Shenzhen International
深國際

BUILDING **VALUE**
SHARING **FUTURE**

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

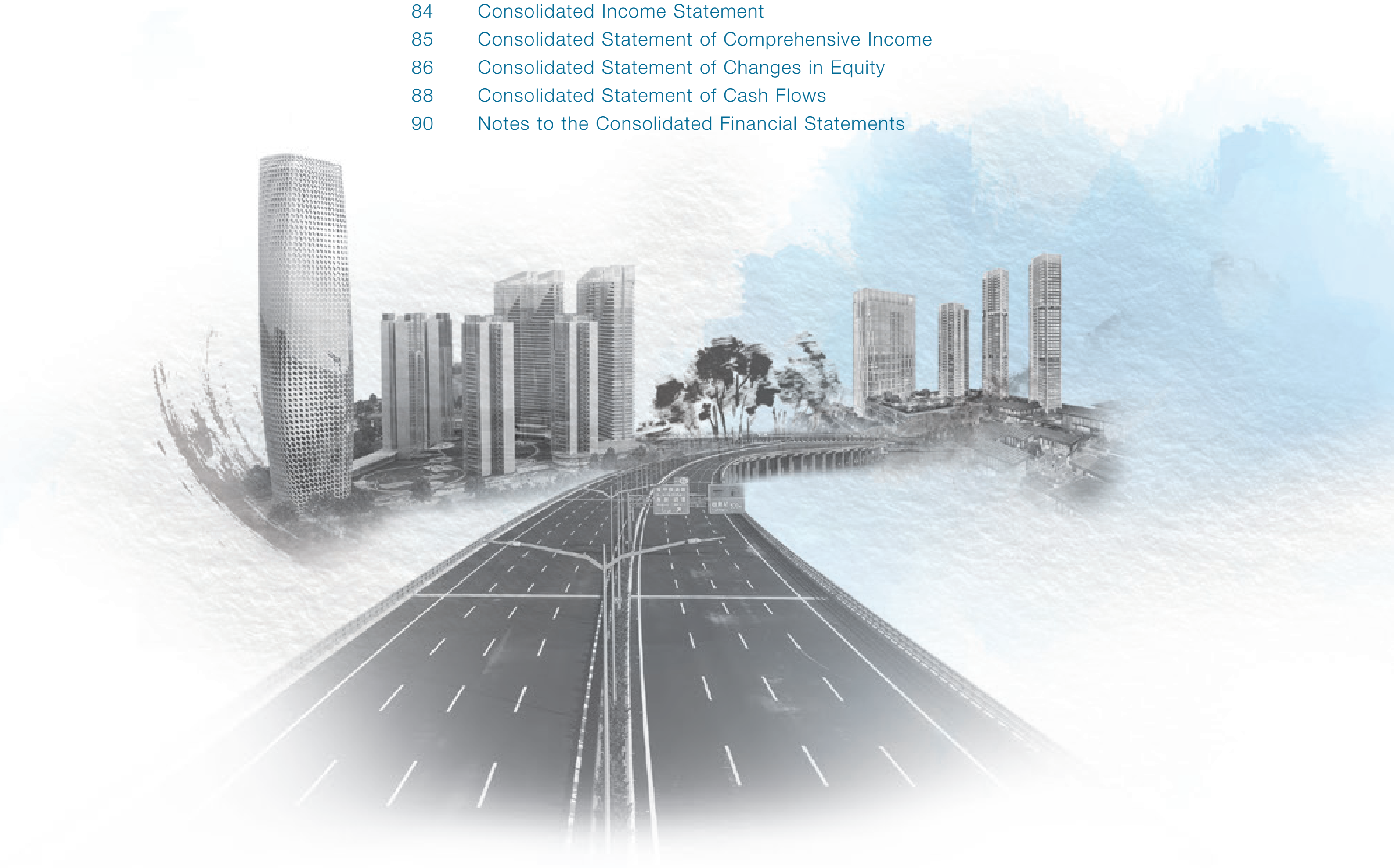
(Incorporated in Bermuda with limited liability)

Stock Code : 00152

BUILDING **VALUE**

SHARING **FUTURE**

CONTENTS



CORPORATE PROFILE

Shenzhen International Holdings Limited, a company incorporated in Bermuda, is a company listed on the main board of the Stock Exchange of Hong Kong. The Group is indirectly held as to approximately 44.04%* equity interest by the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal through Shenzhen Investment Holdings Company Limited. The Group is principally engaged in logistics and toll road business.

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

* *As at 31 December 2019*

Below is a simplified corporate structure of the Group as at 31 December 2019 and does not include intermediate holding entities, and the percentages of interests shown represent the percentages for which the Group has acquired effective control.

SHENZHEN INTERNATIONAL HOLDINGS LIMITED[1]

LOGISTICS BUSINESS

- Logistics Parks[3]
  - 100% Shenzhen South China Logistics Park
  - 100% Shenzhen Western Logistics Park
  - 50% SZ Airport Express Center
  - 70% Shenzhen International Kanghuai E-commerce Center
  - 85.30% Shenzhen International Shenyang Integrated Logistics Hub
  - 100% Shenzhen International Kunshan Integrated Logistics Hub
  - 100% Shenzhen International Wuhan Dongxihu Integrated Logistics Hub
  - 90% Shenzhen International Hefei Integrated Logistics Hub
  - 100% Shenzhen International Nanchang Integrated Logistics Hub
  - 25% Shenzhen International Shijiazhuang Integrated Logistics Hub
  - 100% Shenzhen International Wuxi Integrated Logistics Hub
  - 100% Shenzhen International Hangzhou Integrated Logistics Hub
  - 100% Shenzhen International Guizhou Integrated Logistics Hub
  - 100% Shenzhen International Ningbo Integrated Logistics Hub
  - 100% Shenzhen International Changsha Integrated Logistics Hub
  - 100% Tianjin Zhonglong Project
  - 100% Shenzhen International Chongqing Integrated Logistics Hub
  - 100% Shanghai Qingpu Integrated Logistics Hub
  - 100% Zhongshan Torch Integrated Logistics Hub
  - 55.39% Shandong Booming Total Logistics Park
- Logistics Services
  - Third Party Logistics Service
    (100% – Shenzhen International Supply Chain Management Co., Ltd.)
    (51% – Shenzhen Total Logistics Service Co., Ltd.)
  - Logistics Information Service
    (79.87% – Shenzhen EDI Co., Ltd.)
  - Logistics Financial Service
    (100% – Shenzhen International Modern Logistics Microfinance Co., Ltd)
    (48% – Shenzhen International Financial Leasing Co., Ltd.)
  - Investments and Management of Logistics Equity
    (38% – Shenzhen International Huazhang Logistics Industry Private Equity Funds Management Co., Ltd)
- Port
  - 70% Nanjing Xiba Wharf Co. Ltd. (Phase 1 of Nanjing Xiba Port)
  - 70% Nanjing Xiba Port Co., Ltd. (Phase 2 of Nanjing Xiba Port)
  - Supply Chain Management Services of Port
    (100% – Shenzhen International Supply Chain Management Nanjing Co., Ltd.)
- Logistics Park Transformation and Upgrading
  - 53.39% Meilin Checkpoint Project
  - 100% Qianhai Project[4]

TOLL ROAD BUSINESS

- 51.56% Shenzhen Expressway Company Limited[1][2]
- 89.93% Longda Expressway in Shenzhen[5]

OTHER INVESTMENTS

- 49% Shenzhen Airlines Company Limited
- 1.26% CSG Holding Co., Ltd.[2]

(1) Listed company in Hong Kong
(2) Listed company in the PRC
(3) Only projects in operation are included
(4) Excluding a residential land use project held by an associate in which the Group holds 50% equity interest
(5) The Group owns 4.4 km length by toll of Longda Expressway with effect from 0:00 on 1 January 2019

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:
Gao Lei *(Chairman)*
Li Hai Tao *(Chief Executive Officer)*
Zhong Shan Qun
Liu Jun
Hu Wei

Non-Executive Directors:
Xie Chu Dao
Liu Xiao Dong

Independent Non-Executive Directors:
Ding Xun
Nip Yun Wing
Yim Fung
Cheng Tai Chiu, Edwin

AUDIT COMMITTEE

Nip Yun Wing *(Chairman)*
Ding Xun
Cheng Tai Chiu, Edwin

NOMINATION COMMITTEE

Ding Xun *(Chairman)*
Zhong Shan Qun
Nip Yun Wing

REMUNERATION AND APPRAISAL COMMITTEE

Ding Xun *(Chairman)*
Gao Lei
Yim Fung

COMPANY SECRETARY

Tam Mei Mei

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
Postcode: 518000

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

COMPANY WEBSITE

http://www.szihl.com

SHARES

Hong Kong Stock Exchange:
Stock Code: 00152

SECURITIES

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

Shenzhen Stock Exchange:
RMB Bonds (First Tranche) (Stock Code: 112636)
RMB Bonds (Second Tranche) (Stock Code: 112798)

AUDITOR

KPMG, *Certified Public Accountants*
Public Interest Entity Auditor
registered in accordance with the Financial Reporting Council Ordinance
Hong Kong

LEGAL ADVISERS

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

PRINCIPAL BANKERS

Agricultural Bank of China *(PRC Domestic Bank)*
Bank of China
Bank of Communications
China Citic Bank *(PRC Domestic Bank)*
China Construction Bank *(PRC Domestic Bank)*
China Development Bank *(PRC Domestic Bank)*
China Everbright Bank *(PRC Domestic Bank)*
China Merchants Bank *(PRC Domestic Bank)*
China Minsheng Bank *(PRC Domestic Bank)*
DBS Bank
Hang Seng Bank
HSBC
Industrial and Commercial Bank of China *(PRC Domestic Bank)*
ING Bank N.V.
MUFG Bank, Ltd.
Oversea-Chinese Banking Corporation Ltd.
Ping An Bank
Standard Chartered Bank

PRINCIPAL SHARE REGISTRAR

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

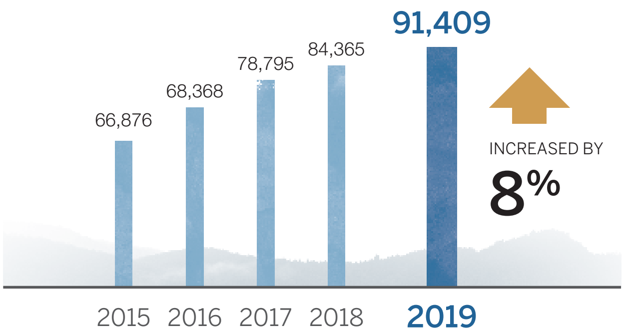
HONG KONG BRANCH SHARE REGISTRAR

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

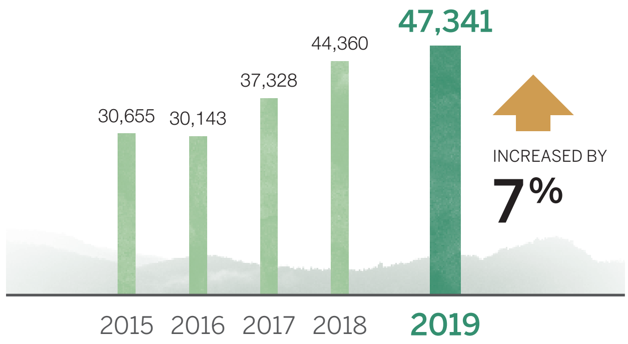
INVESTOR RELATIONS CONSULTANT

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

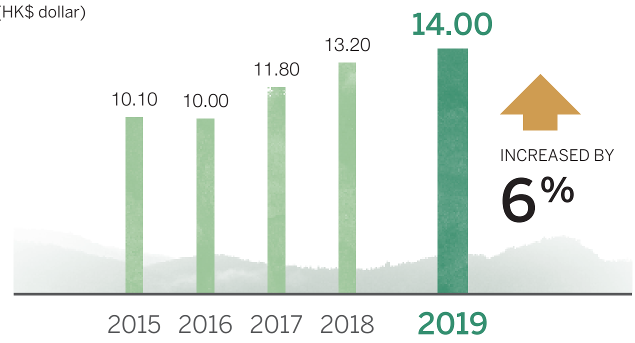
Total Assets Value
(HK$ million)



Total Equity
(HK$ million)

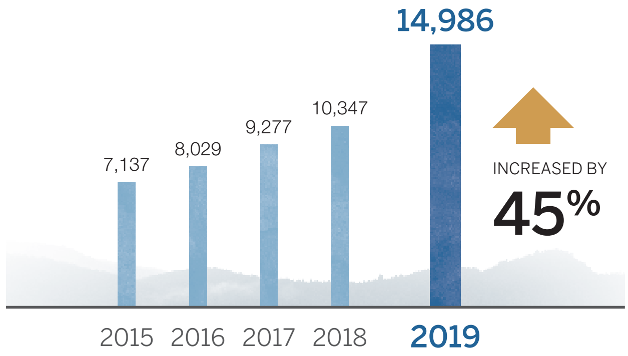


Net Asset Value per Share Attributable to Shareholders
(HK$ dollar)

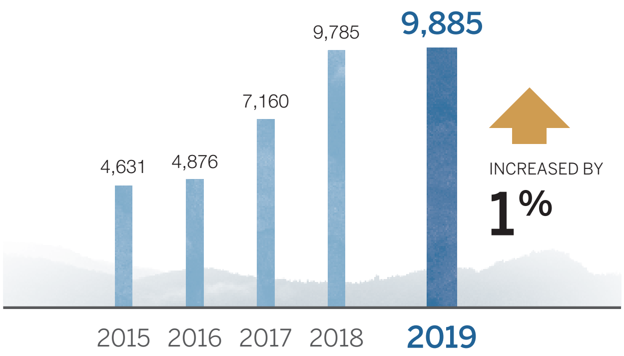


Revenue *
(HK$ million)

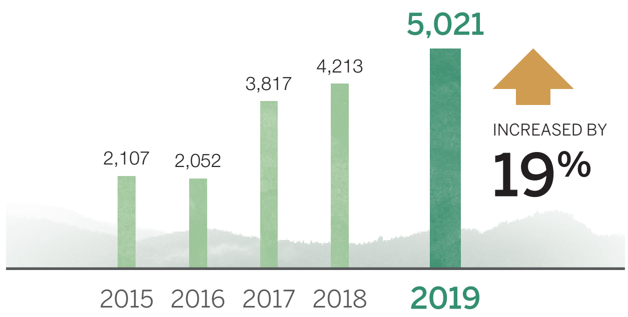
* Excluding revenue from construction services for toll roads



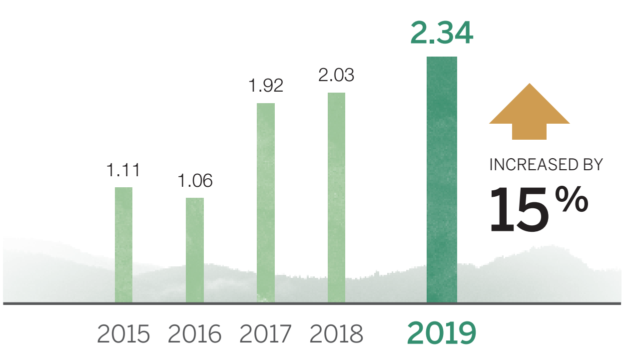
Profit before Finance Costs and Tax
(HK$ million)



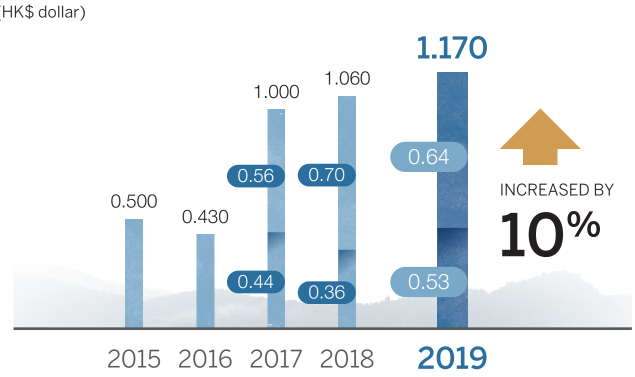
Profit Attributable to Ordinary Shareholders of the Company
(HK$ million)



Earnings per Share (Basic)
(HK$ dollar)



Dividend per Share
(HK$ dollar)



Analysis of Revenue and Profit before Finance costs and tax by principal activities

(HK$ million)	***Revenue***	***Operating profit***	***Share of profit of associates and joint ventures***	***Profit before finance costs and tax***
			2019	
Toll roads				
– Revenue	**7,141**	**2,501**	**616**	**3,117**
– Construction service revenue	**1,835**	**–**	**–**	**–**
Toll roads sub-total	**8,976**	**2,501**	**616**	**3,117**
Logistic business				
– Logistic parks	**833**	**195**	**14**	**209**
– Logistic services	**878**	**53**	**–**	**53**
– Port and related services	**1,564**	**193**	**–**	**193**
– Logistic park transformation and upgrading	**4,569**	**2,820**	**–**	**2,820**
Logistic business sub-total	**7,844**	**3,261**	**14**	**3,275**
Head office functions – Qianhai	**–**	**2,457**	**–**	**2,457**
Head office functions	**–**	**406**	**630**	**1,036**
Total	**16,820**	**8,625**	**1,260**	**9,885**
Finance income				**278**
Finance costs				**(1,015)**
Finance costs – net				**(737)**
Profit before income tax				**9,148**

(HK$ million)	*Revenue*	*Operating profit*	*Share of profit of associates and joint ventures*	*Profit before finance costs and tax*
			2018	
Toll roads				
– Revenue	7,569	8,570	612	9,182
– Construction service revenue	1,234	–	–	–
Toll roads sub-total	8,803	8,570	612	9,182
Logistic business				
– Logistic parks	658	167	15	182
– Logistic services	802	68	1	69
– Port and related services	1,318	166	(1)	165
Logistic business sub-total	2,778	401	15	416
Head office functions	–	(327)	514	187
Total	11,581	8,644	1,141	9,785
Finance income				117
Finance costs				(1,540)
Finance costs – net				(1,423)
Profit before income tax				8,362

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is depicted below. The 2019 figures are extracted from the audited financial statements. The 2015 to 2018 figures were restated accordingly due to the completion of acquire 100% equity interest in Coastal Company.

	Year ended 31 December				
	2019 HK$'000	*2018 HK$'000*	*2017 HK$'000*	*2016 HK$'000*	*2015 HK$'000*
Results					
Revenue	**16,820,326**	11,581,036	10,139,141	8,176,429	7,137,819
Profit before income tax	**9,147,506**	8,361,925	6,149,248	3,628,947	3,619,128
Income tax expense	**(2,037,965)**	(1,835,228)	(1,441,847)	(837,623)	(736,318)
Profit for the year	**7,109,541**	6,526,697	4,707,401	2,791,324	2,882,810
Perpetual securities holders of Company	**(92,951)**	(92,969)	–	–	–
Non-controlling interests	**(1,995,996)**	(2,221,076)	(890,607)	(739,677)	(775,710)
Profit attributable to shareholders	**5,020,594**	4,212,652	3,816,794	2,051,647	2,107,100

	As at 31 December				
	2019 HK$'000	*2018 HK$'000*	*2017 HK$'000*	*2016 HK$'000*	*2015 HK$'000*
Assets and liabilities					
Fixed assets	**15,269,837**	10,629,924	9,185,317	8,323,328	6,001,730
Investment properties	**576,796**	93,930	93,330	87,390	81,450
Investments in associates & joint ventures	**14,591,354**	14,320,000	14,533,635	7,750,294	5,954,784
Available-for-sales financial assets	**–**	–	–	104,353	95,748
Other Financial Asset	**538,016**	485,949	186,912	–	–
Intangible assets	**26,260,742**	27,032,014	33,624,346	28,479,723	31,681,115
Other non-current assets	**2,546,124**	2,012,743	1,752,285	1,428,344	1,662,889
Net current assets	**16,506,234**	17,366,787	6,336,102	8,606,255	12,194,954
Non-current liabilities	**(28,947,831)**	(27,581,502)	(28,383,594)	(24,636,995)	(27,017,397)
Net assets	**47,341,272**	44,359,845	37,328,333	30,142,692	30,655,273
Equity					
Issued capital	**2,161,842**	2,119,873	2,028,783	1,957,689	1,899,019
Reserves	**28,123,193**	25,878,059	21,897,565	17,545,142	17,256,314
Equity attributable to ordinary shareholders of the Company	**30,285,035**	27,997,932	23,926,348	19,502,831	19,155,333
Perpetual securities	**2,330,939**	2,330,939	2,330,939	–	–
Non-controlling interests	**14,725,298**	14,030,974	11,071,046	10,639,861	11,499,940
Total equity	**47,341,272**	44,359,845	37,328,333	30,142,692	30,655,273

KEY EVENTS IN 2019

APRIL

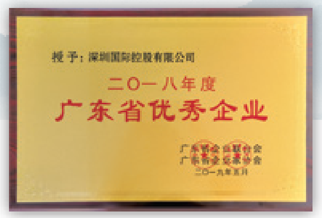
Topping-out ceremony of He Feng Xuan (和風軒), the first phase of the Meilin Checkpoint Project, was held in April and the construction had been completed in November

JUNE

The Company was awarded the "Best Investment Value Award" and the "Best Investor Relations Award" in the 2019 China Financial Market Awards by China Financial Market, a leading financial magazine in Hong Kong. Shenzhen Expressway Company Limited ("Shenzhen Expressway"), a subsidiary of the Company, was also awarded the "Best Corporate Leader Award", the "Best Investor Relations Award" and the "Best Annual Report Design" in this competition

MAY

The Company was awarded the title "Excellent Enterprise of Guangdong Province for 2018" by Guangdong Provincial Enterprise Confederation and Guangdong Provincial Association of Entrepreneurs



JUNE

The Company was awarded the "Outstanding China Logistics and Infrastructure Company" in the 14th Outstanding China Enterprise Awards granted by CAPITAL, a famous financial magazine in Hong Kong

The Company's 2018 annual report was awarded 2 awards in the 33rd International ARC Awards Competition as well as 5 awards at the 2018 Vision Awards annual report competition organized by the League of American Communications Professionals (LACP) in the United States

Shenzhen International Kanghuai Modern Urban Logistics Hub Co., Ltd. (Shenzhen International Kanghuai E-commerce Center) was awarded a gold award for exemplary smart cities in China for the year 2018-2019 from China Smart City Construction Investment Alliance

SEPTEMBER

The Group entered into a land consolidation and preparation agreement with the Urban Planning Land and Natural Resources Bureau of the Shenzhen Municipality and the Qianhai Authority in respect of the land consolidation and preparation plan of the Group's land parcels with an aggregate site area of approximately 380,000 square meters in Qianhai

OCTOBER

The Group participated in the 14th China (Shenzhen) International Logistics and Supply Chain Fair and was awarded the "Brand Enterprise Award" for the third time

SEPTEMBER AND NOVEMBER

The Group became a constituent of both Hang Seng Mainland China Companies High Dividend Yield Index and Hang Seng SCHK High Dividend Yield Index, respectively

DECEMBER

The Company was awarded the "Best Investment Value Award for Listed Companies in the Greater Bay Area" in the 9th China Securities Golden Bauhinia Awards organized by Hong Kong Ta Kung Wen Wei Media Group

DECEMBER

Shenzhen Expressway was awarded the Top 100 Chinese Businesses at the 19th China Business Top 100 summit and conference

DECEMBER

Shenzhen International South-China Logistics Co., Ltd. held the topping-out ceremony of South China Logistics Building at the construction site of the second phase of South China Logistics Park

DECEMBER

The Company was awarded the Outstanding Corporate Results Performance Award in The Listed Enterprise Excellence Awards 2019 organized by CAPITAL WEEKLY, a famous financial magazine in Hong Kong

CHAIRMAN'S STATEMENT

Create Logistics Ecosystem by Strategic Expansion and Bolster Quality Growth by Innovation and Capacity Improvement

Dear shareholders,

In 2019, the Group poured a lot of effort into corporate governance and business development, thereby achieving satisfactory operating results and business growth with record-breaking revenue and profit in spite of numerous challenges in the operating environment.

For the year ended 31 December 2019, revenue from the Group's core business increased by 45% to HK$14,986 million, while profit attributable to shareholders increased by 19% to HK$5,021 million, as compared to the corresponding period of the previous year.

The board of directors has proposed to distribute final and special dividends for 2019 in the aggregate amount of HK$1.17 per share, representing an increase of 10% as compared to the corresponding period of the previous year. The dividend payout ratio is 50%.

Continuous Development in Integrated Logistics Hub Network in Cities across China and Further Consolidation of Leadership Position in Logistics Industry in Shenzhen and the Greater Bay Area

In 2019, the Group continued to implement the 13th Five-year Strategic Plan and put extra effort into the development in the logistics segment with substantial improvement in the scale, efficiency and competitiveness of its core logistics business.

As at the end of 2019, the Group has established footholds in a total of 27 key logistics gateway cities across the country (including Shenzhen) with a total planned site area of approximately 7.28 million square meters. The number of projects in operation increased to 19 with a total operating area of 2.01 million square meters. In particular, the Zhongshan Project represents the first logistics project of the Group in the Guangdong-Hong Kong-Macao Greater Bay Area outside Shenzhen. The integrated logistics hubs recorded satisfactory growth in both revenue and profit during the year.

Shenzhen is the base of the Group's core logistics business. Following the city's industrial and urban development trends, the Group is actively pushing forward the revamp and upgrade of its logistics parks across Shenzhen in order to reinforce and raise its position in the city's logistics industry. For instance, Liguang Logistics Park, which is designed as a model of innovative and eco-intelligent integrated logistics park, is the only industrial development project among the third batch of new construction projects officially commenced in 2019 in Shenzhen. The second phase of South China Logistics Park, which will be developed into a multi-functional cluster zone for integrated high-end modern logistics service industries, has completed the topping-out of the main construction of the first cluster of the second phase in 2019.

In 2019, the Group further increased its efforts in the development of value-added logistics service and achieved new breakthroughs in terms of combining asset light and asset heavy models as well as the integration of industry and finance. Furthermore, it vigorously promoted the comprehensive logistics service model, actively explored smart logistics, rapidly expanded in the logistic information service market and steadily rolled out supply chain finance cooperation projects.

Effective Adjustment in Port Sub-strategy Resulting in Steady Business Growth

To facilitate the construction of a key municipal construction plan in Nanjing, namely Nanjing Xianxin Road Cross-river Channel Development Plan（南京市仙新路過江通道）, the Group has completed the stage one property transfer of the Phase 2 project of Nanjing Xiba Port and received reasonable compensation in 2019, effectively protected the interests of the Company and its shareholders. In view of the expropriation of the Phase 2 project and the consequential reduction in capacity, the Group will actively negotiate with the local government to accelerate the leaseback of the Phase 2 of Nanjing Xiba Port and realize smooth transition of the port business. It has also boosted the loading and unloading capacity of the Phase 1 project of the port by accelerating the digitalization of its port and the expansion of its depots; continued to roll out the management service business; and proudly won the 3-year outsourcing contracts for operating the coal delivery systems of Jiangsu Changshu Electric Power and Jiangsu Nanre Power Generation. The synergistic development of the port and the supply chain businesses attained new achievements and the Group successfully entered the end-suppliers lists of China Energy, State Power and China Resources, etc.

In 2019, the Group gladly entered into a cooperation agreement for the Jingjiang Port project, representing a breakthrough in the port business as well as a milestone in the implementation of the Group's port sub-strategy.

Orderly Progress of Major Toll Road Projects and Ample Returns from Investments and Acquisitions in Macro Environmental Protection Industry

In 2019, the Group made additional efforts to consolidate the toll road business by speeding up technological transformation and building up momentum of its new businesses.

Firstly, major toll road projects were progressing in an orderly manner. During the year, the reconstruction and expansion of Jihe Expressway was listed by Shenzhen as one of the exemplary projects to realize new generation of transportation for pilot cities of advanced countries; the Shenzhen Outer Ring Project outperformed its annual investment targets; and Shenzhen Coastal Phase II completed the construction of an important interchange, namely the Shenzhen World Exhibition & Convention Center interchange. In addition, the Group attained new achievements in terms of the provision of management service by winning a comprehensive management and maintenance project for four expressways from the Shenzhen Transportation Bureau.

Investments, mergers and acquisitions in the macro environmental protection industry also yielded ample returns. The Group completed the acquisitions of equity interests in, among others, Nanjing Wind Power Technology Co., Ltd. and Baotou Nanfeng Wind Power Technology Co., Ltd., thereby laying down the preliminary framework of the wind power generation segment. Moreover, it also won the bid for Shenzhen Guangming Environmental Park PPP Project, which represented the first kitchen waste treatment project of the Group in Shenzhen.

Satisfactory Results of Logistics Park Transformation and Upgrading Business with Ability to Boost Performance for Coming Years

Significant breakthrough has been made in terms of land consolidation and preparation work for the Qianhai Project. The Group entered into a land consolidation and preparation agreement and two land use right transfer agreements for two land parcels of the Qianhai Project and realized a profit before taxation of approximately RMB2,187 million during 2019. The residential, commercial and office projects of the first phase of the Qianhai Project were also progressing as planned. In particular, the residential project has commenced pre-sale and is generating returns.

All residential units of the first phase of the Meilin Checkpoint Project were sold out and contributed revenue and profit to the Group in 2019. Pre-sale of the second phase has also been smoothly launched with a selling rate of 87% as of the end of December 2019. The construction work was also progressing in an organized manner. This project is expected to maintain significant revenue and profit contributions to the Group in the next 2-3 years.

Constant Improvement in Corporate Governance and Steady Rise in Brand Influence

Apart from improving its operating performance, the Group also strives to improve its corporate governance to lay a solid foundation for long-term growth. By adopting a series of cost cutting and efficiency improvement measures, consolidated gross profit margin recorded the second consecutive year of increase while the expense ratio decreased for the second year in 2019. The "Double-Hundred Action" reform has also spurred new and remarkable improvements through refining corporate governance structure, perfecting market-oriented operating systems, standardizing investment decision-making procedures and establishing reward and control mechanisms.

Brand influence of the Group is also on the rise. The Group was named an Excellent Enterprise of Guangdong Province for 2018 and a Key Logistics Enterprise of Shenzhen in 2019, became a constituent of both Hang Seng Mainland China Companies High Dividend Yield Index and Hang Seng SCHK High Dividend Yield Index, and was awarded the "Best Investment Value Award for Listed Companies in the Greater Bay Area", demonstrating a high degree of market and social recognition of the Group's governance standard and corporate value.

Social Responsibility

The Group insists on combining its corporate vision with national development and actively fulfills its social responsibility as a listed company. Making full use of its internal and external resources, the Group studies environmental protection and strives to incorporate energy-saving and low-carbon concepts into the development and design of its logistics parks, ports and expressways. Adhering to a people-oriented approach, it has carried out a total of 13 training activities such as expert seminars and classes during the year. It also actively participated in the Shenzhen-Heyuan Counterparts Aiding initiative (深圳對口扶貧河源工作). The support for the industrial development of Xinmin village (新民村) in Heyuan City (河源市) yield outstanding results. This village witnessed significant improvement in infrastructure, notable advancement in living standard and the alleviation of poverty of the relatively poor families and poor people. These achievements have earned us the honorable title of "Key Benefactor to Alleviate Poverty" granted by the government of Guangdong Province. The Group also made significant contributions to the society by donating RMB10 million to underprivileged counties in Baksaek Si (百色市) and Hozciz (河池市) in Guangxi Province.

Outlook

Looking forward to 2020, driven by both internal and external conditions as well as several other factors, a major strategic transformation of the transportation and logistics industry in China is imminent. Pursuant to the "Program of Building National Strength in Transportation"(《交通強國建設綱要》) and the "Opinions on Promoting High-quality Development of Logistics Industry and Facilitating the Formation of a Strong Domestic Market"(《關於推動物流高質量發展促進形成強大國內市場的意見》) issued by the Central Government, the development and reform of the transportation and logistics industries will be boosted rigorously. Such development will present both challenges and opportunities to the Group. At present, the outbreak of the novel coronavirus epidemic has a material adverse impact on the economy of China as well as the whole world. However, impact of the epidemic on the country's economy in general will be transient and temporary. The Chinese economy will maintain growth in the long run. The epidemic has spurred demand for online shopping, which in turn provided new opportunities for the development of the e-commerce, express delivery, raw and fresh food cold chain, storage and distribution industries. Capitalizing on the strengths of its nationwide network, the Group will collaborate with its partners to surmount difficulties with greater business development efforts during the epidemic. The Group will take all effective steps to minimize and make up losses, and is confident of accomplishing its established development objectives and goals.

2020 signifies the final stage of the Group's 13th Five-year Strategic Plan and the "Double-Hundred Action" reform. It also marks the beginning of the quality-oriented 14th Five-year Strategic Plan as well as the comprehensive regional reform test of Shenzhen. Capitalizing on the historic opportunities arising from the development of both the Guangdong-Hong Kong-Macao Greater Bay Area and pioneering demonstration zones in Shenzhen and with the aim of perfecting, improving, strengthening, enlarging and turning itself into a topnotch industrial conglomerate, the Group will strive to strengthen four business pillars, i.e. consolidate the toll road business, enhance the competitiveness of the macro environmental protection business, accelerate the establishment of the integrated logistics hub network across key gateway cities, carry out park transformation and upgrading projects in Shenzhen in an organized manner, speed up the investment, acquisition and merger of quality port projects. It will also embark on new operation modes including smart storage and cold chain logistics, strengthen comprehensive corporate reforms, and continue to improve the Group's governance standards, market orientation level and innovation ability.

Acknowledgement

On behalf of the board of directors, I would like to take this opportunity to express our most sincere gratitude to the shareholders, investors and business partners for their dedicated support and confidence and to express our gratitude to all our staff for their diligence and precious contributions to the Group during the past year.

Gao Lei
Chairman

20 March 2020

01 OVERALL REVIEW

OVERALL REVIEW

Operating Results	2019 HK$'000	2018 HK$'000	Increase/ (Decrease)
Revenue (excluding construction service revenue from toll roads)	**14,986,224**	10,346,842	45%
Construction service revenue from toll roads	**1,834,102**	1,234,194	49%
Total revenue	**16,820,326**	11,581,036	45%
Operating profit	**8,624,747**	8,644,389	–
Attributable to core businesses	**5,588,670**	3,922,412	42%
Profit before finance costs and tax	**9,885,057**	9,785,458	1%
Attributable to core businesses	**6,848,980**	5,063,481	35%
Profit attributable to shareholders	**5,020,594**	4,212,652	19%
Attributable to core businesses	**2,873,726**	1,889,521	52%
Basic earnings per share (HK dollars)	**2.34**	2.03	15%
Dividend per share (HK dollars) (in aggregate)	**1.17**	1.06	10%
– Final dividend (HK dollars)	**0.53**	0.36	47%
– Special dividend (HK dollars)	**0.64**	0.70	(9%)

In 2019, the Group rose to the challenges brought by the ever changing global economy as well as the US-China trade disputes by seizing growth opportunities and stepping up its investment in and the development of its logistics business. The Group has also proactively boosted the efficiency and strictly controlled the costs of its projects in operation. As such, the Group was able to maintain its growth momentum and recorded a historically high revenue and operating profit from its core businesses for the year ended 31 December 2019 (the "Year") of HK$14,986 million and HK$5,589 million, representing increases of 45% and 42%, respectively, as compared to the corresponding period of the previous year.

Revenue and profit attributable to shareholders for the Year from the logistics business increased significantly by 1.8 times and 4.5 times, to HK$7,845 million and HK$1,622 million, respectively, as compared to the corresponding period of the previous year. Such increases were mainly attributable to the outstanding sales performance of the first phase of the Meilin Checkpoint Project, where inspection of the building construction was completed in the fourth quarter of 2019 and the project has, for the first time, contributed new revenue and profit attributable to shareholders of HK$4,569 million and HK$1,314 million, respectively, to the Group. Coupled with the satisfactory growth of the port business and economies of scale became apparent along with the year-by-year increase in the operating area of integrated logistics hubs.

As at 31 December 2019, the Group has a presence in 27 key logistics gateway cities across the country (including its logistics parks in Shenzhen) with a total planned site area of 7.28 million square meters, among which the land use right of an area of approximately 4.87 million square meters has been acquired. The number of projects in operation increased to 19 with a total operating area of 2.01 million square meters and overall occupancy rate of approximately 85%.

During the Year, total revenue and profit before finance costs and tax from toll road business decreased by 6% and 30% to HK$7,141 million and HK$3,117 million, respectively, as compared to the corresponding period of the previous year. This was mainly due to the decrease in toll revenue resulting from the fact that the Group no longer owned the fee entitlement rights of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the 23.8 km section of Longda Expressway (collectively, the "Four Expressways") since 2019. Furthermore, a provision for impairment of assets of HK$620 million was made for the Shuiguan Expressway project. Nevertheless, attributable to the recognition of deferred income tax asset of HK$481 million arising from tax losses and impairment provision for toll road assets carried forward from prior years by the project company of the Shenzhen Coastal Project ("Coastal Company") as well as a significant year-on-year reduction in finance costs, profit attributable to shareholders of the toll road business only dropped slightly by 3% to HK$1,291 million.

During the Year, Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate in which the Group holds a 49% equity interest, maintained growth in passenger transport volume and recorded a total revenue of RMB31,955 million (equivalent to HK$35,900 million), representing an increase of 3% as compared to the corresponding period of the previous year. Attributable to, among other factors, a drop in the prices of aviation fuel and a year-on-year decrease in foreign exchange loss, Shenzhen Airlines realized an increase in net profit for the Year by 30% to RMB1,194 million as compared to the corresponding period of the previous year, and contributed an economic profit of HK$593 million (2018: HK$469 million) to the Group, representing an increase of 26% as compared to the corresponding period of the previous year.

In 2019, the Group achieved a breakthrough in the land consolidation and preparation work in Qianhai. In September, the Group entered into a land consolidation and preparation agreement with the Urban Planning Land and Natural Resources Bureau of the Shenzhen Municipality (深圳市規劃和自然資源局) ("Shenzhen UPNRB") and the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen (深圳市前海深港現代服務業合作區管理局) (the "Qianhai Authority") which clarified the aggregate value of the land sites under the new land use arrangements in Qianhai to which the Group is entitled to compensation amounted to approximately RMB8,373 million. Subsequently, the Group entered into two land use right transfer agreements with the Qianhai Authority for two land parcels (the "Second Phase of Qianhai Project") at the end of 2019. These two land parcels have a total land area of approximately 41,200 square meters, with plot ratio-based gross floor area of approximately 110,000 square meters. The two land parcels of the Second Phase of Qianhai Project represented the land swap contemplated in the land consolidation and preparation agreement and no contractual land prices were payable to the Qianhai Authority. As a result, the Group recognized a one-off profit before taxation of HK$2,457 million (equivalent to RMB2,187 million) and profit attributable to shareholders of HK$1,843 million during the Year.

Furthermore, the Group has completed the stage one transfer of the properties in accordance with an agreement in relation to the expropriation of certain properties of the second phase of Nanjing Xiba Port by the Nanjing Jiangbei New District Management Committee (南京市江北新區管理委員會) (the "Jiangbei Committee") and received cash compensation of RMB450 million (equivalent to HK$503 million) during the Year. As a result, the Group recognized a one-off gain from the disposal of assets and profit attributable to shareholders of HK$579 million and HK$304 million, respectively, during the Year.

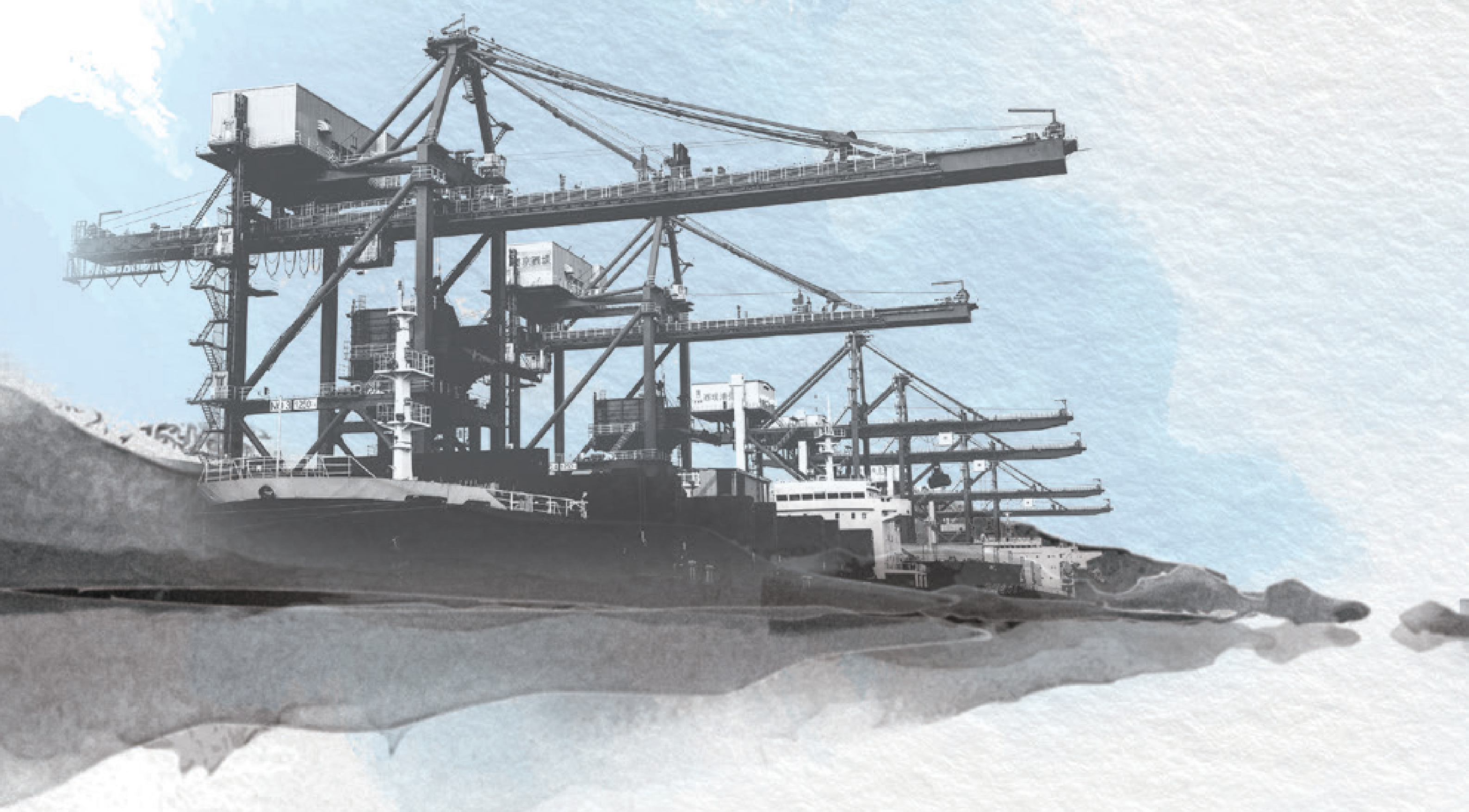
Attributable to the satisfactory sales performance of the Meilin Checkpoint Project and the aforementioned one-off gains, profit attributable to shareholders of the Group for the Year increased by 19% to HK$5,021 million as compared to the corresponding period of the previous year.

