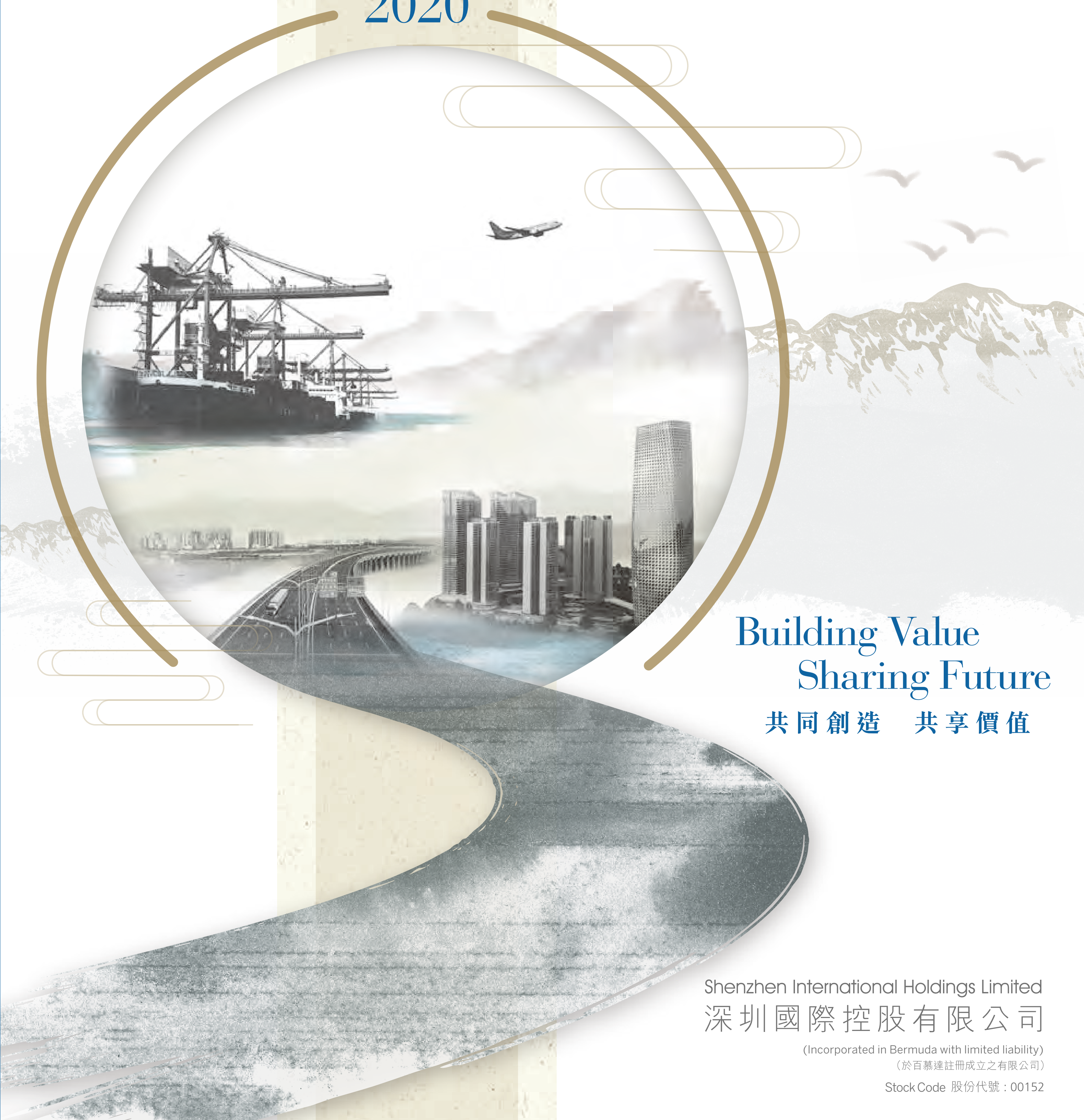
Shenzhen International
深國際

中期報告
INTERIM REPORT
2020



Building Value
Sharing Future
共同創造　共享價值

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

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

Stock Code 股份代號：00152

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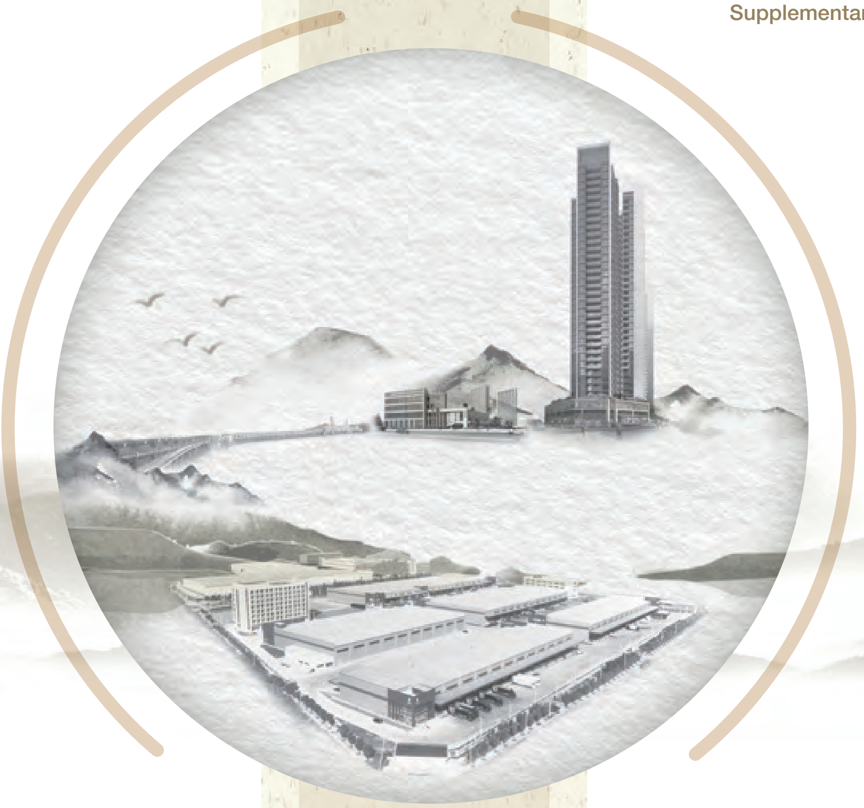


Corporate Profile

Shenzhen International Holdings Limited, a company incorporated in Bermuda, is a company listed on the main board of The Stock Exchange of Hong Kong Limited. The Group is indirectly held as to approximately 43.39%* 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 logistics 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 30 June 2020*

Set out below is a simplified corporate structure of the Group as at 30 June 2020 which does not include intermediate holding entities, and the percentages of interests shown represent the percentages for which the Group has effective control.

SHENZHEN INTERNATIONAL HOLDINGS LIMITED(1)

LOGISTICS BUSINESS

Logistics Parks(3)

100%	Shenzhen South China Logistics Park
100%	Shenzhen Western Logistics Park
50%	Shenzhen Airport Express Center
70%	Shenzhen International Kanghuai E-commerce Center
85.30%	Shenzhen International Shenyang Integrated Logistics Hub
100%	Shenzhen International Kunshan Integrated Logistics Hub
100%	Shenzhen International Wuhan Dongxihu Integrated Logistics Hub
90%	Shenzhen International Hefei Integrated Logistics Hub
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
100%	Shenzhen International Kunming 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)
- Investments and Management of Logistics Equity
  (38% – Shenzhen International Huazhang Logistics Industry Private Equity Funds Management Co., Ltd)

Port and Related Services

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

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

Logistics Park Transformation and Upgrading

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

TOLL ROAD BUSINESS

51.56%	Shenzhen Expressway Company Limited(1)(2)
89.93%	Longda Expressway in Shenzhen(5)

