17	Taizhou	Dasi Town, Gaogang District, Taizhou	8.8	8.8	–	2025
	18	Hefei Feidong□	Anhui Hefei Commercial and Logistics Development Zone, Feidong County, Hefei	N/A	N/A	9.3	2016.01
	19	Hefei Feixi	Feixi County, Hefei	42.2	42.2	19.1	2022.05
		Beijing-Tianjin-Hebei Region					
	20	Tianjin Binhai	West Wing of Tianjin Development Zone, Tianjin	6	6	3.3	2019.01
	21	Tianjin Xiqing	Yangliuqing Town, Xiqing District, Tianjin	11.6	11.6	7.8	2021.09
	22	Shijiazhuang Zhengding	Zhengding County, Shijiazhuang	46.7	31	7	2017.07
	23	Shijiazhuang Yuanshi	Yuanshi County, Shijiazhuang	14.4	–	–	–

As at 31 December 2023, details of the Group's major logistics projects in other regions of the PRC are shown as follows: *(continued)*

	No.	Project name	Location	Planned site area* (0'000sq.m.)	Acquired site area (0'000sq.m.)	Area in operation (Gross floor area) (0'000sq.m)	Commencement date/Expected commencement date of the operation of the first phase of the project** (year.month)
SZI Logistics Hubs		**Central China**					
	24	Wuhan Dongxihu	Dongxihu District, Wuhan	13.3	12.6	6.3	2016.01
	25	Wuhan Caidian	Changfu Logistics Park, Caidian District, Wuhan	26.7	12.9	11.7	2022.03
	26	Wuhan Huangpi	Huangpi District, Wuhan	6.7	6.8	–	2026
	27	Nanchang Jingkai□	Nanchang Economic and Technological Development Zone, Nanchang	N/A	N/A	8.7	2017.06
	28	Nanchang Changbei	Nanchang Integrated Bonded Zone	15.7	15.6	–	2025
	29	Changsha	Jinxia Economic Development Zone, Changsha	34.7	29.8	22.7	2018.01
	30	Xiangtan	Yuetang Economic Development Zone, Xiangtan	10.2	10	–	2024
	31	SZI Intelligent Logistics Hub (Yueyang)▲	New Port Area, Chenglingji District, Yueyang	N/A	N/A	5.2	2020.01
		Southwestern Region					
	32	Guizhou Longli	Shuanglong Modern Service Industrial Cluster, Guizhou	34.8	34.8	14.2	2018.05
	33	Guiyang Xiuwen	Zhazuo Industrial Park, Xiuwen Economic Development Zone, Guiyang	20	20.6	–	2026
	34	Chongqing Shuangfu	Shuangfu New District, Jiangjin District, Chongqing	15.7	10.4	5.8	2019.12
	35	Chongqing Shapingba	Shapingba District, Chongqing	14.6	14.6	11.6	2021.09
	36	Kunming	Yangzonghai Scenic Area, Kunming	17.2	17.2	11.9	2020.01
	37	Chengdu Qingbaijiang	International Railway Logistics Park, Qingbaijiang District, Chengdu	12.9	12.5	12.6	2021.1
	38	Chengdu Wenjiang	Wenjiang District, Chengdu	6.7	6.7	_	2025
	39	Nanning Jingkai	Nanning Economic and Technological Development Zone	10	10	–	2026
		Southern Region					
	40	Zhanjiang	Mazhang District, Zhanjiang	20	11	–	2024
	41	Hainan Chengmai	Jinma Modern Logistics Center, Chengmai County, Hainan	6.3	6.3	–	2024
	42	Haikou Gaoxin	Gaoxin District, Haikou	6.7	6.7	–	2025

As at 31 December 2023, details of the Group's major logistics projects in other regions of the PRC are shown as follows: *(continued)*

	No.	Project name	Location	Planned site area* (0'000sq.m.)	Acquired site area (0'000sq.m.)	Area in operation (Gross floor area) (0'000sq.m)	Commencement date/Expected commencement date of the operation of the first phase of the project** (year.month)
SZI Logistics Hubs		**Northern Region**					
	43	Zhengzhou Erqi	Mazhai Industrial Cluster, Erqi District, Zhengzhou	11	11	11.7	2022.12
	44	Zhengzhou Xinzheng	Xinzheng District, Zhengzhou	49.7	49.7	21.5	2022.05
	45	Yantai	Yantai Economic and Technological Development Zone, Yantai	6.9	6.9	2.9	2008.06
	46	Xi'an	Xi'an National Civil Aerospace Industrial Base, Xi'an	12	12	9.3	2020.08
	47	Taiyuan	Xiaohe Industrial Park, Xiaodian District, Taiyuan	12.7	12.7	–	2025
	48	Shenyang	Shenyang International Logistics Park, Yuhong District, Shenyang	70	24.1	24.2	2016.04
		Total		**831.3**	**646.7**	**397.1**	

Notes:

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

** *Expected commencement dates of operation are estimates and are subject to updates according to construction progress*

□ *SZI Logistics Hub (Nanchang Jingkai), SZI Logistics Hub (Hangzhou Phase II) and SZI Logistics Hub (Hefei Feidong) are 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 acquired site area has been adjusted accordingly. The Group retains the rights to operate and manage these logistics hubs and continues to provide operation, maintenance and other professional services to them and charge service fees*

▲ *management project*

物流園轉型升級業務 03

LOGISTICS PARK TRANSFORMATION AND UPGRADING BUSINESS

OVERVIEW

Seizing the unprecedented opportunities presented by urbanization in China, the Group is proactively driving the transformation of its logistics park projects in key urban centers such as Shenzhen. Through upgrading, transformation, development and operation of its logistics park projects, the Group is dedicated to implementing a long closed-loop business model of "Investment, Construction, Operation and Transformation". The Group's logistics park transformation and upgrading projects maximize the value of relevant assets and its investment returns, which in turn provides long-term support for the Group's business development and performance, and contributing substantial returns to the shareholders of the Company.

The transformation and upgrading of the logistics parks involve certain real estate development projects, which are currently only being carried out in the core area of Shenzhen. "Shenzhen International P&M" is the Group's management platform for its logistics park transformation and upgrading business and its integrated asset development and operation.

ANALYSIS OF OPERATING PERFORMANCE

SZI Qianhai Project ("Qianhai Project")

Qianhai Project is the first project in which the Group has successfully implemented its long closed-loop "Investment, Construction, Operation and Transformation" development model. By the land consolidation and preparation in Qianhai, the Group was compensated through a land swap by which it received land parcel with a total site area of approximately 120,000 square meters and a total gross floor area of approximately 390,000 square meters (comprising residential area of approximately 190,000 square meters and apartment area of approximately 25,000 square meters), which is valued at RMB8,373 million under new land use arrangement. The appreciation of the land value represents the initial benefit derived from the land consolidation and preparation in Qianhai. With the gradual development of the swapped land parcels and completed properties are being released into the market, the Qianhai Project has generated a profit before tax of approximately RMB14,219 million in six separate instances over the past few years, supporting the Group's financial performance growth steadily. It will also furnish the Group with valuable experience, laying a solid foundation for the seamless execution of its forthcoming transformation and upgrading initiatives.

Qianhai Project will continue to be developed into the Shenzhen International Qianhai Industrial-City Complex, integrating an industrial digital economy town with modern commercial and complementary residential amenities that will facilitate the development of Qianhai through the promotion of industrial upgrading, resource aggregation and functional integration, ultimately fostering resource integration in industrial and urban areas.

As at 31 December 2023, the profits generated by the Qianhai Project are as follows:

Income Category	Period	Item	Area (square meters)	Profit before tax (RMB million)
Land Appreciation	2017– 2020	Land consolidation and preparation	120,200 [(1)]	**8,373**
Development Profit	2021	First phase of residential project – Parkview Bay	51,000 [(2)]	724
	2022	Capital increase of the project company	–	2,487
	2023	Second phase of residential project – Yicheng Qiwanli	51,000 [(3)]	2,635
				5,846
Operating Profit	From the second half of 2021	First phase of office project – Yidu Building	35,000 [(4)]	ongoing rental income

Remarks:

(1) 120,200 square meters swapped land parcels in Qianhai project;

(2) First phase of residential project in Qianhai Project – Parkview Bay has a gross floor area of 51,000 square meters;

(3) Second phase of residential project in Qianhai Project – Yicheng Qiwanli Project has a gross floor area of 51,000 square meters;

(4) First phase of office project in Qianhai Project – Yidu Building has a gross floor area of 35,000 square meters.

Residential Project

The Yicheng Qiwanli Project developed and operated solely by the Group, has a plot ratio-based gross floor area of approximately 65,000 square meters, comprising a residential gross floor area of approximately 51,000 square meters and a commercial gross floor area of approximately 6,000 square meters. In 2023, the Yicheng Qiwanli Project has garnered numerous international awards such as “MUSE Design Awards”, “International Property Award 2023” and “IDA International Design Award”. The pre-sale of the project commenced on 28 September 2022 and was completed and delivered in December 2023, recognizing revenue of approximately RMB4,952 million and profit before tax of approximately RMB2,635 million.

Yicheng Zhenwanyue is a residential project jointly developed by the Group and a renowned property developer, with the Group holding a 50% equity interest. The first phase of the project, encompassing residential area of approximately 40,000 square meters and commercial area of approximately 3,400 square meters, was launched for pre-sale in 2022 and sold out as of 31 December 2023. The second phase of the project 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 pre-sale of the project began in April 2023. As at 31 December 2023, the project reached a sale rate of 96% with aggregate sales proceeds of approximately RMB3,700 million. The construction of the main structure is currently in steady progress.

Commercial and Office Project

As for the commercial part, the Group and SCPG (印力集團) have harnessed their respective strengths to jointly create a unique boutique commercial project known as "Qianhai Yinli" in Mawan area of Qianhai. "Qianhai Yinli" has a total gross floor area of approximately 25,000 square meters. As a slow-paced, courtyard-style neighborhood of a type rarely found in Qianhai and Shenzhen, the project integrates a digitalized lifestyle with a superior quality of life, culture and arts, and social interactions. The project officially commenced operation in September 2022 and won the "Business Innovation Award" and the "Marketing Innovation Award" at the China Shopping Center & Chain Brand Development Summit in June 2023. In October 2023, the project was also awarded "Excellent Featured Consumer Attraction" and "Excellent Community Shopping Center" in the 2023 Professional Competitiveness List by the Golden Mall China Shopping Centre Industry. As of 31 December 2023, the project had attained an overall occupancy rate of approximately 80%.

As for the office part, the Group jointly managed and operated "SZI Properties (Shenzhen Yidu Building)" with China Center for Information Industry Development ("CCID"), an enterprise directly controlled by the Ministry of Industry and Information Technology. In May 2022, Yidu Building obtained the LEED-CS Platinum certification from the U.S. Green Building Council, signifying the project's status as one of the world's top green office buildings. The total gross floor area of Yidu Building is approximately 35,000 square meters. Capitalizing on the unique geographical location and policy advantages of Qianhai in the Greater Bay Area, the project fully leverages on the Group's wealth of expertise in supply chain management and the CCID'S extensive information technology service capabilities. It focuses on the development of supply chain services and intelligent manufacturing services, with the goal of fostering in-depth integration of the digital and real economies in the Greater Bay Area and countries/regions that are part of the "Belt and Road Initiative". Since its launch in July 2021, Yidu Building has positioned itself as an artificial intelligence of things+ (AIoT+) ecological courtyard with industrial operation services, successfully attracting a variety of digital economy enterprises as tenants. As at 31 December 2023, the project had an occupancy rate of 90% with all contracted customers being high-potential digital economy enterprises. This resulted in the creation of an industry cluster with a 100% concentration rate, ranking first in Qianhai in terms of industry concentration for the digital economy and recognized by the Qianhai Administrative Bureau of Shenzhen Municipality as an industrial carrier for fostering industry aggregation for two consecutive years. The self-operated premium shared office space "Qianhai Tuding Camp", which is also located in Yidu Building, served as the Group's first industrial incubator product, focusing on fostering the development of an "AIoT+" deep-tech innovation ecosystem in the Shenzhen-Hong Kong region and the filing for the Shenzhen Nanshan District Public Creative Space and Torch Program were completed. As at 31 December 2023, Qianhai Tuding Camp achieved an incubation rate of 55%. Among them, Hong Kong entrepreneurial teams accounted for about one-third, and the project has also attracted outstanding entrepreneurial teams with overseas returnees from prestigious international institutions, such as the University of Edinburgh in the United Kingdom, the University of California, Los Angeles in the United States and the University of Hong Kong, etc. A prototype industrial innovation ecosystem platform has been developed to facilitate the seamless promotion of diverse industrial activities and industry-supporting services.

In addition, the Group owns two separate land parcels in Qianhai, which are designated for office and commercial uses. These land parcels have an aggregate plot ratio-based gross floor area of approximately 92,000 square meters, comprising office gross floor area of approximately 79,000 square meters, commercial gross floor area of approximately 12,000 square meters and community service center with a gross floor area of approximately 1,000 square meters. Given that the two sites are situated within the bonded area, the Group is currently in discussions with government departments regarding related land swap and development issues.

SZI South China Logistics Park Transformation Project

With the increased implementation of national "Two-region Engines" strategy, the Greater Bay Area is set to become one of the most open and economically vibrant regions in China. However, the supply of new land in the Greater Bay Area is limited, particularly in core areas, where land resources are especially precious. The Group's SZI South China Logistics Park is located in the central axis and core node of Shenzhen. With a site area of approximately 580,000 square meters. It is the largest traditional warehousing and logistics park the Group owns in Shenzhen. Promoting the transformation of SZI South China Logistics Park into a south China digital economy super headquarters base is a crucial task for the Group in exploring the long closed-loop "Investment, Construction, Operation and Transformation" development model, following the Qianhai Project.

In 2023, the Group achieved significant advancement in the transformation and upgrading of the first phase of SZI South China Logistics Park Project. According to the public paper entitled "Longhua District National Land and Space Plan (2021-2035) (draft)" released by the Longhua District government, SZI South China Logistics Park is included in the spatial scope of the "North Railway Station Hub Urban Function Node". It has been written into the spatial blueprint for the medium- to long-term development of Longhua District for the next 15 years. According to the Notice of Shenzhen Urban Renewal and Land Consolidation and Preparation Plan 2023 issued by Longhua Administration of Planning and Natural Resources Bureau of Shenzhen Municipality, SZI South China Logistics Park Land Consolidation and Preparation Benefit Coordination Project has been incorporated into the plan as a new project in Longhua District. Meanwhile, the Group officially entered into the "Land Consolidation and Preparation Supervision Agreement" in October 2023 with Shenzhen Longhua City Renewal and Land Development Bureau, Longhua Administration of Planning and Natural Resources Bureau of Shenzhen Municipality, and Shenzhen Longhua Minzhi Subdistrict Office in relation to the consolidation and preparation of the land comprising Phase I of South China Logistics Park of the Group, which is to be implemented by way of arrangement of reservation of land and monetary compensation. The reserved land of the phase I of SZI South China Logistics Park will be transformed and developed from logistics and warehouse purposes into a piece of comprehensive land focusing on the digital economy industry and supporting high-end commercial and residential functions. By reclaiming the reserved land in phases, the Group aims to gradually carry out development of the reserved land in accordance with the new planned functions, to increase the land's value and realize profits in the future.

"SZI South China Digital Valley" is the second phase of SZI South China Logistics Park, which covers a site area of approximately 62,000 square meters and a gross floor area of approximately 200,000 square meters, to be developed and constructed in two stages. Among which, the first stage was put into operation in December 2021, with an occupancy rate of approximately 70% as at 31 December 2023. Meanwhile, the inspection and acceptance procedure of the second stage has been completed by the end of 2023 and is scheduled to be put into operation in the first half of 2024. Aligning with Longhua District's "Digital Longhua" development strategy, the project focuses on the digital economy and targets enterprises in four key areas including artificial intelligence, 5G technology, industrial internet and software and information. The project aims at attracting leading industries to the park, promoting the integration of regional industries and the city, empowering regional development with the digital industry and injecting new momentum into regional economic development.

SZI Intelligent Logistics Hub (SZ Pingshan East)

SZ Pingshan East Project covers a site area of approximately 267,000 square meters and is primarily used as Walmart's Shenzhen logistics and distribution center. In response to the strategy of "developing real economy, strengthening manufacturing industry, striving for new quality productive forces" advocated by the Shenzhen Municipal Government, the Group will actively promote the transformation and upgrading of SZ Pingshan East Project, taking into account of factors such as the project's surroundings, comprehensive land development, and transportation capacity, so as to promote in-depth integration into the "Multi-storey Logistics" and manufacturing industry. The Group intends to establish an industrial park that integrates "production, living and ecology", to meet world-class standards, emphasizing high quality, low costs, excellent service with comprehensive facilities fully furnished equipment. The Group endeavors to position the project as a pioneering benchmark initiative for "Multi-storey Warehouses + Multi-storey Factories" in Shenzhen.

FINANCIAL ANALYSIS

Revenue and Profit Attributable to Shareholders
For the year ended 31 December

	2023 **HK$'000**	2022 HK$'000	Increase/ (Decrease)
Revenue	**5,556,326**	30,202	18,297%
Profit attributable to Shareholders	**1,745,764**	2,839,352	(39%)

During the Year, revenue from the logistics park transformation and upgrading business increased to approximately HK$5,556 million as compared to the previous year. The increase was primarily due to the completion and delivery of the Yicheng Qiwanli Project during the Year, which contributed revenue of approximately HK$5,500 million. Profit attributable to shareholders was approximately HK$1,746 million, mainly contributed by the Yicheng Qiwanli Project. However, due to the gain from the capital increase of Qianhai Business in the previous year which was not repeated during the Year, the profit attributable to shareholders for the Year saw a year-on-year decline of 39%.

港口

及相關服務業務

04

PORT AND RELATED SERVICES BUSINESS

OVERVIEW

The port business is a crucial segment of the Group's "Four Growth Engines" strategic layout of "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure". Through its "Port Connection Action" strategy, the Group has established two integrated river-sea transportation hub ports (Nanjing Xiba Port and Jiangsu Jingjiang Port), a demonstration project for port-industry-city integration (Henan Shenqiu Port), a regional distribution port (Jiangxi Fengcheng Port) and a port supply chain service platform that connects and integrates heavy assets along midstream and downstream of the Yangtze River, thereby creating twin-star demonstration ports along the Yangtze River and forging a coordinated and differentiated development pattern involving investments and mergers and acquisitions in the port sector with synergies between multi-regional ports and the supply chain business.

Maintaining its primary focus on "mergers and acquisitions as the main focus, and supplemented by new construction", and with the ongoing implementation of its "Port Connection Action" strategy and integration of both asset-light and asset-heavy models, the Group aims to fulfill the potential spin-off listing requirements for its port sector during its "14th Five-Year" development plan period. The Group will reinforce and enhance the core competitiveness of its port sector with the aim of becoming a competitive port operator by continuously expanding its asset-heavy port project investment, developing its asset-light supply chain business, and promoting the amalgamation of both upstream and downstream resources in the industry chain.

ANALYSIS OF OPERATING PERFORMANCE

In 2023, Jingjiang Port, Shenqiu Port, and Fengcheng Port have successfully commenced operations, demonstrating the remarkable achievements of the Group's "Port Connection Action" strategic objective. Leveraging on its port resources, the Group continued to extend the industry chain of its port operation and further bolster the core competitiveness and sustainability of the port segment.

SZI Port (Nanjing Xiba)

Nanjing Xiba Port Project, in which the Group holds a 70% equity interest, is located in the New Materials Industrial Park in Jiangbei New District in Nanjing. Nanjing Xiba Port commenced operation in 2010 and is a key port in Nanjing designed and built for sea-river inter-modal transportation and rail-water multi-modal transportation. It is also the only general bulk cargo terminal in the northern Yangtze River at Nanjing Port for vessels with a tonnage capacity over 10,000 tonnes. With the capability of providing various services such as unloading, loading, lightering, train loading and unloading, and warehousing, the Nanjing Xiba Port comprises a 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. It also has depots with an area of approximately 400,000 square meters that are connected to the port area by a rail link, and possesses unique regional advantages and suitability for integrated river-sea, rail-water and road-water transportation.

In 2023, amidst a sluggish market environment with low end demand as well as intensified competition from its peers, Nanjing Xiba Port faced significant challenges. However, thanks to its constantly improving on-site management capabilities, the port catered to the demand of its key customers and enlarged its foreign trade business to increase its volume and efficiency. In 2023, the business volume of the Nanjing Xiba Port continued to rank first among 11 comparable ports along the Yangtze River. A total of 461 seagoing vessels berthed at Nanjing Xiba Port, with a total throughput of approximately 35.78 million tonnes, of which approximately 4.27 million tonnes were transported onwards by train.

SZI Port (Jiangsu Jingjiang)

The Group holds 70% equity interest in the Jingjiang Port Project, which is located in the Economic Development Zone of Jingjiang City. With 693 meters of shoreline, two main berths along the Yangtze River for vessels with a tonnage of 100,000 tonnes each and five lakeside inland berths for vessels with a tonnage of 1,000 tonnes each, the Jingjiang Port Project has a designed annual throughput of 45 million tonnes. The project is positioned to become a top-notch green, smart, efficient and safe sea-river intermodal hub port and to serve as an energy storage and distribution center and a comprehensive trading center in the PRC, supporting the realization of the functions of the Jingjiang National Coal Reserve Base.

Being included in the List of Key Foreign-Invested National Projects, designated as a "key project in the service industry of Jiangsu Province" for three consecutive years since 2021 and named a "major project of Jiangsu Province" twice in a row in both 2022 and 2023, the construction of Jingjiang Port Project is being progressed with a focus on quality. Its construction is pivotal to increasing the Group's market share in the port segment and developing its "Port Connection Action" strategy in high quality. The project officially commenced operation in December 2023.

Furthermore, starting from the Jingjiang Port Project, the Group has sped up the construction of "Smart Green Ports". Through the construction of fully-enclosed greenhouse yards, rooftop photovoltaic systems and shore power systems, the Group is striving to create a nearly "zero-carbon" port area. The construction of a Smart Green Port will not only significantly increase the per capita capacity of the Jingjiang Port Project but also enhance the port's competitiveness in attracting customers. Furthermore, it will optimize port service level, achieve "zero-distance" data exchange with customers, attract high-quality major clients and enhance customer loyalty, laying the foundation for sustainable development. As a benchmark for the digital transformation of ports in a professional manner, this project's experience and model will also be replicated and promoted, thereby driving the digital transformation of the entire port sector and achieving progressive development.

SZI Port (Henan Shenqiu)

In 2023, the Group completed a capital injection to the project company of Shenqiu Port and increased its interest in the Shenqiu Port Project from 40% to 52%. By increasing its interest in this project, the Group will enhance the promotion of its leading port management philosophy and consolidate industry chain resources more effectively, fostering better economies of scale with other light and heavy assets in the sector.

The Shenqiu Port is located along the Shaying River in Shenqiu County, it enjoys significant advantages in terms of waterways and serves as an important water transportation hub on the new sea route from the central plains of China. It is also a supporting project for Henan Angang Zhoukou Iron and Steel Co., Ltd., a steel company with annual production capacity of tens of millions of tons. The Shenqiu Port Project is expected to become a new hub for comprehensive water-to-land exchange between the western coal-producing areas and the middle and lower reaches of the Yangtze River region. It is planned to construct 26 berths for vessels with a tonnage of 1,000 tonnes each along approximately 1,600 meters of shoreline and will be built in three phases. The port is expected to increase the Group's annual port capacity by 30 million tonnes after all berths are put into full operation.

Four general-purpose berths with a designed annual throughput of 4.4 million tonnes in the first phase of the Shenqiu Port Project have recorded a total throughput of 1.96 million tonnes in 2023 after commencing operation in March 2023, representing a major milestone in the advancement of the Group's "Port Connection Action" strategy. The Group is actively procuring the approval and construction of phases two and three of the project. The aim of this project is to create an efficient, environmentally friendly and advanced bulk cargo terminal that serves as a demonstration project for "Port-industry-city Integration" that radiates regions of Henan and Anhui provinces.

SZI Port (Jiangxi Fengcheng)

The Fengcheng Port Project, in which the Group holds 20% equity interest, is designed to have 10 berths for bulk carriers with a tonnage of 1,000 tonnes each (with hydraulic structure for bulk carriers with a tonnage of 3,000 tonnes), among which six berths with a designed annual throughput of 6 million tonnes occupying 580 meters of the shoreline in the first phase of the project officially commenced operation in July 2023. The Fengcheng Port Project is an important distribution node along the Gan River, primarily serving sizeable power plants in the region.

Port Supply Chain Business

As for the port supply chain business, the Group capitalized on the resources of several major ports, continued to diversify the business and successfully secured stable business growth notwithstanding challenges such as the weak macro-economic recovery, the continuous implementation of the policy to turn all coal supply agreements into long-term agreements as well as the decline in coal prices. Through attracting new customers and exploring new types of cargos, the Group has broadened the types of transportation in its logistics business and effectively coped with market changes. At the same time, it has further strengthened its risk control and ensured the healthy development of its business by establishing a solid and standardized risk prevention and control system. Furthermore, it has opened up rail links, thereby fostering the business of its northern ports, extending the coverage of its supply chain service strategy, providing customers with one-stop bulk cargo logistics and supply services, and strengthening its competitive edge in the market. As a result, the port supply chain business maintained healthy growth momentum, defied the sluggish market with growing business volume, and recorded outstanding growth in terms of both revenue and profit.

FINANCIAL ANALYSIS

Revenue and Profit Attributable to Shareholders
For the year ended 31 December

	2023 HK$'000	2022 HK$'000	Increase/ (Decrease)
Revenue	**2,804,772**	2,761,767	2%
Profit attributable to Shareholders	**87,751**	102,709	(15%)

During the Year, the revenue from the port and related services business increased by 2% to approximately HK$2,805 million as compared to the previous year, primarily due to a steady growth in the port supply chain business. Profit attributable to shareholders decreased by 15% to approximately HK$87.75 million as compared to the previous year, mainly attributable to production load reduction by end-users such as power and cement corporations to varying degrees, resulting in a weak market demand.

收費公路業務 05

TOLL ROAD BUSINESS

OVERVIEW

The Group's toll road business is managed and operated by Shenzhen Expressway, a subsidiary in which the Group holds approximately 52% equity interest and whose H shares and A shares are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively. As at the end of 2023, Shenzhen Expressway has invested in and operates a total of 16 expressway projects across the PRC, which are mainly located in Shenzhen, the Greater Bay Area, and other economically developed regions, with favourable geographical advantages. The total toll length of the controlling interest in the toll roads operated or invested in by the Group in the Shenzhen region, other regions in Guangdong Province and other provinces in the PRC were approximately 191 km, 350 km and 119 km, respectively

ANALYSIS OF OPERATING PERFORMANCE

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

Toll roads	**Interest held**	**Toll length** (approx. km)	**Average daily mixed traffic volume** ('000 vehicles) (Note 1)	**Increase as compared to the corresponding period of last year**	**Average daily toll revenue** (RMB'000)	**Increase as compared to the corresponding period of last year**
Shenzhen region:						
Meiguan Expressway	100%	5.4	164	19.1%	427	14.5%
Jihe East	100%	23.7	318	12.5%	1,861	7.4%
Jihe West	100%	21.8	218	16.5%	1,498	16.7%
Shenzhen Coastal Project (Notes 2 and 3)	100%	36.6	189	34.1%	1,724	30.8%
Shenzhen Outer Ring Project	100%	76.8	307	26.9%	3,270	25.0%
Longda Expressway	89.93%	4.4	165	18.4%	427	18.2%
Shuiguan Expressway	50%	20	269	13.3%	1,742	11.3%
Shuiguan Extension	40%	6.3	64	17.4%	214	13.2%
Other regions in Guangdong Province:						
Qinglian Expressway	76.37%	216	51	15.3%	1,862	10.4%
Guangshen Expressway (Note 4)	45%	122.8	632	19.9%	7,924	28.1%
GZ West Expressway (Note 4)	50%	98	270	21.6%	3,572	24.8%
Yangmao Expressway	25%	79.8	55	24.5%	2,064	22.7%
Guangzhou Western Second Ring	25%	40.2	91	25.1%	1,366	23.1%
Other provinces in the PRC:						
Yichang Expressway	100%	78.3	61	10.4%	1,184	11.7%
Changsha Ring Road	51%	34.7	96	16.6%	730	12.2%
Nanjing Third Bridge	35%	15.6	39	34.9%	1,510	20.8%

Notes:

(1) Average daily mixed traffic volumes exclude toll-free traffic volumes during holiday season toll-free periods.

(2) Shenzhen Coastal Project refers to the Shenzhen section of Guangshen Coastal Expressway (Guangzhou to Shenzhen) and comprises Phase I and Phase II. Phase I of Shenzhen Coastal Project, which was completed and commenced operations at the end of 2013, includes the main line of Shenzhen Coastal Project and related facilities. Phase II of Shenzhen Coastal Project, the construction of which commenced in December 2015, includes the Shenzhen World Exhibition & Convention Center interchange and the connecting line on the Shenzhen side of the Shenzhen-Zhongshan Bridge. The Shenzhen World Exhibition & Convention Center interchange was completed and open to traffic in 2019.

(3) According to the freight compensation agreement entered into by the Transport Bureau of Shenzhen Municipality, Shenzhen Expressway and Guangshen Coastal Expressway (Guangzhou to Shenzhen) project company ("Coastal Company"), during the period from 1 January 2021 to 31 December 2024, trucks traversing the Shenzhen Coastal Project were to be charged 50% of the standard toll rates. Such tolls waived by Coastal Company was compensated by the government in a lump sum payment in March of the following year.

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

During the Year, as the domestic economy and society of the PRC returned to normal, the road traffic demand rebounded rapidly. However, affected by the global economic downturn and weakening of external demand, the overall domestic economic and production activities were put under pressure, leading to relatively sluggish growth in road freight traffic demand. On the other hand, the full resumption of social order encouraged members of the public to take road trips, leading to a steady rebound in the number of passenger vehicle journeys. In addition, the expiration of the concession period for Wuhuang Expressway in December 2022 had a discernible impact on the toll revenue of Shenzhen Expressway during the Year. Due to the low comparison base of the previous year, both the traffic volume and toll revenue of the toll roads invested in and operated by Shenzhen Expressway increased substantially during the Year as compared to the previous year.

In 2023, the economic development of Shenzhen experienced rebound with steady increase in the total volume of imports and exports of goods. There was also a notable rebound in logistics transportation and public travel demand. During the Year, the total toll revenue from the Group's toll roads in the Shenzhen region increased by over 18% as compared to the previous year.

The operating performance of toll road projects may have been influenced by factors such as changes in peripheral competitive or coordinated road networks, and by construction on or maintenance of the toll roads themselves during that year, in particular:

- Phase II of Shenzhen Outer Ring Project was officially open to traffic on 1 January 2022, creating synergies with Phase I of the project and has become the most convenient west-to-east highway artery in Shenzhen. During the Year, the average daily traffic volume and average daily toll revenue of Shenzhen Outer Ring Project recorded growth as compared to the previous year. In addition, the Group was granted approval for the development of Phase III of Shenzhen Outer Ring Project as it aims to further amplify the project's cumulative benefits.

- Guanglian Expressway (Guangzhou to Lianzhou), which is parallel to Qinglian Expressway, commenced operations at the end of 2021, diverting a certain volume of traffic from Qinglian Expressway. To actively attract traffic to and increase the traffic volume of Qinglian Expressway, the Group launched a marketing and promotion campaign through various channels and reinforced its service offerings. Furthermore, the gradual restoration of production and living order along the route led to a resilient recovery in the operating performance of Qinglian Expressway during the Year.

- Guangshen Expressway is an important express route between Guangzhou and Shenzhen, while GZ West Expressway is an integral part of the ring road within the Pearl River Delta, linking Guangzhou and Zhuhai. During the Year, notable growth was seen in both traffic volume and toll revenue of the corresponding road segments due to the restoration of production and operation activities in neighboring cities.

- Since the completion of the reconstruction and expansion of Yangmao Expressway at the end of 2021, the two-way and eightlane expressway has been in full operation, significantly enhancing its capacity to accommodate traffic. Benefiting from the synergistic interconnection effect of neighboring highways that have commenced operations and the effectiveness of policies implemented by the governments along the route to boost tourism and the economy, Yangmao Expressway recorded robust operating performance during the Year.

- The operating performances of Yichang Expressway, Changsha Ring Road and Nanjing Third Bridge for the Year showed rebounding growth. In addition, the completion of the reconstruction and expansion of Ningluo Expressway (Nanjing to Luoyang) and Ninghe Expressway (Nanjing to Hexian) significantly improved the traffic capacity of the road networks to the north of Nanjing Third Bridge and contributed positively to the traffic growth of Nanjing Third Bridge.

Key Construction Projects

Shenzhen Outer Ring Project, constructed in three phases, is an integral component of transportation infrastructure in the Greater Bay Area. Shenzhen Outer Ring Project will establish vital connectivity with ten expressways and eight first-class highways in the Shenzhen region, serving as a crucial conduit for east-west interconnectivity in the northern region of Shenzhen. Phase I of Shenzhen Outer Ring Project was completed and commenced operations on 29 December 2020, followed by Phase II on 1 January 2022, achieving a commendable operating performance with notable growth in both traffic volume and toll revenue. As at the end of 2023, the construction, supervision and bidding processes for several contract sections of Phase III of the Shenzhen Outer Ring Project have been completed, and construction work on certain contract sections have also commenced. Upon its completion, it is expected to enhance the Group's core highway assets and maximize the economic and social benefits of the Shenzhen Outer Ring Project as a whole. It can also bring traffic flows to other toll roads operated or invested in by Shenzhen Expressway by optimizing the configuration of the road network.

Phase II of Shenzhen Coastal Project mainly includes the construction of the International Convention and Exhibition Center interchange and the connecting line on the Shenzhen side of the Shenzhen-Zhongshan Bridge, of which the interchange of the International Convention and Exhibition Center commenced operations in 2019. Furthermore, the connecting line on the Shenzhen side of Shenzhen-Zhongshan Bridge comprises two connections at the airport and Hezhou. Upon completion, the connecting line will be linked to the Phase I of Shenzhen Coastal Project, Jihe Expressway, Guangshen Expressway, Shenzhen-Zhongshan Bridge and Bao'an International Airport. During the Year, approximately 91% of the overall construction of Phase II of Shenzhen Coastal Project had been completed. It is planned to be fully completed and opened to traffic with the Shenzhen-Zhongshan Bridge in 2024. Upon the full completion of the project, it will not only improve the traffic conditions of Shenzhen's airport but also enhance the connectivity between the west bank of the Pearl River and the main highway network of Shenzhen, which will make significant contribution to the economic development of the Greater Bay Area.

On 30 September 2022, Shenzhen Expressway entered into a contract with the Transport Bureau of Shenzhen Municipality relating to a public-private-partnership (PPP) reconstruction and expansion project of Jihe Expressway ("Jihe Expressway R&E Project"). Due to the subsequent intention of the Shenzhen City to adjust the construction plan for Jihe Expressway R&E Project and a corresponding adjustment to the investment and financing proposal, the aforementioned project is now advancing the relevant franchise procedures. The Group will proceed with the corresponding approval procedures after the finalization of the proposal.

Bay Area Development, in which Shenzhen Expressway holds approximately 71.83% equity interest, is indirectly entitled to the rights to share 45% of the profits of Guangshen Expressway. Given that the traffic flow of Guangshen Expressway continues to approach saturation, the Guangdong Provincial Development and Reform Committee has approved the reconstruction and expansion project of the Huocun, Guangzhou to Chang'an, Dongguan section of the Beijing-Hong Kong-Macao Expressway and the Huangcun-Huocun section in Guangzhou of Guangfo Expressway (the "Reconstruction and Expansion Project"), and the project will be invested and constructed by Guangshenzhu Expressway Co., Ltd. During the Year, the Reconstruction and Expansion Project of the Guangshen Expressway has commenced. Furthermore, Bay Area Development has worked with partnering shareholders to conduct an in-depth study of the land adjacent to Guangshen Expressway, with the aim of exploring feasible business models for its revitalization, development and utilization so as to boost the overall rate of return from the expressway.

Based on the financial position and investment plan of Shenzhen Expressway, Shenzhen Expressway proposed to issue no more than 654,231,097 A Shares (the "Issuance") to no more than 35 (inclusive) specific targets, which meet the criteria required by the CSRC including Xin Tong Chan Development (Shenzhen) Co., Ltd., a wholly-owned subsidiary of the Company. The expected proceeds to be raised from the Issuance will be no more than RMB4.9 billion. After deducting relevant issuance expenses, all net proceeds to be raised are intended to be used in investment and construction of Shenzhen Outer Ring Project and repayment of Shenzhen Expressway's interest-bearing liabilities. The Issuance is subject to the consent of and registration by the Shanghai Stock Exchange and CSRC. For details, please refer to the joint announcements of the Company and Shenzhen Expressway dated 14 July 2023 and 25 January 2024, the circular of the Company dated 25 August 2023 and the announcement of the Company dated 14 September 2023.

During the Year, the Group carried out the pilot application for the REITs in the infrastructure field with its wholly-owned Yichang Expressway ("Yichang Expressway REITs") as the underlying asset. The offering of the Yichang Expressway REITs was completed on 7 March 2024. The final offering amount of the Yichang Expressway REITs was 300 million units, and the offer price was RMB6.825 per unit. The total offering proceeds were RMB2,047.5 million. In particular, Shenzhen Expressway, as the original right holder, participated in the strategic allotment and subscribed for 120 million units, accounting for 40% of the total issued units. Yichang Expressway REITs are expected to be listed on the Shanghai Stock Exchange by the end of March 2024 (transaction code "508033", on-exchange abbreviation "SGS REIT"). For details, please refer to the joint announcements of the Company and Shenzhen Expressway dated 18 August 2023, 17 November 2023, 2 January 2024 and 13 March 2024.

FINANCIAL ANALYSIS

During the Year, with the domestic economy and society of the PRC returning to normal, the traffic volume on toll roads continued to grow. However, the expiration of the concession period of Wuhuang Expressway in December 2022 partially offset the growth of toll revenue. During the Year, the toll road business recorded the total revenue of HK$5,971 million, representing an increase of 4% as compared to the previous year. Net profit from the toll road business increased by 23% as compared to the previous year to HK$2,380 million.

大環保業務

06

GENERAL-ENVIRONMENTAL PROTECTION BUSINESS

OVERVIEW

The Group's general-environmental protection business is managed and operated by Shenzhen Expressway. Through investment, mergers and acquisitions in recent years, the Group has gradually turned its focus to the fields of solid waste treatment and clean energy power generation, and recognizes organic waste treatment as a significant segment of the solid waste treatment business.

ANALYSIS OF OPERATING PERFORMANCE

The general-environmental protection business of Shenzhen Expressway mainly includes the fields of clean energy and solid waste treatment. The general-environmental protection companies operated or invested in by Shenzhen Expressway as at the date of this report are set out below:

Name of the companies	Interests held
Shenzhen Expressway Environmental Co., Ltd ("Environmental Company")[1]	100%
Shenzhen Expressway New Energy Holdings Co., Ltd ("New Energy Company")[2]	100%
Shenzhen Expressway Infrastructure and Environmental Protection Development Co., Ltd ("Infrastructure and Environmental Protection Company")[3]	100%
Shenzhen Guangming Environment Technology Co., Ltd	100%
Shenzhen Water Planning & Design Institute Co., Ltd.	11.25%

Notes:

1. *Environmental Company, which holds equity interest directly or indirectly in certain major general-environmental protection projects, is principally engaged in environmental protection businesses such as solid waste treatment.*
2. *New Energy Company, which holds equity interest directly or indirectly in certain major general-environmental protection projects, is principally engaged in new energy power generation businesses such as wind and photovoltaic power generation.*
3. *Infrastructure and Environmental Protection Company, located in Shenzhen-Shanwei Special Cooperation Zone, is principally engaged in the provision of large-scale infrastructure management services as well as investment in environmental protection projects within the cooperation zone. It directly or indirectly holds equity interest in certain major general-environmental protection projects.*

I. Clean Energy

After explorations and practices in recent years, the Group has set the clean energy power generation as a key development area. As at the end of 2023, wind power generation projects invested in and operated by the Group had an accumulated installed capacity of 648 megawatt (MW), all of which were completed and grid-connected wind farms located in areas with relatively abundant wind resources and stable electricity demands.