DIVIDEND

The board of directors of the Company (the "Board") is committed to maintaining a stable dividend policy and brings sustained returns to the shareholders of the Company. Having considered the composition of the profit and cash flows of the Group, the Board recommended a final dividend of HK$0.53 per share for the Year. The Board also proposed the payment of a special dividend of HK$0.64 per share to the shareholders for its one-off gains for the Year. The total dividend per share is HK$1.17 (2018: final dividend of HK$0.36; special dividend of HK$0.70), representing an increase of 10%, as compared to the previous year. Total dividend amounted to HK$2,529 million (2018: HK$2,247 million), representing an increase of 13%, as compared to the previous year. The Board is committed to maintaining a stable dividend policy of the Company and shares most of its one-off gains with the shareholders.

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

02 LOGISTICS BUSINESS



Revenue	HK$7,845 million
Profit before Finance Costs and Tax	HK$3,275 million
Net Profit	HK$1,622 million

OVERVIEW

The Group focuses on the investment and construction of logistics infrastructure in major cities across the country and strives for the extension and expansion of its logistics business so as to expand the network and scale of operation of the Group and maintain its long-term sustainable development. As at the end of December 2019, the Group managed and operated a total of 19* logistics projects, owning a total of approximately 7.28 million square meters of planned land, among which land with a site area of approximately 4.87 million square meters was acquired and land with an area of approximately 2.01 million square meters was in operation.

Nanjing Xiba Port, the Group's port business, comprises one general bulk cargo terminal with a tonnage capacity of 50,000 tonnes, four general bulk cargo terminals each with a tonnage capacity of 70,000 tonnes and depots with a site area of 0.40 million square meters (only includes the depots of the first phase of Nanjing Xiba Port as the depots of the second phase has been transferred in November 2019). The port provides various services such as unloading and loading, lightering, train loading and automobile loading.

* *Excluding a joint venture, the SZ Airport Express Center.*

ANALYSIS OF OPERATING PERFORMANCE

Logistics Park Business

I. Integrated Logistics Hubs Business

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

The business model of the integrated logistics hubs is based on city and inter-city distribution centers that are equipped with the functions of warehousing, distribution and transfer, raw and fresh food cold chain centers, e-commerce, trade exhibition and logistic information center. It also provides commercial and financial value-added services. It builds a logistic information platform based on logistics infrastructure, providing a high-efficiency and multi-functional one-stop service platform to customers and business partners, as well as high-quality and efficient services for a lot of e-commerce, express delivery logistics companies, producers and manufacturers.

The Group is committed to expanding the network and infrastructure for its logistics business, enhancing its logistics assets and enlarging the scale of its operation through constructions and acquisitions, and increasing its share in the logistics market. In 2019, the Group entered into investment agreements for integrated logistics hub projects including Wuxi Jiangyin, Jiangsu Nantong and Guangdong Zhanjiang, and completed the acquisitions of the Tianjin Zhonglong, Zhongshan Torch and Shanghai Qingpu projects. In particular, the acquisition of the Zhongshan Torch project represented a breakthrough in "Integrated Logistics Hubs" business layout in the Guangdong-Hong Kong-Macao Greater Bay Area. By the end of December 2019, the Group operated integrated logistics hubs in a total of 26 key logistics gateway cities across the country (excluding Shenzhen) and had entered into investment agreements with relevant government departments in respect of a total planned site area of approximately 6.63 million square meters. In the future, the Group will continue to optimize its presence in the national logistics network and to expand and strengthen the Group's presence in key regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta and Beijing-Tianjin-Hebei area.

In 2019, the second phase of the Guizhou Project, the Chongqing Project and Phase 1B and 2 of the Wuxi Project were successively completed and put into operation, together with the Tianjin Zhonglong, Zhongshan Torch and Shanghai Qingpu projects, which resulted in an increase of operating area of over 400,000 square meters as compared with the previous year. As at the end of December 2019, the Group had a total of 16 integrated logistics hub projects in operation with a total operating area of approximately 1.44 million square meters. The overall occupancy rate of the integrated logistics hubs as at the end of December 2019 was approximately 85%, demonstrating a satisfactory occupancy rate.

In 2019, the Group made good progress in land acquisition and successively obtained land use rights for the second phase of the Hangzhou Project, the Qingbaijiang Project in Chengdu, the first phase of the Caidian Project in Wuhan, Phase 1B and 2 of the Changsha Project as well as the Nantong Project in Jiangsu. Together with the newly acquired Tianjin Zhonglong, Zhongshan Torch and Shanghai Qingpu projects, the total area of newly obtained land parcels amounted to approximately 1.018 million square meters during the Year. As at the end of December 2019, the Group obtained land with a total site area of approximately 4.21 million square meters.

Construction of the Xi'an Project, the Qingbaijiang Project in Chengdu, the Caidian Project in Wuhan, the Phase 2 of the Hangzhou Project and the Nantong Project in Jiangsu has begun as planned. Several projects are expected to be completed and put into operation in 2020 and 2021. While continuing with its efforts in acquiring new projects, the Group has also accelerated its projects under construction or at the planning stage in a steady pace to ensure compliance with work schedules. It is also actively preparing for marketing of these projects.

II. Shenzhen Logistics Park Business

As at the end of December 2019, the Group managed and operated a total of 3 logistics projects in Shenzhen. Coupled with the newly-added Liguang Project, the construction of which has officially commenced in December 2019, logistics projects of the Group in Shenzhen had a total land area of approximately 650,000 square meters and an operating area of approximately 570,000 square meters. The overall occupancy rate of the projects in operation in Shenzhen was approximately 84%.

South China Logistics Park has actively explored the potential of its existing resources to increase its revenue and profits, with properties leased out at a significantly higher rent. The operation of other transformation and upgrade projects, such as "No. 8 Warehouse Outlets", have become mature and generated stable income to the park. Furthermore, the Group has been actively developing the supply chain for wine, diligently exploring the possibility of entering into the cross-border e-commerce export business, and continuously expanding its value-added logistics business with satisfactory performance.

The Group has been actively driving the planning and construction of the second phase of South China Logistics Park. With a site area of 77,000 square meters, the second phase of the park will be developed and constructed in two stages, and the construction of the first stage is in progress and topping-out of the main structure was completed in December 2019. Capitalizing on the role of Shenzhen to the country and in order to seize the significant opportunities arising in the industry, the second phase of South China Logistics Park will be developed into a comprehensive cluster zone for modern logistics and supply-chain service industries and will serve as a major global procurement and supply chain management platform, corporate headquarters as well as e-commerce and logistics financing platform.

Shenzhen International Kanghuai E-commerce Center is the Group's first asset-light project operated by way of leasing with an operating area of approximately 138,000 square meters. It was officially put into operation in January 2018. At present, business services provided in the park include warehouse services, large data center, office buildings, dormitories, restaurants and supermarket, etc. The park has implemented smooth interactive sharing and smart interchange of data across the park by establishing a smart park information management system in 2019. It has also achieved satisfactory operating results and successfully attracted a number of branded logistics enterprises. The overall occupancy rate of this project reached 90% at the end of December 2019.

At the end of 2018, the Group successfully acquired the land use right of the Liguang Project with a site area of approximately 45,000 square meters located in Longhua New District, Shenzhen. Construction officially commenced in December 2019. Upon completion of this project, the Group will further consolidate its share in the logistics market in Shenzhen. The Liguang Project is expected to be a high-standard, multi-level and eco-intelligent logistics park providing comprehensive services including transfer distribution, storage and ancillary services focusing on the cold chain, supermarket and e-commerce sectors with inter-city distribution as its core, thereby building a model project for the Group.

In 2019, the Group was engaged in a new park management project whereby it will provide park management services for the smart commercial and trading park in the Chenglingji District of Yueyang City in Hunan Province（湖南岳陽城陵磯智慧商貿園區項目）. The project has a gross floor area of 250,000 square meters. The first phase of the project will comprise storage facilities and the second phase will offer commercial auxiliary facilities. Upon completion, the project will become the first integrated smart commercial and trading logistics park featuring commercial, trading, storage and e-commerce showroom functions in Yueyang City. It will expedite local economic development and industrial planning and facilitate the development of the logistics industry in Yueyang City as well as the whole Hunan Province.

Details of the Group's major logistics projects as at 31 December 2019 are as follows:

	Project name	Location	*Site area/ planned site area (approximate square meters)*	*Acquired Site Area (approximate square meters)*	*Area in operation (approximate square meters)*	*Commencement Date/expected commencement date of operation of the first phase of the project**
Shenzhen Logistics Parks	South China Logistics Park	Shenzhen Longhua Logistics Park	611,000	611,000	322,000	2003
	Western Logistics Park#	Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone	N/A	N/A	111,000	2003
	Shenzhen International Kanghuai E-commerce Center (operated through leasing)	Pingan Road, Guanlan Street, Longhua District, Shenzhen	N/A	N/A	138,000	Jan 2018
	Liguang Project	Liguang Village, Guanlan Street, Longhua District, Shenzhen	45,000	45,000	–	2022
	Sub-total		656,000	656,000	571,000	
Integrated Logistics Hubs	Guizhou Integrated Logistics Hub	Guizhou Shuanglong Modern Service Industrial Cluster	348,000	350,000	150,000	May 2018
	Chongqing Integrated Logistics Hub	Shuangfu New District, Jiangjin District, Chongqing	157,000	104,000	58,000	Jan 2020
	Kunming Integrated Logistics Hub	Qidian Street, Yangzonghai Scenic Area, Kunming	172,000	172,000	–	Jun 2020
	Chengdu Qingbaijiang Integrated Logistics Hub	International Railway Logistics Port, Qingbaijiang District, Chengdu	129,000	125,000	–	Dec 2020
	Chengdu Xinjin Integrated Logistics Hub	Xinjin Logistics Park, Tianfu New District, Sichuan	173,000	–	–	Dec 2021
	Wuhan Dongxihu Integrated Logistics Hub	Dongxihu District, Wuhan	133,000	126,000	67,000	Oct 2016
	Wuhan Caidian Integrated Logistics Hub	Changfu Logistics Park, Caidian District, Wuhan	267,000	129,000	–	Dec 2020
	Nanchang Integrated Logistics Hub	Nanchang Economic and Technological Development Zone	267,000	156,000	91,000	Jun 2017
	Changsha Integrated Logistics Hub	Changsha Jinxia Economic Development Zone	347,000	298,000	85,000	Oct 2018
	Hangzhou Integrated Logistics Hub	Hangzhou Dajiangdong Industrial Cluster, Hangzhou	427,000	427,000	147,000	Nov 2017
	Ningbo Integrated Logistics Hub	Ningnan Trade and Logistics Zone, Ningbo	194,000	92,000	60,000	Oct 2018
	Yiwu Integrated Logistics Hub	Yunxi Village under the jurisdiction of Choucheng Street, Yiwu	440,000	417,000	–	Jul 2020
	Wuxi Integrated Logistics Hub	Huishan District, Wuxi	347,000	246,000	124,000	Oct 2017
	Jiangyin Integrated Logistics Hub	Jiangyin Lingang Economic Development Zone, Wuxi	133,000	–	–	Dec 2021
	Kunshan Integrated Logistics Hub	Lujiazhen, Kunshan, Jiangsu	117,000	117,000	85,000	Jun 2016
	Hefei Integrated Logistics Hub	Anhui Hefei Commercial and Logistics Development Zone, Feidong County, Hefei	138,000	135,000	98,600	Oct 2016
	Jurong Integrated Logistics Hub	New City District, Northern Jurong, Jiangsu	400,000	131,000	–	Aug 2020
	Xuzhou Integrated Logistics Hub	Xuzhou High-Tech Industrial Development Zone	140,000	133,000	–	Dec 2021
	Nantong Integrated Logistics Hub	Haimen Industrial Park, Jiangsu	152,000	152,000	–	Dec 2020
	Shanghai Qingpu Integrated Logistics Hub	Huazhi Road, Huaxin Town, Qingpu District, Shanghai	23,000	23,000	30,500	Sep 2019
	Shenyang Integrated Logistics Hub	Shenyang International Logistics Park, Yuhong District, Shenyang	700,000	241,000	256,000	Apr 2016
	Shijiazhuang Integrated Logistics Hub	Zhengding County, Shijiazhuang	467,000	335,000	64,000	Jul 2017
	Xi'an Integrated Logistics Hub	Xi'an National Civil Aerospace Industrial Base	120,000	120,000	–	Jun 2020
	Jinan Zhangqiu Integrated Logistics Hub	Ningjiabu Street, Zhangqiu District, Jinan	180,000	–	–	Dec 2020
	Tianjin Zhonglong Project	Xinhuan East Road, West Wing of Tianjin Economic Development Zone	60,000	60,000	32,000	Jan 2019
	Zhengzhou Integrated Logistics Hub	Zhengzhou International Logistics Park, Zhengzhou Economic Development Zone	267,000	–	–	Dec 2021
	Shandong Booming Total Logistics Park	Yantai Economic and Technological Development Area	70,000	70,000	37,000**	2008
	Zhanjiang Integrated Logistics Hub	Mazhang District, Zhanjiang	200,000	–	–	Dec 2021
	Zhongshan Torch Integrated Logistics Hub	Shiyong Road, Zhongshan, Guangdong	57,000	57,000	58,000	Sep 2019
	Sub-total		6,625,000	4,216,000	1,443,100	
	Total		7,281,000	4,872,000	2,014,100	

Note:

* *The expected dates of operation are estimations and are subject to update according to the progress of construction.*
** *Including approximately 10,000 square meters operated through leasing.*
\# *The land originally owned by Western Logistics Park has been transferred to the Qianhai Authority pursuant to the terms of the land preparation and consolidation agreement for the Qianhai Project*

Logistics Service Business

The Group affirms its core strategies of developing integrated logistics hubs and advocating development that embraces both asset light and asset heavy models in the course of the "13th Five-Year" Strategic Plan. Therefore, building on its network of integrated logistics hubs, the Group effectively strengthened its competitiveness in the logistics industry by increasing its efforts in the development of value-added logistics service and a logistics ecosystem.

Through investment in quality asset light projects and innovation in business model, the Group vigorously carried out development that embraces both asset light and asset heavy business models and actively explored value-added logistics services, which included partnering with DHL to provide intelligent warehouse construction and operation services for Huawei, setting up a joint venture with Evergrande Agri-Husbandry Group Co., Ltd（大農牧集團有限公司）to provide the latter with comprehensive supply chain management services, providing Shenzhen Globalegrow E-commerce Co., Ltd（深圳市環球易購電子商務有限公司）with comprehensive global logistics services, establishing drop and pull connection services for the Yantai-Dalian shipping line, developing a paperless shipping project across the ports of Shenzhen, and expanding seaport business in Nansha of Guangzhou and Tianjin.

In order to promote development that embraces both asset light and asset heavy models and extend its logistics chain, the Group continued to lay out its logistics financial business and explore logistics financial service models such as small loans and finance lease, and developed financial services such as "Pengyibao（鵬易寶）" and finance lease for forklifts, which achieved excellent synergy with the Group's core logistics business.

Port and Related Services Business

In 2019, Nanjing Xiba Port continued to optimize its customer mix, stepped up its marketing efforts to further strengthen its relationships with quality customers, explored new potential development strategies for its customer services and optimized its production layout, thereby the loading and unloading volumes at the port terminal remained stable. Furthermore, the Group proactively implemented the expansion and revamp of the Phase 1 project of Nanjing Xiba Port, the digitalization and automation of port operations and the establishment of a "Green Smart Port". A total of 748 seagoing vessels berthed at Nanjing Xiba Port with a total throughput of 43.18 million tonnes in 2019.

By continuing to participate actively in the integration of port supply chain resources through its port platform, the Group maintained satisfactory operation in value-added services including supply chain management and financial services in 2019, thereby sustaining the stable performance and optimizing the capacity of the port business.

Nanjing Xianxin Road Cross-river Channel Development Plan（南京市仙新路過江通道）is a key municipal construction plan of Nanjing City, under which the construction is to be undertaken in the area of the depots of the Phase 2 project of Nanjing Xiba Port. To co-operate with the local government of Nanjing City in the implementation of the infrastructure development plan and after negotiation, the Group entered into an expropriation and compensation agreement with the Jiangbei Committee on 9 August 2019. Pursuant to the agreement, Jiangbei Committee will expropriate certain properties of Phase 2 project of Nanjing Xiba Port for a total compensation amount of RMB1,500 million. The Group has completed the stage one transfer of the properties in accordance with the agreement and received cash compensation of RMB450 million. The scope of the expropriation is limited to Phase 2 project of Nanjing Xiba Port, and does not concern Phase 1 project of Nanjing Xiba Port. The Group will negotiate with the local government to accelerate the proposal to leaseback Phase 2 project of the port to maintain stability of the port business during the transition, and also pursue acquisition and investment opportunities for new ports in the middle and lower stream of the Yangtze River.

In December 2019, the Group entered into an investment cooperation framework agreement with the Management Committee of the Jingjiang Economic and Technological Development Zone（靖江經濟技術開發區管委會）to jointly implement the Jingjiang Port Project, which upon its completion will provide collection and distribution and freight transfer functions in place of the current Phase 2 project of Nanjing Xiba Port. Furthermore, the preliminary works for the "Shenzhen International Fengcheng Rail-water Intermodal Transport Logistics Base" project（深國際•豐城水鐵聯運物流基地）are under progress. Despite some setbacks in the progress of this project due to the impact on resources alignment among ports in Jiangxi Province, the Group is negotiating the mode of collaboration with the relevant government authorities in order to protect and maximize the interest of the Group.

Logistics Park Transformation and Upgrading Business

The Group has actively seized the opportunities of land function adjustment of logistics parks arising from the urbanization process. The Group vigorously promoted the transformation and upgrading of logistics parks in Shenzhen, thereby maximizing the value of the Group's assets and in turn value for its shareholders.

Qianhai Project

The Group has always maintained amicable coordination and communication with the Qianhai Authority and relevant government authorities for the land consolidation and preparation work of the Qianhai Project. On 29 September 2019, the Group entered into a land consolidation and preparation agreement (the "Land Consolidation and Preparation Agreement") with the Shenzhen UPNRB and Qianhai Authority in respect of the land consolidation and preparation plan of the Group's five land parcels which have an aggregate area of approximately 380,000 square meters in Qianhai (the "Qianhai Project"). This agreement signifies a major breakthrough in the land consolidation and preparation plan of the Group's Qianhai Project. It clarified the value of the Group's land use rights in Qianhai. Pursuant to the agreement, the total compensation for the Group's land in Qianhai was RMB8,373 million (inclusive of the land of the First Phase of the Qianhai Project with an area of 38,800 square meters). The Group will be compensated with land sites under the new land use arrangement in Qianhai by way of land swap in equivalent value adopting 1 January 2015 as the benchmark date for assessing land price.

The Group has already recognized a profit before taxation of RMB2,440 million for the first phase of the Qianhai Project in 2017. Two land use right transfer agreements for the Second Phase of Qianhai Project were entered into by the Group and the Qianhai Authority in December 2019. These two land parcels have a total land area of approximately 41,200 square meters. The Second Phase of Qianhai Project represented the land swap contemplated in the Land Consolidation and Preparation Agreement. The Group obtained the land use rights to the Second Phase of Qianhai Project through land swap in equivalent values, and was not required to pay the total land prices of approximately RMB2,249 million (equivalent to approximately HK$2,512 million) to the Qianhai Authority, thereby contributed a profit before taxation of approximately HK$2,457 million to the Group's 2019 annual results.

The Second Phase of Qianhai Project has a plot ratio-based gross floor area of approximately 110,000 square meters (comprised mainly residential use area of approximately 91,000 square meters). Given the overall planning for Qianhai and the shortage of pure residential projects in Qianhai, it is expected that with such project's construction and sale, it will help enhancing the value of the Group's resources in the Qianhai area.

The Group will continue to negotiate with the Qianhai Authority and relevant government departments on the implementation of the Group's remaining land consolidation and preparation compensation in Qianhai of approximately RMB3,652 million and will follow the overall planning of the Qianhai Authority and strive to obtain the remaining land preparation compensation in Qianhai within 2020 and recognize the corresponding profit. With the gradual development of the land swap resources and the gradual realization of its value in the future, it will help further promote the continuous growth of the Company and its performance.

The first phase of the Qianhai Project has a total gross floor area of approximately 110,000 square meters comprising 51,400 square meters of residential project, 35,000 square meters of office project and 25,000 square meters of commercial project. Project design, application and construction are being carried out in an orderly manner. For the first phase of the Qianhai Project, the residential project which was being jointly developed by the Group and Shum Yip Land Company Limited was launched for pre-sale in October 2019. The pre-sale of this project was overwhelming with an accumulated selling rate of approximately 90% as of December 2019. For the office project which was positioned as the information port for the "Belt and Road Initiative", it was jointly constructed and developed by the Group and China Center for Information Industry Development（中國電子信息產業發展研究院）("CCID") and is included in the 3-Year Action Plan of Shenzhen to Participate in the Construction of the Belt and Road (2019 – 2021)（深圳市參與「一帶一路」建設三年行動方案（2019年－2021年））. Capitalizing on Qianhai's special position and policy advantage in the Guangdong-Hong Kong-Macao Greater Bay Area, the project will make full use of the Group's extensive supply chain management experience and CCID's strong information technology service capacity. It will focus on the development of supply chain services and smart manufacturing services as well as promoting the comprehensive integration of the digital and real economies across the Guangdong-Hong Kong-Macao Greater Bay Area and countries/regions along the Belt and Road. Furthermore, the Group is conducting in-depth study to devise a plan for the commercial project.

Meilin Checkpoint Project

The Meilin Checkpoint Project is located at a site where Huatongyuan Logistics Centre was formerly situated. The Group successfully obtained the land parcel under new land use arrangement, the Group transformed and upgraded it into a comprehensive development project when the historic occasion of implementation of the then urban renewal plan of Meilin Checkpoint by the Shenzhen Municipal Government arised. The project is adjacent to Futian District in downtown Shenzhen, and is a functional development area in the city center and a key development zone of the city. It is situated at an advantageous geographical location with good investment value and appreciation potential. The land parcels of the Meilin Checkpoint Project have been re-designated as a comprehensive development with a total gross floor area of approximately 486,000 square meters comprising residential, commercial, office, business apartment, public and ancillary uses.

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

At present, construction of the Meilin Checkpoint Project is fully underway. Pre-sale of the first phase, namely He Feng Xuan（和風軒）, has commenced at the end of 2018. As at the end of December 2019, all residential units of the first phase have been sold out with total proceeds of RMB4,647 million (equivalent to HK$5,221 million). Inspection and acceptance of the completed properties of the first phase was completed in November 2019. Pre-sale of the second phase, namely He Ya Xuan（和雅軒）, has commenced in October 2019. As of December 2019, sales performance of the second-phase project has been satisfactory with a selling rate of approximately 87% and is expected to generate remarkable revenue and profit to the Group in 2020. The third phase of the project is undergoing relevant application for construction and initial preparation work.

Financial Analysis

During the Year, revenue and profit attributable to shareholders from the logistics business surged 1.8 times and 4.5 times to HK$7,845 million and HK$1,622 million, respectively, as compared to the corresponding period of the previous year. It was mainly driven by the outstanding sales performance of the first phase of the Meilin Checkpoint Project, where inspection of the building construction was completed in the fourth quarter of 2019 and the project has, for the first time, contributed new revenue and profit to the Group in 2019, coupled with the satisfactory growth of the port business and economies of scale became apparent along with the year-by-year increase in the operating area of new integrated logistics hubs.

Revenue of Each Logistics Business Unit

For the year ended 31 December

	2019 HK$'000	*2018 HK$'000*	*Increase*
Logistics Park Business	**832,626**	657,696	27%
Logistics Service Business	**878,422**	801,530	10%
Port and Related Services Business	**1,564,412**	1,318,457	19%
Logistics Park Transformation and Upgrading Business	**4,569,316**	–	N/A
Total	**7,844,776**	2,777,683	182%

Profit Attributable to Shareholders of Each Logistics Business Unit

For the year ended 31 December

	2019 HK$'000	*2018 HK$'000*	*Increase/ (decrease)*
Logistics Park Business*	**165,922**	156,851	6%
Logistics Service Business	**25,529**	39,356	(35%)
Port and Related Services Business	**116,299**	97,174	20%
Logistics Park Transformation and Upgrading Business	**1,314,409**	–	N/A
Total	**1,622,159**	293,381	453%

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

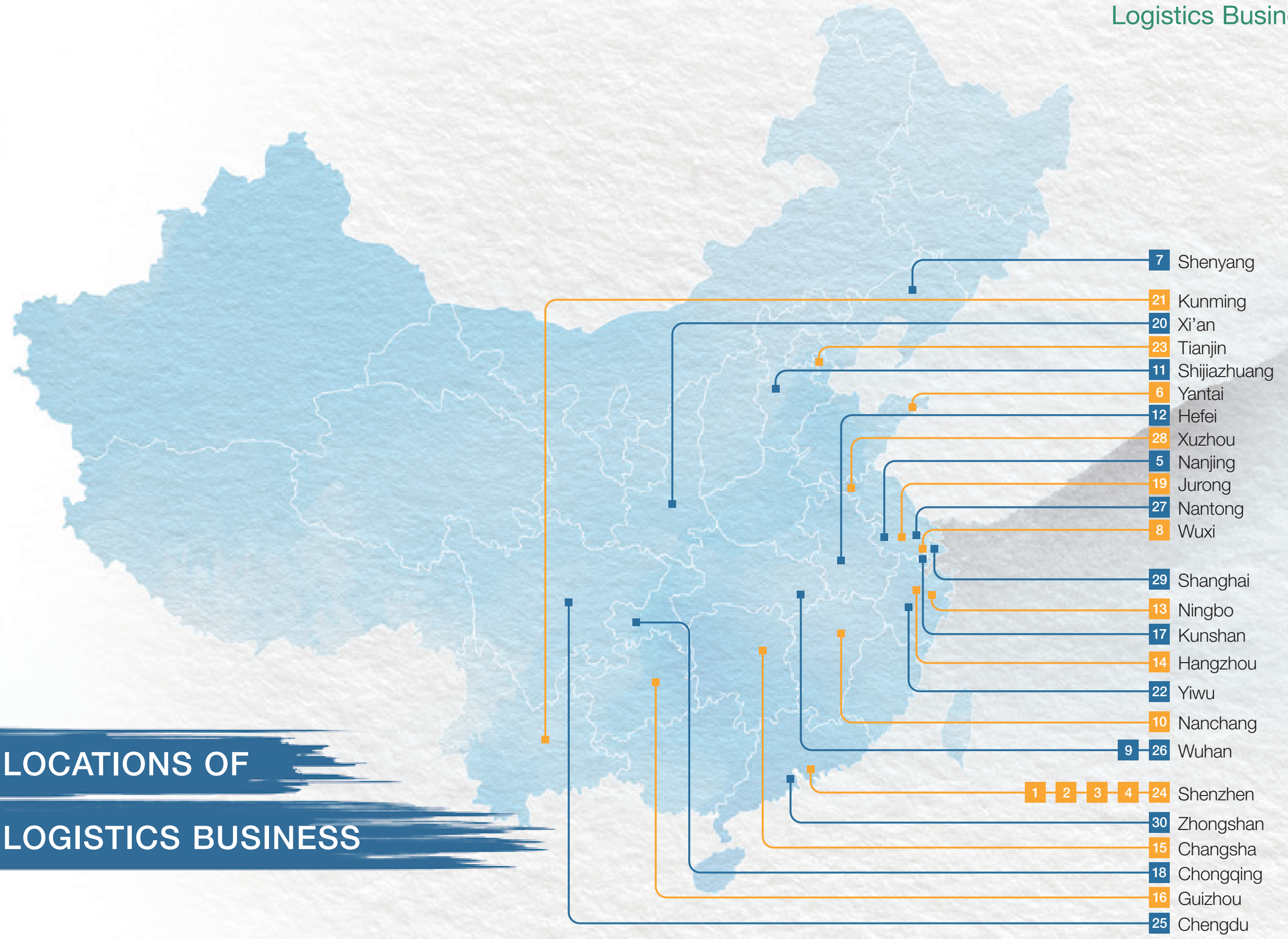
During the Year, revenue and profit attributable to shareholders of the logistics park business increased by 27% and 6% to HK$833 million and HK$166 million, respectively, as compared to the corresponding period of the previous year, which was mainly attributable to new revenue and profit streams contributed by the year-by-year increase in the operating area of integrated logistics hubs and effective marketing. As at the end of December 2019, the total operating area of the integrated logistics hubs has increased by over 0.40 million square meters to approximately 1.44 million square meters as compared with the corresponding period of the previous year. Benefitting from effective marketing, all projects recorded satisfactory operating results. During the Year, the integrated logistics hubs contributed revenue and profit of HK$407 million and HK$43.28 million, respectively, to the Group, representing increases of 100% and 11%, respectively, as compared to the corresponding period of the previous year.

Revenue from the port and related services business increased by 19% to HK$1,564 million during the Year as compared to the corresponding period of the previous year. Profit contribution increased by 20% to HK$116 million as compared to the corresponding period of the previous year. The increases were driven by the growth of the port and supply chain management businesses as well as an increase in services fees.

Revenue of the logistics service business for the Year also increased by 10% to HK$878 million as compared to the corresponding period of the previous year. However, profit attributable to shareholders decreased by 35% to HK$25.53 million as compared to the corresponding period of the previous year due to the fact that new projects were still in their incubation stages.

As for the logistics park transformation and upgrading business, the first phase of the Meilin Checkpoint Project, namely He Feng Xuan（和風軒）, recorded satisfactory sales performance. As of December 2019, all residential units of the first phase were sold out and delivered to buyers on schedule, contributed new revenue and profit contribution of HK$4,569 million and HK$1,314 million, respectively, to the Group during the Year.

LOCATIONS OF LOGISTICS BUSINESS



1. **South China Logistics Park**
Located in Shenzhen Longhua Logistics Park
Land area: 611,000 square meters
Operating area: 322,000 square meters

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

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

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

5. **Nanjing Xiba Port**
Located in Nanjing Chemical Industrial Park
Land area: 400,000 square meters
Operating area: 220,000 square meters

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

7. **Shenzhen International Shenyang Integrated Logistics Hub**
Located in Shenyang International Logistics Park, Yuhong District, Shenyang
Acquired site area: 241,000 square meters
Operating area: 256,000 square meters

8. **Shenzhen International Wuxi Integrated Logistics Hub**
Located in Huishan District, Wuxi
Acquired site area: 246,000 square meters
Operating area: 124,000 square meters

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

10. **Shenzhen International Nanchang Integrated Logistics Hub**
Located in Nanchang Economic and Technological Development Zone
Acquired site area: 156,000 square meters
Operating area: 91,000 square meters

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

12. **Shenzhen International Hefei Integrated Logistics Hub**
Located in Anhui Hefei Commercial and Logistics Development Zone, Feidong County, Hefei
Land area: 135,000 square meters
Operating area: 98,600 square meters

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

14. **Shenzhen International Hangzhou Integrated Logistics Hub**
Located in Hangzhou Dajiangdong Industrial Cluster, Hangzhou
Land area: 427,000 square meters
Operating area: 147,000 square meters

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

16. **Shenzhen International Guizhou Integrated Logistics Hub**
Located in Guizhou Shuanglong Modern Service Industrial Cluster
Land area: 350,000 square meters
Operating area: 150,000 square meters

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

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

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

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

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

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

23. **Tianjin Zhonglong Project**
Located in Xinhuan East Road, West Wing of Tianjin Development Zone
Land area: 60,000 square meters
Operating area: 32,000 square meters

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

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

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

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

28. **Shenzhen International Xuzhou Integrated Logistics Hub**
Located in Xuzhou High-Tech Industrial Development Zone
Acquired site area: 133,000 square meters

29. **Shanghai Qingpu Integrated Logistics Hub**
Located in Huazhi Road, Huaxin Town, Qingpu District, Shanghai
Land area: 23,000 square meters
Operating area: 30,500 square meters

30. **Zhongshan Torch Integrated Logistics Hub**
Located in Shiyong Road, Zhongshan, Guangdong
Land area: 57,000 square meters
Operating area: 58,000 square meters

03 TOLL ROAD BUSINESS

Total Revenue	HK$7,141 million
Profit before Finance Costs and Tax	HK$3,117 million
Net Profit	HK$1,291 million

OVERVIEW

The Group's toll road operations span across the Shenzhen region, other regions in Guangdong Province and other provinces in China. The Group holds or controls a total of 17 expressway projects. As at the date of this report, the total mileage of toll roads by toll the Group invested in or operated amounting to approximately 174 km, 268 km and 187 km in the Shenzhen region, other regions in Guangdong Province and other provinces in China, respectively, of which 65.7 km covering Shenzhen Coastal Phase II and the Shenzhen Outer Ring Project are under construction. The Group operates the toll road business mainly through Shenzhen Expressway Company Limited ("Shenzhen Expressway"), a subsidiary held by the Group as to approximately 52%. Shenzhen Expressway's H shares and A shares are listed on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the Shanghai Stock Exchange, respectively. In addition, the Group directly holds a 89.93% equity interest in Longda Expressway.

ANALYSIS OF OPERATING PERFORMANCE

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

				Average daily traffic volume *(Note 1)*		***Average daily toll revenue***	
Toll roads	***Interest held by the Group***	***Concession period***	***Length by toll (approximate km)***	***2019 (vehicles/ thousands)***	*Increase/ (decrease) compared to the corresponding period of 2018*	***2019 (RMB'000)***	*Increase/ (decrease) compared to the corresponding period of 2018*
Shenzhen Region (Note 2):							
Longda Expressway (Note 3)	89.93%	2005.10 – 2027.10	4.4	**110**	(3.10%)	**431**	0.70%
Meiguan Expressway	100%	1995.05 – 2027.03	5.4	**112**	11.60%	**383**	9.10%
Jihe East	100%	1997.10 – 2027.03	23.7	**305**	5.90%	**2,105**	1.40%
Jihe West	100%	1999.05 – 2027.03	21.8	**228**	2.70%	**1,830**	2.00%
Shenzhen Coastal Project (Note 4)	100%	Phase I: 2013.12 – 2038.12	Phase I: 30.9	**100**	10.30%	**1,459**	14.60%
		Phase II: under construction	Phase II: 5.7				
Shuiguan Expressway	50%	2002.02 – 2027.02	20	**229**	4.70%	**1,786**	2.80%
Shuiguan Extension	40%	2005.10 – 2027.02	6.3	**82**	1.90%	**331**	0.70%
Other regions in Guangdong Province:							
Qinglian Expressway	76.37%	2009.07 – 2034.07	216	**48**	11.50%	**2,293**	10.00%
Yangmao Expressway	25%	2004.11 – 2027.07	79.8	**46**	(9.30%)	**1,524**	(13.90%)
Guangwu Project	30%	2004.12 – 2027.11	37.9	**37**	(6.60%)	**796**	(8.30%)
Jiangzhong Project	25%	2005.11 – 2027.08	39.6	**159**	6.40%	**1,250**	(4.80%)
Guangzhou Western Second Ring	25%	2006.12 – 2030.12	40.2	**86**	15.40%	**1,597**	(3.40%)
Other provinces in China:							
Wuhuang Expressway	100%	1997.09 – 2022.09	70.3	**58**	9.30%	**1,130**	7.10%
Yichang Expressway and its Changde connection line	100%	2004.01 – 2033.12	78.3	**50**	(2.20%)	**1,106**	(1.20%)
Changsha Ring Road	51%	1999.11 – 2029.10	34.7	**44**	22.10%	**428**	8.40%
Nanjing Third Bridge	25%	2005.10 – 2030.10	15.6	**36**	3.90%	**1,393**	3.90%

Notes:

(1) Average daily traffic volume excludes traffic volume which was toll-free during holidays.

(2) According to the agreements entered into between the Group and the relevant government department of the Shenzhen Municipal Government on 30 November 2015 in relation to the toll adjustment and compensation arrangements for the toll adjustments of the Four Expressways became toll-free starting from 00:00 on 7 February 2016. The Group calculated and recognized the revenue of the Four Expressways in accordance with the mechanism set out in the agreements. According to the relevant provisions of the agreements, the Shenzhen Municipal Government notified the Group in the fourth quarter of 2018 of its decision, that the fee entitlement rights of the Four Expressways will be returned to the Shenzhen Municipal Government, and the remaining cash compensation will be paid to the Group as agreed. Accordingly, the Four Expressways had been implemented toll-free from 00:00 on 1 January 2019 by the Shenzhen Municipal Government and the Group no longer has any fee entitlement rights of the Four Expressways.

(3) The disclosure for Longda Expressway in the above table is the operating performance of the remaining 4.4km toll section.

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

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

- The opening of the Dongguan section of Congguan Expressway (Conghua to Dongguan) at the beginning of 2019 boosted the traffic volume and therefore the toll revenue of Meiguan Expressway.

- Being an important gateway for diverting port traffic from Shenzhen's western port area, the Shenzhen Coastal Project is increasingly well known among drivers. In addition, a truck toll adjustment agreement was signed with the Shenzhen Municipal Government in 2018 to reduce the standard toll of all types of trucks passing through the Shenzhen Coastal Project by half between 1 March 2018 and 31 December 2020. As such, the number of trucks using the Shenzhen Coastal Project is gradually increasing, thereby stimulating steady growth in the operating performance of the project as demonstrated by the strong year-on-year increase in both traffic volume and toll revenue for the Year.

  During the Year, about 40% of the construction of Shenzhen Coastal Project Phase II has been completed. In particular, the Shenzhen World Exhibition & Convention Center interchange has been opened to traffic since early November 2019 to link up the exhibition and convention center. The toll station of the coastal expressway at the Shenzhen World Exhibition & Convention Center interchange has also commenced operation and become a major transportation hub that facilitates modern logistics, business, trade, exhibitions and conventions as well as regional economic co-operation and the development of nearby urban areas. In addition, the airport interchange and the connection line on the Shenzhen side of the Shenzhen-Zhongshan Bridge of Shenzhen Coastal Project Phase II are also under construction. As such, the future operating performance of Shenzhen Coastal Project will be enhanced by the continuous improvement in the surrounding road network.

- Xuguang Expressway, an expressway between Xuchang in Henan and Guangzhou in Guangdong, comprises Guangqing, Qinglian, Yuelin, Suiyue, Lintong and Lannan expressways, was fully connected in September 2018. The significant improvement in connectivity has promoted the operating performance of Qinglian Expressway. Furthermore, the road traffic control on Qingyuan Bridge and the opening of Longhuai Section (Longchuan to Huaiji) of Shankun Expressway (Shantou to Kunming) at the end of 2018 have both boosted the operating performance of Qinglian Expressway. As such, the traffic volume and toll revenue of Qinglian Expressway for the Year recorded satisfactory year-on-year improvement.

- Yangmao Expressway suffered year-on-year decrease in both traffic volume and toll revenue for the Year due to a number of negative factors such as the opening of various nearby roads, the renovation and expansion work of several sections of Yangmao Expressway itself and the enforcement of policies against speeding and overloading.

- Yichang Expressway suffered year-on-year decrease in both traffic volume and toll revenue for the Year due to a number of negative factors such as the continuous diversion by nearby newly-opened Ma'an Expressway (Majitang to Anhua) and Dehan Avenue (Changde Municipal Road), road traffic control and the enforcement of policies against speeding and overloading.

FINANCIAL ANALYSIS

The loss of fee entitlement rights and thus toll revenue of the Four Expressways since 00:00 on 1 January 2019 impacted on the growth in revenue of the toll road business to a certain extent. The Group's total revenue from the toll road business for the Year was HK$7,141 million (2018: HK$7,569 million), representing a decrease of 6% as compared to the corresponding period of the previous year. Profit before finance costs and tax was HK$3,117 million (2018: HK$4,460 million), representing a decrease of 30% as compared to the corresponding period of the previous year, and was mainly due to the decrease in toll revenue and the provision for the impairment of the intangible asset, namely the concession right of Shuiguan Expressway, of HK$620 million.

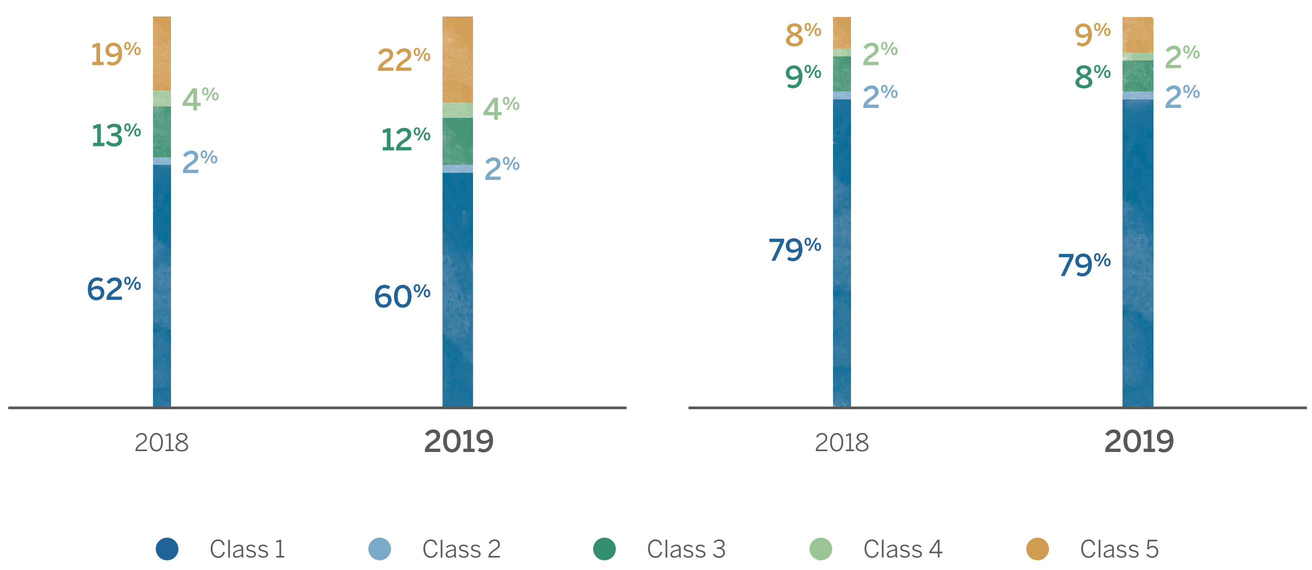
During the Year, Coastal Company recognized deferred income tax asset of HK$481 million in respect of tax losses and impairment provision for toll road assets carried forward from prior years, coupled with a significant year-on-year decrease in finance costs of 53%, so profit attributable to shareholders only dipped slightly by 3% to HK$1,291 million (2018: HK$1,325 million) as compared to the corresponding period of the previous year.

