Shenzhen International
深國際

2023
INTERIM REPORT
中期報告

物流天下 德行天下
LOGISTICS WITH ETHICS FOR A BETTER WORLD

Shenzhen International Holdings Limited
深圳國際控股有限公司
(Incorporated in Bermuda with limited liability)
（於百慕達註冊成立之有限公司）

Stock code 股份代號：00152

CONTENTS

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 30 June 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 30 June 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

Non-Executive Director:
Zhou Zhiwei

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

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

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)

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
China Minsheng 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, Hong Kong

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

For the six months ended 30 June (HK$ million)	Revenue		Operating profit/(loss)		Share of profit of associates and joint ventures		Profit before finance costs and tax	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Toll roads and general-environmental protection business								
– Revenue	**4,180**	4,618	**1,700**	1,735	**384**	396	**2,084**	2,131
– Construction service revenue	**453**	300	**–**	–	**–**	–	**–**	–
Toll roads and general-environmental protection business sub-total	**4,633**	4,918	**1,700**	1,735	**384**	396	**2,084**	2,131
Logistics business								
– Logistics parks	**756**	740	**493**	234	**13**	7	**506**	241
– Logistics services	**170**	230	**11**	19	**1**	5	**12**	24
– Port and related services	**1,326**	1,580	**94**	103	**–**	–	**94**	103
– Logistics park transformation and upgrading services	**33**	19	**(26)**	2,982	**–**	–	**(26)**	2,982
Logistics business sub-total	**2,285**	2,569	**572**	3,338	**14**	12	**586**	3,350
Head office	**–**	–	**(157)**	(65)	**53**	(2,496)	**(104)**	(2,561)
Total	**6,918**	7,487	**2,115**	5,008	**451**	(2,088)	**2,566**	2,920
Finance income							**110**	175
Finance costs							**(1,556)**	(1,556)
Finance costs – net							**(1,446)**	(1,381)
Profit before income tax							**1,120**	1,539

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2023 HK$ million	2022 HK$ million	Increase/ (Decrease)
Results			
Revenue (excluding construction service revenue)	**6,465**	7,187	(10%)
Operating profit	**2,115**	5,008	(58%)
Profit before income tax	**1,120**	1,539	(27%)
Profit attributable to shareholders	**92**	582	(84%)
Basic earnings per share (HK dollar)	**0.04**	0.26	(85%)
EBITDA to interest expense multiple	**2.58**	2.91	(0.33)ʳ
	30 June 2023 HK$ million	31 December 2022 HK$ million	Increase/ (Decrease)
Financial Position			
Total assets	**127,148**	133,495	(5%)
Total equity	**52,010**	55,199	(6%)
Debt asset ratio (Total liabilities/Total assets)	**59%**	59%	0*
Ratio of Net borrowings to Total equity	**76%**	72%	4*
Ratio of Total borrowings to Total equity	**96%**	97%	(1)*
Net asset value per share attributable to shareholders (HK dollar)	**12.2**	13.1	(7%)

ʳ *Change in multiple*

* *Change in percentage point*

OVERALL REVIEW

Operating Results	For the six months ended 30 June		
	2023 **HK$'000**	2022 HK$'000	Increase/ (Decrease)
Revenue (excluding construction service revenue from toll roads)	**6,464,913**	7,186,537	(10%)
Construction service revenue from toll roads	**453,566**	300,461	51%
Total revenue	**6,918,479**	7,486,998	(8%)
Operating profit	**2,114,900**	5,008,198	(58%)
Profit before tax and finance costs	**2,565,804**	2,920,150	(12%)
Profit attributable to shareholders	**92,045**	581,575	(84%)
Basic earnings per share (HK dollars)	**0.04**	0.26	(85%)

During the first half of 2023, recovery of the overall economy of the PRC continued, yet its foundation remained unstable and it will take time for social demand to fully recover. In addition, various segments in which the Group operates are under pressure due to factors such as the continued interest rate hikes by the U.S. Federal Reserve and significant fluctuations in foreign exchange rates. To confront the changing circumstances, the Group remained steadfast in its strategic determination and continued to focus on its core logistics business in strict adherence to its "14th Five-Year" development strategy, actively perfecting its all-round "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" logistics ecosystem. The Group has been persistently developing the core competitiveness and sustainability of its logistics business, and pursuing high-quality long-term sustainable growth. Furthermore, adapting to changes in both the economic environment and industrial development trends, the Group has remained vigilant and adjusted its strategies flexibly in response to the prevailing circumstances in order to continue to pursue high-quality long-term sustainable growth.

For the six months ended 30 June 2023 (the "Period"), the Group recorded a total revenue of approximately HK$6,918 million, representing a decrease of 8% as compared to the corresponding period of the previous year (revenue maintained at a similar level when excluding the impact of exchange rate). Profit attributable to shareholders was approximately HK$92.05 million, representing a decrease of 84% as compared to the corresponding period of the previous year, which was mainly due to the absence of the one-off gain from the capital contribution of Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd ("Qianhai Business"), which was recognized during the corresponding period of the previous year, as well as other factors including the depreciation of Renminbi ("RMB") and the increase in finance costs.

During the Period, total revenue from the logistics business decreased by 5% as compared to the corresponding period of the previous year to approximately HK$925 million (total revenue increased by 2% when excluding the impact of exchange rate). Profit attributable to shareholders of the logistics business increased by 127% as compared to the corresponding period of the previous year to approximately HK$392 million, which was mainly attributable to the revaluation of properties and the commencement of operations of newly built logistics parks and newly acquired logistics park projects.

In expanding its core logistics business, the Group continuously focused on deploying quality projects in key regions such as the Greater Bay Area, the Yangtze River Delta and the Beijing-Tianjin-Hebei region, further optimizing its nationwide network layout and expanding its market share. In addition, taking into account of customer needs and industry development trends, the Group is actively exploring extended services such as supply chain and cold chain logistics services to bolster itself for long-term success. The Group demonstrated its relatively strong competitiveness in the acquisition of land resources by obtaining premium warehousing land plots in Gaoming District of Foshan, Taiyuan City of Shanxi and Wenjiang District of Chengdu, as well as logistics land plot of approximately 334,000 square meters for its SZ Pinghunan Project.

In the first half of 2023, the Group's logistics business witnessed a sustained growth, with approximately 220,000 square meters of newly developed area put into operation. As at 30 June 2023, the Group has established a foothold in approximately 40 key logistics gateway cities nationwide, managing and operating a total of 34 logistics projects with an operating area of more than 4.5 million square meters in aggregate. In addition, the Group has implemented its strategic configuration of "One City, Multiple Logistics Parks" in 14 gateway cities, which not only enables it to realize economies of scale and reduce operating costs, but also enhances its competitiveness by establishing a service network in the same city to meet diverse customer needs.

During the Period, the Group continued to enhance its dual closed-loop business models of "Investment, Construction, Financing and Operation" and "Investment, Construction, Operation and Transformation", with the development of both closed-loop business models accelerating steadily. The long closed-loop model of "Investment, Construction, Operation and Transformation" has been developing in an orderly manner, with SZI South China Logistics Park has been included in the Shenzhen Urban Renewal and Land Reconditioning Plan, and its transformative vision has been included in the spatial planning of Longhua District. Significant progress has been made in the transformation and upgrading of the park. The development and construction of the Qianhai Project has also been processing steadily, and the Yicheng Qiwanli（頤城栖灣里）, a project solely developed and operated by the Group, is expected to be completed and delivered by the end of 2023.

In respect of "Investment, Construction, Financing and Operation" closed-loop business model, the Group has actively promoted various channels for logistics assets securitization to further enhance the closed-loop business model by capturing industry development trends and seizing domestic policy opportunities. During the Period, the Group made significant efforts in promoting the issuance of publicly traded REITs with mature logistics hub projects in Hangzhou and Guizhou as underlying assets, and has made progress in the current stage.

During the Period, revenue from the port and related services business decreased by 16% to HK$1,326 million as compared to the corresponding period of the previous year, primarily due to the varying degrees of production load reduction by end-users such as power and cement corporates, resulting in relatively weak market demand. Profit attributable to shareholders decreased by 6% as compared to the corresponding period of the previous year (profit attributable to shareholders maintained at a similar level when excluding the impact of exchange rate).

The port business is an important segment in the Group's "Four Growth Engines" layout strategy. In recent years, the Group has actively sped up the implementation of the "Port Connection Action", while expediting the operational capabilities of projects newly put into operation. The first phase of the Shenqiu Port Project and Fengcheng Port Project commenced operations in March 2023 and July 2023, respectively. The completion acceptance procedures for the main port structures of the Jingjiang Port Project have been completed, and it is expected to commence operations within this year. With the successive operation of the Jingjiang Port, Shenqiu Port and Fengcheng Port projects, it will establish good business synergies with Nanjing Xiba Port in the future, jointly build a network of transit ports along the inland river basins, further enhance transportation efficiency and improve customer service capabilities, thereby increasing market share and reducing operational risks.

The Group's toll road business and general-environmental protection business is managed and operated through a listed subsidiary of the Company, namely Shenzhen Expressway Corporation Limited ("Shenzhen Expressway"). During the Period, Shenzhen Expressway recorded a total revenue of HK$4,633 million, representing a decrease of 6% as compared to the corresponding period of the previous year (it remained at a similar level when excluding the impact of exchange rate). Due to the rebound of traffic volume on toll roads operated or invested in by Shenzhen Expressway, coupled with stringent cost control, Shenzhen Expressway recorded a net profit of HK$1,043 million, which maintained at a similar level with that of the corresponding period of the previous year (the net profit increased by 6% when excluding the impact of exchange rate). The profit of Shenzhen Expressway attributable to the Group for the Period increased by 3% as compared to the corresponding period of the previous year to HK$537 million.

Owing to the significant depreciation of RMB against other currencies during the Period, the Group recorded a net foreign exchange loss of approximately HK$610 million. To minimize the impact of exchange rate, reduce interest expenses, as well as to cut overall funding costs, the Group has been actively pursuing the optimization of its domestic and foreign currency structure. This includes issuing onshore bonds in the PRC in replacement of offshore debt in Hong Kong dollar ("HKD"). In July 2023, the Group issued corporate bonds to professional investors in the PRC. The bonds, listed on the Shenzhen Stock Exchange, were in the principal amount of RMB1,500 million with a coupon rate of 2.88% and RMB1,600 million with a coupon rate of 2.99%, respectively. The Group has made use of its internal funds and proceeds from such onshore bond issuance to repay and replace offshore foreign currency loans, optimize debt maturity and currency structure, further reduce the amount of foreign currency loans, secure long-term low-cost funding, and reduce financial costs. To further mitigate funding risks, the Group will continue to closely monitor the volatility of the RMB exchange rate and dynamics of domestic and international capital markets, adjust its funding plans in a timely manner, and optimize its foreign currency debt structures and short and long-term capital structures.

LOGISTICS BUSINESS

OVERVIEW

The Group has extensive experience in the development, operation and management of logistics parks. Based in Shenzhen, the Group focused on economically affluent regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and the Beijing-Tianjin-Hebei Region. Through self-construction, acquisition and other methods, the Group continues to consolidate its logistics assets and expand its operating scale in order to establish a comprehensive "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure" logistics infrastructure network. At the same time, the Group strives to become "the leading first-class comprehensive logistics services provider in the PRC", 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 30 June 2023, the Group has established its foothold in approximately 40 key logistics gateway cities across China, managing and operating a total of 34 logistics projects with planned land area of more than 10 million square meters in aggregate, of which approximately 8.53 million square meters have obtained operation rights, and approximately 4.53 million square meters were in operation with an overall occupancy rate of approximately 82% within mature logistics parks.

During the Period, 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 customers' diverse needs and enhance the quality and efficiency of services, bringing 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 a spirit of open-mindedness, cooperation and innovation.

ANALYSIS OF OPERATING PERFORMANCE ENVIRONMENT

During the first half of 2023, responding to complex and interwoven global political and economic circumstances, the PRC government formulated a series of policies to promote economic recovery. The domestic economy showed some signs of recovery, but laying solid foundations for sustained growth was proved to be challenging. Thanks to coordinated macroeconomic and logistics policy initiatives, logistics demand rebounded slightly. At the same time, the business environment of logistics industry improved, such that the overall industry where the Group's main business operates showed signs of restoration in general. However, given the overall impact of upstream supply and downstream demand on the areas in which the Group operates, the rebound in demand for warehouses fell short of expectations and the industry faced both challenges and opportunities.

To better adapt to the new situation, the Group promptly adjusted its development strategies in response to the changes in the external environment and the impact of relevant policies. Building on its foothold in the Shenzhen Pilot Demonstration Zone and the Guangdong-Hong Kong-Macao Greater Bay Area, the Group is seizing opportunities for upgrading the national logistics infrastructure to build up a modern logistics system. On the one hand, the Group captures market opportunities and focuses on strategically positioning itself in first-tier cities, the Guangdong-Hong Kong-Macao Greater Bay Area and the core gateway cities in the Yangtze River Delta region, seeking investment and acquisition opportunities. On the other hand, it continues to enhance its operational and management capabilities and optimize its customer structure, further honing its dual closed-loop business models of "Investment, Construction, Financing and Operation" and "Investment, Construction, Operation and Transformation". The Group is committed to pursue stable, high-quality and sustainable development.

ANALYSIS OF OPERATING PERFORMANCE

Logistics Park Business

1. Logistics Parks in the Greater Bay Area

Guided by the strategy of establishing a foothold in Shenzhen and focusing on the Greater Bay Area, the Group has established its presence in cities such as Zhongshan, Zhaoqing and Foshan in addition to Shenzhen, in order to gradually expand its business network in the Greater Bay Area and realize its strategic vision of integrating with the region. In addition to continuing to increase its investment in the Greater Bay Area, the Group has proactively pursued opportunities arising from the development of "Multi-storey Factories" and created a new series of offerings, such as the "Shenzhen International Intelligent Logistics Hub", in line with the industry's trend towards smart and intelligent development and the local government's initiative on intensive land use.

As at 30 June 2023, the Group has established 13 logistics projects across the Greater Bay Area, among which 4 projects (including 3 projects in Shenzhen) are in operation/under management, while 6 projects (including 4 projects in Shenzhen) are under construction.

Logistics Hub Projects in Shenzhen

Projects in Operation

SZI South China Logistics Park is located in Longhua District of Shenzhen, and has a site area of approximately 578,000 square meters. The project is developed in two phases. The first phase is a comprehensive industrial park focusing on bonded logistics and commercial functions, which has maintained stable operation during the Period. The first phase is currently undergoing transformation into a digital economic park under the overall planning of the Shenzhen Municipal Government.

SZI Western Logistics Park is located in Nanshan District of Shenzhen, and has a total operating area of approximately 122,000 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 30 June 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 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 several branded logistics enterprises, resulting in satisfactory leasing progress. As at 30 June 2023, the project achieved an overall occupancy rate of 93.8%.

SZI Intelligent Logistics Hub (SZ Pingshan East) is a quality logistics park project acquired by the Group in July 2023 for a total 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 of high-quality logistics warehousing and industrial production space for Shenzhen. The acquisition is expected to increase the Group's revenue and asset scale, thereby providing positive economic benefits. 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 expand the Group's market influence in Shenzhen and the Greater Bay Area.

Projects in Construction

The Group continues to expand its investment in Shenzhen and expedite the progress of its ongoing and planned projects, with the goal of contributing to the development of Shenzhen as a national logistics center.

SZI Railway Freight Logistics Hub (SZ Pinghunan) is located in Longgang District of Shenzhen, and has a total site area of approximately 900,000 square meters and an estimated logistics warehouse gross floor area of approximately 850,000 square meters. In September 2019, SZ Pinghunan Project was selected by the National Development and Reform Commission of the PRC and the Ministry of Transport of the PRC as one of the first batch of 23 national logistics hub projects, and is set to play a pivotal role in elevating the Group's stature in the logistics industry going forward.

In August 2021, a joint venture company, Shenzhen Municipal Shenzhen International Railway Logistics Development Company Limited（深圳市深國鐵路物流發展有限公司）("Shenzhen International Railway"), was established by the Group and China Railway Guangzhou Group Co., Ltd. to invest in and develop the SZ Pinghunan Project. The Group pioneered the model of "obtaining strata titles in multi-level logistics and warehousing development to be constructed over a railway" in SZ 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. This project will become a benchmark for the intensive use of land resources, serving as a demonstration. 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".

Various services including warehousing, port container yard and rail transportation commenced at the first phase of SZ Pinghunan Project. The operational railway yard/freight yard, covering an area of approximately 170,000 square meters, has been delivered in phases during the first half of 2022. In addition, the Group successfully rolled out the "Pinghunan, Shenzhen – Minhang, Shanghai Rail" and "Pinghunan, Shenzhen – Changsha Rail" freight express lines through the use of the railway yard of the first phase of SZ Pinghunan Project, thereby materializing a breakthrough in terms of multimodal transportation.

The second phase of SZ Pinghunan Project aims to establish a modern logistics hub over the existing railway yard. 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. Shenzhen International Railway will own the titles and operation rights of the properties erected over the railway yard.

On 25 June 2023, the Group successfully acquired the land use rights for the construction of the warehouse project through a public bidding process, for the consideration of RMB1,187 million. It represents the first industrial space development built on a railway yard within the PRC, and is a relatively rare land resources in Shenzhen for construction of large-scale logistics facilities. This project is also the first project in Shenzhen for a 11-meter high-rise logistics building designed with a single-level capacity. The Group is currently fully committed to advancing the design and other related work of the construction plan, aiming to begin full-scale construction work by the end of 2023 or the beginning of 2024 for completion in 2026.

SZ Pinghunan Project (conceptual rendering)


SZ Liguang Project

SZI Intelligent Logistics Hub (SZ Liguang) is located in Longhua District of Shenzhen, and has a site area of approximately 45,000 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 a planned gross floor area of 265,000 square meters. 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 will also serve 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 warehousing and storage, transaction demonstration, distribution and consolidation, urban distribution and circulation processing. It is anticipated to further solidify the Group's share in the regional logistics market of Shenzhen. Engineering planning acceptance procedures were completed in May 2023, and the project is due to commence operations in phases during the second half of 2023.


SZ Yantian Project (conceptual rendering)

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 127,000 square meters. The Group plans to construct a six-storey stereoscopic warehouse that will serve as another demonstration project 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 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. The roofing of the project's main structure was completed in April 2023, and structural acceptance was completed in late June 2023. It is expected to be completed and commence operation by the end of 2023.


SZ Pingshan Project (conceptual rendering)

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 450,000 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. A groundbreaking ceremony for the project was held on 30 May 2023, and it is scheduled to be completed and commence operation by 2025.

Projects under Planning

SZI Highway Freight Logistics Hub (SZ Bao'an), located in Bao'an District of Shenzhen, is one of the seven first-class highway freight hubs planned by the Shenzhen Municipal Government. It occupies a prime location and has a site area of approximately 75,000 square meters. 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. This will facilitate the integration of high-end manufacturing and logistics industries. In July 2023, Shenzhen Production Service National Logistics Hub, with this project as its core, was named in the "2023 National Logistics Hub Construction List". This marks another national-level logistics hub project led, developed and operated by the Group. In the second half of 2022, the Group entered into an investment agreement relating to the project with the relevant government department, and it is currently actively seeking to obtain the land for the project.

Other Logistics Hub Projects in the Greater Bay Area

While building a solid foundation in Shenzhen, the Group is also accelerating its development in other regions within the Greater Bay Area, focusing on high-quality projects. Among them, Foshan has become another focus of the Group's business in the Greater Bay Area.

SZI Intelligent Logistics Hub (Zhongshan Torch) is the Group's first project in the Greater Bay Area (excluding Shenzhen), and has a total operating area of approximately 66,000 square meters. It aims to facilitate the integrated development of logistics on both sides of the Pearl River. Subsequent to its acquisition in 2019, the project has undergone years of refined management, leading to significant improvement in operation and service quality. As at 30 June 2023, the occupancy rate has reached almost 100%.