OTHER INVESTMENTS

49%	Shenzhen Airlines Company Limited
1.28%	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:
Li Hai Tao *(Chairman)*
Wang Peihang *(appointed on 1 September 2020)*
Zhong Shan Qun *(resigned on 1 September 2020)*
Liu Jun
Hu Wei

Non-Executive Director:
Liu Xiao Dong

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Pan Chao Jin *(Chairman)*
Wang Peihang *(appointed on 1 September 2020)*
Zhong Shan Qun *(resigned on 1 September 2020)*
Chan King Chung

REMUNERATION AND APPRAISAL COMMITTEE

Pan Chao Jin *(Chairman)*
Li Hai Tao
Cheng Tai Chiu, Edwin

JOINT COMPANY SECRETARIES

Liu Wang Xin
Lam Yuen Ling, Eva

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SHENZHEN OFFICE

Shenzhen International Building
8045 Hongli West Road
Futian District, Shenzhen

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

COMPANY WEBSITE

www.szihl.com

SHARES

Hong Kong Stock Exchange:
Stock Code: 00152

SECURITIES

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

Shenzhen Stock Exchange:
RMB Bonds (First Tranche) (Stock Code: 112636)
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
Huaxia Bank *(PRC Domestic Bank)*
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

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

For the six months ended 30 June *(HK$ million)*	**Revenue**		**Operating profit/(loss)**		**Share of profit of associates and joint ventures**		**Profit before finance costs and tax**	
	2020	2019	**2020**	2019	**2020**	2019	**2020**	2019
Toll roads								
– Revenue	**1,905**	3,229	**175**	1,806	**155**	360	**330**	2,165
– Construction service revenue	**868**	782	**–**	–	**–**	–	**–**	–
Toll roads sub-total	**2,773**	4,011	**175**	1,806	**155**	360	**330**	2,165
Logistic business								
– Logistic parks	**389**	434	**103**	105	**6**	6	**109**	111
– Logistic services	**599**	369	**17**	19	**–**	–	**17**	19
– Port and related services	**641**	898	**89**	113	**–**	–	**89**	113
Logistic business sub-total	**1,629**	1,701	**209**	237	**6**	6	**215**	243
Head office	**–**	–	**3,802**	(109)	**(1,223)**	258	**2,579**	150
Total	**4,402**	5,712	**4,186**	1,934	**(1,062)**	624	**3,124**	2,558
Finance income							**121**	113
Finance costs							**(485)**	(446)
Finance costs – net							**(364)**	(333)
Profit before income tax							**2,760**	2,225

	For the six months ended 30 June		
	2020 HK$ million	*2019 HK$ million*	*Increase/ (Decrease)*
Results			
Revenue (excluding construction service revenue)	**3,534**	4,929	(28%)
Operating profit	**4,186**	1,934	116%
Profit before income tax	**2,760**	2,225	24%
Profit attributable to shareholders	**1,713**	1,239	38%
Basic earnings per share (HK dollar)	**0.79**	0.58	36%
EBITDA to interest expense multiple	**8.67**	8.03	0.64[△]

	30 June 2020 HK$ million	*31 December 2019 HK$ million*	*Increase/ (Decrease)*
Financial Position			
Total assets	**97,530**	91,409	7%
Total equity	**45,589**	47,341	(4%)
Debt asset ratio (Total liabilities/Total assets)	**53%**	48%	5*
Ratio of Net borrowings to Total equity	**39%**	25%	14*
Ratio of Total borrowings to Total equity	**69%**	56%	13*
Net asset value per share attributable to shareholders (HK dollar)	**13.3**	14.0	(5%)