Longda Expressway

The Group no longer has the fee entitlement right of the 23.8-km toll-free section of Longda Expressway since 00:00 on 1 January 2019. The toll revenue generated from the remaining 4.4-km toll section for the Year was HK$172 million (equivalent to RMB153 million) (2018: HK$179 million (equivalent to RMB152 million)). By excluding the impact of exchange rate fluctuation, toll revenue for the Year maintained at a similar level to that of the corresponding period of the previous year. Profit before finance costs and tax and earnings before interest, tax, depreciation and amortization for the Year were HK$124 million and HK$139 million, respectively.

Toll Revenue Distribution of the 4.4 km toll section
(For the year ended 31 December)

Traffc Volume Distribution of the 4.4 km toll section
(For the year ended 31 December)



Shenzhen Expressway Company Limited ("Shenzhen Expressway") and its expressway projects

During the Year, as a result of the return of fee entitlement rights of Nanguang Expressway, Yanpai Expressway and Yanba Expressway to the Shenzhen Municipal Government, decision of which was notified in the fourth quarter of 2018, toll revenue of Shenzhen Expressway amounted to HK$5,134 million (2018: HK$5,969 million), representing a decrease of 14% as compared to the corresponding period of the previous year. However, the consolidation of Nanjing Wind Power Company and Baotou Nanfeng Company during the Year has brought in new revenue to Shenzhen Expressway. Therefore, total revenue of Shenzhen Expressway for the Year was HK$6,930 million (2018: HK$6,826 million), representing an increase of 2% as compared to the corresponding period of the previous year. Attributable to, among other factors, the decreases in finance costs and tax expenses, net profit of Shenzhen Expressway for the Year was HK$2,466 million (2018: HK$2,158 million), representing an increase of 14% as compared to the corresponding period of the previous year. Accordingly, the Group's share of profit from Shenzhen Expressway increased by 18% to HK$1,220 million (2018: HK$1,037 million) as compared to the corresponding period of the previous year.

DEVELOPMENT OF THE ENVIRONMENTAL PROTECTION BUSINESS OF SHENZHEN EXPRESSWAY

While strengthening the core toll road business, Shenzhen Expressway was steadily promoting its environmental protection business in recent years and profit contributed by the environmental protection business has been rising gradually. In particular, Chongqing Derun Environment Company Limited ("Derun Company", in which Shenzhen Expressway owns a 20% equity interest) recorded a satisfactory contribution of investment income of RMB193 million (2018: RMB162 million) during the Year, representing an increase of 19% as compared to the corresponding period of the previous year.

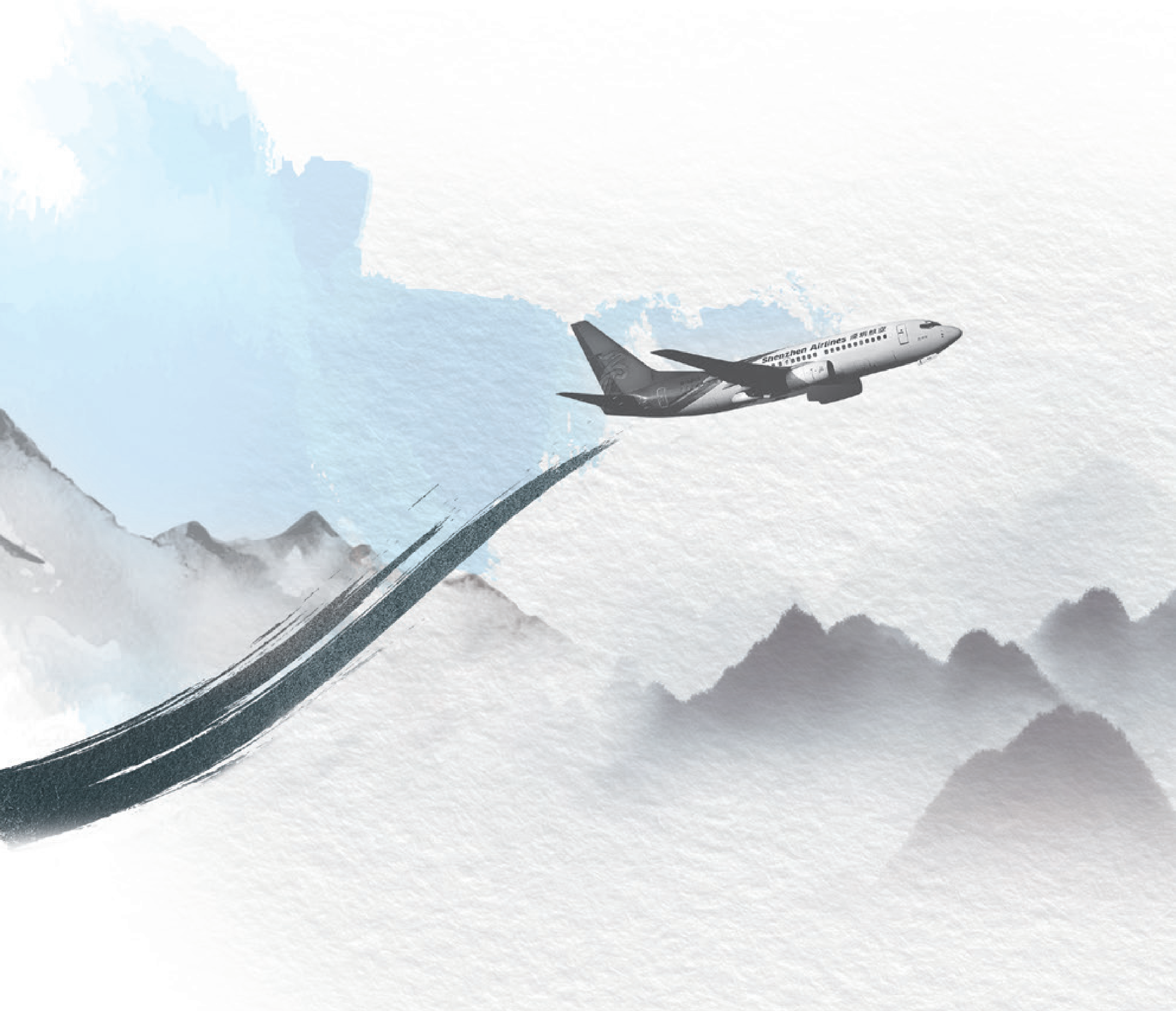
During the Year, Derun Company continued to focus on consolidating markets in Chongqing and its surrounding regions, and actively carried out its projects such as the environmental treatment, management and maintenance project for the landfill in Changshengqiao, Chongqing, and the water environment treatment project for Wuhou District, Chengdu.

Shenzhen Water Planning & Design Institute Company Limited, in which Shenzhen Expressway owns a 15% equity interest, secured 5 new sewage treatment facility projects in the Guangdong-Hong Kong-Macao Greater Bay Area and nearby provinces and cities with a year-on-year increase of 50% in new contract amount during the Year. The number of purchase orders was satisfactory and market share has been on the rise. Furthermore, the construction of the Nanmen River Comprehensive Treatment Project in Shenzhen-Shanwei Special Cooperation Zone, which is invested, constructed and managed by Shenzhen Expressway, is currently in progress. About 72% of the construction work has been completed.

During the Year, Shenzhen Expressway acquired 51% equity interest in Nanjing Wind Power Technology Co., Ltd. ("Nanjing Wind Power Company") by way of share transfer and capital injection. These transactions were completed during the Year. As a result, Nanjing Wind Power Company has been consolidated into Shenzhen Expressway's financial statements since early April 2019. With the technological capacity to conduct research, develop and produce large-scale wind power generating units by its own and the experience and capacity to develop, construct, operate and manage wind farms, Nanjing Wind Power Company is operating in a promising market. In spite of the tight supply capacity caused by its limited production scale, Nanjing Wind Power Company enjoys unprecedented market opportunities brought by the national policy regarding wind power generation and market supply and demand. To grasp such historic opportunity, Shenzhen Expressway will take advantage of its strengths and resources, and strive to achieve the target results it set at the acquisition of Nanjing Wind Power Company. During the Year, Nanjing Wind Power Company achieved all of its operating targets and was successfully listed by various large-scale wind power generation companies as their suppliers for it's well recognized comprehensive strengths such as technology research and development ability and production capacity among domestic wind power companies.

In addition, Shenzhen Expressway acquired a 67% equity interest in Baotou Nanfeng Wind Power Technology Co., Ltd. ("Baotou Nanfeng Company") by way of share transfer in mid-September 2019. The transaction was completed and Baotou Nanfeng Company has been consolidated into Shenzhen Expressway's financial statements since September 2019. Baotou Nanfeng Company is principally engaged in the investment, operation and management of five wind power generation farms in Inner Mongolia Autonomous Region of China. Baotou Nanfeng Company has rich wind power resources and forms an industry chain with its subsidiary, Nanjing Wind Power Company. The acquisition of Baotou Nanfeng Company will create synergies with Nanjing Wind Power Company and will help Shenzhen Expressway to rapidly expand into the wind power industry and lay the foundation for further growth by providing it with the advantage of having a comprehensive industry chain spanning from wind power generation, production of wind power generation equipment to the construction, investment and operation of wind farms.

In October 2019, a consortium led by Shenzhen Expressway won the bid for Shenzhen Guangming Environmental Park PPP (Public-Private Partnership) Project (the "Guangming Project"). The Guangming Project will include the construction of a new large-scale treatment plant with a processing capacity of 1,000 tons/day of kitchen waste, large pieces waste (waste furniture) and garden waste under a BOT (Build-Operate-Transfer) contract. As at the date of this report, preparation work for the Guangming Project is in steady and orderly progress. Shenzhen Expressway will hold a controlling shareholding of 65% in equity interest in the project company to be formed.



04 OTHER INVESTMENTS

SHENZHEN AIRLINES

During the Year, the passenger transport volume of Shenzhen Airlines continued to grow to approximately 32.51 million passenger rides (2018: 30.67 million passenger rides) with passenger traffic of approximately 50,700 million passenger-km (2018: 48,026 million passenger-km), representing an increase of 6% and 5.6%, respectively, as compared to the corresponding period of the previous year. Total revenue for the Year increased by 3% to RMB31,955 million (equivalent to HK$35,900 million) (2018: RMB31,119 million (equivalent to HK$36,662 million)) as compared to the corresponding period of the previous year. In particular, passenger revenue increased by 5% to approximately RMB27,329 million (2018: RMB25,996 million).

Attributable to a drop in the prices of aviation fuel, the cost of aviation fuel of Shenzhen Airlines decreased as compared to the corresponding period of the previous year. Furthermore, Shenzhen Airlines further optimized the currency profile of its debts to minimize the impact of the fluctuation in exchange rates by closely monitoring the trend of foreign exchange rates during the Year. Therefore, exchange loss for the Year decreased by 67% to RMB264 million (2018: exchange loss of RMB795 million) as compared to the corresponding period of the previous year. Benefitting from the above factors, net profit of Shenzhen Airlines for the Year increased by 30% to RMB1,194 million (equivalent to HK$1,341 million) (2018: RMB919 million (equivalent to approximately HK$1,082 million)) as compared to the corresponding period of the previous year. During the Year, Shenzhen Airlines contributed an economic profit of HK$593 million (2018: HK$469 million) to the Group, representing an increase of 26% as compared to the corresponding period of the previous year.

As at 31 December 2019, Shenzhen Airlines has 218 aircraft in its fleet (2018: 214). It currently operates 291 domestic and international routes comprising 260 domestic routes, 22 international routes and 9 routes serving the Hong Kong, Macau and Taiwan regions.

In 2020, notwithstanding a more challenging business environment, Shenzhen Airlines will continue to improve its operating standard, optimize the network from its hub, strengthen its brand-building effort and foster sustainable high-quality growth.

CSG HOLDING CO., LTD. (“CSG”)

According to the Group’s business development, cash requirement and internal resource coordination as well as the capital market conditions, the Group has been decreasing its shareholding in CSG as and when appropriate in order to maximize the benefits of the Company and its shareholders.

During the Year, the Group did not dispose of any A shares of CSG (2018: nil). As at the date of this report, the Group holds a total of approximately 39.17 million A shares of CSG, representing approximately 1.26% of the total issued share capital of CSG.

The A shares of CSG held by the Group are classified as financial assets measured at fair value through profit or loss. As the share price of the A shares of CSG as at the end of December 2019 was higher than that as at the end of December 2018, a profit after tax of approximately HK$45.64 million was recorded for the Year.

HUMAN RESOURCES

Human Resource Principles

Being people-oriented and knowing the importance of talents, the Group's human resources management strategy has always been a core component of the Group's overall planning. It aims to establish a scientific and reasonable human resources management platform to provide its employees with a fair and harmonious work environment which will in turn secure the sustainable talent supply to the Group to support its business development.

Employees and Policies on Remuneration and Benefits

As at 31 December 2019, the Group had a total of 6,918 (2018: 6,958) employees. During the Year, staff benefit expenses (including directors' remuneration) were approximately HK$1,408 million (2018: approximately HK$1,182 million).

Being one of the state-owned enterprises subject to the "Double-Hundred Action" reform promulgated by the State-owned Assets Supervision and Administration Commission of the State Council, the Group has revolutionized the employment, compensation and benefits policies for its employees. A comprehensive remuneration management system, a long-term incentive and discipline programme, and a performance management system are in place and constantly optimized. Employees' salaries are commensurate with their positions, competence and performance and determined with reference to the prevailing market conditions. The Group has finished benchmarking its remuneration scheme against market standard and the value of individual positions by studying market conditions, job leveling and enhancing its remuneration structure in order to motivate the staff to strive for business success. Staff performance is assessed on a regular basis and the outcome of which will be closely reflected in remuneration and promotion. Besides, to accommodate the Group's long-term development, the Group has established a long-term incentive and discipline programme under which the granting of options to the management, senior management of subsidiaries and key staff members of the Group and the exercise of such options under the Company's share option scheme are linked to strict performance conditions so as to match incentive income with the growth of the Company's operating results. The Group has been enhancing its existing long-term incentive programme. Through in-depth research on relevant policies and regulations, with consideration of the Group's actual conditions, the "Comprehensive Incentive Implementation Program" was announced to establish standards which reflects salary, performance and industry norms, to complement the long-term incentive and discipline programmes implemented by the subsidiaries, to motivate the management and employees to work harder, and to implement the 13th Five-Year Plan of the Group in an effective manner. Other benefits include the mandatory provident fund, medical insurance and education allowance.

Employee Development and Training Programmes

The Group puts strong emphasis on attracting and nurturing talents, constantly improves its talents recruitment and selection process, and broaden its recruitment channels. In 2019, the Group continually recruited management personnel and professionals in logistics and environmental protection related sectors through market-oriented recruitment and campus recruitment to continuously enrich its management and professional teams and optimize its staff mix according to its development strategy and business needs. With the aim of motivating the operating and management teams of its subsidiaries to achieve business success, the Group is rolling out a market-oriented staff selection and employment system across its subsidiaries and refining its performance-based, market-oriented and standardized management system in order to achieve flexible staff promotion, demotion, recruitment, dismissal and remuneration arrangements. The Group also places a strong emphasis on the training and development of internal staff by carrying on with the second round of internal secondment at all levels, providing training to talents with strong capacities in business and management, and nurturing young talents for the Company in the future. The Group has improved the management talent selection and training programmes so that talents are selected from employees who deliver outstanding performance and show potential to work in key positions of the Group.

The Group also emphasizes on staff training by continuing to make its training system more comprehensive and systematic. At the beginning of each year, the Group formulates an annual training programme which include specific training for middle and senior management and frontline staff as well as training on regulations and other topics. Following the collaboration with the graduate school of Tsinghua University in 2018 to organize the Elite Programme for specific training, the Group continued to invite a major tertiary education institute in the country, namely Sun Yat-sen University, to provide systemic and specific training on its reserved talents for the Year. At the same time, external lecturers were invited to give specific training during the Year. In addition, staff are strongly encouraged to participate in professional training courses organized by external institutions to enhance their professional knowledge and skills, and to maintain good physical and mental health.

Safety and Health

The Group has been striving to provide a safe, efficient and comfortable work environment for employees. In 2019, the Group continued to organize a number of safety education training programmes and provided work safety guideline to employees on the identification and prevention of safety harzards in the work place. The Group also provides various types of physical examinations related to occupational health and provides education materials to employees to ensure that their working environment is healthy and safe.

FINANCIAL POSITION

	31 December 2019 HK$ million	31 December 2018 HK$ million	Increase/ (Decrease)
Total Assets	**91,409**	84,365	8%
Total Liabilities	**44,068**	40,005	10%
Total Equity	**47,341**	44,360	7%
Net Asset Value attributable to shareholders	**30,285**	27,998	8%
Net Asset Value per share attributable to shareholders (HK dollar)	**14.0**	13.2	6%
Cash	**14,780**	16,627	(11%)
Bank borrowings	**14,182**	14,848	(4%)
Other borrowings	**737**	–	N/A
Notes and bonds	**11,574**	11,764	(2%)
Total Borrowings	**26,493**	26,612	–
Net Borrowings	**11,713**	9,985	17%
Debt-asset Ratio (Total Liabilities/Total Assets)	**48%**	47%	1#
Ratio of Total Borrowings to Total Assets	**29%**	32%	(3)#
Ratio of Net Borrowings to Total Equity	**25%**	23%	2#
Ratio of Total Borrowings to Total Equity	**56%**	60%	(4)#

Change in percentage points

Key Financial Indicators

As at 31 December 2019, the Group's total assets and total equity amounted to approximately HK$91,409 million and HK$47,341 million, respectively, while the net asset value attributable to shareholders was approximately HK$30,285 million. Net asset per share was HK$14.0, representing an increase of 6% as compared to the end of last year. The debt-asset ratio was 48%, representing an increase of 1 percentage point as compared to the end of last year. The ratio of total borrowings to total equity was 56%, representing a decrease of 4 percentage points as compared to the end of last year. The financial position of the Group remained healthy and stable.

Cash Flow and Financial Ratios

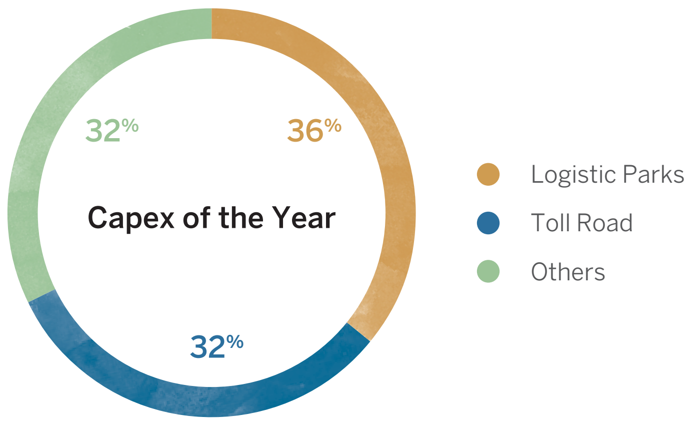
During the Year, the Group's cash flow generated from operations remained stable. Net cash inflow generated from operating activities amounted to approximately HK$7,344 million. Net cash used in investing activities amounted to approximately HK$2,710 million. Net cash used in financing activities amounted to approximately HK$6,378 million. The Group's core businesses continued to contribute stable cash inflows while the Group closely monitors changes in total borrowings with a view to maintaining its financial ratios at a healthy level.

Cash Balance

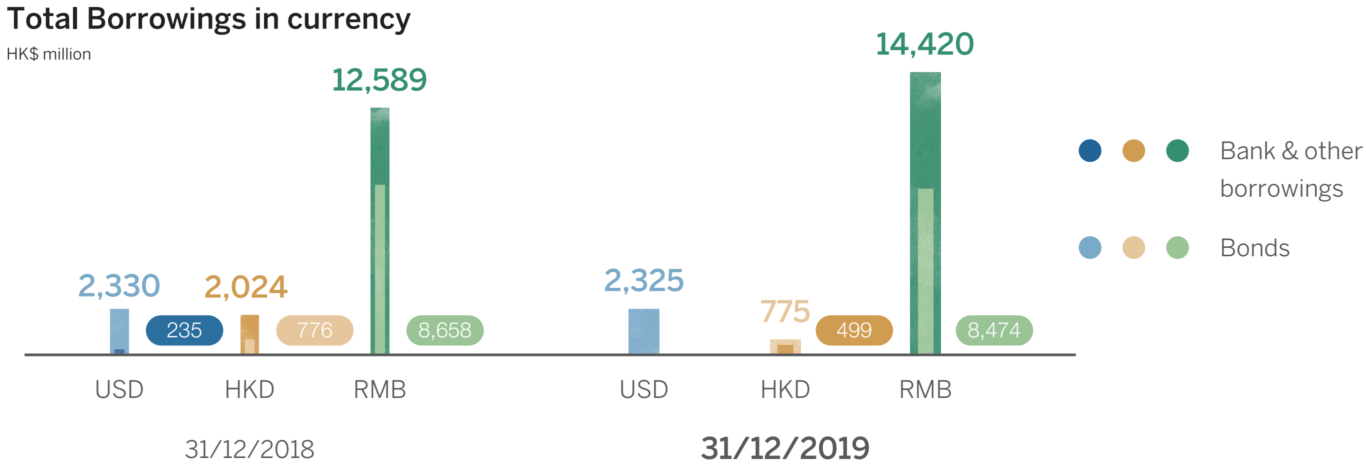
As at 31 December 2019, cash held by the Group amounted to approximately HK$14,780 million (31 December 2018: HK$16,627 million), representing a decrease of 11% as compared to the end of last year, mainly due to the payment of consideration for the acquisition of Nanjing Wind Power Company and repayment of loans during the Year. To facilitate the Group's operation and development in the PRC, cash held by the Group is primarily denominated in RMB. In accordance to a prudent treasury policy, the Group will strengthen its fund management with the aim of achieving higher return on its cash portfolio which would provide strong support for the development of its business.

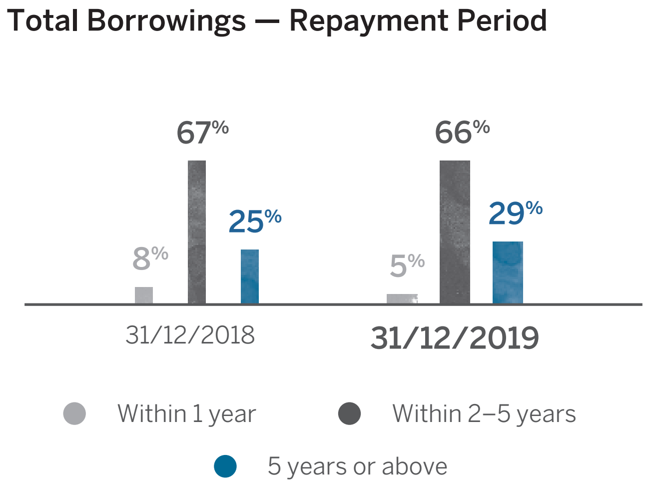
Capital Expenditures

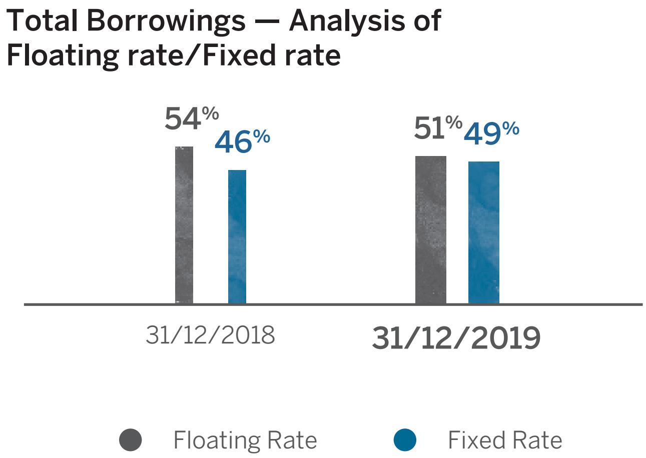
The Group's capital expenditures for the Year amounted to approximately RMB5,740 million (HK$6,410 million), primarily included investments in the construction of "Integrated Logistics Hub" projects of approximately RMB2,060 million, the payment for the Outer Ring Expressway Project of approximately RMB1,350 million, in aggregate as well as United Land Company's projects and Qianhai Project of approximately RMB1,610 million. The Group expects the capital expenditures for 2020 to be approximately RMB8,300 million (HK$9,300 million), including approximately RMB2,500 million for the "Integrated Logistics Hub" projects, RMB3,400 million for Shenzhen Expressway's projects, RMB350 million for the Liguang Project and RMB1,600 million for United Land Company's projects and Qianhai Project.



Borrowings







As at 31 December 2019, the Group's total borrowings amounted to approximately HK$26,493 million, similar to the end of last year. 5%, 66% and 29% 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 focuses on securing abundant cash reserve and diversified financing channels, and making appropriate financing decisions with balanced borrowing levels and costs. To mitigate the impact of future changes in the capital market, it capitalizes on both onshore and offshore financing platforms in order to optimize its borrowing structure and maintain reasonable cash and borrowing levels.

The Group's Financial Policy

Interest Rate Risk Management

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

Exchange Rate Risk

The cash flows, cash on hand and assets of the businesses operated by the Group are mainly denominated in RMB, whereas loans are mainly denominated in RMB, HK$ and US$. In 2019, the foreign exchange market continued to fluctuate due to the China-US trade conflicts and Brexit. The management of the Group has been closely monitoring the trend and movement of RMB exchange rates. During the Year, the Group generated an exchange loss of approximately HK$35.96 million. As RMB is expected to continue two-way fluctuations, the Group will adjust the currency structure of its borrowings and utilize hedging instruments when appropriate to manage exchange rate risk and reduce the impact of fluctuation in the exchange rates of RMB. As at 31 December 2019, the ratio between the Group's borrowings in RMB and other currencies was around 86%: 14%.

Liquidity Risk Management

The Group maintains adequate funds and credit facilities to prepare itself for the macro-economic and geopolitical uncertainties. The Group currently has cash on hand and standby banking facilities of approximately HK$71,400 million. The Group regularly monitors its cash flow forecasts on a rolling basis to ensure that it is capable of operating as a going concern while expanding its business, and to mitigate liquidity risk.

Credit Ratings

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

Pledge of Assets, Guarantees and Contingencies

For details of the Group's pledge of assets, guarantees and contingencies as at 31 December 2019, please refer to notes 10, 25 and 39, respectively, of the consolidated financial statements.

OUTLOOK FOR 2020

Looking forward to 2020, due to the impact of the novel coronavirus epidemic and the internal and external economic environment, the Group will encounter an even more challenging business environment. But with each challenge comes opportunity. The Group's management is confident that the impact of the epidemic on the domestic economy will be transient and temporary. In fact, the epidemic in China is already under effective control. On the one hand, once the epidemic comes to an end, consumption, investment and external trade of China will recover and rebound. On the other hand, the epidemic has stimulated innovative retail modes and sped up the development of the online shopping, express delivery, storage and distribution industries. The Group will seize opportunities in this structural growth and speed up the Group's development in these industries.

Capitalizing on the strategic opportunities arising from the development of, among other things, the Belt and Road Initiatives, the Guangdong-Hong Kong-Macao Greater Bay Area, the Shenzhen demonstration pilot zone and the Yangtze River Economic Belt, the Group will continue to penetrate logistic infrastructure and related industries, expand the layout of its integrated logistics hub network across the country, particularly in economically affluent regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and the Pan-Bohai Rim, continue to acquire sustainable and high-quality assets for its long-term development, and further expand the scale of its assets in order to achieve economies of scale in 2020. The Group will continue to strengthen the business promotion, operation and management of its logistics hub projects in operation, strictly control its operating costs, introduce more value-added services, enhance the productivity of its storage area, and improve its profitability.

The Group will actively study a closed-loop business model for integrated logistics hubs, which comprises investment, construction, management and divestment, in order to achieve sustainable growth on a rolling basis. It will also foster the integration and collective development of integrated logistics hubs, supply chain service platforms and financial business, and combine asset-light and asset-heavy models.

The Group will continue to consolidate its leadership position in the logistics park market in Shenzhen, speed up the investment in and merger and acquisition of quality port projects, and step up its search for smart logistics and cold chain businesses, thereby strengthening the core logistics business and expanding the profit stream of this segment.

The Group will enhance its efforts to transform logistics parks by seizing the ample opportunity brought by the new land use arrangements for logistics parks across Shenzhen. On one hand, the Group will speed up the negotiation with the Qianhai Authority and other relevant government authorities to facilitate the signing of the remaining land use right transfer agreements for the Qianhai Project. On the other hand, the development and sales of the Meilin Checkpoint Project and the Qianhai Project will be stepped up with the aim of unleashing their values over the next few years.

In 2020, the progress of expressway projects under construction will be accelerated. In particular, the Group will ensure the punctual completion of the major works of the on-going Shenzhen Outer Ring Project and the second phase of the Shenzhen Coastal Project scheduled for the year. It will also accelerate the preparation for key projects such as the reconstruction and expansion of Jihe Expressway. In addition, it will grasp the opportunities brought by the implementation of the nation-wide non-stop Electronic Toll Collection (ETC) network by enhancing overall operating performance through increasing the overall efficiency and lowering the labor costs and management fees of its toll road network with higher degrees of smart operation and management.

In 2020, the Group will continue to consolidate and boost the toll road business, especially the network development in the Guangdong-Hong Kong-Macao Greater Bay Area, by actively identifying more merger, acquisition and restructuring opportunities and investing in toll road and bridge projects with great potential. As to the development in the environmental protection industry, it will focus on pursuing more suitable investment opportunities in organic waste disposal, hazardous industrial waste treatment, clean energy generation and other segments while building a professional team by attracting external talents and nurturing in-house professionals, fostering research and development of environmental technologies, bolstering its operational capacity and mustering core competitive strengths.

Analysis of and Response to the Impact of Novel Coronavirus Epidemic

The outbreak of the novel coronavirus epidemic in early 2020 has a material adverse effect on the economy of China as well as the whole world. The Group's logistics, toll road, port, airline and environmental protection segments suffer various degrees of impact, and particularly for the policy to waive toll charges. The central government has not yet announced compensation mechanism for such policy. Since the outbreak of the epidemic, the Group has worked towards the greater good of the society by actively shouldering all its social responsibilities as a responsible listed company in spite of the current difficulties.

In respect of the logistics business, the Group took the initiative to waive two-months rent of approximately RMB100 million in aggregate for around 600 tenants of its logistics parks across the country so as to ease the burden of its customers. With respect to the toll road business, the Group stringently followed the national policy to waive all toll charges. Furthermore, the Group donated over RMB10 million to the affected areas in Hubei for its fight against coronavirus in a timely manner. It also spares no effort and makes full use of the facilities and service capacity of its logistics and toll road businesses to ensure the smooth delivery and transportation of disease control materials among local cities, thereby winning the praise from the public and improving its corporate image in the society.

As of the date hereof, the epidemic in China is already under effective control. The society and the economy are getting back on track. For example, the transportation industry of Shenzhen resumed 97% of its capacity on 11 March. The central government is also bolstering the economy and minimizing the impact by combining monetary, financial and other policies in addition to relieve measures implemented by various local governments. The Group is of the opinion that the impact of the epidemic on China is diminishing and the Chinese economy is rapidly recovering. Being a demonstration pilot zone full of vitality, Shenzhen will exhibit stronger and faster economic rebound. In fact, the fundamentals and growth momentum of the Chinese economy remain stable. Nevertheless, this epidemic will escalate the structural change in the Chinese economy and foster new business modes such as e-commerce, new retail, express delivery and online services. As the toll road and logistics park businesses of the Group are under particularly intense pressure during the fight against coronavirus, it is anticipated that the results of the Group for 2020 will be adversely affected. Nevertheless, the future forecast of the Group in the long run remains unchanged. The Group will take effective measures to minimize the impact of the epidemic on its business and achieve its established business targets for 2020 by improving its results and making up lost ground through unleashing potential, cutting costs, expanding capacity, increasing revenue and conducting mergers and acquisitions.

With respect to the toll road and airline businesses, the Group will proactively liaise with relevant government authorities on compensation policies for the disease control measures with the aim of procuring the speedy implementation thereof and minimizing the impact of the epidemic. In respect of the logistics and storage businesses, the Group will actively prepare itself for faster business development, better identification of potential revenue streams, stronger cost cutting and efficiency improvement measures and tighter control over expenses with the aim of combining organic growth and merger and acquisition, thereby achieving sustainable business growth after the epidemic. In addition, it will increase its efforts in terms of merger and acquisition by searching for target companies with excellent performance while fostering the cold chain and smart storage businesses as the new engines of its business growth. As for the logistics park transformation and upgrading business, the Group will speed up the disposal of its inventory in an orderly way and seize new transformation and upgrading opportunities and lay the business foundation for its development in the coming years. All in all, the Group will continue to identify quality sustainable assets to generate speedy returns for its investors while paving the way for its future growth.

The Group will continue to assess the impact of the epidemic on its operations and financial performance and provide updates on any material development to the shareholders and potential investors in a timely manner.

MEMBERS OF THE BOARD

Executive Directors

Mr. Gao Lei
Chairman, Member of the Remuneration and Appraisal Committee

Mr. Gao Lei, aged 60, was appointed in September 2012 as the Chairman of the board of directors and an executive director of the Company. He is also a member of the Remuneration and Appraisal Committee of the Company. Mr. Gao is responsible for devising the Group's overall development strategy and important systems, as well as supervising the implementation of resolutions of the general meetings and the board. Mr. Gao holds a master degree in money and banking from Xi'an Jiaotong University and is a senior economist. Mr. Gao had worked at the Shenzhen Branch of Bank of China, the Finance Office of Shenzhen Municipal People's Government and the General Office of Shenzhen Municipal People's Government. He had successively worked as the branch manager of Guangzhou Branch of Shenzhen Development Bank, the chief economist of Shenzhen Investment Holding Corporation as well as the chief economist and deputy director of State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal. During the period from 2001 to 2012, Mr. Gao also worked concurrently as a director of Guosen Securities Co., Ltd., Guotai Junan Securities Co., Ltd. and the chairman of Shenzhen Tagen Group Co., Ltd. Mr. Gao was a director of Ultrarich International Limited. Mr. Gao has extensive experience in finance, investment, corporate management and administration.

Mr. Li Hai Tao
Chief Executive Officer

Mr. Li Hai Tao, aged 53, was appointed in June 2016 as an executive director and the Chief Executive Officer of the Company. Mr. Li is responsible for the overall daily operations of the Group and the implementation of the Group's development strategies and the resolutions of the general meetings and the board. Mr. Li studied at Peking University HSBC Business School and previously held positions in Government departments in relation to administration for industry and commerce, personnel and labor as well as public works. Mr. Li was a director of Ultrarich International Limited. Mr. Li has comprehensive and in-depth understanding of Chinese social governance and practices in governmental operations after having served government departments at township, county, district and municipal levels and undertaken leadership positions with various specialised authorities over a span of more than 30 years. Mr. Li has hands-on knowledge in economic management, land development, construction works, industrial and commercial administration, foreign trade and personnel management, as well as extensive exposures to various social sectors and experiences in economic management.

Mr. Zhong Shan Qun

Member of the Nomination Committee

Mr. Zhong Shan Qun, aged 55, is a senior engineer. He was appointed in January 2015 as an Executive Director of the Company. He is also a member of the Nomination Committee of the Company. Mr. Zhong joined Xin Tong Chan Development (Shenzhen) Co., Ltd. (新通產實業開發(深圳)有限公司, formerly Shenzhen Freeway Development Company Limited (深圳市高速公路開發有限公司) which became a subsidiary of the Group in October 2001) in January 1994. From June 2007 and until his appointment as an executive director of the Company, Mr. Zhong was the Vice President of the Company. Mr. Zhong is currently a director of certain subsidiaries of the Company. Mr. Zhong was a director and the chairman of the supervisory committee of Shenzhen Expressway Company Limited. Mr. Zhong holds a bachelor's degree in highway engineering and a bachelor's degree in communications and transportation management from Changsha Communications University, a master's degree in management science and engineering from Hunan University and also an executive master of business administration (EMBA) from Cheung Kong Graduate School of Business. Mr. Zhong has extensive experience in construction project management, logistic management and corporate management.

Mr. Liu Jun

Mr. Liu Jun, aged 56, was appointed as an Executive Director of the Company in May 2004. He was a vice president of the Company from April 2000 to May 2017. Mr. Liu graduated from Nanjing University of Science and Technology with a bachelor's degree in computer software and a master's degree in management system engineering. Mr. Liu was a director of CSG Holding Co., Ltd., Shenzhen Expressway Company Limited, Shenzhen Airlines Company Limited and Ultrarich International Limited. Mr. Liu has over 30 years of experience in corporate development, financial management and foreign enterprise investment and management.

Mr. Hu Wei

Mr. Hu Wei, aged 57, was appointed in May 2017 as an Executive Director of the Company. He was a vice president of the Company from August 2011 to May 2017. Mr. Hu graduated from Changsha Railway University (now known as Central South University) with a bachelor's degree in foreign languages (English). He also obtained a master's degree in risk management from University of South Australia and a master's degree in business administration from Xiamen University and is a senior economist. Mr. Hu is currently an executive director and the chairman of the board of directors of Shenzhen Expressway Company Limited (a subsidiary of the Company) and a director of certain subsidiaries of the Company. Mr. Hu worked in a number of organisations including Changsha Railway University, Henan Provincial Commission for Foreign Economic Relations and Trade, Henan Hongkong (Holdings) Limited (the window corporate of Henan Province in Hong Kong) and China Everbright Bank. Mr. Hu has extensive experience in corporate management including investment, financing, capital operations, auditing and risk management.

Non-Executive Directors

Mr. Xie Chu Dao

Mr. Xie Chu Dao, aged 49, was appointed in May 2017 as a Non-Executive Director of the Company. He graduated from Jinan University in Guangzhou majoring in Accounting. He is an accountant and certified tax advisor. He has substantial experience in financial accounting, taxation and corporate management. Mr. Xie was a director of Gansu Languang Science and Technology Co., Ltd. (甘肅蘭光科技股份有限公司) (now known as Yinyi Real Estate Co., Ltd. (銀億房地產股份有限公司)). Mr. Xie has successively served as a manager, deputy general manager in finance department and group senior vice president of Horoy Holdings Limited since September 1999. Mr. Xie has concurrently served as a deputy general manager of Horoy Enterprise Holdings Limited and Horoy International Holdings Limited since 2006. Mr. Xie has extensive experience in financial management.

Mr. Liu Xiao Dong

Mr. Liu Xiao Dong, aged 48, was appointed in August 2017 as a Non-Executive Director of the Company. Mr. Liu graduated from Wuhan University with a bachelor degree in economics, majoring in international finance. He holds a degree of Executive Master of Business Administration from Sir John Cass Business School, The City University London (now known as City, University of London) and is an economist and certified internal auditor. Mr. Liu had worked with Bank of China (Shenzhen Branch) as deputy director of audit department, deputy general manager of personal banking department and deputy general manager of private banking department. Mr. Liu had also worked with Bank of China Insurance Company Limited as general manager of its Shenzhen Branch and its Hangzhou audit centre. Mr. Liu is currently a director of Shenzhen Investment Holdings Company Limited (the controlling shareholder of the Company) and a director of Shenzhen Gas Corporation Ltd. Mr. Liu has extensive experience in financial industry as well as risk management and internal audit.

Independent Non-Executive Directors

Mr. Ding Xun
Chairman of the Nomination Committee and Remuneration and Appraisal Committee, Member of the Audit Committee

Mr. Ding Xun, aged 60, was appointed in October 2001 as an Independent Non-Executive Director of the Company. He is also the Chairman of the Remuneration and Appraisal Committee and Nomination Committee, and a member of the Audit Committee of the Company. Mr. Ding graduated from Maritime Transportation University of Shanghai. He had worked in the Ministry of Communications of the PRC and Guangdong Enterprises (Holdings) Limited. He was also a director of Guangdong Investment Limited, the vice-chairman of Guangdong Brewery Holdings Limited and an independent non-executive director of Dragonite International Limited (formerly known as Ruyan Group (Holdings) Limited). Mr. Ding has extensive experience in corporate development and management.

Mr. Nip Yun Wing
Chairman of the Audit Committee and Member of the Nomination Committee

Mr. Nip Yun Wing, aged 65, was appointed in August 2004 as an Independent Non-Executive Director of the Company. He was appointed on 22 August 2018 as the Chairman of the Audit Committee and a member of the Nomination Committee of the Company. Mr. Nip is currently an independent non-executive director of K. Wah International Holdings Limited. He is also a member of its audit committee since 1 March 2020. He was appointed on 17 August 2009 as an executive director and the chief financial officer of China Overseas Land & Investment Limited and retired on 3 April 2018. Both companies are listed on The Stock Exchange of Hong Kong Limited. He is a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Nip graduated from the Department of Accountancy of The Hong Kong Polytechnic (now renamed as The Hong Kong Polytechnic University) and holds a Master of Business Administration degree from The Chinese University of Hong Kong. He has extensive experience in corporate finance, investment and management and had served as an executive director for several listed companies in Hong Kong.

Dr. Yim Fung, *JP*
Member of Remuneration and Appraisal Committee

Dr. Yim Fung, JP, aged 56, was a non-executive director of the Company from May 2014 and has been re-designated as an independent non-executive director of the Company since 17 May 2017. He is also a member of the Remuneration and Appraisal Committee of the Company. Dr. Yim holds a doctorate in Economics from the Graduate School of the Chinese Academy of Social Sciences（中國社會科學院研究生院）and a bachelor degree in Environmental Engineering from the Tsinghua University（清華大學）, and is a senior economist. Dr. Yim is currently the chairman and an executive director and the chief executive officer of Guotai Junan International Holdings Limited and a director of Vietnam Investment Securities Company. He was an independent non-executive director of Beijing Urban Construction Design & Development Group Co., Limited. Dr. Yim has over 28 years of experience in the securities industry.

Professor Cheng Tai Chiu, Edwin
Member of Audit Committee

Professor Cheng Tai Chiu, Edwin, aged 62, was appointed in August 2018 as an Independent Non-Executive Director of the Company. He is also a member of the Audit Committee of the Company. He obtained his Doctor of Philosophy degree and Doctor of Science degree from the University of Cambridge and is Dean of the Faculty of Business, Fung Yiu King – Wing Hang Bank Professor in Business Administration, and Chair Professor of Management of The Hong Kong Polytechnic University. Professor Cheng has previously taught in Canada, England and Singapore. Professor Cheng's main areas of research and teaching include supply chain management, e-commerce, management information systems and operations management.

SENIOR MANAGEMENT

Mr. Ji Zhi Long
Chief Compliance Officer

Mr. Ji Zhi Long, aged 57, joined the Group in December 2017 and he currently serves as Chief Compliance Officer of the Company. Mr. Ji graduated from South China Agricultural College (now known as South China Agricultural University) with a bachelor's degree. He is a senior political advisor, deputy editor, senior corporate culture consultant and senior corporate EAP consultant. Mr. Ji had successively undertaken key leadership positions of Shiyan, Dapeng and Pinghu, Shenzhen, a chief editor of Haitian Publishing House, Shenzhen, an executive director and deputy general manager of Shenzhen Bus Group Co., Ltd. Mr. Ji is well versed in both government operation and corporate management.