Details of the performance of the Group's wind power generation projects for the Year were as follows:

Name of projects	**Interests held by Shenzhen Expressway**	**Power supply to the grids in Megawatt Hours** (MWh)[1]	**Revenue from wind power projects** (RMB'000)[1]
Baotou Nanfeng Project [2]	100%	783,244.69	245,821.55
Xinjiang Mulei Project [3]	100%	651,204.10	299,801.50
Yongcheng Zhuneng Project [4]	100%	83,239.80	40,933.30
Zhongwei Gantang Project [5]	100%	121,103.84	64,525.18
Huai'an Zhongheng Project [6]	20%	222,616.10	106,152.68

Notes:

(1) Amount of power supply to the grids are calculated based on the settlement cycles of the power grids, while operating revenue includes electricity charges subsidy income based on amount of power supply fed to the grids.

(2) The wind power generation projects of Baotou Nanfeng Wind Power Technology Co., Ltd.

(3) The wind power generation projects of Changji Mulei Laojunmiao Wind Farm in Xinjiang Zhundong New Energy Base.

(4) The 32 MW wind power generation project in Yongcheng City, Shangqiu City, Henan Province.

(5) The 49.5 MW wind power generation project in Gantang Town, Zhongwei City, Ningxia Province.

(6) The 99.4 MW wind power generation project of Huai'an Zhongheng New Energy Co., Ltd.

In 2023, the Group actively promoted the expansion of clean energy power generation projects. The New Energy Company has obtained the independent development indicators for the 60MW and 70MW photovoltaic projects in Pingshan County, Hebei Province. These projects have been designated by the local authority as local guaranteed projects and reserve projects respectively, marking a significant breakthrough of the Company in the field of photovoltaic power generation.

During the Year, the Group established a joint venture with a subsidiary of State Power Investment Corporation Limited, and the Group holds 65% equity interest in the joint venture. The joint venture engages in the investment and development of wind power and photovoltaic projects in the field of new energy, and complements the Group in terms of project resource development, as well as operation and management of construction, in order to achieve sustainable business development. In addition, the Group established Shenzhen Expressway Shengneng Technology Company Limited during the Year to develop and construct the integrated photovoltaic, storage and charging project in Shenzhen Expressway's Qiantai Industrial Park. This project has obtained a registration certificate in April 2023 and is expected to be completed and grid-connected in 2024.

Environmental Company entered into a merger agreement (the "Merger Agreement") with the other shareholders of Nanjing Wind Power Technology Co., Ltd. ("Nanjing Wind Power Company") on 15 March 2019, regarding the acquisition and capital increase of Nanjing Wind Power Company. Due to Nanjing Wind Power Company's failure to achieve the target performance for the financial year ended 31 December 2021 and 31 December 2022, the Environmental Company and all but one of the other shareholders of Nanjing Wind Power Company entered into compensation agreements during the Year, pursuant to which the such other shareholders agreed to transfer all of their respective equity interests in Nanjing Wind Power Company (being approximately 47% in aggregate) to Environmental Company at no cost. As at the end of 2023, Shenzhen Expressway indirectly held approximately 98% of the equity interests in Nanjing Wind Power Company. For details, please refer to the announcements of Shenzhen Expressway dated 15 March 2019, 11 September 2023 and 9 November 2023.

During the Year, Nanjing Wind Power Company mainly provided subsequent operation and maintenance services to the wind farms invested in by the Group. At the same time, it cooperated with the New Energy Company to expand into the markets of wind power and photovoltaic projects. The operating results of Nanjing Wind Power Company for the Year was sub-optimal mainly due to a number of factors, including the cessation of the original wind turbine manufacturing and sale business, the provision of asset impairment and accrued liabilities. As such, the Group will step up its efforts to carry out business transformation of Nanjing Wind Power Company in order to accelerate the revitalization of its assets and capital recovery, and in turn, improve its operating performance.

II. Solid Waste Treatment

In view of the support of the national environmental protection policy for the organic waste treatment industry, the Group recognizes organic waste treatment as a significant segment of the general-environmental protection industry, and endeavours to turn itself into a leader with industry-leading technology and scale advantages.

As at the date of this report, the designed organic waste treatment capacity of the Group's projects is over 6,900 tonnes per day. These projects were mostly concession projects under Build-Operate-Transfer (BOT) and other models that provide government customers with decontaminated organic solid waste and domestic waste (including restaurant waste, kitchen waste and garden waste) and sell the recycled products from the treatment process to downstream customers.

Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental Company"), a subsidiary of the Group, is one of the key providers of comprehensive organic waste treatment, construction and operation services in the PRC with comprehensive capability to provide full industry chain services of organic waste treatment. As at the date of this report, Bioland Environmental Company has a total of 20 organic waste treatment projects with a designed kitchen waste treatment capacities of over 4,800 tonnes per day, amongst which 13 projects have commenced commercial operations. In 2023, owing to the rebound of the food and beverage consumption market, the amount of food waste recorded a year-on-year increase, contributing to the growth in the operating revenue of Bioland Environmental Company. However, the overall operating performance of Bioland Environmental Company was not satisfactory during the Year, as it was negatively affected by factors such as significant decline in the selling price of grease, as well as a productivity slump from insufficient amount of garbage collected and transported in certain projects. As a result, the Group adjusted the business structure of Bioland Environmental Company, defined the business strategy of focusing on operations, diminished and closed down EPC engineering and equipment manufacturing operations with heavy losses, further optimized its organization structure and strengthened the control over its costs and expenses. To enhance its profitability, Bioland Environmental Company will also focus on improving the quality and efficiency of its projects, promoting technological process upgrades and strengthening management standards.

Guangming Environmental Park Project, in which the Group holds 100% equity interest, is located in Guangming District of Shenzhen. It will be developed into the first integrated modern treatment plant for the decontamination and resource recovery of restaurant waste and kitchen waste with a processing capacity of 1,000 tonnes per day for organic waste, 100 tonnes per day for bulky waste (discarded furniture) and 100 tonnes per day for garden waste in Shenzhen, with the proposed concession period of 10 years. The construction of the Guangming Environmental Park Project has been basically completed and it is expected to commence trial operation in 2024.

Shenzhen Lisai Environmental Technology Limited ("Lisai Environmental"), a subsidiary in which Shenzhen Expressway indirectly holds 70% equity interest, has the franchise rights of a biomass waste disposal BOT project in certain urban areas of Shenzhen City. During the Year, Lisai Environmental has basically completed the technical renovation of its production line, after which full-capacity operation has been basically achieved, with processing capacity of kitchen waste and additional processing capacity of grease increasing to 650 tonnes and 30 tonnes per day, respectively, while the amount of kitchen waste collected and transported increased to over 600 tonnes per day.

The Shaoyang Project, in which Shenzhen Expressway indirectly holds 100% equity interest, possesses the franchise rights of kitchen waste collection and treatment in Shaoyang City, Hunan Province. With a designed kitchen waste treatment capacity of 200 tonnes per day, the Shaoyang Project, which commenced trial operation in February 2023, will be operated under the Transfer-Operate-Transfer (TOT) model during the concession period of 30 years.

Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Co., Ltd. ("Qiantai Company"), a subsidiary in which Shenzhen Expressway indirectly holds 63.33% equity interest, qualifies 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. During the Year, Qiantai Company was recognized as a specialized small and medium enterprise and became the first pilot regional service center for power batteries of new energy vehicles in Shenzhen. During the Year, the business development of Qiantai Company did not meet expectations, primarily due to the continuous decline in lithium battery material price, as well as the slowdown in the demand of the power battery market. Moreover, the profitability of scrap car dismantling decreased, and the overall volume of recycling and processing in the recycling business was affected. As a result of these factors, the performance of Qiantai Company fell short of expectations.

III. Other Environmental Protection Businesses

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 San Feng Environmental Industrial Group Co. Ltd (stock code: 601827), which are principally engaged in, among other things, water supply and sewage treatment, 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 the Shenzhen Stock Exchange (stock code: 301038) in August 2021.

FINANCIAL ANALYSIS

During the Year, revenue from the general-environmental protection business decreased by 11% as compared to the previous year to HK$1,798 million, mainly due to a decrease in sales of wind turbines and a decline in revenue from wind power generation caused by lower wind resource during the Year. Meanwhile, due to the increase in depreciation and amortization expenses of the Bioland Environmental Company and asset impairment of Nanjing Wind Power Company, the general-environmental protection business recorded a net loss of approximately HK$20 million (2022: net profit of HK$248 million).

航空運輸服務

07

AIR TRANSPORTATION SERVICES

Shenzhen Airlines

In 2023, the global civil aviation market witnessed a rebound in demand. In particular, the demand for air passenger traffic in the PRC civil aviation market rebounded significantly and the overall recovery momentum remained stable. During the Year, Shenzhen Airlines carried approximately 33.22 million passenger rides and recorded a passenger traffic of 51,939 million passenger-km, representing an increase of 127% and 132% respectively, as compared to the previous year.

Shenzhen Airlines' total revenue for the Year increased by 139% to RMB29,988 million (equivalent to HK$33,313 million) as compared to the previous year (2022: RMB12,541 million (equivalent to HK$14,416 million)). Passenger revenue increased by 153% to RMB28,159 million (equivalent to HK$31,281 million) (2022: RMB11,117 million (equivalent to HK$12,840 million)). However, Shenzhen Airlines also faced multiple operational pressures, including uncertainties in the capacity of its fleet and the supply of aircraft materials, persistently high aviation fuel costs, rising airport fees as well as fluctuations in exchange rates and interest rates. In addition, changes in the willingness and mode of passenger travels resulted in shifting market dynamics and intensified competition. During the Year, Shenzhen Airlines recorded a net loss of RMB1,735 million (equivalent to HK$1,928 million) (2022: net loss of RMB11,129 million (equivalent to HK$12,793 million)), representing a year-on-year decrease of RMB9,394 million (equivalent to HK$10,865 million). Based on the equity method of accounting, as the Group's share of accumulated losses in Shenzhen Airlines (an associate) has exceeded its interest in this associate, the Group would not recognize any further losses relating to Shenzhen Airlines during the Year (2022: loss of HK$2,666 million).

As at 31 December 2023, Shenzhen Airlines had 226 aircrafts in its fleet (2022: 226), and it operated 318 routes comprising 297 domestic routes and 21 international and regional routes.

Looking forward, thanks to the enormous domestic market in the PRC, the civil aviation industry will enter a new cycle of continuously rapid and healthy development with the demand for air passenger traffic continuing to rebound. At the same time, with the further integration and development of the Pearl River Delta and the Guangdong-Hong Kong-Macao region, the future economic potential of the hinterland will be significant, providing a stable foundation for the expansion of Shenzhen Airlines. In light of the new development trends and competitive landscape, Shenzhen Airlines will take advantage of its prime location in the core of the Guangdong-Hong Kong-Macao Greater Bay Area, pour its resources into the development of its base in Shenzhen, actively expand its market in the Greater Bay Area, spearhead campaigns for safety production, quality operation, operational efficiency, service quality, transformational reform and risk prevention, continue to improve its operation and management standards, and maintain its competitiveness in the market.

Air China Cargo

In 2021, the Group became a strategic shareholder of Air China Cargo Co., Ltd. ("Air China Cargo") by way of a capital injection and a share subscription with an investment of approximately RMB1,565 million, holding a 10% equity interest. So far, the Group has continuously recorded satisfactory returns from this investment. In 2023, Air China Cargo was approved by the listing review committee of the Shenzhen Stock Exchange to conduct an initial public offering, and is now carrying out the subsequent listing and issuance procedures. Meanwhile, the Group is strengthening its strategic cooperation with Air China Cargo to proactively drive the deployment of projects in cities including Shenzhen and Beijing with the aims of jointly obtaining scarce resources and building up a comprehensive logistics system integrating air logistics, high-standard warehouses, cold chain logistics and other services.

OUTLOOK FOR 2024

Looking ahead to 2024, the macro environment will continue to present challenges in terms of complexity, severity, and uncertainty. The path to recovery for the global economy will be arduous and full of twists and turns. However, benefiting from steady, robust policy guidance, China's external economic cycle is expected to undergo a gradual recovery, while the internal economic cycle will see efforts to achieve a balance between "establishment" and "breakthrough". The headwinds stemming from reduced exports and real estate industry challenges are expected to diminish, while consumption is poised to emerge as a new catalyst for economic expansion. Meanwhile, the country is progressively developing its modern "Route + Hub + Network" logistics system, with continuous advancement in the development of its "National Unified Market". This will enable the Group to integrate its nationwide logistics-heavy asset resources more efficiently into the domestic economic cycle and enhance the value creation capabilities of its logistics park assets. Furthermore, diverse patterns of consumption and the expansion of the high-end manufacturing sector will create promising prospects in the fields of emerging e-commerce, cross-border e-commerce, new-energy vehicle upstream and downstream industries, upstream and downstream photovoltaics, pharmaceuticals, 3C electronics, and more. A strong impetus for growth will also be created in intelligent logistics advancements and eco-friendly warehousing.

In 2024, the Group will continue to align itself with China's national development strategy, seizing opportunities for industry growth while upholding its core principles of "seeking progress while maintaining stability, enhancing quality, and augmenting efficiency". The Group will persist in pursuing "stability" in times of uncertainty and seeking "progress" in times of certainty, aiming to accomplish the goals of the "Three Stabilities and Ten Progresses". Its strategy encompasses ensuring "stability" in the pace of investment, capital level and safety circumstances while seeking "progress" in terms of construction of comprehensive reform, management improvement, attracting and deploying investment, project construction, team building, market value management, cost reduction and efficiency improvement and closed-loop development, etc. The Group is dedicated to enhancing its operational efficiency and the profitability of its core businesses of logistics, ports, toll roads, and general-environmental protection, leveraging its longstanding core competence in constructing and managing municipal ancillaries, progressing towards the goal of transforming itself into a niche industrial conglomerate in the transportation and logistics fields.

Stabilizing and Strengthening the Quality of Core Logistics Business, Advancing Growth through Scientific Precision

In 2024, the Group will remain responsive to the underlying dynamics of industry development and flexibly adapt its strategies to align with the prevailing circumstances. The Group will also continue to optimize the layout of its facilities network, centered on strategic panoramic logistics and warehousing hubs through a full "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" ecosystem, by focusing on first-tier cities such as Beijing, Shanghai, Guangzhou, and Shenzhen, as well as the Greater Bay Area and the core gateway cities in the Yangtze River Delta region. The Group will work on improving the quality and efficiency of its existing projects while actively pursuing opportunities to explore and expand other high-quality projects.

For the logistics park business, the Group will scientifically and dynamically adjust investment strategies based on internal and external circumstances, taking into account the Group's gearing ratio, financing needs and other factors, in line with the goal of operating an aggregate 8 million square metres of logistics park by the end of 2025. The Group will prudently oversee the pace of its investments, ensuring seamless coordination throughout all phases of project execution and encompassing aspects including investment, construction, management, and transformation of projects. The Group will uphold its "Prioritizing Excellence" strategy for specific projects, placing a greater emphasis on prominent core cities and quality assets, particularly core districts in first-tier and leading second-tier cities that exhibit exceptional operational efficiency and strong resilience. The Group will continue to explore more projects in Foshan and promote to achieve substantial progress for Zhongshan Minzhong Project. The Group will accelerate the implementation of its projects in Beijing, aiming to complete land acquisition for the Fangshan and Shunyi Districts. In Shenzhen, the Fumin parcel and "Public Transportation + Logistics" pilot project will serve as an entry point for the creation of exemplary benchmarking projects to promote the comprehensive development of Shenzhen Three-tiered Logistics Stations. To effectively improve the operating profit margin of its heavy assets and the average net operating profit margin of its mature parks, the Group will spearhead the execution of its distributed photovoltaic business and push into more integrated asset-light and -heavy businesses, alongside value-added services, on the premise of ensuring risk management.

For the port business, the Group will focus on its long-term objective of spinning off the segment, taking into account the significance of new projects in refining its business model, enhancing synergies across the segment, and enhancing core competitiveness. The Group will also proactively seek expansion and plan project investments, further stepping up its efforts to promote new projects at, among others, Shenqiu Port and Jingjiang Port to ensure that enhanced production and efficiency are achieved, working to improve operational efficiency in accordance with principles of safety and controllability.

For the railway integrated logistics hub and air cargo logistics businesses, the Group will focus on accelerating the construction of the Pinghunan Project, with the goal of achieving full completion and commencement of operations by the end of 2025. Leveraging its core competencies from its railway yard operations, the Group plans to enhance its market expansion drive by promoting domestic freight train routes to augment freight volumes. In addition, the Group will continue to excel in container transportation, transshipment, devanning, consolidation, and other related services. It will also explore potential ventures in bulk raw materials and commodity logistics services, as well as in the multimodal transportation business. The Group will actively collaborate with Air China Cargo and Shenzhen Airlines to carry out the preliminary work of Shenzhen Air Cargo Terminal Project, while promoting the preliminary work of Capital Airport Air Cargo Terminal Project.

For the intelligent and cold chain logistics businesses, the Group will strategically select premium industry benchmark projects, expand its scale and seek improved growth in the development of supply chains and industrial chains, based on cold chain and smart warehousing industry development trends. Taking into consideration of changing market demand and supply dynamics in the prevailing economic environment, the Group will nimbly adjust the pace of its investments, project requirements, and coordination and control mechanisms in cold chain logistics and intelligent logistics, continuously enhancing its operational efficiency.

Enhancing Core Competence of Toll Road Business while Strengthening Quality and Efficiency of Core General-Environmental Protection Business

In 2024, through Shenzhen Expressway, the Group will continue to further advance the development of the toll road and general-environmental protection businesses. Regarding the toll road business, the Group will actively expand its expressway investment, construction, and management business, extend the concession period of the expressway projects, enlarge its highway asset scale, reduce costs and improve efficiency, implement lean management, and maintain a competitive edge in its core toll road business by means of new construction, expansion, mergers and acquisitions, as well as resource integration, etc. It will make efforts to actively explore market-oriented projects in the upstream and downstream industry chains with a focus on intelligent upgrades and comprehensive management businesses.

Regarding the general environmental protection business, the Group will maintain its focus on organic waste treatment, hazardous waste treatment, and clean power generation, accelerating its business expansion and the establishment of its operational capabilities while enhancing its resource investment and construction efforts. With the aim of becoming a segment leader with industry-leading scale advantages, the Group will enhance the treatment capabilities of its organic waste projects and the treatment scale of its hazardous waste projects. The Group will also make additional investments in controlling stakes in wind farms and photovoltaic power plants, with the aim of creating an integrated clean energy system that capitalizes on Shenzhen Expressway's unique attributes, combining "equipment manufacturing, power plant development and construction, power plant operation and sales, power plant maintenance, and financial leasing". The Group will seek to explore and make appropriate investments in high-quality environmental protection projects, such as those involving the scrapping of retired vehicles and in municipal environmental protection initiatives.

Achieving Key Breakthroughs in SZI South China Logistics Park Project and Realizing Growth Momentum through Transformation and Upgrading

The Group will steadily advance the progress of its long closed-loop "Investment, Construction, Operation and Transformation" business model, actively promoting the transformation of the first phase of SZI South China Logistics Park with the objective of unlocking its asset value. The Group will focus on a "Four Coordination" model for the transformation project of SZI South China Logistics Park. First, interest coordination: Based on the Group's demand for unlocking the value of SZI South China Logistics Park transformation project, the Group will study the pace of reserved land releases and strive to sign the first batch of land transfer contracts within 2024. Second, relocation coordination: Ensuring safe, smooth, and orderly progress in relocating tenants and demolishing warehouses in the logistics park. Third, development coordination: This involves conducting preliminary research on the development of retained land, with the aim of commencing construction of the first retained land in 2024. Fourth, tax coordination: Earnestly carrying out tax planning and coordination for SZI South China Logistics Park transformation project. In addition to SZI South China Logistics Park transformation project, the Group will also aim to complete a land swap and the development of two office and commercial land parcels in Qianhai, fully promoting the implementation of the swap plan and making an incremental revenue contribution.

Accelerating Asset Securitization while Enhancing Efficiency of Capital Operation

The Group will optimize its short closed-loop "Investment, Construction, Financing and Operation" business model through a range of channels, further accelerating asset securitization, expanding financing channels, and enhancing the efficiency of its capital utilization. First, the Group will continue to follow up on the initial issuance of first tranche of publicly-traded REITs, arranging issuance after assessing the current situation and market conditions, as well as the approval progress from regulatory authorities. Second, the Group will steadily push forward the setting up of a private equity fund and finalizing the proposal for a new logistics warehousing and storage infrastructure fund. Third, the Group will study and optimize its fund allocation, deepen communications with potential partners, and initiate the establishment of development-focused and acquisition-focused logistics and warehouse investment funds, as well as upstream and downstream investment funds in the industry chain at an appropriate time and in accordance with economic circumstances and the Group's development plans.

Stepping up Efforts to Bolster the Greater Bay Area Business while Building Competitive Edge in Core Regions

The gradual development of the Greater Bay Area into a world-class city cluster and economic center has continuously enhanced and accelerated the "physical connectivity" of infrastructure across the region. As infrastructure construction in transportation, logistics, and information progresses rapidly, the value and scarcity of core assets such as logistics real estate and toll roads within the Greater Bay Area is on the rise. In recent years, the Group has focused on the Greater Bay Area with a strategic layout in the two logistics hub cities of Shenzhen and Foshan that closely interact at different levels. This has resulted in the formation of a regional development pattern with core areas radiating out to and influencing surrounding areas. Currently, the total site area of the logistics projects planned by the Group in the Greater Bay Area exceeds 2.6 million square meters, continually reinforcing its leading position in the region. In addition, the majority of the expressway projects and some general-environmental protection business projects invested in and operated by Shenzhen Expressway are located in the core area of the Greater Bay Area, while the market share of toll roads in Shenzhen has reached up to 90%, demonstrating the Group's competitive resource advantage in the region. Looking ahead, the Group will continue to capture development opportunities in the Greater Bay Area, deepening its vertical integration, promptly securing favorable spots in the area to achieve business integration, and creating synergies that achieve a quality business layout in the region.

Upholding Tradition and Seeking Innovation to Drive Reforms, Persevere in Management for Long-term Success

Upholding its momentum and determination for reform, the Group will promote a new round of in-depth enhanced reforms to state-owned enterprises, as well as expediting the establishment of its value proposition as a world-class enterprise and the implementation of "Double-Hundred Action". To further build its core competencies and safeguard high-quality sustainable development, the Group will pay close attention to implementing and refining its reform measures, shoring up any weaknesses, leveraging its strengths, and solidifying its foundations, while at the same time bolstering its management and core competitiveness through a series of measures such as optimizing its corporate governance system, refining its financial management capabilities, enhancing its risk control and management, and reinforcing its brand influence.

Building Value, Sharing Future

The Group consistently adheres to a stable dividend policy, under which it will strengthen its dividend management as an integral means of safeguarding and rewarding investors. As such, the Group is constantly optimizing the balance between its long-term development and the immediate interest demands of its shareholders, aiming to derive the mutual benefits of stable dividends and progressive business development. The Group seeks consistent change to enhance its remuneration system by adopting a market-oriented personnel approach, strengthening performance evaluations, and creating positive incentives to maximize the momentum of its high-quality development. In 2023, the Group also introduced a new round of share incentive program, further aligning the interests of shareholders, employees, and the Company itself, with the aim of continuously bolstering and safeguarding shareholder rights while increasing the Group's long-term investment value.

In 2024, upholding the business philosophy of "Building Value, Sharing Future" the Group will continue to cement its targets, step up its efforts to ensure the high-quality completion of development tasks, thereby enhancing its operational efficiency and creating greater value and returns for all shareholders.

HUMAN RESOURCES

HUMAN RESOURCES PHILOSOPHY

Guided by the philosophy of "embracing the dedicated as the foundation", the Group adheres to its enterprise spirit of "Logistics with Ethics, for a Better World", regards strategic human resources planning as the core of its overall strategic framework, and is committed to "providing a platform for honest and virtuous elites to work, and helping diligent and hardworking employees succeed". In recent years, the Group has selected and appointed operational and management staff based on the qualities of "selflessness, integrity, capability, motivation and proven performance" in order to build a human resources management platform led by the principles of scientific and rational rigor, thereby creating a fair and harmonious work environment and securing a sustainable supply of talent for the Company's business development. In 2023, the Group developed a brand-new human resources information system for talent management in order to raise its human resources management standard, enhance the digitalization level of its human resources system, maintain complete and accurate employee and human resources records, improve overall digitalized human resources management and empower the Group's human resources management structure.

EMPLOYEES AND POLICIES ON REMUNERATION AND BENEFITS

As at 31 December 2023, the Group had a total of 8,653 (2022: 8,983) employees. During the Year, staff benefit expenses (including directors' remuneration) were approximately HK$1,724 million (2022: approximately HK$1,762 million).

On the recommendation of the Shenzhen State-owned Assets Supervision and Administration Commission, the Group was included in Shenzhen's list of key companies to be promoted as top-notch enterprises across the world. During the Year, the Group was re-elected as one of the "Double-Hundred Benchmark Enterprises" in the PRC (only 25 out of 190 local state-owned enterprises were elected for this award), demonstrating the Group's outstanding image as a forerunner in the reform of state-owned enterprises across the nation. In terms of employee recruitment and policies on remuneration and benefits, the Group implemented a series of innovative improvement measures, established a remuneration management system, a long-term incentive and discipline program, as well as a performance management system, all of which are continuously optimized.

The Group has also formulated the "Measures for the Administration of Remunerations of Senior Management" during the Year, thereby perfecting the remuneration structure of the senior management members, defining their salary bands and strengthening its control over the administration of remunerations of senior management.

The Group is always dedicated to improving its existing incentive system. Through in-depth research into policies and regulations, alongside consideration of the Group's circumstances, it has introduced the "Implementation Scheme for Enhancement of Incentive Mechanism" aimed at aligning salaries with both performance and industry standards, and has established a comprehensive and effective incentive and restraint mechanism for its subsidiaries. In doing so, the Group intends to stimulate the enthusiasm of its management and staff, and advance the implementation of its "14th Five-Year Plan" strategic planning. Through deepening the reform of its internal distribution system, the Group has established a remuneration distribution mechanism based on performance and contribution, adopted a group-wide performance appraisal mechanism that regularly evaluates the employees' work performance and closely links the evaluation results with salary adjustments, promotions and other measures, and implemented a system under which staff members in the bottom ranks in appraisals will be asked to make improvements, in order to stimulate staff motivation and performance.

At the same time, the Group provides its employees with a comprehensive and competitive welfare system that covers benefits such as health checks, mandatory provident funds, medical insurance and education allowances in order to attract and retain talent.

EMPLOYEE DEVELOPMENT AND TRAINING PROGRAMS

The Group is acutely aware that talent is a core asset in corporate development, attaches great importance to attracting and nurturing talent, continuously improves its talent recruitment and selection processes, and broadens its recruitment channels. In 2023, the Group continued to recruit high-caliber management personnel and professionals in the logistics, port, cold chain and environmental protection sectors through market-based recruitment and campus recruitment. To attract professional talent with high caliber, the Group proactively participated in various doctoral and post-doctoral recruitment events. In April 2023, it officially launched the post-doctoral innovation practice headquarters. In terms of management talent selection and training, the Group has further improved relevant systems. Recruitment of management personnel at all levels is conducted openly. The recruitment process includes both examinations and daily assessment in addition to interviews and tests, and a large group of talented young staff members were selected.

The Group also offers comprehensive training and internal promotion opportunities to its staff. It conducts systematic staff training in order to build up a professional talent pool and establish a competent management team. Through persistently improving the talent framework, the Group secures human resources that are in line with its development strategy and business needs. In respect of training and retention of staff, the Group formulates annual training programs according to job natures and the classification of middle and senior management and frontline staff, carries on internal job rotation in different departments throughout the Group, and conducts different types of training such as practical training, internal training, training of middle-and high-end talent, as well as external professional skills training, in order to boost the overall quality and entrepreneurial vitality of the team and drive the sustainable development of the Company.

SAFETY AND HEALTH

The Group firmly believes that not only can a good work environment safeguard the health and safety of the staff, but it can also improve work efficiency and team morale. The Group is committed to providing its employees with a safe, efficient and comfortable work environment. In recent years, the Group has proactively arranged annual health checks, established sick bays, maintained health benefits for its staff, and ensured that the health conditions of its staff were monitored and examined in a timely manner. It has also organized seminars for new staff to help them quickly adapt to the Group's corporate culture, as well as staff birthday gatherings to which management personnel of the Group were invited so as to enhance the sense of belonging and commitment of the team.

Since 2023, the Group has been organizing a number of work safety education training programs and providing work safety guidelines to its employees. It also conducts fire drills to enhance the employees' abilities to handle emergencies and to identify and prevent safety hazards in the workplace. The Group also proactively provides various types of health checks and educational materials relating to occupational health with an aim to create a healthy and safe work environment for its employees.

FINANCIAL POSITION

	31 December 2023 HK$ million	31 December 2022 HK$ million	Increase/ (Decrease)
Total Assets	**130,495**	133,495	(2%)
Total Liabilities	**75,519**	78,296	(4%)
Total Equity	**54,976**	55,199	–
Net Asset Value attributable to shareholders	**31,582**	31,248	1%
Net Asset Value per share attributable to shareholders (HK dollar)	**13.2**	13.1	1%
Cash	**9,805**	14,025	(30%)
Bank borrowings	**33,082**	34,861	(5%)
Other borrowings	**117**	314	(63%)
Notes and bonds	**22,140**	18,592	19%
Total Borrowings	**55,339**	53,767	3%
Net Borrowings	**45,534**	39,742	15%
Debt-asset Ratio (Total Liabilities/Total Assets)	**58%**	59%	(1)#
Ratio of Total Borrowings to Total Assets	**42%**	40%	2#
Ratio of Net Borrowings to Total Equity	**83%**	72%	11#
Ratio of Total Borrowings to Total Equity	**101%**	97%	4#

Change in percentage points

KEY FINANCIAL INDICATORS

As at 31 December 2023, the Group's total assets and total equity amounted to approximately HK$130,495 million and HK$54,976 million, respectively, while net asset value attributable to shareholders was approximately HK$31,582 million. Net asset value per share was HK$13.2, representing an increase of 1% as compared to the end of last year. The debt-to-asset ratio was 58%, representing a decrease of 1 percentage point as compared to the end of last year. The gearing ratio (calculated on the basis of net borrowings to total equity) was 83%, representing an increase of 11 percentage points as compared with that at the end of last year. Such increase was primarily due to the additional borrowings incurred as a result of increased investment activities during the Year.

CASH FLOW AND FINANCIAL RATIOS

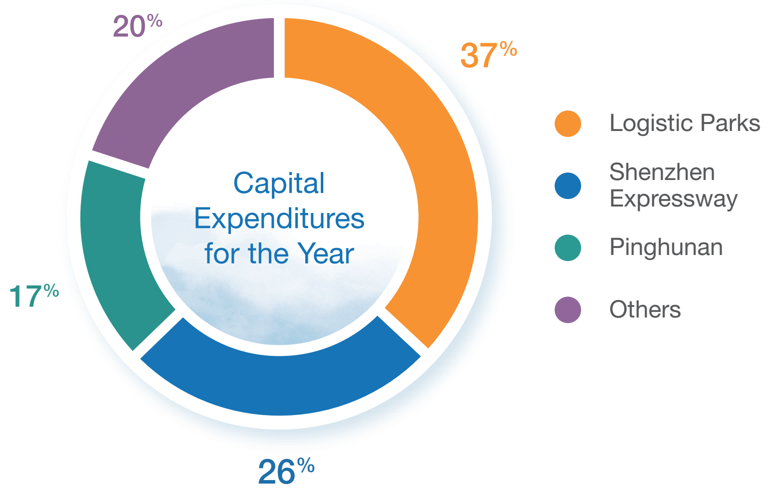
During the Year, net cash generated from operating activities amounted to approximately HK$5,552 million. Net cash used in investing activities amounted to approximately HK$6,473 million. Net cash used in financing activities amounted to approximately HK$2,054 million. The Group's core businesses continued to generate 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 31 December 2023, cash held by the Group amounted to approximately HK$9,805 million (31 December 2022: HK$14,025 million), representing a decrease of 30% as compared to the end of last year. Such decrease was primarily due to the payment for investments and acquisitions. 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

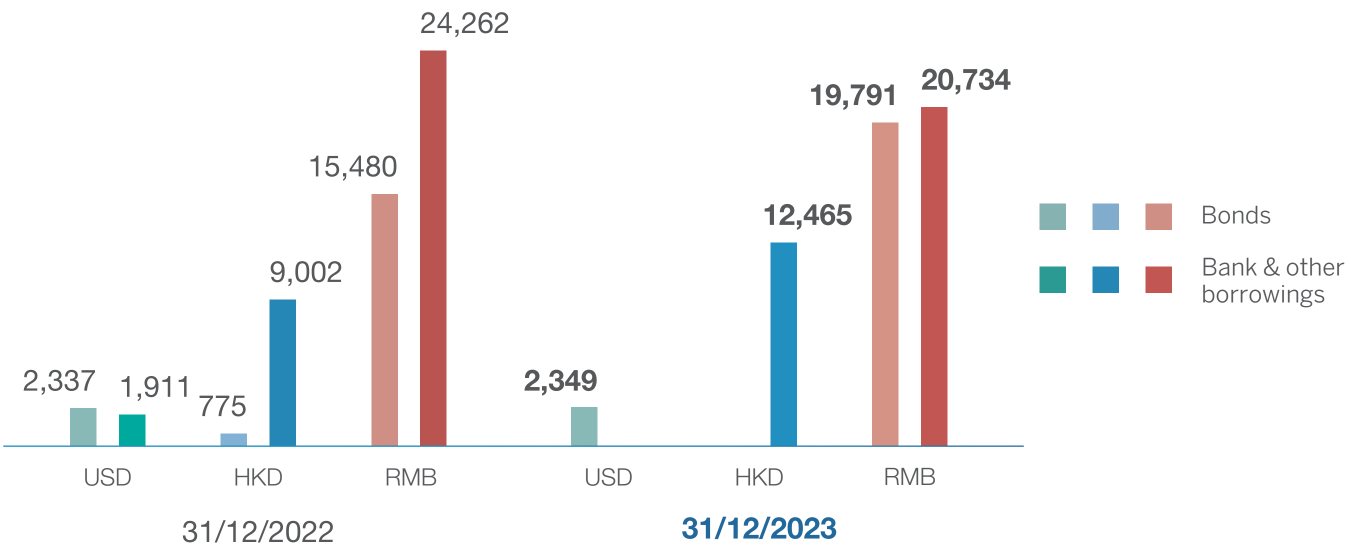
The Group's capital expenditures for the Year amounted to approximately RMB7,800 million (equivalent to HK$8,500 million), primarily comprising investments of approximately RMB2,900 million in the logistics parks projects, investments of approximately RMB2,000 million in Shenzhen Expressway's projects and investments of approximately RMB1,300 million in the Pinghunan Project. The Group expects that the capital expenditures for 2024 will amount to approximately RMB9,400 million (equivalent to HK$10,400 million), including approximately RMB3,100 million for logistics parks projects, approximately RMB3,600 million for Shenzhen Expressway's projects and approximately RMB1,700 million for the Pinghunan Project.



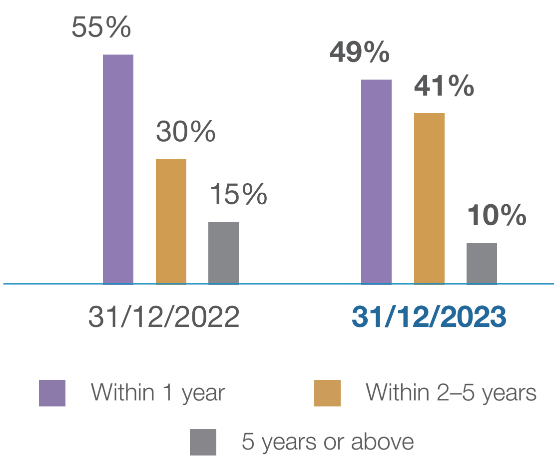
BORROWINGS

Total Borrowings in currency

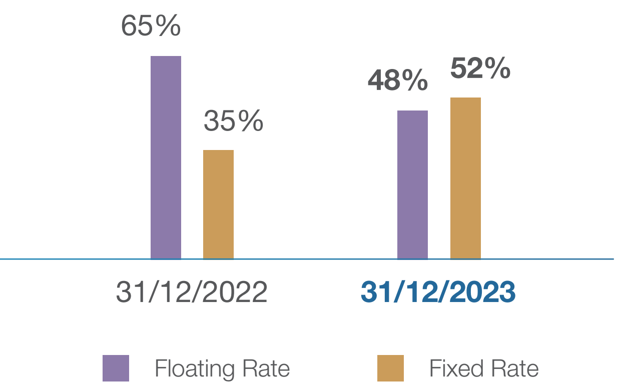
HK$ million



Total Borrowings—Repayment Period



Total Borrowings — Analysis of Floating rate/Fixed rate



As at 31 December 2023, the Group's total borrowings amounted to approximately HK$55,339 million, representing an increase of 3% as compared with the end of last year. During the Year, the Company issued Panda Bonds of RMB5,000 million, and Shenzhen Expressway, a subsidiary of the Group, issued medium-term notes of RMB2,000 million and green corporate bonds (first batch) of RMB550 million. 49%, 41% and 10% of the Group's total borrowings are 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

Interest Rate Risk Management

The Group's interest rate risks arise primarily from floating-rate bank borrowings. The management manages interest rate risks and limits such risks to a reasonable level by closely tracking changes in the macro-economic environment and monitoring changes in current and projected interest rates on a regular basis, taking into account conditions in the domestic and international markets. The management also regularly reviews the ratio of fixed-rate to floating-rate borrowings and seeks to manage and control the Group's interest rate risks by entering into fixed-rate borrowings or interest rate swap contracts for hedging purposes in a timely manner according to the size and maturities of its borrowings.

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$. During the Year, as affected by the US interest rate hike and the Russo-Ukrainian War, the external environment and global economic growth was subject to a great deal of uncertainty, and RMB/US$ exchange rates fluctuated relatively wildly. 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 31 December 2023, the ratio between the Group's borrowings in RMB and other currencies was around 73%:27%.

Liquidity Risk Management

As of 31 December 2023, the Group had cash on hand and standby banking facilities of approximately HK$101,500 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 Year, 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 ability to realize sustainable and quality growth.

PLEDGE OF ASSETS, GUARANTEES AND CONTINGENCIES

For details of the Group's pledge of assets, guarantees and contingencies as at 31 December 2023, please refer to notes 10, 22 and 38, respectively, of the consolidated financial statements.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MEMBERS OF THE BOARD

Executive Directors

Mr. Li Haitao

Chairman of the Board, Member of the Remuneration and Appraisal Committee

Mr. Li Haitao, aged 57, was appointed in June 2016 as an Executive Director and the Chief Executive Officer of the Company, and has been re-designated from the Chief Executive Officer to the Chairman of the Board of the Company since 6 May 2020. He is also a member of the Remuneration and Appraisal Committee of the Company. Mr. Li is currently a director of a subsidiary of the Company. Mr. Li is responsible for devising the Group's overall development strategy and important systems, as well as supervising the implementation of resolutions of the general meetings and the Board. Mr. Li studied at Peking University HSBC Business School and previously held positions in Government departments in relation to administration for industry and commerce, personnel and labor as well as public works. Mr. Li has comprehensive and in-depth understanding of Chinese social governance and practices in governmental operations after having served government departments at township, county, district and municipal levels and undertaken leadership positions with various specialised authorities over a span of more than 30 years. Mr. Li has hands-on knowledge in economic management, land development, construction works, industrial and commercial administration, foreign trade and personnel management, as well as extensive exposures to various social sectors and experiences in economic management. Since Mr. Li's appointment as the Chairman of the Board of the Company, he has performed his duties with diligence with dual focus on building up the Group's capabilities and its high-quality corporate development. He has strengthened board development, established a number of foundational measures systems relating to the Company's long-term development, and has implemented eight major reforms in respect of investment decisions, project management and other matters, as well as the "Eight Abilities" human resource management system. As a result, the Company's corporate governance standard, management and operational capability as well as core competitiveness have been substantially enhanced. The Company received several awards, including being recognized as the "Double-Hundred Benchmark Enterprise" in the state-owned enterprise reform by the SASAC of the State Council and the benchmark enterprise in Guangdong Province's Key State-Owned Enterprise Management Improvement Action. Furthermore, the Group's core businesses, including the logistics, ports, toll roads, and general environmental protection-related segments have seen marked improvements which are conducive to the strengthening of the Company's market positioning and brand influence.