SZI Intelligent Logistics Hub (Foshan Nanhai) and **SZI Intelligent Logistics Hub (Foshan Shunde)**, located in Nanhai District and Shunde District of Foshan respectively, are the two warehouse construction sites that the Group successfully obtained at the beginning of 2022. Foshan Nanhai Project has a gross floor area of approximately 93,000 square meters, while Foshan Shunde Project has a 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.

SZI Intelligent Logistics Hub (Foshan Gaoming) is a warehouse site successfully acquired by the Group in early 2023. Located in Gaoming District of Foshan, it 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 breakthrough of the "One City, Multiple Logistics Parks" strategy. The project intends to create a high-standard, informatization, modern smart logistics industrial base that integrates functions such as e-commerce cloud warehousing, urban distribution, intelligent cold chains and aviation supply chains. The construction of the project is expected to commence within 2023.

In addition, the Group is actively pursuing the acquisition of land for Zhaoqing Project, aiming to secure the project site during the second half of 2023.

2. 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 on a national level.

As at 30 June 2023, the Group has extended its network of logistics hubs to more than 34 logistics gateway cities in other regions across China (excluding the Greater Bay Area), among which a total of 30 logistics hub projects with a total operating area of approximately 3.89 million square meters were in operation, having achieved satisfactory occupancy rates.

During the first half of 2023, the Group obtained warehouse land parcels for Taiyuan Project and Chengdu Wenjiang Project respectively. Located in Xiaodian District of Taiyuan, Taiyuan Project has a total site area of approximately 127,000 square meters. The implementation of the project marks an important step in the Group's efforts to further deepen its strategy of expanding in logistics gateway cities. Located in Wenjiang District of Chengdu, Chengdu Wenjiang Project has a total site area of approximately 67,000 square meters. The acquisition of the project marks the successful execution of the Group's "One City, Multiple Logistics Park" strategy in Chengdu, achieving a more concentrated strategic configuration for the "Chengdu-Chongqing Dual City Economic Circle" and further bolstering economies of scale in the Group's logistics hub network.

Furthermore, the Group is actively promoting its national strategic configuration and enhancing penetration rate and project density in key cities, solidifying the foundations for its high-standard warehouse network. As at 30 June 2023, Jinhua Yiwu Project (E-commerce Industrial Park) and stage A under the second phase of Changsha Project were successively completed and commenced operations, contributing over 220,000 square meters of operating area.

While continuing to expand 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. As at 30 June 2023, the Group has commenced a total of four new construction projects with an aggregate gross floor area of approximately 520,000 square meters, including Xiangtan Project, Wenzhou Project, Nanchang Changbei Project and Hefei Feixi Project (newly constructed part). The Group is also engaged in four ongoing construction projects with an aggregate gross floor area of approximately 430,000 square meters, including Wuxi Jiangyin Project, Hainan Chengmai Project, Zhanjiang Project and Guiyang Xiuwen Project. The aforementioned projects have all commenced construction as scheduled, while Wuxi Jiangyin Project is expected to be completed and commence operations within 2023. Hainan Chengmai Project, Zhanjiang Project and Xiangtan Project are expected to be completed and commence operations gradually in 2024.

SZI Logistics Hub (Shijiazhuang Zhengding), invested in and constructed by the Group, is the first industrial-city complex in the PRC that integrates the two major industries of logistics and commerce. It has a site area of approximately 310,000 square meters and a total 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, the intention is that it establishes 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". As at 30 June 2023, the operating area of the park has reached approximately 64,000 square meters, with the pharmaceutical industrial park covering approximately 40,000 square meters. It has become the main regional warehouse in Hebei for Shanghai Pharmaceuticals and China Resources Pharmaceuticals, both being Fortune 500 enterprises.

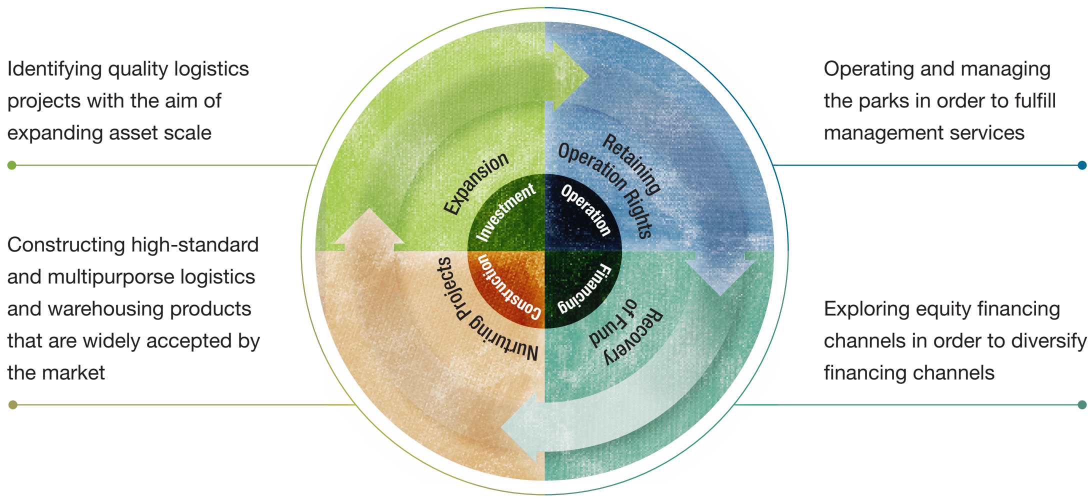
The park is currently promoting the construction of a high-standard backbone cold chain logistics base with a gross floor area of more than 100,000 square meters and joining forces with the China Good Agri-Products Development & Service Association to promote the branding of products stationed in the park, actively supporting "Internet + Agricultural Products" movement from rural areas to urban markets. The A5 and A7 warehouses in the park 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.

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. **SZI Intelligent Logistics Hub (Yueyang)** 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: **SZI Intelligent Logistics Hub (Hainan Yangpu)** with a gross floor area of approximately 94,000 square meters, the construction of which has commenced in November 2021 and is expected to put into operation within 2023; and **SZI Intelligent Logistics Hub (Guangdong Huiyang)** with a gross floor area of approximately 100,000 square meters, which is expected to commence construction in September 2023 and put into operation in 2024.

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

As the logistics and warehousing industry continues to develop, 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.



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. 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 speed up the application and issuance of publicly traded infrastructure REITs with mature integrated 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, accelerating capital recovery and fostering prime and effective investments while retaining the operating rights to the parks as a prerequisite.

In 2021, 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. (中信證券股份有限公司). Shenshi Fund, as the main entity, has acquired logistics hub projects located in Nanchang, Hefei and Hangzhou through public tenders. The Group 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 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 will continue to establish new logistics industry funds based on market dynamics and its needs, strengthening its collaboration with peers and financial institutions in order to promote the development of its "Investment, Construction, Financing and Operation" business model.

2023 marks the second anniversary of the listing of the first batch of publicly traded infrastructure REITs in the PRC. 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, the PRC's publicly traded REITs market is maturing towards normalized issuance. To establish its first platform of publicly traded REITs, the Group is actively planning for the issuance of publicly traded REITs, with the first batch intended to include mature logistics hub projects in Hangzhou and Guizhou as underlying assets. The issuance of publicly traded 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. Currently, the Group is in the preparation stage of applying to issue publicly traded REITs. The Group has submitted the application in accordance with Practice Note 15 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and has made phased progress. Other preparatory work is also proceeding in an orderly manner. The Group will seek timely approvals from relevant regulatory bodies (including but not limited to the National Development and Reform Commission, the China Securities Regulatory Commission and the Shenzhen Stock Exchange) regarding the issuance.

As at 30 June 2023, details of the Group's major logistics projects are shown as follows:

	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)
Logistics Parks in Greater Bay Area						
Logistics Hubs	SZI Railway Freight Logistics Hub (SZ Pinghunan)	Hengdongling Road, Nanwan Sub-district, Longgang District, Shenzhen	90	90@ *(Phase I: 90 Phase II:33.4)*	–	2026
	SZI Highway Freight Logistics Hub (SZ Bao'an)	Bao'an District, Shenzhen	7.5	–	–	–
Logistics Parks	SZI South China Logistics Park (Shenzhen)	Minzhi Sub-district, Longhua District, Shenzhen	57.8	57.8	31.2	2003
	SZI Western Logistics Park (Shenzhen)	Linhai Road, Nanshan District, Shenzhen	N/A	N/A	12.2	2003
	SZI Kanghuai E-commerce Center (Shenzhen)▲	Ping'an Road, Guanlan Sub-district, Longhua District, Shenzhen	N/A	N/A	14.3	2018.01
SZI Intelligent Logistics Hubs	Shenzhen Liguang	Liguang Village, Guanlan Sub-district, Longhua District, Shenzhen	4.5	4.5	–	2023
	Shenzhen Pingshan	Eastern Lanzhu Road, Longtian Sub-district, Pingshan District, Shenzhen	12	12	–	2025
	Shenzhen Yantian	First Phase of Yantian Comprehensive Bonded Zone, Yantian District, Shenzhen	3.2	3.2	–	2023
	Zhongshan Torch	Zhongshan Torch Hi-Tech Industry Development Zone, Zhongshan	5.8	5.8	6.6	2019.09
	Zhaoqing	Jinli Town, Gaoyao District, Zhaoqing	10	–	–	–
	Foshan Nanhai	Nanhai District, Foshan	7.6	7.6	–	2024
	Foshan Shunde	Shunde District, Foshan	20	20	–	2025
	Foshan Gaoming	Gaoming District, Foshan	15.7	15.7	–	2025
	Sub-total		**234.1**	**216.6**	**64.3**	

As at 30 June 2023, details of the Group's major logistics projects are shown as follows: *(continued)*

	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)
Logistics Parks in Other Regions of PRC						
SZI Logistics Hubs	**Zhejiang Region**					
	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
	Ningbo	Ningnan Trade and Logistics Park, Ningbo	19.4	9.2	5.7	2018.01
	Jinhua Yiwu	Yunxi Village under the jurisdiction of Choucheng Sub-district, Yiwu, Jinhua	44	41.7	55.9	2020.12
	Jinhua Jingkai	Jinhua Economic and Technological Development Zone, Jinhua	13.6	–	–	–
	Wenzhou	Longgang District, Wenzhou	13.9	13.9	–	2025
	Jiangsu and Anhui Region					
	Wuxi Huishan	Huishan District, Wuxi	34.7	24.6	12	2017.01
	Wuxi Jiangyin	Jiangyin Lingang Economic and Technological Development Zone, Wuxi	13.3	13.3	–	2023
	Suzhou Kunshan	Lujia Town, Kunshan, Suzhou	11.7	11.7	9.6	2016.06
	Suzhou Xiangcheng	International Logistics Park, Wangting Town, Xiangcheng District, Suzhou	3.3	3.3	1.9	2020.12
	Nanjing Jiangning	Jiangning District, Nanjing	3.2	3.2	–	2025
	Hefei Feidong□	Anhui Hefei Commercial and Logistics Development Zone, Feidong County, Hefei	N/A	N/A	9.3	2016.01
	Hefei Feixi	Feixi County, Hefei	42.2	42.2	19.1	2022.05
	Jurong	New North Town, Jurong	40	13.1	–	–
	Xuzhou	Xuzhou National Hi-Tech Industrial Development Zone, Xuzhou	14	13.3	7.2	2021.04
	Nantong	Haimen Industrial Park, Nantong	15.2	15.2	12.9	2021.01
	Shanghai Qingpu	Huaxin Town, Qingpu District, Shanghai	2.3	2.3	3	2019.09
	Shanghai Minhang	Zhuanqiao Town, Minhang District, Shanghai	3.5	3.5	5.2	2021.09
	Huai'an	Huai'an Economic and Technology Development Zone, Huai'an	11.1	–	–	–
	Taizhou	Dasi Town, Gaogang District, Taizhou	8.8	8.8	–	2025
	Beijing-Tianjin-Hebei Region					
	Tianjin Binhai	West Wing of Tianjin Development Zone, Tianjin	6	6	3.3	2019.01
	Tianjin Xiqing	Yangliuqing Town, Xiqing District, Tianjin	11.6	11.6	7.8	2021.09
	Shijiazhuang Zhengding	Zhengding County, Shijiazhuang	46.7	31	6.4	2017.07
	Shijiazhuang Yuanshi	Yuanshi County, Shijiazhuang	14.4	–	–	–
	Central China					
	Wuhan Dongxihu	Dongxihu District, Wuhan	13.3	12.6	6.3	2016.01
	Wuhan Caidian	Changfu Logistics Park, Caidian District, Wuhan	26.7	12.9	11.7	2022.03
	Wuhan Huangpi	Huangpi District, Wuhan	6.7	6.8	–	2025
	Nanchang Jingkai□	Nanchang Economic and Technological Development Zone, Nanchang	N/A	N/A	8.7	2017.06
	Nanchang Changbei	Nanchang Integrated Bonded Zone	15.7	15.6	–	2025
	Changsha	Jinxia Economic Development Zone, Changsha	34.7	29.8	24	2018.01
	Xiangtan	Yuetang Economic Development Zone, Xiangtan	10.2	10	–	2024
	SZI Intelligent Logistics Hub (Yueyang)▲	New Port Area, Chenglingji District, Yueyang	N/A	N/A	5.2	2020.01

As at 30 June 2023, details of the Group's major logistics projects are shown as follows: *(continued)*

	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)
Logistics Parks in Other Regions of PRC						
SZI Logistics Hubs	**Southwestern Region**					
	Guizhou Longli	Shuanglong Modern Service Industrial Cluster, Guizhou	34.8	34.8	14.2	2018.05
	Guiyang Xiuwen	Zhazuo Industrial Park, Xiuwen Economic Development Zone, Guiyang	20	20.6	–	2025
	Chongqing Shuangfu	Shuangfu New District, Jiangjin District, Chongqing	15.7	10.4	5.8	2019.12
	Chongqing Shapingba	Shapingba District, Chongqing	14.6	14.6	11.6	2021.09
	Kunming	Yangzonghai Scenic Area, Kunming	17.2	17.2	11.9	2020.01
	Chengdu Qingbaijiang	International Railway Logistics Park, Qingbaijiang District, Chengdu	12.9	12.5	12.6	2021.01
	Chengdu Wenjiang	Wenjiang District, Chengdu	6.7	6.7	–	2025
	Southern Region					
	Zhanjiang	Mazhang District, Zhanjiang	20	11	–	2024
	Hainan Chengmai	Jinma Modern Logistics Center, Chengmai County, Hainan	6.3	6.3	–	2024
	Haikou Gaoxin	Gaoxin District, Haikou	6.7	6.7	–	2025
	Northern Region					
	Zhengzhou Erqi	Mazhai Industrial Cluster, Erqi District, Zhengzhou	11	11	12.9	2022.12
	Zhengzhou Xinzheng	Xinzheng District, Zhengzhou	49.7	49.7	21.5	2022.05
	Yantai	Yantai Economic and Technological Development Zone, Yantai	6.9	6.9	4.0△	2008.06
	Xi'an	Xi'an National Civil Aerospace Industrial Base, Xi'an	12	12	9.3	2020.08
	Taiyuan	Xiaohe Industrial Park, Xiaodian District, Taiyuan	12.7	12.7	–	2025
	Shenyang	Shenyang International Logistics Park, Yuhong District, Shenyang	70	24.1	24.2	2016.04
	Sub-total		**821.3**	**636.7**	**388.8**	
	Total		**1,055.4**	**853.3**	**453.1**	

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*

@ *The first phase of SZI Railway Freight Logistics Hub (SZ Pinghunan) has obtained operation rights in respect of land with a site area of 900,000 square meters. The rail yard/ freight yard of the first phase of the project with areas of 71,000 square meters and 102,000 square meters has been handed over in January 2022 and June 2022, respectively; In June 2023, the Group acquired the property rights to a logistics land parcel with a site area of approximately 334,000 square meters for the second phase of SZI Railway Freight Logistics Hub (SZ Pinghunan) through a public auction, and the land will be used to build 850,000 square meters of logistics storage facilities. As Phase II will be constructed over the railway yard, the site area will not be included when calculating the project's area with operation rights*

△ *Including an area of approximately 10,000 square meters operated through leasing*

□ *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*

Logistics Service 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 one emphasizing advanced technology and high intelligence. Emerging sectors such as intelligent logistics and cold chain logistics have become important trends for the future development of the industry. In recent years, the Group has expedited the exploration of intelligent and cold chain businesses, striving to create a new business growth engine.

The Group's intelligent and cold storage warehouses are located at multiple logistics hubs in cities such as Shenzhen, Shijiazhuang and Chengdu, serving customers such as pharmaceuticals, computer, communication and consumer (3C) electronics, footwear and apparel. As at 30 June 2023, the Group had a total of 57,000 square meters of intelligent and cold storage warehouse space in operation, and approximately 287,000 square meters are currently under construction, proposed for construction or in the planning process. It is expected that 73,000 square meters of intelligent warehouse space and 60,000 square meters of cold storage warehouse space will be put into operation in the second half of 2023.

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. It has jointly established a cold chain joint venture operation with cold chain logistics company "VX Logistics" (萬緯物流) to accelerate the development of its cold chain business, guided by the "Self-exploration of asset-heavy project + Joint operation of asset-light project" strategic model. As the first part of this, the jointly developed cold storage warehouse of **SZ Liguang Project**, with an area of approximately 39,000 square meters, is intended to be developed as an ecological, intelligent, innovative benchmark demonstration project. As at 30 June 2023, the construction of approximately 24,000 square meters of cold storage warehouse space had been completed, and the Group aims to complete the construction works of the cold storage warehouse in this project by the end of 2023. The Group has also been expediting the development of the **cold chain project at the airport of Nanjing**, which includes a planned cold storage warehouse area of approximately 33,000 square meters. Since the signing of a land transfer contract in June 2023, the Group has been proactively preparing for pre-construction work. In addition, the Group commenced the transformation of **Shanghai Minhang Project** from a dry warehouse into a cold storage warehouse in the first half of 2023. Once transformed, the cold storage warehouse, which has an area of approximately 52,000 square meters, is expected to commence operations in 2024.

In its development of intelligent warehouses, the Group continued to carry out intelligent transformations of existing projects. A total of 37,000 square meters of area have undergone intelligent transformation and commenced operations, enhancing customers' storage space utilization rates and inventory turnover efficiency while significantly reducing labor costs. Meanwhile, **Shijiazhuang Zhengding Project's** intelligent pharmaceutical warehouse has achieved real-time visualized control of temperature and humidity, developing as a leading shared intelligent warehouse for the pharmaceutical industry.

To create a new growth engine for its logistics business, the Group will continue 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.

Shenzhen EDI Co., Ltd. (深圳市鵬海運電子數據交換有限公司) ("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 Period, 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 platform, "Kunpeng Intelligent Transportation". "Pengyao Project", jointly developed by the Group and Shanghai Flying Fish Supply Chain Technology Co., Ltd. (上海文鰩供應鏈科技有限公司), an investor under Cainiao AI (菜鳥), achieved its first order placement. 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. EDI Co.'s professional services have gained recognition in the industry. Positioned as a benchmark for digital smart development in the sector, EDI Co. was not only selected as one of the "Top 10 Intelligent Port Forces" in the "Annual Top 100 in China Shipping Industry" by the China Shipping Gazette (《中國航務週刊》), but 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.

Other Strategic Logistics Investments

The Group has also been actively exploring upstream and downstream projects along the industry chain that can diversify its all-round logistics ecosystem, combining "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" and which seizes opportunities arising from emerging logistics industries and policy developments, captures potential investment opportunities in the multimodal transportation, intelligent and cold chain logistics and air freight segments, identifies quality logistics asset projects, and accumulates underlying resources in order to fully unlock synergies among its projects while delivering an optimal return on investment.

Bay Area Express（灣區號）in Shenzhen, operated by a joint venture established by the Group and Sinotrans Limited, is principally engaged in the international cargo agency and international train operation businesses, protecting the stability of international industry chains and supply chains and contributing to the high-quality development of the "Belt and Road Initiative". As a vital link connecting Shenzhen with the international economic development, it is one of the longest train routes running between the PRC and Europe, beginning in Shenzhen and traversing a total length of 13,438 kilometers. With 18 routes serving 40 countries, it provides stable, reliable international logistics services to more than 4,000 enterprises in Shenzhen and neighboring cities. During the first half of 2023, 117 trips were made, representing growth of 95% year-on-year. Since its launch, it has made a total of 505 trips with a trading amount of approximately USD2,950 million. In addition, international train routes of the Bay Area Express running between the PRC and Laos, among the PRC, Laos and Thailand, and premium train routes between the PRC and Europe were opened afterwards. As all routes of the Bay Area Express begin from Pinghunan's railway yard, the Bay Area Express helps boost the cargo volume of the Pinghunan's railway yard 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.