△ *Change in multiple*

* *Change in percentage point*

OVERALL REVIEW

Operating Results	*For the six months ended 30 June* **2020 HK$'000**	*2019 HK$'000*	*Increase/ (Decrease)*
Revenue (excluding construction service revenue from toll roads)	**3,534,356**	4,929,053	(28%)
Construction service revenue from toll roads	**867,680**	782,539	11%
Total revenue	**4,402,036**	5,711,592	(23%)
Operating profit	**4,186,615**	1,933,772	116%
Profit before finance costs and tax	**3,124,264**	2,557,855	22%
Profit attributable to shareholders	**1,713,233**	1,238,971	38%
Basic earnings per share (HK dollars)	**0.79**	0.58	36%

In the first half of 2020, different aspects of the operations of the Group were inevitably impacted by the outbreak of the novel coronavirus pandemic (the "Pandemic") as well as the complicated and ever-changing domestic and international environment, and the Group's toll road and airline segments suffered the hardest hit. The Group responded proactively to the tough operating environment and keen market competition to minimize the impact of the Pandemic on its business through, among other things, stepping up its marketing efforts, controlling its operating costs and speeding up its investments in quality projects. At the same time, the Group actively fulfilled its corporate social responsibility. Since the outbreak of the Pandemic, the Group has waived two months' rent in favor of around 600 tenants of its logistics parks across the country to ease their burden. Even though the rent relief program temporarily reduced the Group's revenue, it had the effect of enhancing the Group's image and appeal for tenants. With respect to the toll road business, the Group adhered to the national toll-free policy, thereby demonstrating its reliability as a state-owned enterprise and contributing to the fight against the Pandemic and the restoration of social and economic orders.

In recent years, the Group has strived to seize the ample opportunity brought by the land use adjustments for logistics parks across Shenzhen by increasing its efforts to transform and upgrade logistics parks. In order to finalize the remaining land consolidation and preparation compensation of the Qianhai Project, the Group actively negotiated with the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen（深圳市前海深港現代服務業合作區管理局）(the "Qianhai Authority") and other relevant government authorities in the first half of 2020 and entered into the land use right transfer agreements with the Qianhai Authority in respect of three land parcels (the "Third Phase of Qianhai Project") on 30 June 2020. The Third Phase of Qianhai Project has a total land area of approximately 41,200 square meters and a plot ratio-based gross floor area of approximately 172,500 square meters. As the land parcels for the Third Phase of Qianhai Project were acquired under the land swap contemplated under the land consolidation and preparation agreement, the Group need not pay any contractual land prices to the Qianhai Authority. As a result, the Group recognized a one-off profit before taxation of approximately HK$3,906 million (equivalent to approximately RMB3,551 million) and profit attributable to shareholders of approximately HK$2,929 million (equivalent to approximately RMB2,663 million) during the six months ended 30 June 2020 (the "Period"). Benefitting from the above, the Group recorded increases in operating profit and profit attributable to shareholders for the Period by 116% and 38% to HK$4,187 million and HK$1,713 million, respectively, as compared to the corresponding period of the previous year.

During the Period, the Group continued to step up the development of its logistics business and to achieve sustainable and stable development of its core logistics operations. As at 30 June 2020, the Group has a presence of 28 key logistics gateway cities across the country (including its logistics parks in Shenzhen). The number of projects in operation increased to 20, with a total operating area of 2.14 million square meters and a stable overall occupancy rate of approximately 85%. As a result of the Pandemic and the rent relief program, total revenue and profit attributable to shareholders from the logistics business decreased by 4% and 19% to HK$1,629 million and HK$142 million, respectively, as compared to the corresponding period of the previous year.

During the Period, total revenue and profit before finance costs and tax from the Group's toll road business decreased by 41% and 85% to HK$1,905 million and HK$330 million, respectively, as compared to the corresponding period of the previous year. This was mainly due to the waiver of tolls on the Group's toll road projects from 00:00 a.m. on 17 February 2020 to 00:00 a.m. on 6 May 2020 in compliance with the order of the transportation authority in China. As the Pandemic gradually comes under control and production resumes at full speed in China, the Group resumed charging tolls on its toll roads on 6 May 2020 and traffic volume resumed normal and even exceeded that of the corresponding period of the previous year. Furthermore, the Group is actively negotiating with the government authorities in hope of securing reasonable compensation.