Mr. Liu Zhengyu

Chief Executive Officer, Chairman of the Sustainability Committee

Mr. Liu Zhengyu, aged 53, was appointed in September 2021 as an Executive Director and the Chief Executive Officer of the Company. He is also the Chairman of the Sustainability Committee of the Company. Mr. Liu is currently a director of certain subsidiaries of the Company. Mr. Liu holds a Bachelor's degree in Economics and a Master's degree in Business Administration. He has obtained the qualification as a Senior Accountant. Mr. Liu had successively worked as a chief accountant and a deputy general manager of Shenzhen Investment Holdings Company Limited. Mr. Liu was the chairman of the board of directors and a director of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd, a director of Shenzhen Cereals Holdings Co., Ltd. and Telling Telecommunication Holding Co., Ltd, a non-executive director and the chairman of the board of directors of Shenzhen Investment Holdings Bay Area Development Company Limited (a subsidiary of the Company) and a director of China State-owned Venture Capital Fund Co., Ltd. Mr. Liu has extensive experience in serving as senior management and director of large-scale enterprises for years and working on corporate management, strategic management, investment and mergers and acquisitions, capital operation matters.

Executive Directors *(continued)*

Mr. Wang Peihang

Member of the Nomination Committee and Sustainability Committee

Mr. Wang Peihang, aged 56, was appointed in September 2020 as an Executive Director of the Company. He is also a member of each of the Nomination Committee and the Sustainability Committee of the Company. Mr. Wang is currently a director of certain subsidiaries of the Company. Mr. Wang holds an Executive Master's degree in Business Administration from Tianjin University. He has held various leadership positions in Shenzhen Institute of Education and Organization Department of Shenzhen Municipal Committee. Mr. Wang was a director of Shenzhen Yantian Port Group Co., Ltd. and a supervisor of Shenzhen Yantian Port Holdings Co., Ltd. Mr. Wang took part in the management of human resources for years and has extensive experience in economic management and port business.

Dr. Dai Jingming

Financial Controller

Dr. Dai Jingming, aged 59, was appointed in September 2020 as an Executive Director of the Company. He joined the Group as Financial Controller in August 2017. Dr. Dai is currently a non-executive director and a member of the Strategy Committee of Shenzhen Expressway Corporation Limited, a subsidiary of the Company. Dr. Dai graduated from the Faculty of Agricultural Mechanical Engineering of Huazhong Agricultural University with a Bachelor's degree in Engineering in 1986 and from Zhongnan University of Finance and Economics with a Master's degree in Economics in 1992. He also obtained his Ph.D. degree in Economics from the Research Institute for Fiscal Science of the Ministry of Finance in 1998. Dr. Dai held a position as a general manager of the planning and finance department of Shenzhen Investment Limited and Shum Yip Group Limited, and was a non-executive director of Coastal Greenland Limited. In addition, he also worked in Hubei Agricultural Machinery General Company and Wuhan Branch of the Agricultural Bank of China. Dr. Dai has extensive experience in corporate finance, investment and management.

Independent Non-Executive Directors

Mr. Pan Chaojin

Chairman of each of the Nomination Committee and the Remuneration and Appraisal Committee, Member of the Audit Committee

Mr. Pan Chaojin, aged 59, was appointed in June 2020 as an Independent Non-Executive Director of the Company. He is also the Chairman of each of the Nomination Committee and the Remuneration and Appraisal Committee, and a member of the Audit Committee of the Company. Mr. Pan holds a Master's degree in Industrial Economics from Nanjing University and is currently the president of China-USA Benchmark Group, Ltd., a special researcher at the Enterprise Restructuring Institute of the Renmin University of China, a distinguished professor at the China Business Executives Academy, Dalian and a consultant of Beijing Dacheng Law Offices, LLP ("Beijing Dacheng"). He was awarded "Outstanding Individual for Development of Leading Management and Consultation Industry" in 2013. Mr. Pan was the director of investment of Shanghai Fosun Industry Investment Co., Ltd. and the head of the State-owned Enterprise Restructuring Department of Beijing Dacheng. Mr. Pan participated in the planning and implementation of the first general offer of listed company in China, supervised and participated in, among other projects, the restructuring of various major provincial and municipal state-owned enterprises, organized and participated in the business consolidation, merger and acquisition, strategic consultation and management improvement of various enterprises, and participated in the researches on, among other subjects, state-owned enterprises in transition and overseas enterprise restructuring by the State-owned Assets Supervision and Administration Commission of the State Council. With extensive involvement in the management and restructuring of state-owned enterprises, Mr. Pan has extensive experience in corporate governance, group management, strategic transformation and capital operation.

Dr. Zeng Zhi

Chairman of the Audit Committee, Member of each of the Nomination Committee and the Sustainability Committee

Dr. Zeng Zhi, aged 52, was appointed in February 2022 as an Independent Non-Executive Director of the Company. He is also the Chairman of the Audit Committee and a member of each the Nomination Committee and the Sustainability Committee of the Company. Dr. Zeng holds a Master's degree in Finance from Zhongnan University of Economics and Law, a Master's degree of Applied Business Research and a degree of Doctor of Business Administration from SBS Swiss Business School. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has also been awarded the professional qualification certificate in accountancy by the Ministry of Finance of China. Dr. Zeng is currently a chief financial officer of a financial technology company in Hong Kong and a member of the Advisory Board on Accountancy of Lingnan University in Hong Kong. Dr. Zeng was an executive director and chief financial officer of Haike Chemical Group Ltd., an independent non-executive director of GTS Chemical Holdings Plc, and acted as chief financial officer, company secretary and/or qualified accountant of several companies in China, Hong Kong and Singapore. Dr. Zeng has extensive experience in corporate governance, strategic planning, financial controlling and capital operation.

Independent Non-Executive Directors *(continued)*

Dr. Wang Guowen

Member of the Audit Committee and the Remuneration and Appraisal Committee

Dr. Wang Guowen, aged 58, was appointed in September 2022 as an Independent Non-Executive Director of the Company. He is also a member of each of the Audit Committee and Remuneration and Appraisal Committee of the Company. Dr. Wang holds a Doctoral degree in World Economics from Nankai University and completed post-doctoral research in supply chain management in Peking University. He is a senior research fellow of economics and the director of the Center for Logistics and Supply Chain Management at the China Development Institute in Shenzhen. He is also the vice president of China Society of Logistics, chief representative of the China Round-table of the Council of Supply Chain Management Professionals, the chairman of the Expert Committee on Blockchain Application in Logistics and Supply Chain under the China Federation of Logistics & Purchasing ("CFLP"), and the chairman of the CFLP Green Logistics Expert Committee, as well as a visiting professor of Nankai University, Beijing Jiaotong University and The Hong Kong Polytechnic University. Dr. Wang is an independent non-executive director of Henan Xinning Modern Logistics Co., Ltd. (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 300013)). From January 2013 to December 2019, Dr. Wang was an independent non-executive director of Shenzhen Feima International Supply Chain Co Ltd (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 002210)). Dr. Wang previously served as an expert to World Bank and Asia Development Bank, and the Chinese industry convener of APEC Asia-Pacific Supply Chain Consortium (A2C2). Dr. Wang has extensive experience in regional economy, industrial development planning, logistics and supply chain management.

Professor Ding Chunyan

Member of the Sustainability Committee

Professor Ding Chunyan, aged 46, was appointed in March 2024 as an Independent Non-Executive Director of the Company. She is also a member of the Sustainability Committee of the Company. Professor Ding holds a Bachelor of Laws degree and a Master of Laws degree from Peking University, a Master of Laws degree from University College London and a Doctor of Philosophy in Law from the University of Hong Kong. She has been qualified as a PRC lawyer since 2001 and granted the Legal Professional Qualification Certificate issued by the Ministry of Justice of the PRC in 2002. Professor Ding was a Fulbright research fellow at Harvard Law School, where she conducted research on comparative health and tort law, and an elected visiting scholar at the Max Planck Institute for Comparative and International Private Law in Germany. Professor Ding is currently an associate dean and professor at the Law School of the City University of Hong Kong. Professor Ding has extensive experience in law and administration.

SENIOR MANAGEMENT

Mr. Ge Fei
Vice President

Mr. Ge Fei, aged 55, was appointed as a Vice President of the Company in May 2017. Mr. Ge is currently a director of certain subsidiaries of the Company. He graduated from Beijing Jiaotong University School of Civil Engineering with a Bachelor's degree. Mr. Ge joined the fifth engineering bureau of the Ministry of Railways in August 1990. He joined Xing Tong Chan Development (Shenzhen) Co., Ltd. (formerly Shenzhen Freeway Development Company Limited which became a subsidiary of the Group in October 2001) in January 1994. He joined Shenzhen Expressway Corporation Limited in October 1998 and had worked successively as deputy general manager and general manager of various expressway projects. He was the executive director of Shenzhen Guangshen Coastal Expressway Investment Company Limited, a vice president of Shenzhen Expressway Corporation Limited and a chairman of Shenzhen International Logistics Development Company Limited. Mr. Ge has extensive experience in construction project management, land development, logistics development and operation, corporate management and investment.

Mr. Fan Zhiyong
Vice President

Mr. Fan Zhiyong, aged 50, was appointed as a Vice President of the Company in August 2020. He graduated from Tongji University School of Materials Science. He holds an Executive Master's degree in Business Administration from Xiamen University. Mr. Fan had worked in Shenzhen Nanyou (Holdings) Co., Ltd. He joined the Group in May 2003, is currently a director of certain subsidiaries of the Company. Mr. Fan was a non-executive director and a member of Risk Management Committee of Shenzhen Expressway Corporation Limited. Mr. Fan has more than 20 years of extensive experiences in engineering management and corporate management.

Mr. Hou Shenghai
Vice President

Mr. Hou Shenghai, aged 51, was appointed as a Vice President of the Company in March 2021. Mr. Hou is currently a director and vice chairman of Shenzhen Airlines Company Limited as well as a director of certain subsidiaries of the Company. Mr. Hou holds a Master's degree in Architecture and Civil Engineering. Mr. Hou previously held several management positions at various levels in the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal. He joined the Company in February 2016 and successively served as the general manager of the administration department and chief administrative officer. Mr. Hou has extensive experience in project and construction management, corporate management and administration.

Mr. Du Peng
Vice President

Mr. Du Peng, aged 51, was appointed as a Vice President of the Company in April 2022. Mr. Du is currently a director of certain subsidiaries of the Company. Mr. Du hold a Master's degree in Education. Mr. Du had served in various departments of the government for many years, and had successively worked as senior management in various state-owned enterprises such as Shenzhen Agricultural Products Group Co., Ltd. and Shenzhen Talent Group Co., Ltd. Mr. Du has extensive experience in administrative management and corporate management.

Mr. Zhou Zhiwei
Vice President

Mr. Zhou Zhiwei, aged 46, was appointed as a Vice President of the Company in January 2024. Mr. Zhou holds a Doctor of Philosophy. Mr. Zhou was a non-executive director of the Company and has served in various departments of the Shenzhen Municipal Government, he has also worked at Shenzhen Airlines Company Limited for years. Mr. Zhou is familiar with the operation of the Chinese government and corporate management and has extensive experience in economic management.

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") herein present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2023 (the "Year").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in logistics, toll road, port and general environmental protection businesses. Through investment, mergers and acquisitions, restructuring and consolidation, the Group focuses on the investment, construction and operation of logistics infrastructure projects 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 warehousing and integrated cold chain warehousing, and also expanded its business segments to include the comprehensive development of land related to the "logistics + commerce" industries as well as the investment in and operation of general-environmental protection business. Particulars of the principal activities of the Company's principal subsidiaries are set out in note 42 to the consolidated financial statements.

Particulars of a discussion and analysis on the matters specified in Schedule 5 to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the Group's business, the performance during the Year, a discussion on the principal risks and uncertainties facing the Group, important events that have occurred after the balance sheet date (if any), an indication of likely future development in the Group's business, an analysis using financial key performance indicators, are set out in this "REPORT OF THE DIRECTORS" and the "FINANCIAL HIGHLIGHTS", "CHAIRMAN'S STATEMENT", "MANAGEMENT DISCUSSION AND ANALYSIS" and "CORPORATE GOVERNANCE REPORT" in this annual report.

In addition, a discussion on the Group's environmental policies and performance and an account of the Group's key relationships with its stakeholders are set out in the Environmental, Social and Governance Report (the "ESG Report").

The above sections in the annual report and the ESG Report form an integral part of this report.

RESULTS OF THE GROUP

The Group's results for the year ended 31 December 2023 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 119 to 224.

DIVIDEND POLICY

The Company has adopted a Dividend Policy which aims to deliver steady and sustainable returns to shareholders of the Company (the "Shareholders"). This policy is based on the general principle of sharing the Group's profits with the Shareholders and for the benefit of sustainable development of the Company. The profit distribution ratio based on contributions from the Group's core business is normally not less than 30% per year. For any one-off gain, the profit distribution ratio shall be determined according to the Company's operating performance, cash flow and market value, etc. In the absence of any special circumstances, the Company's annual dividend should be stable and consistent with previous years.

The Board approves final and interim dividends, and in the case of final dividends, Shareholders' approval is also required. Dividends may be paid in cash or in scrip in accordance with applicable laws, regulations and the bye-laws of the Company (the "Bye-Laws").

DIVIDENDS

The Board recommended a final dividend of HK$0.40 per share for the Year (2022: final dividend of HK$0.257 per share), which amounted to approximately HK$957 million (2022: HK$614 million) in aggregate.

The Board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to: (1) the approval of the proposed final dividend at the forthcoming annual general meeting; and (2) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the scrip shares to be issued. Details of the Scrip Dividend Scheme and the election form will be sent to Shareholders on or about 24 May 2024. It is expected that the dividend warrants and certificates for scrip shares allotted under the Scrip Dividend Scheme will be dispatched to Shareholders on or about 20 June 2024.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on pages 5 to 7 of this annual report.

SHARES AND EQUITY-LINKED AGREEMENTS

Details of the movements in the issued shares and share options of the Company during the Year, together with the reasons thereof, are set out in note 20 to the consolidated financial statements.

Save as disclosed in the section headed "SHARE OPTION SCHEME" below, no equity-linked agreement was entered into by the Company, or subsisted during the Year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-Laws or the Companies Act of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing Shareholders.

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 Year.

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company's reserves available for distribution to Shareholders, comprising contributed surplus, retained earnings and other distributable reserves, amounted to approximately HK$1,766,253,000 (2022: HK$905,432,000). The share premium of the Company may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

Both the revenue attributable to the largest five customers combined and the purchases attributable to the largest five suppliers combined of the Group accounted for less than 30% of the Group's total revenue and purchases respectively for the Year.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group always strives to improve our customer service capability and standard. Taking into account its business features and market development trend, every member or business unit within our Group identifies its respective customers positioning and service strategies for building up its customer management mechanism. We gain an accurate and timely understanding of customers' latest condition and their demands through information management, face to face visit and various other ways, in order to improve and upgrade our service quality, enhance customer service awareness and capability of our staff, improve business synergy and connection, and strengthen the core competitiveness of the Group.

The Group is committed to aligning its interest with our suppliers. We have established strategic co-operative relationships with many quality partners that are harmonious, mutually trusting and beneficial. Objective supplier management and evaluation mechanisms have also been set up to safeguard the Group's business as well as to promote development of both the suppliers and the Company. At the same time, in respect of operating the Group's logistic parks, ports, logistic services, toll roads and other businesses, it strictly adheres to adopting a fair, impartial and transparent tender method for procurement, selecting the best options and performing contracts conscientiously in accordance with applicable laws to meet the working targets.

DIRECTORS

The directors of the Company (the "Directors") during the Year and up to the date of this report were:

Executive Directors:
Mr. Li Haitao *(Chairman)*
Mr. Liu Zhengyu *(Chief Executive Officer)*
Mr. Wang Peihang
Dr. Dai Jingming

Non-Executive Director:
Dr. Zhou Zhiwei *(resigned on 16 January 2024)*

Independent Non-Executive Directors:
Mr. Pan Chaojin
Dr. Zeng Zhi
Dr. Wang Guowen
Professor Ding Chunyan *(appointed on 13 March 2024)*

Professor Ding Chunyan was appointed as an independent non-executive Director with effect from 13 March 2024. In accordance with Bye-Law 100 of the Bye-Laws, she will offer herself for re-election by the Shareholders at the annual general meeting to be held on 14 May 2024.

In accordance with Bye-Law 109(A) of the Bye-Laws, Mr. Wang Peihang, Mr. Pan Chaojin and Dr. Zeng Zhi will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election as Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

None of the Directors or entities connected to any of them had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries, the holding company of the Company or any of its subsidiaries was a party subsisting during or at the end of the Year.

DIRECTORS' INTERESTS IN SECURITIES

The interests in securities of the Directors are separately disclosed in the section headed "DISCLOSURE OF INTERESTS"on pages 113 to 114 of this annual report. In addition, the interests of the Directors in the share options of the Company are disclosed in the section headed "SHARE OPTION SCHEME" below.

Save as disclosed in the section headed "DISCLOSURE OF INTERESTS" on pages 113 to 114 of this annual report and the section headed "SHARE OPTION SCHEME" below, at no time during the Year was the Company, any of its subsidiaries, the holding company of the Company or any of its subsidiaries a party to any arrangement to enable the Directors, chief executives, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company approved and adopted a share option scheme (the "Share Option Scheme") which was approved by the Shareholders at the annual general meeting held on 16 May 2014 and was effective on 16 May 2014. The Share Option Scheme will remain in force for 10 years from the effective date on 16 May 2014 until 15 May 2024.

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 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 associated companies and joint ventures of the Group or (c) any substantial shareholder of the Company.

The following table lists the details of the outstanding share options which were granted under the Share Option Scheme and their movements during the Year:

				Number of unlisted share options (Physically settled equity derivatives)						*Share Price of the Company (Note 2)*	
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 2023*	*Granted during the Year*	*Adjusted during the Year*	*Exercised during the Year*	*Cancelled/ lapsed during the Year*	*As at 31 December 2023 (Approximate % of issued shares of the Company)*	*Immediately before the date of grant of share options*	*Immediately before the date of exercise of share option*
			HK$							*HK$*	*HK$*
Directors											
Mr. Li Haitao	1 November 2023	1 November 2025 to 31 October 2028	5.370	–	1,844,000	–	–	–	1,844,000 (0.077%)	5.150	N/A
Mr. Liu Zhengyu	1 November 2023	1 November 2025 to 31 October 2028	5.370	–	1,752,000	–	–	–	1,752,000 (0.073%)	5.150	N/A
Mr. Wang Peihang	1 November 2023	1 November 2025 to 31 October 2028	5.370	–	1,567,000	–	–	–	1,567,000 (0.065%)	5.150	N/A
Dr. Zhou Zhiwei (Resigned on 16 January 2024)	1 November 2023	1 November 2025 to 31 October 2028	5.370	–	1,567,000	–	–	–	1,567,000 (0.065%)	5.150	N/A
				–	6,730,000	–	–	–	6,730,000		
Other employees in aggregate	1 November 2023	1 November 2025 to 31 October 2028	5.370	–	48,724,000	–	–	–	48,724,000	5.150	N/A
				–	48,724,000	–	–	–	48,724,000		
				-	**55,454,000**	**-**	**-**	**-**	**55,454,000**		

Note:

(1) The first 40%, the second 30% and the remaining 30% of these granted share options will be vested on the second, the third and the fourth anniversary from the date of grant respectively. The vesting of these share options is also subject to performance targets that comprise a mixture of attaining satisfactory key performance indicators components (including the business performance and financial performance of the Group and individual performance based on the annual performance assessment results).

(2) The share price of the Company immediately before 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 immediately before 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.

The Group is in compliance with the requirements as stipulated in Hong Kong Financial Reporting Standard 2 "Share based Payment". During the Year, provisions amounting to approximately HK$3,827,685 were made for the cost of share options granted by the Company and were recognized in the consolidated income statement. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price over the nominal value of each share is recorded by the Company in the share premium account. Share options which lapse or are cancelled prior to the expiration of their exercise period are deleted from the register of outstanding share options.

Details of the model and significant assumptions used to estimate the fair value of the share options granted by the Company to eligible participants during the Year are set out in note 31 to the consolidated financial statements. Such option pricing model requires input of subjective assumptions. Any changes in the subjective input assumptions may materially affect the estimation of the fair value of the share options.

The total number of shares of the Company available for issue under the Share Option Scheme mandate limit is 165,905,769 shares, which represent approximately 6.93% of the issued shares of the Company as at the date of this report. The number of options available for grant under the Share Option Scheme at the beginning and the end of the Year was 144,622,586 shares and 89,168,586 shares respectively. The number of shares of the Company that may be issued in respect of options granted under the Share Option Scheme during the Year divided by the weighted average number of ordinary shares in issue for the Year was 2.32%. On 1 November 2023, the Company granted 55,454,000 share options to certain individuals to subscribe for a total of 55,454,000 ordinary shares of the Company pursuant to the Share Option Scheme at the exercise price at HK$5.370 per share. During the Year, no options granted under the Share Option Scheme were cancelled by the Company.

Under the Share Option Scheme, the total number of shares of the Company issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the shares of the Company in issue. Further, where any further grant of share options to an eligible participant would result in the shares of the Company issued and to be issued upon exercise of all share options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares of the Company in issue, such further grant must be separately approved by the Shareholders in general meeting.

Under the Share Option Scheme, an offer of a grant of share options may be accepted within 7 days from the respective date of the offer with a cash consideration of HK$1 payable by the grantee to the Company. There is no prescribed vesting period under the Share Option Scheme. The period for the exercise of a share option granted under the scheme is determined by the Board, but in any event such period shall not go beyond 5 years from the date of offer.

Under the Share Option Scheme, the subscription price is solely determined by the Board and shall be at least the higher of: (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

ISSUANCE OF THE CORPORATE BONDS

To mitigate the impact of exchange rate fluctuations and to improve its overall debt structure, the Company issued corporate bonds to professional investors in China in July and September 2023. Such corporate bonds, listed on the Shenzhen Stock Exchange, were in the principal amount of RMB1,500 million with a coupon rate of 2.88%, RMB1,600 million with a coupon rate of 2.99%, and RMB1,900 million with a coupon rate of 2.95%, respectively. The net proceeds from the issuance of such corporate bonds have been used for the repayment of interest-bearing indebtedness and supplementing the working capital of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

The interests in shares of the Company held by substantial shareholders of the Company are separately disclosed in the section headed "DISCLOSURE OF INTERESTS" on pages 113 to 114 of this annual report.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Bye-Laws, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred by him or her in the execution of the duties of his or her office or in relation thereto. The directors' and officers' liability insurance undertaken by the Company during the Year has covered all Directors and the directors of its subsidiaries (excluding Shenzhen Expressway and its subsidiaries). The relevant provisions in the Bye-Laws and the directors' and officers' liability insurance were in force during the Year and up to the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year .

RELATED PARTY TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(1) Related party transactions

Details of significant related party transactions of the Group (which do not constitute connected transactions and continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) are set out in note 41 to the consolidated financial statements. The Directors confirm that the Company has complied with the disclosure requirements (if any) in accordance with Chapter 14A of the Listing Rules.

(2) Connected transactions

On 30 June 2023, Shenzhen International Bay Area Investment Development Co., Ltd. ("Bay Area Investment", a wholly-owned subsidiary of the Company) and Shenzhen JDI Inc. ("Pingshen International", a non-wholly owned subsidiary of the Company) entered into the Entrusted Construction Management Agreement regarding the provision by Bay Area Investment of a full range of project management services for the construction affairs in relation to the development of the SZ Pingshan Project. The total management fee charged by Bay Area Investment to Pingshen International under the Entrusted Construction Management Agreement will not exceed RMB29.79 million.

In addition, on 30 October 2023, Bay Area Investment (as the Lender), entered into the Loan Agreement with Pingshen International (as the Borrower), pursuant to which Bay Area Investment agreed to provide a Loan in the principal amount up to RMB300 million to Pingshen International for a term of one year. The applicable interest rate is a floating interest rate equal to the one-year loan prime rate on the business day before the first drawdown date of the Loan. Interest of the Loan shall be calculated based on the utilisation and maturity of the funds.

As Pingshen International is owned as to 30% by an associate of the Company's controlling shareholder, it is a connected subsidiary of the Company for the purposes of Chapter 14A of the Listing Rules, and the transactions contemplated under the Entrusted Construction Management Agreement and the Loan Agreement constituted connected transactions of the Company under the Chapter 14A of the Listing Rules. For further details, please refer to the announcements of the Company dated 30 June 2023 and 30 October 2023.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group regularly monitors and gathers information on amendments in laws, regulations and rules relevant to the Group's business, strengthens the legal training of its staff, continues to reinforce the mechanisms for the prevention of legal risks and promotes an in-depth integration of legal management and operation management to ensure the Group's adherence to those applicable laws, rules and regulations and in particular those which may have a material impact on the Group and to timely prevent and control legal risks.

During the Year, the Group commenced and progressed various business projects in strict accordance with laws and regulations. The Group's logistic business and toll road business are conducted in compliance with regulations including Land Administration Law (《土地管理法》), Urban and Rural Planning Law (《城鄉規劃法》), Urban Real Estate Administration Law (《城市房地產管理法》) and Regulations on Administration of Toll Roads (《收費公路管理條例》). The Group's logistic financing business also obtained the licence from the government and its operations also strictly complies with Company Law, Contract Law, Administrative Measures for the Supervision of Financial Leasing Enterprises (《融資租賃企業監督管理辦法》), Interim Measures for the Supervision and Administration of Privately Offered Investment Funds (《私募投資基金監督管理暫行辦法》) and other relevant state laws and regulations.

POST BALANCE SHEET EVENTS

Details of events after the balance sheet date of the Group are set out in note 43 to the consolidated financial statements.

DONATIONS

During the Year, the Group made charitable and other donations amounted to approximately HK$4,500,111.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained sufficient public float of at least 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the "CORPORATE GOVERNANCE REPORT" on pages 85 to 112 of this annual report.

AUDITOR

There have been no changes of the auditors of the Company during the past three years. Deloitte Touche Tohmatsu will retire and a resolution for their re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Li Haitao
Chairman

28 March 2024

CORPORATE GOVERNANCE REPORT

The Company believes that sound corporate governance goes beyond merely meeting the basic requirements of the regulatory authorities for listed companies. More importantly, sound corporate governance can facilitate the Company in achieving its development needs. In formulating and implementing its corporate governance practices, the Company has applied the principles in the Corporate Governance Code in Appendix C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Several governance guidelines and procedures have been established by the Company over the years to clearly define the duties, scope of authority and standards of conduct of all parties. This enhances the Company's corporate governance standards which are continuously reviewed and improved through implementation.

During the year ended 31 December 2023 (the "Year"), the Company has complied with the code provisions set out in "Corporate Governance Code", Appendix C1 of the Listing Rules.

The Company has always aimed to enhance its corporate governance practices, thereby promoting the Company's sustainable development and enhancing value for the shareholders of the Company (the "Shareholders"). A summary of the principles and practices of corporate governance adopted by the Group are set out below.

Governance Highlights for the Year

1.	Effective governance	The board (the "Board") of directors (the "Directors") of the Company held 8 meetings during the Year, far exceeding the requirements under the Listing Rules. In addition, the Company has also established a robust compliance management mechanism which effectively strengthened its corporate governance.
2.	Board with full engagement	The Directors continue to participate actively and contribute to the affairs of the Company. During the Year, 100% attendance was achieved at Board meetings. Management representatives also attended most of the meetings to ensure two-way information exchange and organisational effectiveness.
3.	Amendment of bye-laws and policy optimisation	During the Year, the Company amended the bye-laws of the Company (the "Bye-Laws") and modified a number of policies, including the "Rules of the Board", Terms of reference of Specialized Committees and "Model Code for Securities Transactions by Directors and Insiders who has access to inside information", etc., with a view to further improving the corporate governance structure so as to cater for the needs of the management, and to make continuous improvements in accordance with the latest regulatory requirements.
4.	Continuing professional development	The Directors recognise the importance of continuing professional development to enhance their skills and to keep abreast of the times. During the Year, the Company arranged directors' training and site visits on project of the Group for the Directors. In addition, the Company regularly provides the Directors with reports, including updates on the progress of the Group's key initiatives, financial reporting, disclosure of information and updates to the Listing Rules, to ensure that they have a comprehensive understanding of the latest information of the Company.

CORPORATE CULTURE

The Company has set out the following values to provide guidance on employees' conduct and behaviors as well as the business activities, and to ensure the values are embedded throughout the Company's policies and business strategies:

Corporate Mission	:	to boost the real economy and to fully assume the role of a state-owned municipal ancillary service developer and operator to serve cities, industries and people's livelihood
Corporate Vision	:	continues to grow stronger, better and larger to become a first-class industrial group
Corporate Character	:	the integration of knowledge and action for driving steady and far-reaching development
Core Values	:	hard work, open-mindedness, pragmatism and coordination
Enterprise Spirit	:	logistics with ethics, for a better world
Business Philosophy	:	building value, sharing future

The Company has always attached great importance to building a corporate culture. The Board plays a leading role in setting the Company's mission and strategic direction, as well as shaping and fostering the corporate culture to ensure that all business activities are aligned. In addition, the Company is committed to instilling its culture and values in its employees at all levels. During the Year, the Company organised the first "Corporate Culture Family Day", inviting outstanding employees and their families to participate in the event, which provided an opportunity for the family members of the Company's employees to experience the working environment and the warmth of being part of the "Shenzhen International Big Family" at close range. The Company will continue to build a platform for growth, learning and exchange, create a warm and upward working atmosphere, implement the Company's corporate mission and core values, and continue to promote high-quality development.

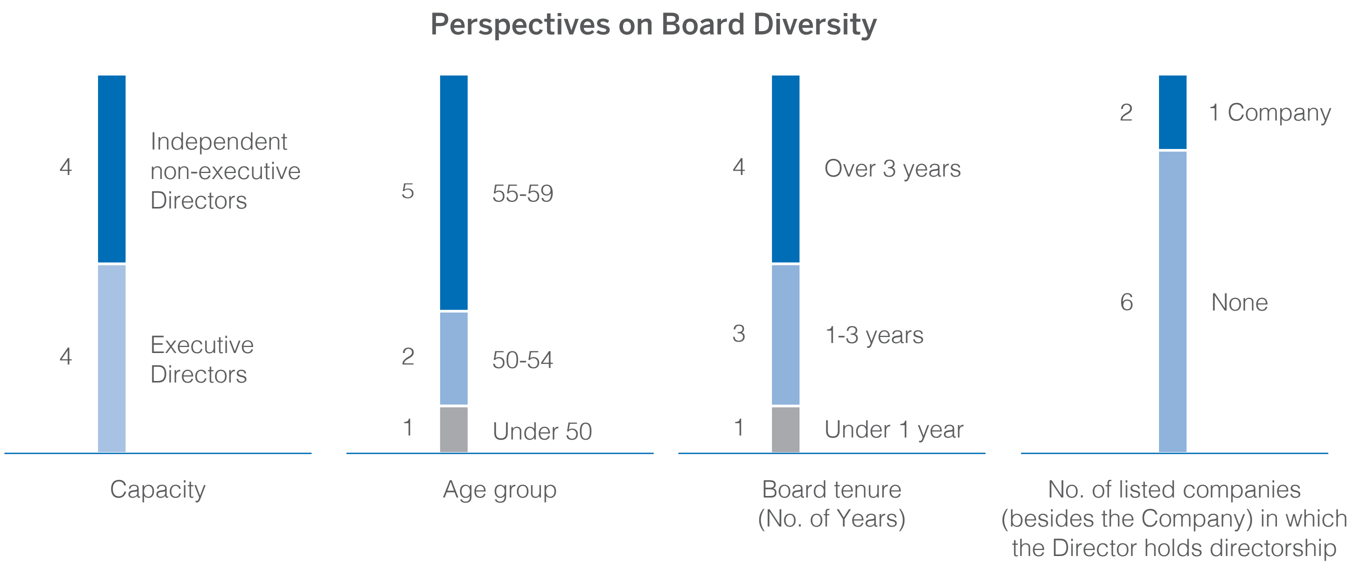
THE BOARD

Composition and Diversity of the Board

As at the date of this report, the Board consists of eight Directors, including four executive Directors: Messrs. Li Haitao, Liu Zhengyu, Wang Peihang and Dr. Dai Jingming; and four independent non-executive Directors: Mr. Pan Chaojin, Dr. Zeng Zhi, Dr. Wang Guowen and Professor Ding Chunyan. The independent non-executive Directors represented at least one-third of the Board throughout the Year as required under the Listing Rules.

The Company takes into account board diversity when determining the composition of the Board. All Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of Board diversity. The Board comprises Directors with professional background and/or extensive expertise in the Group's business and experience in corporate management. They complement each other with regard to their expertise.

The following table illustrates the diversity of the Board as at the date of this report:



Biographies of the Directors (including their skills and experience) are set out in the section headed "Biographies of Directors and Senior Management" on pages 72 to 77 of this annual report.

The Chairman and the Chief Executive Officer

The Chairman and the Chief Executive Officer of the Company are two distinct and separate positions, and not performed by the same individual. The Chairman is responsible for the effective running of the Board whereas the Chief Executive Officer is responsible for day-to-day operation of the Group's business. Their respective responsibilities have been clearly established and set out in written form as "The Roles of the Chairman and Chief Executive Officer" of the Company. During the Year, each of Mr. Li Haitao and Mr. Liu Zhengyu serves as the Chairman and the Chief Executive Officer of the Company respectively.

Independent non-executive Directors

The independent non-executive Directors are all professionals with extensive experience including finance, accounting, logistics, corporate management and law. They can evaluate the holistic development of the Group objectively when making decisions and perform monitoring functions.

As Professor Ding Chunyan has confirmed her independence at the time of her appointment by reference to Rule 3.13 of the Listing Rules, and the Board has received from each independent non-executive Director (save for Professor Ding Chunyan who was appointed after the end of the Year) an annual confirmation as to his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors to be independent for the purposes of Rule 3.13 of the Listing Rules.

Changes of Board members

The changes of Board members during the Year and up to the date of this report are as follows:

Effective Date	*Name of Directors*	*Change*
16 January 2024	Dr. Zhou Zhiwei	Resigned as a non-executive Director
13 March 2024	Professor Ding Chunyan	Appointed as an independent non-executive Director and a member of the Sustainability Committee

Professor Ding Chunyan has received the legal advice required to be obtained by a newly appointed Director under Rule 3.09D of the Listing Rules on 9 February 2024 and she has confirmed she understood her obligation as a director of a listed issuer.

Nomination and appointment of Directors

Each Director (including the independent non-executive Directors) has entered into a service contract with the Company for a term of three years and is subject to retirement by rotation but is eligible for re-election at the annual general meeting in accordance with the Bye-Laws. None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Bye-Laws have specified that all new Directors appointed during the year to fill a casual vacancy or as an addition to the Board are subject to re-election by Shareholders at the first annual general meeting after appointments. Each Director shall be subject to retirement by rotation at least once every three years pursuant to the Bye-Laws. Professor Ding Chunyan was appointed as an independent non-executive Director with effect from 13 March 2024 and she will offer herself for re-election by the Shareholders at the annual general meeting to be held on 14 May 2024.

Board appointments are based on merit and candidates are considered against objective criteria, having due regard to the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Company has adopted the Nomination Policy as a formal and transparent procedure for the nomination, recommendation and appointment of new Directors. The proposed appointment will first be reviewed by the Nomination Committee at a committee meeting held in accordance with its terms of reference, taking into account the composition of the Board. The Nomination Committee will then make recommendation for the appointment to the Board. Upon recommendation of the Nomination Committee, the proposed appointment will then be reviewed and, if thought fit, approved by the Board after due deliberation.

Role and responsibilities of the Board

The Board is responsible for leading the Group's development, establishing the Group's strategic goals, and ensuring that the necessary financial and other resources are in place for the Group to meet its objectives. The principal duties of the Board are to manage and decide on the Group's development strategies, management structures, investment and funding, financial control, human resources, and so forth. Significant matters of the Group are required to be approved by the Board, including (but not limited to) the following:

- formulating the Group's development plan;
- determining the Group's operational and management strategies;
- preparing financial statements;
- approving notifiable transactions and connected transactions of the Group as defined under the Listing Rules; and
- reviewing the dividends proposal.

BOARD MEETINGS AND PROCEDURES

The Board meets regularly and holds at least four meetings a year and at least one meeting each quarter. If a Director has conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter will be dealt with by a physical Board meeting rather than a written resolution. That Director will abstain from voting on the relevant Board resolution and he/she shall not be counted in the quorum present at the Board meeting.

During the Year, a total of eight Board meetings were held. Notice of at least fourteen days were given for regular Board meetings and notice of at least seven days were given for non-regular meetings. To ensure all Directors are given opportunities to make suggestions on agenda items to be discussed at the Board meetings, all draft agendas for regular Board meetings are provided to all Directors for their comment prior to the meetings. The Chairman and the independent non-executive Directors met at least once a year without the presence of executive Directors, non-executive Director and the management. The meeting was held in November 2023.

The following sets out the major work performed by the Board in 2023:

(1) approving the 2022 annual results and the proposal of payment of final dividend;

(2) approving the 2022 environmental, social and governance report;

(3) approving the 2023 interim results and the interim report;

(4) reviewing the results and business operations of the first and third quarters of 2023;

(5) approving the 2023 annual budget;

(6) approving the recommendation on the re-appointment of the auditor for 2023;

(7) approving the amendments of various policies of the Company and the Bye-Laws;

(8) approving the Group's internal audit plan for the Year 2023;

(9) approving notifiable transactions and connected transactions of the Group as defined under the Listing Rules; and

(10) approving the proposal for option incentives in 2023 under the Company's existing share option scheme and the grant of share options to Directors and certain employees of the Group.

TRAINING AND DEVELOPMENT OF DIRECTORS

The Company has prepared "An Induction for Newly Appointed Directors" for every newly appointed Director to provide them with relevant materials and documents to ensure his/her proper understanding of Director's duties and responsibilities and operations of the Company. The joint company secretaries are responsible for updating all Directors in relation to the latest information on the Listing Rules and other statutory requirements.

During the Year, all Directors have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company.

	Topics on training covered		
Directors	***Corporate governance***	***Regulatory***	***Industry-specific***
Mr. Li Haitao	✓	✓	✓
Mr. Liu Zhengyu	✓	✓	✓
Mr. Wang Peihang	✓	✓	✓
Dr. Dai Jingming	✓	✓	✓
Mr. Pan Chaojin	✓	✓	✓
Dr. Zeng Zhi	✓	✓	✓
Dr. Wang Guowen	✓	✓	✓
Dr. Zhou Zhiwei (resigned as a non-executive director on 16 January 2024)	✓	✓	✓

During the Year, the Company arranged for the Directors (including independent non-executive Directors) to conduct site visits of the Group's projects, allowing them to inspect places such as SZI Qianhai Project, Nanjing Xiba Port and the Jingjiang Port Project, SZI South China Logistics Park and Shenzhen Liguang Project, etc. Through such site visits, the Directors could have a deeper understanding of the Group's business model and operating conditions.

SPECIALIZED COMMITTEES OF THE BOARD AND OTHER COMMITTEES

In order to assist the Board in discharging its duties in a more efficient manner, the Board has established three specialized committees which are the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee. All members of the Audit Committee are independent non-executive Directors, while the majority of the members of the Nomination Committee and the Remuneration and Appraisal Committee are independent non-executive Directors. In addition, the Board has also established the Sustainability Committee. On 15 January 2024, the revised "Terms of Reference of the Sustainability Committee" was adopted, which stipulates that the member of the committee must consist of at least 3 directors.

During the Year, the daily business operations of the Group were managed by the Executive Board Committee in accordance with its terms of reference and the authorization of the Board. On 13 March 2024, the Board established a new Executive Committee to replace the functions of the Executive Board Committee and be responsible for managing and supervising the Group's daily business operations, further improving the Company's corporate governance system and enhancing corporate governance efficacy.

Each committee has designated responsibilities and terms of reference, and is required to review and monitor specific areas of the Company's operations and make recommendations to the Board. The terms of reference for each committee have been approved by the Board.

The Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee may seek independent professional advice to properly discharge their responsibilities to the Company where necessary. Such costs shall be borne by the Company.

A summary of the responsibilities of and the work performed by the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee, the Sustainability Committee and the Executive Board Committee during 2023 are set out below:

Audit Committee (established in 1995)

The Audit Committee consists of three independent non-executive Directors, currently including Dr. Zeng Zhi (Chairman), Mr. Pan Chaojin and Dr. Wang Guowen.