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 Group can synchronize and connect its logistics warehouse network with that of China Comservice. 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 the first half of 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.

Besides, the Group became the fourth-largest 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 in 2021, holding a 10% equity interest. The Group has continued to record continuous satisfactory returns from this investment so far. Air China Cargo is in the process of listing on the main board of the Shenzhen Stock Exchange. 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.

To implement its intelligent logistics development strategy, the Group joined hands with Shenzhen Airport Co., Ltd.（深圳市機場股份有限公司）and Shenzhen Capital Holdings Co., Ltd.（深圳市資本運營集團有限公司）to establish the Intelligent Airport Logistics Industry Fund（智慧空港物流產業基金）in 2021. As at the end of June 2023, the Group had received an accumulated dividend income of approximately RMB12.02 million from the fund. 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 while continuously staying abreast of their relevant developments following its investment.

FINANCIAL ANALYSIS

Revenue
For the six months ended 30 June

	2023 HK$'000	2022 HK$'000	Increase/ (Decrease)
Logistics Parks in Greater Bay Area	**270,751**	218,975	24%
Logistics Parks in Other Regions of the PRC	**485,015**	520,938	(7%)
Sub-total of Logistics Parks Business	**755,766**	739,913	2%
Logistics Services Business	**169,613**	229,470	(26%)
Total	**925,379**	969,383	(5%)

Profit Attributable to Shareholders
For the six months ended 30 June

	2023 HK$'000	2022 HK$'000	Increase/ (Decrease)
Logistic Parks in Greater Bay Area	**121,755**	73,339	66%
Logistics Parks in Other Regions of the PRC	**268,062**	94,968	182%
Sub-total of Logistics Parks Business	**389,817**	168,307	132%
Logistics Services Business	**2,641**	4,559	(42%)
Total	**392,458**	172,866	127%

During the Period, total revenue from the logistics business amounted to HK$925 million, representing a decrease of 5% as compared to the corresponding period of the previous year (total revenue increased by 2% when excluding the impact of exchange rate); while profit attributable to shareholders increased by 127% as compared to the corresponding period of the previous year to HK$392 million. In particular, revenue from the logistics parks business increased by 2% to HK$756 million as compared to the corresponding period of the previous year and profit attributable to shareholders increased by 132% to HK$390 million as compared to the corresponding period of the previous year, mainly attributable to the profit contribution from the newly built and operational logistics parks and newly acquired logistics park projects, as well as revaluation gains on properties of approximately HK$94.42 million during the Period.

During the Period, revenue from the logistics services business decreased by 26% to HK$170 million as compared to the corresponding period of the previous year. Profit attributable to shareholders decreased by 42% as compared to the corresponding period of the previous year to HK$2.64 million. The decrease was mainly due to the continuous adjustment of the relevant business structure to adapt to the changing economic environment and to reduce risks.

LOGISTICS PARK TRANSFORMATION AND UPGRADING BUSINESS

OVERVIEW

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

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. The transformation and upgrading of the logistics park involve certain real estate development projects, which are currently only being carried out in the core area of Shenzhen. The Group rigorously selects renowned developers in the market for cooperation to ensure the quality of the development.

ANALYSIS OF OPERATING PERFORMANCE

Qianhai Project

The Qianhai Project represents the first project in which the Group has successfully implemented its long closed-loop "Investment, Construction, Operation and Transformation" development model. By way of land consolidation and preparation in Qianhai, the Group received compensation amounting to approximately RMB8,373 million through the land swap with a total site area of approximately 120,000 square meters and a total gross floor area of around 390,000 square meters (comprising saleable residential area of approximately 190,000 square meters and saleable apartment area of approximately 25,000 square meters) under new land use arrangement. The appreciation of the land value represents the initial benefit derived from the land consolidation and preparation in Qianhai. As the swapped land parcels are being developed gradually and following the release of completed properties into the market, the project continues to unlock value from its development in a few years, which in turn is expected to provide a steady support in the growth of the Group's financial performance.

The Qianhai Project is being 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. In December 2022, the Group was named "Shenzhen Real Estate Brand of the Year for Promoting the Healthy Development of Industry" at the 10th Annual Industry Summit for Best Habitat in the Greater Bay Area. The Shenzhen International Qianhai Industrial-City Complex was also honored with the "Greater Bay Area Annual Value Benchmark Award for Integrated Industrial-City Complex".

The Qianhai Project will be developed in three phases.

The first phase of the Qianhai Project has a total gross floor area of approximately 110,000 square meters, comprising residential area of approximately 51,000 square meters (PARKVIEW BAY, which was jointly developed by the Group and Shum Yip Land Company Limited), office area of approximately 35,000 square meters (Yidu Building), and commercial area of approximately 25,000 square meters (Qianhai Yinli), all of which have been put into operation and delivered for use.

The office project, namely "SZI Properties (Shenzhen Yidu Building)" ("Yidu Building"), is jointly managed and operated by the Group and 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. Capitalizing on the unique geographical location and policy advantages of Qianhai in the Greater Bay Area, the project fully leverages the Group's wealth of expertise in supply chain management and the CCID'S formidable 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 Belt and Road Initiative. Since its launch in July 2021, the project 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 30 June 2023, the project had an occupancy rate of 80%, with all contracted customers being high-potential digital economy enterprises. The self-operated premium shared office space Qianhai Tuding Camp（前海圖釘Camp）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. As at 30 June 2023, the project achieved an incubation rate of 58.9%. Among them, Hong Kong entrepreneurial teams accounted for about one-quarter, 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 and the University of California, Los Angeles in the United States. A prototype industrial innovation ecosystem platform has been developed to facilitate the seamless promotion of diverse industrial activities and industry-supporting services.

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 Qianhai's Mawan area. As a slow-paced, leafy 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 was honored with a "Business Innovation Award" and the "Marketing Innovation Award" at the China Shopping Center & Chain Brand Development Summit in June 2023. As at 30 June 2023, the project had attained an overall occupancy rate of 76.3%.

The second phase of the Qianhai Project has a plot ratio-based gross floor area of approximately 110,000 square meters in aggregate, and comprises residential area of approximately 91,000 square meters. The development of this phase will be carried out in two parts. The first part, which is the "SZI Properties (Shenzhen Yicheng Qiwanli)" ("Yicheng Qiwanli") component developed and operated solely by the Group, has a total 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. "Yicheng Qiwanli" commenced pre-sales on 28 September 2022 and achieved a sales rate of approximately 98.5% on its launch day. As at 30 June 2023, the Group received payments of approximately RMB5,100 million and "Yicheng Qiwanli" is expected to be completed and delivered by the end of 2023.

Another residential component of the second phase of the Qianhai Project, developed jointly with Shenzhen Vanke Development Company Limited ("Shenzhen Vanke"), comprises residential area of approximately 40,000 square meters and commercial area of approximately 3,400 square meters. Pre-sales of the residential units began in 2022, and the construction of the main structure is currently in steady progress. Roofing is expected to be completed by the end of 2023.

The third phase of the Qianhai Project has a plot ratio-based gross floor area of approximately 172,000 square meters in aggregate. The residential project of the third phase of the Qianhai Project, developed jointly with Shenzhen Vanke, has a plot ratio-based gross floor area of approximately 80,000 square meters, comprising residential area of approximately 50,000 square meters, apartment area of approximately 25,000 square meters and commercial area of approximately 5,000 square meters. Pre-sales of the residential project began on 1 April 2023 and it achieved a sales rate of approximately 87% as at 30 June 2023. The construction of the main structure is currently in steady progress.

The Group owns two separate land parcels in the third phase of the Qianhai Project, which are designated for office and commercial uses. This 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. The Group is currently in discussions with government departments regarding related development matters.

When the Group introduced Shenzhen Vanke as a strategic investor in Qianhai Business in 2022, the Group's shareholding in Qianhai Business was diluted to 50%, and Qianhai Business ceased to be a subsidiary of the Group. Qianhai Business possesses the development rights of the plots T102-0266, T102-0337 and T102-0338 in the Qianhai Project, which includes "Qianhai Yinli" and the projects in the second and third phases of the Qianhai Project being developed in collaboration with Shenzhen Vanke.

SZI South China Logistics Park

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 the PRC. 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 the first phase 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.

The transformation and upgrading of the first phase of SZI South China Logistics Park is currently underway. According to the public reading of "Longhua District National Land and Space Plan (2021-2035) (draft)"（《龍華區國土空間分區規劃(2021-2035)》（草案））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" and "Strategically Reserved Area". It has been written into the spatial blueprint for the medium- to long-term development of the Longhua District for the next 15 years.

The second phase of SZI South China Logistics Park, namely "SZI South China Digital Valley", covers a site area of approximately 62,000 square meters and a gross floor area of approximately 200,000 square meters. It aligns with Longhua District's "Digital Longhua" development strategy. With a focus on the digital economy, the second phase targets enterprises in the areas of artificial intelligence, 5G technologies and industrial internet, with the aim of 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 South China Digital Valley commenced construction at the end of 2016 and will be developed and constructed in two stages. The first stage has been put into operation in December 2021 while the second stage is scheduled to commence operation in the second half of 2023.

In the coming years, the Group will actively develop the project in alignment with government planning and proactively advance its work process, aiming to achieve mutually beneficial outcomes for all parties, and expeditiously unlock the project's intrinsic value.

SZI Logistics Hub (Shijiazhuang Zhengding)

The Shijiazhuang Zhengding Project is the Group's pre-eminent project in the Beijing-Tianjin-Hebei integrated development region. Covering a site area of 310,000 square meters, the project adheres to the principles of smart technology, green and low-carbon best practices. It is also underpinned by the principle of integration and collaboration, with the objective of establishing a modern industrial city complex that integrates pharmaceutical logistics, e-commerce and cold chain, ice and snow sports, cultural tourism, innovation and entrepreneurship platform, as well as quality agricultural product display.

While constructing and operating an intelligent logistics park within the project, the Group has accelerated the development of its commercial component, "SZI Properties (Shijiazhuang Zhenyue Tiandi)", covering a gross floor area of 330,000 square meters. Construction of the innovative, entrepreneurship-focused office and themed street commenced in March 2022, while the main structural elements are expected to be completed in the second half of 2023. Construction of a large-scale indoor skiing facility commenced in the first half of 2023. An international business hotel and commercial center have obtained project planning permits and construction is due to commence in the second half of 2023. The Group aims to actively explore the application of integrated energy solutions during the construction and operation of the project, which is expected to be fully operational by the end of 2025.

Benefiting from a favorable local business environment and the sophisticated positioning of the project itself in recent years, the project has prioritized leasing liaison and has attracted a number of renowned domestic and international brands, including Sunac Culture & Tourism, Hampton by Hilton, Shenzhen SEZ Construction Group, PH Alpha and The Jerde Partnership. Through harnessing their individual strengths and collective contribution, the Group aims to create a distinctive, modern, integrated cultural tourism complex and micro-vacation destination in the Beijing-Tianjin-Hebei Capital Economic Circle. Going forward, the project is positioned to become the first modern urban facility in the PRC that achieves a high level of integration between the logistics and commercial industries.

FINANCIAL ANALYSIS

Revenue and Profit Attributable to Shareholders
For the six months ended 30 June

	2023 **HK$'000**	2022 HK$'000	Increase/ (Decrease)
Revenue	**33,519**	19,448	72%
(Loss)/Profit attributable to Shareholders	**(31,206)**	2,980,255	N/A

During the Period, revenue from the logistics park transformation and upgrading business increased by 72% to HK$33.52 million as compared to the corresponding period of the previous year. The increase was primarily due to the additional rental income and property management fee income from the increased occupancy rate of the office and commercial projects in the first phase of the Qianhai Project. However, there was a loss attributable to shareholders of approximately HK$31.21 million, which was mainly due to the significant increase in depreciation and amortization expenses following the commencement of operation of the new projects and the absence of one-off gain from the capital contribution of the Qianhai Business which was recorded in the corresponding period of the previous year.

PORT AND RELATED SERVICES BUSINESS

OVERVIEW

The port business is a crucial segment of the Group's "Four Growth Engines" strategy. The Group is committed to building a port network layout with Nanjing Xiba Port and Jingjiang Port as key hub ports, and Shenqiu Port and Fengcheng Port Port as important distribution nodes. In the middle and lower reaches of the Yangtze River, Gan River, Huai River and other river basins, active efforts are being made to promote the "Port Connection Action". The Group continues to seek quality investment and acquisition targets along the Yangtze River, Pearl River and other inland rivers, aiming to establish a business system for port investment and operation, supply chain business, and operation and maintenance management, and create a star port cluster along the Yangtze River.

Through its "Port Connection Action" strategy, the Group has established two integrated river-sea transportation hub ports, a regional distribution port, a large-scale integrated inland river trade port, and a port supply chain platform that connects and integrates heavy assets along midstream and downstream of the Yangtze River. It has formulated a new dislocated development framework involving investments and mergers and acquisitions in the port sector, with synergies between multi-regional ports and supply chain businesses. 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, 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 and aim to become a competitive port operator by continuously expanding its asset-heavy port project investment, developing its asset-light supply chain business, and achieving strategic integration by introducing corporations at both upstream and downstream in the industry chain.

ANALYSIS OF OPERATING PERFORMANCE

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 and has commenced operation in 2010. It is a key port in Nanjing designed and built for sea-river intermodal transportation and rail-water multimodal 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.

During the first half of 2023, amid a sluggish market environment with low supply and demand, operation of the Nanjing Xiba Port faced significant challenges. However, thanks to its advanced on-site management capabilities, the port catered to the demand of its existing customers while aggressively expanding its customer base to capture new business opportunities. During the first half of 2023, the business volume of the Nanjing Xiba Port continued to rank first among 11 comparable ports along the Yangtze River. A total of 232 seagoing vessels berthed at Nanjing Xiba Port, with a total throughput of approximately 17.38 million tonnes, of which approximately 2.12 million tonnes were transported onwards by train.

Port Supply Chain Business

As for the port supply chain business, the Group capitalized on the resources of several major ports to promote business development and transformation, attract new customers, explore new types of services, improve logistics transportation methods, and continuously strengthen risk control, with the aim of providing customers with one-stop bulk cargo logistics and supply services. During the Period, in addition to providing premium coal and petroleum coke supply chain management services to its customers, the Group actively engaged in integrating port supply chain resources, and effectively attracted information, logistics and business flows. Meanwhile, by actively expanding both the upstream and downstream industry chains, the Group has secured premium upstream and downstream customers for other asset-heavy port projects under construction. The development of supply chain has not only facilitated the upgrading and transformation of the Group's port assets from conventional freight loading, unloading and transshipment ports into large-scale, integrated port services platforms, but also strengthened business collaboration among asset-heavy ports.

Investment and Construction Projects

In recent years, the Group has stepped up its efforts in developing quality port projects, accelerating the construction of Jingjiang Port, Shenqiu Port and Fengcheng Port projects, exploring premium shoreline resources, identifying quality port projects, expediting the establishment of the "1 + N" multi-point port network, and applying advanced technologies comprehensively to promote the transformation and upgrading of its ports into green, intelligent, safe and efficient modern ports. During the first half of 2023, the Group accelerated the development of its port network, and a number of projects are expected to be rolled out progressively within the year.

SZI Port (Jiangsu Jingjiang): The Group holds a 70% equity interest in the Jingjiang Port Project. Located in the Economic Development Zone of Jingjiang City, the Jingjiang Port Project is planned to construct two new main berths for vessels with a tonnage of 100,000 tonnes each (with hydraulic structure for vessels with a tonnage of 150,000 tonnes) along the Yangtze River and five reconstructed lakeside inland berths for vessels with a tonnage of 1,000 tonnes each (with hydraulic structure for vessels with a tonnage of 3,000 tonnes). The project, designated as a "key project in the service industry of Jiangsu Province" in 2021 and 2022 and a "major project of Jiangsu Province in 2022", is positioned to become a top-notch green, smart, and efficient 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. 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 completion acceptance procedures for the main port structures has been completed and it is scheduled to commence operation by the end of 2023.

SZI Port (Henan Shenqiu): The Group holds a 40% equity interest in the Shenqiu Port project, which is located along the Shaying River in Shenqiu County and serves as a demonstration project for port-industry-city integration that radiates regions of Henan and Anhui provinces. It is planned to construct 26 berths for vessels with a tonnage of 1,000 tonnes each and will be built in three phases. The port's annual capacity is expected to increase by 30 million tonnes after all berths are put into full operation. The aim of the project is to create an efficient, environmentally friendly, advanced bulk cargo terminal. Four general-purpose berths in the first phase of the project have commenced operations in March 2023, representing a major milestone in the advancement of the Group's "Port Connection Action" strategy. Phases two and three of the project involve the construction of 22 berths and supporting land-based stacking yards, as well as the introduction of dedicated railway lines, enabling multimodal transportation by rail, road, and water.

SZI Port (Jiangxi Fengcheng): The Fengcheng Port Project, in which the Group holds a 20% equity interest, passed inspection and acceptance procedures in February 2023, and officially commenced operation in July 2023. It is an important distribution node along the Gan River, primarily serving sizeable power plants in the region.

After years of dedicated efforts, the Group's multi-point port network has gradually taken shape, thanks to its active exploration of quality port projects along the midstream and downstream of the Yangtze River and on major inland waterways in recent years. With the successive commencement of operations at Jingjiang Port, Shenqiu Port and Fengcheng Port projects, strong business synergies with the Nanjing Xiba Port will be realized and a port transshipment network will be jointly built in the inland river basin. This network not only further enhances the Group's transportation efficiency and improves its customer servicing capabilities, but also expands its market share and reduces operational risks. With the aim of becoming an influential "port multimodal transportation + end-to-end logistics service provider", the Group will continue to focus on main businesses related to energy and bulk commodities in the ports, and extend its business along the industry and logistics chains towards the resource end, further optimizing its port network system.

FINANCIAL ANALYSIS

Revenue and Profit Attributable to Shareholders

For the six months ended 30 June

	2023	2022	Increase/
	HK$'000	HK$'000	(Decrease)
Revenue	**1,325,926**	1,579,745	(16%)
Profit attributable to Shareholders	**50,448**	53,487	(6%)

During the Period, the revenue from the port and related service business decreased by 16% to HK$1,326 million as compared to the corresponding period of the previous year, primarily due to the varying degrees of production load reduction by end-users such as power and cement corporates, resulting in relatively weak market demand. Profit attributable to shareholders decreased by 6% to HK$50.45 million as compared to the corresponding period of the previous year (profit attributable to shareholders maintained at a similar level when excluding the impact of exchange rate).

TOLL ROAD BUSINESS

OVERVIEW

The Group's toll road business is managed and operated by Shenzhen Expressway, a subsidiary in which the Company 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 date of this report, Shenzhen Expressway has invested in and operates a total of 16 expressway projects across the PRC, spanning Shenzhen, the Guangdong-Hong Kong-Macao Greater Bay Area, and other economically developed regions. 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 174 km, 350 km and 119 km, respectively.