In the first half of 2020, the airline industry suffered a heavy blow from the continuous worldwide spread of the Pandemic and the resultant plunge in demand for air transport. During the Period, Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate in which the Group holds a 49% equity interest, drastically reduced its capacity and recorded a drop in total revenue of 57% to RMB6,641 million (equivalent to HK$7,304 million), as compared to the corresponding period of the previous year, and a loss for the Period. Shenzhen Airlines brought a loss of approximately HK$1,223 million (2019: profit of HK$231 million) to the Group during the Period. Moving on to the second half of the year, the demand for domestic air transport is recovering at speed as the Pandemic situation in China continues to improve, while the demand for international air transport is gradually recovering. In June 2020, the average passenger load factor of Shenzhen Airlines has bounced back to 68.5%. Pursuing the "seek progress through stability" strategy, Shenzhen Airlines will bolster its competitiveness by further strengthening its cost control, allocating its capacity reasonably and seizing the revival of market demand subsequent to the Pandemic.

LOGISTICS BUSINESS

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 its operation and maintain its long-term sustainable development. As at the end of June 2020, the Group managed and operated a total of 20* logistics projects, with a total of approximately 7.52 million square meters of land owned and planned, among which the acquired site area is approximately 5.11 million square meters and the operating area is approximately 2.14 million square meters.

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 400,000 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, Shenzhen 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 + 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. It also provides commercial and financial value-added services, as well as high-quality and efficient services for a lot of e-commerce, express delivery companies, producers and manufacturers.

The Group is committed to establishing a large-scale network of logistics parks, growing its logistics assets and enlarging the scale of its operations through construction and acquisitions, with the aim of increasing its share in the logistics market. As at the end of June 2020, the Group operated integrated logistics hubs in a total of 27 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 6.86 million square meters. In the first half of 2020, the Group focused on identifying projects in economically affluent regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta and Beijing-Tianjin-Hebei areas with the aim of strengthening its presence in key cities, focusing on key central cities and the layout of the network inside the Greater Bay Area. In the first half of the year, the Group completed the investment plans of integrated logistics hub projects in Erqi District, Zhengzhou and Zhuzhou, Hunan.

During the Period, the Kunming Project was put into operation, which resulted in an increase in operating area of approximately 120,000 square meters as compared with the previous year. As at the end of June 2020, the Group had a total of 17 integrated logistics hub projects with a total operating area of approximately 1.57 million square meters. As at the end of June 2020, the overall occupancy rate of the integrated logistics hubs was approximately 83%, which was a satisfactory occupancy rate.

In the first half of 2020, the Group made good progress in land acquisition and successively obtained land use rights for the projects in Erqi District, Zhengzhou, and Jiangyin, Wuxi. The total area of newly obtained land parcels amounted to approximately 240,000 square meters. As at the end of June 2020, the Group has obtained land with a total site area of over 4.45 million square meters.

During the Period, construction works of the Qingbaijiang Project in Chengdu, the Caidian Project in Wuhan, the second phase of the Hangzhou Project and Xuzhou Project have begun as planned. Several projects are expected to be completed and put into operation in the remainder of 2020 and 2021. While the Group continues to explore developing new projects, the Group is also actively progressing its projects under construction or at planning stage to meet the prospective schedules. The Group is also actively preparing for marketing of these projects.

II. Shenzhen Logistics Park Business

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.

As at the end of June 2020, the Group managed and operated a total of three logistics projects in Shenzhen. Together with the Liguang Project, the construction of which has officially commenced at the end of 2019, the 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. As at the end of June 2020, the overall occupancy rate of the projects in operation in Shenzhen was approximately 90%.

In view of the tough economic conditions, South China Logistics Park has actively explored the potential of increasing its revenue and profits with its existing resources during the Period. It also actively expanded the high value-added bond business by conducting intelligent upgrade at its supervised warehouses, developing new customer relationships, strengthening the stickiness of existing customers, fostering collaboration with tenants of the park and maintaining good operation environment.