Responsibilities and work performed in 2023

Under the "Terms of Reference of the Audit Committee", the main duties of the Audit Committee include the following:

- to discuss and make recommendations to the Board on the appointment, re-appointment, replacement and removal of the external auditor of the Company, and to approve the remuneration and terms of engagement of the auditor, and to deal with any matters in connection with the resignation or dismissal of the auditor;

- to monitor the integrity of financial statements, interim reports, annual reports and accounts of the Company and to review significant financial judgments contained therein;

- to review the Group's financial control, risk management and internal control systems and compliance management system, and the Group's statement on risk management and internal control systems contained in the annual report;

- to discuss with the senior management on the development of Group's risk management and internal control systems and the compliance management system to ensure that the senior management has performed its duty to establish effective systems; and this discussion should include the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Group's accounting and financial reporting function; and

- to review arrangements for employees of the Group and external third parties who deal with the Group (such as customers and suppliers) to raise concerns, in confidence and anonymity about possible improprieties in financial reporting, internal control or other matters; and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

The Audit Committee held 4 meetings during 2023. The work performed in the Year included the following:

- reviewing the annual results for 2022, the interim results for 2023 and the relevant financial statements, and confirmed the related disclosures in the financial statements were complete, accurate and fair and recommended the same to the Board for approval;

- considering the recommendation on the re-appointment of the auditor for 2023;

- approving the annual authorisation of the auditor's remuneration for 2022, the auditor's policy on non-audit services and the related fees;

- reviewing the adequacy of resources, qualifications and experience of staff of the Group's accounting, financial reporting and internal audit functions and their training programme and related budget for 2022;

- reviewing with the management and relevant departments the effectiveness of the Group's internal control system and risk management, compliance management system for 2022;

- considering the 2023 internal audit plan of the Group;

- approving the amendments to the Company's "Whistleblowing Policy";

- approving the amendments to the "Policy for the Provision of Non-audit Services by Auditor"; and

- considering proposed amendments to the "Terms of Reference of the Audit Committee".

During the Year, the Audit Committee met the auditor twice in the absence of the executive Directors and the senior management.

Nomination Committee (established in December 2003)

The Nomination Committee consists of two independent non-executive Directors and one executive Director, namely Mr. Pan Chaojin (Chairman), Mr. Wang Peihang and Dr. Zeng Zhi.

Responsibilities and work performed in 2023

Under the "Terms of Reference of the Nomination Committee", the main duties of the Nomination Committee include the following:

- to identify and recommend to the Board individuals eligible for the appointment of a Director;
- to assess and review factors such as the qualification and experience of candidates for Directors and advise the Board thereon;
- to assess the qualification and experience of the Directors who are subject to retirement by rotation and re-election at each annual general meeting and advise the Board thereon;
- to assess the independence and qualification of independent non-executive directors;
- to review annually the structure, size and composition (including the skills, knowledge and experience) of the Board;
- to draw up the "Board Diversity Policy" and make recommendations to the Board. Review the implementation and effectiveness of such policy on an annual basis and report to the Board; and
- to consider and supervise the implementation of the "Nomination Policy", to review and make recommendations on amendments to the Board where appropriate.

The Nomination Committee held 1 meeting during 2023. The work performed in the Year included the following:

- evaluating and making recommendation to the Board on the performance of the Directors who were subject to retirement or retirement by rotation and re-election at the 2023 annual general meeting;
- reviewing the independence of each independent non-executive Director;
- reviewing the structure, size, composition and diversity of the Board, and the time devoted by the Directors on performing his duties;
- reviewing the implementation and effectiveness of the relevant mechanisms to ensure that the independent views and opinions are made available to the Board; and
- reviewing the implementation and effectiveness of the "Board Diversity Policy".

To ensure independent views and opinions are made available to the Board and protect the Shareholders' rights, the Company has in place the following mechanisms during the Year, and the Nomination Committee shall review its implementation and effectiveness annually:

- to ensure the Board has sufficient independent non-executive Directors, which meets the requirement of the Listing Rules that at least one-third of the Board are independent non-executive Directors;
- all independent non-executive Directors shall submit a positive confirmation to the Company annually to confirm that each of them and their immediate family members are aware of and have complied with the requirements as set out in the Rule 3.13 of the Listing Rules throughout the Year;
- to ensure that independent non-executive Directors have extensive experience and professional knowledge, so that they can objectively measure the comprehensive development of the Group during decision-making process and play a supervisory role. In addition, the independent non-executive Directors can seek independent professional advice in order to perform their duties where necessary;
- to arrange site visits for independent non-executive Directors from time to time to enhance their understanding of the Company's business;
- the Chairman of the Board will meet with the independent non-executive Directors at least one annually without the presence of the executive Directors and management to listen independent views on various issues concerning the Group; and
- a Director (including independent non-executive Directors) who has material interest in any contract, transaction or arrangement shall abstain from voting and not be counted in the quorum on any Board resolution approving the same.

Board Diversity Policy

The Board Diversity Policy was adopted by the Board upon the recommendation of the Nomination Committee in September 2013. It sets out various perspectives on diversity and measurable objectives for the selection of Board members, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will from time to time consider a number of factors such as its business model and specific needs, but it bases its ultimate decisions on the merit and the contribution that candidates will bring to the Board. To achieve gender diversity among board members, the company actively seeks suitable female directors to join the Board and appointed Professor Ding Chunyan as an independent non-executive director on 13 March 2024. As of the date of this report, the Board has met the requirements for non single gender members under the Listing Rules. Going forward, the Company will take into account gender diversity when reviewing the composition of the Board.

Diversity of all staff

In respect of the Group's workforce, the ratio of women to men (including senior management, but excluding the Directors) as at 31 December 2023 was approximately 37:63. The gender ratio of the Group's workforce is primarily based on the availability of human resources in this particular industry which the Group operates in. Taking into account the aforesaid, the Company considers there to be reasonable diversity across its workforce in terms of gender mix, and has therefore not set quantitative targets to alter its gender mix to a specific ratio. The Group will continue to take gender diversity into account in its ongoing recruitment process and to build a diverse and inclusive workforce.

Nomination Policy

The Nomination Policy of the Company was adopted by the Board. It sets out the selection criteria to be adopted by the Nomination Committee to select suitable Directors, the nomination procedures as well as the processes and measures adopted by the committee to implement such policy. The Nomination Committee will take into account the candidate's reputation, professional achievements, experience and time available to the Board in assessing the suitability of the candidate as a Director. The procedures for the nomination of Directors set out on page 88 of this report.

Remuneration and Appraisal Committee (established in December 2003)

The Remuneration and Appraisal Committee consists of two independent non-executive Directors and one executive Director, namely Mr. Pan Chaojin (Chairman), Mr. Li Haitao and Dr. Wang Guowen.

Responsibilities and work performed in 2023

Under the terms of reference of the Remuneration and Appraisal Committee, the main duties of the Remuneration and Appraisal Committee include the following:

- to review and consider the level, policy and structure of remuneration of Directors and senior management of the Company, to establish a formal and transparent procedure for developing remuneration policy, and make recommendations to the Board;
- to consider the remuneration proposals for Directors and senior management, and to ensure that no Director or senior management or any of their associates is involved in the determination and decision of his or her own remuneration;
- to consider the remuneration packages of executive Directors and senior management, including benefits in kind and pension entitlements etc.; and make recommendations to the Board on the remuneration of non-executive directors;
- to make recommendations to the Board on the directors' and senior management's participation in the incentive remuneration scheme and the share scheme, including benefits obtained from bonuses, share options, share awards or other similar schemes and the operation and supervision of these schemes; and
- to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The Remuneration and Appraisal Committee held 4 meetings during 2023. The work performed in the Year included the following:

- reviewing and considering the proposal for option incentives in 2023 under the Company's existing share option scheme including the terms of the exercise conditions, performance targets and clawback mechanism, and making recommendation to the Board;
- reviewing the assessment results for 2022 of the senior management;
- reviewing the revised "Terms of Reference of the Remuneration and Appraisal Committee";
- reviewing the "Remuneration Management Policy for Senior Management"; and
- reviewing the renewal of service contract made between the Company and two executive Directors, one non-executive Director and one independent non-executive Director.

Remuneration of Directors and Senior Management

The emoluments payable to executive Directors are determined by reference to their experience and duties with the Company and the fees payable to non-executive Directors are determined by reference to the estimated amount of time spent by them on the Company's matters. The Remuneration and Appraisal Committee considered, and would make recommendations to the Board on, the remuneration packages of executive Directors and senior management, including benefits in kind and pension entitlements. The Remuneration and Appraisal Committee may consult the Chairman of the Board and/or the Chief Executive Officer about proposals relating to the remuneration for other executive Directors and seek professional advice, if necessary.

Pursuant to paragraph E.1.5 of the Corporate Governance Code, the remuneration of the members of the senior management for the Year by band is set out below:

*Remuneration band**	*Number of Individuals*
HK$0 – HK$1,000,000	1
HK$1,000,001 – HK$2,000,000	4

* Due to the change of senior management during the year, the above disclosure is based on the remuneration of the senior management during their term of service during or throughout the Year (as the case may be).

Details of the Directors' fee and other emoluments of the Directors are set out in note 31 to the financial statements.

Grant of Share Options under the Share Option Scheme

During the year, a total of 55,454,000 share options were granted to the certain individuals under the share option scheme of the Company, of which 6,730,000 share options were granted to the Directors. For details of the share option scheme, please refer to the report of the directors on pages 81 to 82. For details of the grant of such share options, please refer to the announcement of the Company dated 1 November 2023.

In considering the grant of such share options, the Remuneration and Appraisal Committee took into account various factors, including the business performance and financial performance of the Group, each grantee's experience, length of service, annual performance and contribution to the Group. The vesting of such share options is subject to the performance target and clawback mechanism.

The Remuneration and Appraisal Committee was also of the view the grants aligned with the purpose of the share option scheme of the Company. The grants could align the interests of the grantees with that of the Company and the Shareholders and encourage the grantees to optimize their personal performance and efficiency and continue to contribute to the future development of the Group to enhance the value of the Company and its shares.

Sustainability Committee (established in November 2021)

During the Year, the Sustainability Committee consisted of one executive Director and two senior management members of the Company. On 15 January 2024, the amendments of the terms of reference of the Sustainability Committee have been approved by the Board. According to the revised terms of reference, all members of the committee are directors, currently including Mr. Liu Zhengyu (Chairman), Mr. Wang Peihang, Dr. Zeng Zhi and Professor Ding Chunyan.

Responsibilities and work performed in 2023

Under the terms of reference of the Sustainability Committee, the main duties of the Sustainability Committee include the following:

- to make recommendations to the Board on the Group's sustainability matters (including management policies, strategies, priorities and objectives);
- to monitor, review and evaluate the priorities and objectives adopted by the Group to implement sustainability;
- to monitor and review emerging sustainability issues and trends that may affect the Group's business operations and performance;
- to monitor the Group's implementation of sustainability and the progress of its objectives, review and assess the potential impact of environmental, social and governance ("ESG") work on the Group's business model and related risks and opportunities, and listen to internal and external feedback on the ESG work, and put forward improvement suggestions for the next step of ESG work;
- to monitor the Company to strengthen communication with investors, regulatory bodies and other stakeholders, evaluate the Company's ESG governance effect and impact, and promote the establishment of a sustainability culture; and
- to review the disclosures of the Company's ESG report.

The Sustainability Committee held 2 meeting during 2023. The work performed in the Year included the following:

- considering the ESG Report for 2022.
- approving work proposals for improving the Group's ESG

Executive Board Committee

During the Year, the Executive Board Committee consisted of four executive Directors, namely Mr. Li Haitao, Mr. Liu Zhengyu, Mr. Wang Peihang and Dr. Dai Jingming.

Responsibilities and work performed in 2023

Under the terms of reference of the Executive Board Committee, the main duties of the Executive Board Committee include the following:

- to monitor all daily business operations of the Group;
- to prepare and approve the Group's business plans and annual budget;
- to deal with the ordinary business of the Group and to authorise the Chief Executive Officer to lead the management for the day-to-day operations of the Group, and to authorise individual executive Directors to deal with the daily operation of various businesses of the Group;
- to consider the notifiable transactions and connected transactions of the Group as defined under the Listing Rules and advise the Board thereon;
- to consider and review the Company's policies on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of the Directors and senior management of the Company;
- to review the Company's compliance with the Corporate Governance Code and its disclosure in the Corporate Governance Report contained in the Company's annual report; and
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.

The Executive Board Committee reports its decisions and recommendations to the Board in a timely manner, and the minutes of the Committee meetings in relation to material matters and decisions are circulated to members of the Board within reasonable time after the meetings.

The work performed by the Executive Board Committee during the Year included considering the Company's 2022 annual results and dividend proposal, 2023 interim and quarterly results and business development, budgets for the year 2023, notifiable transactions, connected transactions, the Company's policies and Bye-Laws amendments, capital operation projects, and approve the business development plans, capital expenditures and loans, and changes in the senior management of the Company's subsidiaries etc.

To further enhance the corporate governance system and effectiveness of the Company, with effect from 13 March 2024, the Executive Board Committee has been abolished and replaced by a new Executive Committee of the Board. The authority previously held by the Executive Board Committee has been transferred to the Executive Committee within the confines of the "Terms of Reference for the Executive Committee of the Board". The Executive Committee consists of both executive and non-executive Directors, with the current members of Mr. Li Haitao, Mr. Liu Zhengyu, Mr. Wang Peihang and Dr. Dai Jingming.

The attendance records of the Board meetings, specialized committee meetings and general meetings of the Company held in 2023

Details of the Directors' attendance at the Board meetings, specialized committee meetings and general meetings of the Company held in 2023 are set out in the following table:

	Number of Meetings Attended/ *Number of Meetings Held during the Director's term of office in 2023*					
Directors	***Board***	***Audit Committee***	***Nomination Committee***	***Remuneration and Appraisal Committee***	***Annual General Meeting***	***Special General Meeting***
Executive Directors						
Mr. Li Haitao	**8**/8	N/A	N/A	**4**/4	**1**/1	**2**/2
Mr. Liu Zhengyu	**8**/8	N/A	N/A	N/A	**1**/1	**2**/2
Mr. Wang Peihang	**8**/8	N/A	**1**/1	N/A	**1**/1	**2**/2
Dr. Dai Jingming	**8**/8	N/A	N/A	N/A	**1**/1	**2**/2
Non-executive Director						
Dr. Zhou Zhiwei(1)	**8**/8	N/A	N/A	N/A	**1**/1	**2**/2
Independent non-executive Directors						
Mr. Pan Chaojin	**8**/8	**4**/4	**1**/1	**4**/4	**1**/1	**2**/2
Dr. Zeng Zhi	**8**/8	**4**/4	**1**/1	N/A	**1**/1	**2**/2
Dr. Wang Guowen	**8**/8	**4**/4	N/A	**4**/4	**1**/1	**2**/2

Note:

(1) Dr. Zhou Zhiwei resigned as a non-executive Director on 16 January 2024.

Directors are expected to devote sufficient time and attention to performing their duties and discharging their responsibilities towards the Group. During the Year, the high attendance rate of the Board and its specialized committee meetings demonstrates the Directors' strong commitment to the Company.

SUPPLY OF AND ACCESS TO INFORMATION

Agendas of all Board meetings and the accompanying Board papers are sent to all Directors in a timely manner, ensuring that they receive them seven days before the intended date of the meetings.

The management of the Company provides the Board and its specialized committees with adequate, complete and reliable information in a timely manner to enable Directors to make informed decisions. The Board and each Director have separate and independent access to the Company's senior management.

The Board is provided with the Group's monthly management report which gives a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to keep the Board abreast of the Group's affairs and facilitate Directors to discharge their duties under the Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

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

The Company, having made specific enquiry to all Directors, 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 Year.

INSURANCE ON DIRECTORS' AND OFFICERS' LIABILITIES

Pursuant to the Bye-Laws, every Director or other officers of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred by him or her in the execution of the duties of his or her office or in relation thereto. During the Year, the Company has arranged for liability insurance cover to indemnify the Directors and senior management of the Company.

DIVISION OF AUTHORITY BETWEEN THE BOARD AND THE MANAGEMENT

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Group and the Board delegates its management and administration functions to the management. The Board established the relevant committee to manage and monitor, on behalf of the Board, the day-to-day operations of the Group and to implement all decisions made by the Board as well as to oversee corporate governance matters of the Group.

FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing financial statements that give a true and fair view of the financial position, results and cash flow of the Group. In preparing the financial statements for the year ended 31 December 2023, the Board has selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable and has prepared the financial statements on a going concern basis. For details of the basis of preparation of the financial statements, please refer to Note 2 to the consolidated financial statements in this annual report.

The Board and the Audit Committee conducted an annual review on the adequacy of financial reporting resources and ensured that the Group's accounting, internal audit and financial reporting functions had adequate resources, the staff of which had sufficient qualifications and experience, and their training programmes and related budget were also adequate. The reporting responsibilities of the Directors and the external Auditor are further set out in the Independent Auditor's Report in this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

It is the Board's duties to ensure the Company establishes and maintains appropriate and effective risk management and internal control systems and reviewing their effectiveness. The management is responsible for designing and implementing such risk management and internal control systems. These systems are designed to identify and manage risks that may adversely affect the Group's ability to achieve business objectives, but they do not provide absolute assurance against material misstatements, errors, losses, frauds or non-compliance.

By working out an overall strategy on corporate development, the Company leads and supports its subsidiaries to achieve corporate development in accordance with the Group's strategic plans. The Company achieves sustainable development through good and regulated management by adjusting, improving and enhancing the internal management model of its subsidiaries.

As a holding company, the Company has been implementing effective governance over its subsidiaries. The Company has adopted and optimized the White Paper on the Management and Control of Shenzhen International Holdings Limited as the basis of its management and control over subsidiaries. In line with the Group's business development and expansion, the Company issued a document on optimizing the Group's management and control in 2018 to clarify that the core functions of its headquarters are "setting strategies, building teams, constructing systems, taking decisions, making assessments, controlling risks and ensuring protection" while the core functions of the subsidiaries are "executing strategies and generating profits". It also set up eight committees to carry out the integration of business segments, implement differentiated management and control, draw up white papers on the management and control over different types of subsidiaries, and improve corporate management.

According to the 14th Five-Year Plan of the Group, the Group focuses on developing four major segments, namely logistics, port, toll road and general-environmental protection businesses. Since the setting of the strategic development directions for the urban integrated logistics hub business in 2012, the Group has explored and gradually formulated the short closed-loop "investment, construction, financing and operation" and the long closed-loop "investment, construction, operation and transformation" development models to examine and realize the value of its asset-heavy projects throughout their life cycles. With the commencement of the construction of urban integrated logistics hubs, ports and toll roads as well as the gradual development of new businesses, the Group audited the entire process of its construction projects and implemented specialized risk prevention and control over the new businesses and newly-incorporated companies in 2017. In 2019, the Group put greater emphasis on the financial business and the logistics and supply chain development business and regulated high-risk processes and areas of these businesses in order to prevent operational, compliance and other risks. In 2022, the Group continued to optimize and update the investment business risk accountability systems of certain specific operations in order to refine the assessment criteria, stimulate investment and, in turn, achieve effective investment risk prevention and control. In 2023, the Group amended and issued the new "Management Policy of Legal Affairs" to further strengthen the legal compliance review and filing of contracts, to classify and control major contracts, to further regulate the management of case reporting and analysis, and to prevent legal risks.

Corporate Internal Risk Management and Control Model

In order to further strengthen its risk control and enhance the level of independence of its internal audit function, the Group adjusted the functions of the risk management department in early 2017 by incorporating the investment review and intermediary agency management functions into the risk management department. The risk management department is responsible for establishing and improving the Group's comprehensive risk management system and internal legal and compliance management system, assessing the performance of the internal control system, managing the engagement of intermediary agencies, overseeing asset valuation and the selection of intermediary agencies for specific auditing projects, as well as considering and reviewing investment projects and merger and acquisition projects. Meanwhile, the Company separated the audit function and post-investment evaluation tracking of investment projects from the original risk management department. The audit department, which is responsible for establishing and improving the Group's internal audit system, independently audited the Group and its subsidiaries, and supervised the implementation of audit reforms. In 2018, in order to optimize its management and control, the Group established the Risk Control Committee to coordinate, organize and synchronize the Group's risk prevention and control efforts and provide reference for the management to make decisions on risk management and control. As such, the Group has gradually established and has continued to refine its three-tier risk prevention and control system comprised mainly of the risk management departments of its subsidiaries, the Risk Control Committee at the management level and the Board, and its three lines of defense, which consist primarily of the relevant functional departments of the risk management, audit and supervisory departments at the subsidiary and headquarter levels.

Function Positioning of Headquarters of the Group

To fulfill its overall role as a "state-owned municipal service developer and operator" while realizing both economic and social benefits as well as commercial profits and social good, the Group has set forth the core functions of its headquarters as its center for investment, financing, decision-making and back-office support based on the characteristics of the industries, the maturity levels of the businesses and the stages of the corporate development of its subsidiaries.

Basic Management Control

Based on the needs of its strategic management control model, the Group makes sure its subsidiaries have carried out material operating activities in accordance with the Group's strategic plans and objectives by controlling, supporting and guiding important economic activities of its subsidiaries such as budget management, performance appraisal, investment and financial management, capital management, construction management, procurement management, remuneration management, assets and equity structure, human resources and information management, thereby ensuring the effective implementation of the Group's strategic plans.

Systems Build-up

In accordance with the basic management control model, the Group has supplemented and improved its existing systems, and established clearly defined regulations and procedures. Under such systems, the Group has set up a strict authorization system and a rational operation workflow to ensure that all operating activities are properly authorized, to safeguard the Company's assets and the interests of the Shareholders and to continuously enhance performance through an established system modification and improvement regime.

Risk Management

The Company constantly improves its internal control and risk management systems, and has set up and effectively implemented a comprehensive risk management system that focuses on risk identification, risk assessment and risk prevention based on the control environment, financial control, operational control, compliance control and risk management. The organizational structure of the Company's risk management comprises the Board, the Audit Committee, the management of the Company, the Risk Control Committee, the risk management department, the audit department and risk coordinators at other departments. The documents formalizing the Group's top-level risk management and internal control structure are the Comprehensive Risk Management Regulations (2021 Revised Edition) and the Internal Control System (2021 Revised Edition). In 2023, the Group deepened the standardisation of internal control construction, focused on key areas such as capital management, procurement management and project management, and constructed an internal control matrix system comprising three levels of processes, 15 modules and nearly 200 control points, and achieved full coverage of enterprises in all segments, further enhancing the Group's ability to prevent and mitigate major risks as well as its operation and management standards.

The Company performs risk assessment and prepares a risk management report every quarter and year in accordance with the established Comprehensive Risk Management Regulations. To address potential risks, procedures for major risk management are formulated by comprehensively identifying and carefully evaluating risks and devising corresponding strategies. The risk management department oversees material risks on an ongoing basis. It prepares annual internal control and risk management system assessment reports for the Company.

The Board requires the management to review internal control and risk management performance at the end of each year. Through annual assessments of the Company and its subsidiaries by the risk management department on an ongoing basis, the management determines whether the internal control and risk management systems are able to meet the expected objectives, and will make recommendations for rectifying any control deficiency in the systems and monitor such rectification efforts.

The Company believes that the implementation of such internal control and risk management measures and achieving sound governance can effectively manage any material risks that the Group may face and mitigate the impact of risk events on the Group, thereby effectively and reasonably protecting the Shareholders' investment and the Company's assets and attaining the long-term strategic objectives of the Company.

The Company has a whistle-blowing policy and system in place for the employees and those who deal with the Company to raise concerns, in confidence and anonymity, with the audit committee about possible improprieties in any matter related to the Company.

In addition, to identify, process and announce inside information, the Group has also implemented relevant procedures, including pre-approval for transactions of the Group's securities by specific management members, informing the relevant Directors and employees of the relevant conventional blackout period and restrictions on securities transactions, and identifying projects with code names to prevent possible mishandling of the Group's inside information.

The Board has comprehensively reviewed the Group's internal control and risk management systems and their effectiveness for 2023 and found that their performances were sound and that there were no significant control failures or weaknesses. The Board considers that the relevant systems are effective and sufficient to provide reasonable assurance that the Group can achieve its operational and governance objectives. The Board will continue to urge the management of the Company to enhance the internal control and risk management systems in order to ensure their effective operation.

Functions of Risk Management Department

The risk management department of the Company has the following main functions:

- internal control and risk management
- reviewing investment projects
- overseeing asset valuation
- managing of legal affairs
- compliance management

Staff of the risk management department are scheduled to participate in various training courses every year in accordance with the Company's needs in order to enhance their conceptual and practical knowledge. Such training courses include, among others, internal control and risk prevention and management training, compliance management training, investment training, professional training on legal matters, and equity management and asset evaluation training.

The risk management department reviews and analyses the Group's potential risks and formulates corresponding measures. Set out below are some of the examples of the work done by the risk management department during the Year.

Risk	***Description***	***Corresponding measures***
Policy risks	• The amendment to the Regulations on the Administration of Toll Roads has not yet been finalized. Toll revenue may be affected by such policy adjustment. • The supply of land for the logistics and warehousing industries are tightening while the ways to roll out such land are diversifying, which together require better short-term profitability from logistics projects. Local governments have become more stringent in their investment constraints on quality resource projects, and the requirements for assessment of project investment, output value and tax revenue of such projects have continued to rise. • The formation of provincial port groups in a number of regions in China and the further promotion of capital-based operational integration on the basis of completing the integration of port resources within the provinces have led to a severe competitive situation in the port industry; the reliance of coal supply chain enterprises on upstream resources has become more pronounced in the context of the comprehensive coverage of the coal long-term agreement policy. • Tightening national environmental protection standards and possible diminution in fiscal and tax subsidies for some environmental protection segments may affect the operation and profitability of the Company's environmental protection business.	• Keep monitoring the status of the amendment to the Regulations on the Administration of Toll Roads • Fully grasp the policy direction of the property industry, focus on first-tier cities, the Guangdong-Hong Kong-Macao Greater Bay Area, and core cities in the Yangtze River Delta, carefully select high-quality projects, and continue to enhance our investment and operation capabilities; further exploring the channels and methods for value-adding services, realisation of land value, and the realisation of land value in the park, and planning of the project and in the calculation of the relevant economic data, so as to ensure that the project's market positioning is accurate and the revenues are controllable. Maintain close communication with local governments in which its ports are located, and safeguard and enhance its market position by getting an edge in the competition for port resources by improving its port designs, goods handling technologies and overall service quality. • Maintain close communication with the local governments of the ports, actively tapping the potential and expanding the market, closely tracking the customers' coal consumption for production and the planning dynamics of sea vessels, and striving for customers with room for incremental growth on a vessel-by-vessel basis, in order to protect and enhance the market position; optimising the business structure, enriching the types of cargoes operated, and dispersing the effect of a single type of cargoes on the operating efficiency. • Keep abreast of policy changes in the environmental protection industry, study the impact of such policy changes and consider countermeasures.

Risk	Description	Corresponding measures
Risks related to investment, mergers and acquisitions	• Insufficient preliminary scrutiny and investigation of the investment, incautious due diligence, incomplete risk identification and inadequate risk control may result in underperformance. • The increasing complexity of the types of investments and the variety of investment approaches may increase the risk of poor decision-making due to insufficient forward-looking market judgement. • Pre-investment and acquisition projects may result in the risk of less-than-expected profitability or development due to the highly competitive market environment, changes in government policies or poor internal integration and management.	• In accordance with the principle of "stable investment" and the idea of high-quality development, keep improving the investment management system and conduct due diligence stringently in accordance with the requirements of such system. • Conduct comprehensive due diligence review and sufficient risk exposure and risk probability analysis for all kinds of investment options, mitigate, avert and control risks by means of contractual terms, and formulate risk response strategies in advance. • Strengthen the research and study of the industry and market to grasp the development trend of the industry in a timely manner; fully implement the mechanism of bundling interests, through the implementation of the team and the bundling of project interests, to achieve risk sharing. • To establish and improve the post-investment management mechanism for different types of projects, such as holding and equity participation, and to steadily promote the integration and management of the target company to reduce the operational risks.
Risks related to trade receivables	• The Group's supply chain business, affected by fluctuations in the prices of commodities such as coal and petroleum coke as well as the increased risk of credit defaults by enterprises in the supply chain, may increase the risk of increased business receivables. • As a result of the slowdown in macroeconomic growth and fierce competition in the market, there has been an increase in arrears and rent withdrawals by tenants of the Group's logistics parks from time to time, which may give rise to the risk of delayed or non-payment of accounts receivable.	• To strengthen the supervision and management of the supply chain business, to strictly approve new business models, to improve the screening mechanism for counterparties, to establish an indicator alert system and contingency plans, to pay immediate attention to their financial strength and creditworthiness, and to deal with significant changes in a timely manner. • Enhancement of dynamic monitoring and receivables management of inventory business, and timely adoption of scale control, business exit and overall divestment to terminate part of the business with risk-return mismatch. • For enterprises with accounts receivable risks, a case-by-case approach is adopted to deal with the problems and put forward risk response measures in a timely manner.

Risk	*Description*	*Corresponding measures*
Risks related to construction projects	• The Group has been carrying out more construction projects in recent years, which entail certain construction safety risks due to the extensive scope of construction, the complexity of the construction techniques and the construction environment, and the difficulty in traffic diversion. • Due to the long construction period of heavy asset projects, the risk of delays may arise due to unexpected circumstances during the construction process, long project settlement period and increased management difficulties. Fluctuations in raw material prices may affect effective control over construction costs and, in turn, have a significant impact on the future production, operation and performance of a project. • Unstable material prices have resulted in construction costs not being effectively controlled, which may have a significant impact on the future production, operation and efficiency of the project.	• Strengthen supervision over the safety management of construction projects, ensure workers are qualified and machineries are in good conditions, and provide safety training and emergency drills to workers. • Enhance the quality of project design, and consider and fully justify the feasibility of design options in the long run; insist on strengthening all management procedures and tightening overall control over project quality and progress. • Control project costs and expenses strictly and track and audit the whole process of the projects spanning from tendering, bidding, contracting, design changes, inspection, delivery acceptance and completion settlement to commencement of operation.

Risk	*Description*	*Corresponding measures*
Legal and compliance risks	• The determination of contractual terms and the performance of contracts may be subject to risks. • As a result of the external situation, some of the enterprises in the business operation are facing an economic crisis or even an existential crisis, and there is an increase in the number of default cases such as rent arrears and unilateral termination of contracts. • When a project is settled, various changes in the process may lead to settlement disputes between the project contractor and the Company, which may lead to litigation risks in serious cases. • Tightening internet and information security management by the central government may result in higher information security compliance requirements.	• Further strengthen the legal compliance audit and filing of contracts, continue to optimise our intelligent legal management system, enhance the rigour, predictability and enforceability of contract texts, improve contract enforcement and strengthen the evaluation of contract performance. • Always pay attention to the operating conditions of our customers, conduct in-depth research on the creditworthiness of our customers in our subsequent investment promotion work, and continue to pay attention to the other party's ability to fulfil its contracts in the course of contractual performance, and take timely and appropriate measures. • Learn lessons from past disputes and prevented finalisation disputes arising from issues such as quotations; and actively co-ordinated with all parties to reach agreement on disputes. • Improve the legal risk prevention mechanism, strengthen the construction of legal affairs organisations, full-time legal advisors and legal talents, and organise lawyers to actively follow up on cases; deepen the construction of the compliance management system, and organise compliance training on legal and anti-monopoly topics to ensure that the Company operates in accordance with the laws and regulations. • Study and abide by internet and information security laws and regulations and enhance the Group's data and information security compliance management.
Human resources management	• Whether our internal management capabilities such as human resources are in line with new business models and management requirements may have a significant impact on the successful implementation of the Group's strategic plans. • Cautious and compliant recruitment and dismissal processes are required to reduce the Group's risk in respect of employment.	• Formulate long-term incentive mechanism and talent development plans. • Establish talent reserves and provide professional training to the talents in these reserves. • Strictly enforced the procedures and mechanisms for staff selection and appointment, and requesting timely rectification when irregularities are detected.

Risk	***Description***	***Corresponding measures***
ESG risks	• In the environmental aspect, the sustainable development of the Group may be affected by ineffective resource management, insufficient understanding of the impact of climate change on business operations, and inaccurate or incomplete environmental data collection and supervision. • In the social aspect, the sustainable development of the Group may be affected by disputes with its staff, suppliers, consumers, media and other stakeholders. • In the corporate governance aspect, the sustainable development of the Group may be affected by issues related to its governance structure, transparency, independence, board diversity and Shareholders' right.	• Monitor ESG-related policies and documents, strengthen the Group's environmental, social and corporate governance data collection, ensure the accuracy and completeness of such data, and continuously improve relevant monitoring and management measures according to actual circumstances. • Integrate the concept of sustainable development into business and development strategies, focusing on the co-ordinated development of economic and social benefits; strengthen environmental risk assessment and monitoring, timely identification and resolution of potential environmental problems, and proactively adopt environmental protection measures to reduce negative impacts on the environment. • Enhance information disclosure and co-operation and exchanges, disclose ESG-related information in a timely, accurate and complete manner, actively participate in international co-operation and exchanges, learn from advanced international experience and technology, and improve ESG management and risk prevention and control standards.
Exchange rate risks	• Influenced by the domestic economic situation, if the exchange rate of Renminbi falls, it may bring about certain exchange losses, resulting in an increase in the Company's finance costs.	• Establish a prediction and warning system for Renminbi exchange rates and fix the interest and exchange rates of debts in foreign currencies by using financial derivatives. • Actively develop diversified financing channels, maintain a balanced mix of currencies in terms of debts and lower the balance of foreign currency loans as and when appropriate in order to reduce the impact of exchange rate fluctuations. • Reserve a sufficient amount of "domestic + offshore" and "local currency + foreign currency" financing lines to consolidate the financing base.

EXTERNAL AUDITOR

During the Year, the fees payable by the Group to the Auditor, Deloitte Touche Tohmatsu ("Deloitte") in respect of audit services and non-audit services are set out below:

Services rendered	***Fee paid/payable (HKD,000)***
Audit services	8,130
Non-audit services	
– Interim results review	1,377
– Review of project circulars	3,258
– Due diligence and internal control review	500
– Quarterly results review	222
– Other	34
Total	**13,521**

The Audit Committee has reviewed the audit services, non-audit services and the related fees, procedures and effectiveness, independence and objectivity of Deloitte, and recommend the Board to re-appoint Deloitte to be the Auditor for the year 2024 at the forthcoming annual general meeting.

COMPANY SECRETARY

The Company has appointed the joint company secretaries to be responsible for providing secretarial services to the Board and ensuring operations of the Company are in compliance with Hong Kong listed companies' regulatory requirements as well as enhancing its corporate governance standards.

Directors have access to the advice and services of the joint company secretaries, with a view to ensure that Board procedures and all applicable rules and regulations are followed. Minutes of Board meetings and meetings of all specialized committees under the Board are kept by the joint company secretaries and are available for inspection by the Directors at all times.

Minutes of Board meetings and meetings of all specialized committees under the Board are taken by the joint company secretaries and the secretary of each of the specialized committees should record in sufficient details the matters considered by all Directors and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft minutes of Board meetings and meetings of all specialized committees under the Board are provided to relevant Directors for their comments and the final version of the same are given to relevant Directors for their records within a reasonable time.

Mr. Liu Wangxin together with Ms. Lam Yuen Ling Eva are the joint company secretaries, and Mr. Liu Wangxin is also the principal contact person for the Company's corporate secretarial matters.

During the Year, both joint company secretaries undertook not less than 15 hours of professional training, respectively, to update their skills and knowledge.

GENERAL MEETINGS

Each annual general meeting/special general meeting of the Company provides a channel of direct communication between the Board and the Shareholders. Therefore, the Company has high regard for general meetings, and all Directors and senior management make their best efforts to attend. In respect of each matter (including re-election of Directors) at the general meetings of the Company, separate resolutions are proposed by the Chairman of that meeting. At general meetings, all Shareholders are entitled to make recommendations or enquiries with Directors and senior management of the Company regarding issues about the Group's business and operating activities. Directors and senior management of the Company shall explain and elaborate in response to Shareholders' enquiries and recommendations.

The chairman of the Board and the chairmen of each of the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee attended the annual general meeting of the Company held in 2023 to answer questions raised by the Shareholders. During the Year, the Company held 3 general meetings.

Voting by poll on Shareholders' resolutions

All resolutions at a general meeting of the Company shall be decided by poll so as to allow Shareholders to have one vote for every share held.

Before commencement of a general meeting, the chairman of the general meeting shall explain clearly to the Shareholders present the detailed procedures for conducting a poll and answer questions from Shareholders regarding the poll. The Company shall announce the poll results on the websites of the Stock Exchange and the Company on the date of the general meetings.

CONSTITUTIONAL DOCUMENTS

At the special general meeting of the Company held on 29 December 2023, the amendments to and adoption of the amended and restated Bye-Laws were approved. The amendments were primarily aimed at bringing the Bye-Laws in line with the Core Shareholder Protection Standards under Appendix 3 of the Listing Rules and modernising the Bye-Laws and bring them in line with all applicable laws and regulations including Bermuda laws.

For details of the amendments to the Bye-Laws, please refer to the announcement dated 5 December 2023, the circular dated 6 December 2023 and the amended Bye-Laws as adopted by special resolution passed on 29 December 2023 of the Company.

Save as disclosed above, there has been no change in the Company's constitutional documents during the Year and up to the date of this report.

SHAREHOLDERS' COMMUNICATION POLICY

In order to ensure the Shareholders are provided with comprehensive, equal and timely access to balanced and understandable information about the Company to enable the Shareholders to exercise their rights in an informed manner, and to allow active Shareholders' engagement with the Company, the Company has adopted the shareholders' communication policy (which has been made available at the Company's website) and annually reviews the policy to ensure its effectiveness.

During the Year, the Company has reviewed the implementation and effectiveness of the shareholders' communication policy. Having considered the various existing channels of communication and Shareholders' participation including without limitation: (a) AGMs and SGMs (if any) which provide a forum for the Shareholders to make comments and exchange views with the Board; (b) publication of announcements, annual reports, ESG report, interim reports and key corporate governance policies on the websites of the Stock Exchange and the Company in a timely manner; and (c) the availability of latest corporate information (including contact information such as telephone, fax number and email address) on the Company's website for effective communication between Shareholders and the Company, the Company considers that the shareholders' communication policy has been properly implemented and effective during the Year.

SHAREHOLDERS' RIGHTS

Convening special general meeting on requisition of shareholders

In accordance with the Companies Act 1981 of Bermuda (the "Companies Act"), registered Shareholder(s) holding not less than one-tenth (10%) of the paid-up capital of the Company as at the date of the deposit of the requisition shall have the right to submit a written requisition requiring a special general meeting to be convened by the Board.

The written requisition (i) must state the purposes(s) of the meeting, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for the attention of the joint company secretaries of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified by the Company's share registrar and upon its confirmation that the requisition is proper and in order, the joint company secretaries will make arrangements in accordance with the relevant laws and regulations for the Board to convene a special general meeting by serving sufficient notice to all Shareholders.

Procedures for putting forward proposals at general meetings

In accordance with Sections 79 and 80 of the Companies Act, the registered Shareholders are entitled to put forward a proposal at a general meeting if:

(a) they represent not less than one-twentieth (5%) of the total voting rights of the Company as at the date of the deposit of the requisition; or

(b) there are not less than 100 registered Shareholders.

The written requisition stating the resolutions is duly signed by the registered Shareholder(s) concerned, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with must be deposited at the registered office of the Company. Upon receipt of a valid written requisition, the Company shall take appropriate actions and make necessary arrangements, and the Shareholders concerned shall be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act.

The Board is grateful to Shareholders for their views, and welcomes their questions and concerns raised in relation to the management and governance of the Group. Shareholders may at any time send their enquiries and concerns to the Board in writing through the joint company secretaries at Rooms 2206-2208, 22nd Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong.

Procedures for Shareholders to propose a person for election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures made available under the "Corporate Governance" section of the Company's website (www.szihl.com).

Information Disclosure

Information disclosure is not merely an ongoing responsibility and obligation that a listed company must fulfill. Credible information disclosure can effectively build a bridge of communication and understanding between the Company and investors, regulatory authorities and the general public. This can facilitate a broader and more thorough understanding of the Company's values. To regulate information disclosure of the Company and protect the legal interests of the Company and its Shareholders, creditors and other stakeholders, the Company adopted the "Rules Governing Information Disclosure" by reference to the Listing Rules and the circumstances of the Company.