ANALYSIS OF OPERATING PERFORMANCE

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

			Average daily mixed traffic volume (Note 1)		Average daily toll revenue	
Toll roads	**Interest held**	**Toll length (approx. km)**	**First half of 2023 ('000 vehicles)**	**Increase compared to the corresponding period of 2022**	**First half of 2023 (RMB'000)**	**Increase compared to the corresponding period of 2022**
Shenzhen region:						
Meiguan Expressway	100%	5.4	159	22.9%	408	14.1%
Jihe East	100%	23.7	312	17.0%	1,820	9.3%
Jihe West	100%	21.8	213	22.0%	1,459	19.9%
Shenzhen Coastal Project (Notes 2 and 3)	100%	36.6	182	38.8%	1,637	29.3%
Shenzhen Outer Ring Project	100%	60	296	33.7%	3,140	29.0%
Longda Expressway	89.93%	4.4	162	23.8%	411	18.6%
Shuiguan Expressway	50%	20	263	18.9%	1,690	12.6%
Shuiguan Extension	40%	6.3	63	21.3%	210	16.5%
Other regions in Guangdong Province:						
Qinglian Expressway	76.37%	216	51	14.8%	1,905	11.2%
Guangshen Expressway (Note 4)	45%	122.8	627	23.7%	7,687	27.4%
GZ West Expressway (Note 4)	50%	98	262	21.9%	3,406	20.2%
Yangmao Expressway	25%	79.8	54	22.0%	2,079	20.5%
Guangzhou Western Second Ring	25%	40.2	86	23.8%	1,279	17.4%
Other provinces in the PRC:						
Yichang Expressway	100%	78.3	61	14.9%	1,185	10.0%
Changsha Ring Road	51%	34.7	92	12.2%	703	6.6%
Nanjing Third Bridge	35%	15.6	39	39.6%	1,469	18.2%

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 of Shenzhen Coastal Project and Phase II of Shenzhen Coastal Project. 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. The average daily toll revenue of Guangshen Expressway and GZ West Expressway shown in the table above excludes taxes.*

During the Period, 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 number of passenger vehicle journeys. In addition, the expiration of the concession period for Wuhuang Expressway in December 2022 had discernible impact on the toll revenue of Shenzhen Expressway during the Period. Due to the low comparison base for the corresponding period of the previous year, both the traffic volume and toll revenue of the toll roads invested in and operated by Shenzhen Expressway increased substantially compared to the corresponding period of previous year.

In addition, 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, in particular：

- Phase II of Shenzhen Outer Ring Project was officially opened to traffic on 1 January 2022, creating synergies with Phase I of the project. As the most convenient west-to-east highway artery in Shenzhen, Shenzhen Outer Ring Project delivered a satisfactory operating performance. During the Period, the average daily traffic volume and average daily toll revenue of Shenzhen Outer Ring Project recorded growth as compared to the corresponding period of previous year. In addition, the Group was granted approval for the construction 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 and optimize flows of Qinglian Expressway, the Group beefed up the promotion of its advantages 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 Period.

- 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 Period, 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 eight-lane 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 government at all levels to boost tourism and the economy, Yangmao Expressway recorded notable growth in passenger vehicle traffic volume during the Period, achieving a robust operating performance.

- The operating performances of Yichang Expressway, Changsha Ring Road and Nanjing Third Bridge resumed normally and recorded growth amid the recovery of social activities. Their positive performance was also resulted from a series of policies implemented by the government at all levels aimed at fostering stable economic growth.

Key Project Development

Shenzhen Outer Ring Project, comprising three phases of construction, is an integral component of transportation infrastructure in the Guangdong-Hong Kong-Macao Greater Bay Area. Shenzhen Outer Ring Project will establish vital connectivity with 10 expressways and 8 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. Furthermore, an investment of approximately RMB8,447 million was approved by the Group for the construction of Phase III of Shenzhen Outer Ring Project. Upon its completion, this phase is expected to enhance the Group's core highway assets and maximize the economic and social benefits of 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 Period, Shenzhen Expressway actively carried out the construction of roadbeds, bridges and ancillary works, with a special focus on the construction of the bridge structure of the airport interchange and its merged section. As at the end of June 2023, approximately 85% of the overall construction of Phase II of Shenzhen Coastal Project had been completed, of which approximately 83%, 92% and 45% of the construction of the roadbeds, bridges and road surfaces had been completed respectively.

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"). It has also entered into two joint construction agreements with Shenzhen SEZ Construction and Development of Transportation and Investment Co., Ltd. in respect of the project. However, 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 PPP contract was terminated on 31 March 2023, in accordance with the agreed termination clauses. The construction agreements between Shenzhen Expressway and Shenzhen SEZ Construction and Development of Transportation and Investment Co., Ltd. is also temporarily unenforceable, and 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 entitled to the rights to share 45% and 50% of the profits of Guangshen Expressway and GZ West Expressway, respectively. Given that the traffic flow of Guangshen Expressway continues to approach saturation, Guangshenzhu Expressway Co., Ltd ("Guangshenzhu Company") has formulated plans to reconstruct and expand Guangshen Expressway to optimize its traffic capacity. In December 2019, Guangshenzhu Company became the qualified owner of Guangshen Expressway reconstruction and expansion project. Subsequent to the pre-approval of the feasibility study for the above-mentioned project by the transport authority of Guangdong Province in January 2021, preliminary procedures such as project approval are being processed at the moment. Among which, the Guangzhou-Dongguan phase of the project received pre-approval for land use and site selection proposals in May 2023. The project has completed the pre-approval public announcement process and entered the project approval stage. 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.

In addition, the Group intends to carry out the pilot application for the REITs in the infrastructure field with its wholly-owned Yichang Expressway as the underlying infrastructure project. The issuance of the publicly traded REITs will effectively revitalize the existing highway infrastructure assets, recover the operating investment and realize returns in advance, improve the asset turnover efficiency and enhance the rolling investment capability of Shenzhen Expressway. The Group is currently in the preparatory stage of the publicly traded REITs application. For details, please refer to the joint announcement of the Company and Shenzhen Expressway dated 18 August 2023.

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 China Securities Regulatory Commission including Xin Tong Chan Development (Shenzhen) Co., Ltd. ("XTC Company"), a wholly-owned subsidiary of the Company. The expected proceeds to be raised from the Issuance will be no more than RMB6.5 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 Company will subscribe for part of the shares in the Issuance through XTC Company, with a subscription amount of no more than RMB1.51 billion. Upon completion of the Issuance, the Company will indirectly hold no less than 45% of the total issued shares of Shenzhen Expressway. The Issuance is subject to the approval at the general meeting of the Company and the relevant shareholders' meetings of Shenzhen Expressway, and can only be implemented after obtaining the consent of the relevant regulatory authorities for registration. The Issuance will be beneficial to the Group in further enhancing its capital strength, optimizing its capital structure, reducing its financial costs, strengthening its anti-risk capability and competitiveness, thereby further expanding its future investment and financing scope and supporting its future business development, which is in the best interests of the Group and all shareholders. For details, please refer to the joint announcement of the Company and Shenzhen Expressway dated 14 July 2023 and the circular of the Company dated 25 August 2023.

FINANCIAL ANALYSIS

During the Period, with the domestic economy and society of the PRC returned 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 Period, the toll road business recorded the total revenue of HK$2,920 million, which maintained at a similar level with that of the corresponding period of the previous year (the revenue increased by 8% when excluding the impact of exchange rate). Net profit from the toll road business increased by 11% as compared to the corresponding period of the previous year to HK$1,238 million.

GENERAL-ENVIRONMENTAL PROTECTION BUSINESS

OVERVIEW

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

1. Clean Energy

As at the end of June 2023, wind power projects invested in and operated by the Group had an accumulated installed capacity of 648 megawatt (MW) and were all completed and grid-connected wind farms located in areas with relatively abundant wind resources and stable electricity demands.

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

Wind power generation				
Name of projects	**Interests held by Shenzhen Expressway**	**Proportion of consolidated revenue**	**Power supply to the grids in Megawatt Hours (MWh)[(1)]**	**Revenue from wind power projects (RMB'000)[(1)]**
Baotou Nanfeng Project [(2)]	100%	100%	412,949.32	129,244.60
Xinjiang Mulei Project [(3)]	100%	100%	343,567.55	159,913.64
Yongcheng Zhuneng Project [(4)]	100%	100%	47,748.88	24,428.24
Zhongwei Gantang Project [(5)]	100%	100%	64,298.41	33,949.09
Huai'an Zhongheng Project [(6)]	20%	–	115,780.70	58,243.39

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 projects of Baotou Nanfeng Wind Power Technology Co., Ltd.

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

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

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

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

During the Period, Shenzhen Expressway jointly established Shenzhen Jinshen New Energy Company Limited with State Power Investment Corporation Guizhou Jinyuan Weining Energy Company Limited, a subsidiary of State Power Investment Corporation Limited, and Shenzhen Expressway 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 Shenzhen Expressway in terms of project resource development, as well as operation and management of infrastructure, in order to achieve sustainable business development.

Leveraging the "integrated" clean energy system of Shenzhen Expressway, Nanjing Wind Power Technology Co., Ltd. ("Nanjing Wind Power Company"), a subsidiary in which Shenzhen Expressway holds 51% equity interest, provides subsequent operation, maintenance services and delivery of sales equipment for, among other projects, the Huai'an Zhongheng Project, the Zhongwei Gantang Project and the Yongcheng Zhuneng Project, in a proactive manner. At the same time, it cooperates with the New Energy Company to expand into the markets of wind power and photovoltaic projects and implement projects in the pipeline. As the operating performance of Nanjing Wind Power Company was sub-optimal during the Period, Shenzhen Expressway will step up its efforts to carry out business integration in Nanjing Wind Power Company, and strive to rationalize property rights and management relationships, in order to accelerate the revitalization of assets and capital recovery, further driving the development of its business and operations.

Shenzhen Fenghe Energy Investment Limited, a joint venture established by Shenzhen Expressway in 2021, completed the acquisition of 51% equity interest in Nanjing Avis Transmission Technology Company Limited ("Nanjing Avis") in 2022. Nanjing Avis is a leading enterprise engaged in the operation and maintenance of gearbox equipment in the PRC. It has a large market share in the gearbox equipment maintenance market. During the Period, the cumulative sales orders of Nanjing Avis amounted to approximately RMB142 million, mainly comprising spare machine sales, repair of returned machines, spare part sales, as well as maintenance services.

2. Solid Waste Treatment

Supported by the national environmental protection policy, the organic waste treatment industry has much room for development. The Group regards organic waste treatment as a significant segment of the general-environmental protection industry, and actively builds itself into a segment leader with industry-leading technology and scale advantages, while earnestly identifying suitable investment opportunities in other solid waste treatment segments.

Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental Company"), a subsidiary of the Company, 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 had a total of 20 organic waste treatment investment and operation projects under public-private partnership (PPP) model (including the projects under Build-Operate-Transfer (BOT) model) with a designed kitchen waste treatment capacities of over 4,800 tonnes per day, amongst which 13 projects have commenced commercial operations. During the first half of 2023, owing to the resumption of social activities and 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. Yet, overall operating performance of Bioland Environmental Company was not satisfactory during the Period, as it was negatively affected by factors such as continuous decline in the selling price of grease, as well as a productivity slump from insufficient amount of garbage collected and transported in certain projects. To enhance the profitability of Bioland Environmental Company, the Group will actively assist in its market development, further strengthening cost management and control so as to reduce costs and improve efficiency.

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. It is also the only whitelist enterprise qualified under the "Industry Standards and Conditions for the Comprehensive Utilisation of Waste Power Batteries for New Energy Vehicles"(新能源汽車廢舊動力蓄電池綜合利用行業規範條件)in Shenzhen. During the Period, 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.

Guangming Environmental Park Project is the Shenzhen Guangming Environmental Park PPP Project (the investment and operation of an organic waste treatment project) invested in and constructed by the Group under the BOT (Build-Operate-Transfer) model. It will be developed into a large-scale treatment plant 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 Guangming District, Shenzhen City. During the Period, the construction of main structure and pre-processing equipment debugging work of Guangming Environmental Park Project was basically completed, and the Group has been actively expediting the procurement and installation of major equipment, as well as preparation work prior to commencement of production and operation. The project is expected to be completed within 2023.

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 Period, Lisai Environmental has basically completed the technical renovation of its production line, after which full-capacity operation has been 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. During the Period, through outsourcing the collection and transportation of waste, Lisai Environmental processed organic waste of approximately 84,300 tonnes and sold 3,783.15 tonnes of grease.

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.

3. Other Environmental Protection Business

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 Shenzhen Stock Exchange (stock code: 301038) in August 2021.

FINANCIAL ANALYSIS

During the Period, revenue from the general-environmental protection business decreased by 16% as compared to the corresponding period of the previous year to HK$845 million, mainly due to the decrease in sales of wind turbines and kitchen equipment, as well as the decrease in revenue from wind power generation due to reduced wind resources. Net profit from general-environmental protection business decreased by 89% as compared to the corresponding period of the previous year to HK$21.81 million, it is mainly due to the decrease in share of profit of associates and impairment of assets.

OTHER INVESTMENTS

Shenzhen Airlines

In the first half of 2023, civil aviation industry experienced a noticeable revival. During the Period, Shenzhen Airlines Company Limited ("Shenzhen Airlines") carried 15.81 million passenger trips and recorded a passenger traffic of 24,395 million passenger-km, representing an increase of 142% and 146%, respectively, as compared to the corresponding period of the previous year.

Shenzhen Airlines' total revenue for the Period increased by 164% to RMB14,023 million (equivalent to HK$15,753 million) as compared to the corresponding period of the previous year (2022: RMB5,308 million (equivalent to HK$6,377 million)). Passenger revenue increased by 184% to RMB13,166 million (equivalent to HK$14,790 million) (2022: RMB4,632 million). However, due to the steep fuel costs and fluctuations in exchange rates and interest rates, changes in the willingness and mode of passenger travels, market dynamics and intensified competition, Shenzhen Airlines continues to experience considerable operational pressures. During the Period, Shenzhen Airlines recorded a net loss of RMB1,420 million (equivalent to HK$1,596 million) (2022: net loss of RMB4,594 million (equivalent to HK$5,519 million)). Based on equity method accounting, when the Group's share of accumulated losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses. As the Group's interest in Shenzhen Airlines was reduced to nil, it did not recognize any further losses relating to the carrier during the Period (2022: loss of HK$2,710 million).

As at 30 June 2023, Shenzhen Airlines had 227 aircrafts in its fleet, and it operated 314 routes comprising of 296 domestic routes and 18 international routes.

Looking forward, with the gradual recovery of the Chinese economy, the demand for air travel is expected to grow steadily. At the same time, with the further integration and development of the Pearl River Delta and the Guangdong-Hong Kong-Macao region, the economy of the hinterland has great potential for future development, providing a stable foundation for the expansion of Shenzhen Airlines. In light of the new development situation and competitive landscape, Shenzhen Airlines will implement a development strategy of "Intensification, Synergism and Refinement" and promote efficiency-enhancing processes to achieve turnaround and profits at the earliest opportunity. One component of Shenzhen Airlines' strategy will be the continuous realization of quality and efficiency improvements by reinforcing safety systems, comprehensively upgrading operational management, strengthening overall cost control, and refining financial management capabilities. The other component, aimed at enhancing market competitiveness, involves achieving sustainable and healthy business development through continuous optimization of route network configuration, further enhancement of precision marketing capabilities, strengthening of resource integration and effective improvement of service quality.

OUTLOOK FOR THE SECOND HALF OF 2023

In the first half of 2023, with the economy and society generally returning to normal, alongside the effective implementation of macroeconomic policies, the national economy of the PRC rebounded and progressed steadily towards high-quality development. However, the complex and interwoven global political and economic circumstances added new challenges and difficulties to the recovery of domestic economy. Certain enterprises are experiencing difficulties in operations due to insufficient domestic demand, resulting in more hidden risks in key sectors. Overall, the PRC's economy still enjoys strong resilience and potential, with its long-term fundamentals remaining strong. Having achieved a smooth transition of the pandemic prevention and control work, the pace of economic recovery illustrates signs of fluctuation.

The transportation and logistics infrastructure industry in which the Group operates has played a crucial role in expanding domestic demand, stabilizing the economy and ensuring its steady growth. With policy support, it possesses inherent advantages in terms of business competence. In the second half of the year, the Group will continue to adhere to the principle of "seeking progress while maintaining stability and advancing with determination". The Group will place greater emphasis on "stability" by ensuring the stability of funds, investments and safety circumstances. It will, at the same time, actively seek progress in terms of operational efficiency, project construction, capacity building, fundamental system establishment, closed-loop development, high-quality mergers and acquisitions, market capitalization management, and state-owned enterprise responsibilities. Furthermore, the Group will continue to pursue its strategic goals of its "14th Five-Year" development plan in a steadfast manner, striving to build itself into a first-class industrial corporation. It will continue to strengthen its position in the logistics industry, increase its market share, and enhance its profitability.

Stabilizing and Strengthening the Quality of Core Logistics Business while Gradually Establishing Comprehensive Logistics Ecosystem

In the second half of 2023, the PRC's domestic logistics infrastructure industry is expected to face various complexities and uncertainties. On the one hand, driven by favorable policies, a notable upsurge in fixed-asset investment in logistics and real estate industries has taken place in recent years, although the logistics industry has seen lower growth and entered an inventory phase due to insufficient domestic demand. On the other hand, the PRC's sluggish domestic economic recovery and consumption in the post-pandemic era have led to an overall decline in logistics warehouse rents nationwide, increased vacancy rates, and a notable slowdown in inventory turnover. At the same time, the PRC has attached higher degree of importance to transportation and logistics, circulation system and a unified national market. It is expected that additional relevant policies will be introduced with more resources to be invested in these areas. The pandemic has also boosted structural logistics demand in areas such as community group-purchases, fresh food e-commerce, and emergency support, while continuous improvement in the overall development of the logistics industry in the mid- to long-term remains unchanged. In light of this complex, evolving environment, the Group is committed to maintaining strategic stability and making continued progress, remaining responsive to the underlying dynamics of industry development and flexibly adapting its strategies to align with the prevailing circumstances. The Group will also continue to optimize the configuration 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 in order to advance rapidly in its high-quality development.

In the logistics park business, the Group will continue to invest in selected projects while pursuing the strategic objectives set forth in the "14th Five-Year" development plan. Keeping a focus on the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and major manufacturing towns, the Group will actively promote the implementation of its "One City, Multiple Parks" strategy, placing a strong emphasis on optimizing project configuration in subsequent investments. The Group will take the lead in advancing the construction of a business-oriented national logistics hub in Pinghunan, Longgang District, Shenzhen. At the same time, it will take the initiative in developing and operating the production- and service-oriented national logistics hub and begin construction of a highway hub logistics port project in the Bao'an District, within the "One Eco-corridor, Two Parks" region, facilitating the establishment of a high-capacity logistics hub system in China. The Group will drive the implementation of Beijing Project, Zhongshan Project, Shenzhen Three-tiered Logistics Station and "Multi-storey Warehouses", and explore suitable investment opportunities in Hong Kong's logistics market to improve its access to scarce resources. The Group is already advancing green park development, expediting the construction and upgrading zero-carbon green parks, achieving energy savings and emission reductions in projects, and contributing to the PRC's dual-carbon objectives through the three key initiatives: green planning and design, green construction, and green operation. On the other hand, the Group has made enhanced operational efficiency the highest priority. By placing a greater emphasis on "retaining clients, retaining rents, and retaining occupancy rates", the Group will adopt effective measures to strengthen its core competencies in investment promotion and operation to enhance its operational efficiency and maintain relatively high occupancy rates in parks that have been in operation for more than a year. The Group will, under the premise of sound risk management, explore more businesses integrating asset-heavy and asset-light operations and value-added services, to improve its profitability of asset-heavy operations before interest and taxes and average net operating profit margin of its mature parks.

In the port business, the Group aims to stabilize and improve the performance of Nanjing Xiba Port and supply chain business while proactively overcoming the impact of the market downturn. The Group will also accelerate the development of the operational capabilities of newly commissioned projects, with the objective of bolstering the core competitiveness and market position of its port segment through integrating operations. Targeting to spin off its port segment, the Group will expedite project investment and operations, with strong emphasis on boosting its efficiency, while strategically allocating project investment funds in line with its objectives outlined in the "14th Five-Year" development plan.

In the railway freight logistics business, the Group will commence the construction of the second phase of Shenzhen Pinghunan Project within 2023 after conducting a promotion research to identify key customers, guided by the plan of project completion and commencement of operations by 2026. The Group will engage in the strategic planning for the operation of railway yards and proactively expand its asset-light businesses, including domestic freight train services, high-speed rail freight, freight consolidation and multimodal transportation. Capitalizing on its partnership with China State Railway Group Co., Ltd., the Group will undertake a collaborative study with it on the expansion of railway line projects, including projects in Shenzhen and in other cities across China.