Mr. Zhao Jun Rong
Vice President

Mr. Zhao Jun Rong, aged 55, joined the Group as legal consultant, assistant to the Chief Executive Officer and manager of the Strategic Development Department in October 2001 and was appointed as a Vice President of the Company in June 2007. Mr. Zhao graduated from Xiamen University with a master's degree in international economic law and was a lawyer. Mr. Zhao worked successively at China Ping An Insurance Co. and Shenzhen Investment Holding Corporation. Mr. Zhao has extensive experience in corporate management and the legal profession. Mr. Zhao was a non-executive director of Shenzhen Expressway Company Limited.

Ms. Lin Na
Vice President

Ms. Lin Na, aged 53, was appointed as a Vice President of the Company in February 2017. Ms. Lin graduated from College of Economics Jinan University majoring in International Economics and is a senior economist. Prior to joining the Company, Ms. Lin had successively worked as the vice general manager and general manager of various business units of the headquarter and president of Offshore Banking Department for Ping An Bank Co., Ltd. (formerly Shenzhen Development Bank Co., Ltd.). Ms. Lin is currently the vice chairman of Shenzhen Airlines Company Limited. Ms. Lin has extensive experience in the finance industry and corporate management.

Mr. Ge Fei
Vice President

Mr. Ge Fei, aged 51, was appointed as a Vice President of the Company in May 2017. He graduated from Beijing Jiaotong University with a bachelor's degree in the Department of Civil Engineering. Mr. Ge joined the fifth engineering bureau of the Ministry of Railways in August 1990. He joined Xing Tong Chan Development (Shenzhen) Co., Ltd.（新通產實業開發（深圳）有限公司，formerly Shenzhen Freeway Development Company Limited（深圳市高速公路開發有限公司）which became a subsidiary of the Group in October 2001) in January 1994. He joined Shenzhen Expressway Company Limited in October 1998 and had worked successively as deputy general manager and general manager of various expressway projects. He was the executive director of Shenzhen Guangshen Coastal Expressway Investment Company Limited（深圳市廣深沿江高速公路投資有限公司）and a vice president of Shenzhen Expressway Company Limited. He was the chairman of Shenzhen International Logistics Development Co., Ltd., a subsidiary of the Company. Mr. Ge has extensive experience in construction project management, land development, logistic management, corporate management and investment.

Mr. Yi Ai Guo
Vice President

Mr. Yi Ai Guo, aged 56, was appointed as a Vice President of the Company in May 2017. He graduated from Southwest Jiaotong University with a postgraduate and a master's degree in railway transportation management. After graduation, Mr. Yi worked in Guangzhou Railway (Group) Corporation for 11 years and joined Shenzhen Expressway Company Limited in October 1998. He had worked as the general manager of Operations Management Department and was a supervisor of Shenzhen Expressway Company Limited. Mr. Yi had successively worked as a director, the general manager and the chairman of Nanjing Xiba Wharf Co. Ltd., a subsidiary of the Company. Mr. Yi has extensive experience in logistic management, construction project management and integrated corporate management of various modes of transportation including railways, highways and water transport.

Dr. Dai Jing Ming
Financial Controller

Dr. Dai Jing Ming, aged 55, joined the Group as Financial Controller in August 2017. Dr. Dai graduated from the Faculty of Agricultural Mechanical Engineering of China Huazhong Agricultural University with a bachelor of engineering degree in 1986 and from The Zhongnan University of Economics and Law with a master degree in economics in 1992. He also obtained his Ph.D. degree in economics from The China Ministry of Finance Institute of Fiscal Science in 1998. He is currently an accountant. Prior to joining the Group, he held a position as a general manager of planning and finance department of Shenzhen Investment Limited and Shum Yip Group Ltd. Prior to this, he worked in Hubei Province Agricultural Engineering Head Limited and Wuhan City Branch of the Agricultural Bank of China. Dr. Dai has extensive knowledge and experience in corporate finance, investment and financing management.

The board of directors of the Company (the "Board") herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2019 (the "Year").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in logistics and toll road business. The Group carries out the investment, construction and operation of logistics infrastructure projects including integrated logistics hubs and toll roads through expansion, mergers and acquisitions, restructuring and consolidation, and provides high-end and value-added logistic services to customers based on these infrastructures. Meanwhile, the Group expands its business to various business segments including comprehensive development of lands related to logistics industry, and investment in and operation of environmental protection business. Particulars of the principal activities of the Company's principal subsidiaries are set out in note 44 to the consolidated financial statements.

Particulars of a discussion and analysis on the matters specified in Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the Group's business, a discussion on the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business are set out in this report with the rest setting out in the sections headed "CHAIRMAN'S STATEMENT", "MANAGEMENT DISCUSSION AND ANALYSIS" and "CORPORATE GOVERNANCE REPORT" in this annual report. The above sections form an integral part of this directors' report.

RESULTS OF THE GROUP

The Group's results for the year ended 31 December 2019 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 82 to 188.

DIVIDEND POLICY

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

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

DIVIDENDS

The Board recommended a final dividend of HK$0.53 per share for the Year and a special dividend of HK$0.64 per share. The total dividend for the Year is HK$1.17 per share (2018: final dividend of HK$0.36 per share; special dividend: HK$0.70), which amounted to approximately HK$2,529 million (2018: HK$2,247 million) in aggregate.

The Board recommended that the final dividend and special dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend and special dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to: (1) the approval of the proposed final dividend and special dividend at the forthcoming annual general meeting; and (2) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the scrip shares to be issued. Details of the Scrip Dividend Scheme and the election form will be sent to shareholders of the Company on or about 25 May 2020. It is expected that the dividend warrants and certificates for scrip shares allotted under the Scrip Dividend Scheme will be dispatched to shareholders on or about 19 June 2020.

SUMMARY FINANCIAL INFORMATION

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

SHARES AND SHARE OPTIONS

Details of the movements in the issued shares and share options of the Company during the Year, together with the reasons thereof, are set out in note 22 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's reserves available for distribution to shareholders, comprising contributed surplus, retained earnings and other distributable reserves, amounted to approximately HK$4,497,871,000 (2018: HK$2,623,564,000). The share premium of the Company may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

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

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

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

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

DIRECTORS

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

Executive Directors:

Mr. Gao Lei *(Chairman)*
Mr. Li Hai Tao
Mr. Zhong Shan Qun
Mr. Liu Jun
Mr. Hu Wei

Non-Executive Directors:

Mr. Xie Chu Dao
Mr. Liu Xiao Dong

Independent Non-Executive Directors:

Mr. Ding Xun
Mr. Nip Yun Wing
Dr. Yim Fung
Professor Cheng Tai Chiu, Edwin

In accordance with Bye-Law 109(A) of the Bye-Laws, Mr. Li Hai Tao, Mr. Hu Wei, Mr. Liu Xiao Dong and Mr. Nip Yun Wing will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election as Directors. Meanwhile, Mr. Xie Chu Dao will retire at the conclusion of the forthcoming annual general meeting.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

None of the Directors or their respective connected entity (as defined in section 486 of the Hong Kong Companies Ordinance (Cap 622 of the Laws of Hong Kong)) had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries, the holding company of the Company or any of its subsidiaries was a party subsisting during or at the end of the Year.

DIRECTORS' INTERESTS IN SECURITIES

The interests in securities of the Directors are separately disclosed in the section headed "DISCLOSURE OF INTERESTS " on pages 74 to 75 of this annual report. In addition, the interests of the Directors in the share options of the Company are disclosed in the section headed "SHARE OPTION SCHEME" below.

Save as disclosed in the sub-section headed "DIRECTORS' INTERESTS IN SECURITIES" under the section headed "DISCLOSURE OF INTERESTS" on pages 74 to 75 of this annual report and the section headed "SHARE OPTION SCHEME" as set out below, at no time during the year ended 31 December 2019 was the Company, any of its subsidiaries, the holding company of the Company or any of its subsidiaries a party to any arrangement to enable the Directors, chief executives, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company had operated a share option scheme (the "Expired Scheme") for 10 years from 30 April 2004 to 29 April 2014. Upon the expiration of the Expired Scheme, the Company approved and adopted a new share option scheme (the "New Scheme") for 10 years with effect from 16 May 2014 at the annual general meeting held on 16 May 2014.

Both the Expired Scheme and the New Scheme aimed to reward, encourage and motivate the eligible participants who made contributions to the Group. Eligible participant s of such schemes who are determined by the Board include (a) any full-time employee of the Group, (b) any director (including executive, non-executive or independent non-executive directors) of the Group, associates and joint ventures of the Group or (c) any substantial shareholder of the Company.

The following table lists the details of the outstanding share options which were granted under the Expired Scheme and the New Scheme and their movements during the Year (Note 1):

				Number of unlisted share options (Physically settled equity derivatives)						*Share Price of the Company* (Note 7)	
Name and category of participants	***Date of grant of share options***	***Exercise period of share options***	***Exercise price of share options*** (Note 6)	***As at 1 January 2019***	***Granted during the Year***	***Adjusted during the Year*** (Note 6)	***Exercised during the Year***	***Cancelled/ lapsed during the Year***	***As at 31 December 2019***	***As at the date of grant of share option***	***As at the date of exercise of share options***
			HK$							*HK$*	*HK$*
Directors											
Mr. Gao Lei	29 January 2014 (Notes 2, 3)	29 January 2016 to 28 January 2019	8.408	256,371	–	–	–	256,371	–	9.70	N/A
	26 May 2017 (Notes 4, 5)	26 May 2019 to 25 May 2022	11.100	1,347,216	–	97,538	300,000	–	1,144,754	12.56	16.99
Mr. Li Hai Tao	22 June 2016 (Notes 2, 5)	22 June 2016 to 28 January 2019	10.553	11,372	–	–	11,372	–	–	11.66	14.94
	26 May 2017 (Notes 4, 5)	26 May 2019 to 25 May 2022	11.100	1,283,568	–	92,930	450,000	–	926,498	12.56	16.59
Mr. Zhong Shan Qun	29 January 2014 (Notes 2, 3)	29 January 2016 to 28 January 2019	8.408	179,112	–	–	–	179,112	–	9.70	N/A
	26 May 2017 (Notes 4, 5)	26 May 2019 to 25 May 2022	11.100	1,007,760	–	72,962	–	–	1,080,722	12.56	N/A
Mr. Liu Jun	29 January 2014 (Notes 2, 3)	29 January 2016 to 28 January 2019	8.408	173,954	–	–	20,000	153,954	–	9.70	14.58
	26 May 2017 (Notes 4, 5)	26 May 2019 to 25 May 2022	11.100	1,007,760	–	72,962	–	–	1,080,722	12.56	N/A
Mr. Hu Wei	29 January 2014 (Notes 2, 3)	29 January 2016 to 28 January 2019	8.408	278	–	–	–	278	–	9.70	N/A
	26 May 2017 (Notes 4, 5)	26 May 2019 to 25 May 2022	11.100	1,007,760	–	72,962	–	–	1,080,722	12.56	N/A
				6,275,151	–	409,354	781,372	589,715	5,313,418		
Other employees In aggregate	29 January 2014 (Notes 2, 3)	29 January 2016 to 28 January 2019	8.408	3,282,356	–	–	3,037,801	244,555	–	9.70	15.13
	22 June 2016 (Notes 2, 5)	22 June 2016 to 28 January 2019	10.553	1,826,335	–	–	1,767,728	58,607	–	11.66	15.13
	26 May 2017 (Notes 4, 5)	26 May 2019 to 25 May 2022	11.100	30,625,296	–	2,158,902	5,535,208	806,208	26,442,782	12.56	16.23
				35,733,987	–	2,158,902	10,340,737	1,109,370	26,442,782		
				42,009,138	–	2,568,256	11,122,109	1,699,085	31,756,200		

Notes

(1) *As the consolidation of every 10 shares of the Company with a nominal value of HK$0.10 each into 1 consolidated share of the Company with a nominal value of HK$1.00 each (the "Share Consolidation") became effective on 13 February 2014, the information regarding the share options granted under the Expired Scheme (including exercise price, number and share price of the Company) was disclosed on the basis of the information after the Share Consolidation became effective.*

(2) *All these share options granted have been vested on or before 29 January 2018.*

(3) *Granted under the Expired Scheme.*

(4) *40% of these share options granted was vested on 26 May 2019; another 30% will be vested on 26 May 2020; and the remaining 30% will be vested on 26 May 2021. Vesting of the share options is conditional upon the achievement of certain performance targets by the individual grantees and the Group.*

(5) *Granted under the New Scheme.*

(6) *The exercise price of the share options was subject to adjustment in the event of rights or bonus issues or other similar changes in the Company's share capital. In view of the distribution of the final dividend and special dividend for the year ended 2018 in scrip form, the Company made an adjustment to the exercise price and the number of the outstanding share options during the Year. As a result, the exercise price per share for share options granted on 26 May 2017 was adjusted to HK$11.100 from HK$11.904, with effect from 24 June 2019.*

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

The total number of shares of the Company available for issue under the New Scheme mandate limit is 165,905,769 shares which represent approximately 8% of the issued shares of the Company as at the date of this annual report. During the Year, the Company did not grant any option pursuant to the New Scheme.

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

Under both the Expired Scheme and the New Scheme, an offer of a grant of share options may be accepted within 7 days from the respective date of the offer with a cash consideration of HK$1 payable by the grantee to the Company. The period for the exercise of a share option granted under both schemes is determined by the Board, but in any event such period shall not go beyond 5 years from the date of offer.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

The interests in shares of the Company held by substantial shareholders of the Company are separately disclosed in the section headed "DISCLOSURE OF INTERESTS" on pages 74 to 75 of this annual report.

PERMITTED INDEMNITY PROVISIONS

During the Year and up to the date of this annual report, the Company has in force permitted indemnity provisions which are provided for in the Bye-Laws and in the directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against the Directors and the directors of the Group respectively.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

(1) Related party transactions

Details of significant related party transactions of the Group (which do not constitute connected transactions and continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) are set out in note 43 to the consolidated financial statements.

(2) Continuing Connected transactions

On 25 July 2019, loan agreements were entered into between Shenzhen International United Land Co., Ltd. ("United Land Company", a non-wholly owned subsidiary of the Company), as a lender and its shareholders being Xin Tong Chan Development (Shenzhen) Co., Ltd. (a subsidiary of the Company), Shenzhen Expressway Company Limited (a subsidiary of the Company) and China Vanke Co., Ltd. ("China Vanke") respectively, pursuant to which United Land Company as lender agreed to advance loans on a revolving basis to its shareholders pro rata to their shareholdings in United Land Company with an aggregate principal amount of not more than RMB6,000 million. As China Vanke holds 30% equity interest in United Land Company, the maximum principal amount of the loan ("China Vanke Loans") pursuant to the three-year loan agreement with China Vanke ("China Vanke Loan Agreement") is RMB1,800 million, with an initial interest rate at 3.65% per annum. The interest is payable annually. The annual cap for the China Vanke Loan Agreement is set at RMB1,900 million which is determined based on the maximum aggregate principal amount of RMB1,800 million and interest payable on the China Vanke Loans.

United Land Company holds the land use rights of and is the developer for the land parcels of the Meilin Checkpoint Project. In line with market practice, United Land Company distributes idle cash to its shareholders and by way of loan advances in principal amounts that are pro rata to their shareholdings (i.e. 70% to the Group and 30% to China Vanke).

As at 31 December 2019, United Land Company advanced loans to China Vanke amounting to RMB1,659 million pro rata to its shareholding in United Land Company. For the year ended 31 December 2019, United Land Company recognized an interest income amounting to approximately RMB15,889,000, with an initial interest rate at 3.65% per annum. Interest is payable once a year.

Since China Vanke is a connected person of the Company, the transactions contemplated under the China Vanke Loan Agreement constitute a continuing connected transaction of the Company ("Continuing Connected Transaction") under Chapter 14A of the Listing Rules. For details of the transaction, please refer to the announcement of the Company dated 25 July 2019.

The independent non-executive directors of the Company conducted an annual review on the Continuing Connected Transaction, and confirmed that China Vanke Loan Agreement and the transactions thereunder have been carried out on normal commercial terms and is necessary in the ordinary course of business of United Land Company, and has been proceeded during the reporting period in accordance with the China Vanke Loan Agreement, the terms of which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

The Company's auditor has conducted an annual review on the Continuing Connected Transaction under the requirements of the Listing Rules and has issued a letter regarding the matters described in rule 14A.56 of the Listing Rules.

The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules in relation to the continuing connected transactions carried out during the Year and up to the date of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

POST BALANCE SHEET EVENTS

Details of events after the balance sheet date of the Group are set out in note 46 to the consolidated financial statements.

DONATIONS

During the Year, the Group made charitable and other donations amounted to approximately HK$12,713,000.

ENVIRONMENTAL PROTECTION

The Group has always put a great emphasis on environmental protection and actively carried out construction of ecological system. The Group as a whole has established an ecological system promoting respect of the nature, conforming to nature and protecting the nature and continuously enhancing awareness of construction of enterprise ecological system. Combining the Group's business structure and by means of planning and construction innovation, operation management innovation as well as technological innovation, the Company has commenced concrete tasks such as green construction, sponge city, prefabricated construct ion, recycling construction wastes, multimodal transport and green supply chain management, striving to build "Green Parks, Green Logistics and Green Expressways".

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the "CORPORATE GOVERNANCE REPORT" on pages 54 to 73 of this annual report.

AUDITOR

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

ON BEHALF OF THE BOARD

Gao Lei
Chairman

20 March 2020

The Company believes that sound corporate governance goes beyond merely meeting the basic requirements of the regulatory authorities for listed companies. More importantly, sound corporate governance can facilitate the Company in achieving its development needs. Several governance guidelines and procedures have been established by the Company over the years, including "Constitution of the Board of Directors", "Terms of reference of Executive Board Committee" and "Rules Governing Information Disclosure", with the aim to clearly define the duties, scope of authority and standards of conduct clearly. This enhances the Company's corporate governance standards which are continuously reviewed and improved through implementation. Moreover, various policies including the "Nomination Policy", "Dividend Policy", "Internal Audit Management System" and "White Paper on the Group's Man`agement and Control" were formulated and perfected during 2019, which further improved the corporate governance structure of the Company in connection with compliance of regulatory requirements. The Group will continue to review its governance practices to ensure their implementation and continue to optimize accordingly in accordance with the latest regulatory requirements.

During the year ended 31 December 2019 (the "Year"), the Company has complied with the code provisions set out in "Corporate Governance Code and Corporate Governance Report", Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

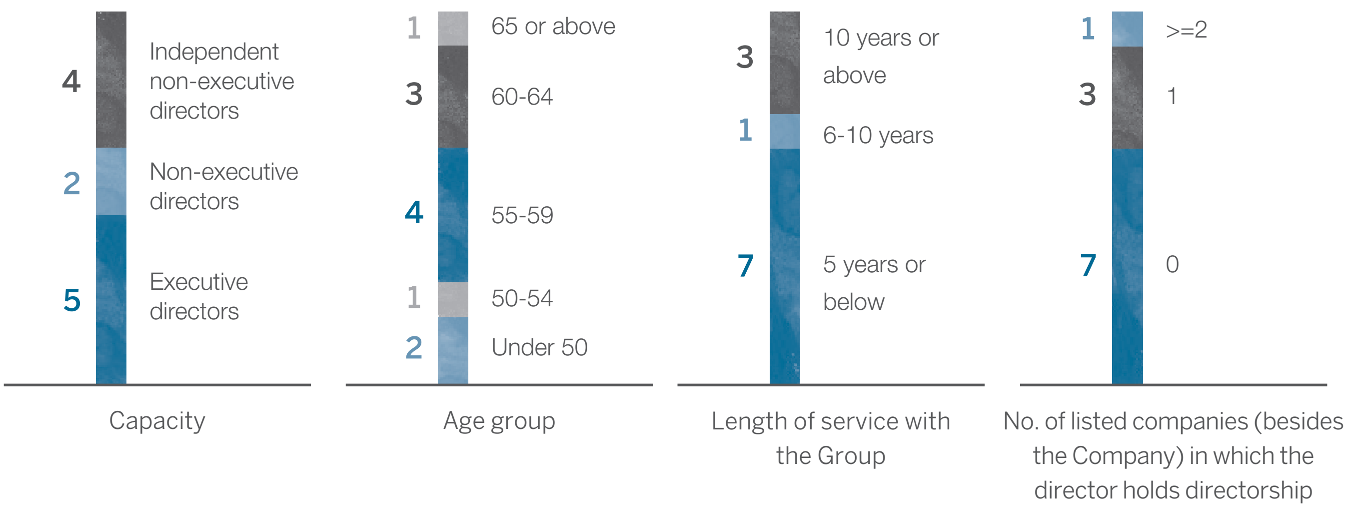
THE BOARD

Composition of the Board

As of the date of this report, the board of directors of the Company (the "Board") consists of eleven directors, including five executive directors: Messrs. Gao Lei, Li Hai Tao, Zhong Shan Qun, Liu Jun and Hu Wei; two non-executive directors: Messrs. Xie Chu Dao and Liu Xiao Dong; and four independent non-executive directors: Messrs. Ding Xun, Nip Yun Wing, Dr. Yim Fung and Professor Cheng Tai Chiu, Edwin. The independent non-executive directors represented at least one-third of the Board throughout the Year as required under the Listing Rules.

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

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



Biographies of the directors of the Company (including their skills and experience) are set out in the section headed "Biographies of Directors and Senior Management" on pages 41 to 44 of this report.

The Chairman and the Chief Executive Officer

The Chairman and the Chief Executive Officer of the Company are two distinct and separate positions, which are held by Mr. Gao Lei and Mr. Li Hai Tao respectively. They are both executive directors of the Company. The Chairman is responsible for the effective running of the Board whereas the Chief Executive Officer is responsible for day-to-day operation of the Group's business. Their respective responsibilities have been clearly established and set out in written form as "The Roles of the Chairman and Chief Executive Officer" of the Company.

Independent non-executive directors

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

The Board has received from each independent non-executive director a written annual confirmation of their independence and the Company considers that all independent non-executive directors are independent pursuant to the requirements as set out in the Listing Rules.

Change in Board member during the Year

There was no change of Board members during the Year.

Nomination and appointment of directors

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

The Company's bye-laws have specified that all new directors of the Company appointed during the year to fill a casual vacancy or as an addition to the Board are subject to re-election by Shareholders at the first annual general meeting after appointments. Each director shall be subject to retirement by rotation at least once every three years pursuant to the Company's bye-laws.

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

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

Role and responsibilities of the Board

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

- formulating the Group's corporate development plans;
- formulating the Group's operational and management strategies;
- approving financial statements;
- approving notifiable transactions and connected transactions of the Group as required under the Listing Rules;
- formulating and approving internal control and risk management systems; and
- distributing dividends.

Board Meetings and Procedures

The Board meets regularly and holds at least four meetings a year at approximately quarterly interval. The Company will convene Board meetings to discuss and consider all contemplated significant transactions, connected transactions or notifiable transactions as required under the Listing Rules so as to give all directors of the Company an opportunity to attend in person and provide their comments before the Group proceeds with the same. If a substantial shareholder or a director has a conflict of interest in a material matter, a Board meeting shall be held by the Company, and the interested director(s) shall abstain from voting at such Board meeting.

In 2019, a total of seven Board meetings were held. Notice of at least fourteen days were given for regular Board meetings and notice of at least seven days were given for non-regular meetings. To ensure all directors of the Company are given opportunities to make suggestions on agenda items to be discussed at the Board meetings, all draft agendas for regular Board meetings are provided to all directors for their comment prior to the meetings. The Chairman and the independent non–executive directors met in November 2019 without the presence of any other executive directors and the management.

The following major items were addressed at the Board meetings held in 2019:

(1) approving and considering the 2018 annual results and the payment of dividends;

(2) approving the 2019 interim results;

(3) reviewing the results and business operations of the first and third quarters of 2019;

(4) approving the discloseable transaction and continuing connected transaction in relation to the signing of the loan agreement by Shenzhen International United Land Co., Ltd. and China Vanke Co., Ltd.;

(5) approving the discloseable transaction in relation to the compensation agreement signed by Nanjing Xiba Port Co., Ltd. in respect of the compensation for the expropriation of certain properties of phase two of the Nanjing Xiba Port by the government;

(6) approving and adopting the Nomination Policy of the Company; and

(7) approving and adopting the Dividend Policy of the Company.

Training and Development of Directors

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

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

	Topics on training covered		
Directors	***Corporate governance***	***Regulatory***	***Industry-specific***
Mr. Gao Lei	✔	✔	✔
Mr. Li Hai Tao	✔	✔	✔
Mr. Zhong Shan Qun	✔	✔	✔
Mr. Liu Jun	✔	✔	✔
Mr. Hu Wei	✔	✔	✔
Mr. Xie Chu Dao	✔	✔	✔
Mr. Liu Xiao Dong	✔	✔	✔
Mr. Ding Xun	✔	✔	✔
Mr. Nip Yun Wing	✔	✔	✔
Dr. Yim Fung	✔	✔	
Professor Cheng Tai Chiu, Edwin	✔	✔	✔

In April and November 2019, the Company conducted site visits for the non-executive directors (including the independent non-executive directors), including visits to Shenzhen International Wuxi Integrated Logistics Hub, Nanjing Xiba Project, the Qianhai Project and the Meilin Checkpoint Project in Shenzhen and the intelligent warehouse construction and operation project in collaboration with DHL. Through such site visits, the non-executive directors could have a deeper understanding of the Group's business model and operating conditions.

Specialized Committees of the Board

In order to assist the Board in discharging its duties in a more efficient manner, the Board has established three specialized committees, namely the Audit Committee, Nomination Committee and Remuneration and Appraisal Committee. Such Board committees have designated terms of reference and duties, shall review and monitor matters in such designated areas of the Company and make recommendations to the Board. Each Board committee has its terms of reference which have been approved by the Board.

The terms of reference of all specialized committees specify that upon reasonable requests, the Board committees may seek independent professional advice to properly discharge their responsibilities to the Company. Such costs shall be borne by the Company.

A summary of the responsibilities of and the work performed by each Board committee during 2019 are set out below:

Audit Committee (established in 1995)

The Audit Committee consists of three independent non-executive directors, including Mr. Nip Yun Wing (Chairman), Mr. Ding Xun and Professor Cheng Tai Chiu, Edwin.

Responsibilities and work performed in 2019

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

- to make recommendation to the Board on the appointment and removal of the auditor of the Company, and to approve the remuneration and terms of engagement of the auditor, and to deal with any matters in connection with the resignation or dismissal of the auditor;
- to monitor the completeness of financial statements of the Company and to review significant opinions on financial reporting contained in the financial statements and reports;
- to review the Group's financial control, risk management and internal control systems and to review the Group's representations on risk management and internal control systems contained in the annual report;
- to discuss with the management on the Group's risk management and internal control system and to ensure that the management has discharged its duty to establish an effective internal control system, to ensure the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and the adequacy of trainings received by the staff and related budgets; and
- to review confidential arrangements which employees can raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee is to ensure proper arrangements are in place for the fair and independent investigation into such concerns and appropriate follow up actions.

The Audit Committee held 3 meetings during 2019. The following major issues were reviewed and discussed during the year:

- reviewing the annual results for 2018 and the interim results for 2019, and confirmed the related disclosures in the financial statements were complete, accurate and fair and recommended the same to the Board for approval;
- approving the auditor's fees for the audit of 2018 annual financial statements and fees for the review of 2019 interim financial statements;
- considering the recommendation on the re-appointment of the auditor for 2019;
- reviewing the adequacy of resources, qualifications and experience of staff of the Group's accounting, financial reporting and internal audit functions and their training programme and related budget for the year 2018;
- to review with the management and relevant departments the effectiveness of the Group's risk management and internal control system for the year 2018; and
- considering the 2019 internal audit plan of the Group.

During the Year, the Audit Committee met the auditor of the Company twice in the absence of the management.

Nomination Committee (established in December 2003)

The Nomination Committee consists of two independent non-executive directors and one executive director of the Company, namely Mr. Ding Xun (Chairman), Mr. Zhong Shan Qun and Mr. Nip Yun Wing.

Responsibilities and work performed in 2019

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

- to identify and recommend to the Board individuals eligible for the appointment of a director of the Company;
- to assess the qualification and experience of candidates for directors and the independence of independent non-executive directors of the Company and advise the Board thereon;
- to assess qualification and experience of the directors who are subject to retirement by rotation and re-election at each annual general meeting and advise the Board thereon;
- to review annually the structure, size and composition (including the skills, knowledge and experience) of the Board; and
- to review the Board Diversity Policy, as appropriate, including any measurable objectives that it has set for implementing the Board Diversity Policy and the progress on achieving these objectives.

The Nomination Committee held 1 meeting during 2019. The following major issues were reviewed and discussed during the Year:

- evaluating and making recommendation on the performance of the directors who were subject to retirement or retirement by rotation and re-election at the 2019 annual general meeting;
- reviewing and confirming the independence of each of the 4 independent non-executive directors;
- reviewing the structure, composition and diversity of the Board; and
- considering and making recommendation to the Board on the adoption of the Nomination Policy of the Company.

Board Diversity Policy
The Board Diversity Policy was adopted by the Board upon the recommendation of the Nomination Committee in September 2013. It sets out various perspectives on diversity and measurable objectives for the selection of Board members, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will from time to time consider a number of factors such as its business model and specific needs, but it bases its ultimate decisions on the merit and the contribution that candidates will bring to the Board.

Nomination Policy
The Nomination Policy of the Company was adopted by the Board during the Year. It sets out the selection criteria to be adopted by the Nomination Committee to select suitable directors, the nomination procedures as well as the processes and measures adopted by the committee to implement such policy. The Nomination Committee will take into account the candidate's reputation, professional achievements, experience and time available to the Board in assessing the suitability of the candidate as a director of the Company. The procedures for the nomination of directors were set out on page 55 of this annual report.

Remuneration and Appraisal Committee (established in December 2003)

The Remuneration and Appraisal Committee consists of two independent non-executive directors and one executive director of the Company, namely Mr. Ding Xun (Chairman), Mr. Gao Lei and Dr. Yim Fung.

Responsibilities and work performed in 2019

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

- to determine the level, policy and structure of remuneration of directors and senior management of the Company, and to establish a formal and transparent procedure for formulating policy on such remuneration;
- to review and approve performance-based remuneration by reference to corporate goals and objects resolved by the Board from time to time;
- to review and make recommendations to the Board in respect of the remuneration level of individual directors and senior management, and to ensure that no director or senior management or any of their associates is involved in the decision of his/her own remuneration; and
- to determine the remuneration packages of all executive directors and senior management of the Company, including benefits in kind, pension fund and compensation payments (including any compensation payable for loss or termination of their office or appointment).

The emoluments payable to executive directors of the Company are determined by reference to their experience and duties with the Company and the fees payable to non-executive directors are determined by reference to the estimated amount of time spent by them on the Company's matters. The Remuneration and Appraisal Committee determines the remuneration packages of each individual executive director and senior management, including benefits in kind, pension entitlements and compensation payments. The Remuneration and Appraisal Committee consulted the Chief Executive Officer about proposals relating to the remuneration packages of executive directors and senior management.

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

- evaluating the performance of executive directors and senior management for 2018;
- approving bonus payments for 2018 to the senior management; and
- approving the renewal of the service contracts with 2 executive directors and 1 senior management member of the Company.

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

Remuneration band	*Number of Individual*
HK$0–HK$1,000,000	2
HK$2,000,001–HK$3,000,000	4

Details of the directors' fee and other emoluments of the directors of the Company are set out in note 33 to the financial statements.

The attendance records of the Board meetings, Specialized Committee meetings and general meeting of the Company held in 2019

Details of the directors' attendance at the Board meetings, Specialized Committee meetings and general meeting of the Company held in 2019 are set out in the following table:

	Number of Meetings Attended/*Number of Meetings Held*				
Directors	***Board***	***Audit Committee***	***Nomination Committee***	***Remuneration and Appraisal Committee***	***2019 Annual General Meeting ("AGM")***
Executive directors					
Mr. Gao Lei *(Chairman)*	**6**/7	N/A	N/A	**2**/2	**1**/1
Mr. Li Hai Tao	**6**/7	N/A	N/A	N/A	**1**/1
Mr. Zhong Shan Qun	**6**/7	N/A	**1**/1	N/A	**1**/1
Mr. Liu Jun	**7**/7	N/A	N/A	N/A	**1**/1
Mr. Hu Wei	**6**/7	N/A	N/A	N/A	**0**/1
Non-executive directors					
Mr. Xie Chu Dao	**7**/7	N/A	N/A	N/A	**1**/1
Mr. Liu Xiao Dong	**7**/7	N/A	N/A	N/A	**1**/1
Independent Non-executive directors					
Mr. Ding Xun	**7**/7	**3**/3	**1**/1	**2**/2	**1**/1
Mr. Nip Yun Wing	**7**/7	**3**/3	**1**/1	N/A	**1**/1
Dr. Yim Fung	**5**/7	N/A	N/A	**2**/2	**1**/1
Professor Cheng Tai Chiu, Edwin	**6**/7	**3**/3	N/A	N/A	**0**/1

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

SUPPLY OF AND ACCESS TO INFORMATION

Agendas of all Board meetings and the accompanying Board papers are sent to all directors in a timely manner and at least seven days before the intended date of the meetings.

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

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

INSURANCE ON DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for liability insurance cover to indemnify the directors and senior management members of the Company. Purchase of liability insurance for the directors of the Company can enhance the Company's ability to reduce exposure to risks. The insurance coverage is reviewed on an annual basis.

DIVISION OF AUTHORITY BETWEEN THE BOARD AND THE MANAGEMENT

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

Executive Board Committee

Members of the Executive Board Committee are appointed by the Board. The Committee consists of five executive directors, namely Mr. Gao Lei, Mr. Li Hai Tao, Mr. Zhong Shan Qun, Mr. Liu Jun and Mr. Hu Wei.

Responsibilities and works performed in 2019

The duties and authorities of the Executive Board Committee are set out in its written terms of reference, which mainly include:

(1) to monitor all business operations of the Group;

(2) to prepare and approve the Group's business plans and annual budget;

(3) to deal with the ordinary business of the Group and to authorise the Chief Executive Officer to lead the management for the day-to-day operations of the Group, and to authorise individual executive directors of the Company to deal with the daily operation of various businesses of the Group;

(4) to consider and review notifiable transactions of the Group as required under the Listing Rules and advise the Board thereon;

(5) to provide information and reports of the Group upon requests by the Audit Committee, to attend and to procure the management staff of the Group and professional advisors to attend the Audit Committee meetings, and to answer questions raised by the Audit Committee at such meetings;

(6) to arrange appointment of professional advisors and institutions to provide assistance and advices for specialized committees under the Board;

(7) to develop and review the Company's policies and practices on corporate governance;

(8) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors;

(9) to review and monitor the training and continuous professional development of the directors and senior management of the Company;

(10) to review the Company's compliance with the Corporate Governance Code and its disclosure in the Corporate Governance Report contained in the Company's annual report; and

(11) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.

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

In 2019, the Executive Board Committee considered and discussed major matters including: the Company's 2018 annual results and dividend proposal, 2019 interim and quarterly results and business development, budgets for the year 2019, the Nomination Policy of the Company, the Dividend Policy of the Company, notifiable transactions and continuing connected transactions, plans for bank financing as well as the business development plans, capital expenditures and loans, and changes in the senior management of the Company's subsidiaries.

FINANCIAL REPORTING

The directors of the Company acknowledge their responsibility for preparing financial statements that give a true and fair view of the financial position, results and cash flow of the Group. In preparing the financial statements for the year ended 31 December 2019, the Board has selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable and has prepared the financial statements on a going concern basis. For details of the basis of preparation of the financial statements, please refer to Note 2.1 to the consolidated financial statements this annual report.

The Board and the Audit Committee conducted an annual review on the adequacy of financial reporting resources and ensured that the Group's accounting, internal audit and financial reporting functions had adequate resources, the staff of which had sufficient qualifications and experience, and their training programmes and related budget were also adequate.

The reporting responsibilities of the directors and the external auditor of the Company are further set out in the Independent Auditor's Report in this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

It is the Board's duties to ensure the Company establishes and maintains appropriate and effective risk management and internal control systems. The management is responsible for designing and implementing risk management and internal control systems. The relevant systems are designed to identify and manage the risks that may adversely affect achievement of the Group's business objectives, but they do not provide absolute assurance against material misstatement, errors, losses, fraud or non-compliance.

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

As a holding company, the Company has been implementing effective governance over its subsidiaries. The Company adopted the "Guidelines for Group Management" in 2012 and continued to improve the control models over its subsidiaries. In line with the expansion of the Group's business development and scale, in 2018, the Company introduced the paper on the optimization of the Group's management and control, which clarified that the core functions of our headquarters are "strategy setting, team focusing, mechanism building, decision making, strict assessment, risk control and protection insurance" and clarified the core functions of the subsidiaries as "strategic execution and profit creation", and also set up eight committees to complete business segment integration, implement differentiated management and control, classify and prepare the white papers of management and control on our subsidiaries and improve corporate management.

According to the Group's development strategy, the Group focused on developing its logistic and toll road businesses. In 2012, the Group set the direction for the strategic development of "Integrated Logistics Hub", and commenced its implementation. With the construction of "Integrated Logistics Hub" projects and gradual development of the Group's new business and financial business, the Group conducted an audit on the entire construction process and implemented specialized risk prevention and control over the new business, newly-incorporated companies and financial sector business in 2017. In 2019, the Group put greater emphasis on the financial business and the logistics and supply chain development business, standardized the operation and process in risk-concentrated areas of the financial business and the logistics and supply chain development business, and preventing operation and compliance risks.

Corporate Internal Risk Management and Control Model

In order to further strengthen its risk control and enhance its internal audit independence, in early 2017, the Group adjusted the functions of the risk management department by incorporating investment review and intermediary agency management functions into the risk management department. The risk management department is responsible for establishing and improving the Group's comprehensive risk management system and internal legal management system, assessing internal control operation, managing the commission of intermediary agencies, considering and reviewing the investment projects and merger and acquisition projects. Meanwhile, the Company separated the audit function and post-investment evaluation tracking of investment projects from the original risk management department. The audit department which is responsible for establishing and improving the Group's internal audit system, carried out various audit work for the Group and its subsidiaries independently, and followed up on the implementation of the audit rectification. In 2018, in order to optimize the Group's management and control, the Group established the Risk Control Committee to integrate, organize and coordinate the Group's risk prevention and control work, and provide reference for management's decision on risk management and control.

Function Positioning of Headquarters of the Group

Based on the respective industry characteristics, maturity levels of business and corporate development stages of its subsidiaries, the Group confirmed the headquarters' core functions as investment, financing, decision making and back-office support.

Management Control

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

Systems Build-up

With reference to the management control model, the Group has supplemented and improved its control procedures and established clearly defined policies and procedures. With such policies, the Group has set up a strict authorisation system and a rationalised operation workflow to ensure that various operating activities are properly authorised, to safeguard the Company's assets and the interests of Shareholders and to continuously enhance implementation efficiency through a regime on system amendment and improvement.

Risk Management

The Company constantly improves its internal control and risk management system based on the control environment, financial control, operational control, compliance control, and risk management to set up a comprehensive risk management system with a focus on risk identification, risk assessment and risk prevention. The organisation structure of the Company's risk management comprises the Board, the Audit Committee, the management of the Company, risk control committee, risk management department, audit department and risk coordinators at other departments.

The Company performs risk assessment and prepares a risk management report quarterly and annually in accordance with the "Comprehensive Risk Management Regulations" adopted by the Company. To address the potential risks, procedures for major risk management are in place through thorough identification as well as careful evaluation of the risks and the determination of a corresponding strategy. The risk management department oversees material risks of the Group on an ongoing basis. It prepares an internal control and risk management system assessment report for the Company annually.

The Board requires the management to review the implementation of internal control and risk management at the end of each year. Through a comprehensive assessment of the Company and its subsidiaries conducted by the risk management department on an ongoing basis, the management will determine whether the internal control and risk management systems are able to meet the expected objectives, and will make recommendations for improving any control deficiency in the systems and follow up on the rectification.

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

The Company has a whistle-blowing policy to allow the employees of the Group to raise concerns on a confidential basis about the possible misconduct in financial reporting, internal control or other matters.

In addition, in order to identify, process and issue inside information, the Group has also implemented procedures, including pre-approving the Group's security transactions to be conducted by the designated management members, informing the relevant directors and employees of the relevant conventional blackout period and security transaction restriction, identifying projects with code names for preventing the Group from possible mishandling inside information.

The Board has comprehensively reviewed the Group's internal control and risk management systems and their effectiveness for 2019 and found that the implementation thereof progressed well and that there were no significant control failures or weaknesses. The Board considers that the relevant systems are effective and sufficient to reasonably enable the Group to achieve its operation and governance objectives. The Board will continue to urge the management of the Company to enhance the internal control and risk management systems in order to ensure an effective operation of the systems.

Functions of Risk Management Department

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

- internal control and risk management
- investment projects review
- oversight of asset valuation
- management of intermediary agencies
- oversight of legal affairs

Staff of the risk management department shall participate in various training courses every year in accordance with the stated schedule and the Company's needs in order to enhance their theoretical and practical professional knowledge. Such training courses include internal control and risk prevention training, training on investment, professional training on legal matters, and equity management and asset evaluation training, etc.

The risk management department completed a review and analysis on the Group's potential risks and formulated the corresponding measures.

Risk	***Description***	***Responding measures***
Policy risks	• The amendment to the "Regulations on Administration of Toll Roads" (《收費公路管理條例》) has not been finalized, the Group's toll revenue may be affected by such policy adjustment.	• Keep monitoring the status of the amendment to the "Regulations on Administration of Toll Roads" (《收費公路管理條例》).
	• The real estate control policy emphasizes on "different policies for different cities, classified regulation and control". If the regulation is tightened during the project development process, sales may be lower than expected.	• Explore the channels and ways to achieve value realization of land, finalise project planning, and ensure accurate market positioning and controllable income.
	• The national environmental protection standards are heightened continuously, and the fiscal and tax subsidies provided for some environmental protection segments may be gradually reduced, which will affect the operation and profitability of the Company's environmental protection sector.	• Keep abreast of the changes in the environmental protection industry policies, fully assess the impact of any policy changes and consider countermeasures.
Risks relating to investment and mergers and acquisitions	• Loss and disputes may arise as a result of insufficient investment analysis and due diligence.	• Continuously improve the investment management system and conducting due diligence stringently in accordance with the policies and regulations.
	• There may be integration conflicts of the corporate culture and risks of mismanagement after mergers and acquisitions.	• Fully implement interest binding mechanism between project team members and projects to achieve risk sharing.
	• Inadequate control on the investment cost and delay in the progress of any projects may affect the actual production and operation of such projects.	• Steadily implement the integration of target companies, strengthen the management of major issues of invested companies and reduce operational risks.