INVESTOR RELATIONS

The Group values the support of its investors over the years and is committed to maintaining and developing close relations with them. It is pleased to share the fruits of its business development, corporate strategies and prospects with its investors. The Group also welcomes potential investors to access information about us and engage in dialogue.

Adhering to its well-established and transparent investor relations management principles, the Group has actively strengthened the interactive communication platform with the capital market in 2023 by proactively presenting its results and development while understanding investors' concern and market opinion through various channels, such as meetings with institutional investors, roadshows (or reverse roadshows) and investor conferences during the Year.

The Group rigorously maintained close communication with the investors and Shareholders through a diverse range of channels. Through hosting results presentations by ways of teleconferences and livestream while holding more non-deal roadshows, reverse roadshow, project site inspection, online meetings and large-scale strategy presentations at home and abroad, it conducted over 160 interactive activities and communicated with a total of over 500 local and foreign investors in the domestic and international capital markets during the Year. Such interactive communication channels have enhanced the investors' understanding of the Group's business operation, long-term development strategies and investment potential.

The Group also places great emphasis on the investment community. The Group's investor relations team keeps track of the feedback of the capital market on the Company and reports the opinions, suggestions and expectations of the capital market to the Company's management in a timely manner for the management team to formulate operation, management and development strategies that are beneficial to the Company's sustainable development and value accretion. During the Year, various reputable securities dealers at home and abroad issued 13 research reports on the Group. Most of these reports assigned positive grades such as buy, outperform or overweight to the Group.

Attributable to such consistent efforts, the Group has won market recognition for its work on investor relations and corporate governance. During the Year, it received a number of prestigious awards, including the "Listed Company with Best Investment Value", as well as a personal honour, namely the "Outstanding CEO of Listed Company", at the 13th China Securities Golden Bauhinia Awards presented by Hong Kong Ta Kung Wen Wei Media Group, a "Listed Company Award of Excellence" presented by Hong Kong Economic Journal, and the "Most Favoured Hong Kong Stock Connect Company" at the presentation ceremony of 2023 Outstanding Listed Companies under Jinge Awards held by Gelonghui, thereby demonstrating the increasing brand influence of Shenzhen International.

The Group attaches great importance to communication with the capital market practitioners, and the management actively participates in the Group's investor promotional activities, including results presentations, local and overseas roadshows as well as conferences or seminars in the capital market. Details of the major promotional activities held during the Year are as follows:

2023	Major Events
February	• Participated in Sealand Securities' 2023 Spring strategy presentation
March	• Held Shenzhen International 2022 annual results presentations (Virtual)
April	• Held Shenzhen International 2022 post-annual results non-deal roadshows
May	• Held Shenzhen International reverse roadshows
June	• Participated in Huatai Securities' 2023 interim investment summit
	• Participated in CICC's 2023 interim strategy presentation
	• Held non-deal roadshows in Shanghai
July	• Held Shenzhen International reverse roadshows
August	• Held Shenzhen International 2023 interim results presentations and analysts meetings
	• Held Shenzhen International 2023 post-interim results non-deal roadshows
September	• Participated in Citi's 2023 China Industrial & Logistics Conference
	• Held Shenzhen International 2023 post-interim results non-deal roadshows in Beijing
October	• Held Shenzhen International reverse roadshows
November	• Participated in Huatai Securities' annual strategy presentation
	• Participated in CITIC Securities' annual strategy presentation
	• Participated in Essence International's strategy presentation (Virtual)
December	• Held Shenzhen International reverse roadshows
	• Held non-deal roadshows in Shanghai
	• Participated in Sealand Securities' annual strategy presentation
	• Participated in Hong Kong Economic Journal's 2023 Listed Company Awards of Excellence presentation ceremony
	• Participated in the 13th Hong Kong International Finance Forum and China Securities Golden Bauhinia Awards presentation ceremony
	• Participated in the presentation ceremony of 2023 Outstanding Listed Companies under Jinge Awards held by Gelonghui

The Group strives to achieve high quality disclosure and transparency standards. To enhance investors' understanding of its business, the Group explains its business operation to the investors through, among other things, extraordinary and annual general meetings, annual reports, interim reports and its official website.

The Group's website (www.szihl.com) is the official access to the latest information on the Group. Public notices, circulars, press releases, results announcements and other announcements are uploaded to the website on a regular basis. Investors can also access general information on the Group, biographies of the Directors and senior management, as well as business, financial and other information, on the official website.

The Group is committed to further enhancing the transparency and exchange of information by actively organizing investor relations activities. It aims to deepen investors' understanding of and trust in the Group's businesses, establish confidence in the Group's future development and gain recognition and support from the market, so as to fully demonstrate its business potential and intrinsic value. In addition, the Group also collects extensive feedback from the market through these activities for the purpose of improving its governance, operational and management standards.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2023, 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 corporations (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" as set out in the Report of the Directors on pages 81 to 82 of this annual report:

Long position 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)*
Li Haitao	42,199	beneficial owner	personal	0.002%
Liu Zhengyu	430,000	beneficial owner	personal	0.018%
	263,000	interest of spouse	spouse	0.011%

Note: The percentage was calculated based on the total number of shares of the Company in issue as at 31 December 2023 (i.e. 2,393,148,888 shares).

Save as disclosed above and in the section headed "SHARE OPTION SCHEME" as set out in the Report of the Directors on pages 81 to 82 of this annual report, as at 31 December 2023, 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.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "DIRECTORS' INTERESTS IN SECURITIES" above and the section headed "SHARE OPTION SCHEME" as set out in the Report of the Directors on pages 81 to 82 of this annual report, at no time during the year ended 31 December 2023 was the Company, any of its subsidiaries, the holding company of the Company or any of its subsidiaries a party to any arrangement which enabled the Directors, chief executives, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2023, 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 shares held***	***Capacity***	***Approximate % of the 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	44.24%
Ultrarich International Limited ("Ultrarich") *(Note 2)*	1,058,717,983	beneficial owner	44.24%
UBS Group AG *(Note 3)*	187,664,492	interest of controlled corporations	7.84%

Notes:

(1) The percentage was calculated based on the total number of shares of the Company in issue as at 31 December 2023 (i.e. 2,393,148,888 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 Asset Management (Americas) Inc., UBS O'Connor LLC, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Singapore) Ltd, UBS Fund Management (Luxembourg) S.A., UBS Asset Management Switzerland AG, UBS Fund Management (Switzerland) AG, UBS Asset Management Life Limited, UBS Financial Services Inc., UBS AG London Branch, UBS Switzerland AG, Credit Suisse Funds AG and Credit Suisse International are wholly-owned by UBS Group AG. Accordingly, UBS Group AG was deemed to be interested in the long position of an aggregate of 187,664,492 shares of the Company held by these companies.

Save as disclosed above, as at 31 December 2023, the Company was not aware of any other substantial shareholders (other than the Directors or chief executives) which had interests or short positions 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.

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Shenzhen International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 119 to 224, which comprise the consolidated balance sheet as at 31 December 2023, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor 's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER *(continued)*

Key audit matter	***How our audit addressed the key audit matter***
Amortisation of concession intangible assets for the operating rights of the toll road business	***Audit response***
As shown in note 10(i), as at 31 December 2023, the carrying amounts of the toll road operating rights of the Group was HKD24,099,719,000, and related amortisation for the year ended 31 December 2023 was HKD1,767,199,000. The toll road operating rights of the Group are amortised on a units-of-usage basis, whereby amortisation is provided to write off the cost of the toll road operating rights based on the proportion of actual traffic volume for each reporting period over the total projected traffic volume for the operating period of each toll road, with reference to traffic volume forecast report (the "TVF Report") issued by independent professional traffic consultant. Further as shown in note 4.1(a), during the year ended 31 December 2023, the total projected traffic volume in the remaining operating period of certain expressways was reassessed with independent professional traffic consultant. Thus, the Group has adjusted the amortisation units-of-usage, resulting in increase in profit of HKD121,677,000. The total projected traffic volume over the remaining operating period are significant accounting estimates of the management. These estimates and judgements may be affected by unexpected changes in future market and economic conditions. Therefore, we identify the amortisation accuracy of the toll road operating rights of the Group as a key audit matter.	We have performed the following audit procedures in response to the aforementioned key audit matter: • Understanding and evaluating the design, implementation and operating effectiveness of the relevant internal controls related to the amortisation of toll road operation rights; • Assessing the independence and professional capability of the traffic consultants engaged by the Group to issue the TVF Reports; • Assessing the reasonableness of the actual traffic volume units applied in the calculation of amortization; • Comparing the actual traffic volume in the current year with the traffic volume forecasted in the TVF Reports, to evaluate the accuracy and reliability of the forecasted traffic volume and understanding the causes of any significant variances; and • Re-calculating the amortisation of the toll road operating rights to verify the accuracy of its amount in the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Chu Yim Yan, Sonia.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong

28 March 2024

CONSOLIDATED BALANCE SHEET

At 31 December 2023

(For reference only) ***31.12.2023*** ***RMB'000***		NOTES	***2023*** ***HKD'000***	*2022* *HKD'000*
	ASSETS			
	Non-current assets			
13,702,340	Investment properties	6	**15,080,718**	10,226,082
17,972,804	Property, plant and equipment	7	**19,780,766**	17,874,497
3,845,073	Land use rights	8	**4,231,866**	3,181,633
2,820,548	Construction in progress	9	**3,104,279**	3,436,227
26,604,103	Intangible assets	10	**29,280,325**	29,941,138
493,838	Goodwill	11	**543,515**	551,995
15,894,649	Interests in associates	12	**17,493,560**	17,542,041
9,876,570	Interests in joint ventures	13	**10,870,097**	10,947,559
1,050,079	Other financial assets	14	**1,155,711**	1,021,738
580,147	Deferred tax assets	23	**638,506**	755,954
7,152,195	Other non-current assets	15	**7,871,665**	7,539,064
99,992,346			**110,051,008**	103,017,928
	Current assets			
4,375,401	Inventories and other contract costs	16	**4,815,542**	6,295,136
394,911	Contract assets	17	**434,637**	424,599
968,261	Other financial assets	14	**1,065,663**	2,833,562
3,779,446	Trade and other receivables	18	**4,159,636**	6,661,838
148,420	Derivative financial instruments		**163,350**	237,205
989,117	Restricted bank deposits	19	**1,088,617**	2,804,834
1,016,080	Deposits in banks with original maturities over three months	19	**1,118,292**	389,950
6,903,358	Cash and cash equivalents	19	**7,597,796**	10,829,873
18,574,994			**20,443,533**	30,476,997
118,567,340	**Total assets**		**130,494,541**	133,494,925

CONSOLIDATED BALANCE SHEET

At 31 December 2023

(For reference only) 31.12.2023 RMB'000		NOTES	***2023 HKD'000***	*2022 HKD'000*
	EQUITY AND LIABILITIES			
	Equity attributable to ordinary shareholders of the Company			
12,046,203	Share capital and share premium	20	**13,257,983**	13,218,304
16,649,389	Other reserves and retained earnings	21	**18,324,223**	18,029,560
28,695,592	**Equity attributable to ordinary shareholders of the Company**		**31,582,206**	31,247,864
21,255,294	**Non-controlling interests**		**23,393,455**	23,951,310
49,950,886	**Total equity**		**54,975,661**	55,199,174
	Non-current liabilities			
25,768,562	Borrowings	22	**28,360,733**	24,426,242
860,927	Lease liabilities	27	**947,532**	990,268
2,405,426	Deferred tax liabilities	23	**2,647,398**	2,809,738
1,412,095	Other non-current liabilities	24	**1,554,144**	1,485,084
30,447,010			**33,509,807**	29,711,332
	Current liabilities			
11,559,256	Trade and other payables	25	**12,722,051**	12,771,467
150,500	Contract liabilities	26	**165,640**	5,609,785
1,888,720	Income tax payable		**2,078,714**	779,251
24,512,168	Borrowings	22	**26,977,953**	29,340,767
58,800	Lease liabilities	27	**64,715**	83,149
38,169,444			**42,009,073**	48,584,419
68,616,454	**Total liabilities**		**75,518,880**	78,295,751
118,567,340	**Total equity and liabilities**		**130,494,541**	133,494,925

The consolidated financial statements on pages 119 to 224 were approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

Liu Zhengyu
DIRECTOR

Dai Jingming
DIRECTOR

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2023

(For reference only) ***2023*** ***RMB'000***		NOTES	***2023*** ***HKD'000***	*2022* *HKD'000*
18,475,523	**Revenue**	28	**20,523,798**	15,529,301
(11,683,243)	Cost of sales and services		**(12,978,497)**	(11,382,613)
6,792,280	**Gross profit**		**7,545,301**	4,146,688
168,812	Other income		**187,527**	154,309
254,799	Other gains - net	29	**283,047**	3,998,746
(139,751)	Distribution costs		**(155,244)**	(147,573)
(1,142,999)	Administrative expenses		**(1,269,717)**	(1,124,196)
(105,320)	(Impairment loss) net reversal of impairment loss on trade and other receivables and contract assets	36(a)(iv)	**(116,996)**	55,693
5,827,821	**Operating profit**		**6,473,918**	7,083,667
376,695	Share of profit of joint ventures	13	**418,457**	62,877
610,580	Share of profit (loss) of associates	12	**678,271**	(1,647,025)
6,815,096	**Profit before finance costs and income tax**		**7,570,646**	5,499,519
217,214	Finance income	32	**241,296**	304,211
(2,356,555)	Finance cost	32	**(2,617,813)**	(2,872,804)
(2,139,341)	Finance costs - net		**(2,376,517)**	(2,568,593)
4,675,755	**Profit before income tax**	30	**5,194,129**	2,930,926
(2,060,757)	Income tax expense	33	**(2,289,221)**	(994,769)
2,614,998	**Profit for the year**		**2,904,908**	1,936,157
	Attributable to:			
1,711,859	Ordinary shareholders of the Company		**1,901,643**	1,253,919
–	Perpetual securities holders of Company		**–**	92,999
903,139	Non-controlling interests		**1,003,265**	589,239
2,614,998			**2,904,908**	1,936,157
	Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)			
	Basic	34(a)	**0.80**	0.54
	Diluted	34(b)	**0.79**	0.54

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTE	*2023* HKD'000	2022 HKD'000
Profit for the year		**2,904,908**	1,936,157
Other comprehensive income (expense):			
Items that may be reclassified to profit or loss:			
Share of other comprehensive income (expense) of associates and joint ventures	12 & 13	**31,933**	(26,744)
Exchange difference arising on translation of foreign operations		**(149,181)**	(959,343)
		(117,248)	(986,087)
Items that will not be reclassified to profit or loss:			
Exchange difference arising from translation of functional currency to presentation currency		**(1,328,862)**	(5,825,921)
Gain on revaluation of properties previously occupied by the Group		**–**	12,918
Deferred taxation relating to revaluation of properties		**–**	(3,230)
Fair value loss on equity security designated at fair value through other comprehensive income		**(417)**	(690)
Deferred taxation relating to revaluation of equity security		**(139)**	–
		(1,329,418)	(5,816,923)
Other comprehensive expense for the year		**(1,446,666)**	(6,803,010)
Total comprehensive income (expense) for the year		**1,458,242**	(4,866,853)
Total comprehensive income (expense) attributable to:			
Ordinary shareholders of the Company		**902,706**	(4,622,009)
Perpetual securities holders of the Company		**–**	92,999
Non-controlling interests		**555,536**	(337,843)
		1,458,242	(4,866,853)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to ordinary shareholders of the Company					
	Share capital and share premium HKD'000 (note 20)	*Other reserves HKD'000 (note 21)*	*Retained earnings HKD'000 (note 21)*	*Sub-total HKD'000*	*Non-controlling interests HKD'000*	*Total HKD'000*
At 1 January 2023	13,218,304	1,694,949	16,334,611	31,247,864	23,951,310	55,199,174
Profit for the year	–	–	1,901,643	1,901,643	1,003,265	2,904,908
Other comprehensive expense						
Share of other comprehensive income of associates and joint ventures	–	31,933	–	31,933	–	31,933
Fair value loss on equity securities designated at fair value through other comprehensive income	–	(417)	–	(417)	–	(417)
Deferred taxation relating to revaluation of equity securities	–	(139)	–	(139)	–	(139)
Exchange difference arising on translation of foreign operations	–	(76,919)	–	(76,919)	(72,262)	(149,181)
Exchange difference arising from translation of functional currency to presentation currency	–	(953,395)	–	(953,395)	(375,467)	(1,328,862)
Total other comprehensive expense	–	(998,937)	–	(998,937)	(447,729)	(1,446,666)
Total comprehensive income for the year	–	(998,937)	1,901,643	902,706	555,536	1,458,242
Transactions with owners in their capacity as owners						
Transfer to reserve	–	65,605	(65,605)	–	–	–
Dividend relating to 2022 (note 35)	–	–	(613,667)	(613,667)	–	(613,667)
Issue of scrip shares as dividend (note 35)	35,851	–	–	35,851	–	35,851
Share of associates' reserves movement	–	5,624	–	5,624	–	5,624
Employee share option – recognition share-based payments (note 20)	3,828	–	–	3,828	–	3,828
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	(1,117,637)	(1,117,637)
Acquisition of a subsidiary	–	–	–	–	47,989	47,989
Others	–	–	–	–	(43,743)	(43,743)
Total transactions with owners in their capacity as owners	39,679	71,229	(679,272)	(568,364)	(1,113,391)	(1,681,755)
At 31 December 2023	13,257,983	767,241	17,556,982	31,582,206	23,393,455	54,975,661

For the year ended 31 December 2023

	Attributable to ordinary shareholders of the Company						
	Share capital and share premium HKD'000 (note 20)	*Other reserves HKD'000 (note 21)*	*Retained earnings HKD'000 (note 21)*	*Sub-total HKD'000*	*Perpetual securities HKD'000*	*Non-controlling interests HKD'000*	*Total equity HKD'000*
At 1 January 2022	12,331,648	9,432,728	17,108,192	38,872,568	2,330,939	26,468,668	67,672,175
Profit for the year	–	–	1,253,919	1,253,919	92,999	589,239	1,936,157
Other comprehensive expense							
Share of other comprehensive expenses of associates	–	(13,790)	–	(13,790)	–	(12,954)	(26,744)
Exchange difference arising on translation of foreign operations	–	(494,647)	–	(494,647)	–	(464,696)	(959,343)
Exchange difference arising from translation of functional currency to presentation currency	–	(5,376,489)	–	(5,376,489)	–	(449,432)	(5,825,921)
Gain on revaluation of properties previously occupied by the Group	–	12,918	–	12,918	–	–	12,918
Deferred taxation relating to revaluation of properties	–	(3,230)	–	(3,230)	–	–	(3,230)
Fair value loss on equity securities designated at fair value through other comprehensive income	–	(690)	–	(690)	–	–	(690)
Total other comprehensive expense	–	(5,875,928)	–	(5,875,928)	–	(927,082)	(6,803,010)
Total comprehensive expense for the year	–	(5,875,928)	1,253,919	(4,622,009)	92,999	(337,843)	(4,866,853)
Transactions with owners in their capacity as owners							
Transfer to reserve	–	206,694	(206,694)	–	–	–	–
Dividend relating to 2021 (note 35)	–	–	(1,876,840)	(1,876,840)	–	–	(1,876,840)
Issue of scrip shares as dividend (note 35)	886,656	–	–	886,656	–	–	886,656
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	–	(1,243,882)	(1,243,882)
Share of associates' reserves movement	–	28,560	–	28,560	–	9,394	37,954
Capital injections by non-controlling interests	–	–	–	–	–	977,524	977,524
Capital reductions by non-controlling interests	–	–	–	–	–	(441,535)	(441,535)
Distribution for perpetual securities	–	–	–	–	(92,999)	–	(92,999)
Redemption of perpetual securities	–	–	–	–	(2,330,939)	–	(2,330,939)
Transfer of exchange reserve upon disposal of subsidiaries	–	(56,034)	56,034	–	–	–	–
Business combination under common control	–	(2,041,071)	–	(2,041,071)	–	(1,481,016)	(3,522,087)
Total transactions with owners in their capacity as owners	886,656	(1,861,851)	(2,027,500)	(3,002,695)	(2,423,938)	(2,179,515)	(7,606,148)
At 31 December 2022	13,218,304	1,694,949	16,334,611	31,247,864	–	23,951,310	55,199,174

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	NOTES	2023 HKD'000	2022 HKD'000
Cash flows from operating activities			
Cash generated from operations	37	**6,516,091**	11,676,073
Income tax paid		**(963,729)**	(1,542,496)
Net cash generated from operating activities		**5,552,362**	10,133,577
Cash flows from investing activities			
Acquisition of subsidiaries		**(703,606)**	(3,508,600)
Disposal of subsidiaries		**56,588**	978,068
Purchases of investment properties, property, plant and equipment, land use rights, construction in progress, intangible assets and other non-current assets		**(10,038,786)**	(7,230,749)
Repayments from associates and a joint venture		**1,146,328**	1,782,085
Advances and loan to associates and a joint venture		**–**	(1,327,032)
Increase in interests in associates and joint ventures		**(43,866)**	(500,360)
Proceeds from disposal of property, plant and equipment, land use rights, intangible assets and other non-current assets		**973,613**	677,530
Purchase of other financial assets		**(24,725)**	(252,903)
Proceeds from disposal of other financial assets		**29,199**	56,547
Proceeds from disposal of a associate		**29,451**	–
Purchase of structured deposits		**(2,766,052)**	(2,128,337)
Redemption of structured deposits		**4,491,035**	403,933
Withdrawal of restricted bank deposits and deposits in banks with original maturities over three months		**402,299**	561,503
Purchases of restricted bank deposits and deposits in banks with original maturities over three months		**(1,146,058)**	–
Interest received		**221,882**	324,232
Dividends received		**899,992**	1,269,141
Capital return from an associate	12	**–**	1,058,973
Net cash used in investing activities		**(6,472,706)**	(7,835,969)
Cash flows from financing activities			
Interest paid		**(2,570,457)**	(1,996,995)
Redemption of perpetual capital securities		**–**	(2,330,939)
Capital deductions by non-controlling interests		**–**	(441,535)
Capital contributions by non-controlling interests		**–**	977,524
Proceeds from borrowings	37(b)	**36,856,971**	14,009,260
Repayments of borrowings	37(b)	**(34,161,677)**	(3,396,131)
Capital element of lease rentals paid	37(b)	**(59,312)**	(335,679)
Interest element of lease rentals paid	37(b)	**(47,356)**	(64,694)
Advance from an associate	37(b)	**2,021,524**	–
Repayment to an associate		**–**	(1,831,477)
Repayment of loan to a related company	37(b)	**(2,338,416)**	(2,710,552)
Dividends paid to the Company's and subsidiaries' shareholders		**(1,755,685)**	(2,230,578)
Distribution to perpetual securities holders		**–**	(92,999)
Net cash used in financing activities		**(2,054,408)**	(444,795)
Net (decrease) increase in cash and cash equivalents		**(2,974,752)**	1,852,813
Cash and cash equivalents at the beginning of the year		**10,829,873**	10,030,535
Effect of foreign exchange rate changes		**(257,325)**	(1,053,475)
Cash and cash equivalents at the end of the year	19	**7,597,796**	10,829,873

1. GENERAL

(a) General information

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 ("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 Corporation Limited ("Shenzhen Expressway"), is dual listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange.

As at 31 December 2023, Ultrarich International Limited ("Ultrarich") directly owned 1,058,717,983 ordinary shares of the Company, representing approximately 44.24% of the issued share capital of the Company. As Shenzhen Investment Holdings Company Limited ("SIHCL") held the 100% equity interest in Ultrarich, it had an indirect interest in 44.24% of the Company's equity held by Ultrarich. SIHCL directly owned 364,500 ordinary shares of the Company, representing approximately 0.015% of the issued share capital of the Company. SIHCL effectively held 44.255% of the issued share capital of the Company and is 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.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. Material accounting policy information of the Group are disclosed below.

In preparing the 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 approximately HKD21,565,540,000 as at 31 December 2023.

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, in which unutilised banking facilities amounted to HKD91,707,277,000 (2022: HKD79,347,520,000) as at 31 December 2023.

The directors of the Company have, at the time of approving the 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 consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of the reporting period.

3. MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies applied are consistent with those presented in the Group's annual financial statements for the year ended 31 December 2022, except for the accounting policy that is first effective for the current accounting period of the Group.

3.1 Application of new and amendments to HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendment to HKFRS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has affected the disclosure of the Group's accounting policies set out in notes 3.2 to 3.30 to the consolidated financial statements.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.1 Application of new and amendments to HKFRSs *(continued)*

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined
2 Effective for annual periods beginning on or 1 January 2024
3 Effective for annual periods beginning on or 1 January 2025

The directors of the Company anticipate that the application of all the amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3.2 Subsidiaries

3.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group has power over the investee, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control stated above.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Subsidiaries *(continued)*

3.2.1 Consolidation *(continued)*

(a) Business combinations or asset acquisitions

Asset acquisition

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.2 Subsidiaries *(continued)*

3.2.1 Consolidation *(continued)*

(b) Disposal of subsidiaries

When the Group ceases to have control, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. Any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3.3 Associates and joint ventures

Associates are all entities in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

Joint ventures are an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Interests in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss and other comprehensive income of the investee after the date of acquisition. The Group's interests in associates and joint ventures include purchase price, other costs directly attributable to the acquisition of the interests in associates, and any direct investment into the investee that forms part of the interests in associates and joint ventures. Upon the acquisition of the ownership interest in an associate or a joint venture, any excess between the cost of the associate and the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group's share of its associates' and joint ventures' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or the joint venture, which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or the joint venture (after applying the expected credit loss model to such other long-term interests where applicable), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or the joint venture.

The Group determines at each balance sheet date whether there is any objective evidence that the investment in an associate or a joint venture is impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or the joint venture and its carrying value and recognises the amount in the consolidated income statement. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.3 Associates and joint ventures *(continued)*

Profits and losses resulting from upstream and downstream transactions between the Group and its associates or joint ventures are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates or joint ventures. Unrealised gains and losses on transactions between the Group and its associates or joint ventures are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Sale or contribution of assets between the Group and its associate or joint venture constitutes a business is accounted for in accordance with the accounting policy set out in note 3.2.1(b). For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the Group's profit or loss only to the extent of the Group's unrelated interest in that associate or joint venture.

3.4 Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of a cash-generating unit during the year, any attributable amount of goodwill is included in the calculation of the profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (i.e. the functional currency). The functional currency of the Company is Renminbi ("RMB"), while the consolidated financial statements is presented in Hong Kong dollar ("HKD"), unless otherwise stated. The management of the Group considered that selecting HKD as its presentation currency is more beneficial for the users of the consolidated financial statements as the Company's shares are listed on the Hong Kong Stock Exchange.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.5 Foreign currency translation *(continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated income statement within "finance income" or "finance cost". Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance income" or "finance cost", except when capitalised on the basis set out in note 3.27.

At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Translation difference on non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities. Translation difference on equities held at fair value through profit or loss is recognised in profit or loss as part of the fair value gain or loss. Translation differences on equities classified as fair value through other comprehensive income ("FVTOCI") are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Company are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the balance sheet date;

(ii) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised directly in other comprehensive income and accumulated in currency translation reserve. Such exchange differences accumulated in the currency translation reserve are not reclassified to profit or loss subsequently.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

3.6 Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the items and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.6 Property, plant and equipment *(continued)*

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained earnings.

Amortisation on leasehold land and depreciation on property, plant and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Land and buildings	10-70 years or over the term of the unexpired leases, whichever is shorter
Leasehold improvements	4 years or over the term of the unexpired leases, whichever is shorter
Other properties leased for own use	Over the unexpired term of lease
Motor vehicles	5-8 years
Furniture, fixtures and equipment	3-10 years
Loading equipment and facilities in port and wind-power equipment	5-25 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3.13).

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains and losses" in the consolidated income statement.

3.7 Construction in progress

Construction in progress represents the direct costs of construction incurred plus interest capitalised up to the date of completion of the construction of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment or intangible assets when completed and ready for use.

3.8 Investment properties

Investment property, principally comprising commercial building and car parking spaces, is held for long-term rental yields and is not occupied by the Group. Investment property is initially measured at cost, including any directly attributable expenditure. Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases. After initial recognition, investment property is carried at fair value (which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset). If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the consolidated income statement as part of "other gains and losses". Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.8 Investment properties *(continued)*

If a property becomes an owner-occupied property because its use has been changed as evidenced by commencement of owner-occupation, the fair value of the property at the date of change in use is considered as the deemed cost for subsequent accounting.

3.9 Land use rights

Land use rights are up-front payments to acquire long-term interests in the usage of land. They are stated at cost and charged to the consolidated income statement over the remaining period of the lease on a straight-line basis, net of any impairment losses.

If a land becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained earnings.

3.10 Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(a) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are office equipments. The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.10 Leases *(continued)*

(a) As a lessee *(continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date (less any lease incentives received), and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. Except for those that are classified as investment properties and measured under fair value model, right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 3.6 and 3.11). Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 3.8; and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note 3.17.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification.

In the consolidated balance sheet, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.10 Leases *(continued)*

(b) As a lessor *(continued)*

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 3.26(c).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 3.10(a), then the Group classifies the sub-lease as an operating lease.

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals. The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3.11 Concession intangible assets

(a) Toll Road

Where the Group has entered into contractual service concession arrangements ("Service Concessions") with local government authorities for its participation in the development, financing, operation and maintenance of various toll road infrastructures, the Group carries out the construction or upgrade work of toll roads for the granting authorities and receives in exchange of a right to operate the toll roads concerned and the entitlement to the toll fees collected from users of the toll road services. Concession intangible assets correspond to the right granted by the respective concession grantors to the Group to charge users of the toll road services and the fact that the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable.

Land use rights acquired in conjunction with the Service Concessions which the Group has no discretion or latitude to deploy for other services other than the use in the Service Concessions are treated as intangible assets acquired under the Service Concessions.

Amortisation of concession intangible assets is provided based on a units-of-usage basis, whereby amortisation is provided to write off the cost of the toll road operating rights based on the proportion of actual traffic volume for each reporting period over the total projected traffic volume for the operating period of each toll road, with reference to traffic volume forecast report (the "TVF Report") issued by independent professional traffic consultant. It is the Group's policy to review regularly the total projected traffic volume throughout the operating periods of the respective toll roads. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustments will be made should there be a material change, and revised units-of-usage will be calculated by dividing the carrying amounts of the toll road operating rights by the revised total projected traffic volume in the remaining operating period of the respective toll road.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.11 Concession intangible assets *(continued)*

(b) Kitchen waste disposal project

Concession intangible assets related to kitchen waste allows 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. The income from the kitchen waste disposal project contract is evaluated by the fair value. The income is recognized, and the project is regarded as financial assets and intangible assets when: (1) the Company can charge the contract awarding party a certain amount of cash or cash equivalents or other financial assets in a given period as the infrastructural construction has been finished. When the Company provides the operating service below a regulated price, the contract awarding party will compensate for the loss according to the contract. The financial assets will be recognised at the time the income is recognised; and (2) the contract gives the Company the right to charge served clients in a given period. The Company cannot charge cash unconditionally if the charge amount is uncertain. The Company will recognise intangible assets at the time the income is recognised.

The Group recognises the franchised kitchen waste disposal project as an intangible asset.

The Group uses the straight-line amortisation methods in the franchise period.

3.12 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Property, plant and equipment, construction in progress, land use rights, right-of-use assets, interest in associates and joint ventures, intangible assets with finite useful lives and contract costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised in the consolidated income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

The recoverable amount of property, plant and equipment, construction in progress, land use rights, right-of-use assets, interest in associations and joint ventures, intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash- generating unit or group of cash-generating units.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each balance sheet date.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.13 Financial assets

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. The instruments are initially stated at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15, plus directly attributable transaction costs, except for those measured at fair value through profit or loss ("FVTPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 36(c). The financial assets are subsequently accounted for as follows, depending on their classification.

(a) Financial assets other than equity investments

Financial assets held by the Group are classified into one of the following measurement categories:

- amortised cost, if the instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the instrument is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired.
- FVTOCI, if the contractual cash flows of the instrument comprise solely payments of principal and interest and the instrument is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the instrument is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- FVTPL if the instrument does not meet the criteria for being measured at amortised cost or FVTOCI. Changes in the fair value of the instrument (including interest) are recognised in profit or loss.

(b) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVTOCI such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve is transferred to retained earnings, and will not recycle through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 3.26(h).

Interest income recognised is calculated by applying the effective interest rate to the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.14 Credit loss and impairment of assets

The Group performs impairment assessment under expected credit loss ("ECL") model on the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, deposits in banks with original maturities over three months, restricted bank deposits, trade and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);
- contract assets as defined in HKFRS 15 (see note 3.18); and
- lease receivables.

Other financial assets measured at fair value, including equity and debt securities measured at FVTPL and equity securities designated at FVTOCI, are not subject to the ECL assessment.

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- lease receivables: discount rate used in the measurement of the lease receivable.

The maximum period considered when estimating ECL is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECL, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECL are measured on either of the following bases:

- 12-month ECL: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECL: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECL. Except for credit-impaired debtors that are assessed individually, ECL on not credit-impaired trade receivables and contract assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECL unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECL.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.14 Credit loss and impairment of assets *(continued)*

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

ECL is remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Measurement and recognition of ECL

Except for credit-impaired debtors that are assessed individually, the Group uses a practical expedient in estimating ECL on not credit-impaired trade receivables and contract assets using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.14 Credit loss and impairment of assets *(continued)*

Derecognition of financial assets *(continued)*

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained earnings.

3.15 Financial liabilities and equity

Financial liabilities are recognised on the date the Group commits to contractual provisions of the instrument. Financial liabilities (including trade and other payables and borrowings) are initially measured at fair value and subsequently measured at amortised cost using effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments, including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts through the expected life of the financial liability, or, where appropriate, a shorter period to net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

3.16 Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

3.17 Inventories and other contract costs

(a) Inventories

Inventories mainly include completed properties for sale, properties under development, wind turbine equipment and toll tickets and materials and spare parts for the repairs and maintenance of expressways, and they are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, represents the actual cost of purchase and development. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

The cost of completed properties held for sale comprises all costs of development and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square foot basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.17 Inventories and other contract costs *(continued)*

(a) Inventories *(continued)*

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories is recognised as an expense in the period in which the reversal occurs.

The Group transfers a property from inventories to investment property when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the inception of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

(b) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 3.17(a)), property, plant and equipment (see note 3.6) or concession intangible assets (see note 3.11).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 3.26.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.18 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 3.26) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 3.14 and are reclassified to receivables when the right to the consideration has become unconditional (see note 3.19).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 3.26). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 3.19).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

3.19 Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 3.18).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 3.14).

3.20 Cash and cash equivalents

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 19.

3.21 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as borrowing costs over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.22 Borrowing costs *(continued)*

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

3.23 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income or equity. In this case, the tax is also recognised in other comprehensive income or equity.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's and joint venture's undistributed profits is not recognised.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.23 Current and deferred tax *(continued)*

(b) Deferred tax *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

3.24 Short-term and other long-term employee benefits

(a) Pension obligations

The Group operates a defined contribution retirement benefits scheme, Mandatory Provident Fund (the "MPF Scheme"), under the Mandatory Provident Fund Ordinance in Hong Kong for all Hong Kong employees who are eligible to participate in the MPF Scheme. Besides, the Group participates in defined contribution retirement schemes organised by the local government authorities in the PRC.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate scheme. Contributions payable or paid by the Group and employees are calculated as a percentage of employees' basic salaries. The amounts of employee benefit expenses charged to the consolidated income statement represent the contribution payable or paid by the Group to the scheme during the year.

Apart from these, the Group has no legal or constructive obligations for further payments.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.24 Short-term and other long-term employee benefits *(continued)*

(b) Share-based payments

The Group participates a number of equity-settled, share-based compensation plans, for staff remuneration under which the entity receives services from employees as consideration for equity instruments (options) of the company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. The Group recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained earnings.

(c) Bonus plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

3.25 Provisions

Provisions for environmental restoration, restructuring costs, legal claims and the resulting maintenance and resurfacing cost, except for upgrade services under the respective service concessions, are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.25 Provisions *(continued)*

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3.26 Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

Further details of the Group's revenue and other income recognition policies are as follows:

(a) Toll revenues

The Group's toll revenue from operation of the toll roads is recognised when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transaction can flow into the Group. 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.

(b) Construction service revenue under service concessions

Revenue generated by construction and upgrade services rendered by the Group is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably. The consideration may be rights to attain a financial asset or an intangible asset.

The Group uses the input method to determine the appropriate amount of income and expenses to be recognised in a given period. The stage of completion is measured by reference to the construction costs of the related infrastructures incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.26 Revenue and other income *(continued)*

(c) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(d) Logistic related service revenues

Logistic related service revenues includes: (i) provision of logistics management, including freight forwarding services, and other ancillary services; (ii) loan financing services and (iii) cargo shipment, transhipment and storage of port. Logistics related service revenues are recognised when the related services are rendered.

(e) Sales of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(f) Sales of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when the property is delivered to customer, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under contract liabilities (see note 3.18).

(g) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 3.14).

(h) Dividend income

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

3.27 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

3. MATERIAL ACCOUNTING POLICY INFORMATION *(continued)*

3.28 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be reliably measured.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

3.29 Dividend distribution

Dividend distribution to the Company's ordinary shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, when appropriate.

3.30 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in note 3.30(a);
- (vii) A person identified in note 3.30(a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. As the future is inherently uncertain, actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) 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 under the Traffic Flow Amortisation Method. 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 directors of the Company performed a periodic assessment of the total projected traffic volume. The Group engages independent professional traffic consultants to perform independent professional traffic studies and make appropriate adjustment if there is a material difference between projected traffic volume and actual traffic volume.

During the year ended 31 December 2023, the Group engaged independent professional traffic consultants to reassess the aggregate future traffic volume of certain expressways (2022: one expressway). The Group has adjusted the amortisation units-of-usage for the related concession intangible assets according to the revised total projected traffic volume of Shenzhen Outer Ring Expressway since 1 January 2023, and those of Guangzhou-Shenzhen section of Beijing-Hong Kong & Macao Expressway and Guangzhou-Zhuhai West Expressway since 11 November 2023 (2022: the revised total projected traffic volume of Qinglian Expressway since 1 October 2022), on a prospective basis. Such change in accounting estimate will affect the amortisation to the profit should there has been no adjustment and has resulted in increase in profit of HKD121,677,000 (2022: decrease in profit of HKD14,105,000) for the year ended 31 December 2023 and will affect the amortisation charges of the Group in the future.

(b) 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 year. 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.

(c) Impairment test of interest in associates

The Group determines at each balance sheet 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 valuation 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. The Group's believes the recoverable amount will exceed the carrying amount, then no impairment is provided for the current year.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

4.2 Critical judgements in applying accounting policies

Significant influence over associates

For certain associates of which the Group holds less than 20% ownership, significant judgements are required in assessing whether the Group has significant influence over these entities. The Group considers it exercises significant influence over these entities through its representation on the board of directors and its participation in the financial and operating policy decisions.

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 (including sales of material); and (iv) logistics park transformation and upgrading business (including sales of properties).

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

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 years ended 31 December 2023 and 2022 are set out below.

5. SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2023

	Toll roads and general-environmental protection business HKD'000	Logistics business: Logistics parks HKD'000	Logistics business: Logistics services HKD'000	Logistics business: Port and related services HKD'000	Logistics business: Logistics park transformation and upgrading business HKD'000	Logistics business: Sub-total HKD'000	Head office functions and others HKD'000	Total HKD'000
Revenue from contracts with customers within the scope of HKFRS 15								
– Point in time	8,043,071	561,708	319,109	2,804,772	5,502,349	9,187,938	–	17,231,009
– Overtime	2,281,910	–	–	–	–	–	–	2,281,910
Sub-total	10,324,981	561,708	319,109	2,804,772	5,502,349	9,187,938	–	19,512,919
Revenue from other sources								
– Leases from properties	–	956,902	–	–	53,977	1,010,879	–	1,010,879
Revenue	10,324,981	1,518,610	319,109	2,804,772	5,556,326	10,198,817	–	20,523,798
Operating profit (loss)	2,932,324	629,258	22,749	167,284	3,276,831	4,096,122	(554,528)	6,473,918
Share of profit (loss) of joint ventures	401,719	23,902	–	–	–	23,902	(7,164)	418,457
Share of profit of associates	406,732	667	8,024	–	61,173	69,864	201,675	678,271
Finance income	78,495	8,224	853	3,019	15,371	27,467	135,334	241,296
Finance costs	(1,426,489)	(52,346)	(670)	(11,557)	(213,815)	(278,388)	(912,936)	(2,617,813)
Profit (loss) before income tax	2,392,781	609,705	30,956	158,746	3,139,560	3,938,967	(1,137,619)	5,194,129
Income tax expense	(378,564)	(130,206)	(5,184)	(40,090)	(1,402,804)	(1,578,284)	(332,373)	(2,289,221)
Profit (loss) for the year	2,014,217	479,499	25,772	118,656	1,736,756	2,360,683	(1,469,992)	2,904,908
(Profit) loss attributable to non-controlling interests	(1,009,658)	44,125	(17,155)	(30,905)	9,008	5,073	1,320	(1,003,265)
Profit (loss) attributable to ordinary shareholders of the Company	1,004,559	523,624	8,617	87,751	1,745,764	2,365,756	(1,468,672)	1,901,643
Depreciation and amortisation	2,524,180	473,810	26,615	43,943	24,761	569,129	164,697	3,258,006
Capital expenditure								
– Additions in investment properties, property, plant and equipment, construction in progress, land use rights and intangible assets	2,666,262	3,854,671	271,910	972,288	417,552	5,516,421	2,669,746	10,852,429
– Additions in investment properties, property, plant and equipment, and land use rights arising from acquisition of subsidiaries	229,315	–	–	161,414	860,572	1,021,986	–	1,251,301

5. SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2022

	Toll roads and general-environmental protection business HKD'000	Logistics business: Logistics parks HKD'000	Logistics business: Logistics services HKD'000	Logistics business: Port and related services HKD'000	Logistics business: Logistics park transformation and upgrading business HKD'000	Logistics business: Sub-total HKD'000	Head office functions and others HKD'000	Total HKD'000
Revenue from contracts with customers within the scope of HKFRS 15								
– Point in time	8,090,059	576,113	389,619	2,761,767	30,202	3,757,701	–	11,847,760
– Overtime	2,684,263	–	–	–	–	–	–	2,684,263
Sub-total	10,774,322	576,113	389,619	2,761,767	30,202	3,757,701	–	14,532,023
Revenue from other sources								
– Leases from properties	–	997,278	–	–	–	997,278	–	997,278
Revenue	10,774,322	1,573,391	389,619	2,761,767	30,202	4,754,979	–	15,529,301
Operating profit (loss)	2,697,295	1,596,740	29,334	190,287	2,838,168*	4,654,529	(268,157)	7,083,667
Share of profit (loss) of joint ventures	47,604	15,281	4,767	–	–	20,048	(4,775)	62,877
Share of profit (loss) of associates	622,229	(204)	–	–	38,237	38,033	(2,307,287)	(1,647,025)
Finance income	149,084	88,684	1,451	2,240	197	92,572	62,555	304,211
Finance costs	(1,707,858)	(64,639)	(829)	(1,829)	(40,458)	(107,755)	(1,057,191)	(2,872,804)
Profit (loss) before income tax	1,808,354	1,635,862	34,723	190,698	2,836,144	4,697,427	(3,574,855)	2,930,926
Income tax expense	(616,939)	(225,634)	(5,716)	(48,407)	(1,236)	(280,993)	(96,837)	(994,769)
Profit (loss) for the year	1,191,415	1,410,228	29,007	142,291	2,834,908	4,416,434	(3,671,692)	1,936,157
(Profit) loss attributable to non-controlling interests	(540,801)	6,854	(19,486)	(39,582)	4,444	(47,770)	(668)	(589,239)
Sub-total	650,614	1,417,082	9,521	102,709	2,839,352	4,368,664	(3,672,360)	1,346,918
Profit attributable to perpetual securities holders	–	–	–	–	–	–	(92,999)	(92,999)
Profit (loss) attributable to ordinary shareholders of the Company	650,614	1,417,082	9,521	102,709	2,839,352	4,368,664	(3,765,359)	1,253,919
Depreciation and amortisation	1,999,580	561,690	26,420	37,504	570	626,184	82,125	2,707,889
Capital expenditure								
– Additions in investment properties, property, plant and equipment, construction in progress, land use rights and intangible assets	1,599,897	2,287,865	171,865	23,855	(115)	2,483,470	1,920,373	6,003,740
– Additions in investment properties, property, plant and equipment, land use rights and intangible assets arising from acquisition of subsidiaries	311,514	1,878,597	–	–	–	1,878,597	–	2,190,111
– Additions in interests in associates	186,734	–	–	–	2,846,141	2,846,141	30,348	3,063,223

5. SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2022 *(continued)*

Notes:

(a) The revenue from toll roads included construction service revenue under service concession arrangements in amount of HKD1,496,173,000 for the year (2022: HKD1,444,105,000).

(b) The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.

(c) 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 are mainly located in the PRC, revenues derived from non-current assets located in other countries and regions are not material.

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

6. INVESTMENT PROPERTIES

	2023 HKD'000	2022 HKD'000
Beginning of the year	**10,226,082**	7,697,726
Transferred from property, plant and equipment	**–**	59,671
Transferred to property, plant and equipment (note 7)	**(70,309)**	(13,023)
Transferred from inventories	**–**	29,142
Additions	**4,031,288**	2,294,679
Acquisition of subsidiaries (note 40)	**860,213**	1,953,904
Disposal of subsidiaries	**–**	(1,247,721)
Fair value gain (note 29)	**304,803**	276,617
Exchange difference	**(271,359)**	(824,913)
End of the year	**15,080,718**	10,226,082
Analysis of the carrying amount is as follows:		
Investment properties	**9,993,691**	7,044,454
Investment properties under construction	**5,087,027**	3,181,628
	15,080,718	10,226,082

The Group leases out premises and warehouses under operating leases. The leases typically run for an initial period of 1 to 20 years, with an option to renew the lease after that date at which time all terms are renegotiated. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term. Lease payments are usually adjusted every year to reflect market rentals. None of the leases includes variable lease payments.

During the year ended 31 December 2022, the Group had reclassified certain property from owner-occupied property to investment property to earn rentals, as evidenced by the end of the Group's owner-occupation of those property. Accordingly, property, plant and equipment of HKD46,753,000 was transferred to investment properties.

Included in investment properties, there are leasehold lands with a lease term of 50 years for logistic business in the PRC.

6. INVESTMENT PROPERTIES *(continued)*

Fair Value Hierarchy *(continued)*

The Group's investment properties were revalued at 31 December 2023. The valuations were determined by reference to valuations performed by Asset Appraisal Limited, an independent professional qualified property valuers who have, among their staff, Fellow of the Hong Kong Institute of Surveyors with recent experience in valuating property in similar location and categories of properties being valued.

None of the Group's investment properties measured at fair value are categorised as Level 1 nor Level 2 input. The Group's investment properties are at Level 3 valuation.

	Valuation techniques	***Unobservable input***	***Range***
Investment properties	Market comparison approach	Market unit rate	HKD1,466 to HKD13,663 per square metre (2022: HKD617 to HKD12,861 per square metre)
Investment properties	Income capitalisation method	Capitalisation rate	2.75% to 9.35% (2022: 4.40% to 9.15%)
		Expected vacancy rate	15% to 25% (2022: 5% to 20%)
		Expected market rental growth rate	1% to 4.35% (2022: 2% to 4.35%)
Investment properties under construction	Market comparison approach	Further costs for completing the properties	HKD36,807,000 to HKD638,338,000 (2022: HKD 67,455,000 to HKD162,357,000)
		Market unit rate	HKD489 to HKD2,333 per square metre (2022: HKD885 to HKD5,978 per square metre)
Investment properties under construction	Replacement costs approach	Current costs of replacement of the properties	HKD41,503,000 to HKD 95,875,000 (2022: HKD59,765,000 to HKD508,932,000)

The fair value of investment properties determined using market comparison approach is determined by reference to recent sales price of comparable properties on a price per square metre basis, adjusted for a premium or a discount specific to the quality of the Group's buildings compared to the recent sales. Higher premium for higher quality properties will result in a higher fair value measurement.

The fair value of investment properties derived using the income capitalisation method is determined by discounting the projected cash flows associated with the properties using capitalisation rates. The valuation takes into account expected market rental growth and vacancy rate of the respective properties. The capitalisation rates used have been adjusted for the quality and location of the buildings. The fair value measurement is positively correlated to the expected market rental growth, and negatively correlated to the vacancy rate and the capitalisation rates.

The fair value of investment properties under construction determined using market comparison approach is determined by reference to recent sales price of comparable properties on a price per square metre basis, adjusted for further costs for completing the Group's properties. Higher further costs for completing will result in a lower fair value measurement.

The fair value of investment properties under construction determined using replacement costs approach is determined by reference to recent sales price of comparable land for the existing use of land plus the current costs of replacement of the properties. Higher replacement costs of replacement will result in a higher fair value measurement.

6. INVESTMENT PROPERTIES *(continued)*

Undiscounted lease payments under non-cancellable operating lease

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2023 **HKD'000**	2022 HKD'000
Within 1 year	**398,183**	226,769
After 1 year but within 2 years	**287,364**	174,449
After 2 years but within 3 years	**200,031**	99,380
After 3 years but within 4 years	**150,837**	68,789
After 4 years but within 5 years	**97,717**	57,688
After 5 years	**400,132**	58,371
	1,534,264	685,446

7. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2023

	Land and buildings HKD'000	Other properties leased for own use HKD'000	Leasehold improvements HKD'000	Motor vehicles HKD'000	Furniture, fixtures, and equipment HKD'000	Loading equipment and facilities in port and wind-power equipment HKD'000	Total HKD'000
Net book amount as at 1 January 2023	10,813,446	334,242	12,752	30,097	1,591,792	5,092,168	17,874,497
Acquisition of subsidiaries	175,731	–	–	610	54,471	146,532	377,344
Disposal of subsidiaries	(815)	–	–	(12,609)	(1,127)	–	(14,551)
Transfer from construction in progress (note 9)	2,698,165	–	–	–	77,986	33,576	2,809,727
Transfer from investment properties (note 6)	70,309	–	–	–	–	–	70,309
Additions	586,332	104,947	789	37,146	192,930	618	922,762
Disposals	(443,092)	(87,985)	–	(1,584)	(156,456)	(1,672)	(690,789)
Exchange difference	(266,022)	(7,275)	(270)	(993)	(33,750)	(110,048)	(418,358)
Depreciation	(509,837)	(21,860)	(1,756)	(13,403)	(290,822)	(312,497)	(1,150,175)
Closing net book value	13,124,217	322,069	11,515	39,264	1,435,024	4,848,677	19,780,766
At 31 December 2023							
Costs	16,320,191	823,095	29,220	141,142	4,285,428	6,178,929	27,778,005
Accumulated depreciation and impairment	(3,195,974)	(501,026)	(17,705)	(101,878)	(2,850,404)	(1,330,252)	(7,997,239)
Net book value	13,124,217	322,069	11,515	39,264	1,435,024	4,848,677	19,780,766

7. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Year ended 31 December 2022

	Land and buildings HKD'000	Other properties leased for own use HKD'000	Leasehold improvements HKD'000	Motor vehicles HKD'000	Furniture, fixtures, and equipment HKD'000	Loading equipment and facilities in port and wind-power equipment HKD'000	Total HKD'000
Net book amount as at 1 January 2022	10,838,045	881,215	15,024	32,916	1,795,245	5,524,624	19,087,069
Acquisition of subsidiaries	21,637	1,152	–	709	1,721	–	25,219
Disposal of subsidiaries	(691,216)	–	(137)	–	(117,357)	–	(808,710)
Transfer from construction in progress (note 9)	2,210,428	–	–	–	174,457	37,488	2,422,373
Transfer from (to) investment properties (note 6)	13,023	(46,753)	–	–	–	–	(33,730)
Additions	9,537	47,544	998	13,945	273,651	308,061	653,736
Disposals	(236,215)	(334,373)	–	(726)	(76,014)	(21,352)	(668,680)
Exchange difference	(914,723)	(62,229)	(1,217)	(4,286)	(149,100)	(453,221)	(1,584,776)
Depreciation	(437,070)	(152,314)	(1,916)	(12,461)	(310,811)	(303,432)	(1,218,004)
Closing net book value	10,813,446	334,242	12,752	30,097	1,591,792	5,092,168	17,874,497
At 31 December 2022							
Costs	13,751,602	810,674	28,600	148,767	4,235,402	6,095,208	25,070,253
Accumulated depreciation and impairment	(2,938,156)	(476,432)	(15,848)	(118,670)	(2,643,610)	(1,003,040)	(7,195,756)
Net book value	10,813,446	334,242	12,752	30,097	1,591,792	5,092,168	17,874,497

As at 31 December 2023, property ownership certificates for buildings, used in the operation of toll roads and logistic parks, with net book value of HKD1,050,255,000 (2022: HKD752,671,000) are not procured. Due to the unique feature of the Group's operation of toll roads, the affiliated buildings and structures should be reverted to the government when the approved operating periods expire. Thus, the Group does not have a plan of procuring the property ownership certificates.

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	**2023 HKD'000**	2022 HKD'000
Land and buildings and other properties leased included in "Property, plant and equipment" with initial lease terms of 2 to 20 years		**827,307**	870,633
Land use rights	8	**4,231,866**	3,181,633
		5,059,173	4,052,266

The above right-of use assets are carried at depreciated cost.

7. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Right-of-use assets *(continued)*

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2023 **HKD'000**	2022 HKD'000
Depreciation and amortisation charge of right-of-use assets by class of underlying asset		
Property, plant and equipment	**41,723**	57,648
Land use rights (note 8)	**141,405**	124,448
	183,128	182,096
Interest on lease liabilities (note 32)	**47,356**	64,694
Expense relating to short-term leases	**68,264**	65,448
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	**3,150**	7,329

Total cash outflow for leases except for land use rights in the current year amounted to HKD222,476,000 (2022: HKD513,365,000). During the year ended 31 December 2023, cash outflow for acquisition of land use rights is HKD1,364,973,000 (2022: HKD386,887,000).

Details of land leases included in the carrying amount of inventories, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 16, 36(a) and 27, respectively.

8. LAND USE RIGHTS

	2023 HKD'000	2022 HKD'000
Beginning of the year	3,181,633	3,328,772
Acquisition of subsidiaries	13,214	–
Additions	1,364,973	386,887
Disposal	(106,414)	–
Disposal of subsidiaries	–	(133,034)
Amortisation (note 7(a))	(141,405)	(124,448)
Exchange difference	(80,135)	(276,544)
End of the year	4,231,866	3,181,633

The analysis of carrying amount of leasehold land included as land use right is as follows:

	2023 HKD'000	2022 HKD'000
In the PRC		
Medium-term leases (10-50 years)	4,231,866	3,181,633

9. CONSTRUCTION IN PROGRESS

	2023 HKD'000	2022 HKD'000
Beginning of the year	3,436,227	3,927,282
Acquisition of a subsidiary (note 40)	530	–
Disposal of subsidiaries	–	(13,064)
Additions	2,550,114	2,261,144
Transfer to property, plant and equipment (note 7)	(2,809,727)	(2,422,373)
Exchange difference	(72,865)	(316,762)
End of the year	3,104,279	3,436,227

10. INTANGIBLE ASSETS

	2023 **HKD'000**	2022 HKD'000
Cost	**49,078,415**	50,026,372
Accumulated amortisation and impairment	**(19,798,090)**	(20,085,234)
Net book value as at 31 December	**29,280,325**	29,941,138
Net book value as at 1 January	**29,941,138**	32,922,243
Additions	**1,983,292**	1,445,272
Disposals	**(21,960)**	–
Amortisation	**(1,966,426)**	(1,967,892)
Acquisition of a subsidiary	**–**	311,514
Others	**–**	(56,733)
Impairment	**–**	(21,899)
Exchange difference	**(655,719)**	(2,691,367)
Net book value as at 31 December	**29,280,325**	29,941,138

The Group's intangible assets include the followings:

(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.

As at 31 December 2023, the carrying amounts of the toll road operating rights of the Group was HKD24,099,719,000 (2022: HKD25,326,002,000). 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 related to toll roads of HKD1,767,199,000 (2022: HKD1,813,806,000) has all been charged to the consolidated income statement made "Cost of sales and services".

The operating rights of certain toll roads were pledged for secured borrowings (see note 22(a)).

(ii) Kitchen waste disposal project

Concession intangible assets related to kitchen waste disposal project allow the Group 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.

11. GOODWILL

	2023 HKD'000	2022 HKD'000
Carrying amount as at 1 January	551,995	657,917
Acquisition of a subsidiary (note 40)	3,643	–
Impairment loss recognised in the year	–	(52,925)
Exchange difference	(12,123)	(52,997)
Carrying amount as at 31 December	543,515	551,995

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU"s) identified according to following business:

	2023 HKD'000	2022 HKD'000
Toll roads	223,303	228,304
Logistics parks	305,685	312,531
Logistics services	10,917	11,160
Port and related services	3,610	–
	543,515	551,995

As at 31 December 2023 and 2022, the Group assessed the recoverable amount of all the CGUs of toll roads, general-environmental protection business, logistics parks, logistics services and port and related services.

The recoverable amount of the CGU of toll roads business is determined based on a value in use calculation according to the present value of the estimated future cash flow of the toll roads business. That calculation uses cash flow projections based on financial budgets approved by management of the Group covering the predictive period to expiration of concession rights of relevant toll roads with a pre-tax discount rate ranging from 6.70% to 8.10% (2022: 7.94% to 9.23%). The key assumptions for the value in use calculation include growth rate of traffic flow and gross profit rate. The management of the Group believes that any reasonable change in the above assumptions will not result in the carrying amount of assets allocated to the CGU of toll roads business exceeding the recoverable amount of the CGU of toll roads business.

The recoverable amount of the CGU of logistics parks business is determined based on a value in use calculation according to the present value of the estimated future cash flow of the logistics parks business. That calculation uses cash flow projections based on financial budgets approved by management of the Group covering a five-year period with a pre-tax discount rate of 6.20% to 8.00% and projection of terminal value using the perpetuity method at a growth rate of 3.0% (2022: 3.0%). The key assumptions for the value in use calculation include revenue growth rates and gross margin, which are determined based on the Group's past performance and inflation rate. The management of the Group believes that any reasonable change in the above assumptions will not result in the carrying amount of the CGU of logistics parks business exceeding the recoverable amount of the CGU of logistics parks business.

12. INTERESTS IN ASSOCIATES

	2023 HKD'000	2022 HKD'000
Beginning of the year	**17,542,041**	19,560,227
Additions	**43,866**	3,063,223
Disposals	**(29,451)**	–
Share of profit (loss) of associates	**678,271**	(1,647,025)
Share of other comprehensive income (expenses) of associates	**29,495**	(26,744)
Share of other reserves movement of associates	**5,624**	37,954
Return of capital	**–**	(1,058,973)
Dividends	**(388,949)**	(475,369)
Exchange difference	**(387,337)**	(1,911,252)
End of the year	**17,493,560**	17,542,041

The year-end balance comprises the following:

	2023 HKD'000	2022 HKD'000
Share of net assets, other than goodwill	**15,832,281**	15,843,563
Goodwill on acquisition (Note (b))	**1,661,279**	1,698,478
	17,493,560	17,542,041

Notes:

(a) The major associates as listed below are held indirectly by the Company, their place of business and country of incorporation is the PRC. They are accounted for using equity method.

Name	% Ownership interest in		Business nature
	2023	2022	
Shenzhen Airlines Company Limited ("Shenzhen Airlines")	**49%**	49%	Aviation services
Air China Cargo Co., Ltd ("Air China Cargo") (Note (c))	**10%**	10%	Aviation services
Shenzhen International United Land Co., Ltd. ("United Land Company")	**34.3%**	34.3%	Real estate development
Guangzhou Western Second Ring Expressway Company Limited	**25%**	25%	Construction, operation and management of highways
Nanjing Yangzi River Third Bridge Company Limited	**35%**	35%	Construction, operation and management of bridges
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	**25%**	25%	Construction, operation and management of highways
Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd. ("Qianhai Real Estate")	**50%**	50%	Real estate development
Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd ("Qianhai Business")	**50%**	50%	Real estate development
Chongqing Derun Environment Company Limited ("Derun Company")	**20%**	20%	Environment management and resources recovery
Foshan Shunde ShengChuang Expressway Environmental Science Industry M&A investment partnership	**45%**	45%	Investment management

12. INTERESTS IN ASSOCIATES *(continued)*

Notes: (continued)

(b) This balance mainly represents goodwill arising from the acquisition of equity interests in Yangmao Company, Shenzhen Expressway Engineering Consulting Company Limited and Derun Company.

(c) The director of the company anticipated the Group has significant influence in the board over these entities through participation directors of these entities, which governs the financial operation activities of these entities.

(d) In the opinion of the directors, Qianhai Business, Derun Company and Air China Cargo are material associates to the Group. Qianhai Business, Derun Company and Air China Cargo are private companies and there are no quoted market prices available for their shares. Set out below are the summarised financial information for the three associates.

Summarised balance sheet

	Qianhai Business		*Derun Company*	
	2023 HKD'000	*2022 HKD'000*	***2023 HKD'000***	*2022 HKD'000*
Current assets	**8,009,951**	5,568,813	**15,456,528**	14,858,589
Current liabilities	**(6,543,601)**	(4,123,365)	**(13,976,692)**	(13,328,636)
Net current assets	**1,466,350**	1,445,448	**1,479,836**	1,529,953
Non-current assets	**1,156,308**	1,205,537	**56,577,176**	54,998,377
Non-current liabilities	**–**	–	**(21,250,925)**	(19,563,844)
Net non-current assets	**1,156,308**	1,205,537	**35,326,251**	35,434,533
Non-controlling interests	**–**	–	**(16,911,355)**	(16,720,043)
Equity attributable to the owners of the associate	**2,622,658**	2,650,985	**19,894,732**	20,244,443

	Air China Cargo	
	2023 HKD'000	*2022 HKD'000*
Current assets	**9,641,775**	9,737,845
Current liabilities	**(3,098,639)**	(2,739,418)
Net current assets	**6,543,136**	6,998,427
Non-current assets	**15,375,624**	14,030,281
Non-current liabilities	**(281,189)**	(151,490)
Net non-current assets	**15,094,435**	13,878,791
Non-controlling interests	**(10,035)**	(9,019)
Equity attributable to the owners of the associate	**21,627,536**	20,868,199

12. INTERESTS IN ASSOCIATES *(continued)*

Notes: (continued)

(d) *(continued)*

Summarised statement of comprehensive income

	Qianhai Business		Derun Company	
	2023 HKD'000	2022 HKD'000	**2023 HKD'000**	2022 HKD'000
Revenue	**8,452**	402	**15,014,078**	16,126,706
Profit (loss) for the year	**30,012**	(2,039)	**992,877**	1,280,163
Other comprehensive income (expense)	**–**	–	**56,537**	(40,595)
Total comprehensive income (expense)	**30,012**	(2,039)	**1,049,414**	1,239,568
Dividends received from the associate	**–**	–	**186,625**	170,134

	Air China Cargo	
	2023 HKD'000	2022 HKD'000
Revenue	**16,457,232**	26,192,091
Profit for the year	**1,271,616**	3,544,836
Other comprehensive income	**1,650**	2,966
Total comprehensive income	**1,273,266**	3,547,802
Dividends received from the associate	**–**	51,730

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

12. INTERESTS IN ASSOCIATES *(continued)*

Notes: (continued)

(d) *(continued)*

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interests in the associates

	Qianhai Business		Derun Company	
	2023 HKD'000	2022 HKD'000	**2023 HKD'000**	2022 HKD'000
Opening net assets	**2,650,985**	2,680,064	**20,244,443**	21,353,274
Profit (loss) for the year	**30,012**	(2,039)	**992,877**	1,280,163
Other comprehensive income (expense)	**–**	–	**56,537**	(40,595)
Fair value adjustments made at the time of Qianhai Business becoming the Group's associate	**–**	(27,667)	**–**	–
Associates' reserves movement	**–**	–	**–**	81,227
Dividend paid	**–**	–	**(933,125)**	(850,672)
Currency translation differences	**(58,339)**	627	**(466,000)**	(1,578,952)
Closing equity attributable to the owners of the associate	**2,622,658**	2,650,985	**19,894,732**	20,244,445
The Group's share of the associate's net assets attributable to their owners (Note)	**1,311,329**	1,325,493	**3,978,946**	4,048,889
Goodwill	**–**	–	**1,610,119**	1,646,173
Add: Fair value adjustments upon Acquisition	**1,428,977**	1,461,908	**–**	–
Carrying value	**2,740,306**	2,787,401	**5,589,065**	5,695,062

	Air China Cargo	
	2023 HKD'000	2022 HKD'000
Opening net assets	**20,868,199**	20,220,918
Profit for the year	**1,271,616**	3,544,836
Other comprehensive income	**1,650**	2,966
Associates' reserves movement	**(166,919)**	98
Dividend paid	**–**	(2,875,497)
Currency translation differences	**(347,010)**	(25,122)
Closing equity attributable to the owners of the associate	**21,627,536**	20,868,199
The Group's share of the associate's net assets attributable to their owners (Note)	**2,162,754**	2,086,820
Add: Fair value adjustments upon acquisition	**214,202**	164,437
Carrying value	**2,376,956**	2,251,257

Note: The Group shares 50% of equity interests of Qianhai Business, 20% of equity interests of Derun Company and 10% of equity interests of Air China Cargo.

12. INTERESTS IN ASSOCIATES *(continued)*

Notes: (continued)

(d) *(continued)*

	2023 **HKD'000**	2022 HKD'000
The unrecognised share of loss of Shenzhen Airlines for the year	**924,516**	4,403,614
Cumulative unrecognised share of loss of Shenzhen Airlines	**5,328,130**	4,403,614

(e) Aggregate financial information of associates that are not individually material is as follows:

	2023 **HKD'000**	2022 HKD'000
Aggregate carrying amount of the Group's interests in associates that are not individually material	**6,787,233**	6,808,322
The Group's share of profit (loss) (Note)	**337,528**	(2,256,522)
The Group's share of other comprehensive income (expense)	**18,023**	(18,922)
	355,551	(2,275,444)

Note:

For the year ended 31 December 2022, the Group's share of loss of associates included share of loss of Shenzhen Airlines of HKD2,665,912,000.

13. INTERESTS IN JOINT VENTURES

	2023 **HKD'000**	2022 HKD'000
Beginning of the year	**10,947,559**	12,185,056
Addition	**–**	349,331
Share of profit of joint ventures	**418,457**	62,877
Share of other comprehensive income of associates	**2,438**	–
Dividends received	**(256,967)**	(940,660)
Exchange difference	**(241,390)**	(709,045)
End of the year	**10,870,097**	10,947,559

13. INTERESTS IN JOINT VENTURES *(continued)*

Notes:

(a) The major joint ventures as listed below are held indirectly by the Company. Their place of business and country of incorporation is the PRC. They are accounted for using equity method.

Name	*% Ownership interest in*		*Business nature*
	2023	2022	
Shenzhen Airport International Express Supervision Center Co., Ltd.	**50%**	50%	Equipment services for customs monitoring
Shenzhen Shenshi Warehousing Investment Co., Ltd.	**46%**	46%	Warehouse management
Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway")	**N/A***	N/A*	Development, operation and management of an expressway
Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("GZ West Superhighway")	**50%**	50%	Development, operation and management of an expressway

* According to the joint venture agreements entered into between the relevant subsidiary and the corresponding joint venture partner under which the joint venture operates, GS Superhighway is established to undertake the development, operation and management of the Guangzhou-Shenzhen-Zhuhai Superhighway, an expressway in Guangdong Province of the PRC running between Shenzhen and Guangzhou. The operation period is 30 years from the official opening date 1 July 1997. At the end of the operation period, all the immovable assets and facilities of GS Superhighway will revert to the PRC joint venture partner without compensation.

The Group is considered to exercise joint control over GS Superhighway as the decision making on relevant activities of GS Superhighway required unanimous consent of all joint venture partners under contractual arrangement. Therefore, GS Superhighway is considered as a joint venture of the Group.

The Group's entitlement to the profit of the toll operations of Guangzhou-Shenzhen-Zhuhai Superhighway is 50% for the initial 10 years of operation period, 48% for the next 10 years and 45% for the last 10 years of the operation period.

The registered capital GS Superhighway amounting to RMB471,000,000 had already been repaid by GS Superhighway to the joint venture partners during the year ended 30 June 2008, and therefore no registered capital remains for the joint venture.

13. INTERESTS IN JOINT VENTURES *(continued)*

Notes: (continued)

(b) In the opinion of the directors, GS Superhighway and GZ West Superhighway are material joint ventures to the Group. GS Superhighway and GZ West Superhighway are private companies and there are no quoted market prices available for their shares. Set out below are the summarised financial information for GS Superhighway and GZ West Superhighway.

Summarised balance sheet

	GS Superhighway		GZ West Superhighway	
	2023 HKD'000	2022 HKD'000	**2023 HKD'000**	2022 HKD'000
Current assets	**1,400,128**	1,523,734	**538,718**	383,972
Current liabilities	**(1,738,269)**	(2,031,483)	**(1,049,192)**	(1,220,940)
Net current liabilities	**(338,141)**	(507,749)	**(510,474)**	(836,968)
Non-current assets	**15,791,393**	16,959,599	**12,409,054**	13,308,193
Non-current liabilities	**(2,742,850)**	(3,670,432)	**(4,141,895)**	(4,528,285)
Net non-current assets	**13,048,543**	13,289,167	**8,267,159**	8,779,908
Net assets	**12,710,402**	12,781,418	**7,756,685**	7,942,940

Summarised statement of comprehensive income

	GS Superhighway		GZ West Superhighway	
	2023 HKD'000	2022 HKD'000	**2023 HKD'000**	2022 HKD'000
Revenue	**3,212,845**	2,620,539	**1,448,420**	1,234,579
Profit (loss) for the year and total comprehensive income (expense)	**483,847**	(107,581)	**236,033**	172,818
Dividends received from the joint venture	**119,973**	726,152	**124,219**	199,611

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint ventures.

13. INTERESTS IN JOINT VENTURES *(continued)*

Notes: (continued)

(b) *(continued)*

Reconciliation of the summarised financial information presented to the carrying amount of the groups interests in the joint ventures

	GS Superhighway		GZ West Superhighway	
	2023 HKD'000	2022 HKD'000	**2023 HKD'000**	2022 HKD'000
Opening net assets	**12,781,418**	15,618,842	**7,942,940**	8,896,321
Profit (loss) for the year	**483,847**	(107,581)	**236,033**	172,818
Dividend paid	**(266,607)**	(1,613,671)	**(248,438)**	(399,221)
Currency translation differences	**(288,256)**	(1,116,172)	**(173,850)**	(726,978)
Closing net assets	**12,710,402**	12,781,418	**7,756,685**	7,942,940
Share of net assets	**5,719,681**	5,751,638	**3,878,342**	3,971,470
Adjustments for unrealised profit	**(69,233)**	(73,032)	**–**	–
Interest in the joint venture	**5,650,448**	5,678,606	**3,878,342**	3,971,470

Aggregate financial information of joint ventures that are not individually material is as follows:

	2023 HKD'000	2022 HKD'000
Aggregate carrying amount of the Group's interests in joint ventures that are not individually material	**1,341,307**	1,297,483
The Group's share of profit	**82,709**	24,880
The Group's share of other comprehensive income	**2,438**	–
The Group's share of total comprehensive income	**85,147**	24,880

14. OTHER FINANCIAL ASSETS

	2023 HKD'000	2022 HKD'000
Equity securities designated at FVTOCI		
– Unlisted equity securities	**48,915**	73,078
Financial assets measured at FVTPL		
– Listed securities in the PRC (Note (a))	**302,367**	389,044
– Listed securities in HK (Note (b))	**10,219**	–
– Unlisted equity securities (Note (c))	**623,319**	489,230
– Unlisted fund investment (Note (d))	**828,924**	820,363
– Structured deposit	**407,630**	2,083,585
	2,221,374	3,855,300
Less: non-current portion	**(1,155,711)**	(1,021,738)
Current portion	**1,065,663**	2,833,562

Notes:

(a) As at 31 December 2023 and 2022, listed equity investments stated at market price represent the Group's interest in listed real estate investment trust ("REITs").

(b) As at 31 December 2023, listed equity investments stated at market price represent 9,000,000 shares of listed banking services investment amounting to HKD10,219,000 (2022: nil).

(c) As at 31 December 2023 and 2022, unlisted equity investments mainly represent the Group's interest in Guangdong United Electronic Services Co., Ltd. and Shenzhen Water Planning and Design Institute Co., Ltd.

(d) As at 31 December 2023 and 2022, the amount mainly represents investments in the Yuanzhi Credit Suisse Smart Airport Logistics Industry Private Equity Fund, the Group's share in Shenzhen Capital Lingxiu Logistics Facility Phase I Private Investment Fund and the Group's interest in Shenzhen SASAC Cooperative Development Private Investment Fund.

15. OTHER NON-CURRENT ASSETS

	2023 **HKD'000**	2022 HKD'000
Contract assets that is expected to be recovered after more than one year	**2,929,775**	2,971,443
Receivables of electricity subsidy	**1,373,462**	1,308,629
Receivables of financing leases (Note 18)	**1,076,883**	1,218,653
Relocation compensation (Note)	**1,208,232**	385,506
Prepayment for non-current assets	**493,852**	663,395
Others	**789,461**	991,438
	7,871,665	7,539,064

Note:

During the year ended 31 December 2018, the Group entered into a supplementary agreement with United Land Company in relation to Meilinguan Urban Renewal Project ("Meilinguan Project") of Shenzhen Longhua District Minzhi Office (the "Agreement"). Pursuant to the Agreement, United Land Company will construct and transfer certain units of the office building (the "New Premises") to the Group, the right to receive the New Premises as other assets was initially recognised at RMB1,051,841,000 (equivalent to HKD1,200,457,000), which was estimated based on the fair value of the New Premises at the date of transfer.

For the year ended 31 December 2023, the directors of the Company are of the opinion that the carrying amount of the New Premises exceeds its recoverable amount, and thus the New Premises was impaired to its recoverable amount of HKD1,208,232,000 (net of impairment of HKD209,731,000 which has been recognised in profit or loss during the year). For the year ended 31 December 2022, the directors of the Company are of the opinion that the carrying amount of the New Premises did not exceed its recoverable amount.

16. INVENTORIES AND OTHER CONTRACT COSTS

	2023 HKD'000	2022 HKD'000
Land held for future development	**385,890**	391,093
Land and properties under development for sale	**2,583,156**	2,469,454
Completed properties for sale	**1,055,653**	2,873,020
Wind turbine equipment	**457,801**	444,527
Others	**599,157**	240,331
Write-down	**(266,115)**	(123,289)
	4,815,542	6,295,136

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2023 HKD'000	2022 HKD'000
Carrying amount of inventories sold	**4,701,469**	2,300,317
Write-down of inventories	**146,885**	113,821
Total	**4,848,354**	2,414,138

(b) The analysis of carrying amount of leasehold land held for properties development for sale included in above mentioned inventories is as follows:

	2023 HKD'000	2022 HKD'000
In the PRC, with remaining lease term of:		
between 10 and 50 years	**2,361,149**	3,860,953
50 years or more	**477,793**	504,285
	2,838,942	4,365,238

The amount of properties expected to be recovered after more than one year is HKD2,605,193,000 (2022: HKD2,660,091,000). All the other inventories are expected to be recovered within one year.

17. CONTRACT ASSETS

	2023 HKD'000	2022 HKD'000
Arising from performance under construction contracts	**456,780**	440,668
Less: Loss allowance	**(22,143)**	(16,069)
Contract assets, net of loss allowance	**434,637**	424,599

As at 1 January 2022, the amount of contract assets (including current and non-current portion), net of loss allowance is HKD3,130,654,000.

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. The respective price of service provided is included in contract assets until the Group's fulfilment of the respective milestone.

The amount of contract assets that is expected to be recovered after more than one year, included in other non-current assets, is HKD2,929,775,000 (2022: HKD2,971,443,000).

18. TRADE AND OTHER RECEIVABLES

	2023 HKD'000	2022 HKD'000
Trade receivables and bill receivables (Note (a))	**2,012,311**	2,399,265
Less: Loss allowance	**(304,106)**	(242,145)
Trade receivable, net of loss allowance	**1,708,205**	2,157,120
Lease receivables (Note (b))	**281,050**	114,858
Dividend receivable from associates	**219,018**	324,217
Amounts due from associates	**150,800**	1,062,226
Amount due from a joint venture	**1,831**	236,733
Other debtors	**850,282**	1,517,821
	3,211,186	5,412,975
Deposits and prepayments	**948,450**	1,248,863
	4,159,636	6,661,838

18. TRADE AND OTHER RECEIVABLES *(continued)*

Notes:

(a) The settlement period of the toll revenue from toll road operations is normally within a month due to the implementation of unified toll collection policy on expressways of the Group in the PRC. Trade receivables other than toll revenue generally due within 120 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 36(a)(iv).

As at 1 January 2022, the amount of trade receivable, net of loss allowance is HKD1,883,455,000.

As at 31 December 2023, the ageing analysis of trade receivables based on revenue recognition date was as follows:

	2023 ***HKD'000***	*2022* *HKD'000*
0-90 days	**763,381**	1,323,344
91-180 days	**154,753**	334,552
181-365 days	**213,531**	332,598
Over 365 days	**880,646**	408,771
	2,012,311	2,399,265

(b) Receivables from finance lease

	2023 ***HKD'000***	*2022* *HKD'000*
Total receivables	**1,357,933**	1,333,511
Less: non-current portion (Note 15)	**(1,076,883)**	(1,218,653)
Current portion	**281,050**	114,858

19. CASH AND CASH EQUIVALENTS

	2023 ***HKD'000***	*2022* *HKD'000*
Cash at bank and on hand (Note (a))	**9,804,705**	14,024,657
Less: Restricted bank deposits (Note (b))	**(1,088,617)**	(2,804,834)
Less: Deposits in banks with original maturities over three months (Note (c))	**(1,118,292)**	(389,950)
Cash and cash equivalents	**7,597,796**	10,829,873

19. CASH AND CASH EQUIVALENTS *(continued)*

Notes:

(a) The cash at bank and on hand were denominated in the following currencies:

	2023 HKD'000	2022 HKD'000
RMB	**9,534,025**	12,890,343
HKD	**170,959**	188,290
USD	**99,598**	945,904
Other currencies	**123**	120
	9,804,705	14,024,657

(b) As at 31 December 2023 and 2022, the restricted bank deposits mainly represented restricted project funds.

(c) As at 31 December 2023 and 2022, the deposits in banks with original maturities over 3 months mainly represented time deposits carry interest at respective market rates range from 1.50% to 3.30% (2022: 5.35%).

20. SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares	Ordinary share capital HKD'000	Share premium HKD'000	Total HKD'000
At 1 January 2022	2,266,714,438	2,266,715	10,064,933	12,331,648
Issue of scrip shares as dividend (note 35)	121,094,761	121,095	765,561	886,656
At 31 December 2022	2,387,809,199	2,387,810	10,830,494	13,218,304
Issue of scrip shares as dividend (note 35)	5,339,689	5,340	30,511	35,851
Employee share options – recognition of share-based payment (note 31)	–	–	3,828	3,828
At 31 December 2023	2,393,148,888	2,393,150	10,864,833	13,257,983

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

(a) Authorised and issued shares

As at 31 December 2023, the total authorised number of shares was 3,000 million (2022: 3,000 million) with par value of HKD1.00 per share (2022: 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:

	2023		2022	
	Average Exercise price HKD	***Number of share options 000***	*Average Exercise price HKD*	*Number of share options 000*
Beginning of the year		**–**	10.016	27,610
Granted (Note)	**5.37**	**55,454**		–
Lapsed		**–**		(27,610)
End of the year		**55,454**		–

Note:

On 01 November 2023, 55,454,000 share options (the “2023 Share Options”) with an exercise price of HKD5.37 per share were granted to certain directors of the Company and selected employees of the Group. The exercise price of 2023 Share Options represents the closing price of share on the date of grant. 40% of the share options granted is to be vested on 01 November 2025, another 30% of the share options granted will be vested on 01 November 2026, and the remaining 30% of the share options granted will be vested on 01 November 2027. 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.