In the air cargo logistics business, the Group will actively collaborate with Air China Cargo and Shenzhen Airlines to carry out the preliminary work of Shenzhen Project, while promoting the preliminary work of Capital Airport Air Cargo Terminal Project.

In the intelligent and cold chain logistics businesses, the Group will actively advance its intelligent warehousing and cold chain logistics operations by leveraging its existing logistics park network, aiming to realize more diversified income and returns, and serving as an enabler for the upgrading of the pharmaceuticals, high-end manufacturing and consumer industries. The Group will drive the implementation of new projects and initiate upgrades of cold chain park projects, including Shanghai Minhang Project, with the objective of expediting the construction of a nationwide cold chain network. In addition, capitalizing on its strategic investments in Hubei Prolog Technology Co., Ltd. and China Comservice, the Group will pursue high-quality investment and merger and acquisition opportunities, and seize development opportunities in the intelligent warehousing and cold chain sub-segments.

Unlocking Asset Value, Accelerating the Promotion of the Dual Closed-Loop Business Models

In the second half of 2023, 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 expedite the issuance of publicly-traded REITs by facilitating communication and coordination, and target to complete the initial issuance of the first tranche of publicly-traded REITs within 2023. 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.

The Group will steadily advance the progress of its long closed-loop "Investment, Construction, Operation, and Transformation" business model, with the objective of unlocking its asset value. On the one hand, the Group will closely monitor inventory and ensure the timely delivery of "presold homes" at Yicheng Qiwanli, a residential project in the second phase of Qianhai Project. In addition, the Group will actively maintain close communications with Qianhai Authority to make solid progress on the land swap initiative for the third phase of Qianhai Project. On the other hand, the Group will explore incremental growth opportunities and drive the transformation and upgrading of SZ South China Logistics Park. The Group will also accelerate the implementation of its "Multi-storey Factories + Multi-storey Warehouses" strategic plan in Pingshan District in Shenzhen, advancing the development of SZ Pingshan Project and driving the transformation and upgrading of SZ Pingshan East Project, alongside other equity mergers and acquisitions, in order to achieve synergies through the joint development of the three projects in a timely manner.

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

In the second half of 2023, the Group will continue to further advance the development of the toll road and general-environmental protection businesses through Shenzhen Expressway. In the toll road business, the Group will implement a refined approach to operational management, focusing on cost reduction and efficiency enhancement to bolster the profitability of operating projects. The Group will also explore investment opportunities in high-quality highway projects. In order to ensure the expeditious and high-quality completion of major construction projects, the Group will ensure timely realization of the road network interface by steadily progressing the construction of the second phase of Coastal Project. Preparatory work for the third phase of Shenzhen Outer Ring Expressway will also be accelerated, with the aim of commencing construction within 2023. The Group is fully committed to optimizing the construction plan and investment and financing scheme for Jihe Reconstruction and Expansion Project with the aim of commencing the construction at the earliest.

In the general-environmental protection business, the Group will focus on the fields of solid waste treatment and clean energy to further enhance its capacity to develop market-oriented projects. Leveraging collaborative relationships with industry-leading enterprises, the Group will intensify its efforts to engage in mergers and acquisitions and new construction projects in premium regions, consolidating and strengthening its existing competitive edge. By bolstering its construction and management capabilities, the Group will ensure the timely completion and operation of projects currently in progress, including Guangming Environmental Park Project and Bioland Environmental Project. The Group will also optimize cost control while actively fostering a business model that highlights the integration of assets and financing, and internal collaboration. These efforts aim to enhance the profitability of organic waste treatment projects and further drive cost reduction and efficiency improvement at wind farm operations, ultimately enabling the Group to achieve high-quality sustainable development.

Strengthening the Development Foundation through Capacity Building

In the second half of 2023, the Group will further implement the "Double-Hundred Action" and a new round of in-depth enhanced reforms to state-owned enterprises, and expedite the establishment of its value proposition as a world-class enterprise. By implementing "Brand Establishment and Enhancement Initiative", strengthening financial management capacities with comprehensive fortification of risk control and management, the Group will continue to deepen its reforms, enhance its management and hone its skills to further build up its core competence. To achieve long-term stable development, the Group will persistently enhance its operational and managerial capabilities through diligent execution of all tasks.

In the second half of 2023, the Group will further 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.

FINANCIAL POSITION

	30 June 2023 HK$ million	31 December 2022 HK$ million	Increase/ (Decrease)
Total Assets	**127,148**	133,495	(5%)
Total Liabilities	**75,138**	78,296	(4%)
Total Equity	**52,010**	55,199	(6%)
Net Asset Value attributable to shareholders	**29,313**	31,248	(6%)
Net Asset Value per share attributable to shareholders (HK dollar)	**12.2**	13.1	(7%)
Cash	**10,654**	14,025	(24%)
Bank borrowings	**33,077**	34,861	(5%)
Other borrowings	**137**	314	(56%)
Notes and bonds	**16,969**	18,592	(9%)
Total Borrowings	**50,183**	53,767	(7%)
Net Borrowings	**39,529**	39,742	(1%)
Debt-asset Ratio (Total Liabilities/Total Assets)	**59%**	59%	–
Ratio of Total Borrowings to Total Assets	**39%**	40%	(1)#
Ratio of Net Borrowings to Total Equity	**76%**	72%	4#
Ratio of Total Borrowings to Total Equity	**96%**	97%	(1)#

Change in percentage points

KEY FINANCIAL INDICATORS

As at 30 June 2023, the Group's total assets and total equity amounted to approximately HK$127,148 million and HK$52,010 million, respectively, while net asset value attributable to shareholders was approximately HK$29,313 million. Net asset value per share was HK$12.2, representing a decrease of 7% as compared to the end of last year, which was mainly due to, among other things, fluctuations in RMB exchange rates. The debt-to-asset ratio was 59%, similar to that at the end of last year. The gearing ratio (calculated on the basis of net borrowings to total equity) was 76%, representing an increase of 4 percentage points as compared with that at the end of last year. Such increase was primarily due to the borrowings incurred as a result of increased investment activities during the Period.

CASH FLOW AND FINANCIAL RATIOS

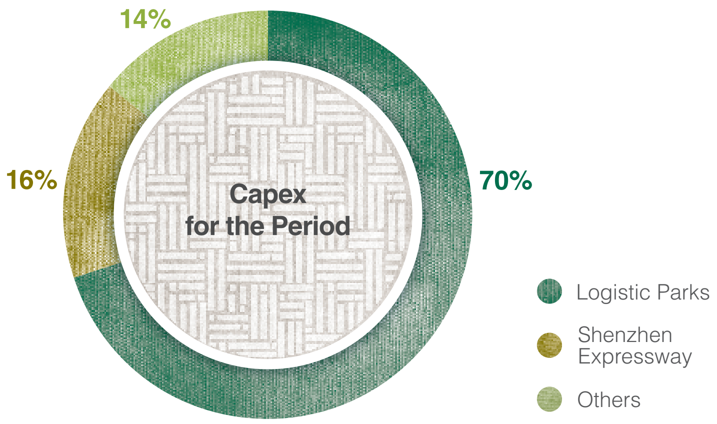
During the Period, net cash generated from operating activities amounted to approximately HK$1,628 million. Net cash used in investing activities amounted to approximately HK$1,870 million. Net cash used in financing activities amounted to approximately HK$2,486 million. The Group's core businesses maintained a stable cash inflow. The Group closely monitors changes in total borrowings with a view to maintaining its financial ratios at a stable and healthy level.

CASH BALANCE

As at 30 June 2023, cash held by the Group amounted to approximately HK$10,654 million (31 December 2022: HK$14,025 million), representing a decrease of 24% as compared to the end of last year, such decrease was primarily to repay loans with higher interest rates. To facilitate the Group's operation and development in the PRC, cash held by the Group is primarily denominated in RMB. The Group maintains an effective treasury policy to manage its cash on hand that centralizes the allocation of funds with the aim of reducing idle funds and achieving higher return on its cash portfolio in order to provide strong support for the development of its business.

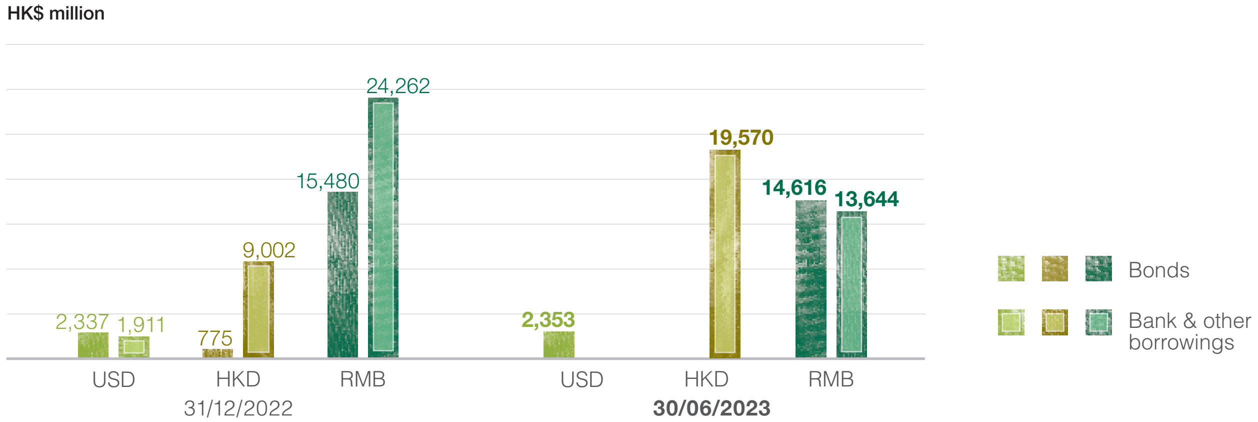
CAPITAL EXPENDITURES

The Group's capital expenditures for the Period amounted to approximately RMB3,700 million (equivalent to HK$4,000 million), primarily comprising investments of approximately RMB2,600 million in the logistics parks projects and investments of approximately RMB607 million in Shenzhen Expressway's projects. The Group expects that the capital expenditures for the second half of 2023 will amount to approximately RMB5,600 million (equivalent to HK$6,100 million), including approximately RMB2,800 million for logistics parks projects, approximately RMB2,100 million for Shenzhen Expressway's projects and approximately RMB390 million for port projects.

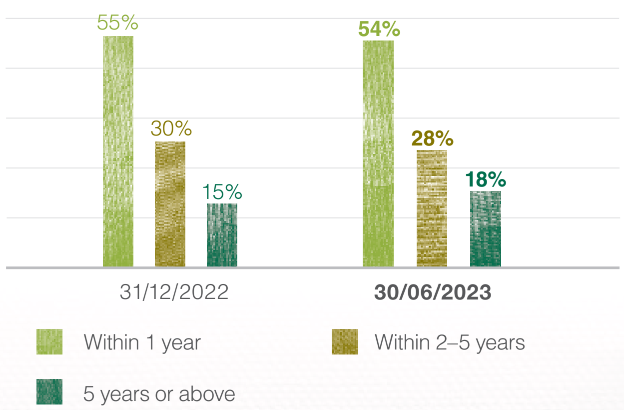


BORROWINGS

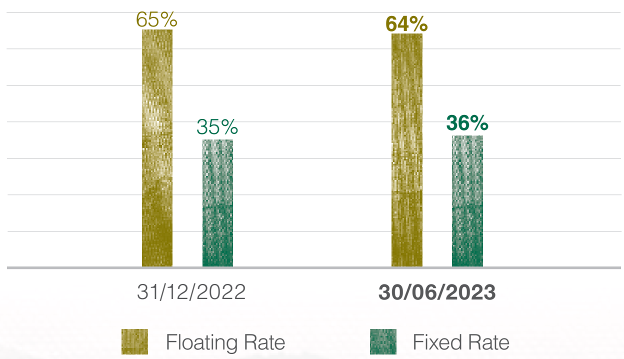
Total Borrowings in currency



Total Borrowings — Repayment Period



Total Borrowings — Analysis of Floating rate/Fixed rate



As at 30 June 2023, the Group's total borrowings amounted to approximately HK$50,183 million, representing a decrease of 7% as compared with the end of last year. During the Period, Shenzhen Expressway, a subsidiary of the Group, issued 3-year medium term notes of RMB1,000 million. 54%, 28% and 18% of the Group's total borrowings were due for repayment within 1 year, within 2 to 5 years and after 5 years, respectively.

The Group maintained close business relationships with financial institutions in Hong Kong and the PRC. It seized favorable opportunities in both the Hong Kong and PRC markets by conducting several financing activities to capitalize on the differences in costs. It further optimized its debt portfolio and struck a balance between its interest rate and foreign exchange risks. The Group closely monitored its overall borrowing structure, and effectively maintained funds with high cost efficiency in order to meet its overall capital needs.

THE GROUP'S FINANCIAL POLICY

Except for the updates as stated below, the Group's financial policies were in line with those disclosed in its annual report for 2022 and set out in those statements.

Exchange Rate Risk

The cash flows, cash on hand and assets of the businesses operated by the Group are mainly denominated in RMB, whereas loans are mainly denominated in RMB, HK$ and US$. During the Period, as affected by the US interest rate hike and the Russo-Ukrainian War, economic growth was subject to a great deal of uncertainty, and RMB/US$ 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 30 June 2023, the ratio between the Group's borrowings in RMB and other currencies was around 56%:44%.

Liquidity Risk Management

As of 30 June 2023, the Group had cash on hand and standby banking facilities of approximately HK$88,400 million. The Group maintained adequate funds and credit facilities and optimized its capital structure continuously to ensure that it is capable of operating as a going concern while expanding its business, and to mitigate liquidity risk.

CREDIT RATINGS

During the Period, three leading international credit rating agencies, namely Moody's, Standard & Poor's and Fitch Ratings, maintained their investment-grade credit ratings of the Company of Baa2, BBB and BBB+, respectively. China Lianhe Credit Rating Co., Ltd, a domestic credit rating agency, assigned an "AAA" credit rating to the Company. These ratings reflected favourable capital market recognition of the Group's financial soundness and solvency, and demonstrated confidence in the Group's 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 30 June 2023, please refer to notes 15 and 26, respectively, of the condensed consolidated financial statements.

HUMAN RESOURCES

HUMAN RESOURCES PHILOSOPHY

Guided by the philosophy of "embracing the dedicated as the foundation", the Group has always regarded its human resource management strategy as a core component of its overall strategic planning, 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 qualities of "selflessness, integrity, capability, motivation and proven performance", in order to build a human resources management platform led by principles of scientific and rational rigor, thereby creating a fair and harmonious working environment, and securing a sustainable talent supply for business development. Adhering to the management philosophy of "good strategy, good system, good management, good team and good atmosphere", the Group encourages employees to love their work, to work hard, to strive for excellence, to be united and cooperative, and to show gratitude and dedication to attain shared success and advancement with the Group. The Group has also developed a human resources sub-strategy, which, based on the internal and external conditions necessary for its development, systematically analyzes existing problems in the human resources system, clarifies the strategic positioning of future human resources development, formulates the planning of various human resources functions, and builds a talent supply chain system based on the categories "selection", "use", "training" and "retention", providing robust human resources support for achieving the strategic goals of "14th Five-Year Plan".

EMPLOYEES AND POLICIES ON REMUNERATION AND BENEFITS

As at 30 June 2023, the Group had a total of 8,701 (2022: 8,983) employees. During the Period, staff benefit expenses (including directors' remuneration) were approximately HK$751 million (2022: approximately HK$819 million).

The Group was recognized as one of the 22 exemplary local state-owned enterprises across the nation in the "Double-Hundred Benchmark Enterprise" by the State-owned Assets Supervision and Administration Commission (the "SASAC") under the State Council. Additionally, the Group was included in the Shenzhen SASAC's list of top-notch enterprises accelerating the world construction. Notable improvements have been made in the Group's employee recruitment and policies on remuneration and benefits, including the establishment of a comprehensive 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 and issued the "Senior Management Remuneration Management Measures", which clarify remuneration structures, remuneration levels and the daily administration of senior management staff, further standardizing remuneration management. Employees' salaries are commensurate with the value of their roles, their competence and performance, and determined with reference to prevailing market conditions. At present, the Group has benchmarked salary markets and values with reference to its business plan for the period under its "14th Five-Year Plan" strategy. A database of the correlation between remuneration and performance has been established, based on the "double-benchmark" results of the above remuneration and performance benchmarking analysis conducted in 2021. Currently, the Group is developing "Headquarters Remuneration Management Measures" to further optimize its salary structure. Meanwhile, it is conducting job value assessments, quantitatively determining job values and combining these with job-value assessment results and job-profession directions, conducting deviation positioning and analysis, accurately benchmarking the Group's remuneration with market standards, promoting the establishment of a work efficiency linkage mechanism, building a scientific salary system, establishing a science-derived fixed-float salary ratio, and continuously motivating employees' enthusiasm for the success of the business. The Group regularly evaluates its employees' work performance and closely links evaluation results with salary adjustments, promotions and other measures. In order to augment staff performance, staff members in the bottom ranks in appraisals will be asked to make improvements. Reform of the Group's internal distribution system has been deepened, establishing a sound mechanism for determining compensation based on employees' contributions to the business and implementing performance evaluations for all employees who may be eligible for promotions and salary increases. 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 "Comprehensive Incentive Implementation Program" aimed at aligning salaries with performance and industry standards, and it plans to establish a comprehensive, effective incentive and restraint mechanism for its subsidiary companies. 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. The Group provides a comprehensive welfare system for its employees, including health checks, mandatory provident funds, medical insurance and education allowances.

EMPLOYEE DEVELOPMENT AND TRAINING PROGRAMS

The Group attaches great importance on attracting and nurturing talents and continuously improves its talent recruitment and selection process and broadens its recruitment channels. In first half of 2023, the Group continued to recruit high-calibre management personnel and professionals in the logistics, port and environmental protection sectors through market-oriented recruitment and campus recruitment, and provided proper induction training for new employees in order to enrich its management and professional teams and optimize the talent structure according to the Group's development strategy and business needs and an assessment-based recruitment principle. The Group launched a post-doctoral innovation practice headquarters in April 2023, actively recruiting top-notch talent, and it was invited to participate in a series of doctoral and post-doctoral recruitment events. With the aim of motivating the operation and management teams of its subsidiaries to achieve business success, the Group has introduced employment terms and contract management for management members, while its subsidiaries have completed the signing of the relevant documents with respect to employment term and contractual management of managerial staff members, further improving the employment term and contract management of the Group's employees. An "8-Abilities" human resources management system was also formulated in order to achieve flexible staff promotion, demotion, recruitment, dismissal, pay rise, pay cut and re-designation arrangements for management members. In the first half of 2023, the Group developed a new and innovative human resources management information system to improve the standard of human resources informatization and achieve the goal of an "precise headcount with in-depth review of employees' background", comprehensively enhancing digitized talent management level and further strengthening the Group's human resources management.

The Group has improved the management talent selection and training programs. Recruitment of management personnel at all levels is conducted openly. The recruitment process includes both examinations and daily assessment in addition to interviews and tests, and a large group of talented young staff members were selected. Moreover, the Group has put in place a "dual channel" for employee promotion, revising "Management Guideline for Employee Promotion", and openly carrying out employee promotion.

The Group also lays emphasis on the grooming and retention of internal staff. It formulates an annual training program according to the classification of middle and senior management and frontline staff, and continues to carry out the internal job rotation at different levels throughout the Group, the activities of co-living and co-working with farmers in rural villages, internal training and the grooming of middle-and high-end talent, and external professional skill training, etc., further stimulating the entrepreneurial vitality of the team.

SAFETY AND HEALTH

The Group strives to provide a safe, efficient and comfortable working environment for its employees. To create a safe, healthy and comfortable working environment, it proactively arranges annual health checks, maintains health benefits for its staff, establishes a seminar mechanism for new staff and organizes staff birthday gatherings to which management personnel of the Group are invited. Since 2023, the Group has been organizing a number of work safety education training programs and providing work safety guidelines to employees. It has also conducted fire drills to enhance employees' ability on the identification and prevention of safety hazards in the workplace. The Group also provides various types of health checks and educational materials relating to occupational health with an aim to create a healthy and safe working environment for its employees.