Risk	*Description*	*Responding measures*
Trade receivables risks	• The novel coronavirus epidemic may affect the cash flows of the partners from capital-intensive businesses, such as the logistics and supply chain development business and the third-party logistics business, thereby causing delay or delinquency in the repayment of trade receivables.	• Develop and establish counterparty selection mechanism, and formulate warning indicators and emergency plans. • Increase the tracking of the financial strength of the partners, and control the trade receivables before, during and after the event to reduce the risk of bad debts.
Project construction risks	• There are many expressway construction projects. There are certain construction safety risks due to wide construction scope, complicated construction technology and construction environment, and traffic problems that may be difficult to resolve.	• Strengthen the supervision over the safety management of construction units, ensure the qualifications of operators and the equipment are in good order, and carry out safety training and emergency drills for operators.
	• The long settlement period of the construction of integrated logistics hub projects increased the management difficulty, and may in turn lead to delay risks.	• Continuously strengthening the control over all process in a project and improving the overall control of the project quality and progress.
	• Whether the construction cost can be effectively controlled and meet the goals and requirements set by the Group will have a significant impact on the future, operation and performance of the project.	• Strictly control the cost of the project, and track and audit throughout the whole process of the project, including tendering, contract, design change, delivery acceptance, completion settlement, and acceptance of the construction project.
Cash flows risks	• As substantial amount of capital is required for investment projects, and contribution from the projects at the initial construction period and the preliminary stage of its operation period are limited, the Group may face investment and financing risks.	• Formulate well-devised plans for raising capital and financing. • Maintain relatively reasonable capital reserve and sufficient bank facilities, and arrange funding for significant capital expenditure in advance.
	• The novel coronavirus epidemic may impose stress on the cash inflows of some of the Group's subsidiaries in the service sector.	• Strengthen the financial warning system and assess risk indicators regularly to alter and respond to the potential risk of cash outflows in a timely manner.

Risk	*Description*	*Responding measures*
Legal and compliance risks	• Incorporating reasonable terms in contracts. • Disputes may arise during the operation of the investment projects. • Disputes on the settlement with contractors may arise in connection with completed construction projects.	• Establish ties with law firms and legal advisors and build an in-house legal team. • Improve mechanism to minimize legal risks and to ensure the Company's business are operated in compliance with legal and regulatory requirements. • Proactively coordinate with all parties in concern to bridge the gap of costing of materials.
Human resources management	• Whether our internal management capabilities such as human resources are in line with the new business model and management requirements can have a significant impact on the Group's successful strategic planning.	• Establish a long-term incentive plan and staff training plan. • Strengthen the management of talent pool.
Exchange rate risks	• The decreasing Renminbi exchange rate will result in increasing financing costs of the Company.	• Establish a prediction and warning system for Renminbi exchange rate, increase monitoring, and conduct forward-looking research on Renminbi exchange rate fluctuations, to avoid risks arising from exchange rate fluctuations as soon as possible. • Maintain a balanced currency-debt structure and adjust the balance of foreign currency loans according to exchange rate fluctuations in a timely manner to reduce the impact of such fluctuations.
Goodwill impairment risk	• Future unsatisfactory operating performance of acquired enterprises may result in indicators of and provision for the impairment of goodwill.	• Monitor and assess the probability of impairment of the Group's investments as well as their financial impact on the Group. • Strengthen communication with the acquired enterprises, focus on their operation, and formulate and enforce effective revenue-boosting and cost-cutting measures for investment holding companies.

EXTERNAL AUDITOR

During the Year, the fees payable by the Group to the Company's auditor KPMG for audit services and non-audit services were approximately HK$3,707,000 and HK$818,000 respectively. The non-audit services include professional services such as professional tax advisory and review of interim results.

The Audit Committee has reviewed the audit fees, procedures and effectiveness, independence and objectivity of KPMG, and recommended the Board to re-appoint KPMG to be the Company's auditor for the year 2020 at the forthcoming AGM.

COMPANY SECRETARY

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

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

Minutes of Board meetings and meetings of all specialized committees under the Board are kept by the Company Secretary (who is also the secretary of each of the specialized committees) in sufficient details on the matters considered by all directors and decisions reached, including any concerns raised by directors of the Company or dissenting views expressed. Draft minutes of Board meetings and meetings of all specialized committees under the Board are provided to relevant directors for their comments and the final version of the same are given to relevant directors for their records within a reasonable time.

During the Year, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

GENERAL MEETINGS

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

The chairman of the Board and the chairmen of the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee attended the AGM of the Company held in 2019 to answer questions raised by the Shareholders.

During the Year, the Company held one general meeting. Set out below is a summary of the matters resolved at the general meeting:

Date	*Matters resolved at the annual general meeting*
17 May 2019	• the audited financial statements and the reports of the directors and of the auditors for the year ended 31 December 2018; • payment of the final dividend and special dividend for the year ended 31 December 2018; • re-election of the retiring directors and authorisation of the Board to fix the directors' remuneration; • re-appointment of KPMG as auditor of the Company and authorisation of the Board to determine their remuneration; • granting of a repurchase mandate to the Board to repurchase shares in the Company; • granting of a general mandate to the Board to allot, issue and otherwise deal with the shares in the Company; and • extending the general mandate granted to the Board to allot, issue and otherwise deal with the shares.

Voting by poll on shareholders' resolutions

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

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

SHAREHOLDERS' RIGHTS

Convening of special general meeting on requisition of shareholders

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

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

Procedures for putting forward proposals at general meetings

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

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

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

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

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

Procedures for proposing a person for election as a director of the Company

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

Information Disclosure

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

INVESTOR RELATIONS

The Group values the support of its investors over the years and is committed to maintaining and developing close relations with them. It is pleased to share its business development, corporate strategy and prospects with its investors and welcomes potential investors to obtain information about, and engage in exchanges with, the Group.

The Group has been actively building an effective communication platform with the capital market through various channels such as meetings with institutional investors, roadshows and investor conferences. The Group places great emphasis on the investment community and strives to obtain research reports on the business conditions of the Group from securities dealers. Up to 2019, a total of 35 reputable securities dealers at home and abroad have issued research reports on the Group. During the Year, the Group communicated regularly with investors and analysts through on-site visits, one-on-one meetings or teleconferences, with over 400 domestic and overseas attendances. Such interactive communication channels have enhanced investors' understanding of the Group's business conditions and long-term development strategies.

Following the launch of southbound Stock Connect in recent years, the flow of domestic investment funds into Hong Kong stock market has increased. The Group was also included in the list of the Shanghai Connect and Shenzhen Connect in 2014 and 2016 respectively. In 2019, the Group continued to strengthen its efforts in promotional campaigns targeting the Chinese capital market, including hosting results roadshows in Bejing, Shanghai and Shenzhen, participating in 7 investor presentations in China and obtaining 14 research reports from domestic securities dealers. Such campaigns have further strengthened the bilateral communication between the Group and Chinese institutional investors and securities dealers and broadened the reach of the Group in the domestic capital market.

In 2019, the Group received widespread recognition from the market as its market value exceeded HK$38 billion for the first time and the overall stock price outperformed Hang Seng and other related indices. In the past two years, the Group was introduced to the following indices to provide investors with references for investment strategy.

2019	Admitted to Hang Seng SCHK High Dividend Yield Index Admitted to Hang Seng Mainland China Companies High Dividend Yield Index
2018	Admitted to MSCI China Index Admitted to Hang Seng Stock Connect Greater Bay Area Composite Index Admmitted to Hang Seng High Dividend Yield Index

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

2019	***Major events***
January	• Attended Deutsche Bank's Annual dbAccess China Conference in Shenzhen
	• Attended Morgan Stanley's China Transportation Industry Summit in Shanghai
	• Organised visit to the Shenzhen South China Logistics Park for DBS Research & Evaluation
March	• Held the 2018 annual results presentation
	• Held the analyst meeting for the 2018 annual results
	• Held the 2018 annual results roadshow in Hong Kong
May	• Held the 2018 annual results roadshow in Shanghai
	• Attended Guaotai Junan's investor presentation in Shanghai
	• Attended Morgan Stanley's China Summit in Beijing
	• Organised visit to the Shenzhen Kanghuai Logistics Park for Hermes Investment
	• Organised visit to the Shenzhen South China Logistics Park for Citigroup
June	• Held the 2018 annual results roadshow in Beijing
	• Attended Daiwa Securities' investor presentation in Hong Kong
	• Shenzhen International received the Best Investment Value Award and Best Investor Relations Award in 2019 China Financial Market Awards
	• Shenzhen International received the Outstanding China Logistics and Infrastructure Company in the 14th Outstanding China Enterprise Awards
July	• Attended Citigroup's investor presentation in Hong Kong
	• Organised a reverse roadshow in Hong Kong

2019	Major events
August	• Held the 2019 interim results presentation
	• Held the analyst meeting for the 2019 interim results
	• Held the 2019 interim results roadshow in Hong Kong
September	• Attended p5w.net's Summit for Hong Kong-listed Companies in Shenzhen
	• Admitted to Hang Seng Mainland China Companies High Dividend Yield Index
November	• Held the 2019 interim results roadshow in Tokyo and Seoul
	• Admitted to Hang Seng SCHK High Dividend Yield Index
	• Organised a reverse roadshow in Hong Kong
December	• Held the results roadshow in Shenzhen
	• Shenzhen International received the Best Investment Value Adward for Listed Companies in Greater Bay Area（大灣區最具投資價值上市公司獎）in the 9th China Securities Golden Bauhinia Awards
	• Shenzhen International received the Outstanding Corporate Results Performance Award in The Listed Enterprise Excellence Awards 2019

In order to increase transparency, the Group enhances investors' understanding of its business operations through, among others, extraordinary and annual general meetings, annual reports, interim reports and its official website.

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

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

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2019, the interests and short positions of the directors (the "Directors") and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are set out as follows and in the section headed "SHARE OPTION SCHEME" as set out in the Report of the Directors on pages 50 to 51 of this annual report:

Long positions in the ordinary shares of the Company

Name of Directors	*Number of ordinary shares held*	*Capacity*	*Nature of interest*	*Approximate % of the issued shares of the Company*
Gao Lei	748,678	beneficial owner	personal	0.035%
Li Hai Tao	37,477	beneficial owner	personal	0.002%
Zhong Shan Qun	373,170	beneficial owner	personal	0.017%
Liu Jun	900,000	beneficial owner	personal	0.042%
Hu Wei	130,315	beneficial owner	personal	0.006%

Save as disclosed above and in the section headed "SHARE OPTION SCHEME" as set out in the Report of the Directors on pages 50 to 51 of this annual report, as at 31 December 2019, none of the Directors or chief executives of the Company had any other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "DIRECTORS' INTERESTS IN SECURITIES" above and the section headed "SHARE OPTION SCHEME" as set out in the Report of the Directors on pages 50 to 51 of this annual report, at no time during the year ended 31 December 2019 was the Company, any of its subsidiaries, the holding company of the Company or any of its subsidiaries a party to any arrangement to enable the Directors, chief executives, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2019, 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 the issued shares of the Company***
Shenzhen Investment Holdings Company Limited ("SIHCL") – *Note (1)*	952,010,090	interest of controlled corporation	44.04%
Ultrarich International Limited ("Ultrarich")	952,010,090	beneficial owner	44.04%
Chan See Ting – *Note (2)*	128,160,000	interest of controlled corporation	5.93%
Lai Hoi Man – *Note (2)*	128,160,000	interest of controlled corporation	5.93%
Horoy Enterprise Holdings Limited ("Horoy Enterprise Holdings")	128,160,000	beneficial owner	5.93%
UBS Group AG	23,731,676	person having a security interest in shares	1.10%
	207,938,394 *Note (3)*	interest of controlled corporation	9.62%

Notes:

(1) Ultrarich was a wholly-owned subsidiary of SIHCL and held a long position of 952,010,090 shares of the Company. Accordingly, SIHCL was deemed to be interested in the long position of 952,010,090 shares of the Company held by Ultrarich.

(2) Horoy Enterprise Holdings was held by Chan See Ting and Lai Hoi Man as to 40% and 60%, respectively. Accordingly, Chan See Ting and Lai Hoi Man were deemed to be interested in the long position of 128,160,000 shares of the Company held by Horoy Enterprise Holdings.

(3) UBS AG, UBS Financial Services Inc., UBS Switzerland AG, UBS Asset Management (Americas) Inc., UBS Asset Management (Australia) Ltd, UBS Asset Management (Deutschland) GmbH, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Singapore) Ltd, UBS Asset Management Switzerland AG, UBS Asset Management Trust Company, UBS Asset Management (UK) Limited, UBS Fund Management (Luxembourg) S.A., and UBS Fund Management (Switzerland) AG are wholly-owned by UBS Group AG. Accordingly, UBS Group AG was deemed to be interested in the long position of an aggregate of 207,938,394 shares of the Company held by these companies.

Save as disclosed above, as at 31 December 2019, the Company was not aware that any substantial shareholders (other than the Directors or chief executives) of the Company had 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.

INDEPENDENT AUDITOR'S REPORT

KPMG

Independent auditor's report to the shareholders of Shenzhen International Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Shenzhen International Holdings Limited and its subsidiaries ("the Group") set out on pages 82 to 188, which comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Assessing potential impairment of concession intangible assets

Refer to Note 10 to the consolidated financial statements and the accounting policies in Note 2.14.

The key audit matter	How the matter was addressed in our audit
Concession intangible assets represent the Group's rights to operate certain toll roads in the People's Republic of China and receive toll fees therefrom. The Group's toll road operations are sensitive to changes in government policies relating to all aspects of the transportation sector, including but not limited to policies relating to provincial and municipal transportation networks and traffic regulations. As at 31 December 2019, the carrying amount of the concession intangible assets of the Group was HKD26,260,742,000 and represented 29% of the Group's total assets as at 31 December 2019. When indicators of impairment of concession intangible assets are determined to exist, management performs impairment assessments of the cash generating units (the "CGUs") containing the toll roads in question which involve the exercise of significant judgement, particularly in determining the projected traffic flow, remaining concession period and the discount rate applied. We identified assessing potential impairment of the concession intangible assets as a key audit matter because the impairment assessments contain certain judgemental assumptions which could be subject to management bias.	Our audit procedures to assess potential impairment of concession intangible assets included the following: • discussing indicators of possible impairment and changes in projected traffic volumes of the concession intangible assets with management and, where such indicators were identified, enquiring of management as to whether they had performed impairment testing in accordance with the requirements of the prevailing accounting standards; • assessing the capabilities, experience, competence and independence of the external valuer engaged by the Group to assist in valuing the recoverable amount of the CGUs; • comparing the cash flows for the year ended 31 December 2019 previously projected by management in previous year with the actual results for the current year to assess the historical accuracy of management's forecasting process; • critically assessing the key assumptions adopted in the discounted cash flow forecasts (including the projected traffic flow, remaining concession period and the discount rate applied) as follows: – assessing the projected traffic flow over the remaining concession period with reference to external data and forecasts together with traffic flow and toll revenue forecast reports prepared by an external traffic consultant; – assessing the remaining concession period with reference to contracts and communications with government; and – involving our internal valuation specialists to assist us in evaluating the discount rates adopted by comparing with similar companies in the same industry. • assessing the sensitivity of key assumptions in the discounted cash flow forecasts to changes and considering whether there was any evidence of potential management bias in the selection of these assumptions; and • considering the disclosures in the consolidated financial statements in respect of the impairment assessment of concession intangible assets and the risks inherent in the key assumptions with reference to the requirements of the prevailing accounting standards.

Accounting for the interest in Shenzhen Airlines

Refer to Note 13 to the consolidated financial statements and the accounting policies in Note 2.4.

The key audit matter	How the matter was addressed in our audit
The Group's 49% interest in Shenzhen Airlines Company Limited ("Shenzhen Airlines") is accounted for under the equity method. The Group's share of the profit after tax from Shenzhen Airlines for the year ended 31 December 2019 was HKD644,559,000 and the Group's share of Shenzhen Airlines' net assets was HKD5,680,449,000 as at 31 December 2019. This represented approximately 13% and 6% of the Group's profit attributable to ordinary shareholders of the Company for the year ended 31 December 2019 and total assets as at 31 December 2019 respectively. The complexity of the Shenzhen Airlines' revenue recognition, which involves complicated information technology systems and an estimation of the unit fair value of Shenzhen Airlines' customer loyalty programme, and the significant degree of judgement exercised by management of Shenzhen Airlines in relation to the assessment of the carrying values of aircraft and flight equipment and provisions for major overhauls give rise to the risk of potential material misstatements in the Group's interest in Shenzhen Airlines in the consolidated financial statements. We identified the accounting for the interest in Shenzhen Airlines as a key audit matter because the complexity and management judgement involved in the preparation of the financial information of Shenzhen Airlines increases the risk of material misstatement in the consolidated financial statements.	Our audit procedures to assess accounting for the interest in Shenzhen Airlines included the following: • obtaining an understanding of the group-wide controls and the consolidation process, including the issuance of accounting instructions by Group management to Shenzhen Airlines; • evaluating the consolidation adjustments prepared by management to account for the Group's interest in Shenzhen Airlines based on the audited financial information of Shenzhen Airlines; • re-calculating the Group's interest in Shenzhen Airlines and the Group's share of profit of Shenzhen Airlines for the year based on the audited financial information of Shenzhen Airlines; • instructing the auditors of Shenzhen Airlines ("the component auditors") to perform a full scope audit of the financial information of Shenzhen Airlines in accordance with the Group audit instructions issued by us; • participating in the component auditors' risk assessment and planning process to identify significant risks of material misstatement of Shenzhen Airlines' financial information and evaluating the audit procedures planned to be performed to respond to the identified significant risks of material misstatement of Shenzhen Airlines' financial information; and • discussing with the component auditors their audit findings and conclusions with regard to their audit and evaluating the sufficiency and appropriateness of the audit evidence for the purpose of our audit of the consolidated financial statements by reviewing the component auditors' reporting deliverables.

Assessing potential impairment of investment in Chongqing Derun Environment Company Limited ("Derun Company") which was accounted for an associate

Refer to Note 13 to the consolidated financial statements and the accounting policies in Note 2.4.

The key audit matter	How the matter was addressed in our audit
In 2017, the Group completed the acquisition of 20% interest in Derun Company with consideration of HKD5,010,306,000, which is accounted for under the equity method. The difference between the consideration and the Group's share of the fair value of identifiable net assets at the acquisition date, which was amounted to RMB1,462,954,000 (equivalent to HKD1,633,673,000 at 31 December 2019), was accounted for as goodwill. As at 31 December 2019, the management assessed whether investment in Derun Company may impair, which involves significant accounting estimates and judgements. We identified assessing potential impairment of investment in Derun Company as a key audit matter because impairment assessment requires significant judgement and estimation which increases the risk of error or potential management bias.	Our audit procedures to assess potential impairment of investment in Derun Company included the following: • reviewing the operating results and the assets' market value of Derun Company, obtaining, discussing with management and evaluating the key assumptions underlying management's assessment of potential impairment; • obtaining and inspecting the valuation reports prepared by the external valuer engaged by the Group; • evaluating the independence, qualifications, expertise and objectivity of the independent professional appraiser; • with the assistance of our internal valuation specialists, assessing the valuations prepared by the external valuer by evaluating the valuation methodologies adopted, challenging the comparable companies selected and assumptions adopted, including multiples and discount for lack of maketability, considering the possibility of management bias in the selection of assumptions adopted; and • considering the disclosures in the consolidated financial statements in respect of the impairment assessment and the risks inherent in the key assumptions with reference to the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Chun Pong.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

20 March 2020

CONSOLIDATED BALANCE SHEET

(All amounts in HKD thousands unless otherwise stated)

(For reference only) As at 31 December 2019 RMB'000 (Note 2.7(d))		Note	*As at 31 December* **2019 HK$'000**	*2018 HK$'000 (Note)*
	ASSETS			
	Non-current assets			
516,521	Investment properties	6	**576,796**	93,930
8,981,612	Property, plant and equipment	7	**10,029,717**	5,273,283
3,039,044	Land use rights	8	**3,393,684**	2,932,326
1,653,484	Construction in progress	9	**1,846,436**	2,424,315
23,516,494	Intangible assets	10	**26,260,742**	27,020,690
235,003	Goodwill	11	**262,427**	11,324
13,009,179	Interests in associates	13	**14,527,280**	14,244,696
57,378	Interests in joint ventures	14	**64,074**	75,304
481,793	Other financial assets	15	**538,016**	485,949
1,117,351	Deferred tax assets	26	**1,247,740**	787,782
927,699	Other non-current assets	16	**1,035,957**	1,224,961
53,535,558			**59,782,869**	54,574,560
	Current assets			
9,054,942	Inventories and other contract costs	17	**10,111,605**	8,055,405
450,892	Contract assets	18(a)	**503,509**	190,481
196,258	Other financial assets	15	**219,160**	550,396
5,070,587	Trade and other receivables	19	**5,662,296**	3,976,525
62,689	Derivative financial instruments		**70,005**	51,494
1,841,888	Restricted bank deposits	20	**2,056,827**	2,088,989
708,679	Deposits in banks with original maturities over 3 months	20	**791,378**	874,168
10,684,894	Cash and cash equivalents	20	**11,931,764**	13,663,906
250,127	Disposal group held for sale	21	**279,315**	338,670
28,320,956			**31,625,859**	29,790,034
81,856,514	**Total assets**		**91,408,728**	84,364,594

(All amounts in HKD thousands unless otherwise stated)

(For reference only) As at 31 December 2019 RMB'000 (Note 2.7(d))		Note	*As at 31 December* **2019 HK$'000**	2018 HK$'000 (Note)
	EQUITY AND LIABILITIES			
9,761,482	Share capital and share premium	22	**11,098,877**	10,552,228
17,463,285	Other reserves and retained earnings	23	**19,186,158**	17,445,704
27,224,767	**Equity attributable to ordinary shareholders of the Company**		**30,285,035**	27,997,932
1,982,837	**Perpetual securities**	24	**2,330,939**	2,330,939
13,186,504	**Non-controlling interests**		**14,725,298**	14,030,974
42,394,108	**Total equity**		**47,341,272**	44,359,845
	Liabilities			
	Non-current liabilities			
22,547,956	Borrowings	25	**25,179,181**	24,474,131
646,796	Lease liabilities	29	**722,274**	–
1,588,288	Deferred tax liabilities	26	**1,773,633**	1,808,509
1,139,741	Other non-current liabilities	27	**1,272,743**	1,298,862
25,922,781			**28,947,831**	27,581,502
	Current liabilities			
6,656,178	Trade and other payables	28	**7,432,917**	6,097,906
4,130,694	Contract liabilities	18(b)	**4,612,724**	1,825,004
1,486,037	Income tax payable		**1,659,449**	2,362,608
1,176,761	Borrowings	25	**1,314,083**	2,137,729
89,955	Lease liabilities	29	**100,452**	–
13,539,625			**15,119,625**	12,423,247
39,462,406	**Total liabilities**		**44,067,456**	40,004,749
81,856,514	**Total equity and liabilities**		**91,408,728**	84,364,594

Note: *The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.2.1.*

The consolidated financial statements on pages 82 to 188 were approved by the Board of Directors on 20 March 2020 and were signed on its behalf.

Li Hai Tao
Director

Zhong Shan Qun
Director

The notes on pages 90 to 188 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

(All amounts in HKD thousands unless otherwise stated)

(For reference only) *As at 31 December 2019* *RMB'000* *(Note 2.7(d))*		Note	*Year ended 31 December* *2019* *HK$'000*	*2018* *HK$'000* *(Note)*
14,971,772	**Revenue**	5, 30	**16,820,326**	11,581,036
(9,008,766)	Cost of sales	32	**(10,121,072)**	(7,005,626)
5,963,006	**Gross profit**		**6,699,254**	4,575,410
76,898	Other income		**86,393**	45,790
2,545,288	Other gains – net	31	**2,859,553**	4,703,184
(134,360)	Distribution costs	32	**(150,949)**	(87,234)
(773,946)	Administrative expenses	32	**(869,504)**	(592,761)
7,676,886	**Operating profit**		**8,624,747**	8,644,389
12,028	Share of profit of joint ventures	14	**13,513**	14,708
1,109,774	Share of profit of associates	13	**1,246,797**	1,126,361
8,798,688	**Profit before finance costs and income tax**		**9,885,057**	9,785,458
247,531	Finance income	34	**278,094**	116,860
(904,026)	Finance cost	34	**(1,015,645)**	(1,540,393)
(656,495)	Finance costs – net	34	**(737,551)**	(1,423,533)
8,142,193	**Profit before income tax**		**9,147,506**	8,361,925
(1,813,993)	Income tax expense	35	**(2,037,965)**	(1,835,228)
6,328,200	**Profit for the year**		**7,109,541**	6,526,697
	Attributable to:			
4,468,919	Ordinary shareholders of the Company		**5,020,594**	4,212,652
82,647	Perpetual securities holders of Company		**92,951**	92,969
1,776,634	Non-controlling interests		**1,995,996**	2,221,076
6,328,200			**7,109,541**	6,526,697
	Earnings per share attributable to ordinary shareholders of the Company during the year (expressed in HK dollars per share)			
	– Basic	36(a)	**2.34**	2.03
	– Diluted	36(b)	**2.33**	2.02

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.2.1.

Details of dividends paid to ordinary shareholders of the Company are set out in Note 37.

The notes on pages 90 to 188 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HKD thousands unless otherwise stated)

	Note	*Year ended 31 December* **2019** ***HK$'000***	2018 *HK$'000* *(Note)*
Profit for the year		**7,109,541**	6,526,697
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Share of other comprehensive income of associates	13	**38,527**	(19,845)
Items that will not be reclassified to profit or loss:			
Currency translation differences		**(961,937)**	(1,901,022)
Net movement in fair value reserve on other financial assets (Non-recycling)	23	**(1,505)**	(141)
Sub-total		**(963,442)**	(1,901,163)
Other comprehensive income for the year, net of tax	26	**(924,915)**	(1,921,008)
Total comprehensive income for the year		**6,184,626**	4,605,689
Total comprehensive income attributable to:			
Ordinary shareholders of the Company		**4,404,564**	2,894,098
Perpetual securities holders of the Company		**92,951**	92,969
Non-controlling interests		**1,687,111**	1,618,622
		6,184,626	4,605,689

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.2.1.

The notes on pages 90 to 188 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in HKD thousands unless otherwise stated)

	Attributable to ordinary shareholders of the Company						
	Share capital and share premium	*Other reserves (Note 23)*	*Retained earnings (Note 23)*	*Subtotal*	*Perpetual securities*	*Non-controlling interests*	*Total equity*
Balance as at 1 January 2018	9,159,662	2,521,877	12,294,678	23,976,217	2,330,939	11,091,662	37,398,818
Profit for the year	–	–	4,212,652	4,212,652	92,969	2,221,076	6,526,697
Other comprehensive income							
Net movement in the fair value reserve on other financial assets (non-recycling)	–	(141)	–	(141)	–	–	(141)
Share of other comprehensive loss of associates	–	(19,433)	–	(19,433)	–	(412)	(19,845)
Currency translation differences	–	(1,298,980)	–	(1,298,980)	–	(602,042)	(1,901,022)
Total other comprehensive income	–	(1,318,554)	–	(1,318,554)	–	(602,454)	(1,921,008)
Total comprehensive income	–	(1,318,554)	4,212,652	2,894,098	92,969	1,618,622	4,605,689
Transactions with owners in their capacity as owners							
Employee share options							
– proceeds from shares issued	170,892	–	–	170,892	–	–	170,892
– value of employee services	36,018	–	–	36,018	–	–	36,018
Transfer to reserve	–	600,432	(600,432)	–	–	–	–
Dividend relating to 2017	–	–	(2,035,647)	(2,035,647)	–	–	(2,035,647)
Issue of scrip shares as dividend	1,193,116	–	–	1,193,116	–	–	1,193,116
Repurchase of shares	(7,460)	–	–	(7,460)	–	–	(7,460)
Forfeiture of unclaimed dividends	–	–	119	119	–	–	119
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	–	(613,082)	(613,082)
Non-controlling interests arising on business combinations	–	–	–	–	–	195,039	195,039
Business combination under common control	–	19,835	–	19,835	–	–	19,835
Transactions with non-controlling interests	–	203	–	203	–	(57,154)	(56,951)
Capital injections by non-controlling interests	–	1,750,541	–	1,750,541	–	1,813,683	3,564,224
Capital reduction by non-controlling interests	–	–	–	–	–	(17,796)	(17,796)
Distribution for perpetual securities (Note 24)	–	–	–	–	(92,969)	–	(92,969)
Total transactions with owners in their capacity as owners	1,392,566	2,371,011	(2,635,960)	1,127,617	(92,969)	1,320,690	2,355,338
Balance at 31 December 2018	10,552,228	3,574,334	13,871,370	27,997,932	2,330,939	14,030,974	44,359,845

(All amounts in HKD thousands unless otherwise stated)

	Attributable to ordinary shareholders of the Company						
	Share capital and share premium	*Other reserves (Note 23)*	*Retained earnings (Note 23)*	*Subtotal*	*Perpetual securities*	*Non-controlling interests*	*Total equity*
Balance at 1 January 2019	10,552,228	3,574,334	13,871,370	27,997,932	2,330,939	14,030,974	44,359,845
Impact on initial application of HKFRS 16 (Note 2.2.1)	–	(29,331)	(382,587)	(411,918)	–	18,639	(393,279)
Balance as at 1 January 2019, as adjusted	10,552,228	3,545,003	13,488,783	27,586,014	2,330,939	14,049,613	43,966,566
Profit for the year	–	–	5,020,594	5,020,594	92,951	1,995,996	7,109,541
Other comprehensive income							
Net movement in the fair value reserve on other financial assets (non-recycling)	–	(1,505)	–	(1,505)	–	–	(1,505)
Share of other comprehensive loss of associates	–	18,766	–	18,766	–	19,761	38,527
Currency translation differences	–	(633,291)	–	(633,291)	–	(328,646)	(961,937)
Total other comprehensive income	–	(616,030)	–	(616,030)	–	(308,885)	(924,915)
Total comprehensive income	–	(616,030)	5,020,594	4,404,564	92,951	1,687,111	6,184,626
Transactions with owners in their capacity as owners							
Employee share options							
– proceeds from shares issued	114,251	–	–	114,251	–	–	114,251
– value of employee services	21,200	–	–	21,200	–	–	21,200
Transfer to reserve	–	489,565	(489,565)	–	–	–	–
Dividend relating to 2018 (Note 37)	–	–	(2,252,192)	(2,252,192)	–	–	(2,252,192)
Issue of scrip shares as dividend (Note 37)	411,198	–	–	411,198	–	–	411,198
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	–	(1,287,003)	(1,287,003)
Non-controlling interests arising on business combinations	–	–	–	–	–	397,243	397,243
Capital injections by non-controlling interests	–	–	–	–	–	18,599	18,599
Capital reduction by non-controlling interests	–	–	–	–	–	(140,265)	(140,265)
Distribution for perpetual securities (Note 24)	–	–	–	–	(92,951)	–	(92,951)
Total transactions with owners in their capacity as owners	546,649	489,565	(2,741,757)	(1,705,543)	(92,951)	(1,011,426)	(2,809,920)
Balance at 31 December 2019	11,098,877	3,418,538	15,767,620	30,285,035	2,330,939	14,725,298	47,341,272

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.2.1.

The notes on pages 90 to 188 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in HKD thousands unless otherwise stated)

	Note	Year ended 31 December 2019	2018 (Note)
Cash flows from operating activities			
Cash generated from operations	38	**11,651,794**	4,255,444
Interest paid		**(1,152,891)**	(986,834)
Income tax paid		**(3,154,875)**	(1,155,620)
Net cash generated from operating activities		**7,344,028**	2,112,990
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash (paid)/acquired		**(661,602)**	26,786
Purchases of property, plant and equipment, land use rights, construction in progress, intangible assets and other non-current assets		**(4,292,013)**	(3,726,652)
Increase in interests in associates and joint ventures		**(314,340)**	(67,276)
Proceeds from disposal of Meiguan Expressway's toll free section related assets		**–**	34,838
Proceeds from disposal of property, plant and equipment, and concession intangible assets	38	**529,674**	135,632
Purchase of other financial assets		**–**	(1,141,964)
Proceeds from disposal of other financial assets, net of tax		**389,871**	684,827
Disposal of subsidiaries, net of cash acquired	42	**656,374**	209,013
Proceeds from disposal of associates and joint ventures		**–**	5,043
Proceeds from sale of land development in Qianhai		**–**	659,755
Decrease/(increase) in deposits in banks with original maturities over 3 months		**82,790**	(60,212)
Interest received		**267,644**	120,738
Dividends received		**631,123**	599,762
Net cash used in investing activities		**(2,710,479)**	(2,519,710)

(All amounts in HKD thousands unless otherwise stated)

	Note	Year ended 31 December 2019	2018 (Note)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares under employee share option scheme	22	**114,251**	170,892
Capital (deductions)/injections by non-controlling interests		**(121,666)**	3,564,224
Proceeds from borrowings	38(b)	**5,202,760**	18,885,249
Repayments of borrowings	38(b)	**(4,928,704)**	(12,617,542)
Repayments of financing leasing assets	38(b)	**(1,491,802)**	–
Advance to non-controlling shareholder of a subsidiary		**(1,852,596)**	–
Dividends paid to the Company's and subsidiaries' shareholders		**(3,127,997)**	(1,455,613)
Distribution for perpetual securities holders		**(92,951)**	(92,969)
Payments for repurchase of shares		**–**	(7,460)
Payment for acquisition of non-controlling interest in a non-wholly owned subsidiary		**–**	(56,951)
Capital element of lease rentals paid	38(b)	**(63,338)**	–
Interest element of lease rentals paid	38(b)	**(45,678)**	–
Proceed/(payment) for other financing activities		**30,176**	(58,600)
Net cash (used)/generated from financing activities		**(6,377,545)**	8,331,230
Net (decrease)/increase in cash and cash equivalents		**(1,743,996)**	7,924,510
Cash and cash equivalents at the beginning of year		**13,663,906**	5,703,342
Exchange gains		**11,854**	36,054
Cash and cash equivalents at the end of the year	20	**11,931,764**	13,663,906

Note: *The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.2.1.*

The notes on pages 90 to 188 are an integral part of these consolidated financial statements.

1. GENERAL AND MAJOR DEVELOPMENT

(a) General information

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

– Toll roads; and

– Logistic business.

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

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

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

As at 31 December 2019, Ultrarich International Limited ("Ultrarich") directly owned 952,010,090 ordinary shares of the Company, representing approximately 44.04% of the issued share capital of the Company. As Shenzhen Investment Holdings Company Limited ("SIHCL") held 100% equity interest in Ultrarich, it had a deemed interest in 44.04% of the equity in the Company held by Ultrarich and was the largest shareholder of the Company. SIHCL is supervised and managed by Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission ("Shenzhen SASAC"). The directors of the Company regard Shenzhen SASAC as having control of the Company's relevant activities and is the de facto controller of the Company due to the voting power it held in the Company.

These consolidated financial statements are presented in Hong Kong dollars ("HKD"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 20 March 2020.

(b) Land development in Qianhai, Shenzhen for the Group

On 29 September 2019, the Urban Planning Land and Natural Resources Bureau of the Shenzhen Municipality and the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen ("the Qianhai Authority") entered into a land consolidation and preparation agreement (the "Land Consolidation and Preparation Agreement") in respect of the land consolidation and preparation plan of the Group's five land parcels with an aggregate site area of approximately 380,000 square meters in Qianhai, whereby specific arrangements for the land consolidation and preparation plan, the assessment principles, compensation and land transfer arrangement were finalized.

During the year ended 31 December 2019, two wholly-owned subsidiaries of the Group entered into two land use right transfer agreements separately (the "Land Transfer Agreements") with the Qianhai Authority in respect of total land area of approximately 41,200 square meters, with plot ratio-based gross floor area of approximately 110,000 square meters (mainly residential use area). The total consideration for the land transfer is approximately HKD2,511,838,000.

According to the Land Consolidation and Preparation Agreement, no contractual land prices (including land use right assignment fees, land development funds and municipal ancillary facility funds) will be charged for the above two land parcels (the "Second Phase of Qianhai Project"). As a result, the Group recognised other net gain of HKD2,457,559,000 in the consolidated income statement for the year ended 31 December 2019 (See note 31).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance and basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRS, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange. Significant accounting policies adopted by the Group are disclosed below.

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries and the Group's interests in associates and joint ventures.

The consolidated financial statements have been prepared under the historical cost basis, as modified by the revaluation of other financial assets, derivative financial instruments and investment properties, which are carried at fair value.

Non-current assets held for sale are stated at the lower of their carrying amount and fair value less cost to sell.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2.2 Changes in accounting policies and disclosures

The accounting policies applied are consistent with those of the 2018 Financial Statements as described therein, except for the accounting policy that is first effective for the current accounting period of the Group.

2.2.1 New and amended standards adopted by the Group

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.1 New and amended standards adopted by the Group *(continued)*

HKFRS 16, *Leases (continued)*

When applying the modified retrospective approach under HKFRS 16 at transition, the Group measured the right-of-use assets on a lease-by-lease basis, using either of the following two methods:

– Method 1: as if HKFRS 16 had always been applied since the commencement date of the lease (other than discounting using the relevant incremental borrowing rate at the date of initial application of HKFRS 16); or

– Method 2: at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognised in the consolidated balance sheet immediately before the date of initial application.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to properties and land leased for own use and investment property as disclosed in note 7(a); For an explanation of how the Group applies lessee accounting, see note 2.13(a).

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.90% to 4.90%.

(All amounts in HKD thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.1 New and amended standards adopted by the Group *(continued)*

HKFRS 16, *Leases* *(continued)*

b. Lessee accounting and transitional impact *(continued)*

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 40(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
Operating lease commitments at 31 December 2018	1,144,738
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(83,362)
– leases of low-value assets	(459)
Subtotal	1,060,917
Less: total future interest expenses	(340,839)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	720,078
Total lease liabilities recognised at 1 January 2019	720,078

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets.

(All amounts in HKD thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.1 New and amended standards adopted by the Group *(continued)*

HKFRS 16, *Leases (continued)*

b. Lessee accounting and transitional impact *(continued)*

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated balance sheet:

	Carrying amount at 31 December 2018	*Capitalisation of operating lease contracts*	*Carrying amount at 1 January 2019*
Line items in the consolidated balance sheet impacted by the adoption of HKFRS 16:			
Investment properties	93,930	237,049	330,979
Property, plant and equipment	5,273,283	523,342	5,796,625
Interests in associates	14,244,696	(433,592)	13,811,104
Total non-current assets	**54,574,560**	**326,799**	**54,901,359**
Lease liabilities (current)	–	67,350	67,350
Total current liabilities	**12,423,247**	**67,350**	**12,490,597**
Net current assets	**17,366,787**	**(67,350)**	**17,299,437**
Total assets less current liabilities	**71,941,347**	**259,449**	**72,200,796**
Lease liabilities (non-current)	–	652,728	652,728
Total non-current liabilities	**27,581,502**	**652,728**	**28,234,230**
Net assets	**44,359,845**	**(393,279)**	**43,966,566**
Other reserves and retained earnings	17,445,704	(411,918)	17,033,786
Equity attributable to ordinary shareholders of the Company	**27,997,932**	**(411,918)**	**27,586,014**
Non-controlling interests	**14,030,974**	**18,639**	**14,049,613**
Total equity	**44,359,845**	**(393,279)**	**43,966,566**

(All amounts in HKD thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.1 New and amended standards adopted by the Group *(continued)*

HKFRS 16, *Leases (continued)*

b. Lessee accounting and transitional impact *(continued)*

The following table summarises the impact of transition to HKFRS 16 on retained earnings and reserve at 1 January 2019:

Retained earnings	
Recognition of right-of-use assets and lease liabilities relating to operating leases of an associate	(404,261)
Remeasurement of leasehold investment property at fair value at 1 January 2019	21,674
Net decrease in retained earnings at 1 January 2019	(382,587)
Reserves	
Recognition of right-of-use assets and lease liabilities relating to operating leases of an associate	(29,331)
Net decrease in reserves at 1 January 2019	(29,331)
Net decrease in equity attributable to ordinary shareholders of the Company	(411,918)

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 38(b)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 38(c)).

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

(All amounts in HKD thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.1 New and amended standards adopted by the Group *(continued)*

HKFRS 16, *Leases* *(continued)*

c. Impact on the financial result, segment results and cash flows of the Group *(continued)*

	2019				2018
	Amounts reported under HKFRS 16 (A)	Add back: HKFRS 16 depreciation and interest expense (B)	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C)	Hypothetical amounts for 2019 as if under HKAS 17 (D = A + B – C)	Compared to amounts reported for 2018 under HKAS 17
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	8,624,747	97,793	(112,194)	8,610,346	8,644,389
Share of profit of associates	1,246,797	828,904	(791,450)	1,284,251	1,126,361
Finance costs – net	(737,551)	37,530	–	(700,021)	(1,423,533)
Profit before taxation	9,147,506	964,227	(903,644)	9,208,089	8,361,925
Income tax expense	(2,037,965)	(33,831)	28,049	(2,043,747)	(1,835,228)
Profit for the year	7,109,541	930,396	(875,595)	7,164,342	6,526,697
Reportable segment profit for year ended 31 December 2019 (note 5) impacted by the adoption of HKFRS 16:					
– Logistic business	2,234,097	–	–	2,234,097	332,438
– Head office functions	2,330,296	888,031	(845,687)	2,372,640	113,849
– Toll roads	2,545,148	42,365	(29,908)	2,557,605	6,080,410
– Total	7,109,541	930,396	(875,595)	7,164,342	6,526,697

(All amounts in HKD thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.1 New and amended standards adopted by the Group *(continued)*

HKFRS 16, *Leases* *(continued)*

c. Impact on the financial result, segment results and cash flows of the Group *(continued)*

	2019			*2018*
	Amounts reported under HKFRS 16 (A)	***Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2) (B)***	***Hypothetical amounts for 2019 as if under HKAS 17 (C = A + B)***	*Compared to amounts reported for 2018 under HKAS 17*
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	**11,651,794**	**(100,868)**	**11,550,926**	4,255,444
Net cash generated from operating activities	**7,344,028**	**(100,868)**	**7,243,160**	2,112,990
Capital element of lease rentals paid	**(63,338)**	**63,338**	**–**	–
Interest element of lease rentals paid	**(45,678)**	**37,530**	**(8,148)**	–
Net cash used in financing activities	**(6,377,545)**	**100,868**	**(6,276,677)**	8,331,230

Note 1: *The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.*

Note 2: *In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.*

(All amounts in HKD thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.1 New and amended standards adopted by the Group *(continued)*

HKFRS 16, *Leases (continued)*

d. Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, *Investment properties*, to account for all of its leasehold properties that were held for investment purposes as at 31 December 2018. Consequentially, these leasehold investment properties continue to be carried at fair value.

e. Lessor accounting

In addition to leasing out the investment property referred to in paragraph (d) above, the Group leases out a number of items of apartment and offices as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

2.2.2 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Definition of a business	1 January 2020
Amendments to HKAS 1 and HKAS 8, Definition of material	1 January 2020

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Subsidiaries

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Subsidiaries *(continued)*

2.3.1 Consolidation *(continued)*

(b) Business combination under common control

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The assets and liabilities of the combining entities or businesses are combined at the carrying amounts previously recognised in the respective controlling shareholder's financial statements. The consolidated statements of profit or loss and comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the combined financial statements are presented as if the entities or businesses had been combined at the earliest balance sheet date presented or when they first came under common control, whichever is later.