21. OTHER RESERVES AND RETAINED EARNINGS

	Fair value reserve HKD'000 (Note (a))	Reserve funds HKD'000 (Note (b))	Capital reserve HKD'000	Goodwill reserve HKD'000	Merger reserve HKD'000	Revaluation surplus HKD'000	Other reserves HKD'000 (Note (c))	Currency translation reserve HKD'000	Contributed surplus HKD'000 (Note (d))	Other reserves sub-total HKD'000	Retained earnings HKD'000	Total HKD'000
At 1 January 2023	5,529	5,081,994	59,723	(159,583)	(734,447)	542,468	2,256,421	(5,370,161)	13,005	1,694,949	16,334,611	18,029,560
Profit attributable to ordinary shareholders of the Company	–	–	–	–	–	–	–	–	–	–	1,901,643	1,901,643
Net movement in fair value on other financial assets	(417)	–	–	–	–	–	–	–	–	(417)	–	(417)
Deferred taxation relating to revaluation of other financial assets	(139)	–	–	–	–	–	–	–	–	(139)	–	(139)
Share of other comprehensive income of associates	–	–	–	–	–	–	31,933	–	–	31,933	–	31,933
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	(76,919)	–	(76,919)	–	(76,919)
Exchange difference arising from translation of functional currency to presentation currency	–	–	–	–	–	–	–	(953,395)	–	(953,395)	–	(953,395)
Total comprehensive expenses	(556)	–	–	–	–	–	31,933	(1,030,314)	–	(998,937)	1,901,643	902,706
Transfer to reserve	–	65,605	–	–	–	–	–	–	–	65,605	(65,605)	–
Share of associates' reserve's movement	–	–	–	–	–	–	5,624	–	–	5,624	–	5,624
Dividend relating to 2022 (note 35)	–	–	–	–	–	–	–	–	–	–	(613,667)	(613,667)
At 31 December 2023	4,973	5,147,599	59,723	(159,583)	(734,447)	542,468	2,293,978	(6,400,475)	13,005	767,241	17,556,982	18,324,223

21. OTHER RESERVES AND RETAINED EARNINGS *(continued)*

	Fair value reserve HKD'000 (Note (a))	Reserve funds HKD'000 (Note (b))	Capital reserve HKD'000	Goodwill reserve HKD'000	Merger reserve HKD'000	Revaluation surplus HKD'000	Other reserves HKD'000 (Note (c))	Currency translation reserve HKD'000	Contributed surplus HKD'000 (Note (d))	Other reserves sub-total HKD'000	Retained earnings HKD'000	Total HKD'000
At 1 January 2022	6,249	4,875,300	59,723	(159,583)	1,306,624	532,780	2,241,651	556,979	13,005	9,432,728	17,108,192	26,540,920
Profit attributable to ordinary shareholders of the Company	–	–	–	–	–	–	–	–	–	–	1,253,919	1,253,919
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	(494,647)	–	(494,647)	–	(494,647)
Fair value loss on equity securities designated at fair value through other comprehensive income	(690)	–	–	–	–	–	–	–	–	(690)	–	(690)
Share of other comprehensive expenses of associates	–	–	–	–	–	–	(13,790)	–	–	(13,790)	–	(13,790)
Gain on revaluation of properties previously occupied by the Group	–	–	–	–	–	12,918	–	–	–	12,918	–	12,918
Deferred taxation relating to revaluation of properties	–	–	–	–	–	(3,230)	–	–	–	(3,230)	–	(3,230)
Exchange difference arising from translation of functional currency to presentation currency	(30)	–	–	–	–	–	–	(5,376,459)	–	(5,376,489)	–	(5,376,489)
Total comprehensive expenses	(720)	–	–	–	–	9,688	(13,790)	(5,871,106)	–	(5,875,928)	1,253,919	(4,622,009)
Transfer to reserve	–	206,694	–	–	–	–	–	–	–	206,694	(206,694)	–
Share of associates' reserve's movement	–	–	–	–	–	–	28,560	–	–	28,560	–	28,560
Dividend relating to 2021 (note 35)	–	–	–	–	–	–	–	–	–	–	(1,876,840)	(1,876,840)
Transfer of exchange reserve upon derecognition of subsidiaries	–	–	–	–	–	–	–	(56,034)	–	(56,034)	56,034	–
Business combination under common control	–	–	–	–	(2,041,071)	–	–	–	–	(2,041,071)	–	(2,041,071)
At 31 December 2022	5,529	5,081,994	59,723	(159,583)	(734,447)	542,468	2,256,421	(5,370,161)	13,005	1,694,949	16,334,611	18,029,560

Notes:

(a) The fair value reserve comprises the cumulative net change in the fair value of debt securities measured at FVTOCI and equity securities designated at FVTOCI held at the end of the reporting period.

(b) In accordance with the PRC regulations, certain companies of the Group in the PRC are required to transfer part of their profits after taxation to various reserve funds, which are non-distributable, before profit distributions are made. The amounts of the transfers are subject to the approval of the boards of directors of these companies, in accordance with their joint venture agreements and/or articles of association.

(c) Other reserves mainly represented the differences between the considerations paid or received and the relevant carrying value of net assets of the subsidiaries acquired or disposed of for the transactions with certain non-controlling interests, share of other comprehensive income of associates and the share of associates' reserve's movement.

(d) The contributed surplus of the Group represents the difference between the nominal value of the shares of the former group holding company, acquired pursuant to the Group reorganisation on 9 January 1990, over the nominal value of the Company's shares issued in exchange thereof.

22. BORROWINGS

	Notes	*2023* *HKD'000*	*2022* *HKD'000*
Secured bank borrowings	(a)	**16,551,325**	16,038,487
Unsecured bank borrowings and other borrowings		**16,530,131**	18,822,386
Medium-term notes	(b)	**2,229,409**	916,583
Senior notes		**–**	774,883
Corporate bonds	(c)	**7,120,242**	8,947,593
Panda bonds	(d)	**11,125,346**	5,684,040
Borrowings from finance lease companies		**117,480**	313,974
Super short-term commercial paper	(e)	**1,664,753**	2,269,063
		55,338,686	53,767,009
Less: Amount due within one year		**(26,977,953)**	(29,340,767)
Amount shown under non-current liabilities		**28,360,733**	24,426,242
Analysis of borrowings due within one year:			
Secured bank borrowings		**10,312,970**	9,191,156
Unsecured bank borrowings		**9,075,663**	13,648,739
Medium-term notes		**29,985**	916,583
Senior notes		**–**	774,883
Corporate bonds		**1,440,396**	2,455,506
Panda bonds		**4,427,704**	–
Borrowings from finance lease companies		**26,482**	84,837
Super short-term commercial paper		**1,664,753**	2,269,063
		26,977,953	29,340,767

Notes:

(a) The Group's borrowings had been secured by the pledge of the Group's assets and carrying amounts of the respective assets are as follows:

	2023 *HKD'000*	*2022* *HKD'000*
Trade receivables	**–**	88,717
Other non-current assets	**910,674**	686,105
Intangible assets	**16,271,226**	21,621,403
Shareholder's equity	**4,784,088**	2,361,567
	21,965,988	24,757,792

(b) Details of Group's medium-term-notes are as follows:

	2023 *HKD'000*	*2022* *HKD'000*
– RMB800 million, 4.49% medium-term notes maturing in 2023	**–**	916,583
– RMB1,000 million, 2.89% medium-term notes maturing in 2026	**1,118,975**	–
– RMB1,000 million, 3.05% medium-term notes maturing in 2028	**1,110,434**	–
	2,229,409	916,583

22. BORROWINGS *(continued)*

Notes: (continued)

(c) Details of Group's Corporate Bonds are as follows:

	2023 HKD'000	2022 HKD'000
– RMB1,400 million, 3.05% Corporate Bonds maturing in 2023	**–**	1,550,395
– RMB800 million, 3.65% Corporate Bonds maturing in 2023	**–**	905,111
– RMB1,200 million, 3.49% Corporate Bonds maturing in 2024	**1,351,538**	1,347,969
– USD300 million, 1.75% Corporate Bonds maturing in 2026	**2,348,816**	2,337,282
– RMB1,000 million, 3.35% Corporate Bonds maturing in 2026	**1,114,844**	1,122,969
– RMB550 million, 2.88% Corporate Bonds maturing in 2026	**607,669**	–
– RMB1,500 million, 3.18% Corporate Bonds maturing in 2027	**1,697,375**	1,683,867
	7,120,242	8,947,593

(d) Details of Group's Panda Bond are as follows:

	2023 HKD'000	2022 HKD'000
– RMB4,000 million, 3.29%, 6-years Panda Bonds issued in 2021	**4,427,704**	4,526,516
– RMB1,000 million, 2.95%, 6-years Panda Bonds issued in 2022	**1,132,261**	1,157,524
– RMB1,500 million, 2.88%, 6-years Panda Bonds issued in 2023	**1,673,235**	–
– RMB1,600 million, 2.99%, 5-years Panda Bonds issued in 2023	**1,783,825**	–
– RMB1,900 million, 2.95%, 5-years Panda Bonds issued in 2023	**2,108,321**	–
	11,125,346	5,684,040

At the end of the third year of above 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.

(e) As at 31 December 2023, there is a super short-term commercial paper of RMB1,500 million (equivalent to HKD1,651 million) issued by Shenzhen Expressway for a term of 270 days bearing interest at 2.25% per annum.

As at 31 December 2022, there were two RMB1,000 million (equivalent to HKD1,125 million) super short-term commercial papers for a term of 240 days (bearing interest at 1.72% per annum) or 270 days (bearing interest at 2.00% per annum).

22. BORROWINGS *(continued)*

At 31 December 2023, the borrowings are repayable as follows:

	2023 HKD'000	*2022 HKD'000*
Within 1 year	**26,977,953**	29,340,767
Between 1 and 2 years	**2,391,230**	2,807,434
Between 2 and 5 years	**20,649,847**	13,631,762
Over 5 years	**5,319,656**	7,987,046
	55,338,686	53,767,009

The carrying amounts of the borrowings are denominated in the following currencies:

	2023 HKD'000	*2022 HKD'000*
HKD	**12,464,888**	9,777,235
RMB	**40,524,982**	39,741,729
USD	**2,348,816**	4,248,045
	55,338,686	53,767,009

The ranges of interest rates of bank and other borrowings at the balance sheet date were as follows:

	2023	*2022*
HKD	**2.9% to 6.88%**	0.83% to 5.59%
RMB	**2.1% to 4.11%**	2% to 5.88%
USD	**1.75%**	1.10% to 5.26%

The Group has unutilised banking facilities as follows:

	2023 HKD'000	*2022 HKD'000*
Floating rate		
– Expiring within one year	**40,848,272**	28,365,535
– Expiring after one year	**50,859,005**	50,981,985
	91,707,277	79,347,520

23. DEFERRED TAX

The components of deferred tax assets (liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Concession intangible assets HKD'000	Fair value changes of other financial assets HKD'000	Tax losses HKD'000	Payroll and other expenses accrued but not paid HKD'000	New toll station operating subsidies HKD'000	Relocation compensation for Meilinguan Project HKD'000	Temporary difference of the tax effect on right-of-use assets HKD'000	Temporary difference of the tax effect on lease liabilities HKD'000	Business combinations involving enterprises not under common control HKD'000	Accruals for construction costs and PRC land appreciation tax HKD'000	Fair value changes of other investment HKD'000	Revaluation reserve HKD'000	Others HKD'000	Total HKD'000
At 1 January 2022	(996,911)	(135,714)	156,939	70,064	132,015	22,091	–	–	(558,879)	21,363	(334,271)	(8,642)	(291,040)	(1,922,985)
Change of fair value reserve on other financial assets credited to equity	–	231	–	–	–	–	–	–	–	–	–	–	–	231
Revaluation of properties credited to other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	(3,230)	–	(3,230)
Credited (charged) to the profit or loss (note 33)	111,838	(8,149)	(12,328)	(30,153)	(20,554)	(138)	–	–	(306,572)	2,607	(69,154)	–	1,511	(331,092)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	6,974	6,974
Exchange differences	82,001	4,552	(12,909)	(5,764)	(10,859)	(1,817)	–	–	71,040	(1,333)	28,958	710	41,739	196,318
At 31 December 2022	(803,072)	(139,080)	131,702	34,147	100,602	20,136	–	–	(794,411)	22,637	(374,467)	(11,162)	(240,816)	(2,053,784)
At 1 January 2023	**(803,072)**	**(139,080)**	**131,702**	**34,147**	**100,602**	**20,136**	**–**	**–**	**(794,411)**	**22,637**	**(374,467)**	**(11,162)**	**(240,816)**	**(2,053,784)**
Change of fair value reserve on other financial assets credited to equity	**–**	**138**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**138**
Credited (charged) to the profit or loss (note 33)	**86,270**	**102,091**	**(48,309)**	**(82)**	**(16,737)**	**(7,782)**	**18,878**	**(21,450)**	**44,474**	**138,305**	**(205,837)**	**(8,029)**	**(82,022)**	**(230)**
Exchange differences	**16,791**	**2,103**	**(2,438)**	**(747)**	**(2,049)**	**(369)**	**(175)**	**198**	**16,989**	**(1,775)**	**10,104**	**319**	**6,033**	**44,984**
At 31 December 2023	**(700,011)**	**(34,748)**	**80,955**	**33,318**	**81,816**	**11,985**	**18,703**	**(21,252)**	**(732,948)**	**159,167**	**(570,200)**	**(18,872)**	**(316,805)**	**(2,008,892)**

23. DEFERRED TAX *(continued)*

	2023 HKD'000	2022 HKD'000
Deferred tax assets	**638,506**	755,954
Deferred tax liabilities	**(2,647,398)**	(2,809,738)
	(2,008,892)	(2,053,784)

Deferred tax assets are recognised for tax loss carry-forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets in respect of tax losses amounting to HKD 1,865,580,000 (2022: HKD2,761,383,000).

The expiry year of tax losses in respect of which deferred tax assets were not recognised at 31 December 2023 is as follows:

	2023 HKD'000	2022 HKD'000
Year		
2023	**–**	117,865
2024	**129,934**	150,244
2025	**148,952**	169,492
2026	**276,279**	336,673
2027	**791,931**	855,312
2028	**1,001,787**	–
	2,348,883	1,629,586

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding income tax rate will be reduced from 10% to 5%.

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HKD7,764,552,000 (2022: HKD9,363,601,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

24. OTHER NON-CURRENT LIABILITIES

	2023 HKD'000	2022 HKD'000
Compensations from government regarding operation of toll station (Note (a))	**374,053**	474,236
Other deferred income (Note (b))	**655,239**	650,995
Long-term employee bonus	**127,284**	130,209
Operating costs in the extended period for toll road compensation	**166,853**	164,729
Others	**230,715**	64,915
	1,554,144	1,485,084

Notes:

(a) The amount mainly represents government compensations amounting to HKD374,053,000 (2022: HKD436,450,000) for the operation subsidy of toll stations and ramp.

(b) Other deferred income mainly includes government grants amounting to HKD601,519,000 (2022: HKD592,480,000) which was received from the government for the purpose of subsidising the Group's development, operation and setting up certain integrated logistics hubs.

25. TRADE AND OTHER PAYABLES

	2023 HKD'000	2022 HKD'000
Trade payables (Note (a))	**4,337,936**	4,208,497
Construction payables (Note (b))	**2,194,845**	1,419,821
Dividend payable	**6,202**	66,434
Other payables and accrued expenses	**2,507,807**	2,876,798
Amount due to associates (Note (c))	**3,670,941**	1,705,459
Loan from a related party	**–**	2,368,676
Provisions	**–**	108,871
	12,717,731	12,754,556
Deferred income	**4,320**	16,911
	12,722,051	12,771,467

Notes:

(a) As at 31 December 2023, the ageing analysis of trade payables based on the date of invoices was as follows:

	2023 HKD'000	2022 HKD'000
0 – 90 days	**1,945,144**	1,907,078
91 – 180 days	**237,290**	445,216
181 – 365 days	**499,354**	440,223
Over 365 days	**1,656,148**	1,415,980
	4,337,936	4,208,497

25. TRADE AND OTHER PAYABLES *(continued)*

Notes: (continued)

(b) Construction payables mainly includes: (i) advances from government relating to construction projects in an amount of HKD211,734,000 (2022: HKD128,755,000); and (ii) payable for projects of logistics parks and entrusted management and construction of highways in an amount of HKD1,983,111,000 (2022: HKD1,291,066,000).

(c) The amount is mainly comprised of loan advances from Qianhai Real Estate, Qianhai Business and United Land Company, associates of the Group.

As at 31 December 2023, RMB414,419,000 (equivalent to HKD456,108,000) (2022: RMB415,786,000 (equivalent to HKD467,859,000)), RMB1,983,439,000 (equivalent to HKD2,182,961,000) (2022: nil) and RMB824,597,000 (equivalent to HKD907,546,000) (2022: RMB944,647,000 (equivalent to HKD1,062,954,000)) were advanced to the Group by Qianhai Real Estate, Qianhai Business 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 one year. The amount due to Qianhai Business is an unsecured loan that bears interest at 2.9% per annum and repayable on demand. The amount due to United Land Company is unsecured, interest-free and expected to be repaid within one year. The remaining amount of RMB112,963,000 (equivalent to HKD124,326,000) (2022: RMB155,208,000 (equivalent to HKD174,646,000)) is due to another associate which are unsecured, interest-free and repayable on demand.

26. CONTRACT LIABILITIES

	2023	*2022*
	HKD'000	*HKD'000*
Property development pre-sale proceeds (Note)	**13,892**	5,592,406
Sales and maintenance fees received in advance	**6,596**	6,744
Others sales and services fee received in advance	**145,152**	10,635
	165,640	5,609,785

Note: Depending on market conditions, the Group requires the customers of property sales to pay off the full consideration within an agreed time frame while developments of the properties are still ongoing, rather than on delivery of properties to customer. Such advance payment schemes result in contract liabilities being recognised on the balance sheet until the development of the properties have been completed and control passed to the customers. 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.

26. CONTRACT LIABILITIES *(continued)*

As at 1 January 2022, contract liabilities amounted to HKD290,329,000.

Movements in contract liabilities

	2023 **HKD'000**	2022 HKD'000
Beginning of the year	**5,609,785**	290,329
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(5,538,120)**	(272,206)
Contracts liabilities recognised during the year	**25,916**	(247,343)
Increase in contract liabilities as a result of receiving deposits and instalments in advance during the year	**141,269**	6,072,138
Decrease in contract liabilities as a result of disposal of a subsidiary	**–**	(93,773)
Exchange difference	**(73,210)**	(139,360)
End of the year	**165,640**	5,609,785

All contract liabilities as at 31 December 2023 are expected to be recognised as revenue within one year.

27. LEASE LIABILITIES

The lease liabilities were repayable as follows:

	2023 **HKD'000**	2022 HKD'000
Within 1 year	**64,715**	83,149
After 1 year but within 2 years	**45,560**	53,278
After 2 years but within 5 years	**109,726**	91,007
After 5 years	**792,246**	845,983
	1,012,247	1,073,417

Lease liabilities carry weighted-average interest rate at 4.4% (2022: 4.5%).

28. REVENUE

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2023 HKD'000	2022 HKD'000
Revenue from contracts with customers within the scope of HKFRS 15		
Toll roads and general-environmental protection business		
– Toll revenue	5,970,786	5,722,889
– Entrusted construction management service and construction consulting service revenue	565,558	1,020,572
– Construction service revenue under service concession arrangements	1,496,173	1,444,105
– General-environmental protection services	1,797,661	2,020,025
– Others	494,803	566,731
	10,324,981	10,774,322
Logistics business		
– Logistics parks	561,708	576,113
– Logistics services	319,109	389,619
– Port and related services	2,804,772	2,761,767
– Logistics park transformation and upgrading business (including sales of properties)	5,502,349	30,202
	9,187,938	3,757,701
	19,512,919	14,532,023
Revenue from other sources		
Logistics business		
– Leases from logistics parks	1,010,879	997,278
	20,523,798	15,529,301

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets are disclosed in note 5.

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts for revenue expected to be recognised in the future are as follows:

	2023 HKD'000	2022 HKD'000
Precompletion sales contracts for properties under development	13,892	5,771,218
Others sales and services contracts	60,837	34,132
	74,729	5,805,350

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's construction contracts with customers, unless at the reporting date, it is highly probable that the Group will satisfy the conditions for earning those bonuses.

29. OTHER GAINS – NET

	2023 HKD'000	2022 HKD'000
Gain on losing control on Qianhai Business	–	2,988,327
Gain on disposal of subsidiaries	19,243	740,023
Change in fair value of derivative financial instruments	40,101	81,340
Change in fair value of other financial assets	68,835	32,595
Change in fair value of investment properties	304,803	276,617
Gain on disposal of other non-current assets (Note)	154,450	8,850
Impairment loss recognised on goodwill	–	(52,925)
Impairment loss recognised on other non-current assets	(209,731)	–
Others	(94,654)	(76,081)
Total	283,047	3,998,746

Note:

On 31 October 2023, a wholly-owned subsidiary of the Group entered into a land consolidation and preparation supervision agreement (the "Land Preparation Agreement") with Shenzhen Longhua City Renewal and Land Development Bureau*（深圳市龍華區城市更新和土地整備局）, Longhua Administration of Planning and Natural Resources Bureau of Shenzhen Municipality*（深圳市規劃和自然資源局龍華管理局）and Shenzhen Longhua Minzhi Subdistrict Office*（深圳市龍華區民治街道辦事處）(collectively the "Parties") in relation to the consolidation and preparation of approximately 530,000 square meters of land (the "Land") comprising the Group's logistics park (the "Land Preparation Project"), pursuant to which the Parties agreed to implement the Land Preparation Project via a comprehensive approach which involves monetary compensation and reservation of land.

Pursuant to the Land Preparation Agreement, the Group will receive a demolition compensation fee of approximately RMB1,058 million (subject to the signed compensation agreements). Such fee will cover the economic compensation for the demolition of buildings (structures), attachments, green sprouts, etc. on the Land. The Land within the scope of the Land Preparation Project, except for the land to be reserved by the Group to develop pursuant to the new development plan, will be transferred to the government in phases. Further details of the Land Preparation Project were disclosed in the Company's announcement dated 31 October 2023.

During the year ended 31 December 2023, land with a total area of approximately 173,000 square meter has been transferred to the government, resulting in the derecognition of land use rights of HKD25,571,000, which is the carrying amount on the transfer date, and the recognition of other non-current asset with the same amount. In addition, demolition compensation amounting to RMB302,471,000 (equivalent to HKD336,004,000) has been received from MinZhi Subdistrict Office for the demolition of property, plant and equipment, resulting in a net gain of RMB133,834,000 (equivalent to HKD148,671,000). As at the date of these consolidated financial statements, the Land Preparation Project has not been completed.

30. PROFIT FOR THE YEAR

	2023 HKD'000	2022 HKD'000
Profit for the year has been arrived at after charging:		
Construction services cost under service concession arrangements	1,496,173	1,444,105
Kitchen waste disposal project costs	788,093	613,595
Depreciation and amortisation	3,258,006	2,680,503
Employee benefit expenses (note 31)	1,723,742	1,762,231
Cost of inventories sold (note 16)	4,848,354	2,414,138
Other tax expenses	236,631	181,191
Commission, management fee and maintenance expenses for toll roads	362,182	390,490
Entrusted construction management service costs	415,403	793,563
Auditors' remuneration		
– Audit services	8,130	8,257
– Non-audit services	5,391	6,852
Legal and consultancy fees	66,592	77,753

31. EMPLOYEE BENEFIT EXPENSES

	2023 HKD'000	2022 HKD'000
Wages and salaries	1,455,876	1,300,288
Pension costs-defined contribution plans	170,188	177,244
Share-based payment expenses (note 20)	3,828	–
Others	93,850	284,699
	1,723,742	1,762,231

From 1 December 2000, a MPF scheme has been set up for eligible employees in Hong Kong of the Group. Contributions to the MPF Scheme by the Group and employees are calculated at rates specified in the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group by an independently administered fund.

For the Group's subsidiaries operating in Hong Kong, pursuant to the Employment Ordinance, Chapter 57, the Group has the obligation to pay long service payment ("LSP") to qualifying employees in Hong Kong under certain circumstances (e.g. dismissal by employers or upon retirement), subject to a minimum of 5 years employment period. In June 2022, the Government of the HKSAR gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022, which has immaterial impact on the Group's LSP liability with respect to employees that participate in MPF Scheme.

The Group also contributes to employee retirement schemes established by the PRC local governments in respect of certain subsidiaries in the PRC. The PRC local governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated income statement as incurred.

31. EMPLOYEE BENEFIT EXPENSES *(continued)*

No forfeited contributions (2022: nil) were utilised during the year and none is available at the year-end to reduce future contribution.

(a) Share options

During the year ended 31 December 2023, 6,730,000 and 48,724,000 share options were granted to the Directors and selected employees respectively under the Company's 2023 Share Options scheme, which were granted on 1 November 2023 and the estimated fair values of the options was HKD1.10 respectively.

These fair values of the share options were calculated using the Binomial model. The inputs into the model were as follows:

	2023
Grant date closing share price	**HKD5.37**
Exercise price	**HKD5.37**
Expected volatility	**29.526%**
Expected life	**4 years**
Risk-free rate	**4.094%**
Expected dividend yield	**4.786%**

The variables and assumptions used in computing the fair value of the share options were based on the best estimate of the directors of the Company. The value of a share option varied with different variables of certain subjective assumptions.

The Group recognised the total expense of HKD3,828,000 for the year ended 31 December 2023 (2022: nil) in relation to share options granted by the Company.

The entitlements of each of the Directors and selected employees are as follows:

Grantee	*Number of Share Options*	*Vesting Period*	*Exercise Period*
Li Haitao	737,600	1/11/2023-31/10/2025	1/11/2025-1/11/2028
Li Haitao	553,200	1/11/2023-31/10/2026	1/11/2026-1/11/2028
Li Haitao	553,200	1/11/2023-31/10/2027	1/11/2027-1/11/2028
Liu Zhengyu	700,800	1/11/2023-31/10/2025	1/11/2025-1/11/2028
Liu Zhengyu	525,600	1/11/2023-31/10/2026	1/11/2026-1/11/2028
Liu Zhengyu	525,600	1/11/2023-31/10/2027	1/11/2027-1/11/2028
Wang Peihang	626,800	1/11/2023-31/10/2025	1/11/2025-1/11/2028
Wang Peihang	470,100	1/11/2023-31/10/2026	1/11/2026-1/11/2028
Wang Peihang	470,100	1/11/2023-31/10/2027	1/11/2027-1/11/2028
Zhou Zhiwei	626,800	1/11/2023-31/10/2025	1/11/2025-1/11/2028
Zhou Zhiwei	470,100	1/11/2023-31/10/2026	1/11/2026-1/11/2028
Zhou Zhiwei	470,100	1/11/2023-31/10/2027	1/11/2027-1/11/2028
	6,730,000		
Selected employees	19,489,600	1/11/2023-31/10/2025	1/11/2025-1/11/2028
Selected employees	14,617,200	1/11/2023-31/10/2026	1/11/2026-1/11/2028
Selected employees	14,617,200	1/11/2023-31/10/2027	1/11/2027-1/11/2028
	48,724,000		
	55,454,000		

31. EMPLOYEE BENEFIT EXPENSES *(continued)*

(b) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2023 is set out below:

	Fees HKD'000	Salary HKD'000	Discretionary bonuses HKD'000	Other benefits HKD'000	Employer's contribution to retirement scheme HKD'000	Compensation for loss of office as director HKD'000	Total HKD'000
Executive directors							
Li Haitao	–	333	704	64	156	–	1,257
Liu Zhengyu	–	370	665	64	145	–	1,244
Wang Peihang	–	470	517	64	153	–	1,204
Dai Jingming	–	555	–	–	–	–	555
Non-executive directors							
Zhou Zhiwei	–	461	465	64	145	–	1,135
Independent Non-executive directors							
Pan Chaojin	350	–	–	–	–	–	350
Wang Guowen (Note (iv))	350	–	–	–	–	–	350
Zeng Zi (Note (i))	350	–	–	–	–	–	350
	1,050	2,189	2,351	256	599	–	6,445

The remuneration of each Director for the year ended 31 December 2022 is set out below:

	Fees HKD'000	Salary HKD'000	Discretionary bonuses HKD'000	Other benefits HKD'000	Employer's contribution to retirement scheme HKD'000	Compensation for loss of office as director HKD'000	Total HKD'000
Executive directors							
Li Haitao	–	345	747	61	173	–	1,326
Liu Zhengyu	–	276	813	61	173	–	1,323
Wang Peihang	–	648	409	61	170	–	1,288
Dai Jingming	–	575	–	–	–	–	575
Non-executive directors							
Hu Wei (Note (v))	–	746	423	56	170	–	1,395
Zhou Zhiwei	–	648	373	61	168	–	1,250
Independent Non-executive directors							
Cheng Tai Chiu, Edwin (Note (iii))	233	–	–	–	–	–	233
Chan King Chung (Note (ii))	29	–	–	–	–	–	29
Pan Chaojin	350	–	–	–	–	–	350
Wang Guowen (Note (iv))	117	–	–	–	–	–	117
Zeng Zi (Note (i))	321	–	–	–	–	–	321
	1,050	3,238	2,765	300	854	–	8,207

Note:

(i) Appointed on 1 February 2022

(ii) Resigned on 1 February 2022

(iii) Resigned on 1 September 2022

(iv) Appointed on 1 September 2022

(v) Resigned on 7 December 2022

31. EMPLOYEE BENEFIT EXPENSES *(continued)*

(b) Directors' emoluments *(continued)*

The emoluments of executive directors are for their services in connection with the management of the affairs of the Company and the Group. The emoluments of non-executive directors and independent non-executive directors are for their services as directors of the Company.

During the year ended 31 December 2023 and 2022, no emoluments had been paid by the Group to the directors or the five highest-paid individuals referred to in (c) below as an inducement to join or upon joining the Group or as a compensation for loss of office.

(c) Five highest paid individuals

No directors (2022: one) were included in the five individuals whose emoluments were the highest in the Group for the year. The emoluments payable to the five (2022: four) individuals during the year is as follows:

	2023 HKD'000	*2022 HKD'000*
Basic salaries and allowances	**4,370**	3,506
Year-end bonuses	**2,418**	2,392
Contributions to the retirement scheme	**900**	759
Share-based payment expenses	**114**	–
Other benefits	**194**	123
	7,996	6,780

The emoluments fell within the following bands:

	2023	*2022*
HKD1,000,001 – HKD1,500,000	**2**	0
HKD1,500,001 – HKD2,000,000	**3**	4
	5	4

32. FINANCE INCOME AND COSTS

	2023 HKD'000	2022 HKD'000
Finance income		
Interest income from bank deposits	**(207,728)**	(274,119)
Other interest income	**(33,568)**	(30,092)
Total finance income	**(241,296)**	(304,211)
Finance costs		
Interest expense		
– Bank borrowings	**1,393,351**	1,159,858
– Medium-term notes	**285**	15,077
– Senior notes	**7,032**	29,268
– Corporate bonds	**333,482**	340,653
– Panda bonds	**242,372**	184,265
– Borrowings from finance lease companies	**–**	52,088
– Contract liabilities	**168,031**	2,930
– Lease liabilities	**47,356**	64,694
– Others	**149,241**	97,797
Net foreign exchange losses	**553,203**	1,160,804
Less: finance costs capitalised on qualified assets	**(276,540)**	(234,630)
Total finance costs	**2,617,813**	2,872,804
Net finance costs	**2,376,517**	2,568,593

Finance costs of HKD276,540,000 (2022: HKD234,630,000) have been capitalised for the construction of qualified assets such as property, plant and equipment, construction in progress and properties under development, using an average interest rate of 4.1% (2022: 3.9%) per annum.

33. INCOME TAX EXPENSE

	2023 HKD'000	2022 HKD'000
Current income tax		
PRC Corporate Income Tax	**1,418,204**	661,922
PRC Land Appreciation Tax	**813,331**	1,755
Withholding income tax	**57,456**	–
Deferred tax (note 23)	**230**	331,092
	2,289,221	994,769

Hong Kong Profits Tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year.

The PRC Corporate Income Tax ("CIT") charged to the consolidated income statement was calculated based on the assessable profits of the Company's subsidiaries located in the PRC of the year at a rate of 25%(2022: 25%) applicable to the respective companies.

33. INCOME TAX EXPENSE *(continued)*

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.

The taxation on the Group's profit before income tax differs from the theoretical amount that would have arisen using the main statutory tax rate applicable to profit of the Group due to the following:

	2023 **HKD'000**	2022 HKD'000
Profit before income tax	**5,194,129**	2,930,926
Tax calculated at a tax rate of 25%	**1,298,532**	732,732
Tax impact of:		
– Different tax rates in other jurisdiction	**(59,276)**	(44,406)
– Non-taxable income	**(185,416)**	(324,044)
– Non-deductible expenses	**128,792**	71,134
– Share of results of joint ventures and associates	**(274,182)**	396,037
– Tax losses and deductible temporary difference not recognised	**719,325**	442,257
– Withholding income tax on earnings of subsidiaries	**57,456**	–
– Use of unrecognised tax losses and deductible temporary difference in respect of prior years	**(205,657)**	(256,780)
– Adjustment in respect of prior years	**199,648**	(24,768)
– LAT and LAT deductible for PRC CIT purpose	**609,999**	2,607
Income tax expense	**2,289,221**	994,769

34. 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 year.

	2023 **HKD'000**	2022 HKD'000
Earnings		
Profit attributable to ordinary shareholders of the Company	**1,901,643**	1,253,919
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue	**2,390,647**	2,330,745
Basic earnings per share (HKD per share)	**0.80**	0.54

34. 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 below is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2023 HKD'000	*2022 HKD'000*
Earnings		
Profit attributable to ordinary shareholders of the Company	**1,901,643**	1,253,919
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue	**2,390,647**	2,330,745
Adjustments – share options	**1,372**	–
Weighted average number of ordinary shares for diluted earnings per share	**2,392,019**	2,330,745
Diluted earnings per share (HKD per share)	**0.79**	0.54

35. DIVIDENDS

According to the scrip dividend scheme approved by shareholders in the annual general meeting held on 16 May 2023 (2022: 13 May 2022), 5,339,689 (2022: 121,094,761) new shares were issued at a price of HKD6.714 (2022: HKD7.322) per share, amounted to HKD35,851,000 (2022: HKD886,656,000) and the remaining dividend of HKD577,816,000 (2022: HKD990,184,000) was paid in cash in June 2023 (2022: June 2022).

The 2022 final dividend and special dividend of HKD613,667,000 in aggregate (HKD0.257 per ordinary share of final dividend) were settled in June 2023.

	2023 HKD'000	*2022 HKD'000*
2022 final dividend of HKD0.257 (2021 final dividend of HKD0.125) per ordinary share	**613,667**	283,340
2022 special dividend of HKD nil (2021 special dividend of HKD0.703) per ordinary share	**–**	1,593,500
	613,667	1,876,840

At the board meeting on 28 March 2024, the board recommended the payment of final dividend for the year of 2023 of HKD0.40 per ordinary share. Such dividends are to be approved by the shareholders at the forthcoming annual general meeting of the Company in 2024. These consolidated financial statements do not reflect this as dividend payable.

36. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk, fair value interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the board of directors. The Group identifies and evaluates financial risks in close co-operation with the Group's operating units. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excessive liquidity.

(i) Currency risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	2023 HKD'000	*2022 HKD'000*
Assets		
HKD	**170,959**	188,290
United States dollars ("USD")	**99,598**	945,904
	270,557	1,134,194
Liabilities		
HKD	**–**	9,777,234
USD	**2,348,816**	4,248,045
	2,348,816	14,025,279

Apart from the above, the Group did not have significant exposure to foreign exchange risk. Nevertheless, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2023, should HKD and USD be weakened/strengthened by 5% against RMB, with all other factors remain unchanged, the profit after income tax for the year would be affected as follows:

	Change of profit after income tax – increase (decrease)	
	2023 HKD'000	*2022 HKD'000*
HKD against RMB		
– Weakened by 5%	**(6,411)**	359,585
– Strengthened by 5%	**6,411**	(359,585)
USD against RMB		
– Weakened by 5%	**84,346**	124,164
– Strengthened by 5%	**(84,346)**	(124,164)

36. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Apart from deposits held in banks, the Group has no significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing bank deposits resulted from the changes in interest rates, because the interest rates of deposit balances are not expected to change significantly.

The Group's interest rate risk arises from long-term bank borrowings, senior notes, medium-term notes, corporate bonds and Panda Bonds. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Senior notes, medium-term notes, corporate bonds and Panda Bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group adjusts the proportion of borrowings at fixed rate against borrowings at floating rate based on the change of the finance market environment.

During 2023 and 2022, the Group's borrowings at variable rates were mainly denominated in HKD and RMB. For bank borrowings in the PRC, the interest rate would be adjusted accordingly should the lending rate promulgated by the People's Bank of China ("PBOC") be changed.

As at 31 December 2023, borrowings of the Group which were issued at floating rates amounted to approximately HKD26,427,309,000 (2022: HKD34,785,932,000). As at 31 December 2023, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged and without taking into account interest capitalisation, the profit after tax of the Group would be decreased/increased by approximately HKD99,102,000 (2022: HKD130,447,000).

Interest rate benchmark reform

Several of the Group's HIBOR bank loans will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The management of the Group do not expect any transition to the relevant replacement rates until the upcoming renewal of the existing banking facilities.

36. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) Price risk

The Group is exposed to equity securities price risk in respect of listed and unlisted investments. The Group is not exposed to significant commodity price risk.

The table below summarises the impact of increase/decrease of share price of listed and unlisted investments. The analysis is based on the assumptions that the price of the listed and unlisted investments had increased/ decreased by 5% as at the end of each reporting period with all other factors remain unchanged:

	Change in profit, net of tax – increase/(decrease)	
	2023	*2022*
	HKD'000	*HKD'000*
Share price		
– Increased by 5%	**81,511**	142,677
– Decreased by 5%	**(81,511)**	(142,677)

	Impact on other components of equity, net of tax – increase/(decrease)	
	2023	*2022*
	HKD'000	*HKD'000*
Share price		
– Increased by 5%	**2,446**	2,529
– Decreased by 5%	**(2,446)**	(2,529)

(iv) Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents, bills receivable and derivative financial assets is limited because the counterparties are banks and financial institutions are either state-owned banks, listed banks or large/medium sized commercial banks, for which the Group considers to have low credit risk.

36. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Trade receivables and contract assets

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the Group's historical credit loss experience and the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 120 days from the date of billing. Normally, the Group does not obtain collateral from customers. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

At the end of the reporting period, the Group does not have significant credit concentration risk.

Except for credit-impaired debtors with gross carrying amount of HKD211,254,000 (2022: HKD64,940,000) and loss allowance of HKD151,052,000 (2022: HKD64,940,000) that are assessed individually, the Group measures loss allowances for other trade receivables and contract assets at an amount equal to other lifetime ECL, which is calculated using a provision matrix. As the Group's historical credit loss experience indicates significantly different loss patterns for different customer segments, the loss allowance based on past due status or aging analysis is further distinguished between the Group's different customer bases.

As at 31 December 2023, there was also a debtor with balance larger than 5% of total trade receivables with gross carrying amount of HKD636,193,000 (2022: HKD174,528,000) and loss allowance of HKD6,267,000 (2022: nil) that were assessed individually, and its ECL was assessed to be insignificant.