Deloitte. 德勤

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

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Shenzhen International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 82, which comprise the condensed consolidated balance sheet as of 30 June 2023 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
29 August 2023

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2023

(For reference only) As at 30 June 2023 RMB'000		NOTES	*As at 30 June 2023 HKD'000 (unaudited)*	*As at 31 December 2022 HKD'000 (audited)*
	ASSETS			
	Non-current assets			
10,038,841	Investment properties	6	**10,859,845**	10,226,082
15,605,530	Property, plant and equipment	6	**16,881,794**	17,874,497
3,929,937	Land use rights	6	**4,251,338**	3,181,633
3,714,058	Construction in progress	6	**4,017,804**	3,436,227
26,065,835	Intangible assets	6	**28,197,571**	29,941,138
490,558	Goodwill		**530,677**	551,995
15,765,711	Interests in associates	7	**17,055,075**	17,542,041
9,804,089	Interests in joint ventures	8	**10,605,895**	10,947,559
1,020,156	Other financial assets	9	**1,103,587**	1,021,738
617,099	Deferred tax assets		**667,567**	755,954
7,075,454	Other non-current assets	10	**7,654,104**	7,539,064
94,127,268			**101,825,257**	103,017,928
	Current assets			
6,015,694	Inventories and other contract costs	11	**6,507,674**	6,295,136
316,937	Contract assets		**342,857**	424,599
605,629	Other financial assets	9	**655,159**	2,833,562
6,410,786	Trade and other receivables	12	**6,935,078**	6,661,838
210,804	Derivative financial instruments		**228,044**	237,205
1,604,328	Restricted bank deposits		**1,735,535**	2,804,834
1,127,080	Deposits in banks with original maturities over three months		**1,219,256**	389,950
7,117,563	Cash and cash equivalents		**7,699,657**	10,829,873
23,408,821			**25,323,260**	30,476,997
117,536,089	**Total assets**		**127,148,517**	133,494,925

(For reference only) As at 30 June 2023 RMB'000		NOTES	*As at 30 June 2023 HKD'000 (unaudited)*	As at 31 December 2022 HKD'000 (audited)
	EQUITY AND LIABILITIES			
	Equity attributable to ordinary shareholders of the Company			
12,252,141	Share capital and share premium	13	**13,254,155**	13,218,304
14,845,156	Other reserves and retained earnings	14	**16,059,234**	18,029,560
27,097,297	**Equity attributable to ordinary shareholders of the Company**		**29,313,389**	31,247,864
20,980,975	**Non-controlling interests**		**22,696,857**	23,951,310
48,078,272	**Total equity**		**52,010,246**	55,199,174
	Non-current liabilities			
21,570,372	Borrowings	15	**23,334,457**	24,426,242
895,024	Lease liabilities		**968,222**	990,268
2,475,329	Deferred tax liabilities		**2,677,768**	2,809,738
1,291,850	Other non-current liabilities	16	**1,397,501**	1,485,084
26,232,575			**28,377,948**	29,711,332
	Current liabilities			
12,559,388	Trade and other payables	17	**13,586,530**	12,771,467
5,229,255	Contract liabilities	18	**5,656,918**	5,609,785
545,745	Income tax payable		**590,378**	779,251
24,818,395	Borrowings	15	**26,848,112**	29,340,767
72,459	Lease liabilities		**78,385**	83,149
43,225,242			**46,760,323**	48,584,419
69,457,817	**Total liabilities**		**75,138,271**	78,295,751
117,536,089	**Total equity and liabilities**		**127,148,517**	133,494,925

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2023

(For reference only) Six months ended 30 June 2023 RMB'000		NOTES	*Six months ended 30 June* **2023 HKD'000 (unaudited)**	*2022 HKD'000 (unaudited)*
6,158,830	**Revenue**	5, 19	**6,918,479**	7,486,998
(4,130,374)	Cost of sales		**(4,639,827)**	(5,124,446)
2,028,456	**Gross profit**		**2,278,652**	2,362,552
178,006	Other gains – net	20	**199,962**	3,138,406
104,380	Other income	21	**117,255**	75,293
(60,746)	Distribution costs		**(68,239)**	(54,718)
(336,533)	Administrative expenses		**(378,042)**	(505,484)
(30,879)	Impairment losses on trade receivables and contract assets		**(34,688)**	(7,851)
1,882,684	**Operating profit**		**2,114,900**	5,008,198
85,397	Share of profit of joint ventures	8	**95,930**	91,356
315,998	Share of profit (loss) of associates	7	**354,974**	(2,179,404)
2,284,079	**Profit before finance costs and income tax**		**2,565,804**	2,920,150
98,305	Finance income	22	**110,430**	175,262
(1,385,787)	Finance costs	22	**(1,556,714)**	(1,556,545)
(1,287,482)	Finance costs – net	22	**(1,446,284)**	(1,381,283)
996,597	**Profit before income tax**		**1,119,520**	1,538,867
(439,037)	Income tax expense	23	**(493,189)**	(357,365)
557,560	**Profit for the period**		**626,331**	1,181,502
	Profit for the period attributable to:			
81,939	Ordinary shareholders of the Company		**92,045**	581,575
–	Perpetual securities holders of the Company		**–**	46,518
475,621	Non-controlling interests		**534,286**	553,409
557,560			**626,331**	1,181,502
	Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)			
	Basic	24	**0.04**	0.26
	Diluted	24	**N/A**	0.26

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Profit for the period	**626,331**	1,181,502
Other comprehensive income (expenses):		
Item that may be reclassified to profit or loss:		
Share of other comprehensive income of associates and joint ventures	**1,707**	16,411
Items that will not be reclassified to profit or loss:		
Currency translation differences from functional currency to presentation currency	**(2,540,145)**	(2,881,627)
Fair value loss on equity securities designated at fair value through other comprehensive income	**(279)**	(1,266)
Sub-total	**(2,540,424)**	(2,882,893)
Other comprehensive expenses for the period	**(2,538,717)**	(2,866,482)
Total comprehensive expenses for the period	**(1,912,386)**	(1,684,980)
Total comprehensive expenses attributable to:		
Ordinary shareholders of the Company	**(1,348,162)**	(1,535,225)
Perpetual securities holders of the Company	**–**	46,518
Non-controlling interests	**(564,224)**	(196,273)
	(1,912,386)	(1,684,980)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to ordinary shareholders of the Company						
	Share capital and share premium HKD'000	*Other reserves HKD'000 (note 14)*	*Retained earnings HKD'000 (note 14)*	*Total HKD'000*	*Perpetual securities HKD'000*	*Non-controlling interests HKD'000*	*Total equity HKD'000*
As at 1 January 2022 (as previously reported)	12,331,648	6,742,666	18,797,432	37,871,746	2,330,939	22,849,674	63,052,359
Business combination under common control	–	2,690,062	(1,689,240)	1,000,822	–	3,618,994	4,619,816
As at 1 January 2022 (restated)	12,331,648	9,432,728	17,108,192	38,872,568	2,330,939	26,468,668	67,672,175
Profit for the period	–	–	581,575	581,575	46,518	553,409	1,181,502
Other comprehensive expenses	–	(2,116,800)	–	(2,116,800)	–	(749,682)	(2,866,482)
Total comprehensive expenses for the six months ended 30 June 2022	–	(2,116,800)	581,575	(1,535,225)	46,518	(196,273)	(1,684,980)
Transactions with owners in their capacity as owners							
Transfer to reserve	–	206,694	(206,694)	–	–	–	–
Dividend relating to 2021	–	–	(1,876,840)	(1,876,840)	–	–	(1,876,840)
Issue of scrip shares as dividend	886,656	–	–	886,656	–	–	886,656
Dividend paid/payables to non-controlling interests by subsidiaries	–	–	–	–	–	(1,046,910)	(1,046,910)
Capital injection by non-controlling interests	–	–	–	–	–	(187,966)	(187,966)
Distribution for perpetual securities	–	–	–	–	(46,518)	–	(46,518)
Transfer of currency translation reserve upon derecognition of a subsidiary	–	(12,457)	12,457	–	–	–	–
Business combination under common control	–	(1,332,974)	–	(1,332,974)	–	(1,252,262)	(2,585,236)
Total transactions with owners	886,656	(1,138,737)	(2,071,077)	(2,323,158)	(46,518)	(2,487,138)	(4,856,814)
Balance as at 30 June 2022 (unaudited)	13,218,304	6,177,191	15,618,690	35,014,185	2,330,939	23,785,257	61,130,381

For the six months ended 30 June 2023

	Attributable to ordinary shareholders of the Company					
	Share capital and share premium HKD'000	*Other reserves HKD'000 (note 14)*	*Retained earnings HKD'000 (note 14)*	*Total HKD'000*	*Non-controlling interests HKD'000*	*Total equity HKD'000*
As at 1 January 2023 (audited)	13,218,304	1,694,949	16,334,611	31,247,864	23,951,310	55,199,174
Profit for the period	–	–	92,045	92,045	534,286	626,331
Other comprehensive expenses	–	(1,440,207)	–	(1,440,207)	(1,098,510)	(2,538,717)
Total comprehensive expenses for the six months ended 30 June 2023	–	(1,440,207)	92,045	(1,348,162)	(564,224)	(1,912,386)
Transactions with owners in their capacity as owners						
Transfer to reserve	–	66,342	(66,342)	–	–	–
Dividend relating to 2022 (note 25)	–	–	(613,667)	(613,667)	–	(613,667)
Issue of scrip shares as dividend (note 25)	35,851	–	–	35,851	–	35,851
Dividend paid/payables to non-controlling interests by subsidiaries	–	–	–	–	(653,624)	(653,624)
Share of reserves' movement of associates	–	(8,497)	–	(8,497)	–	(8,497)
Deregistration of non wholly-owned subsidiaries	–	–	–	–	(36,605)	(36,605)
Total transactions with owners	35,851	57,845	(680,009)	(586,313)	(690,229)	(1,276,542)
Balance as at 30 June 2023 (unaudited)	13,254,155	312,587	15,746,647	29,313,389	22,696,857	52,010,246

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Cash flows from operating activities		
Cash generated from operations	**2,253,128**	5,491,234
Income tax paid	**(625,345)**	(1,280,601)
Net cash generated from operating activities	**1,627,783**	4,210,633
Cash flows from investing activities		
Purchase of property, plant and equipment, land use rights, construction in progress, intangible assets and other non-current assets	**(3,740,364)**	(3,390,542)
Proceeds from disposal of property, plant and equipment, and land use rights	**228,430**	15,954
Purchase of structured deposits	**(561,672)**	–
Redemption of structured deposits	**2,654,637**	430,825
Purchase of other financial assets	**(15,327)**	(305,137)
Proceeds from redemption of unlisted fund investment	**–**	59,094
Withdrawal of restricted bank deposits and deposits in banks with original maturities over three months	**406,819**	986,713
Placement of restricted bank deposits and deposits in banks with original maturities over three months	**(1,283,624)**	(638,323)
Interest received	**109,629**	175,262
Dividends received	**331,597**	118,567
Acquisition of subsidiaries, net of cash paid	**–**	(3,391,257)
Disposal of a subsidiary	**–**	(352,349)
Repayment from a joint venture	**–**	63,575
Increase in interests in associates and joint ventures	**–**	(267,276)
Net cash used in investing activities	**(1,869,875)**	(6,494,894)
Cash flows from financing activities		
Interest paid	**(874,371)**	(754,233)
Proceeds from borrowings	**13,206,547**	12,742,639
Repayments of borrowings and lease liabilities	**(15,502,283)**	(4,010,808)
Repayment to a related party	**–**	(3,126,849)
Advance from an associate	**1,543,908**	–
Dividends paid to the Company's and subsidiaries' shareholders	**(822,721)**	(1,093,068)
Distribution for perpetual securities holders	**–**	(46,518)
Capital deductions by non-controlling interests	**(36,605)**	(187,966)
Net cash (used in) generated from financing activities	**(2,485,525)**	3,523,197
Net (decrease) increase in cash and cash equivalents	**(2,727,617)**	1,238,936
Cash and cash equivalents at the beginning of the period	**10,829,873**	10,030,535
Effect of foreign exchange rates changes	**(402,599)**	(479,832)
Cash and cash equivalents at the end of the period	**7,699,657**	10,789,639

1. GENERAL

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

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

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

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

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

As at 30 June 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 of 44.24% of the Company's equity held by Ultrarich. SIHCL directly owned 364,500 ordinary shares of the Company, representing approximately 0.01% of the issued share capital of the Company. SIHCL effectively held 44.25% 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.

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

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Company's current liabilities exceeded its current assets by HKD21,437,063,000 as at 30 June 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.

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

2. BASIS OF PREPARATION

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

The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, for the first time, which are mandatorily effective for the annual period beginning on 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

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

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

Impacts and changes in accounting policies on application of Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the condensed consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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.

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. The application of the amendments has had no material impact on the Group's financial statement, financial position and performance.

4. CRITICAL ACCOUNTING ESTIMATES

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

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 December 2022.

Construction service revenue recognition relating to concession contracts

Income and expenses associated with construction services and upgrade services provided under the concession service arrangements are recognised in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") using the percentage of completion method. Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable.

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

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

Amortisation of concession intangible assets

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

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

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

Impairment of concession intangible assets

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

4. CRITICAL ACCOUNTING ESTIMATES *(continued)*

Impairment test of interest in associates

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

5. SEGMENT INFORMATION

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

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

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

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

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

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

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

5. SEGMENT INFORMATION *(continued)*

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the board of directors, the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance for the periods ended 30 June 2023 and 2022 are set out below.

For the six months ended 30 June 2023 (unaudited)

	Toll roads and general-environmental protection business	*Logistics business*					*Head office functions*	*Total*
		Logistics parks	*Logistics services*	*Port and related services*	*Logistics park transformation and upgrading services*	*Sub-total*		
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Revenue from contracts with customers within the scope of HKFRS 15								
– Point in time	3,895,917	270,751	169,613	1,325,926	33,519	1,799,809	–	5,695,726
– Overtime	737,738	–	–	–	–	–	–	737,738
Sub-total	4,633,655	270,751	169,613	1,325,926	33,519	1,799,809	–	6,433,464
Revenue from other sources								
– Leases from logistics parks	–	485,015	–	–	–	485,015	–	485,015
Revenue	4,633,655	755,766	169,613	1,325,926	33,519	2,284,824	–	6,918,479
Operating profit (loss)	1,699,705	492,635	10,626	94,099	(25,615)	571,745	(156,550)	2,114,900
Share of profit (loss) of joint ventures	84,012	13,265	–	–	–	13,265	(1,347)	95,930
Share of profit (loss) of associates	299,461	(13)	1,123	–	–	1,110	54,403	354,974
Finance income	38,294	6,248	659	652	37	7,596	64,540	110,430
Finance costs	(775,847)	(27,393)	(406)	(3,988)	(6,716)	(38,503)	(742,364)	(1,556,714)
Profit (loss) before income tax	1,345,625	484,742	12,002	90,763	(32,294)	555,213	(781,318)	1,119,520
Income tax (expense) credit	(302,483)	(93,723)	(2,423)	(21,760)	817	(117,089)	(73,617)	(493,189)
Profit (loss) for the period	1,043,142	391,019	9,579	69,003	(31,477)	438,124	(854,935)	626,331
Non-controlling interests	(506,185)	(1,202)	(6,938)	(18,555)	271	(26,424)	(1,677)	(534,286)
Profit (loss) attributable to ordinary shareholders of the Company	536,957	389,817	2,641	50,448	(31,206)	411,700	(856,612)	92,045
Depreciation and amortisation	1,261,339	134,717	6,378	18,674	195	159,964	28,124	1,449,427
Capital expenditure								
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	497,150	1,942,693	249,099	6,160	147	2,198,099	1,213,944	3,909,193

5. SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2022 (unaudited)

	Toll roads and general-environmental protection business	*Logistics business*					*Head office functions*	*Total*
		Logistics parks	*Logistics services*	*Port and related services*	*Logistics park transformation and upgrading services*	*Sub-total*		
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
Revenue from contracts with customers within the scope of HKFRS 15								
– Point in time	3,949,451	120,962	229,470	1,579,745	19,448	1,949,625	–	5,899,076
– Overtime	968,971	–	–	–	–	–	–	968,971
Sub-total	4,918,422	120,962	229,470	1,579,745	19,448	1,949,625	–	6,868,047
Revenue from other sources								
– Leases from logistics parks	–	618,951	–	–	–	618,951	–	618,951
Revenue	4,918,422	739,913	229,470	1,579,745	19,448	2,568,576	–	7,486,998
Operating profit (loss)	1,735,296	234,121	19,121	103,143	2,981,572	3,337,957	(65,055)	5,008,198
Share of profit (loss) of joint ventures	84,202	6,798	4,982	–	–	11,780	(4,626)	91,356
Share of profit (loss) of associates	311,894	43	–	–	(244)	(201)	(2,491,097)	(2,179,404)
Finance income	108,486	38,463	1,330	1,240	25	41,058	25,718	175,262
Finance costs	(952,804)	(61,098)	(9,202)	(4,004)	(787)	(75,091)	(528,650)	(1,556,545)
Profit (loss) before income tax	1,287,074	218,327	16,231	100,379	2,980,566	3,315,503	(3,063,710)	1,538,867
Income tax expense	(235,566)	(54,122)	(4,184)	(25,837)	(311)	(84,454)	(37,345)	(357,365)
Profit (loss) for the period	1,051,508	164,205	12,047	74,542	2,980,255	3,231,049	(3,101,055)	1,181,502
Non-controlling interests	(528,690)	4,102	(7,488)	(21,055)	–	(24,441)	(278)	(553,409)
Sub-total	522,818	168,307	4,559	53,487	2,980,255	3,206,608	(3,101,333)	628,093
Profit attributable to perpetual securities holders of the Company	–	–	–	–	–	–	(46,518)	(46,518)
Profit (loss) attributable to ordinary shareholders of the Company	522,818	168,307	4,559	53,487	2,980,255	3,206,608	(3,147,851)	581,575
Depreciation and amortisation	1,343,441	196,430	23,312	20,340	107	240,189	24,900	1,608,530
Capital expenditure								
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	829,306	1,145,708	20,935	374,199	143	1,540,985	953,554	3,323,845
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets arising from acquisition of a subsidiary	5,414	–	–	–	–	–	21,588	27,002
– Additions in interests in associates	–	–	–	–	–	–	3,006,076	3,006,076

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

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

6. INTANGIBLE ASSETS AND OTHER FIXED ASSETS

Intangible assets

	HKD'000
Six months ended 30 June 2023 (unaudited)	
Net book amount as at 1 January 2023	**29,941,138**
Additions	**388,566**
Disposals	**(28,330)**
Exchange difference	**(1,133,756)**
Depreciation/amortisation	**(970,047)**
Net book amount as at 30 June 2023	**28,197,571**
Six months ended 30 June 2022 (unaudited)	
Net book amount as at 1 January 2022	32,922,243
Additions	648,578
Exchange difference	(1,473,249)
Depreciation/amortisation	(970,773)
Net book amount as at 30 June 2022	31,126,799

(i) Toll roads

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 1 to 25 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any consideration payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options. Amortisation of concession intangible assets has all been charged in the condensed consolidated income statement of within "Cost of sales". The operating rights of certain toll roads were pledged for secured borrowings as disclosed in note 15.

(ii) Kitchen waste disposal project

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

Other fixed assets

During the six months ended 30 June 2023, there are additions of property, plant and equipment amounted to HKD109,883,000, and transfer of construction in progress amounted to HKD219,005,000 to property, plant and equipment.

During the six months ended 30 June 2023, the additions of investment properties are HKD839,458,000.