The adjustment to eliminate the share capital of entities combined and investment cost has been recorded as merger reserve in consolidated financial statements.

(c) Change in ownership interest in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Disposal of subsidiaries

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.3 Subsidiaries *(continued)*

2.3.2 Company's balance sheet

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required when there is any indication that the investment is impaired or upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Associates

Associates are all entities in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions. Interests in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's interests in associates include purchase price, other costs directly attributable to the acquisition of the interests in associates, and any direct investment into the associate that forms part of the interest in associates. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures(after applying the ECL model to such other long-term interests where applicable (see note 2.18(a)), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of associates" in the consolidated income statement.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.4 Associates *(continued)*

Sale or contribution of assets between the Group and its associate constitutes a business is accounted for in accordance with the accounting policy set out in Note 2.3.1(d). For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the Group's profit or loss only to the extent of the unrelated the Group's interest in that associate.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2.5 Joint ventures

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's interests in joint ventures include purchase price, other costs directly attributable to the acquisition of the interests in joint ventures, and any direct investment into the joint ventures that forms part of the interest in joint ventures. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures (after applying the ECL model to such other long-term interests where applicable (see note 2.18(a)), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each balance sheet date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to "share of profit/(loss) of joint ventures" in the consolidated income statement.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Sale or contribution of assets between the Group and its joint venture which constitutes a business is accounted for in accordance with the accounting policy set out in Note 2.3.1(d). For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the Group's profit or loss only to the extent of the unrelated the Group's interest in that joint venture.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.6 Goodwill

Goodwill represents the excess of

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

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

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2.7 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in HKD.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated income statement within "finance income" or "finance cost". Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance income" or "finance cost", except when capitalised on the basis set out in Note 2.28. All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains – net".

Translation difference on non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss is recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as FVOCI are included in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.7 Foreign currency translation *(continued)*

(c) Group companies

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

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

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

iii) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) RMB figures

RMB in the consolidated balance sheet and the consolidated income statement were presented before translated into HKD according to the accounting policies in Note 2.7(c).

2.8 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.9 Property, plant and equipment

The following items of property, plant and equipment is stated at historical cost less depreciation and impairment losses (see note 2.18). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see note 2.13).

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance expense are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation of buildings and structures relating to the toll roads is calculated to write off their costs to their estimated residual values on a straight-line basis over the unexpired periods of the leases or toll road operating right, whichever is shorter.

(All amounts in HKD thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.9 Property, plant and equipment *(continued)*

Amortisation of leasehold land commences from the time when the land interest becomes available for its intended use. Amortisation on leasehold land and depreciation on other assets are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.15).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains – net" in the consolidated income statement.

2.10 Construction in progress

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

2.11 Investment properties

Investment property, principally comprising commercial building and car parking spaces, is held for long-term rental yields and is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs. After initial recognition, investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by valuers. Changes in fair values are recorded in the consolidated income statement as part of "other gains – net".

In the comparative period, when the Group held a property interest under an operating lease and used the property to earn rental income and/or for capital appreciation, the Group could elect on a property-by-property basis to classify and account for such interest as an investment property. Any such property interest which had been classified as an investment property was accounted for as if it were held under a finance lease (see note 2.13), and the same accounting policies were applied to that interest as were applied to other investment properties leased under finance leases. Lease payments were accounted for as described in note 2.13.

2.12 Land use rights

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Leased assets

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

(a) As a lessee

(i) Policy applicable from 1 January 2019

Where the contract contains lease component(s) and non-lease component(s), the Group has elected to separate non-lease components and accounts for each lease component as a single lease component for all leases.

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

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2.9 and 2.15), except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 2.11;

– right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note 2.20.

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

The Group presents right-of-use assets that do not meet the definition of investment property in 'other property, plant and equipment' and presents lease liabilities separately in the consolidated balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.13 Leased assets *(continued)*

(a) As a lessee *(continued)*

(ii) Policy applicable prior to 1 January 2019

In the comparative period, as a lessee the Group classified leases as finance leases if the leases transferred substantially all the risks and rewards of ownership to the Group. Leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property was classified as investment property on a property-by-property basis and, if classified as investment property, was accounted for as if held under a finance lease (see note 2.11); and

– land held for own use under an operating lease, the fair value of which could not be measured separately from the fair value of a building situated thereon at the inception of the lease, was accounted for as being held under a finance lease, unless the building was also clearly held under an operating lease. For these purposes, the inception of the lease was the time that the lease was first entered into by the Group, or taken over from the previous lessee.

Where the Group acquired the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets were recognised as property, plant and equipment and the corresponding liabilities, net of finance charges, were recorded as obligations under finance leases. Depreciation was provided at rates which wrote off the cost or valuation of the assets over the term of the relevant lease or, where it was likely the Group would obtain ownership of the asset, the life of the asset, as set out in note 2.9. Impairment losses were accounted for in accordance with the accounting policy as set out in note 2.15. Finance charges implicit in the lease payments were charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

Where the Group had the use of assets held under operating leases, payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(b) As a lessor

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

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2.32(c).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2.13(a), then the Group classifies the sub-lease as an operating lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.14 Concession intangible assets

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

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

Amortisation of concession intangible assets is calculated to write off their costs on a units-of-usage basis, whereby amortisation is provided based on the proportion of actual traffic volume for a particular period over the total projected traffic volume throughout the periods within which the Group is granted the rights to operate those roads (the "Traffic Flow Amortisation Method"). It is the Group's policy to review regularly the total projected traffic volume throughout the operating periods of the respective toll roads. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustments will be made should there be a material change.

2.15 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2.16 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.17 Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 3.3. These investments are subsequently accounted for as follows, depending on their classification.

(a) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2.32(g)).

– fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(b) Equity investments

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 2.32(h).

(c) Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.18 Credit loss and impairment of assets

(a) Credit losses from financial instruments, contract assets and lease receivables

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, including loans to associates and joint ventures, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);

– contract assets as defined in HKFRS 15 (see note 2.21); and

– lease receivables.

Other financial assets measured at fair value, including units in bond funds, equity and debt securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

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

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

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

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– lease receivables: discount rate used in the measurement of the lease receivable;

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

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

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(a) Credit losses from financial instruments, contract assets and lease receivables *(continued)*

Measurement of ECLs *(continued)*

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

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

Significant increases in credit risk

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(a) Credit losses from financial instruments, contract assets and lease receivables *(continued)*

Basis of calculation of interest income

Interest income recognised in accordance with note 2.32(g) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

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

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

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

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

2.19 Financial liabilities

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Inventories and other contract costs

(a) Inventories

Inventories mainly include completed properties for sale, properties under development and toll tickets and materials and spare parts for the repairs and maintenance of expressways, and they are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, represents the actual cost of purchase and development. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

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

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

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

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

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

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

(b) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2.20(a)), property, plant and equipment (see note 2.9) or concession intangible assets (see note 2.14).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.20 Inventories and other contract costs *(continued)*

(b) Other contract costs *(continued)*

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

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

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2.32.

2.21 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.32) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2.18(a) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.22).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.32). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.22).

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

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2.32).

2.22 Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2.21).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2.18(a)).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.23 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2.18(a).

2.24 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.25 Perpetual securities

Perpetual securities are classified as equity if it is non-redeemable, or redeemable only at the issuer's option, and any distributions are discretionary. Distributions on perpetual securities classified as equity are recognised as distributions within equity.

2.26 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2.27 Borrowings

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

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

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

2.28 Borrowing costs

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.28 Borrowing costs *(continued)*

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

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

2.29 Current and Deferred tax

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

(a) Current income tax

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

(b) Deferred tax

<u>Inside basis differences</u>

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

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

<u>Outside basis difference</u>

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.29 Current and Deferred tax *(continued)*

(b) Deferred tax *(continued)*

Outside basis differences *(continued)*

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

(c) Offsetting

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

2.30 Employee benefits and share-based payments

(a) Pension obligations

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

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

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

(b) Share-based payments

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.30 Employee benefits and share-based payments *(continued)*

(b) Share-based payments *(continued)*

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

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(c) Bonus plans

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

2.31 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.32 Revenue and other income

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.32 Revenue and other income *(continued)*

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

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

(a) Toll revenues

The Group's toll revenue from operation of the toll roads is recognised when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transaction can flow into the Group. The settlement period of the toll revenue from toll road operations is normally within a month due to the implementation of unified toll collection policy on expressways of the Group in the PRC.

(b) Construction service revenue under Service Concessions

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

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

(c) Rental income from operating leases

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

(d) Logistic related service revenues

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

(e) Sales of goods

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.32 Revenue and other income *(continued)*

(f) Sales of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when the property is delivered to customer, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 2.21).

For contracts where the period between the payment by the customer and the transfer of the promised property exceeds one year, the transaction price and the amount of revenue from the sales of completed properties is adjusted for the effects of a financing component. If the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of delivery of properties to customer. This accrual increases the balance of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, Borrowing costs, in accordance with the policies set out in note 2.28.

(g) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2.18(a)).

(h) Dividend income

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2.33 Government grants

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2.34 Contingent liabilities

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

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

2.35 Dividend distribution

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

2.36 Related parties

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

   (i) has control or joint control over the Group;

   (ii) has significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or the Group's parent.

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

   (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

   (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

   (iii) Both entities are joint ventures of the same third party.

   (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

   (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

   (vi) The entity is controlled or jointly controlled by a person identified in (a).

   (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

   (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(All amounts in HKD thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out under policies approved by the board of directors. The Group identifies and evaluates financial risks in close co-operation with the Group's operating units. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excessive liquidity.

(a) Market risk

(i) Currency risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	As at 31 December	
	2019	*2018*
Assets		
HKD	**161,043**	210,975
United States dollars ("USD")	**148,620**	348,268
	309,663	559,243
Liabilities		
HKD	**1,274,230**	2,799,631
USD	**2,324,879**	2,564,940
	3,599,109	5,364,571

Apart from the above, the Group did not have significant exposure to foreign exchange risk. Nevertheless, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(All amounts in HKD thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Currency risk *(continued)*

As at 31 December 2019, should HKD and USD be weakened/strengthened by 5% against RMB, with all other factors remain unchanged, the profit after income tax for the year would be affected as follows:

	Change of profit after income tax – increase/(decrease)	
	2019	2018
HKD against RMB		
– Weakened by 5%	**56,033**	107,579
– Strengthened by 5%	**(56,033)**	(107,579)
USD against RMB		
– Weakened by 5%	**(4,322)**	83,751
– Strengthened by 5%	**4,322**	(83,751)

The net fair value of foreign exchange forward contracts entered into by the Group for managing the risk relating to monetary assets and liabilities in foreign currencies as at 31 December 2019 was HKD70,005,000 and recognised as derivative financial asset (2018: HKD51,494,000 and recognised as derivative financial asset).

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Apart from deposits held in banks, the Group has no significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing bank deposits resulted from the changes in interest rates, because the interest rates of deposit balances are not expected to change significantly.

The Group's interest rate risk arises from long-term bank borrowings, senior notes, medium-term notes and corporate bonds. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Senior notes, medium-term notes and corporate bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group adjusts the proportion of borrowings at fixed rate against borrowings at floating rate based on the change of the finance market environment. During 2019 and 2018, the Group's borrowings at variable rates were mainly denominated in HKD and RMB. For bank borrowings in the PRC, the interest rate would be adjusted accordingly should the lending rate promulgated by the People's Bank of China ("PBOC") be changed.

As at 31 December 2019, borrowings of the Group which were issued at floating rates amounted to approximately HKD13,619,127,000 (2018: HKD14,395,693,000). As at 31 December 2019, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged and without taking into account interest capitalisation, the finance costs of the Group would be increased/decreased by approximately HKD68,096,000 (2018: HKD71,978,000).

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(iii) Price risk

The Group is exposed to equity securities price risk in respect of shares of CSG Holding Co., Ltd. ("CSG"), a company listed in the Shenzhen Stock Exchange held by the Group and classified as other financial assets. The Group is not exposed to significant commodity price risk.

The table below summarises the impact of increase/decrease of share price of CSG on equity. The analysis is based on the assumptions that the share price of CSG had increased/decreased by 5% as at the end of each reporting period with all other factors remain unchanged:

	Impact on other components of equity, net of tax – increase/(decrease)	
	2019	2018
Share price		
– Increased by 5%	**8,218**	6,278
– Decreased by 5%	**(8,218)**	(6,278)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents, bills receivable and derivative financial assets is limited because the counterparties are banks and financial institutions are either state-owned banks, listed banks or large/medium sized commercial banks, for which the Group considers to have low credit risk.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group does not have significant credit concentration risk.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 120 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

(All amounts in HKD thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

Trade receivables and contract assets *(continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

	2019 Expected loss rate %	**2019** Gross carrying amount	**2019** Loss allowance
Current (not past due)	**1.06%**	**2,007,215**	**21,178**
1 – 90 days past due	**23.99%**	**35,160**	**8,435**
91 – 180 days past due	**44.35%**	**4,528**	**2,008**
181 – 270 days past due	**52.81%**	**24,726**	**13,057**
271 – 365 days past due	**99.10%**	**2,776**	**2,751**
More than 1 year past due	**100.00%**	**18,357**	**18,357**
		2,092,762	**65,786**

	2018 Expected loss rate %	*2018* Gross carrying amount	*2018* Loss allowance
Current (not past due)	0.64%	992,647	6,359
1 – 90 days past due	2.91%	17,531	510
91 – 180 days past due	6.08%	17,900	1,088
181 – 270 days past due	14.01%	22,477	3,150
271 – 365 days past due	38.15%	3,510	1,339
More than 1 year past due	100.00%	18,015	18,015
		1,072,080	30,461

Expected loss rates are based on actual loss experience over the past 18 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2019	*2018*
Balance at 1 January	**30,461**	25,762
Amounts written off during the year	**(333)**	–
Acquisition of subsidiaries	**5,037**	–
Impairment losses recognised during the year	**31,505**	6,012
Exchange difference	**(884)**	(1,313)
Balance at 31 December	**65,786**	30,461

(All amounts in HKD thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Cash flow forecast is performed in the operating entities of the Group. The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its standby committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements – for example, currency restrictions.

The table below analyses the non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Contractual undiscounted cash outflow (including interest payments)					
	Less than 1 year	*Between 1 and 2 years*	*Between 2 and 5 years*	*Over 5 years*	*Total*	*Carrying amount*
At 31 December 2019						
Bank borrowings	**1,847,951**	**2,655,293**	**4,278,520**	**10,455,145**	**19,236,909**	**14,182,118**
Borrowings from a financial leasing company	**113,395**	**698,494**	**–**	**–**	**811,889**	**737,050**
Corporate bonds	**116,328**	**2,453,414**	**942,493**	**–**	**3,512,235**	**3,216,307**
Panda bonds	**235,232**	**5,818,705**	**–**	**–**	**6,053,937**	**5,577,263**
Senior notes	**32,663**	**32,663**	**911,851**	**–**	**977,177**	**774,883**
Medium-term notes	**86,343**	**1,203,037**	**973,579**	**–**	**2,262,959**	**2,005,643**
Trade and other payables (excluding other taxes payable and staff welfare benefit payable)	**6,351,506**	**–**	**–**	**–**	**6,351,506**	**6,351,506**
Other lease liabilities	**110,464**	**92,546**	**228,430**	**706,803**	**1,138,243**	**822,726**
	8,893,882	**12,954,152**	**7,334,873**	**11,161,948**	**40,344,855**	**33,667,496**
At 31 December 2018						
Bank borrowings	2,743,273	1,650,915	6,075,059	9,247,787	19,717,034	14,848,198
Corporate bonds	115,730	115,730	3,306,662	–	3,538,122	3,240,722
Panda bonds	240,495	240,495	5,948,910	–	6,429,900	5,698,953
Senior notes	33,394	33,394	965,650	–	1,032,438	775,383
Medium-term notes	87,646	89,344	2,190,263	–	2,367,253	2,048,604
Trade and other payables (excluding other taxes payable and staff welfare benefit payable)	4,727,112	–	–	–	4,727,112	4,727,112
Other non-current liabilities	113,668	146,558	–	–	260,226	260,226
	8,061,318	2,276,436	18,486,544	9,247,787	38,072,085	31,599,198

Note: *The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Other lease liabilities include amounts recognised at the date of transition to HKFRS 16 in respect of leases previously classified as operating leases under HKAS 17 and amounts relating to new leases entered into during the year. Under this approach, the comparative information is not restated. See note 2.2.1.*

(All amounts in HKD thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and protect interest for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount and payment schedule of dividends paid to shareholders, capital returned to shareholders, new shares issued, perpetual securities issued, or assets sold to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and bank balances. Total equity is calculated as "equity", as shown in the consolidated balance sheet.

The Group maintained a consistent strategy to keep the gearing ratio at a reasonable level. The gearing ratios at 31 December 2019 and 2018 were as follows:

	2019	2018
Total borrowings	**26,493,264**	26,611,860
Less: cash and bank balances	**(14,779,969)**	(16,627,063)
Net debt	**11,713,295**	9,984,797
Total equity	**47,341,272**	44,359,845
Gearing ratio	**25%**	23%

3.3 Fair value estimation

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

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

(All amounts in HKD thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

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

	As at 31 December 2019			
	Level 1	***Level 2***	***Level 3***	***Total***
Assets				
Equity securities designated at FVOCI (non-recycling)				
– Unlisted equity securities	**–**	**–**	**53,662**	**53,662**
Financial assets measured at FVPL				
– Listed securities in the PRC	**219,160**	**–**	**–**	**219,160**
– Unlisted equity securities	**–**	**–**	**243,371**	**243,371**
– Unlisted fund investment	**–**	**–**	**240,983**	**240,983**
Derivative financial instruments	**–**	**70,005**	**–**	**70,005**

	As at 31 December 2018			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets				
Equity securities designated at FVOCI (non-recycling)				
– Unlisted equity securities	–	–	56,902	56,902
Financial assets measured at FVPL				
– Wealth management products	–	388,172	–	388,172
– Listed securities in the PRC	162,224	–	–	162,224
– Unlisted equity securities	–	–	206,004	206,004
– Unlisted fund investment	–	–	223,043	223,043
Derivative financial instruments	–	51,494	–	51,494

During the year ended 31 December 2019, there was no transfers between Level 1 and Level 2.

(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. These instruments which are included in level 1 comprise shares of CSG classified as FVPL.

(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.

(All amounts in HKD thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(c) Financial instruments in level 3

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

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Financial assets measured at FVPL			
– Unlisted equity securities (note i)	Market comparable companies	Adjusted P/E multiplier	18.39 – 20.24
		The discount of lack of marketability	34.68% to 35.26%
		Yield	6.5%
– Unlisted fund investment (note ii)	Income capitalisation method	Market monthly rental rate (RMB/sq.m.)	23.1 – 42.0
		Occupancy rate	63% – 98%

(i) *The fair value of unlisted equity instruments is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2019, 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 HKD18,818,000.*

(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 (non-recycling) is determined with reference to the net asset value of the investments. As at 31 December 2019 the carrying amount is not materially different from their fair value.*

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

	2019	*2018*
Unlisted equity securities and fund investments:		
Beginning of the year	**485,949**	253,713
Payment for purchases	**39,092**	211,004
Net unrealised gains or losses recognised in other comprehensive income during the year	**(2,007)**	(188)
Changes in fair value recognised in profit or loss during the year	**25,997**	40,283
Exchange difference	**(11,015)**	(18,863)
At 31 December	**538,016**	485,949

Any gain or loss arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

The gains arising from the remeasurement of the unlisted equity securities and fund investments are presented in the "Other gain" line item in the consolidated income statement.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

(a) 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 IFRS 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, 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 as if the Group were providing construction and project management services. Accordingly, construction service revenue under the respective Service Concessions 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.

(b) Amortisation of concession intangible assets

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

Amortisation of concession intangible assets is provided under the Traffic Flow Amortisation Method. Adjustments may need to be made to the carrying amounts of concession intangible assets should there be a material difference between total projected traffic volume and the actual results.

The directors of the Company performed a periodic assessment of the total projected traffic volume. The Group appoints independent professional traffic consultants to perform independent professional traffic studies and make appropriate adjustment if there is a material difference between projected traffic volume and actual traffic volume.

In the second quarter of 2019, the Group appointed an independent professional traffic consultant to reassess the aggregate future traffic volume of Meiguan Expressway, Jihe West Expressway and Jihe East Expressway. The Group has adjusted the amortisation unit for the related concession intangible assets according to the revised total projected traffic volume since 1 April 2019 on a prospective basis. Such change in accounting estimate has resulted in increase in profit attributable to ordinary shareholders of the Company amounting to HKD20,925,000 for the period from 1 April to 31 December 2019 and will affect the amortisation charges of the Group in the future.

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

4.1 Critical accounting estimates and assumptions *(continued)*

(c) Impairment of concession intangible assets

The estimated recoverable amount is taken into account when considering the impairment of concession intangible assets.

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

As stated in Note 2.15, assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Since the toll charging period of Shuiguan Expressway, an expressway operated by Shenzhen Qinglong Expressway Company Limited ("Qinglong Company", a subsidiary of the Company), was expected to shorten, which representing an impairment indicator, the Group appointed an independent professional traffic consultant to perform traffic studies and an independent valuer to perform business valuation of Shuiguan Expressway accordingly using income approach. Based on the valuation result, the Group considered that the recoverable amount of the concession intangible assets of Shuiguan Expressway was lower than its carrying value, and an impairment provision amounting to HKD620,155,000 was made accordingly, which resulted in a decrease in profit attributable to ordinary shareholders of the Company amounting to HKD119,909,000 for the year ended 31 December 2019. The assessment relied on the key assumption of the applicable pre-tax discount rate of 16.07%, which reflects specific risks relating to Shuiguan Expressway.

(d) Income tax and deferred tax

The Group is subject to income taxes mainly in the PRC. Since the ultimate tax determination for relevant transactions and events arising from ordinary course of business might be uncertain. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises deferred tax assets based on estimates that it is probable to generate enough taxable incomes in the foreseeable future that the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgments and estimations about the timing and the amount of taxable incomes of the Company who has tax loss. Where the final outcome of timing and amount is different from that initially estimated, such differences will impact the current income taxes and deferred tax assets in the period in which such determination is made.

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

4.1 Critical accounting estimates and assumptions *(continued)*

(e) Non-listed equity investments measurement

Valuation of non-listed equity investments is made based on the expected future cash flows discounted using the current discount rate applicable to other financial instruments with similar contractual terms and risk characteristics. This requires the Group to make an estimation of the expected future cash flows, credit risk, volatility, and discount rate. Such estimation can involve uncertainties.

(f) Determining the lease term

As explained in policy note 2.2, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

4.2 Critical judgements in applying accounting policies

(a) Joint arrangements

The Group holds 38% – 50% of the voting rights of its joint arrangements. Significant judgements are required in assessing whether the Group has joint control over these arrangements. The directors of the Company consider that the Group has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

5. SEGMENT INFORMATION

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

– Toll roads; and

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

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

(All amounts in HKD thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the board of directors, the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2019 and 2018 is set out below.

For the year ended 31 December 2019

	Toll roads	*Logistic business*					*Head office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related services*	*Logistic park transformation and upgrading services*	*Sub-total*		
Revenue from contracts with customers within the scope of HKFRS 15								
– Point in time	6,567,874	72,777	878,422	1,564,412	4,569,316	7,084,927	–	13,652,801
– Over time	2,407,676	–	–	–	–	–	–	2,407,676
Subtotal	8,975,550	72,777	878,422	1,564,412	4,569,316	7,084,927	–	16,060,477
Revenue from other sources	–	759,849	–	–	–	759,849	–	759,849
Revenue	8,975,550	832,626	878,422	1,564,412	4,569,316	7,844,776	–	16,820,326
Operating profit	2,500,521	194,682	53,425	192,679	2,820,291	3,261,077	2,863,149	8,624,747
Share of profit/(loss) of joint ventures	–	13,857	–	–	–	13,857	(344)	13,513
Share of profit/(loss) of associates	616,099	(182)	–	(491)	–	(673)	631,371	1,246,797
Finance income	57,189	5,856	12,051	172	36,979	55,058	165,847	278,094
Finance costs	(678,980)	(13,493)	(3,658)	(559)	(26,028)	(43,738)	(292,927)	(1,015,645)
Profit before income tax	2,494,829	200,720	61,818	191,801	2,831,242	3,285,581	3,367,096	9,147,506
Income tax benefit/(expense)	50,319	(28,133)	(13,892)	(34,698)	(974,761)	(1,051,484)	(1,036,800)	(2,037,965)
Profit for the year	2,545,148	172,587	47,926	157,103	1,856,481	2,234,097	2,330,296	7,109,541
Non-controlling interests	(1,253,879)	(6,665)	(22,397)	(40,804)	(542,072)	(611,938)	(130,179)	(1,995,996)
Subtotal	1,291,269	165,922	25,529	116,299	1,314,409	1,622,159	2,200,117	5,113,545
Profit attributable to perpetual securities holders	–	–	–	–	–	–	(92,951)	(92,951)
Profit attributable to ordinary shareholders of the Company	1,291,269	165,922	25,529	116,299	1,314,409	1,622,159	2,107,166	5,020,594
Depreciation and amortisation	1,722,143	243,619	37,123	58,696	3,820	343,258	48,493	2,113,894
Capital expenditure								
– Additions in investment properties, property, plant and equipment, construction in progress, land use rights and intangible assets	2,520,849	1,485,458	120,442	38,365	7,968	1,652,233	1,171,749	5,344,831
– Additions in property, plant and equipment, construction in progress, land use rights, and intangible assets arising from acquisition of subsidiaries	2,034,948	387,641	–	–	–	387,641	–	2,422,589
– Additions in interests in associates	314,340	–	–	–	–	–	–	314,340

(All amounts in HKD thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2018

	Toll roads	*Logistic business*				*Head office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related services*	*Sub-total*		
Revenue from contracts with customers within the scope of HKFRS 15							
– Point in time	7,185,367	143,387	801,530	1,318,457	2,263,374	–	9,448,741
– Over time	1,617,986	–	–	–	–	–	1,617,986
Subtotal	8,803,353	143,387	801,530	1,318,457	2,263,374	–	11,066,727
Revenue from other sources	–	514,309	–	–	514,309	–	514,309
Revenue	8,803,353	657,696	801,530	1,318,457	2,777,683	–	11,581,036
Operating profit/(loss)	8,570,452	167,413	67,879	165,813	401,105	(327,168)	8,644,389
Share of profit/(loss) of joint ventures	–	14,733	–	–	14,733	(25)	14,708
Share of profit/(loss) of associates	611,524	(145)	1,028	(532)	351	514,486	1,126,361
Finance income	47,762	7,733	3,816	779	12,328	56,770	116,860
Finance costs	(1,365,788)	(15,857)	(1,420)	(5,393)	(22,670)	(151,935)	(1,540,393)
Profit before income tax	7,863,950	173,877	71,303	160,667	405,847	92,128	8,361,925
Income tax (expense)/benefit	(1,783,540)	(31,525)	(15,463)	(26,421)	(73,409)	21,721	(1,835,228)
Profit for the year	6,080,410	142,352	55,840	134,246	332,438	113,849	6,526,697
Non-controlling interests	(2,184,341)	14,499	(16,484)	(37,072)	(39,057)	2,322	(2,221,076)
Subtotal	3,896,069	156,851	39,356	97,174	293,381	116,171	4,305,621
Profit attributable to perpetual securities holders	–	–	–	–	–	(92,969)	(92,969)
Profit attributable to ordinary shareholders of the Company	3,896,069	156,851	39,356	97,174	293,381	23,202	4,212,652
Depreciation and amortisation	2,035,212	178,756	13,163	61,857	253,776	22,271	2,311,259
Capital expenditure							
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	1,359,195	870,854	42,687	33,011	946,552	1,654,389	3,960,136
– Additions in interests in associates	67,743	–	–	–	–	–	67,743

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the comparative information is not restated. (see note 2.2.1). Management has determined the impact of the hypothetical amounts as if under HKAS17 does not reflect the performance of each operating segments, thus recorded the impact arising from initially applied HKFRS16 in Head office functions.

(All amounts in HKD thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

(a) The revenue from toll roads included construction service revenue under service concession arrangements of HKD1,834,102,000 for the year (2018: HKD1,234,194,000).

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

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

6. INVESTMENT PROPERTIES

	2019	*2018*
Beginning of the year	**93,930**	93,330
Impact on initial application of HKFRS 16 (Note 2.2.1)	**237,049**	–
Beginning of the year, as adjusted	**330,979**	93,330
Additions	**116,058**	–
Fair value gains	**29,001**	600
Transfer from construction in progress (Note 9)	**119,635**	–
Exchange difference	**(18,877)**	–
End of the year (Note 7(a))	**576,796**	93,930

The Group leases out investment property under operating leases. The leases typically run for an initial period of 1 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every years to reflect market rentals. None of the leases includes variable lease payments.

The valuation for investment properties was arrived at by considering the capitalised income derived from the existing tenancies and the reversionary potential of the properties or, where appropriate, by reference to market evidence of transaction prices for similar properties in nearby locations and comparable conditions.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2019	*2018*
Within 1 year	**83,809**	3,082
After 1 year but within 2 years	**68,557**	3,236
After 2 year but within 3 years	**71,023**	3,398
After 3 year but within 4 years	**67,883**	3,568
After 4 year but within 5 years	**62,704**	1,873
After 5 years	**58,296**	–
	412,272	15,157

(All amounts in HKD thousands unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2018	Land and buildings	Other properties leased for own use	Leasehold improvements	Motor vehicles	Furniture, fixtures, and equipment	Loading equipment and facilities in port	Total
Net book amount as at 1 January 2018	3,131,883	–	7,792	48,185	838,320	1,220,001	5,246,181
Transfer from construction in progress (Note 9)	603,490	–	–	–	77,536	6,419	687,445
Additions	153,827	–	2,464	17,313	138,529	23,104	335,237
Disposals	(169,162)	–	–	(685)	(166,354)	–	(336,201)
Exchange difference	(156,461)	–	(507)	(2,113)	(22,399)	(52,508)	(233,988)
Depreciation	(144,289)	–	(679)	(15,428)	(208,349)	(56,646)	(425,391)
Closing net book value	3,419,288	–	9,070	47,272	657,283	1,140,370	5,273,283
At 31 December 2018							
Costs	4,335,602	–	18,634	130,586	2,253,327	1,454,894	8,193,043
Accumulated depreciation and impairment	(916,314)	–	(9,564)	(83,314)	(1,596,044)	(314,524)	(2,919,760)
Net book value	3,419,288	–	9,070	47,272	657,283	1,140,370	5,273,283

Year ended 31 December 2019	Land and buildings	Other properties leased for own use	Leasehold improvements	Motor vehicles	Furniture, fixtures, and equipment	Loading equipment and facilities in port and wind-power equipment	Total
Net book amount as at 1 January 2019	3,419,288	–	9,070	47,272	657,283	1,140,370	5,273,283
Impact on initial application of HKFRS 16 (Note 2.2.1)	–	523,342	–	–	–	–	523,342
Net book amount as at 1 January 2019, as adjusted	3,419,288	523,342	9,070	47,272	657,283	1,140,370	5,796,625
Acquisition of subsidiaries	414,395	1,467,565	–	827	6,366	381,125	2,270,278
Transfer from construction in progress (Note 9)	2,288,487	–	–	–	418,570	6,853	2,713,910
Transfer	–	(1,484,431)	–	–	–	1,484,431	–
Additions	3,971	166,859	5,452	8,072	214,508	28,424	427,286
Disposals	(21,462)	–	–	(2,737)	(4,402)	(231,788)	(260,389)
Transfer to held for sale	–	–	–	–	–	(281,010)	(281,010)
Exchange difference	(88,129)	12,264	(226)	(957)	(17,345)	(25,628)	(120,021)
Depreciation	(190,688)	(88,213)	(681)	(17,175)	(144,462)	(75,743)	(516,962)
Closing net book value	5,825,862	597,386	13,615	35,302	1,130,518	2,427,034	10,029,717
At 31 December 2019							
Costs	6,912,026	677,740	23,041	118,709	2,823,982	2,723,709	13,279,207
Accumulated depreciation and impairment	(1,086,164)	(80,354)	(9,426)	(83,407)	(1,693,464)	(296,675)	(3,249,490)
Net book value	5,825,862	597,386	13,615	35,302	1,130,518	2,427,034	10,029,717

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. See note 2.2.1.

(All amounts in HKD thousands unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Property ownership certificates for buildings with net book value of HKD332,595,000 (2018: HKD383,072,000) are not procured. Due to the unique feature of the Group's operation of toll roads, the affiliated buildings and structures should be reverted to the government when the approved operating periods expire. Thus, the Group does not have a plan of procuring the property ownership certificates.

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Notes	*31 December 2019*	*1 January 2019*
Included in "Investment properties":			
Ownership interests in leasehold investment properties, carried at fair value, with remaining lease term of			
– between 10 and 50 years		**493,664**	238,093
– 10 years or less		**83,132**	92,886
	6	**576,796**	330,979
Included in "Property, plant and equipment":			
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost	(i)	**5,825,862**	3,419,288
Other properties leased for own use, carried at depreciated cost	(ii)	**597,386**	523,342
		6,423,248	3,942,630
Included in "Land use rights":			
Land use rights, carried at depreciated cost	8	**3,393,684**	2,932,326
Included in "Inventories":			
Land held for future development		**2,745,190**	1,737,961
Land and properties under development for sale		**4,774,727**	4,374,681
Completed properties for sale		**78,334**	462,143
		7,598,251	6,574,785
		17,991,979	13,780,720

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019	*2018 (Note)*
Depreciation and amortisation charge of right-of-use assets by class of underlying asset:		
Property, plant and equipment	**278,901**	144,289
Land use rights (Note 8)	**86,415**	55,646
	365,316	199,935
Interest on lease liabilities (note 34)	**45,678**	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	**19,722**	–
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**9,923**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**–**	79,757

(All amounts in HKD thousands unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Right-of-use assets *(continued)*

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2.2.1.

During the year, additions to right-of-use assets were HKD6,304,926,000. This amount included the purchase of a leasehold property of HKD3,626,229,000, land in Qianhai held for future development of HKD2,511,838,000 and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 38(c) and 29, respectively.

(i) Ownership interests in leasehold land and buildings held for own use

The Group holds several buildings for its logistics business and office use. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its logistic business warehouses through tenancy agreements. The leases typically run for an initial period of 2 to 20 years. Lease payments are usually increased every year to reflect market rentals.

8. LAND USE RIGHTS

	2019	2018
Beginning of the year	**2,932,326**	1,959,033
Acquisition of subsidiaries (Note 41)	**59,086**	–
Additions	**624,597**	1,148,410
Transfer to inventories	**(69,517)**	–
Amortisation (Note 7(a))	**(86,415)**	(55,646)
Exchange difference	**(66,393)**	(119,471)
End of the year	**3,393,684**	2,932,326

The analysis of carrying amount of leasehold land is as follows:

In the PRC	**2019**	2018
Medium-term leases (10 – 50 years)	**3,388,195**	2,926,947
Long-term leases (over 50 years)	**1,050**	1,182
Leases with unspecified periods	**4,439**	4,197
	3,393,684	2,932,326

9. CONSTRUCTION IN PROGRESS

	2019	2018
Net book value as at 1 January	**2,424,315**	1,980,103
Additions	**2,305,446**	1,244,089
Transfer to property, plant and equipment (Note 7)	**(2,713,910)**	(687,445)
Transfer to investment property (Note 6)	**(119,635)**	–
Exchange difference	**(49,780)**	(112,432)
Net book value as at 31 December	**1,846,436**	2,424,315

(All amounts in HKD thousands unless otherwise stated)

10. INTANGIBLE ASSETS

Concession intangible assets

	2019	2018
Cost	**38,120,004**	36,980,113
Accumulated amortisation and impairment	**(11,859,262)**	(9,959,423)
Net book value as at 31 December	**26,260,742**	27,020,690

	2019	2018
Net book value as at 1 January	**27,020,690**	33,624,346
Acquisition of subsidiaries	**93,225**	–
Additions	**1,871,444**	1,232,400
Disposals	**–**	(4,699,456)
Amortisation	**(1,510,517)**	(1,830,222)
Impairment (Note 4.1(c))	**(620,155)**	–
Exchange difference	**(593,945)**	(1,306,378)
Net book value as at 31 December	**26,260,742**	27,020,690

(i) 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 3 to 18 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 considerations payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options. Amortisation of concession intangible assets has all been charged in the consolidated income statement within "Cost of sales".

(ii) The operating rights of Guangdong Qinglian Expressway Development Company Limited (Qinglian Expressway) was included in the concession intangible assets with net book value of HKD7,208,041,000 (2018: HKD7,704,443,000), which was pledged for secured borrowings totaling HKD1,824,929,000 (2018: HKD1,979,020,000).

The operating rights of Outer Ring Expressway and Coastal Highway were included in the concession intangible assets with net book value of HKD3,807,601,000 (2018: HKD2,222,922,000) and HKD6,872,712,000 (2018: HKD7,048,040,000) respectively, which was pledged for secured borrowings totaling HKD3,920,572,000 (2018: HKD2,453,330,000) and HKD3,928,709,000 (2018: HKD5,044,136,000) respectively.

(All amounts in HKD thousands unless otherwise stated)

11. GOODWILL

	2019	2018
Cost and carrying amount as at 1 January	11,324	–
Additions	259,838	11,210
Exchange difference	(8,735)	114
Cost and carrying amount as at 31 December	262,427	11,324

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the group's cash-generating units (CGUs) identified according to operating segment as follows:

	2019	2018
Toll roads	174,249	–
Logistic parks	77,102	–
Logistic services	11,076	11,324
	262,427	11,324

The recoverable amount of the CGUs in Toll roads is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The cash flows are discounted using a pre-tax discount rate of 13.97%. The discount rates reflect specific risks relating to the relevant segments.

12. SUBSIDIARIES

(a) A list of the principal subsidiaries as at 31 December 2019 is disclosed in Note 44.

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2019 were HKD14,725,298,000 (2018: HKD14,030,974,000), of which HKD9,846,027,000 (2018: HKD9,610,493,000) was attributable to other shareholders of Shenzhen Expressway. The non-controlling interests in respect of other subsidiaries are not material.

Significant restrictions

Most of the cash and deposits held by Shenzhen Expressway were deposited in banks in the PRC and were subject to local exchange control regulations. These local exchange control regulations provide for restrictions on repatriating capital from the PRC, other than through dividends.

Set out below are the summarised financial information for Shenzhen Expressway that has non-controlling interests material to the Group. The summarised financial information presented below represents the amounts before any inter-company eliminations.

(All amounts in HKD thousands unless otherwise stated)

12. SUBSIDIARIES *(continued)*

(b) Material non-controlling interests *(continued)*

	2019	2018 (Note)
Current assets	**8,560,600**	8,612,636
Non-current assets	**41,648,281**	38,264,760
Current liabilities	**(7,236,956)**	(6,807,861)
Non-current liabilities	**(19,793,751)**	17,755,489)
Net assets	**23,178,174**	22,314,046
Non-controlling interests	**2,625,802**	2,150,471
Revenue	**8,783,686**	8,075,745
Profit for the year	**2,870,335**	4,154,623
Total comprehensive income	**2,909,240**	4,167,443
Total comprehensive income allocated to non-controlling interests	**36,888**	163,384
Dividends paid to non-controlling interests	**205,836**	166,129
Net cash generated from operating activities	**1,967,677**	3,795,907
Net cash (used in)/generated from investing activities	**(284,787)**	1,102,510
Net cash used in financing activities	**(1,288,701)**	(4,078,122)

Note: The subsidiary has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise additional right-of-use assets and lease liabilities of HKD136,816,000 and HKD120,062,000 relating to leases which were previously classified as operating leases under HKAS 17. Under this approach, the comparative information is not restated.

13. INTERESTS IN ASSOCIATES

	2019	2018
Beginning of the year	**14,244,696**	14,311,220
Impact on initial application of HKFRS 16 (Note 2.2.1)	**(433,592)**	–
Adjusted balance at beginning of the year	**13,811,104**	14,311,220
Additions	**314,340**	67,743
Disposal	**–**	(18,576)
Share of profit of associates	**1,246,797**	1,126,361
Share of other comprehensive income of associates	**38,527**	(19,845)
Dividends	**(575,023)**	(578,573)
Exchange difference	**(308,465)**	(643,634)
End of the year	**14,527,280**	14,244,696

The year-end balance comprises the following:

	2019	2018
Share of net assets, other than goodwill	**11,944,907**	11,604,539
Goodwill on acquisition (Note (b))	**2,582,373**	2,640,157
	14,527,280	14,244,696

(All amounts in HKD thousands unless otherwise stated)

13. INTERESTS IN ASSOCIATES *(continued)*

(a) The major associates as listed below are held indirectly by the Company, their place of business and country of incorporation is the PRC. They are accounted for using equity method.

Name	***% Ownership interest in***		***Business nature***
	2019	*2018*	
Shenzhen Airlines (Note (d))	**49%**	49%	Aviation services
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	**25%**	25%	Construction, operation and management of highways
Guangzhou Western Second Ring Expressway Company Limited	**25%**	25%	Construction, operation and management of highways
Shenzhen Huayu Expressway Investment Company Limited	**40%**	40%	Development, operation and management of highways
Nanjing Yangzi River Third Bridge Company Limited	**25%**	25%	Construction, operation and management of bridges
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	**25%**	25%	Construction, operation and management of highways
Yunfu Guangyun Expressway Company Limited	**30%**	30%	Construction, operation and management of highways
Bank of Guizhou Company Limited (Note (c))	**3.44%**	3.44%	Deposit and loan business; domestic clearing, bills acceptance and discounting; issuance, redemption and underwriting of various types of bonds; other businesses as approved by the banking regulatory authorities and related departments.
Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd.	**50%**	50%	Real estate development
Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company")	**24%**	24%	Project management consulting, engineering consulting and sales of engineering materials
Shenzhen Zhongneng Electronic Commerce Company Limited	**10%**	10%	Software and information technology services
Shenzhen International Huazhang II Logistics Industry Investment Partnership Enterprise	**40%**	40%	Venture capital investment
Derun Company (Note (d))	**20%**	20%	Environment management and resources recovery

(All amounts in HKD thousands unless otherwise stated)

13. INTERESTS IN ASSOCIATES *(continued)*

(b) The balance represents the goodwill arising from the acquisition of equity interests in Jiangzhong Company, Yangmao Company, Consulting Company, Shenzhen Airlines and Derun Company.