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 has already commenced. During the Period, the construction schedule was adjusted as a result of the Pandemic, and the construction work is now steadily progressing based on the revised schedule. Taking advantage of the positioning of Shenzhen where the park is located, and in order to seize the significant opportunities arising in the industry, the second phase of South China Logistics Park will develop as a global procurement and supply chain management platform, corporate headquarters as well as e-commerce and logistics financing platform. The second phase of South China Logistics Park will be developed into a comprehensive cluster zone for modern logistics and supply-chain service industries.

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. At present, business services provided in the park include warehouse services, large data center, office buildings, dormitories, restaurants and supermarkets etc. The park supported interactive sharing and smart interchange of data across the park after 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 the project reached 90% at the end of June 2020.

At the end of 2018, the Group successfully acquired the land use right for the Liguang Project with a site area of approximately 45,000 square meters located in Longhua New District, Shenzhen. Officially commenced in December 2019, the construction of the Liguang Project is currently in steady progress and is expected to be completed within 2022. Upon completion of the project, the Group will further strengthen its presence 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, with inter-city distribution as its core, with a focus on the cold chain, supermarket and e-commerce sectors thereby building a pioneering benchmark project for the Group.

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）is a park management project undertaken by the Group in 2019. 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. The operation model of this project has been formulated and liaison with target clients has also begun. Upon completion, the project will become the first integrated smart commercial and trading logistics park featuring commercial and trading, storage and e-commerce showroom functions in Yueyang City. It will facilitate the development of the logistics industry in Yueyang City as well as the whole Hunan Province.

During the Period, the Group and China Railway Guangzhou Group Co., Ltd.（中國鐵路廣州局集團有限公司）entered into a cooperation agreement, pursuant to which the parties agreed to jointly invest and establish a joint venture to upgrade and transform the Pinghunan Railway Freight Yard into a comprehensive logistics hub. The first phase of the project will engage in warehouse storage, port container depot and rail container depot services. The second phase of the project involves the construction of a modern logistics park over the railway freight yard. The implementation of the project will allow the Group to accumulate high-quality long-term assets, enlarge the scale of the Group's logistics operations and network coverage, and enhance its market position in the Guangdong-Hong Kong-Macao Greater Bay Area, which is in line with the Group's business development strategy and plan. The Group is actively driving the establishment of the joint venture.

On 18 August 2020, the Bay Area Express（灣區號）, the first freight train running from Shenzhen, China to Europe, was launched. It departed from the Shenzhen Pinghunan Railway Station to Duisburg, Germany. Following the development of the route initiated by the Shenzhen Municipal Government, this freight train between Shenzhen and Europe is operated and managed by a joint venture set up by the Group and Sinotrans Limited. The Group owns a 40% equity interest in this joint venture. The launch of this train helped to establish a new international land transportation route linking the Guangdong-Hong Kong-Macao Greater Bay Area, Central Asia, Eastern Europe and Western Europe. It offers a safer, greener and more stable means of transport, thereby facilitating the development of the foreign trade demonstration pilot zone in Shenzhen.