7. INTERESTS IN ASSOCIATES

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Beginning of the period	**17,542,041**	19,560,227
Additions	**–**	3,248,507
Share of profit (loss) of associates	**354,974**	(2,179,404)
Share of other comprehensive income of associates	**–**	17,211
Dividends	**(148,656)**	(173,114)
Share of reserves' movement of associates	**(8,497)**	–
Exchange difference	**(684,787)**	(906,264)
End of the period	**17,055,075**	19,567,163

	As at 30 June 2023	As at 31 December 2022
	HKD'000	HKD'000
	(unaudited)	(audited)
The period-end balance comprises the following:		
Share of net assets, other than goodwill	**14,586,039**	14,973,821
Goodwill on acquisition	**2,469,036**	2,568,220
	17,055,075	17,542,041

Based on the assessment made by the directors of the Company, there were no impairment losses for the interests in associates as at 30 June 2023 (31 December 2022: Nil).

8. INTERESTS IN JOINT VENTURES

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Beginning of the period	**10,947,559**	12,185,056
Share of profit of joint ventures	**95,930**	91,356
Share of other comprehensive income (expenses) of joint ventures	**1,707**	(800)
Dividends	**(12,918)**	–
Exchange difference	**(426,383)**	(549,354)
End of the period	**10,605,895**	11,726,258

Based on the assessment made by the directors of the Company, there were no impairment losses for the interests in joint ventures as at 30 June 2023 (31 December 2022: Nil).

9. OTHER FINANCIAL ASSETS

	As at 30 June 2023 HKD'000 (unaudited)	As at 31 December 2022 HKD'000 (audited)
Equity securities designated at FVTOCI		
– Unlisted equity securities	**48,352**	73,078
Financial assets measured at FVTPL		
– Listed securities in the PRC (Note (a))	**315,616**	389,044
– Unlisted equity securities (Note (b))	**576,864**	489,230
– Unlisted fund investments (Note (c))	**817,914**	820,363
– Structured deposits (Note (d))	**–**	2,083,585
	1,758,746	3,855,300
Less: non-current portion	**(1,103,587)**	(1,021,738)
Current portion	**655,159**	2,833,562

Notes:

(a) As at 30 June 2023, listed equity investments stated at market price represent 116,609,000 shares (31 December 2022: 112,000,000 shares) of listed real estate investment trust ("REITs") amounting to HKD 315,616,000 (31 December 2022: HKD389,044,000).

(b) As at 30 June 2023 and 31 December 2022, unlisted equity investments mainly represent the Group's interests in Shenzhen Water Planning and Design Institute Co., Ltd. and Guangdong United Electronic Services Co., Ltd.

(c) As at 30 June 2023 and 31 December 2022, the amount represents investments in the Yuanzhi Credit Suisse Smart Airport Logistics Industry Private Equity Fund and the Group's share in Shenzhen Capital Lingxiu Logistics Facility Phase I Private Investment Fund.

(d) As at 30 June 2023, the Group does not hold any structured deposit. As at 31 December 2022, the Group's structured deposits represented financial products issued by a bank, which have been matured and redeemed during the six months ended 30 June 2023.

10. OTHER NON-CURRENT ASSETS

As at 30 June 2023, other non-current assets mainly includes: (i) property relocation compensation of HKD370,618,000 (31 December 2022: HKD385,506,000); (ii) receivables of financing leases of HKD1,035,891,000 (31 December 2022: HKD1,218,653,000); (iii) receivables of electricity subsidy of HKD1,262,621,000 (31 December 2022: HKD1,308,269,000); (iv) prepayment for non-current assets of HKD969,736,000 (31 December 2022: HKD663,395,000); and (v) contract assets that is expected to be recovered after more than one year of HKD2,893,750,000 (31 December 2022: HKD2,971,443,000).

11. INVENTORIES AND OTHER CONTRACT COSTS

	As at 30 June 2023 HKD'000 (unaudited)	As at 31 December 2022 HKD'000 (audited)
Land held for future development	**378,039**	391,093
Land and properties under development for sale	**250,080**	2,469,454
Completed properties for sale	**5,188,992**	2,873,020
Others	**853,700**	684,858
Write-down	**(163,137)**	(123,289)
	6,507,674	6,295,136

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 HKD'000 (unaudited)	As at 31 December 2022 HKD'000 (audited)
Trade receivables and bill receivables (Note (a))	**2,140,004**	2,399,265
Less: Loss allowance	**(251,974)**	(253,732)
Trade receivables, net of loss allowance	**1,888,030**	2,145,533
Lease receivables	**253,725**	114,858
Amounts due from non-controlling interests	**13,782**	–
Dividend receivable from associates	**147,963**	324,217
Amounts due from associates	**1,171,538**	1,062,226
Amount due from a joint venture	**1,597**	236,733
Other debtors	**1,571,913**	1,529,408
	5,048,548	5,412,975
Deposits and prepayments	**1,886,530**	1,248,863
	6,935,078	6,661,838

12. TRADE AND OTHER RECEIVABLES *(continued)*

Note:

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

	As at 30 June 2023 HKD'000 (unaudited)	*As at 31 December 2022 HKD'000 (audited)*
0-90 days	**805,784**	1,323,344
91-180 days	**53,300**	334,552
181-365 days	**418,267**	332,598
Over 365 days	**862,653**	408,771
	2,140,004	2,399,265

13. SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares	*Ordinary shares HKD'000*	*Share premium HKD'000*	*Total HKD'000*
As at 1 January 2022 (audited)	2,266,714,438	2,266,715	10,064,933	12,331,648
Issue of scrip shares as dividend (note 25)	121,094,761	121,095	765,561	886,656
As at 30 June 2022 (unaudited)	2,387,809,199	2,387,810	10,830,494	13,218,304
As at 1 January 2023 (audited)	**2,387,809,199**	**2,387,810**	**10,830,494**	**13,218,304**
Issue of scrip shares as dividend (note 25)	**5,339,689**	**5,340**	**30,511**	**35,851**
As at 30 June 2023 (unaudited)	**2,393,148,888**	**2,393,150**	**10,861,005**	**13,254,155**

14. OTHER RESERVES AND RETAINED EARNINGS

	Fair value reserve HKD'000	Reserve funds HKD'000	Capital reserve HKD'000	Goodwill reserve HKD'000	Merger reserve HKD'000	Revaluation surplus HKD'000	Other reserves HKD'000	Translation reserve HKD'000	Contributed surplus HKD'000	Other reserves Sub-total HKD'000	Retained earnings HKD'000	Total HKD'000
As at 1 January 2022 (as previously reported)	(4,004)	4,593,932	59,723	(159,583)	(2,148,839)	532,780	2,241,651	1,614,001	13,005	6,742,666	18,797,432	25,540,098
Business combination under common control	–	–	–	–	3,258,138	–	–	(568,076)	–	2,690,062	(1,689,240)	1,000,822
As at 1 January 2022 (restated)	(4,004)	4,593,932	59,723	(159,583)	1,109,299	532,780	2,241,651	1,045,925	13,005	9,432,728	17,108,192	26,540,920
Profit attributable to ordinary shareholders of the Company	–	–	–	–	–	–	–	–	–	–	581,575	581,575
Share of other comprehensive income of associates and joint ventures	–	–	–	–	–	–	16,411	–	–	16,411	–	16,411
Fair value loss on equity securities designated at fair value through other comprehensive income	(1,266)	–	–	–	–	–	–	–	–	(1,266)	–	(1,266)
Currency translation differences	5	–	–	–	–	–	–	(2,131,950)	–	(2,131,945)	–	(2,131,945)
Total comprehensive expenses	(1,261)	–	–	–	–	–	16,411	(2,131,950)	–	(2,116,800)	581,575	(1,535,225)
Transfer to reserve	–	206,694	–	–	–	–	–	–	–	206,694	(206,694)	–
Dividend relating to 2021	–	–	–	–	–	–	–	–	–	–	(1,876,840)	(1,876,840)
Transfer of currency translation reserve upon derecognition of a subsidiary	–	–	–	–	–	–	–	(12,457)	–	(12,457)	12,457	–
Business combination under common control	–	–	–	–	(1,332,974)	–	–	–	–	(1,332,974)	–	(1,332,974)
At 30 June 2022 (unaudited)	(5,265)	4,800,626	59,723	(159,583)	(223,675)	532,780	2,258,062	(1,098,482)	13,005	6,177,191	15,618,690	21,795,881
As at 1 January 2023 (audited)	**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	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**92,045**	**92,045**
Fair value loss on equity securities designated at fair value through other comprehensive income	**(279)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(279)**	**–**	**(279)**
Share of other comprehensive income of joint ventures	**–**	**–**	**–**	**–**	**–**	**–**	**1,707**	**–**	**–**	**1,707**	**–**	**1,707**
Currency translation differences	**(315)**	**–**	**–**	**–**	**–**	**–**	**(197,987)**	**(1,243,333)**	**–**	**(1,441,635)**	**–**	**(1,441,635)**
Total comprehensive expenses	**(594)**	**–**	**–**	**–**	**–**	**–**	**(196,280)**	**(1,243,333)**	**–**	**(1,440,207)**	**92,045**	**(1,348,162)**
Transfer to reserve	**–**	**66,342**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**66,342**	**(66,342)**	**–**
Share of reserves' movement of associates	**–**	**–**	**(8,497)**	**–**	**–**	**–**	**–**	**–**	**–**	**(8,497)**	**–**	**(8,497)**
Dividend relating to 2022 (note 25)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(613,667)**	**(613,667)**
At 30 June 2023 (unaudited)	**4,935**	**5,148,336**	**51,226**	**(159,583)**	**(734,447)**	**542,468**	**2,060,141**	**(6,613,494)**	**13,005**	**312,587**	**15,746,647**	**16,059,234**

15. BORROWINGS

	Notes	As at 30 June 2023 HKD'000 (unaudited)	As at 31 December 2022 HKD'000 (audited)
Secured bank borrowings	(a)	**14,512,552**	16,038,487
Unsecured bank borrowings		**18,564,464**	18,822,386
Medium-term notes	(b)	**1,985,936**	916,583
Senior notes	(c)	**–**	774,883
Corporate bonds	(d)	**7,300,575**	8,947,593
Panda bonds	(e)	**5,519,033**	5,684,040
Borrowings from finance lease companies	(f)	**136,572**	313,974
Super short-term commercial paper	(g)	**2,163,437**	2,269,063
		50,182,569	53,767,009
Less: Amount due within one year		**(26,848,112)**	(29,340,767)
Amount shown under non-current liabilities		**23,334,457**	24,426,242
Analysis of borrowings due within one year:			
Secured bank borrowings	(a)	**9,168,951**	9,191,156
Unsecured bank borrowings		**12,311,887**	13,648,739
Medium-term notes	(b)	**901,018**	916,583
Senior notes	(c)	**–**	774,883
Corporate bonds	(d)	**2,271,308**	2,455,506
Borrowings from finance lease companies	(f)	**31,511**	84,837
Super short-term commercial paper	(g)	**2,163,437**	2,269,063
		26,848,112	29,340,767

15. BORROWINGS *(continued)*

Notes:

(a) Secured borrowings is as follows:

	As at 30 June 2023 HKD'000 (unaudited)	*As at 31 December 2022 HKD'000 (audited)*	*Security*
Qinglian Syndicated Loan	**2,705,154**	2,970,613	Secured by a pledge of the operating rights of Qinglian Expressway
Coastal Syndicated Loan	**32,453**	1,699,043	Secured by a pledge of the operating rights of Coastal Expressway
Qinglong Pledge Loan	**336,705**	392,427	Secured by a pledge of the operating rights of Shuiguan Expressway
Yongcheng Syndicated Loan	**188,230**	200,293	Secured by a pledge of Yongcheng project rent receivable right
Mulei County Syndicated Loan	**237,992**	112,254	Secured by a pledge of shareholding of Mulei County Qianxin Energy Development Co., Ltd., Mulei County Qianzhi Energy Development Co., Ltd. and Mulei County Qianhui Energy Development Co., Ltd.
Huangshi Environmental Investment Bioland Renewable Energy Co., Ltd. ("Huangshi Bioland") Pledge Loan	**110,297**	49,698	Guaranteed by Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental") and secured by a pledge of the expected income rights of government payment, the accounts receivable formed by the future operating income of Huangshi Bioland and the equity of Huangshi Bioland
Longyou Bioland Environmental Technologies Co., Ltd. ("Longyou Bioland") Pledge Loan	**11,359**	12,940	Guaranteed by Bioland Environmental and secured by a pledge of the Longyou Bioland's franchise income and franchise rights

15. BORROWINGS *(continued)*

Notes: (continued)

(a) Secured borrowings is as follows: *(continued)*

	As at 30 June 2023 HKD'000 (unaudited)	*As at 31 December 2022 HKD'000 (audited)*	*Security*
Guiyang Bell Bioland Environmental Technologies Co., Ltd. ("Guiyang Bell Bioland") Pledge Loan	**33,806**	42,196	Guaranteed by Bioland Environmental and Shi Junying, and secured by a pledge of the machinery and equipment, concession intangible assets and the equity of Guiyang Bell Bioland
Guangxi Bioland Pledge Loan	**37,213**	44,109	Guaranteed by Bioland Environmental and Shi Junying, and secured by a pledge of the machinery and equipment, and the equity of Guangxi Bioland
Mulei County Qianxin New Energy Development Limited Pledge Loan	**102,769**	109,148	Secured by a pledge of the right to charge the electricity fee of the wind farm
Mulei County Qianzhi New Energy Development Limited Pledge Loan	**862,722**	899,629	Secured by a pledge of the right to charge the electricity fee of the wind farm
Mulei County Qianhui New Energy Development Limited Pledge Loan	**553,332**	577,810	Secured by a pledge of the right to charge the electricity fee of the wind farm
Baotou Lingxiang Pledge Loan	**234,747**	255,429	Secured by a pledge of the right to charge the electricity fee of the wind farm
Qiantai Technology Co., Ltd ("Qiantai ") Pledge Loan	**110,644**	58,071	Secured by a pledge of receivable from sales of goods and services of Qiantai
Qiantai Pledge Loan	**106,015**	112,524	Secured by a pledge of land use rights held by Qiantai
Fuzhou Lande Environmental Protection Technology Co., Ltd. ("Fuzhou Lande") Pledge Loan	**62,743**	67,514	Guaranteed by Bioland Environmental and secured by a pledge of Fuzhou Lande's franchise right
Beihai Zhonglan Environmental Technology Co., Ltd ("Beihai Zhonglan") Pledge Loan	**64,799**	67,514	Guaranteed by Bioland Environmental and secured by a pledge of Beihai Zhonglan's project franchise right

15. BORROWINGS *(continued)*

Notes: (continued)

(a) Secured borrowings is as follows: *(continued)*

	As at 30 June 2023 HKD'000 (unaudited)	As at 31 December 2022 HKD'000 (audited)	Security
Zhuji Environmental Investment Bioland Renewable Energy Co., Ltd. ("Zhuji") Pledge Loan	**33,790**	35,596	Guaranteed by Bioland Environmental and secured by a pledge of Zhuji's project franchise right
Guilin Environmental Investment Bioland Renewable Energy Co., Ltd. ("Guilin") Pledge Loan	**132,148**	101,272	Guaranteed by Bioland Environmental and secured by a pledge of Guilin's project franchise right
Handan Environmental Investment Bioland Renewable Energy Co., Ltd. ("Handan") Pledge Loan	**106,015**	–	Guaranteed by Bioland Environmental and secured by a pledge of Handan's project franchise right
Pledge loan of financial leasing company	**16,551**	–	Secured by a pledge of Shanxi Guanhang project rent receivable right
Pledge loan of financial leasing company	**12,657**	–	Secured by a pledge of Shanxi Nuohui project rent receivable right
Pledge loan of financial leasing company	**99,254**	–	Secured by a pledge of Wuqi Dayishan project rent receivable right
Pledge loan of financial leasing company	**71,722**	–	Secured by a pledge of Wuqi Hejiu project rent receivable right
Pledge loan of financial leasing company	**21,636**	–	Secured by a pledge of Wuqi Hejiu project rent receivable right
Pledge loan of financial leasing company	**32,399**	–	Secured by a pledge of Xinyu Lande project rent receivable right
Pledge loan of financial leasing company	**29,276**	–	Secured by a pledge of Pinghua project rent receivable right
Pledge loan of financial leasing company	**10,818**	–	Secured by a pledge of Xinyu Lande Environmental Technology project rent receivable right
Pledge loan of financial leasing company	**5,744**	32,069	Secured by a pledge of Shaoguan project rent receivable right
Pledge loan of financial leasing company	**–**	6,307	Secured by a pledge of Shanxi project rent receivable right
Pledge loan of financial leasing company	**3,897**	8,426	Secured by a pledge of Guangzhou Folangsi project rent receivable right

15. BORROWINGS *(continued)*

Notes: (continued)

(a) Secured borrowings is as follows: *(continued)*

	As at 30 June 2023 HKD'000 (unaudited)	*As at 31 December 2022 HKD'000 (audited)*	*Security*
Shenzhen Lisai Environmental ("Lisai") Technology Co., Ltd Pledge Loan	**45,856**	50,208	Secured by a pledge of Lisai BOT project receivable right
Pledge loan of financial leasing company	**–**	106,616	Secured by a pledge of Yongcheng project rent receivable right
Shenzhen Guangming High-speed Technology Co., Ltd ("Guangming")	**33,535**	5,626	Secured by a pledge of receivable from Guangming Technology Park's PPP concession operation
Short-term Pledge Loan	**7,799,999**	7,872,580	Secured by a pledge of the 80.2666% equity interests of Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd.
Short-term Pledge Loan	**151,176**	74,666	Secured by a pledge of the right to collect trade receivables for financial leasing projects
Short-term Pledge Loan	**61,010**	61,509	Secured by a pledge of the 45% equity interests of Jade Emperor Limited, a wholly-owned subsidiary of the Company and receivables from Anhui Ruishuo Construction Co., Ltd.
Short-term Pledge Loan	**54,089**	–	Secured by land use right
Short-term Pledge Loan	**–**	12,400	Secured by bills receivable
	14,512,552	16,038,487	

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

On 23 May 2023, Shenzhen Expressway completed the issue of the RMB1,000 million medium-term notes, which has a term of 3 years and bears a fixed fixed interest at 2.89% per annum. The interest of medium-term notes should be paid annually and the principal should be repaid at maturity on 24 May 2026.

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

(d) On 8 July 2021, Shenzhen Expressway issued long-term corporate bonds of USD300 million for a term of 5 years. The issuing price was equal to 99.13% of principal, bearing interest at of 1.75% per annum. Interest is payable semi-annually and the bonds will mature on 8 July 2026.

15. BORROWINGS *(continued)*

Notes: (continued)

(d) *(continued)*

On 20 March 2020, Shenzhen Expressway issued the first phase of 2020 Corporate Bonds (epidemic prevention and control bonds) of RMB1,400 million for a term of 5 years, carrying a coupon rate of 3.05% per annum. The interest of the bond should be paid annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, the issuer shall be entitled to adjust the coupon rate of corporate bonds and investors will be entitled to sell back the bonds to the issuer.

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

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

On 27 July 2021, Shenzhen Expressway issued the first phase of 2021 Corporate Bonds (Green bonds) of RMB1,000 million for a term of 5 years, with a coupon rate of 3.35% per annum. The interest of corporate bonds is payable annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal).

On 20 January 2022, Shenzhen Expressway issued the first phase of 2022 Corporate Bonds (Green bonds) of RMB1,500 million for a term of 7 years, with a coupon rate of 3.18% per annum. The interest of corporate bonds is payable annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal).

(e) On 29 October 2021, the Company issued 6-year Panda Bond-Phase I with par value of RMB4,000 million carrying a coupon rate of 3.29% per annum. The interest of Panda Bonds should be paid annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, the issuer shall be entitled to adjust the coupon rate of corporate bonds and investors shall be entitled to sell back the bonds to the issuer.

On 10 January 2022, the Company issued 6-year Panda Bond-Phase I with par value of RMB1,000 million carrying a coupon rate of 2.95% per annum. The interest of Panda Bonds should be paid annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, the issuer shall be entitled to adjust the coupon rate of corporate bonds and investors shall be entitled to sell back the bonds to the issuer.

(f) As at 30 June 2023, the franchise rights, the land use rights and the equity interest of certain subsidiaries of the Group with the total net book value of HKD 1,666,970,000 (31 December 2022: HKD2,490,154,000), were pledged for secured borrowings from finance lease companies of HKD136,572,000 (31 December 2022: HKD271,255,000). These borrowings will be matured in years ranging from 2024 to 2032 and carry interest rates range from 4.5% to 4.9% per annum.