(c) The Group maintains a board seat in the Board of Directors, which has significant influence over its management, including participation in the financial and operating policy decisions.

(d) In the opinion of the directors, Shenzhen Airlines and Derun Company are material associates to the Group. Shenzhen Airlines and Derun Company are private companies and there are no quoted market prices available for their shares. Set out below are the summarised financial information for Shenzhen Airlines and Derun Company.

Summarised balance sheet

	Shenzhen Airlines		Derun Company	
	2019	2018	**2019**	2018
Current				
Assets	**3,797,908**	4,792,044	**9,798,092**	10,458,546
Liabilities	**(28,062,252)**	(30,767,674)	**(9,343,202)**	(7,552,463)
Total current net (liabilities)/assets	**(24,264,344)**	(25,975,630)	**454,890**	2,906,083
Non-current				
Assets	**71,996,072**	61,042,075	**37,177,294**	31,940,848
Liabilities	**(37,861,087)**	(25,066,377)	**(9,398,311)**	(7,639,398)
Total non-current net assets	**34,134,985**	35,975,698	**27,778,983**	24,301,450
Non-controlling interests	**(39,397)**	(117,446)	**(11,136,707)**	(10,368,753)
Net assets	**9,831,244**	9,882,622	**17,097,166**	16,838,780

Summarised statement of comprehensive income

	Shenzhen Airlines		Derun Company	
	2019	2018	**2019**	2018
Revenue	**35,927,965**	36,662,188	**11,259,325**	10,151,058
Profit for the year	**1,315,426**	1,053,095	**1,089,260**	937,588
Other comprehensive income	**2,358**	(27,588)	**193,095**	(158,404)
Total comprehensive income	**1,317,784**	1,025,507	**1,282,355**	779,184
Dividends received from the associate	**137,735**	148,420	**130,322**	172,479

(All amounts in HKD thousands unless otherwise stated)

13. INTERESTS IN ASSOCIATES *(continued)*

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

Reconciliation of the summarised financial information presented to the carrying amount of their interests in the associates.

Summarised financial information

	Shenzhen Airlines		*Derun Company*	
	2019	*2018*	***2019***	*2018*
Opening net assets	**9,882,622**	9,602,241	**16,838,780**	17,693,070
Impact on initial application of HKFRS 16	**(865,514)**	–	**–**	–
Adjusted balance at beginning of the year	**9,017,108**	9,602,241	**16,838,780**	17,693,070
Profit for the year	**1,315,426**	1,053,095	**1,089,260**	937,588
Other comprehensive income	**2,358**	(27,588)	**193,095**	(158,404)
Dividend paid	**(281,092)**	(302,898)	**(651,612)**	(862,394)
Currency translation differences	**(222,556)**	(442,228)	**(372,357)**	(771,080)
Closing net assets	**9,831,244**	9,882,622	**17,097,166**	16,838,780
Interest in the associate (i)	**4,817,310**	4,842,484	**3,419,433**	3,367,756
Goodwill	**863,139**	882,453	**1,633,673**	1,670,229
Carrying value	**5,680,449**	5,724,937	**5,053,106**	5,037,985

(i) The Group shares 49% and 20% of equity interests of Shenzhen Airlines and Derun Company respectively.

(e) Summarised financial information for individually immaterial associates is as follows:

	2019	*2018*
Total carrying amount of individually immaterial associates in consolidated financial statements	**3,793,725**	3,481,774
Individually immaterial associates' results attributed to the Group:		
Profit for the year	**384,386**	422,827
Other comprehensive income	**(1,248)**	25,355
Total comprehensive income	**383,138**	448,182

14. INTERESTS IN JOINT VENTURES

	2019	*2018*
At the beginning of the year	**75,304**	248,748
Disposal	**–**	(1,509)
Share of profit of joint ventures	**13,513**	14,708
Dividends received	**(23,153)**	(11,287)
Transfer to subsidiaries	**–**	(169,670)
Exchange difference	**(1,590)**	(5,686)
At the end of the year	**64,074**	75,304

(All amounts in HKD thousands unless otherwise stated)

14. INTERESTS IN JOINT VENTURES *(continued)*

(a) The major joint ventures as listed below are held indirectly by the Company, their place of business and country of incorporation is the PRC. They are accounted for using equity method.

Name	***% Ownership interest in***		***Business nature***
	2019	*2018*	
Shenzhen Airport International Express Supervision Center Co., Ltd.	**50%**	50%	Equipment services for customs monitoring
Shenzhen Longzhuo Logistics Co., Ltd.	**50%**	50%	Warehousing services
Shenzhen International Huazhang Logistics Industry Private Equity Funds Management Co., Ltd.	**38%**	38%	Fund management

All joint ventures are private companies and there are no quoted market prices available for their shares.

(b) In the opinion of the directors, none of the joint ventures is material to the Group. Summarised financial information for individually immaterial joint ventures is as follows:

	2019	*2018*
Total carrying amount of individually immaterial joint ventures in consolidated financial statements	**64,074**	75,304
Individually immaterial joint ventures' results attributed to the Group:		
Profit for the year	**13,513**	14,708
Total comprehensive income	**13,513**	14,708

15. OTHER FINANCIAL ASSETS

	2019	*2018*
Equity securities designated at FVOCI (non-recycling)		
– Unlisted equity securities	**53,662**	56,902
Financial assets measured at FVPL		
– Wealth management products	**–**	388,172
– Listed securities in the PRC (Note (a))	**219,160**	162,224
– Unlisted equity securities	**243,371**	206,004
– Unlisted fund investment (Note (b))	**240,983**	223,043
	757,176	1,036,345
Less: non-current portion	**(538,016)**	(485,949)
Current portion	**219,160**	550,396

(a) As at 31 December 2019, listed equity investments stated at market price represent 1.26% (31 December 2018: 1.24%) equity interest in CSG Holding Co., Ltd ("CSG"). During the year, the Group did not dispose of any shares in CSG (2018: Nil).

(b) As at 31 December 2019, the Group has share of Shenzhen Capital Lingxiu Logistics Facility Phase I Private Investment Fund. It was classified as financial assets measured at FVPL and measured at fair value at year end.

(All amounts in HKD thousands unless otherwise stated)

16. OTHER NON-CURRENT ASSETS

As at 31 December 2019, other non-current assets mainly represented: (i) prepaid construction cost of HKD397,501,000 (2018: HKD419,181,000); (ii) receivables of electricity subsidy of HKD205,741,000 (2018: Nil); and (iii) lease receivables of HKD114,303,000 (2018: HKD138,489,000).

17. INVENTORIES AND OTHER CONTRACT COSTS

	2019	*2018*
Land held for future development	**2,760,347**	1,815,644
Land and properties under development for sale	**6,707,856**	5,556,197
Completed properties for sale	**342,505**	891,031
Others	**541,352**	40,726
Impairment	**(240,455)**	(248,193)
	10,111,605	8,055,405

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2019	*2018*
Carrying amount of inventories sold	**3,507,361**	1,208,673
Reversal of write-down of inventories	**(1,707)**	–
Total	**3,505,654**	1,208,673

(b) The analysis of carrying amount of leasehold land held for properties development for sale included in above mentioned inventories is as follows:

In the PRC, with remaining lease term of:	***2019***	*2018*
Between 10 and 50 years	**4,092,074**	1,692,530
50 years or more	**3,506,177**	4,882,256
	7,598,251	6,574,786

18. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2019	*2018*
Contract assets		
Arising from performance under construction contracts	**504,414**	190,481
Less: Loss allowance	**(905)**	–
Contract assets, net of loss allowance	**503,509**	190,481
Receivables from contracts with customers within the scope of HKFRS 15, which are included in “Trade and other receivables” (Note 19)	**1,523,467**	1,041,619

(All amounts in HKD thousands unless otherwise stated)

18. CONTRACT ASSETS AND CONTRACT LIABILITIES *(continued)*

(a) Contract assets *(continued)*

Typical payment terms which impact on the amount of contract assets recognised are as follows:

– ***Construction contracts***

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

The amount of contract assets that is expected to be recovered after more than one year is HKD391,362,000 (2018: HKD90,510,000).

(b) Contract liabilities

	2019	*2018*
Contract liabilities		
Advertising service		
– Advertising fee received in advance and others	**10,055**	19,123
Wind Power Business		
– sales and maintenance fees received in advance	**382,163**	–
Property development		
– deposits and instalments received	**4,220,506**	1,805,881
	4,612,724	1,825,004

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– ***Property development***

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.

(All amounts in HKD thousands unless otherwise stated)

18. CONTRACT ASSETS AND CONTRACT LIABILITIES *(continued)*

(b) Contract liabilities *(continued)*

– ***Property development*** *(continued)*

Movements in contract liabilities

	2019	2018
Balance at 1 January	**1,825,004**	621,124
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(1,309,469)**	(458,545)
Increase in contract liabilities as a result of receiving deposits and instalments during the year in respect of properties still under construction as at 31 December 2019	**4,057,168**	1,633,264
Increase in contract liabilities as a result of accruing interest expense on advances	**40,021**	29,161
Balance at 31 December	**4,612,724**	1,825,004

The amount of deposits and instalments received expected to be recognised as income after more than one year is HKD394,446,000 (2018: HKD140,648,000, which were included under "trade and other payables").

19. TRADE AND OTHER RECEIVABLES

	2019	2018
Trade receivables and bill receivables (note (a))	**1,588,348**	1,072,080
Less: Loss allowance	**(64,881)**	(30,461)
Trade receivable, net of loss allowance (note(a))	**1,523,467**	1,041,619
Lease receivables (note (b))	**93,807**	60,204
Receivable from government arising from disposal of the concession rights of four Expressway Projects	**–**	1,942,171
Receivable from government arising from disposal of the Nanjing Xiba Port Projects (Note 21)	**394,400**	–
Advance to non-controlling shareholders of a subsidiary	**1,871,404**	–
Dividend receivable from associates	**16,993**	–
Other debtors (note (c))	**603,714**	489,291
Financial assets measured at amortised cost	**4,503,785**	3,533,285
Deposits and prepayments (note (d))	**1,158,511**	443,240
	5,662,296	3,976,525

(All amounts in HKD thousands unless otherwise stated)

19. TRADE AND OTHER RECEIVABLES *(continued)*

(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. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 3.1(b). As at 31 December 2019 and 2018, the ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

	2019	2018
0 – 90 days	1,249,205	859,044
91 – 180 days	110,368	60,217
181 – 365 days	74,341	73,260
Over 365 days	154,434	79,559
	1,588,348	1,072,080

(b) Lease receivables

	2019	2018
Lease receivables	208,401	198,693
Less: non-current portion	(114,594)	(138,489)
	93,807	60,204

As at 31 December 2019, the total future minimum lease payments receivables were as follows:

	2019				2018			
	Lease payments receivable	Unearned finance income	Allowance of bad debt	Carrying amount	Lease payments receivable	Unearned finance income	Allowance of bad debt	Carrying amount
Within 1 year (inclusive)	106,453	(10,508)	(2,138)	93,807	72,582	(10,028)	(2,350)	60,204
After 1 year but within 5 years (inclusive)	112,030	(11,936)	(1,822)	98,272	127,906	(11,503)	(4,151)	112,252
Over 5 years	17,511	(1,029)	(160)	16,322	28,133	(1,396)	(500)	26,237
	235,994	(23,473)	(4,120)	208,401	228,621	(22,927)	(7,001)	198,693

(c) The amounts mainly included: (i) receivables from associate of HKD2,627,000 (2018: HKD173,319,000); (ii) receivables of deposits and guarantees of HKD200,117,000 (2018: HKD15,857,000).

(d) The amounts included: (i) prepayment for land use rights for future development and guarantee deposit of land use rights of HKD269,613,000 (2018: HKD259,659,000); (ii) prepaid construction costs of HKD253,928,000 (2018: HKD44,450,000); (iii) prepaid transportation costs of HKD27,413,000 (2018: HKD29,388,000); and (iv) deductible value-added tax of HKD341,384,000 (2018: HKD53,618,000).

(All amounts in HKD thousands unless otherwise stated)

20. CASH AND CASH EQUIVALENTS

	2019	2018
Cash at bank and in hand	**14,779,969**	16,627,063
Less: Restricted bank deposits (note (a))	**(2,056,827)**	(2,088,989)
Less: Deposits in banks with original maturities over 3 months	**(791,378)**	(874,168)
Cash and cash equivalents	**11,931,764**	13,663,906

(a) As at 31 December 2019, the restricted bank deposits mainly represented restricted project funds for construction management.

(b) Cash and cash equivalents can be withdrawn as requested. The cash at bank and in hand were denominated in the following currencies:

	2019	2018
RMB	**14,470,144**	16,067,651
HKD	**161,043**	210,975
USD	**148,620**	348,268
Other currencies	**162**	169
	14,779,969	16,627,063

21. DISPOSAL GROUP HELD FOR SALE

On 9 August 2019, Nanjing Xiba Port Co., Ltd. ("Nanjing Xiba Port", a subsidiary of the Group) and the Management Committee of Nanjing Jiangbei District entered into an agreement on compensation for Nanjing Xiba Port assets expropriation with total consideration of RMB1,500,000,000. Pursuant to the agreement, Nanjing Xiba Port completed the first phase of assets transfer in the year ended 31 December 2019, and recognised other gain-net in amount of HKD578,624,000 in the consolidated income statement. Nanjing Xiba Port had received HKD502,513,000 from the government by 31 December 2019 and recorded the remaining receivable from government amounting to HKD394,400,000 in the consolidated balance sheet as at 31 December 2019. The second phase of assets transfer is expected to be completed within one year according to the agreement. As a result, the underlying assets related to the assets expropriation agreement are reclassified from property, plant and equipment to assets held for sale. The net book value as at 31 December 2019 is HKD279,315,000.

During the year ended 31 December 2019, the Group completed the disposal of subsidiaries, which was recognized as assets held for sale in 2018 and recognised HKD294,582,000 as other gain-net in the consolidated income statement. See note 31.

22. SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares (share)	Ordinary share capital	Share premium	Total
At 1 January 2018	2,028,783,185	2,028,783	7,130,879	9,159,662
Employee share option				
– proceeds from shares issued	18,598,404	18,599	152,293	170,892
– value of employee services (Note 33)	–	–	36,018	36,018
Issue of scrip shares as dividend	72,983,766	72,984	1,120,132	1,193,116
Repurchase of shares	(492,500)	(493)	(6,967)	(7,460)
At 31 December 2018	2,119,872,855	2,119,873	8,432,355	10,552,228
Employee share option				
– proceeds from shares issued	11,122,109	11,122	103,129	114,251
– value of employee services (Note 33)	–	–	21,200	21,200
Issue of scrip shares as dividend (Note 37)	30,846,611	30,847	380,351	411,198
At 31 December 2019	2,161,841,575	2,161,842	8,937,035	11,098,877

(a) Authorised and issued shares

As at 31 December 2019, the total authorised number of shares was 3,000 million (2018: 3,000 million) with par value of HKD1.00 per share (2018: HKD1.00 per share). All issued shares are fully paid.

(b) Share options

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

	2019		2018	
	Average Exercise price (HKD per share)	Number of share options (thousands)	Average Exercise price (HKD per share)	Number of share options (thousands)
At 1 January	**11.521**	**42,009**	11.373	58,655
Granted	**–**	**–**	–	–
Exercised	**10.326**	**(11,122)**	9.188	(18,598)
Forfeited	**10.163**	**(1,699)**	10.381	(1,177)
Adjusted	**–**	**2,568**	–	3,129
At 31 December	**10.854**	**31,756**	11.521	42,009

The related weighted-average share price at the time of exercise was HKD15.11 (2018: HKD15.63) per share in 2019.

22. SHARE CAPITAL AND SHARE PREMIUM

(b) Share options *(continued)*

Share options outstanding at the end of the year have the following dates of expired and exercise prices:

Date of expired	Exercise price (HKD per share)	Number of share options (thousands)	
		2019	2018
28 January 2019 (Note (i))	8.408	**–**	3,893
28 January 2019 (Note (ii))	10.553	**–**	1,837
25 May 2022 (Note (iii))	11.100	**31,756**	36,279
		31,756	42,009

(i) On 29 January 2014, the "2014 Share Options" were granted to certain directors of the Company and to selected employees of the Group. During the year, 835,000 (2018: 494,000) of the 2014 Share Options were forfeited and 3,058,000 (2018: 13,701,000) of the 2014 Share Options were exercised. The "2014 Share Options" was expired on 28 January 2019.

(ii) On 22 June 2016, the "2016 Share Options" were granted to certain directors of the Company and selected employees of the Group. During the year, 58,000 (2018: 78,000) of the 2016 Share Options were forfeited and 1,779,000 (2018: 4,897,000) of 2016 Share Options were exercised. The "2016 Share Options" was expired on 28 January 2019.

(iii) On 26 May 2017, 34,770,000 share options (the "2017 Share Options") with an exercise of HKD12.628 per share were granted to certain directors of the Company and to selected employees of the Group. The exercise price of 2017 Share Options represents the average closing price for the five business days immediately preceding the date of grant. 40% of the share options granted is to be vested on 26 May 2019, another 30% of the share options granted will be vested on 26 May 2020, and the remaining 30% of the share options granted will be vested on 26 May 2021. Vesting of the above mentioned share is conditional upon the individual performance of respective grantees and the achievement of certain performance targets of the Group. During the year, 806,000 (2018: 605,000) of the 2017 Share Options were forfeited and 6,285,000 (2018: nil) of 2017 Share Options were exercised.

On 24 June 2019, the Company adjusted the exercise price and number of 2017 Share Options outstanding according to the terms of the share option scheme and supplemental guidelines from the Stock Exchange. The exercise price of 2017 Share Options were adjusted to HKD11.100 per share and the number of share options were increased by 2,568,000.

(All amounts in HKD thousands unless otherwise stated)

23. OTHER RESERVES AND RETAINED EARNINGS

	Fair value reserve (non-recycling)	*Reserve funds* (Note (b))	*Capital reserve*	*Goodwill reserve*	*Merger reserves*	*Revaluation surplus*	*Other reserves* (Note (c))	*Currency translation reserve*	*Contributed surplus* (Note (d))	*Other reserves sub-total*	*Retained earnings*	*Total*
At 1 January 2018	–	2,904,182	59,723	(159,583)	(2,168,674)	507,216	144,511	1,221,497	13,005	2,521,877	12,294,678	14,816,555
Profit attributable to ordinary shareholders of the Company	–	–	–	–	–	–	–	–	–	–	4,212,652	4,212,652
Net movement in fair value reserve on other financial assets (non-recycling)	(141)	–	–	–	–	–	–	–	–	(141)	–	(141)
Share of other comprehensive loss of associates	–	–	–	–	–	–	(19,433)	–	–	(19,433)	–	(19,433)
Currency translation differences	5	–	–	–	–	–	–	(1,298,985)	–	(1,298,980)	–	(1,298,980)
Total comprehensive income	(136)	–	–	–	–	–	(19,433)	(1,298,985)	–	(1,318,554)	4,212,652	2,894,098
Transfer to reserve	–	600,432	–	–	–	–	–	–	–	600,432	(600,432)	–
Dividend relating to 2017	–	–	–	–	–	–	–	–	–	–	(2,035,647)	(2,035,647)
Business combination under common control	–	–	–	–	19,835	–	–	–	–	19,835	–	19,835
Impact of capital injection by non-controlling interests	–	–	–	–	–	–	1,750,541	–	–	1,750,541	–	1,750,541
Forfeiture of unclaimed dividends	–	–	–	–	–	–	–	–	–	–	119	119
Transactions with non-controlling interests	–	–	–	–	–	–	203	–	–	203	–	203
At 31 December 2018	(136)	3,504,614	59,723	(159,583)	(2,148,839)	507,216	1,875,822	(77,488)	13,005	3,574,334	13,871,370	17,445,704
At 1 January 2019	**(136)**	**3,504,614**	**59,723**	**(159,583)**	**(2,148,839)**	**507,216**	**1,875,822**	**(77,488)**	**13,005**	**3,574,334**	**13,871,370**	**17,445,704**
Impact on initial application of HKFRS 16 (Note 2.2.1))	**–**	**(29,331)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(29,331)**	**(382,587)**	**(411,918)**
At 1 January 2019, as adjusted	**(136)**	**3,475,283**	**59,723**	**(159,583)**	**(2,148,839)**	**507,216**	**1,875,822**	**(77,488)**	**13,005**	**3,545,003**	**13,488,783**	**17,033,786**
Profit attributable to ordinary shareholders of the Company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**5,020,594**	**5,020,594**
Net movement in fair value reserve on other financial assets (non-recycling)	**(1,505)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,505)**	**–**	**(1,505)**
Share of other comprehensive loss of associates	**–**	**–**	**–**	**–**	**–**	**–**	**18,766**	**–**	**–**	**18,766**	**–**	**18,766**
Currency translation differences	**12**	**–**	**–**	**–**	**–**	**–**	**–**	**(633,303)**	**–**	**(633,291)**	**–**	**(633,291)**
Total comprehensive income	**(1,493)**	**–**	**–**	**–**	**–**	**–**	**18,766**	**(633,303)**	**–**	**(616,030)**	**5,020,594**	**4,404,564**
Transfer to reserve	**–**	**489,565**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**489,565**	**(489,565)**	**–**
Dividend relating to 2018 (Note 37)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,252,192)**	**(2,252,192)**
At 31 December 2019	**(1,629)**	**3,964,848**	**59,723**	**(159,583)**	**(2,148,839)**	**507,216**	**1,894,588**	**(710,791)**	**13,005**	**3,418,538**	**15,767,620**	**19,186,158**

23. OTHER RESERVES AND RETAINED EARNINGS *(continued)*

(a) The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2.17(a)).

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 2.17(b)).

(b) In accordance with the PRC regulations, certain companies of the Group in the PRC are required to transfer part of their profits after taxation to various reserve funds, which are non-distributable, before profit distributions are made. The amounts of the transfers are subject to the approval of the boards of directors of these companies, in accordance with their joint venture agreements and/or articles of association.

(c) Other reserves mainly represented the differences between the considerations paid/received and the relevant carrying value of net assets of the subsidiaries acquired/disposed of for the transactions with certain non-controlling interests.

(d) The contributed surplus of the Group represents the difference between the nominal value of the shares of the former group holding company, acquired pursuant to the Group reorganisation on 9 January 1990, over the nominal value of the Company's shares issued in exchange thereof.

24. PERPETUAL SECURITIES

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

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

As the Perpetual Securities only impose contractual obligations on the Group to repay the principal or to pay any distributions under certain circumstances which are at the Group's discretion, they have in substance conferred upon the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligations, therefore they do not meet the definition for classification as financial liabilities under HKFRS 9. As a result, the whole instrument is classified as equity, and distributions if and when declared are treated as equity dividends.

During the year ended 31 December 2019, the profit attributable to the holders of perpetual securities, based on the applicable interest rate, amounted to HKD92,951,000 (31 December 2018: HKD92,969,000).

On 29 May 2019 and 29 November 2019 an amount of HKD46,511,000 and HKD46,440,000 were distributed to the holders of perpetual securities respectively.

(All amounts in HKD thousands unless otherwise stated)

25. BORROWINGS

	2019	2018
Non-current		
Long-term bank borrowings		
– Secured (Note (a))	9,674,210	9,481,509
– Unsecured	4,104,271	4,529,794
Medium-term notes (Note (b))	2,005,643	2,048,604
Senior notes (Note (c))	774,883	775,383
Corporate bonds (Note (d))	3,216,307	3,240,722
Panda bonds (Note (e))	5,577,263	5,698,953
Borrowings from a financial leasing company (Note (f))	737,050	–
	26,089,627	25,774,965
Less: Current portion of long-term borrowings	(910,446)	(1,300,834)
	25,179,181	24,474,131
Current		
Short-term bank borrowings		
– Unsecured	353,619	702,833
– Secured (Note (g))	50,018	134,062
	403,637	836,895
Current portion of long-term borrowings		
Bank borrowings		
– Secured (Note (a))	205,962	319,185
– Unsecured	635,279	981,649
Borrowings from a financial leasing company (Note (f))	69,205	–
	910,446	1,300,834
	1,314,083	2,137,729
Total borrowings	26,493,264	26,611,860

(a) The details of pledged assets of these secured bank borrowings are set out in note 10(ii).

(b) On 30 July 2018, Shenzhen Expressway completed the issue of the RMB1,000 million medium-term notes, which has a term of 3 years and bears a fixed interest at 4.14% per annum with interest repayable annually and the principal repayable in full upon maturity on 30 July 2021.

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 with interest repayable annually and the principal repayable in full upon maturity on 15 August 2023.

(All amounts in HKD thousands unless otherwise stated)

25. BORROWINGS *(continued)*

(c) On 26 March 2018, the Company issued a 5-years Hong Kong dollar senior notes in an amount of HKD780,000,000 at a discount rate of 99.344%, with a coupon rate of 3.75% ("HKD Senior Notes"). The HKD Senior Notes interest should be paid on 26 March, 26 June, 26 September, and 26 December of each year. The funds raised are used to invest in integrated logistics hubs, the repayment of certain existing debt obligations and general working capital purposes.

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

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

(e) On 19 January 2018, the Company issued 5-years Panda Bond-Phase I with par value of RMB300 million carrying a coupon rate of 5.2% per annum. On 12 November 2018, the Company issued 5-years Panda Bond-Phase II with par value of RMB4,700 million carrying a coupon rate of 4.15% per annum. The interest of Panda Bonds should be paid annually, and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, the issuer shall be entitled to adjust the coupon rate of corporate bonds and investors shall be entitled to sell back the bonds to the issuer.

(f) As at 31 December 2019, the wind-power equipments, included in the property, plant and equipment and land use rights of the Group subsidiary Baotou Nanfeng with net book value of HKD1,517,910,000 and HKD21,119,000 respectively, which were pledged for secured borrowings totaling HKD737,050,000 from financial leasing company.

(g) As at 31 December 2019, bank borrowings of HKD50,018,000 (2018: HKD134,062,000) were secured by a pledge of the 45% equity interests of Jade Emperor Limited, a wholly-owned subsidiary of the Company.

(h) At 31 December 2019, the borrowings were repayable as follows:

	2019	*2018*
Within 1 year	**1,314,084**	2,137,729
Between 1 and 2 years	**6,192,663**	1,093,313
Between 2 and 5 years	**11,183,906**	16,701,120
Over 5 years	**7,802,611**	6,679,698
	26,493,264	26,611,860

(i) The carrying amounts of the borrowings are denominated in the following currencies:

	2019	*2018*
HKD	**1,274,230**	2,799,631
RMB	**22,894,155**	21,247,289
USD	**2,324,879**	2,564,940
	26,493,264	26,611,860

(All amounts in HKD thousands unless otherwise stated)

25. BORROWINGS *(continued)*

(j) The ranges of interest rates at the balance sheet date were as follows:

	2019			2018		
	HKD	RMB	USD	HKD	RMB	USD
Bank borrowings	2.78% – 5.86%	1.2% – 5.5%	2.8%	2.78% – 3.84%	1.20% – 5.23%	Libor + 1.2%

(k) The Group has standby banking facilities as follows:

	2019	2018
Floating rate		
– Expiring within one year	9,236,121	17,644,135
– Expiring beyond one year	47,418,108	37,972,009
	56,654,229	55,616,144

(l) The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2019	2018	2019	2018
Bank borrowings	12,937,240	12,710,469	12,495,760	12,675,461
Corporate bonds	3,216,307	3,240,722	3,368,916	3,382,741
Panda bonds	5,577,263	5,698,953	5,679,636	5,846,894
Medium-term notes	2,005,643	2,048,604	2,081,335	2,114,837
Senior notes	774,883	775,383	780,883	882,712
Borrowings from a financial leasing company	667,845	–	688,349	–
	25,179,181	24,474,131	25,094,879	24,902,645

The fair values of bank borrowings are determined based on cash flows discounted using effective interest rates of 4.75% to 4.90% (2018: 2.24% to 4.90%) per annum.

The fair values of borrowings from a financial leasing company are determined based on cash flows discounted using effective interest rates of 4.75% per annum.

The fair values of the Corporate Bond A, Corporate Bond B and Panda bond are calculated using cash flows discounted at rates of 3.40%, 1.62% and 3.40% (2018: 3.98%, 2.51% and 3.41%) per annum.

The fair values of Medium-term notes are determined based on cash flows discounted at rates of 3.36% and 3.68% (2018: 3.81% and 4.10%) per annum.

The fair values of Senior note is determined based on cash flows discounted at rates of 3.71% (2018: 3.98%) per annum respectively.

The fair value of current borrowings approximates their carrying amount as the effect of discounting is not significant.

(All amounts in HKD thousands unless otherwise stated)

26. DEFERRED TAX

The components of deferred tax assets (liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Concession intangible assets	*Taxable financial subsidies*	*Fair value changes of other financial assets*	*Tax losses*	*Payroll and other expenses accrued but not paid*	*New toll station operating subsidies*	*Relocation compensation for Meilinguan Project*	*Disposal gains of Nanjing Xiba Port assets*	*Business combinations involving enterprises not under common control*	*Others*	*Total*
1 January 2018	(1,866,914)	21,587	(70,021)	33,326	15,601	–	–	–	–	(100,087)	(1,966,508)
Credited to equity											
– Change of fair value reserve on other financial assets	–	–	47	–	–	–	–	–	–	–	47
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	(13,504)	(13,504)
Credited/(charged) to the consolidated income statement (Note 35)	196,526	(21,302)	35,220	(32,886)	6,173	159,000	484,284	–	–	87,664	914,679
Exchange differences	61,159	(285)	1,970	(440)	(977)	(4,920)	(14,984)	–	–	3,036	44,559
31 December 2018	(1,609,229)	–	(32,784)	–	20,797	154,080	469,300	–	–	(22,891)	(1,020,727)
1 January 2019	**(1,609,229)**	**–**	**(32,784)**	**–**	**20,797**	**154,080**	**469,300**	**–**	**–**	**(22,891)**	**(1,020,727)**
Credited to equity											
– Change of fair value reserve on other financial assets	**–**	**–**	**502**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**502**
Acquisition of subsidiaries	**(12,670)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(81,829)**	**–**	**(94,499)**
Credited/(charged) to the consolidated income statement (Note 35)	**630,448**	**–**	**(15,213)**	**160,488**	**68,142**	**(10,598)**	**(99,786)**	**(144,656)**	**1,880**	**(21,667)**	**569,038**
Exchange differences	**22,810**	**–**	**806**	**(968)**	**(918)**	**(3,308)**	**(9,670)**	**872**	**317**	**9,852**	**19,793**
31 December 2019	**(968,641)**	**–**	**(46,689)**	**159,520**	**88,021**	**140,174**	**359,844**	**(143,784)**	**(79,632)**	**(34,706)**	**(525,893)**

(All amounts in HKD thousands unless otherwise stated)

26. DEFERRED TAX *(continued)*

	2019	2018
Net deferred tax assets recognised in the consolidated balance sheet	**1,247,740**	787,782
Net deferred tax liabilities recognised in the consolidated balance sheet	**(1,773,633)**	(1,808,509)
Total	**(525,893)**	(1,020,727)

The tax charge relating to components of other comprehensive income is as follows:

	2019			2018		
	Before tax	***Tax credited***	***After tax***	*Before tax*	*Tax credited*	*After tax*
Fair value (losses)/gains on other financial assets	**(2,007)**	**502**	**(1,505)**	(188)	47	(141)
Share of other comprehensive income of associates	**38,527**	**–**	**38,527**	(19,845)	–	(19,845)
Currency translation differences	**(961,937)**	**–**	**(961,937)**	(1,901,022)	–	(1,901,022)
	(925,417)	**502**	**(924,915)**	(1,921,055)	47	(1,921,008)

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets in respect of tax losses amounting to HKD842,738,000 (2018: HKD1,920,402,000) that can be carried forward against future taxable income.

The expiry year of tax losses in respect of which deferred tax assets were not recognised at 31 December 2019 is as follows:

Year	**2019**	2018
2019	**–**	504,795
2020	**611**	463,883
2021	**329,298**	434,415
2022	**235,762**	399,594
2023	**194,158**	117,715
2024	**82,909**	–
	842,738	1,920,402

(All amounts in HKD thousands unless otherwise stated)

27. OTHER NON-CURRENT LIABILITIES

	2019	2018
Compensations from government regarding operation of new toll station (Note (a))	**513,135**	573,309
Compensations related to the freight subsidy of Coastal Expressway (Note 28(c))	**–**	146,558
Other deferred income (Note (b))	**629,950**	578,995
Long term employee bonus(Note (c))	**118,173**	–
Product warranty (Note (d))	**11,485**	–
	1,272,743	1,298,862

(a) As at 31 December 2019, the amount mainly represented government compensations amounting to HKD513,135,000 (2018: HKD573,309,000) for the operation subsidy of Luotian, Nanguang and Yanpai toll stations. The compensations are offset against unrecognised finance charges that will be amortised in the consolidated income statement within "finance cost" from 2018 to 2027. Interest expense of HKD45,339,000 was recognised for the year ended 31 December 2019 (2018: HKD50,630,000). The corresponding deferred income with maturity within one year amounted to HKD47,625,000 (2018: HKD43,014,000) was included in "Trade and other payables";

(b) As at 31 December 2019, other deferred income includes government grants amounting to HKD455,915,000 (2018: HKD380,567,000) which was received from the government for the purpose of subsidising the Group's development, operation and setting up certain integrated logistics hubs, and the corresponding deferred income with maturity within one year amounted to HKD4,264,000 (2018: HKD10,583,000) was included in "Trade and other payables".

(c) As at 31 December 2019, the balance represents employee bonus which are expected to be settled after 12 months was amounting to HKD118,173,000.

(d) As at 31 December 2019, the amount represented product warranty related to the wind-power equipment sales of the Group.

28. TRADE AND OTHER PAYABLES

	2019	2018
Trade payables (Note (a))	**497,132**	229,252
Payables relating to construction projects (Note (b))	**4,129,622**	3,534,420
Dividend payable	**68,338**	922
Other payables and accrued expenses (Note (c))	**2,535,783**	2,158,244
Financial liabilities measured at amortised cost	**7,230,875**	5,922,838
Deferred income (Note (c))	**202,042**	175,068
	7,432,917	6,097,906

(All amounts in HKD thousands unless otherwise stated)

28. TRADE AND OTHER PAYABLES *(continued)*

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

	2019	2018
0 – 90 days	**264,972**	221,591
91 – 180 days	**29,448**	2,023
181 – 365 days	**25,230**	2,417
Over 365 days	**177,482**	3,221
	497,132	229,252

(b) Included in advances from government relating to construction projects is an amount of HKD1,651,102,000 (2018: HKD1,892,050,000), and payable for projects of entrusted management and construction of highways is an amount of HKD2,478,520,000 (2018: HKD1,642,370,000), which was payable for projects of highways and logistic parks.

(c) Other payables, accrued expenses and deferred income mainly included: (i) payables for entrusted service costs of HKD155,813,000 (2018: HKD159,396,000); (ii) interest payables of HKD145,995,000 (2018: HKD155,581,000); (iii) employee benefit expenses of HKD520,227,000 (2018: HKD381,191,000); (iv) tax payable of HKD359,142,000 (2018: HKD814,535,000); (v) expenses payable for routine maintenance of highway of HKD223,330,000 (2018: HKD200,232,000); (vi) compensations related to the freight subsidy of Coastal Expressway of HKD143,350,000 (2018: HKD113,668,000); (vii) equity acquisitions payables of HKD234,557,000 (2018: nil).

29. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2019		*1 January 2019 (Note)*	
	Present value of the minimum lease payments	***Total minimum lease payments***	*Present value of the minimum lease payments*	*Total minimum lease payments*
Within 1 year	**100,452**	**110,464**	67,350	68,766
After 1 year but within 2 years	**84,073**	**92,546**	63,963	68,267
After 2 years but within 5 years	**198,101**	**228,430**	124,850	154,306
After 5 years	**440,100**	**706,803**	463,915	769,578
	722,274	**1,027,779**	652,728	992,151
	822,726	**1,138,243**	720,078	1,060,917
Less: total future interest expenses		**(315,517)**		(340,839)
Present value of lease liabilities		**822,726**		720,078

Note: *The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. These liabilities have been aggregated with the brought forward balances relating to leases previously classified as finance leases. Comparative information as at 31 December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 2.2.1.*

(All amounts in HKD thousands unless otherwise stated)

30. REVENUE

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2019	2018
Revenue from contracts with customers within the scope of HKFRS 15		
Toll Roads		
– Toll revenue	5,305,292	6,712,430
– Entrusted construction management service and construction consulting service revenue	403,748	273,430
– Construction service revenue under Service Concession	1,834,102	1,234,194
– Environmental protection service	672,922	–
– Others	759,486	583,299
	8,975,550	8,803,353
Logistic Business		
– Logistic parks	72,777	143,387
– Logistic services	878,422	801,530
– Port and related services	1,564,412	1,318,457
– Logistic park transformation and upgrading service	4,569,316	–
	7,084,927	2,263,374
	16,060,477	11,066,727
Revenue from other sources		
Logistic Business		
– Gross rentals from logistic parks		
– Lease payments that are fixed or depend on an index or a rate	759,849	514,309
	16,820,326	11,581,036

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets are disclosed in note 5.

(All amounts in HKD thousands unless otherwise stated)

30. REVENUE *(continued)*

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2019, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HKD4,612,724,000 (2018: HKD1,825,004,000). This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development with the Group. This amount includes the interest component of pre-completion properties sales contracts under which the Group obtains significant financing benefits from the customers (see note 2.32). The Group will recognise the expected revenue in future when or as the work is completed or, in the case of the properties under development for sale, when the properties are assigned to the customers, which is expected to occur over the next 24 to 36 months.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for logistic services and properties under development of which the revenue will be recognised within one year such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for logistic services that had an original expected duration of one year or less.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's construction contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

31. OTHER GAINS – NET

	2019	2018
Gain on replacement of land (Note 1)	**2,457,559**	–
Gain on disposal assets of Nanjing Xiba Port Co., Ltd. (Note 21)	**578,624**	–
Loss on impairment of concession intangible assets (4.1(c))	**(620,155)**	–
Gain on adjustment of contingent consideration of Shuiguan Expressway	**29,210**	–
Gain on disposal of subsidiaries	**294,582**	84,680
Change in fair value of other financial assets	**86,851**	(100,596)
Gain/(loss) on disposal of derivative financial instruments	**30,176**	(58,600)
Loss on impairment of trade receivables and contract assets (Note 3.1(b))	**(31,505)**	(6,012)
Loss on impairment of lease receivables	**(4,145)**	(7,224)
Gain on disposal of other financial assets	**1,620**	12,877
Gain on disposal of 4 Toll Roads	**–**	4,721,977
Gain on bargain acquisition of a subsidiary	**–**	8,056
Gain on land compensation	**–**	26,267
Others	**36,736**	21,759
Total	**2,859,553**	4,703,184

(All amounts in HKD thousands unless otherwise stated)

32. EXPENSES BY NATURE

Expenses included in cost of sales, distribution costs and administrative expenses are analysed as follows:

	2019	2018
Construction services cost under Service Concession	**1,834,102**	1,234,194
Provision for maintenance/resurfacing obligations – net	**–**	(189,396)
Depreciation and amortisation	**2,113,894**	2,311,259
Employee benefit expenses (Note 33)	**1,408,480**	1,181,513
Transportation expenses and contractors' costs	**572,624**	466,635
Other tax expenses	**122,130**	80,496
Commission, management fee and maintenance expenses for toll roads	**420,638**	431,691
Entrusted construction management service costs	**264,255**	167,423
Auditors' remuneration*		
– Audit services	**6,547**	7,340
– Non-audit services	**4,337**	5,475
Legal and consultancy fees	**64,259**	43,593
Cost of inventory sold (Note 17)	**3,505,654**	1,208,673
Others	**824,605**	736,725
	11,141,525	7,685,621

* *Auditors' remuneration in 2019 includes amounts of HKD3,707,000 for audit services (2018: HKD3,676,000) and HKD818,000 for non-audit services (2018: HKD1,392,000) respectively which are paid/payable to KPMG, the auditor of the Company.*

33. EMPLOYEE BENEFIT EXPENSES

	2019	2018
Wages and salaries	**1,111,964**	898,939
Pension costs-defined contribution plans	**103,722**	100,828
Share-based payment expenses (Note 22)	**21,200**	36,018
Others	**171,594**	145,728
	1,408,480	1,181,513

From 1 December 2000, a MPF scheme has been set up for eligible employees in Hong Kong of the Group. Contributions to the MPF Scheme by the Group and employees are calculated at rates specified in the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group by an independently administered fund.

The Group also contributes to employee retirement schemes established by the PRC local governments in respect of certain subsidiaries in the PRC. The PRC local governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated income statement as incurred.

(All amounts in HKD thousands unless otherwise stated)

33. EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2019 is set out below:

Name of director	*Fees*	*Salary*	*Discretionary bonuses*	*Other benefits*	*Employer's contribution to retirements cheme*	*Compensation for loss of office as director*	*Total*
Gao Lei	**–**	**267**	**1,135**	**68**	**152**	**–**	**1,622**
Li Hai Tao (i)	**–**	**270**	**1,112**	**68**	**150**	**–**	**1,600**
Zhong Shan Qun	**–**	**634**	**659**	**68**	**143**	**–**	**1,504**
Liu Jun	**–**	**634**	**636**	**68**	**141**	**–**	**1,479**
Hu Wei	**–**	**795**	**498**	**85**	**178**	**–**	**1,556**
Xie Chu Dao	**200**	**–**	**–**	**–**	**–**	**–**	**200**
Liu Xiao Dong	**169**	**–**	**–**	**–**	**–**	**–**	**169**
Ding Xun	**351**	**–**	**–**	**–**	**–**	**–**	**351**
Nip Yun Wing	**351**	**–**	**–**	**–**	**–**	**–**	**351**
Yim Fung	**351**	**–**	**–**	**–**	**–**	**–**	**351**
Cheng Tai Chiu	**351**	**–**	**–**	**–**	**–**	**–**	**351**
							9,534

(i) *The chief executive of the Company.*

The remuneration of each Director for the year ended 31 December 2018 is set out below:

Name of director	*Fees*	*Salary*	*Discretionary bonuses*	*Other benefits*	*Employer's contribution to retirements cheme*	*Compensation for loss of office as director*	*Total*
Gao Lei	–	273	1,151	48	171	–	1,643
Li Hai Tao (i)	–	283	1,116	78	164	–	1,641
Zhong Shan Qun	–	664	642	78	156	–	1,540
Liu Jun	–	664	613	78	153	–	1,508
Hu Wei	–	834	1,061	93	184	–	2,172
Xie Chu Dao	200	–	–	–	–	–	200
Liu Xiao Dong	177	–	–	–	–	–	177
Leung Ming Yuen, Simon	230	–	350	–	–	–	580
Ding Xun	350	–	–	–	–	–	350
Nip Yun Wing	350	–	–	–	–	–	350
Yim Fung	350	–	–	–	–	–	350
Cheng Tai Chiu	127	–	–	–	–	–	127
							10,638

(i) *The chief executive of the Company.*

(All amounts in HKD thousands unless otherwise stated)

33. EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Directors' emoluments

During the year ended 31 December 2019 and 2018, no emoluments had been paid by the Group to the directors or the five highest-paid individuals referred to in (b) below as an inducement to join or upon joining the Group or as a compensation for loss of office.