Logistic business

	Expected loss rate %	*Gross carrying amount HKD'000*	*Loss allowance HKD'000*
At 31 December 2023			
Current (not past due)	**1.62**	**572,746**	**9,271**
1 – 90 days past due	**6.33**	**46,784**	**3,004**
91 – 180 days past due	**27.78**	**7,541**	**2,095**
181 – 270 days past due	**36.70**	**3,886**	**1,426**
271 – 365 days past due	**65.97**	**11,237**	**7,413**
More than 1 year past due	**100.00**	**12,992**	**12,992**
		655,186	**36,201**
At 31 December 2022			
Current (not past due)	0.60	582,714	3,501
1 – 90 days past due	7.87	182,250	25,408
91 – 180 days past due	25.75	23,062	5,938
181 – 270 days past due	45.34	12,104	5,488
271 – 365 days past due	64.25	8,279	5,319
More than 1 year past due	100.00	9,910	9,910
		818,319	55,564

36. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Trade receivables and contract assets *(continued)*

Toll roads and general-environmental protection business

	Expected loss rate %	Gross carrying amount HKD'000	Loss allowance HKD'000
At 31 December 2023			
1 – 90 days	**0.29**	**277,163**	**796**
91 – 180 days	**0.55**	**71,016**	**390**
181 – 365 days	**3.11**	**61,818**	**1,920**
1 to 2 years	**9.71**	**144,674**	**14,055**
2 to 3 years	**10.18**	**206,954**	**21,061**
Over 3 years	**46.14**	**204,833**	**94,507**
		966,458	**132,729**
At 31 December 2022			
1 – 90 days	0.21	982,075	2,038
91 – 180 days	0.74	43,065	320
181 – 365 days	2.99	75,788	2,269
1 to 2 years	3.21	249,385	7,995
2 to 3 years	20.25	296,449	60,045
Over 3 years	48.04	135,384	65,043
		1,782,146	137,710

36. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Trade receivables and contract assets *(continued)*

Expected loss rates are based on actual loss experience over the past 18 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2023		*2022*	
	Credit-impaired HKD'000	***Not credit-impaired HKD'000***	*Credit-impaired HKD'000*	*Not credit-impaired HKD'000*
Balance at 1 January	**64,940**	**193,274**	172,474	194,474
Transferred from (to) credit-impaired	**74,828**	**(74,828)**	(95,365)	95,365
Impairment losses recognised (Net reversal of impairment loss)	**13,784**	**61,070**	–	(55,693)
Exchange difference	**(2,500)**	**(4,319)**	(12,169)	(40,872)
Balance at 31 December	**151,052**	**175,197**	64,940	193,274

Other non-current receivables, contract assets that is expected to be recovered after more than one year, lease receivables, advance to non-controlling interest, amounts due from associates and joint venture, Dividend receivable from associates, deposits and other receivables

The management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of these balances based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of these balances. Based on assessment by the management of the Group, there were other non-current receivables and lease receivables with gross carrying amount of HKD3,537,833,000 (2022: HKD3,624,138,000) and loss allowance of HKD80,101,000 (2022: HKD39,208,000) and the ECL for remaining outstanding balance is insignificant.

Deposits in banks and cash at banks

The management of the Group considers that the credit risks on bank balances and pledged bank deposit are limited because the banks are financial institutions with high credit ratings assigned by international credit-rating agencies. The Group assessed 12-month ECL by reference to probability of default, loss given default by the relevant credit rating grades published by international credit rating agencies and concluded that the ECL is insignificant.

36. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(v) Liquidity risk

Cash flow forecast is performed in the operating entities of the Group. The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its standby committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements – for example, currency restrictions.

The table below analyses the non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Contractual undiscounted cash outflow (including interest payments)					
	Less than 1 year HKD'000	*Between 1 and 2 years HKD'000*	*Between 2 and 5 years HKD'000*	*Over 5 years HKD'000*	*Total HKD'000*	*Carrying amount HKD'000*
At 31 December 2023						
Bank and other borrowings	20,268,475	2,666,773	7,126,935	5,643,075	35,705,258	33,081,455
Borrowings from finance lease companies	31,695	40,140	66,529	155	138,519	117,480
Corporate bonds	1,633,471	147,726	4,261,878	1,655,266	7,698,341	7,120,242
Panda bonds	4,605,010	177,306	7,052,253	–	11,834,569	11,125,346
Medium-term notes	65,375	65,375	2,303,957	–	2,434,707	2,229,409
Super short-term commercial paper	1,680,361	–	–	–	1,680,361	1,664,753
Trade and other payables (excluding other taxes payable, deferred income and staff welfare benefit payable)	11,340,295	–	–	–	11,340,295	11,340,295
Lease liabilities	106,624	91,775	239,729	1,279,271	1,717,399	1,012,247
	39,731,306	3,189,095	21,051,281	8,577,767	72,549,449	67,691,227

36. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(v) Liquidity risk *(continued)*

	Contractual undiscounted cash outflow (including interest payments)					
	Less than 1 year HKD'000	*Between 1 and 2 years HKD'000*	*Between 2 and 5 years HKD'000*	*Over 5 years HKD'000*	*Total HKD'000*	*Carrying amount HKD'000*
At 31 December 2022						
Bank and other borrowings	22,925,098	1,615,197	4,548,800	6,303,179	35,392,274	34,860,873
Borrowings from finance lease companies	84,837	95,108	145,108	–	325,053	313,974
Corporate bonds	3,045,158	1,927,288	3,107,143	1,541,637	9,621,226	8,947,593
Panda bonds	181,276	181,276	5,543,828	–	5,906,380	5,684,040
Senior notes	29,250	809,250	–	–	838,500	774,883
Medium-term notes	940,610	–	–	–	940,610	916,583
Super short-term commercial paper	2,308,091	–	–	–	2,308,091	2,269,063
Trade and other payables (excluding other taxes payable, deferred income and staff welfare benefit payable)	11,724,973	–	–	–	11,724,973	11,724,973
Lease liabilities	87,306	59,300	112,207	1,160,949	1,419,762	1,073,417
	41,326,599	4,687,419	13,457,086	9,005,765	68,476,869	66,565,399

(b) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and protect interest for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount and payment schedule of dividends paid to shareholders, capital returned to shareholders, new shares issued, perpetual securities issued, or assets sold to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and bank balances. Total equity is calculated as "equity", as shown in the consolidated balance sheet.

The Group maintained a consistent strategy to keep the gearing ratio at a reasonable level. The gearing ratios at 31 December 2023 and 2022 were as follows:

	2023 HKD'000	*2022 HKD'000*
Total borrowings	**55,338,686**	53,767,009
Less: cash and bank balances	**(9,804,705)**	(14,024,657)
Net debt	**45,533,981**	39,742,352
Total equity	**54,975,661**	55,199,174
Gearing ratio	**83%**	72%

36. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Fair value estimation

The directors of the Company consider that the carrying amounts of financial assets of HKD15,170,661 (2022: HKD21,607,203) and financial liabilities HKD67,596,929 (2022: HKD65,476,452) as at 31 December 2023 recorded at amortised costs in the consolidated financial statements approximate their fair values.

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 active markets 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); and
- 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 31 December 2023			
	Level 1 HKD'000	**Level 2 HKD'000**	**Level 3 HKD'000**	**Total HKD'000**
Assets				
Equity securities designated at FVTOCI				
– Unlisted equity securities	**–**	**–**	**48,915**	**48,915**
Financial assets measured at FVTPL				
– Listed securities in the PRC	**302,367**	**–**	**–**	**302,367**
– Listed securities in HK	**10,219**	**–**	**–**	**10,219**
– Unlisted equity securities	**–**	**–**	**623,319**	**623,319**
– Unlisted fund investment	**–**	**–**	**828,924**	**828,924**
– Structured deposits	**–**	**–**	**407,630**	**407,630**
Derivative financial instruments	**–**	**–**	**163,350**	**163,350**

	As at 31 December 2022			
	Level 1 HKD'000	*Level 2 HKD'000*	*Level 3 HKD'000*	*Total HKD'000*
Assets				
Equity securities designated at FVTOCI				
– Unlisted equity securities	–	–	73,078	73,078
Financial assets measured at FVTPL				
– Listed securities in the PRC	389,044	–	–	389,044
– Unlisted equity securities	–	–	489,230	489,230
– Unlisted fund investment	–	–	820,363	820,363
– Structured deposits	–	–	2,083,585	2,083,585
Derivative financial instruments	–	–	237,205	237,205

During the year ended 31 December 2023, there were no transfers between Level 1 and Level 2.

36. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Fair value estimation *(continued)*

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.

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.

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 31 December 2023, 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 31 December 2023. 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 Group believes that their carrying amounts are not materially different from their fair values as at 31 December 2023.

Information about Level 3 fair value measurements:

	Valuation techniques	*Significant unobservable inputs*	*Range*
As at 31 December 2023			
Financial assets measured at FVTPL			
– Unlisted equity securities (Note i)	**Market comparable companies**	**Adjusted P/B multiplier**	**1.98**
		The discount of lack of marketability	**32.32%**
– Unlisted fund investment (Note ii)	**Assets based approach**	**Annual return rate**	**1.3% to 4.21%**
	Market approach	**Industry comparable return**	**17.6% to 28.09%**

36. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Fair value estimation *(continued)*

Financial instruments in level 3 *(continued)*

	Valuation techniques	*Significant unobservable inputs*	*Range*
As at 31 December 2022			
Financial assets measured at FVTPL			
– Unlisted equity securities (Note i)	Market comparable companies	Adjusted P/E multiplier	13.64 to 18.25
		Adjusted P/B multiplier	1.86
		The discount of lack of marketability	26.60% to 42.00%
– Unlisted fund investment (Note ii)	Income capitalisation method	Yield	6.5%
		Market monthly rental rate (RMB/sq.m.)	23.1 to 42.0
		Occupancy rate	63% to 98%

(i) The fair value of unlisted equity instruments is determined using the price/earning ratios or price/book value of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2023, 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 Groups' profit by HKD147,148,000 (2022: HKD88,154,000).

(ii) At 31 December 2023, the fair value of unlisted fund investment is dependent on the fair value of the deposits and the long-term equity investment held by the unlisted fund. The fair value of deposits held by unlisted fund is generally derived using the assets based approach, which depend on the annual return rate of deposits. The fair value of long-term equity investment held by unlisted fund is generally derived using the market method. This valuation method is based on the industry comparable return. The significant unobservable inputs of the market approach is industry comparable return, which is estimated according to average market cap weighted return of comparable companies.

At 31 December 2022, 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.

36. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Fair value estimation *(continued)*

Financial instruments in level 3 *(continued)*

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

	2023 HKD'000	*2022* HKD'000
Unlisted equity securities, fund investments, structured deposits and derivative financial instruments:		
Beginning of the year	**3,703,461**	1,934,284
Additions	**2,766,052**	2,381,240
Changes in fair value recognised in profit or loss during the year	**200,918**	29,118
Net unrealised losses recognised in other comprehensive expense during the year	**(556)**	(921)
Redemptions	**(4,520,234)**	(460,480)
Exchange difference	**(77,503)**	(179,780)
End of the year	**2,072,138**	3,703,461

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to consolidated cash generated from operations is set out as below

	Notes	2023 HKD'000	2022 HKD'000
Profit before income tax		**5,194,129**	2,930,926
Adjustments for:			
Depreciation	7	**1,150,175**	1,218,004
Amortisation of land use rights	8	**141,405**	124,448
Amortisation of intangible assets	10	**1,966,426**	1,967,892
Net (reversal of impairment loss) impairment loss of trade receivables and contract assets	36(a)	**56,454**	(55,693)
Loss on adjustment of cost of concession intangible assets	10	**–**	56,733
Impairment loss recognised on intangible assets	10	**–**	21,899
Impairment loss recognised on goodwill	11	**–**	52,925
Impairment loss recognised on other non-current assets	15	**209,731**	–
Write-down of inventories	16	**146,885**	113,821
Gain on losing control on Qianhai Business	29	**–**	(2,988,327)
Gain on disposal of subsidiaries	29	**(19,243)**	(740,023)
Change in fair value of derivative financial instruments	29	**(40,101)**	(81,340)
Share-based payment expenses	32	**3,828**	–
Gain on disposal of property, plant and equipment	29	**(154,450)**	(8,850)
Change in fair value of other financial assets	29	**(68,835)**	(32,595)
Fair value gain on investment properties	6	**(304,803)**	(276,617)
Interest income	32	**(241,296)**	(304,211)
Finance costs	32	**2,617,813**	2,872,804
Share of results of associates and joint ventures	12 & 13	**(1,096,728)**	1,584,148
Dividend income		**(52,308)**	(72,214)
Operating cash flow before movements in working capital		**9,509,082**	6,383,730
Changes in working capital:			
Inventories and other contract costs		**1,154,666**	(635,476)
Trade and other receivables		**110,623**	(909,285)
Trade and other payables		**(706,874)**	5,537,943
Contract assets		**(26,715)**	41,358
Contract liabilities		**(5,553,516)**	5,341,303
Other non-current assets		**425,831**	(2,076,396)
Deferred income		**6,340**	(14,296)
Restricted bank deposits		**1,596,654**	(1,992,808)
Cash generated from operations		**6,516,091**	11,676,073

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Reconciliation of liabilities arising from financing activities

	Borrowings HKD'000 (Note 22)	Lease liabilities HKD'000 (Note 27)	Amount due to associates HKD'000 (Note 25)	Loan from a related party HKD'000 (Note 25)	Total HKD'000
For the year ended 31 December 2023					
At 1 January 2023	53,767,009	1,073,417	1,705,459	2,368,676	58,914,561
Changes from financing cash flows:					
Proceeds from borrowings	36,856,971	–	–	–	36,856,971
Repayment of borrowings	(34,161,677)	–	–	–	(34,161,677)
Capital element of lease rentals paid	–	(59,312)	–	–	(59,312)
Interest element of lease rentals paid	–	(47,356)	–	–	(47,356)
Advance from associates	–	–	2,021,524	–	2,021,524
Repayment of loan from a related Company	–	–	–	(2,338,416)	(2,338,416)
Total changes from financing cash flows	2,695,294	(106,668)	2,021,524	(2,338,416)	2,271,734
Exchange adjustments	(3,773,707)	(23,158)	(56,042)	(30,260)	(3,883,167)
Changes in fair value	–	–	–	–	–
Other change:					
Acquisition of a subsidiaries	79,633	–	–	–	79,633
Increase in lease liabilities	–	21,300	–	–	21,300
Interest expenses (note 32)	2,570,457	47,356	–	–	2,617,813
Total other change	(1,123,617)	45,498	(56,042)	(30,260)	(1,164,421)
At 31 December 2023	55,338,686	1,012,247	3,670,941	–	60,021,874

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Reconciliation of liabilities arising from financing activities *(continued)*

	Borrowings HKD'000 (Note 23)	*Lease liabilities HKD'000 (Note 27)*	*Amount due to associates HKD'000 (Note 25)*	*Loan from a related party HKD'000 (Note 25)*	*Total HKD'000*
For the year ended 31 December 2022					
At 1 January 2022	44,158,768	1,527,652	3,811,725	5,471,986	54,970,131
Changes from financing cash flows:					
Proceeds from borrowings	14,009,260	–	–	–	14,009,260
Repayment of borrowings	(3,396,131)	–	–	–	(3,396,131)
Capital element of lease rentals paid	–	(335,679)	–	–	(335,679)
Interest element of lease rentals paid	–	(64,694)	–	–	(64,694)
Repayment to associates	–	–	(1,831,477)	–	(1,831,477)
Repayment of loan from a related Company	–	–	–	(2,710,552)	(2,710,552)
Total changes from financing cash flows	10,613,129	(400,373)	(1,831,477)	(2,710,552)	5,670,727
Exchange adjustments	(3,824,927)	(118,556)	(274,789)	(392,758)	(4,611,030)
Other change:					
Changes in fair value	–	–	–	–	–
Acquisition of a subsidiaries	11,929	–	–	–	11,929
Interest expenses (note 32)	2,808,110	64,694	–	–	2,872,804
Total other change	(1,004,888)	(53,862)	(274,789)	(392,758)	(1,726,297)
At 31 December 2022	53,767,009	1,073,417	1,705,459	2,368,676	58,914,561

38. GUARANTEES AND CONTINGENCIES

(a) As at 31 December 2023, the Group has given collateral liability guarantees by phases of approximately HKD 2,291 million (2022: HKD514 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.

Moreover, the Group has given guarantees for the performance of certain projects of Shenzhen Expressway, with a total guarantee amount of approximately RMB132 million (equivalent to HKD146 million).

(b) As at 31 December 2023, the Group is involved in pending litigations related to subsidiaries of the Company, with a total claimed amount of approximately RMB741,359,000. These include: (1) Guizhou Guishen Investment Development Company Limited and Guizhou Shenzhen Expressway Property Company Limited (subsidiaries of the Company) being sued by Guizhou Xinhe Lifu Company for losses resulting from reduction of consideration in share transfer agreement, land mis-occupation and related events, totaling approximately RMB486,046,000; (2) Nanjing Wind Power Technology Co., Ltd. (a subsidiary of the Company) being sued by PowerChina Jiangxi Province Power Construction Co., Ltd. due to failure to deliver goods on time and quality problem, resulting in a loss of approximately RMB109,100,000; (3) Bioland Environmental Technologies Group Corp., Ltd. being sued to return the 22,640,000 shares that had been compensated, or to compensate the Original Shareholders RMB129,727,200 if such shares could not be returned due to transfer or pledge; and (4) other pending litigations totaling approximately RMB127,994,000.

As of 31 December 2023, the cases are still in process. With the assistance of the attorney representing in the cases, the board of directors of the company believes that the outcome of the lawsuit and the compensation obligation (if any) cannot be reliably estimated.

39. COMMITMENTS

	2023 ***HKD'000***	*2022* *HKD'000*
Capital commitments – expenditure of property, plant and equipment, concession intangible assets and land premium		
– Contracted but not provided for	**10,683,002**	17,127,681

40. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2023

Acquisition of assets through acquisition of subsidiaries

In August 2023, a wholly-owned subsidiary of the Company completed the acquisition of 100% equity interest in 坪深國際置業（深圳）有限公司 (Pingshen International Real Estate (Shenzhen) Co., Ltd.) ("Pingshen International") from two independent third parties for total consideration of RMB697,213,000 (equivalent to HKD774,509,000). Pingshen International holds and operates a logistic part in Shenzhen.

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
Investment properties	**860,213**
Property, plant and equipment	**322**
Trade and other receivables	**93**
Cash and cash equivalents	**16,498**
Other current assets	**35,098**
Trade and other payables	**(46,278)**
Tax payable	**(3,553)**
Other current liabilities	**(8,251)**
Bank borrowing	**(79,633)**
Net assets acquired attributable to the Group	**774,509**
Total consideration satisfied by:	
Total consideration paid	**719,506**
Unsettled consideration	**55,003**
Net cash outflow in the acquisition included in the investing activities:	
Cash consideration paid	**719,506**
Cash and cash equivalents acquired	**(16,498)**
	703,008

40. ACQUISITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2023 *(continued)*

Acquisition of a subsidiary

On 19 September 2023, the Group entered into a capital injection agreement with other three shareholders of 河南豫東深安港務有限公司(Henan Yudong Shen'an Port Co., Ltd, being an unofficial English name) (Henan Yudong), pursuant to which the Group agreed to make contribution to Henan Yudong in the amount of RMB24,000,000 (equivalent to HKD26,661,000). This amount was made in cash and the transaction was completed in October, 2023. Immediately before the Capital Injection, Henan Yudong was a 40% associate of the Group. Following the completion of the Capital Injection, Henan Yudong became a subsidiary of the Group as the Group is able to control the relevant activities of Henan Yudong through its 52% shareholding. Henan Yudong is principally engaged in the operation and management of a port at Henan, the PRC. The acquisition has been accounted for as acquisition of business using the acquisition method.

Details of the aggregate fair values of consolidation identifiable assets and liabilities of Henna Yudong as at the date of acquisition were as follows:

	HKD'000
Property, plant and equipment	151,485
Land use rights	11,588
Construction in progress	530
Other non-current assets	4,305
Trade and other receivables	5,705
Cash and cash equivalents	448
Inventory	82
Prepaid income tax	12
Trade and other payables	(35,166)
Other non-current liabilities	(62,700)
	76,289
Consideration of capital injection	26,661
Goodwill (note 11)	3,643
Less: Non-controlling interest measured by its proportionate share of the identifiable assets	(49,416)
	57,177
Cash consideration paid	26,661
Fair value of interest in an associate	30,516
	57,177
Fair value of interest in an associate	30,516
Less: Interest in an associate	29,220
Remeasurement gain of the previously held interest in an associate	1,296

41. RELATED-PARTY TRANSACTIONS

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

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 the consolidated financial statements, the following material transactions were carried out with related parties during the year:

(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 year ended 31 December 2023, Shenzhen Expressway paid service fee to Yunji Smart amounting to RMB31,501,000 (equivalent to HKD34,670,000) (2022: RMB37,156,000 (equivalent to HKD41,809,000)).

(b) As at 31 December 2023, Qianhai Real Estate, an associate of the Group, provided a cash advance amounting to RMB414,419,000 (equivalent to HKD456,107,000) (2022: RMB415,786,000 (equivalent to HKD467,859,000)) to the Group.

(c) As at 31 December 2023, Qianhai Business, an associate of the Group, provided a cash advance amounting to RMB1,983,439,000 (equivalent to HKD2,182,962,000) (2022: RMBnil (equivalent to HKDnil)) to the Group.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries:

Name	*Principal activities*	*Issued and fully paid share capital/ paid-in capital*	*Interest held by Group %*	*Non-controlling interests %*
Shenzhen International Total Logistics (Shenzhen) Co., Ltd.[◊]	Investment holding	RMB200,000,000	100	–
Shenzhen Total Logistics Service Co., Ltd.[@]	Provision of total logistics and transportation ancillary services	RMB31,372,549	51	49
Xin Tong Chan Development (Shenzhen) Co., Ltd.[Δ]	Investment holding	RMB200,000,000	100	–
Shenzhen International South-China Logistics Co., Ltd.[@]	Development, construction, operation and management of South China Logistic Park	RMB350,000,000	100	–
Shenzhen International Supply Chain Management Nanjing Co., Ltd[@]	Supply chain management services	RMB10,000,000	100	–
Shenzhen International Holdings (SZ) Limited[Δ]	Investment holding	HKD2,180,000,000	100	–
Shenzhen EDI Co., Ltd.[@]	Provision of electronic information exchange, transmission and value-added information sharing services	RMB22,760,000	79.87	20.13
Shenzhen International West Logistics Co., Ltd.[@]	Development, construction, operation and management of Western Logistic Park	RMB450,000,000	100	-
Shenzhen Bao Tong Highway Construction and Development Limited[@]	Development, construction, investment, operation and management of toll highway	RMB1,533,800,000	100	–
Shenzhen Longda Expressway Company Limited[@]	Operation and management of Longda Expressway	RMB200,000,000	89.93	10.07
Shenzhen Expressway Company Limited[^]	Investment, construction, operation and management of toll highways and roads	RMB2,180,770,326	51.56	48.44
Hubei Magerk Expressway Management Private Limited[Δ]	Operation and management of highways and expressways	USD28,000,000	100	–
Shenzhen International Booming Total Logistics Co., Ltd.[@]	Logistic services and related warehouse facilities	RMB90,000,000	55.39	44.61

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

The following is a list of the principal subsidiaries: *(continued)*

Name	*Principal activities*	*Issued and fully paid share capital/ paid-in capital*	*Interest held by Group %*	*Non-controlling interests %*
Shenzhen Shen Guang Hui Highway Development Company@	Investment holding	RMB105,600,000	100	–
Nanjing Xiba Wharf Co. Ltd.◊*	Construction, operation and management of Wharf and Logistics Centres at Xiba Port of Nanjing	RMB455,000,000	70	30
Guangdong Qinghan Highway Development Company Limited◊	Development, operation and management of highways	RMB3,361,000,000	76.37	23.63
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited@	Construction, operation and management of an expressway	RMB440,000,000	100	–
Shenzhen Meiguan Expressway Company Limited@	Construction, operation and management of an expressway	RMB332,400,000	100	–
Nanjing Xiba Port Co., Ltd.◊*	Construction, operation and management of Wharf and logistics centres at Xiba Port in Phase 2 of Nanjing	RMB420,000,000	70	30
Shenzhen International Logistics Development Co., Ltd.@*	Investment holding	RMB1,250,000,000	100	–
Shenyang Shenzhen International Integrated Logistics Properties Co., Ltd.@*	Construction, operation and management of Shenyang International Logistics Integrated Logistics Park at Shenyang Yuhong District	RMB250,000,000	85.3	14.7
Wuxi Shenzhen International Integrated Logistics Hub Co., Ltd.Δ	Construction, operation and management of urban integrated logistics hub at Wuxi Huishan District	USD50,000,000	100	–
Wuhan Shenzhen International Integrated Logistics Hub Development Co., Ltd.@	Construction, operation and management of urban integrated logistics hub at Wuhan Dongxihu District	RMB100,000,000	100	–
Wuhan Shenzhen International Supply Chain Management Co., Ltd.Δ	Supply chain management services	USD30,000,000	100	–
Shenzhen International Modern Urban Logistics Hub Co., Ltd.@	Construction, operation and management of logistics hub at Shenzhen Longhua	RMB200,000,000	100	–

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

The following is a list of the principal subsidiaries: *(continued)*

Name	*Principal activities*	*Issued and fully paid share capital/ paid-in capital*	*Interest held by Group %*	*Non-controlling interests %*
Tianjin Shenzhen International Integrated Logistics Hub Development Co., Ltd.[@]	Construction, operation and management of urban integrated logistics hub at Tianjin Binhai New Area	RMB8,000,000	100	–
Changsha Shenzhen International Integrated Logistics Hub Development Co., Ltd.[@]	Construction, operation and management of urban integrated logistics hub at Changsha Jinxia Economic Development Zone	RMB181,000,000	100	–
Xi'an Shenzhen International Integrated Logistics Hub Development Co., Ltd.[△]	Construction, operation and management of urban integrated logistics hub at Xi'an National Civil Aerospace Industrial Base	USD15,000,000	100	–
Yiwu Shenzhen International Integrated Logistics Hub Development Co., Ltd.[△]	Construction, operation and management of urban integrated logistics hub at Yiwu	USD50,000,000	100	–
Chengdu Shenzhen International Supply Chain Management Co., Ltd.[@*]	Construction, operation and management of urban integrated logistics hub at Qingbai River in Chengdu	RMB100,000,000	100	–
Kunming Shenzhen International Supply Chain Management Co., Ltd.[@*]	Construction, operation and management of urban integrated logistics hub in Yangzonghai Scenic Area in Kunming, Yunnan Province	RMB150,000,000	100	–
Shenzhen International Properties and Management (Shenzhen) Co., Ltd.[△]	Project investment and enterprise management consulting services	RMB50,000,000	100	–
Shenzhen International Supply Chain Management Co., Ltd.[@*]	Logistics service and construction of warehousing facilities	RMB30,000,000	100	–
Shenzhen International Finance Leasing Co., Ltd.[◊*]	Monetary and financial services and financial leasing business	RMB300,000,000	48[□]	52
Shandong Shenzhen International Bohai Logistics Technology Development Co., Ltd.[@*]	Domestic and international freight forwarders	RMB15,500,000	77.42	22.58
Tianjin Zhonglong Paper Co., Ltd [@*]	Production of all kinds of paper processing produces and leasing of its own plant	RMB116,880,000	100	–
Jurong Shenzhen International Integrated Logistics Hub Development Co., Ltd.[@]	Construction, operation and management of urban integrated logistics hub at Huayang Street	RMB70,000,000	100	–

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

The following is a list of the principal subsidiaries: *(continued)*

Name	Principal activities	Issued and fully paid share capital/ paid-in capital	Interest held by Group %	Non-controlling interests %
Chongqing Shenzhen International Integrated Logistics Hub Development Co., Ltd.[Δ]	Construction, operation and management of urban integrated logistics hub at Shuangfu Town	USD7,660,000	100	–
Ningbo Shenzhen International Integrated Logistics Hub Development Co., Ltd.[Δ*]	Construction, operation and management of urban integrated logistics hub Ningnan Trade and Logistics Zone in Fenghua City, Ningbo	USD20,000,000	100	–
Kunshan Shenzhen International Integrated Logistics Hub Development Co., Ltd.[@]	Construction, operation and management of urban integrated logistics hub at Lujia Town, Kunshan City	RMB89,600,000	100	–
Guizhou Pengbo Investment Company Limited[@]	Construction, operation and management of urban integrated logistics hub at Shuanglong modern service cluster, Guizhou	RMB122,920,000	100	–
Guizhou Hengtongli Property Company Limited[@]	Construction, operation and management of urban integrated logistics hub at Shuanglong modern service cluster, Guizhou	RMB52,229,945.55	100	–
Shenzhen Qinglong Expressway Company Limited[◊]	Construction, operation and management of an expressway	RMB324,000,000	50[□]	50
Shenzhen International New Vision Limited	Investment holding	USD100	100	–
Shenzhen International Ports Development (HK) Limited	Investment holding	HKD2	100	–
Advance Great Limited	Investment holding	USD1	100	–
Successful Plan Assets Limited	Investment holding	USD1	100	–
Shenzhen International Qianhai Development Limited	Investment holding	HKD1	100	–
Shenzhen International Qianhai Asset Management (Shenzhen) Co., Lid.[@]	Real estate development and investment management	RMB5,000,000	100	–
Changsha Shenchang Expressway Co., Ltd.[@]	Construction, operation and management of an expressway	RMB200,000,000	51	49

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

The following is a list of the principal subsidiaries: *(continued)*

Name	*Principal activities*	*Issued and fully paid share capital/ paid-in capital*	*Interest held by Group %*	*Non-controlling interests %*
Hunan Yichang Expressway Development Co., Ltd.@	Construction, operation and management of an expressway	RMB345,000,000	100	–
Shenzhen Outer Ring Expressway Investment Co., Ltd.@	Construction, operation and management of an expressway	RMB100,000,000	100	–
Nanjing Wind Power@	Research and development, production, sales of wind power generation system; investment and operation of wind farms	RMB357,142,900	51	49
Baotou Nanfeng Wind Power Technology Co., Ltd.@	Investment, development and operation of wind power projects	RMB6,000,000	67	33
Shanghai Shenqing Supply Chain Management Co., Ltd.	Operation and management of logistic park at Shanghai Qingpu District	RMB10,000,000	100	–
Zhongshan Shenju Integrated Logistics Hub Development Co., Ltd.@	Operation and management of logistic park at Zhongshan Huoju Development Zone	RMB41,152,952	100	–
Zhengzhou Shenzhen International Supply Chain Management Co., Ltd.Δ	Construction, operation and management of urban integrated logistics hub at Erqing Zone	RMB110,000,000	100	–
China Total Logistics Co., Limited	Provision of logistic related services	HKD2	100	–
Shenzhen International China Logistics Development Limited	Investment holding	HKD1	100	–
Bioland Environmental Technologies Corp., Ltd.@	Ecological protection and environmental management industry	RMB149,933,000	67.14	32.86
Jiangsu Xingwang Logistics Co., Ltd@	Terminal construction and operation, port loading and unloading and Warehousing business of Jingjiang Port-Shenzhen International Logistics Center	RMB820,000,000	70	30
Shenzhen International Bay Area Investment Development Co., Ltd@	Co-ordinate the investment, construction and operation management of modern logistics parks and industrial parks in Shenzhen and the Greater Bay Area.	RMB620,000,000	100	–
Shenzhen Shenguo Railway Logistics Development Co., Ltd.@	Freight forwarder; Container cargo transport agent; Auxiliary activities of railway transportation	RMB400,000,000	90	10

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

The following is a list of the principal subsidiaries: *(continued)*

Name	Principal activities	Issued and fully paid share capital/ paid-in capital	Interest held by Group %	Non-controlling interests %
Shenzhen South China Digital Valley Production City Development Co., Ltd.@	Hold and operate a comprehensive and ecological high-end modern logistics service gathering area	RMB35,000,000	100	–
Shenzhen International Qianhai Investment and Management (Shenzhen) Co., Ltd.@	Engaged in the development of real estate projects such as houses and apartments	RMB5,000,000	100	–
Pingshen International Real Estate (Shenzhen) Co., Ltd.@	Holding and operating Prologis Pingshan Logistics Park	RMB100,000,000	100	–
Hangzhou Shenzhen International Integrated Logistics Hub Development Co., Ltd.@	Construction, operation and management of a regional comprehensive logistics port in Zhejiang	USD60,000,000	100	–
Jiangyin Shenzhen International Integrated Logistics Hub Development Co., Ltd.@	Holding and operating a logistics park located in Jiangyin	USD35,000,000	100	–
Weipei (Shanghai) Aviation Supplies Services Co., Ltd.@	Holding and operating a logistics park in Shanghai	USD16,417,460	100	–
Weizhi (Chongqing) Storage Service Co., Ltd.@	Holding and operating a logistics park in Chongqing	USD32,865,713	100	–
Foshan Shenle Supply Chain Management Co., Ltd@	Holding and operating Smart Logistics Industrial Park in Shunde, Foshan	USD200,000,000	100	–
Zhengzhou Qianlong Logistics Co., Ltd.@	Holding and operating Zhengzhou Qianlong Logistics Park	RMB10,000,000	100	–
Hefei Shenpeng Integrated Logistics Hub Development Co., Ltd.@	Holding and operating Hefei Qianlong Logistics Park	RMB50,000,000	100	–

Δ Foreign-owned enterprise

◊ Sino-foreign Joint Venture

@ Domestic enterprise incorporated in the PRC

^ Foreign invested joint stock limited company

* For identification purpose only

▽ These subsidiaries are held through Shenzhen Expressway and the related interests indirectly held by the Group disclosed above represent the interests held by Shenzhen Expressway.

□ In accordance with the shareholder agreements, the Group controls the entity as the Group has rights to take unilateral decisions on relevant developing, operating and financing activities which significantly affect the returns, and the Group's exposed to variable returns from its involvement with the entity

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

The above table lists the subsidiaries of the Group which, in opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net assets of the Group. All subsidiaries listed above are limited liability companies. These subsidiaries are incorporated and operate in the PRC (except for Shenzhen International New Vision Limited ("NVL"), Advance Great Limited and Successful Plan Assets Limited which are incorporated in British Virgin Islands, and Shenzhen International Ports Development (HK) Limited, Shenzhen International Limited and Shenzhen International Qianhai Development Limited which are incorporated in Hong Kong). Only NVL is directly held and wholly-owned by the Company. To give details of other subsidiaries would result in particulars of excessive length.

Material non-controlling interests

The total non-controlling interests as at 31 December 2023 were HKD23,390,574,000 (2022: HKD23,951,310,000), of which HKD21,134,984,000 (2022: HKD18,403,018,000) was attributable to other equity holders of Shenzhen Expressway. The non-controlling interests in respect of other subsidiaries are not material.

On 4 December 2019, Shenzhen Expressway raised a perpetual bond of RMB4,000,000,000 (equivalent to approximately HKD4,810,187,000). The perpetual bond confer a right to receive distributions at the distribution rate of 4.6% per annum from the date of issuance of the bond. After ten years of issuance of the bond, the distribution rate would be increased by 2 percentage per annum if Shenzhen Expressway chooses not to redeem the bonds and the distribution rate will be further increased by 2 percentage per annum every two years and the distribution rate could be reset by at most twice. Accordingly, the distribution rates would be increased by at maximum 4 percentage per annum to a maximum rate of 8.6% per annum.

In the opinion of the management, as Shenzhen Expressway is able to control the delivery of cash or other financial assets to the holders of the perpetual bonds, the perpetual bond is classified as equity instrument and treated as non-controlling interests in the Group's financial statements.

Set out below are the summarised financial information for Shenzhen Expressway that has non-controlling interests material to the Group. The summarised financial information presented below represents the amounts before any inter-company eliminations.

	2023 **HKD'000**	2022 HKD'000
Current assets	**7,651,083**	10,461,485
Non-current assets	**66,647,254**	67,406,714
Current liabilities	**21,820,910**	26,154,327
Non-current liabilities	**21,662,236**	20,926,308
Net assets	**30,815,190**	30,787,564
Non-controlling interests	**6,208,106**	6,767,886
Revenue	**10,325,821**	10,774,322
Profit for the year	**2,650,334**	2,244,920
Total comprehensive income	**2,436,019**	1,224,985
Total comprehensive income allocated to non-controlling interests	**52,376**	(131,011)
Dividends paid to non-controlling interests	**(299,062)**	(372,229)
Net cash generated from operating activities	**4,548,780**	3,873,422
Net cash used in investing activities	**(1,026,005)**	(3,953,397)
Net cash generated from financing activities	**(4,897,849)**	(2,686,748)

Significant restrictions

Most of the cash and deposits held by Shenzhen Expressway were deposited in banks in the PRC and were subject to local exchange control regulations. These local exchange control regulations provide for restrictions on repatriating capital from the PRC, other than through dividends.

43. EVENTS AFTER THE BALANCE SHEET DATE

(a) Spin-off of Yichang Expressway

On 13 March 2024, Shenzhen Expressway (as vendor) entered into equity transfer agreement (the "Equity Transfer Agreement") and creditor's right transfer agreement with a special purpose vehicle ("Yichang SPV", as purchaser) and Hunan Yichang Expressway Development Company Limited ("the Project Company") pursuant to which Shenzhen Expressway agreed to sell and Yichang SPV agreed to acquire from Shenzhen Expressway 100% equity interest in the Project Company and two debt receivables from the Project Company at the total consideration of RMB2,046 million. Upon completion of the transactions contemplated under the Equity Transfer Agreement, the Project Company will cease to be a subsidiary of the Company and Shenzhen Expressway.

As at the date of the consolidated financial statements, the formalities for business registration of the relevant ownership have been completed.

(b) Adjustment to amount and use of proceeds from the Issuance of A Shares to Specific Targets under specific mandate

On 25 January 2024, the board of directors of Shenzhen Expressway agreed to adjust the total proceeds to be raised from the issuance (the "Issuance") of A Shares in the share capital of Shenzhen Expressway to specific investors who meet the criteria required by CSRC (the "Specific Targets") from not exceeding RMB6.5 billion to not exceeding RMB4.9 billion, and correspondingly the amount of proceeds to be used for the repayment of interest-bearing liabilities will be reduced from RMB1.9 billion to RMB0.3 billion. Upon completion of the Issuance, the Company will hold no less than 45% of the total issued shares of Shenzhen Expressway, and the Group is expected to continue to have control over Shenzhen Expressway. Shenzhen Expressway will continue to be accounted for as a subsidiary in the financial statements of the Company and its financial results will continue to be consolidated into the financial statements of the Company.

As at the date of the consolidated financial statements, the Issuance has not been completed.

44. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	2023		2022	
	HKD'000	HKD'000	HKD'000	HKD'000
Non-current assets				
Interests in subsidiaries		7,378,835		11,420,294
Current assets				
Other receivables	1,971		3,886	
Dividends due from subsidiaries	22,244,359		20,053,779	
Cash and cash equivalents	696,043		88,819	
	22,942,373		20,146,484	
Current liabilities				
Other payables	9,666		12,181	
Borrowings	4,424,389		10,913,115	
Senior Notes and Panda Bond	4,427,704		774,883	
Amount due to a subsidiary	691,285		705,534	
	9,553,044		12,405,713	
Net current assets		13,389,329		7,740,771
Total assets less current liabilities		20,768,164		19,161,065
Non-current liability				
Panda Bond		6,697,642		5,684,039
NET ASSETS		14,070,522		13,477,026
CAPITAL AND RESERVES				
Share capital and share premium		13,257,983		13,218,304
Other reserves and retained earnings		812,539		258,722
TOTAL EQUITY		14,070,522		13,477,026

44. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

Reserve movement of the Company

	Other reserves				
	Contributed surplus HKD'000	*Currency translation reserve HKD'000*	*Total HKD'000*	*Retained earnings HKD'000*	*Total HKD'000*
At 1 January 2022	58,515	1,002,176	1,060,691	2,020,212	3,080,903
Comprehensive income					
Profit for the year	–	–	–	703,545	703,545
Other comprehensive income					
Currency translation differences	–	(1,648,886)	(1,648,886)	–	(1,648,886)
Total other comprehensive income	–	(1,648,886)	(1,648,886)	–	(1,648,886)
Total comprehensive income	–	(1,648,886)	(1,648,886)	703,545	(945,341)
Transactions with owners in their capacity as owners					
Dividends relating to 2021	–	–	–	(1,876,840)	(1,876,840)
Total transactions with owners in their capacity as owners	–	–	–	(1,876,840)	(1,876,840)
At 31 December 2022	58,515	(646,710)	(588,195)	846,917	258,722

	Other reserves				
	Contributed surplus HKD'000	***Currency translation reserve HKD'000***	***Total HKD'000***	***Retained earnings HKD'000***	***Total HKD'000***
At 1 January 2023	**58,515**	**(646,710)**	**(588,195)**	**846,917**	**258,722**
Comprehensive income					
Profit for the year	**–**	**–**	**–**	**1,474,488**	**1,474,488**
Other comprehensive income					
Currency translation differences	**–**	**(307,004)**	**(307,004)**	**–**	**(307,004)**
Total other comprehensive income	**–**	**(307,004)**	**(307,004)**	**–**	**(307,004)**
Total comprehensive income	**–**	**(307,004)**	**(307,004)**	**1,474,488**	**1,167,484**
Transactions with owners in their capacity as owners					
Dividends relating to 2022	**–**	**–**	**–**	**(613,667)**	**(613,667)**
Total transactions with owners in their capacity as owners	**–**	**–**	**–**	**(613,667)**	**(613,667)**
At 31 December 2023	**58,515**	**(953,714)**	**(895,199)**	**1,707,738**	**812,539**

Shenzhen International
深國際

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