(g) On 22 February 2023, Shenzhen Expressway issued the first phase of super short-term commercial paper of RMB1,000 million for a term of 180 days bearing interest at 2.16% per annum. On 14 March 2023, Shenzhen Expressway issued the second phase of super short-term commercial paper of RMB1,000 million for a term of 180 days bearing interest at 2.20% per annum.

16. OTHER NON-CURRENT LIABILITIES

	As at 30 June 2023 HKD'000 (unaudited)	As at 31 December 2022 HKD'000 (audited)
Deferred income:		
– Compensations from government regarding operation of toll station (Note (a))	414,762	474,236
– Other deferred income (Note (b))	655,659	650,995
Long-term employee bonus	107,537	130,209
Operating costs in the extended period for toll road compensation	208,741	164,729
Others	10,802	64,915
	1,397,501	1,485,084

Notes:

(a) The amount mainly represents government compensations amounting to HKD 414,762,000 (31 December 2022: HKD436,450,000) for the operation subsidy of toll stations and ramp.

(b) Other deferred income mainly includes government grants amounting to HKD 602,192,000 (31 December 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.

17. TRADE AND OTHER PAYABLES

	As at 30 June 2023 HKD'000 (unaudited)	As at 31 December 2022 HKD'000 (audited)
Trade payables (Note (a))	3,579,569	4,208,497
Construction payables	1,479,807	1,419,821
Dividend payable	475,167	66,434
Other payables and accrued expenses	2,350,154	2,727,131
Amounts due to associates (Note (b))	3,133,907	1,705,459
Loan from a related party (Note (c))	2,362,602	2,368,676
Financial liabilities measured at FVTPL	94,899	149,667
Provisions	103,302	108,871
	13,579,407	12,754,556
Deferred income	7,123	16,911
	13,586,530	12,771,467

17. TRADE AND OTHER PAYABLES *(continued)*

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

	As at 30 June 2023 HKD'000 (unaudited)	As at 31 December 2022 HKD'000 (audited)
0-90 days	**520,775**	1,907,078
91-180 days	**222,069**	445,216
181-365 days	**1,145,459**	440,223
Over 365 days	**1,691,266**	1,415,980
	3,579,569	4,208,497

(b) The amount mainly comprised of loan advances from Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd. ("Qianhai Real Estate") and Shenzhen International United Land Co., Ltd. ("United Land Company"), the associates of the Group. As at 30 June 2023, RMB408,856,000 (equivalent to HKD459,285,000) (31 December 2022: RMB415,786,000 (equivalent to HKD467,859,000)) and RMB944,647,000 (equivalent to HKD1,021,903,000) (31 December 2022: RMB944,647,000 (equivalent to HKD1,062,954,000)) was advance to the Group by Qianhai Real Estate and United Land Company, respectively. The amount due to Qianhai Real Estate is an unsecured loan that bears interest at 3.5% per annum and repayable within 2023. The amount due to United Land Company is unsecured, interest-free and expected to be repaid within one year.

(c) The amount is an unsecured loan due to a fellow subsidiary that bears interest at 2.85% per annum and repayable within 2023.

18. CONTRACT LIABILITIES

Contract liabilities mainly represent sales proceeds received from customers in connection with the Group's pre-sales of properties. Depending on market conditions, the Group requires the customers to pay off the full consideration within an agreed time frame while developments are still ongoing, rather than on delivery of properties to customer. Such advance payment schemes result in contract liabilities being recognised throughout the remaining property development period for the full amount of the contract price. In addition, the contract liabilities will be increased by the amount of interest expense being accrued by the Group to reflect the effect of any significant financing benefit obtained from the customers during the period between the payment date and the completion date of delivery. As this accrual increases the amount of the contract liabilities during the period of development, it therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer.

19. REVENUE

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Toll roads and general-environmental protection business		
– Toll revenue	**2,919,511**	2,895,429
– Entrusted construction management service and construction consulting service revenue	**207,600**	496,724
– Construction service revenue under service concession arrangements	**453,566**	300,461
– General-environmental protection service	**845,211**	1,004,577
– Others	**207,767**	221,231
	4,633,655	4,918,422
Logistics business		
– Logistics parks	**270,751**	120,962
– Logistics services	**169,613**	229,470
– Port and related services	**1,325,926**	1,579,745
– Logistics park transformation and upgrading service	**33,519**	19,448
	1,799,809	1,949,625
	6,433,464	6,868,047
Revenue from other sources		
Logistics business		
– Leases from logistics parks	**485,015**	618,951
	6,918,479	7,486,998

20. OTHER GAINS – NET

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Fair value changes of investment properties	**82,605**	(3,573)
Net change in fair value of other financial assets and other financial liability	**109,128**	168,415
Gain on disposal of a subsidiary	**–**	2,988,327
Others	**8,229**	(14,763)
	199,962	3,138,406

21. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Dividend income	**38,967**	43,052
Rental income	**1,652**	1,260
Government grants	**76,636**	30,981
	117,255	75,293

22. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Finance income		
Interest income from bank deposits	**(97,883)**	(167,912)
Other interest income	**(12,547)**	(7,350)
Total finance income	**(110,430)**	(175,262)
Finance costs		
– Bank borrowings	**707,024**	469,128
– Medium-term notes	**163**	5,934
– Senior notes	**7,086**	14,641
– Corporate bonds	**173,620**	186,693
– Panda bonds	**89,742**	95,002
– Interest on contract liabilities	**–**	1,648
– Interest on lease liabilities	**22,758**	33,885
– Other interest costs	**32,266**	69,825
– Borrowings from finance lease companies	**49,204**	30,672
Net foreign exchange losses	**610,302**	755,137
Less: finance costs capitalised on qualified assets	**(135,451)**	(106,020)
Total finance costs	**1,556,714**	1,556,545
Net finance costs	**1,446,284**	1,381,283

23. INCOME TAX EXPENSE

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

The PRC Corporate Income Tax charged to the condensed consolidated income statement was calculated based on the assessable profits of the Company's subsidiaries located in the PRC for the period at a rate of 25% (six months ended 30 June 2022: 25%) applicable to the respective companies.

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

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Current income tax		
– PRC Corporate Income Tax	**392,230**	306,365
– LAT	**–**	1,834
Deferred tax	**100,959**	49,166
	493,189	357,365

24. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary shareholders of the Company	**92,045**	581,575
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares in issue	**2,387,810**	2,272,736
Basic earnings per share (HKD per share)	**0.04**	0.26

(b) Diluted

The company does not have any diluted potential ordinary shares outstanding during the six month ended 30 June 2023.

25. DIVIDENDS

The Board has resolved not to declare any interim dividend in respect of the period (six months ended 30 June 2022: Nil). The 2022 final dividend of HKD613,667,000 in aggregate (consisting of HKD0.257 per ordinary share of final dividend) were settled in June 2023.

According to the scrip dividend scheme approved by shareholders in the annual general meeting held on 16 May 2023, 5,339,689 new shares were issued at a price of HKD6.714 per share, amounted to HKD35,851,000 and the remaining dividend of HKD577,816,000 was paid in cash in June 2023.

26. GUARANTEES AND CONTINGENCIES

As at 30 June 2023, the Group is involved in pending litigations related to subsidiaries of the Company, with a total claimed amount of approximately RMB416,808,000. These include: (1) Taizhou Lande Environmental Protection Technology Co., Ltd (a subsidiary of the Company) being sued by Nantong No. 4 Construction Group Co., Ltd. (responsible for civil engineering, water and electricity installation, procurement, and installation of electromechanical equipment for a certain project) for the remaining project payment, related one-year interest (calculated at an annual interest rate of 6.5%), interest loss due to overdue payment, and liquidated damages, totaling approximately RMB51,327,000; (2) Nanjing Wind Power Technology Co., Ltd (referred to as "Nanjing Wind Power" below) being sued by Xinqing Environmental Technology (Lianyungang) Co., Ltd. due to failure to deliver goods on time and make timely payments, resulting in a loss of approximately RMB150,743,000; and (3) other pending litigations totaling approximately RMB214,738,000.

27. COMMITMENTS

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

	As at 30 June 2023 HKD'000 (unaudited)	*As at 31 December 2022 HKD'000 (audited)*
Capital commitments – expenditure of property, plant and equipment and concession intangible assets and land premium – Contracted but not provided for	**11,488,348**	17,127,681

28. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

	As at 30 June 2023 (unaudited)			
	Level 1 HKD'000	***Level 2 HKD'000***	***Level 3 HKD'000***	***Total HKD'000***
Assets				
Equity securities designated at FVTOCI				
– Unlisted equity securities	**–**	**–**	**48,352**	**48,352**
Financial assets measured at FVTPL				
– Listed securities in the PRC	**315,616**	**–**	**–**	**315,616**
– Unlisted equity securities	**–**	**–**	**576,864**	**576,864**
– Unlisted fund investments	**–**	**–**	**817,914**	**817,914**
Derivative financial instruments	**–**	**–**	**228,044**	**228,044**

	As at 31 December 2022 (audited)			
	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 investments	–	–	820,363	820,363
– Structured deposits	–	–	2,083,585	2,083,585
Derivative financial instruments	–	–	237,205	237,205

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

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

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

As at 30 June 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 30 June 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 the Group believes that their carrying amounts are not materially different from their fair values as at 30 June 2023.

Information about Level 3 fair value measurements

	Valuation techniques	*Significant unobservable inputs*	*Range*
Financial assets measured at FVPL			
– Unlisted equity securities (Note i)	Market comparable companies	Adjusted P/B multiplier	1.91
		The discount of lack of marketability	29.61%
– Unlisted fund investments (Note ii)	Income capitalisation method	Yield	6.5%
		Market monthly rental rate (RMB/sq.m.)	23.1-42.0
		Occupancy rate	63% – 98%

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

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

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

(i) The fair value of unlisted equity securities is determined using the price/earning ratios or price/book value of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 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 Group's profit by HKD 31,261,000.

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

(iii) The fair value of equity securities designated at FVOCI is determined with reference to the fair value of the underlying net asset value of the investments. As at 30 June 2023 and 31 December 2022, the carrying amount is not materially different from their fair value.

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

	Six months ended 30 June	
	2023	2022
	HKD'000	HKD'000
	(unaudited)	(unaudited)
Unlisted equity securities, fund investments and structured deposits:		
Beginning of the period	**3,466,256**	1,698,215
Changes in fair value recognised in profit or loss during the period	**130,054**	19,843
Net unrealised losses recognised in other comprehensive income during the period	**(279)**	(491)
Addition	**563,020**	–
Redemptions	**(2,654,637)**	(59,094)
Exchange difference	**(61,284)**	(74,985)
End of the period	**1,443,130**	1,583,488

29. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

(a) On 1 December 2016,Yunji Smart Engineering Co., Ltd. (formerly known as Shenzhen Expressway Engineering Consulting Co., Ltd.) ("Yunji Smart") became an associate of Shenzhen Expressway, and Shenzhen Expressway and Yunji Smart entered into a service agreement pursuant to which Yunji Smart provides engineering consulting, management and testing service. During the period, Shenzhen Expressway paid service fee to Yunji Smart amounting to RMB15,005,000 (equivalent to HKD16,856,000) (six months ended 30 June 2022: RMB6,994,000 (equivalent to HKD8,402,000)).

(b) As at 30 June 2023, the Group's investment commitments to related parties was a capital contribution commitment of RMB315,000,000 (equivalent to HKD340,762,000 (31 December 2022: RMB315,000,000 (equivalent to HKD354,450,000)) for the establishment of a buyout fund.

(c) As at 30 June 2023, amount due from United Land Company of HKD 1,021,203,000 (31 December 2022: HKD1,062,226,000) was unsecured, interest-free and expected to be repayable within one year.

30. EVENTS AFTER THE END OF THE REPORTING PERIOD

Entering into the A share subscription agreement and deemed disposal of equity interests in Shenzhen Expressway

On 14 July 2023, the board of directors of Shenzhen Expressway approved the Issuance of A Shares to specific investors, pursuant to which Shenzhen Expressway proposed to issue to no more than 35 (inclusive) Specific Targets (including Xin Tong Chan Development (Shenzhen) Co., Ltd. ("XTC Company"), a wholly-owned subsidiary of the Group) with expected proceeds of no more than RMB6.5 billion. XTC Company conditionally agreed to subscribe for A Shares in the amount of not more than RMB1.51 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 accounts of the Company and its financial results will continue to be consolidated into the financial statements of the Company.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2023 (the "Period").

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2023, the interests and short positions of the directors (the "Director(s)") and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are set out as follows:

Long positions in the ordinary shares of the Company

Name of Director	*Number of ordinary shares held*	*Capacity*	*Nature of interest*	*Approximate % of issued shares of the Company (Note)*
Li Haitao	42,199	beneficial owner	personal	0.002%

Note:
The percentage was calculated based on the total number of shares of the Company in issue as at 30 June 2023 (i.e. 2,393,148,888 shares)

Save as disclosed above, as at 30 June 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.

SHARE OPTION SCHEME

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

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

The number of share options of the Company available for grant under the Share Option Scheme mandate limit as at 1 January 2023 and 30 June 2023 was both 144,622,586 shares. During the Period, no share options were granted under the Share Option Scheme. All outstanding share options granted have lapsed prior to the beginning of the Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 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 ordinary shares held***	***Capacity***	***Approximate % of issued shares of the Company*** *(Note 1)*
Shenzhen Investment Holdings Company Limited ("SIHCL") *(Note 2)*	364,500	beneficial owner	0.01%
	1,058,717,983	interest of controlled corporation	44.24%
Ultrarich International Limited ("Ultrarich") *(Note 2)*	1,058,717,983	beneficial owner	44.24%
UBS Group AG *(Note 3)*	199,397,411	interest of controlled corporation	8.33%

Notes:

(1) The percentage was calculated based on the total number of shares of the Company in issue as at 30 June 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 AG, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Americas) Inc., UBS Asset Management Life Ltd, UBS Switzerland AG, UBS Financial Services Inc., UBS Asset Management (Australia) Ltd, UBS Asset Management (Deutschland) GmbH, UBS Asset Management (Singapore) Ltd, UBS Asset Management Switzerland AG, UBS Asset Management (UK) Limited, UBS Fund Management (Luxembourg) S.A., UBS Fund Management (Switzerland) AG, UBS O'Connor LLC, Credit Suisse Asset Management (Schweiz) AG, Credit Suisse Funds AG and Credit Suisse International are controlled by UBS Group AG. Accordingly, UBS Group AG was deemed to be interested in the long position of an aggregate of 199,397,411 shares of the Company held by these companies.

Save as disclosed above, as at 30 June 2023, the Company was not aware that any other substantial shareholder (other than the Directors or chief executives) of the Company had any interests or short positions in the shares and underlying shares of the Company which are as required to be recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

CORPORATE GOVERNANCE

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

THE BOARD

As of the date of this report, the Board consists of eight Directors, including four executive Directors: Messrs. Li Haitao, Liu Zhengyu, Wang Peihang and Dr. Dai Jingming; one non-executive Director: Dr. Zhou Zhiwei; and three independent non-executive Directors: Mr. Pan Chaojin, Dr. Zeng Zhi and Dr. Wang Guowen.

The Board held 3 meetings during the Period. The following major issues were reviewed and discussed by the Board during the Period:

(1) approving the annual results and the annual report for the year 2022;

(2) approving the Environmental, Social and Governance Report for the year 2022;

(3) approving the proposal of payment of final dividend for the year 2022;

(4) approving the financial budget and investment budget for the year 2023;

(5) approving the recommendation on the re-appointment of the Company's auditor for the year 2023;

(6) reviewing the results and business operations of the first quarter of the year 2023;

(7) approving the proposed amendments to various policies and bye-laws of the Company;

(8) approving the 2023 internal audit plan of the Group; and

(9) approving notifiable transactions and connected transaction of the Group as required under the Listing Rules.

Audit Committee

Established in 1995, the Audit Committee consists of three independent non-executive Directors, namely Dr. Zeng Zhi (chairman), Mr. Pan Chaojin and Dr. Wang Guowen.

The Audit Committee held 2 meetings during the Period. The following major issues were reviewed and discussed by the Audit Committee together with the management and the auditor of the Company, Deloitte Touche Tohmatsu (the "Auditor"), during the Period:

(1) reviewing the annual results for the year 2022 and the relevant financial report, confirming that the relevant disclosures in such financial report was complete, accurate and fair, and recommending the same to the Board for approval;

(2) considering the recommendations on the re-appointment of the Auditor for the year 2023;

(3) approving the fee of audit services provided by the Auditor for the year 2022, the policy on provision of non-audit services by the Auditor and the annual authorization of non-audit services fee amounts;

(4) reviewing the adequacy of resources, qualifications and experience of the staff of the Group's accounting, financial reporting and internal audit functions as well as their training program and related budget for the year 2022;

(5) reviewing with the management and relevant departments the effectiveness of the Group's risk management and internal control systems and compliance management system for the year 2022;

(6) reviewing the 2023 internal audit plan of the Group; and

(7) approving the amendments to the "Whistleblowing Policy" of the Company.

The Company engaged the Auditor to review the unaudited interim financial report of the Group for the six months ended 30 June 2023. Before the approval of the interim financial report by the Board, the Audit Committee held a meeting with the Auditor to review the unaudited interim financial report of the Group for the six months ended 30 June 2023. The Auditor's review report is set out on page 47 of this report.

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.

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

(1) evaluating and making recommendations 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;

(2) reviewing the independence of each independent non-executive Director;

(3) reviewing the structure, composition and diversity of the Board, and the time devoted by the Directors on performing his duties;

(4) reviewing the implementation and effectiveness of mechanisms to ensure independent views and input are available to the Board; and

(5) reviewing the implementation and effectiveness of the "Board Diversity Policy".

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.

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

(1) reviewing the proposed amendments of the "Terms of Reference of the Remuneration and Appraisal Committee";

(2) reviewing the "Measures for the Administration of Remunerations of Senior Management";

(3) reviewing the benchmark of the annual salary base and remuneration package for senior management of the Group; and

(4) considering the renewal of service contract made between the Company and an independent non-executive Director.

Executive Board Committee

Members of the Executive Board Committee are appointed by the Board. The committee consists of four executive Directors, namely Mr. Li Haitao, Mr. Liu Zhengyu, Mr. Wang Peihang, and Dr. Dai Jingming.

During the Period, the Executive Board Committee considered and discussed major issues including the annual results and payment of dividend for the year 2022, budgets for the year 2023, amendments to the bye-laws of the Company, notifiable transactions and connected transaction entered into during the Period; and discussing the business development plans, capital expenditures, loans and changes in the senior management of the subsidiaries of the Company.

Sustainability Committee

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

The Sustainability Committee held 1 meeting during the Period. During the Period, the major issue considered and discussed by the Sustainability Committee was reviewing the Environmental, Social and Governance Report for the year 2022.

The attendance records of the Board meetings and the specialized committees meetings held during the Period

Details of the Directors' attendance at the Board meetings, specialized committees meeting held during the Period are set out in the following table:

	Number of Meetings Attended/*Number of Meetings Held During the Director's Term of Office*			
Directors	***Board***	***Audit Committee***	***Nomination Committee***	***Remuneration and Appraisal Committee***
Executive Directors				
Mr. Li Haitao	**3**/3	N/A	N/A	**2**/2
Mr. Liu Zhengyu	**3**/3	N/A	N/A	N/A
Mr. Wang Peihang	**3**/3	N/A	**1**/1	N/A
Dr. Dai Jingming	**3**/3	N/A	N/A	N/A
Non-executive Director				
Dr. Zhou Zhiwei	**3**/3	N/A	N/A	N/A
Independent non-executive Directors				
Mr. Pan Chaojin	**3**/3	**2**/2	**1**/1	**2**/2
Dr. Zeng Zhi	**3**/3	**2**/2	**1**/1	N/A
Dr. Wang Guowen	**3**/3	**2**/2	N/A	**2**/2

Model Code for Securities Transactions by Directors and Relevant Employees

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

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

Shenzhen International
深國際

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