In addition to the above, certain share options were granted to Members of the Executive Directorate under the Company's 2014 Share Option Scheme, which were offered to them on 29 January 2014, 22 June 2016 and 26 May 2017. The entitlements of each of the Members are as follows:

Gao Lei was granted options in respect of 1,400,000 shares on 29 January 2014 and 1,270,000 shares on 26 May 2017, of which 300,000 options were vested in 2019 (2018: 499,500), and the respective fair value of the share-based payments recognised for the year ended 31 December 2019 was HKD939,000 (2018: HKD1,397,000);

Li Hai Tao was granted options in respect of 410,000 shares on 22 June 2016 and 1,210,000 shares on 26 May 2017, of which 461,000 options were vested in 2019 (2018: 421,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2019 was HKD894,000 (2018: HKD1,321,000);

Zhong Shan Qun was granted options in respect of 1,050,000 shares on 29 January 2014 and 950,000 shares on 26 May 2017, of which no option was vested in 2019 (2018: 452,500), and the respective fair value of the share-based payments recognised for the year ended 31 December 2019 was HKD702,000 (2018: HKD1,045,000);

Liu Jun was granted options in respect of 1,050,000 shares on 29 January 2014 and 950,000 shares on 26 May 2017, of which 20,000 options were vested in 2019 (2018: 751,500), and the respective fair value of the share-based payments recognised for the year ended 31 December 2019 was HKD702,000 (2018: HKD1,045,000); and

Hu Wei was granted options in respect of 1,050,000 shares on 29 January 2014 and 950,000 shares on 26 May 2017, of which no option was vested in 2019 (2018: 468,500), and the respective fair value of the share-based payments recognised for the year ended 31 December 2019 was HKD702,000 (2018: HKD1,045,000).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2018: four) directors. The emoluments payable to the remaining one (2018: one) individual during the year is as follows:

	2019	*2018*
Basic salaries and allowances	**634**	2,749
Year-end bonuses	**636**	842
Contributions to the retirement scheme	**143**	–
Share-based payment expenses	**702**	1,045
Other benefits	**68**	5
	2,183	4,641

The emoluments fell within the following bands:

	Number of individuals	
	2019	*2018*
Emolument band		
HKD2,000,001 – HKD2,500,000	**1**	–
HKD4,500,001 – HKD5,000,000	**–**	1

(All amounts in HKD thousands unless otherwise stated)

34. FINANCE INCOME AND COSTS

	2019	2018
Finance income		
Interest income from bank deposits	**(273,087)**	(92,036)
Interest income from other receivables	**–**	(10,141)
Other interest income	**(5,007)**	(14,683)
Total finance income	**(278,094)**	(116,860)
Finance costs		
Interest expense		
– Bank borrowings	**628,602**	790,818
– Medium-term notes	**88,606**	62,800
– Senior notes	**28,627**	23,793
– Corporate bonds	**125,751**	129,047
– Panda bonds	**235,083**	49,073
– Borrowings from Financial Leasing Company (Note 38(b))	**14,662**	–
– Interest on contract liabilities	**41,259**	34,523
– Interest on lease liabilities (Note 38(b))	**45,678**	–
– Other interest costs	**38,999**	71,322
– Interest costs for other financial liabilities	**–**	468,024
Net foreign exchange losses	**35,955**	288,965
Gain on derivative financial instruments directly attributable to borrowings	**(19,758)**	(137,223)
Less: finance costs capitalised on qualified assets	**(247,819)**	(240,749)
Total finance costs	**1,015,645**	1,540,393
Net finance costs	**737,551**	1,423,533

Finance costs of HKD247,819,000 (2018: HKD240,749,000) have been capitalised for the construction of qualified assets such as property, plant and equipment, construction in progress and properties under development in 2019, using an average interest rate of 3.89% (2018: 3.97%) per annum.

35. INCOME TAX EXPENSE

	2019	2018
Current income tax		
– PRC Corporate Income Tax	**1,983,298**	2,583,655
– Land appreciation tax	**397,157**	18,619
Withholding income tax on dividends	**226,548**	147,633
Deferred tax (Note 26)	**(569,038)**	(914,679)
	2,037,965	1,835,228

(All amounts in HKD thousands unless otherwise stated)

35. INCOME TAX EXPENSE *(continued)*

The taxation on the Group's profit before income tax differs from the theoretical amount that would have arisen using the main statutory tax rate applicable to profit of the Group due to the following:

	2019	*2018*
Profit before income tax	**9,147,506**	8,361,925
Tax calculated at a tax rate of 25% (2018: 25%)	**2,286,877**	2,090,481
Tax impact of:		
– Different tax rates in other jurisdiction	**(34,237)**	(27,428)
– Non-taxable income	**(48,288)**	(68,146)
– Non-deductible expenses	**44,807**	67,066
– Unrecognised tax losses	**52,394**	62,481
– Share of profits of joint ventures and associates	**(315,078)**	(285,267)
– Withholding income tax on dividends (Note (a))	**226,548**	147,633
– Use of unrecognised deductible tax losses and temporary difference in respect of prior years (Note (c))	**(480,775)**	–
– Reversal of temporary difference in respect of prior years	**–**	(164,202)
– Adjustment in respect of prior years	**7,849**	(1,354)
– LAT and LAT deductible for PRC CIT purpose	**297,868**	13,964
Income tax expense	**2,037,965**	1,835,228

(a) Hong Kong Profits Tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year.

The PRC Corporate Income Tax charged to the consolidated income statement was calculated based on the assessable profits of the Company's subsidiaries located in the PRC of the year at a rate of 25% (2018: 25%) applicable to the respective companies.

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

(b) According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding income tax rate will be reduced from 10% to 5%.

Certain profits generated by the relevant PRC subsidiaries would be distributed to their non-PRC registered intermediate holding companies and as such, deferred tax liability in this respect was provided accordingly in the consolidated financial statements of the Group for the current year to the extent that such earnings are estimated by the directors of the Company to be distributed in the foreseeable future.

The amount of profits on which withholding income tax has not been provided at 31 December 2019 was HKD7,719,575,000 (2018: HKD8,486,201,000).

(c) Coastal Expressway, a subsidiary of the Group, received capital of RMB4,100,000,000 injected from its immediate parent company, Shenzhen Expressway in April 2019. And from 21 June 2019, the borrower of the bank borrowings changed from Coastal Expressway to Shenzhen Expressway. Coastal Expressway recognised deferred tax assets from deductible tax losses and temporary difference of impairment provision and amortisation for toll road assets which were unrecognised in prior years with amount of HKD160,488,000 and HKD320,287,000 respectively, as it considers it is probable that future taxable profit will be available based on its updated future profit forecast.

36. EARNINGS PER SHARE

(a) Basic

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

	2019	2018
Profit attributable to ordinary shareholders of the Company	**5,020,594**	4,212,652
Weighted average number of ordinary shares in issue (thousands)	**2,141,500**	2,074,843
Basic earnings per share (HKD per share)	**2.34**	2.03

(b) Diluted

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

	2019	2018
Profit attributable to ordinary shareholders of the Company	**5,020,594**	4,212,652
Weighted average number of ordinary shares in issue (thousands)	**2,141,500**	2,074,843
Adjustments – share options (thousands)	**9,285**	15,576
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,150,785**	2,090,419
Diluted earnings per share (HKD per share)	**2.33**	2.02

37. DIVIDENDS

The 2018 final dividend and special dividend totaling HKD2,252,192,000 (HKD0.36 per ordinary share of final dividend and HKD0.70 per ordinary share of special dividend respectively) were settled in June 2019. According to the scrip dividend scheme approved by the shareholders in the annual general meeting held on 17 May 2019, 30,847,000 new shares were issued at a price of HKD13.3304 per share, totalling HKD411,198,000. The remaining dividends totalling HKD1,840,994,000 was paid in cash in June 2019. At the board meeting on 20 March 2020, the board recommended the payment of final dividend and special dividend for the year of 2019 of HKD0.53 per ordinary share and HKD0.64 per ordinary share respectively. Such dividends are to be approved by the shareholders at the forthcoming annual general meeting of the Company in 2020 ("Annual General Meeting"). These consolidated financial statements do not reflect this as dividend payable.

	2019	2018
Proposed final and total dividend of HKD0.53 (2018: HKD0.36) per ordinary share	**1,145,776**	763,154
Proposed special dividend of HKD0.64 (2018: HKD0.70) per ordinary share	**1,383,579**	1,483,911
	2,529,355	2,247,065

(All amounts in HKD thousands unless otherwise stated)

37. DIVIDENDS *(continued)*

The board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares. The arrangement is subject to: (1) the approval of proposed final dividend at the forthcoming Annual General Meeting; and (2) The Stock Exchange's granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to consolidated cash generated from operations is set out as below

	2019	2018 (Note)
Profit before income tax	**9,147,506**	8,361,925
Adjustments for:		
– Depreciation (Note 7)	**516,962**	425,391
– Amortisation of land use rights (Note 8)	**86,415**	55,646
– Amortisation of intangible assets (Note 10)	**1,510,517**	1,830,222
– Reverse of maintenance/resurfacing obligations net	**–**	(189,396)
– Impairment loss of trade receivables, contract assets and lease receivables	**35,650**	13,236
– Gains on disposal of other financial assets (Note 31)	**(1,620)**	(12,877)
– Gain on bargain acquisition of a subsidiary	**–**	(8,056)
– (Gain)/loss on disposal of derivative financial instruments (Note 31)	**(30,176)**	58,600
– Gain on disposal assets of Nanjing Xiba Port Co., Ltd. (Note 31)	**(578,624)**	–
– Gain on replacement of land (Note 31)	**(2,457,559)**	–
– Gain on disposal of subsidiaries (Note 31)	**(294,582)**	(84,680)
– Loss on impairment of concession intangible assets (4.1.(c))	**620,155**	–
– Deferred income recognised	**(164,023)**	(162,204)
– Share-based payment expenses (Note 33)	**21,200**	36,018
– Gains on disposal of property, plant and equipment	**(1,420)**	(37,443)
– Gain on disposal of the 4 Toll Roads	**–**	(4,721,977)
– Change in fair value of other financial assets (Note 31)	**(86,851)**	100,596
– Fair value gains on investment properties	**(29,001)**	(600)
– Estimated revenue derived from the 4 Toll Roads toll free arrangements	**–**	(1,506,114)
– Interest income (Note 34)	**(278,094)**	(116,860)
– Interest expense (Note 34)	**1,015,645**	1,540,393
– Share of profit of associates and joint ventures (Notes 13 and 14)	**(1,260,310)**	(1,141,069)
– Dividend income	**(49,939)**	(9,902)
	7,721,851	4,430,849
Changes in working capital (excluding the exchange differences on acquisition of subsidiaries):		
– Inventories	**457,580**	(882,846)
– Trade and other receivables	**1,268,363**	(363,958)
– Trade and other payables	**(415,066)**	(851,794)
– Change of contract assets	**(155,727)**	(50,394)
– Change of contract liabilities	**2,742,631**	1,169,357
Decrease in restricted bank deposits	**32,162**	804,230
Cash generated from operations	**11,651,794**	4,255,444

(All amounts in HKD thousands unless otherwise stated)

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(a) Reconciliation of profit before income tax to consolidated cash generated from operations is set out as below *(continued)*

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the Group as a lessee of HKD79,757,000 were classified as operating activities in the consolidated cash flow statement. Under HKFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 38(b)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in note 2.2.1.

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment and concession intangible assets comprise:	***2019***	*2018*
Net book value of property, plant and equipment (Note 7)	**260,389**	336,201
Gain on asset compensation of Nanjing Xiba Port Co., Ltd. (Note 31)	**578,624**	–
Gains on disposal of property, plant and equipment	**1,420**	37,443
Increase in trade and other receivables (Note 19)	**(394,400)**	–
Decrease in other non-current assets	**83,641**	–
Net book value of concession intangible assets	**–**	4,699,456
Gain on disposal 4 Toll Roads	**–**	4,721,977
Decrease in other non-current liabilities	**–**	(9,659,445)
Proceeds from disposal	**529,674**	135,632

Non-cash transactions

The principal non-cash transactions for the year ended 31 December 2019 represented the issue of shares to satisfy dividend pursuant to the scrip dividend scheme as disclosed in Note 37.

(All amounts in HKD thousands unless otherwise stated)

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings (Note 25)	*Notes and bonds (Note 25)*	*Lease liabilities (Note 29)*	*Total*
At 1 January 2019	14,848,198	11,763,662	–	26,611,860
Impact on initial application of HKFRS 16 (Note 2.2.1)	–	–	720,078	720,078
At 1 January 2019, as adjusted	14,848,198	11,763,662	720,078	27,331,938
Changes from financing cash flows:				
Proceeds from borrowings	5,202,760	–	–	5,202,760
Repayment of borrowings	(4,928,704)	–	–	(4,928,704)
Repayment of financing leasing assets	–	–	(1,491,802)	(1,491,802)
Capital element of lease rentals paid	–	–	(63,338)	(63,338)
Interest element of lease rentals paid	–	–	(45,678)	(45,678)
Total changes from financing cash flows	274,056	–	(1,600,818)	(1,326,762)
Exchange adjustments	(523,450)	(219,798)	15,907	(727,341)
Other change:				
Adjustment of amortisation cost	–	30,236	–	30,236
Increase in loans from acquisition of subsidiaries	305,698	–	–	305,698
Increase in lease liabilities from acquisition of a subsidiary	–	–	1,467,565	1,467,565
Increase in lease liabilities from entering into new leases during the period	–	–	174,316	174,316
Interest expenses (Note 34)	14,662	–	45,678	60,340
Total other change	320,360	30,236	1,687,559	2,038,155
At 31 December 2019	14,919,164	11,574,100	822,726	27,315,990

Note: The Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See notes 2.2.1.

(All amounts in HKD thousands unless otherwise stated)

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Reconciliation of liabilities arising from financing activities *(continued)*

	Bank loans and other borrowings (Note 25)	*Notes and bonds (Note 25)*	*Total*
At 1 January 2018	16,999,814	4,334,821	21,334,635
Changes from financing cash flows:			
Proceeds from borrowings	10,106,433	8,778,816	18,885,249
Repayment of borrowings	(11,557,222)	(1,060,320)	(12,617,542)
Total changes from financing cash flows	(1,450,789)	7,718,496	6,267,707
Exchange adjustments	(700,827)	(302,325)	(1,003,152)
Other change:			
Adjustment of amortisation cost	–	12,670	12,670
Total other change	–	12,670	12,670
At 31 December 2018	14,848,198	11,763,662	26,611,860

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019	*2018 (Note)*
Within operating cash flows	**29,645**	79,757
Within investing cash flows	**3,497,305**	1,483,647
Within financing cash flows	**1,600,818**	–
	5,127,768	1,563,404

Note: The adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019	*2018*
Lease rentals paid	**1,630,463**	79,757
Purchase of leasehold property	**3,497,305**	1,483,647
	5,127,768	1,563,404

39. GUARANTEES AND CONTINGENCIES

(a) As at 31 December 2019, Shenzhen Expressway was entrusted by the SZ Transport Commission to manage and construct the second phase of the Nanping Project. According to the project construction entrusted management contract, Shenzhen Expressway has provided the SZ Transport Commission with an irrevocable performance bank guarantee of RMB15,000,000 (equivalent to HKD16,750,000) (2018: RMB15,000,000 (equivalent to HKD17,125,000)).

(b) As at 31 December 2019, Shenzhen Expressway was entrusted by Shenzhen Longhua district construction and Works Bureau to construct a "Dual upgrade" Road comprehensive renovation project – Da Fu Road (Gui Yue Road-Gui Xiang Road), Jian She Road (Bulong Road – East Second Ring Road) and Longhua District Golf Avenue (Guanlan Avenue – Huanguan South Road) renovation project phase I. According to the terms of the entrustment management contract, Shenzhen Expressway has provided the Shenzhen Longhua district construction and Works Bureau with an irrevocable performance bank guarantee of RMB50,170,000 (equivalent to HKD56,025,000) (2018: RMB50,170,000 (equivalent to HKD57,278,000)).

(c) As at December 31 2019, Shenzhen Expressway was entrusted by the Shenzhen Ecological Environment Bureau to manage the Ecological Science and Technology Industrial Park Infrastructure and Supporting Projects of Shenzhen-Shantou special cooperation zone. According to the contractual construction entrusted management contract, Shenzhen Expressway has provided the Shenzhen Ecological Environment Bureau with an irrevocable performance bank guarantee of RMB22,660,000 (equivalent to HKD25,304,000) (2018: nil).

(d) As at 31 December 2019, Shenzhen Expressway has given collateral liability guarantees by phases of approximately HKD726,875,000 (2018: HKD848,579,000) to banks in respect of housing loans extended to purchasers of properties by banks. Pursuant to the terms of guarantees, in the event of any defaults in mortgage repayments by those purchasers, Shenzhen Expressway shall undertake to repay outstanding mortgage loans together with any accrued interest and penalty due to banks by purchasers in defaults. The validity period of Shenzhen Expressway's guarantee shall commence from the date of grant of relevant mortgage loans and expire upon receipts of property ownership certificates by respective purchasers. The directors of the Group consider that, in case of default in repayments, the net realisable value of related properties should be able to cover repayments of been made in respect of the guarantees outstanding mortgage loans together with any accrued interest and penalty and, accordingly, no provision has been made in respect of the guarantees.

(e) As at 31 December 2019, Shenzhen International United Land Co., Ltd. ("United Land Company") entered into the Land Transfer Agreements with Longhua Management Bureau under Urban Planning Land and Resources Commission of the Shenzhen Municipal and executed the Meilin Checkpoint Project. In accordance with the related project contracts, United Land Company has arranged with a bank to issue irrevocable performance guarantees to Shenzhen Longhua New District City Construction Bureau amounting to HKD51,591,000 (2018: HKD52,746,000).

(f) As at 31 December 2019, United Land Company has given collateral liability guarantees by phases of approximately RMB4,361,036,000 (equivalent to HKD4,869,945,000 (2018: RMB123,060,000 (equivalent to HKD140,495,000)) to banks in respect of housing loans extended to purchasers of properties by banks on the basic of Vanke HefengXuan and HeyaXuan project.

(All amounts in HKD thousands unless otherwise stated)

40. COMMITMENTS

(a) Capital commitments

	2019	2018
Capital commitments – expenditure of property, plant and equipment, concession intangible assets and land premium		
– Authorised but not contracted	**2,674,531**	2,839,866
– Contracted but not provided for	**5,878,318**	7,015,737
	8,552,849	9,855,603

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Properties
Within 1 year	93,417
After 1 year but within 5 years	340,582
Over 5 years	710,739
	1,144,738

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2.2.1). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated balance sheet in accordance with the policies set out in note 2.13, and the details regarding the Group's future lease payments are disclosed in note 29.

(All amounts in HKD thousands unless otherwise stated)

41. BUSINESS COMBINATION

In March 2019, the Group entered into an agreement for the acquisition of 51% equity interests in Nanjing Wind Power Technology Co., Ltd ("Nanjing Wind Power") at a consideration of RMB510,000,000 (approximately HKD595,725,000).

The following table summarises the consideration paid for Nanjing Wind Power, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date:

Recognised amounts of identifiable assets acquired and liabilities assumed at the date of acquisition	
Cash and cash equivalents	353,193
Trade and other receivables	526,519
Inventories and other contract costs	52,419
Contract assets	157,302
Property, plant and equipment	7,975
Intangibles assets	93,225
Trade and other payables	(353,890)
Contract liabilities	(3,830)
Other non-current liabilities	(9,543)
Deferred tax liabilities	(12,670)
Total identifiable net assets	810,700
Total consideration	595,725
Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities	397,243
Fair value of identifiable net assets	(810,700)
Goodwill	182,268
Total consideration	
– Cash paid	350,427
– Increase in restricted bank deposits relating to the acquisition	245,298
Cash and cash equivalent acquired	(353,193)
Net cash outflow in the acquisition including in the investing activities	242,532

The revenue included in the consolidated income statement since the acquisition date contributed by Nanjing Wind Power was HKD574,234,000. Nanjing Wind Power also contributed profit of HKD73,336,000 over the same period.

Had Nanjing Wind Power been consolidated from 1 January 2019, the consolidated income statement for the period would show pro-forma revenue of HKD16,821,526,000 and a profit of HKD7,097,403,000.

(All amounts in HKD thousands unless otherwise stated)

41. BUSINESS COMBINATION *(continued)*

In September 2019, the Group entered into an agreement for the acquisition of 67% equity interests in Baotou Nanfeng Wind Power Technology Co., Ltd ("Baotou Nanfeng") at a consideration of RMB0.67 (approximately HKD0.74).

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

Recognised amounts of identifiable assets acquired and liabilities assumed at the date of acquisition	
Cash and cash equivalents	445
Trade and other receivables	84,337
Property, plant and equipment	1,847,231
Land use rights	59,086
Other non-current assets	180,439
Trade and other payables	(503,857)
Borrowings	(190,097)
Lease liabilities	(1,467,565)
Deferred tax liabilities	(10,019)
Total identifiable net assets	–
Total consideration	–
Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities	–
Fair value of identifiable net assets	–
Goodwill	–
Total consideration	
Cash paid	–
Cash and cash equivalent acquired	(445)
Net cash inflow in the acquisition including in the investing activities	(445)

The revenue included in the consolidated income statement since the acquisition date contributed by Baotou Nanfeng was HKD103,450,000. Baotou Nanfeng also contributed profit of HKD43,555,000 over the same period.

Had Baotou Nanfeng been consolidated from 1 January 2019, the consolidated income statement for the year would show pro-forma revenue of HKD16,962,743,000 and a profit for the year of HKD7,000,129,000.

(All amounts in HKD thousands unless otherwise stated)

41. BUSINESS COMBINATION *(continued)*

In August 2019 and October 2019, the Group entered into agreements for the acquisition of 100% equity interests in Shanghai Taipeng Electronic Co., Ltd ("Shanghai Taipeng") and Zhongshan Xietiao Warehouse Co., Ltd ("Zhongsghan Xietiao") at a consideration of RMB170,656,000 (approximately HKD191,726,000) and RMB207,810,000 (approximately HKD233,468,000) respectively.

The following table summarises the consideration paid for Shanghai Taipeng and Zhongshan Xietiao, the fair value of assets acquired, liabilities assumed at the acquisition date:

Recognised amounts of identifiable assets acquired and liabilities assumed at the date of acquisition	
Cash and cash equivalents	5,680
Trade and other receivables	185,974
Property, plant and equipment	415,072
Trade and other payables	(66,084)
Borrowings	(115,601)
Deferred tax liabilities	(71,810)
Total identifiable net assets	353,231
Total consideration	425,195
Fair value of identifiable net assets	(353,231)
Goodwill	71,964
Total consideration	
Cash paid	425,195
Cash and cash equivalent acquired	(5,680)
Net cash outflow in the acquisition including in the investing activities	419,515

The revenue included in the consolidated income statement since the acquisition date contributed by Shanghai Taipeng and Zhongshan Xietiao was HKD4,435,000. Shanghai Taipeng and Zhongshan Xietiao also contributed loss of HKD4,784,000 over the same period.

Had Shanghai Taipeng and Zhongshan Xietiao been consolidated from 1 January 2019, the consolidated income statement for the year would show pro-forma revenue of HKD16,843,913,000 and a profit for the year of HKD7,090,302,000.

42. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2019, the Group disposed of its entire interests in certain subsidiaries which held lands for future development to third parties. Subsequent to the disposals, these entities were no longer subsidiaries of the Group.

The combined effect of such disposals on the Group's assets and liabilities is set out below:

Inventories and other contract costs	346,749
Trade and other payables	(342,182)
Non-controlling interests	(1,370)
Net assets attributable to the Group disposed of	3,197
Consideration received for disposal of equity interests, satisfied in cash	314,192
Cash received for settlement of payable due to the Group	342,182
Total cash received from disposal of subsidiaries	656,374

43. RELATED-PARTY TRANSACTIONS

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

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

Apart from the related party transactions and balances already disclosed in other notes to the consolidated financial statements, the following material transactions were carried out with related parties during the year:

(a) On 1 December 2016, Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company") became an associate of Shenzhen Expressway, and Shenzhen Expressway and Consulting Company entered into a service agreement pursuant to which Consulting Company provides engineering consulting, management and testing service. During year ended 31 December 2019, Shenzhen Expressway paid service fee to Consulting Company amounting to RMB18,839,000 (equivalent to HKD21,165,000) (2018: RMB64,663,000 (equivalent to HKD76,182,000)).

(b) On 31 December 2019, the Group's investment commitments to related parties was RMB537,086,000 (equivalent to HKD599,761,000) (2018: RMB698,500,000 (equivalent to HKD797,465,000)). The investment commitment was the capital investment to Yangmao Company for the expansion.

(c) United Land Company, a non-wholly owned subsidiary of the Group, provided cash advance to its shareholders pro rata to their shareholdings in United Land Company during year ended 31 December 2019. During year ended 31 December 2019, RMB1,659,000,000 (equivalent to HKD1,852,596,000) (2018: nil) was advanced to its non-controlling shareholder. For the year ended 31 December 2019, United Land Company recognised interest income amounting to RMB15,889,000 (equivalent to HKD17,851,000) (2018: nil), with an initial interest rate at 3.65% per annum. The interest is repayable annually.

(d) Details of key management compensation are set out in Note 33.

(e) For the year ended 31 December 2019, the transactions stated in the China Vanke Loan Agreement between United Land Company and China Vanke mentioned in (c) constitute continued connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are disclosed in the Directors' Report.

(All amounts in HKD thousands unless otherwise stated)

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2019:

Name	*Principal activities*	*Issued and fully paid share capital/paid-in capital*	*Interest held by Group (%)*	*Non-controlling interests (%)*
Shenzhen International Total Logistics (Shenzhen) Co., Ltd.◇	Investment holding	RMB200,000,000	100	–
Shenzhen Total Logistics Service Co., Ltd.@	Provision of total logistics and transportation ancillary services	RMB31,372,549	51	49
Xin Tong Chan Development (Shenzhen) Co., Ltd.△	Investment holding	RMB200,000,000	100	–
Shenzhen International South-China Logistics Co., Ltd.@	Development, construction, operation and management of South China Logistic Park	RMB350,000,000	100	–
Shenzhen International Supply Chain Management Nanjing Co., Ltd@	Supply chain management services	RMB10,000,000	100	–
Shenzhen International Holdings (SZ) Limited△	Investment holding	HKD2,180,000,000	100	–
Shenzhen EDI Co., Ltd.@	Provision of electronic information exchange, transmission and value-added information sharing services	RMB22,760,000	79.87	20.13
Shenzhen International West Logistics Co., Ltd.@	Development, construction, operation and management of Western Logistic Park	RMB450,000,000	100	–
Shenzhen Bao Tong Highway Construction and Development Limited@ *	Development, construction, investment, operation and management of toll highway	RMB1,533,800,000	100	–
Shenzhen Longda Expressway Company Limited@ *	Operation and management of Longda Expressway	RMB200,000,000	89.93	10.07
Shenzhen Expressway Company Limited^	Investment, construction, operation and management of toll highways and roads	RMB2,180,770,326	51.56	48.44
Hubei Magerk Expressway Management Private Limited △*	Operation and management of highways and expressways	USD28,000,000	100▽	–
Shenzhen International Booming Total Logistics Co., Ltd.@ *	Logistic services and related warehouse facilities	RMB90,000,000	55.39	44.61
Shenzhen Shen Guang Hui Highway Development Company@ *	Investment holding	RMB105,600,000	100	–
Nanjing Xiba Wharf Co. Ltd.◇*	Construction, operation and management of Wharf and Logistics Centres at Xiba Port of Nanjing	RMB455,000,000	70	30

(All amounts in HKD thousands unless otherwise stated)

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name	*Principal activities*	*Issued and fully paid share capital/paid-in capital*	*Interest held by Group (%)*	*Non-controlling interests (%)*
Guangdong Qinglian Highway Development Company Limited◇	Development, operation and management of highways	RMB3,361,000,000	76.37▽	23.63
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited@	Construction, operation and management of an expressway	RMB440,000,000	100▽	–
Shenzhen Meiguan Expressway Company Limited@	Construction, operation and management of an expressway	RMB332,400,000	100▽	–
Nanchang Shenzhen International Integrated Logistics Hub Development Co., Ltd.△	Construction, operation and management of urban integrated logistics hub at Nanchang Economic and Technological Development Zone	USD25,000,000	100	–
Shenzhen International Huatongyuan Logistics Co., Ltd.@ *	Logistic services and related warehouse facilities	RMB60,000,000	51	49
Nanjing Xiba Port Co., Ltd.◇*	Construction, operation and management of Wharf and logistics centres at Xiba Port in Phase 2 of Nanjing	RMB420,000,000	70	30
Shenzhen International Logistics Development Co., Ltd.@ *	Investment holding	RMB1,250,000,000	100	–
Shenyang Shenzhen International Integrated Logistics Properties Co., Ltd.@ *	Construction, operation and management of Shenyang International Logistics Integrated Logistics Park at Shenyang Yuhong District	RMB250,000,000	100	–
Wuxi Shenzhen International Integrated Logistics Hub Co., Ltd.△	Construction, operation and management of urban integrated logistics hub at Wuxi Huishan District	USD50,000,000	100	–
Wuhan Shenzhen International Integrated Logistics Hub Development Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub at Wuhan Dongxihu District	RMB100,000,000	100	–
Wuhan Shenzhen International Supply Chain Management Co., Ltd. △	Supply chain management services	USD30,000,000	100	–
Shijiazhuang Shenzhen International Integrated Logistics Hub Development Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub at Shijiazhuang Zhengding County	RMB100,000,000	25	75
Shenzhen International Modern Urban Logistics Hub Co., Ltd.@ *	Construction, operation and management of logistics hub at Shenzhen Longhua	RMB200,000,000	100	–
Shenzhen International United Land Co., Ltd.@ * #	Acquisition and demolition of Meilin Checkpoint project's land	RMB714,285,714	70	30
Fengcheng Shenzhen International Harbour Co., Ltd. ◇*	Construction and management of port facilities for public wharfs	RMB10,000,000	55	45

(All amounts in HKD thousands unless otherwise stated)

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name	*Principal activities*	*Issued and fully paid share capital/paid-in capital*	*Interest held by Group (%)*	*Non-controlling interests (%)*
Tianjin Shenzhen International Integrated Logistics Hub Development Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub at Tianjin Binhai New Area	RMB8,000,000	100	–
Changsha Shenzhen International Integrated Logistics Hub Development Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub at Changsha Jinxia Economic Development Zone	RMB181,000,000	100	–
Hangzhou Shenzhen International Supply Chain Management Co., Ltd. △	Supply chain management services	USD40,000,000	100	–
Xi'an Shenzhen International Integrated Logistics Hub Development Co., Ltd. △	Construction, operation and management of urban integrated logistics hub at Xi'an National Civil Aerospace Industrial Base	USD15,000,000	100	–
Yiwu Shenzhen International Integrated Logistics Hub Development Co., Ltd. △	Construction, operation and management of urban integrated logistics hub at Yiwu	USD50,000,000	100	–
Chengdu Shenzhen International Supply Chain Management Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub at Qingbai River in Chengdu	RMB100,000,000	100	–
Kunming Shenzhen International Supply Chain Management Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub in Yangzonghai Scenic Area in Kunming, Yunnan Province	RMB150,000,000	100	–
Shenzhen International Business Management Co., Ltd. △	Project investment and enterprise management consulting services	RMB50,000,000	100	–
Shenzhen International Logistics Service Management Co., Ltd.@ *	Logistics service and construction of warehousing facilities	RMB30,000,000	100	–
Shenzhen International Finance Leasing Co., Ltd. ◇*	Monetary and financial services and financial leasing business	RMB300,000,000	48□	52
Shandong Shenzhen International Bohai Logistics Technology Development Co., Ltd.@ *	Domestic and international freight forwarders	RMB15,500,000	77.42	22.58
Shenzhen International Business Co., Ltd.@ *	Property leasing and management	RMB10,000,000	100	–
Shenzhen Southern Electronic Port Co., Ltd.@ *	Technical development, sales, maintenance, and technology service of computer hardware, software and network system	RMB10,000,000	70	30
Tianjin Zhonglong Paper Co., Ltd.@ *	Operation and management of integrated logistic hub at Tianjin Development Zone	RMB116,880,000	100	–
Jurong Shenzhen International Integrated Logistics Hub Development Co., Ltd. @	Construction, operation and management of urban integrated logistics hub at Huayang Street	RMB70,000,000	100	–

(All amounts in HKD thousands unless otherwise stated)

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name	*Principal activities*	*Issued and fully paid share capital/paid-in capital*	*Interest held by Group (%)*	*Non-controlling interests (%)*
Chongqing Shenzhen International Integrated Logistics Hub Development Co., Ltd. [△]	Construction, operation and management of urban integrated logistics hub at Shuangfu Town	USD7,660,000	100	–
Hefei Shenzhen International Integrated Logistics Hub Co., Ltd.[@] [*]	Construction, operation and management of urban integrated logistics hub at Hefei Trade and Logistics Development Zone in Cuozheng Town, Feidong Country, Hefei City	RMB72,000,000	90	10
Ningbo Shenzhen International Integrated Logistics Hub Development Co., Ltd. [△] [*]	Construction, operation and management of urban integrated logistics hub Ningnan Trade and Logistics Zone in Fenghua City, Ningbo	USD20,000,000	100	–
Kunshan Shenzhen International Integrated Logistics Hub Development Co., Ltd.[@]	Construction, operation and management of urban integrated logistics hub at Lujia Town, Kunshan City	RMB89,600,000	100	–
Guizhou Pengbo Investment Company Limited[@]	Construction, operation and management of urban integrated logistics hub at Shuanglong modern service cluster, Guizhou	RMB122,920,000	100	–
Guizhou Hengtongli Property Company Limited[@]	Construction, operation and management of urban integrated logistics hub at Shuanglong modern service cluster, Guizhou	RMB52,229,945.55	100	–
Shenzhen International Fritz Logistics Co., Ltd.[@]	Cargo transportation and warehousing services	RMB37,000,000	100	
Shenzhen Qinglong Expressway Company Limited [◊]	Construction, operation and management of an expressway	RMB324,000,000	50[▽□]	50
New Vision Limited	Investment holding	USD100	100	–
Shenzhen International Ports Development (HK) Limited	Investment holding	HKD2	100	–
Advance Great Limited	Investment holding	USD 1	100	–
Successful Plan Assets Limited	Investment holding	USD1	100	–

(All amounts in HKD thousands unless otherwise stated)

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name	*Principal activities*	*Issued and fully paid share capital/paid-in capital*	*Interest held by Group (%)*	*Non-controlling interests (%)*
Shenzhen International Limited	Investment holding	HKD10,001	100	–
Shenzhen International Qianhai Development Limited	Investment holding	HKD1	100	–
Shenzhen International Qianhai Asset Management (Shenzhen) Co., Ltd.@	Real estate development and investment management	RMB5,000,000	100	–
Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd.@	Real estate development and investment management	RMB5,000,000	100	–
Changsha Shenchang Expressway Co., Ltd. @	Construction, operation and management of an expressway	RMB200,000,000	51	49
Hunan Yichang Expressway Development Co., Ltd. @	Construction, operation and management of an expressway	RMB345,000,000	100	–
Shenzhen Outer Ring Expressway Investment Co., Ltd. @	Construction, operation and management of an expressway	RMB100,000,000	100	–
Nanjing Wind Power Technology Co., Ltd @	Research and development, production, sales of wind power generation system; investment and operation of wind farms	RMB357,142,900	51	49
Baotou Nanfeng Wind Power Technology Co., Ltd @	Investment, development and operation of wind power projects	RMB6,000,000	67	33
Shanghai Taipeng Electronic Co., Ltd @	Operation and management of logistic park at Shanghai Qingpu District	RMB10,000,000	100	–
Zhongshan Xietiao Warehouse Co., Ltd @	Operation and management of logistic park at Zhongshan Huoju Development Zone	RMB41,152,952	100	–

△ *Foreign-owned enterprise*

◇ *Sino-foreign Joint Venture*

@ *Domestic enterprise*

^ *Foreign invested joint stock limited company*

* *For identification purpose only*

▽ *These subsidiaries are held through Shenzhen Expressway and the related interests indirectly held by the Group disclosed above represent the interests held by Shenzhen Expressway.*

The Company indirectly held 35.7% interests and Shenzhen Expressway directly held 34.3% interests. The effective control interests is 53.39%.

□ *In accordance with the shareholder agreements, the Group controls the entity as the Group has rights to take unilateral decisions on relevant developing, operating and financing activities which significantly affect the returns, and the Group is exposed to variable returns from its involvement with the entity.*

The above table lists the subsidiaries of the Group which, in opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net assets of the Group. All subsidiaries listed above are limited liability companies. These subsidiaries are incorporated and operate in the PRC (except for New Vision Limited ("NVL"), Advance Great Limited and Successful Plan Assets Limited which are incorporated in British Virgin Islands, and Shenzhen International Ports Development (HK) Limited, Shenzhen International Limited and Shenzhen International Qianhai Development Limited which are incorporated in Hong Kong). Only NVL is directly held and wholly-owned by the Company. To give details of other subsidiaries would result in particulars of excessive length.

(All amounts in HKD thousands unless otherwise stated)

45. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2019	2018
ASSETS		
Non-current assets		
Investments in subsidiaries	**5,083,013**	4,965,504
Amounts due from subsidiaries	**3,487,774**	2,923,087
	8,570,787	7,888,591
Current assets		
Other receivables	**6,982**	1,023
Dividends due from subsidiaries	**16,052,875**	11,783,424
Cash and cash equivalents	**552,598**	4,532,379
	16,612,455	16,316,826
Total assets	**25,183,242**	24,205,417
EQUITY AND LIABILITIES		
Share capital and share premium	**11,098,877**	10,552,228
Other reserves and retained earnings	**4,199,146**	2,752,494
Perpetual securities	**2,330,939**	2,330,939
Total equity	**17,628,962**	15,635,661
LIABILITIES		
Non-current liabilities		
Borrowings	**299,590**	448,458
Panda Bond	**5,577,263**	5,698,953
Senior Notes	**774,883**	775,383
	6,651,736	6,922,794
Current liabilities		
Other payables	**55,911**	64,133
Borrowings	**149,740**	1,577,115
Amount due to a subsidiary	**696,893**	5,714
	902,544	1,646,962
Total liabilities	**7,554,280**	8,569,756
Total equity and liabilities	**25,183,242**	24,205,417

The balance sheet of the Company was approved by the Board of Directors on 20 March 2020 and was signed on its behalf.

Li Hai Tao
Director

Zhong Shan Qun
Director

(All amounts in HKD thousands unless otherwise stated)

45. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

Reserve movement of the Company

	Other reserves				
	Contributed surplus	*Currency translation reserve*	*Total other reserves*	*Retained earnings*	*Total*
At 1 January 2018	58,515	882,239	940,754	2,154,862	3,095,616
Comprehensive income					
Profit for the year	–	–	–	2,445,715	2,445,715
Other comprehensive income					
Currency translation differences	–	(753,309)	(753,309)	–	(753,309)
Total other comprehensive income	–	(753,309)	(753,309)	–	(753,309)
Total comprehensive income	–	(753,309)	(753,309)	2,445,715	1,692,406
Transactions with owners in their capacity as owners					
Dividends relating to 2017	–	–	–	(2,035,647)	(2,035,647)
Forfeiture of unclaimed dividend	–	–	–	119	119
Total transactions with owners in their capacity as owners	–	–	–	(2,035,528)	(2,035,528)
At 31 December 2018	58,515	128,930	187,445	2,565,049	2,752,494

(All amounts in HKD thousands unless otherwise stated)

45. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

Reserve movement of the Company *(continued)*

	Other reserves				
	Contributed surplus	*Currency translation reserve*	*Total other reserves*	*Retained earnings*	*Total*
At 1 January 2019	58,515	128,930	187,445	2,565,049	2,752,494
Comprehensive income					
Profit for the year	–	–	–	4,126,499	4,126,499
Other comprehensive income					
Currency translation differences	–	(427,655)	(427,655)	–	(427,655)
Total other comprehensive income	–	(427,655)	(427,655)	–	(427,655)
Total comprehensive income	–	(427,655)	(427,655)	4,126,499	3,698,844
Transactions with owners in their capacity as owners					
Dividends relating to 2018	–	–	–	(2,252,192)	(2,252,192)
Total transactions with owners in their capacity as owners	–	–	–	(2,252,192)	(2,252,192)
At 31 December 2019	58,515	(298,725)	(240,210)	4,439,356	4,199,146

46. EVENTS AFTER THE BALANCE SHEET DATE

(a) Assessment of the Impact of the Coronavirus

Since the outbreak of Coronavirus 2019 ("COVID-19") in early 2020, there is an impact on investment, consumption and exports, among which, the consumer retail and transportation industries which are closely related to the logistics industry have been greatly affected. In order to reduce the burden on private logistics enterprises, the Group exempted nationwide logistics parks tenants from rent and management fees for two months. For toll road business, according to the Ministry of Transport notification, the Group's toll roads became toll-free from 00:00 on February 17 to the end of COVID-19 epidemic. The Group expects that relevant preventative policies will be announced separately by the Government, and the implementation of these policies will reduce the Group's revenue on toll road business during the epidemic prevention period.

The Group will continuously monitor the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this report, the assessment is still in progress.

(b) Acquisition of Bioland Environmental Technologies Co., Ltd. ("Bioland Environmental")

On 8 January 2020, Shenzhen Expressway Environmental Company Limited ("Environmental Company", a wholly-owned subsidiary of Shenzhen Expressway), Bioland Environmental Technologies Co., Ltd. ("Bioland Environmental") and its original shareholders jointly signed a capital increase and share transfer agreement. According to the agreement, the transaction will take place in two stages. In the first phase, Environmental Company will acquire a total of 125,000,000 shares (53.2067% of the total share capital of the Bioland Environmental after the issuance of additional shares) by acquiring 40,000,000 shares held by the seller and subscribing to the newly issued 85,000,000 shares of Bioland Environmental. In the second phase, the original shareholder shall transfer not more than 35,000,000 shares of Bioland Environmental to the Environmental Company (subject to the number of shares transferred) no later than 25 April 2020 according to their actual situation. Upon completion of the transaction, Environmental Company will eventually receive up to 160,000,000 shares of Bioland Environmental, with a total consideration of up to RMB809,600,000 and a shareholding of up to 68.1045%. On 20 January 2020, Environmental Company acquired 125,000,000 shares of Bioland Environmental and held 53.2067% equity interest in Bioland Environmental. Bioland Environmental has become a subsidiary of Shenzhen Expressway.

(c) After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 37.

Shenzhen International
深國際

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