Details of the Group's major logistics projects as at 30 June 2020 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 Hub	Guizhou Integrated Logistics Hub	Guizhou Shuanglong Modern Service Industrial Cluster	348,000	350,000	148,000	May 2018
	Chongqing Integrated Logistics Hub	Shuangfu New District, Jiangjin District, Chongqing	157,000	104,000	58,000	Dec 2019
	Kunming Integrated Logistics Hub	Qidian Street, Yangzonghai Scenic Area, Kunming	172,000	172,000	121,000	Jan 2020
	Chengdu Qingbaijiang Integrated Logistics Hub	International Railway Logistics Park, Qingbaijiang District, Chengdu	129,000	125,000	–	Oct 2021
	Chengdu Xinjin Integrated Logistics Hub	Xinjin Logistics Park, Tianfu New District, Sichuan	173,000	–	–	Dec 2022
	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
	Zhuzhou Integrated Logistics Hub	Zhuzhou Yunlong Demonstration Zone	126,000	–	–	Dec 2022
	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 Park, 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	–	Dec 2020
	Wuxi Integrated Logistics Hub	Huishan District, Wuxi	347,000	246,000	125,000	Oct 2017
	Jiangyin Integrated Logistics Hub	Jiangyin Lingang Economic and Technological Development Zone, Wuxi	133,000	133,000	–	Sep 2022
	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	99,000	Oct 2016
	Jurong Integrated Logistics Hub	New City District, Northern Jurong, Jiangsu	400,000	131,000	–	Dec 2022
	Xuzhou Integrated Logistics Hub	Xuzhou High-Tech Industrial Development Zone	140,000	133,000	–	Apr 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	31,000	Sep 2019
	Shenyang Integrated Logistics Hub	Shenyang International Logistics Park, Yuhong District, Shenyang	700,000	241,000	264,000	Apr 2016
	Shijiazhuang Integrated Logistics Hub	Zhengding County, Shijiazhuang	467,000	335,000	64,000	July 2017
	Xi'an Integrated Logistics Hub	Xi'an National Civil Aerospace Industrial Base	120,000	120,000	–	Aug 2020
	Jinan Zhangqiu Integrated Logistics Hub	Ningjiabu Street, Zhangqiu District, Jinan	180,000	–	–	Dec 2022
	Tianjin Zhonglong Project	Xinhuan East Road, West Wing of Tianjin 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 2022
	Zhengzhou Erqi Integrated Logistics Hub	Mazhai Industrial Cluster, Erqi District, Zhengzhou	109,000	109,000	–	Jun 2022
	Shandong Booming Total Logistics Park	Yantai Economic and Technological Development Zone	70,000	70,000	37,000**	2008
	Zhanjiang Integrated Logistics Hub	Mazhang District, Zhanjiang	200,000	–	–	Jun 2022
	Zhongshan Torch Integrated Logistics Hub	Shiyong Road, Zhongshan, Guangdong	57,000	57,000	58,000	Sep 2019
	Sub-total		6,860,000	4,458,000	1,572,000	
	Total		7,516,000	5,114,000	2,143,000	

Note:

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

** *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 embrace both asset light and asset heavy models in accordance with 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 conducted business development that embraces both asset-light and asset-heavy business models and actively explored value-added logistics services. Such services include comprehensive logistics services for Evergrande Agri-Husbandry（恒大農牧）and comprehensive global logistics services for Globalegrow E-commerce（環球易購）, the development of which is all in steady progress. In the first half of 2020, a trunk transport operation was established in collaboration with Best Logistics（百世物流）, and 39 out of 58 planned routes in this project have already been put into operation.

Furthermore, the Group actively explores establishing smart warehouse projects and formulated a sub-strategy for the development of smart warehouse business at the end of 2019 and strives to establish demonstrative and pilot smart warehouses at its logistics parks. In the first half of 2020, the intelligent warehouse for Huawei processed a total of 380,000 cubic meters of goods and realized operating revenue of approximately RMB15 million. In addition, this project further increased income by filling its storage spaces through developing new businesses such as the delivery of masks. In addition, Hangzhou Integrated Logistics Hub also signed on with Ruhnn, one of the top e-commerce brands in China, for providing smart storage services equipped with WhaleHouse's PSS (Picking Spider System), which can enhance the overall operating efficiency and storage capacity of warehouses. This system is currently under construction.

Port and Related Services Business

In the first half of 2020, the operation of the port business faced immense pressure as a lot of upstream and downstream industries delayed resuming work and many electricity companies reduced their capacity due to the Pandemic and macro-economic downturn. A total of 307 seagoing vessels berthed at Nanjing Xiba Port with a total throughput of 17.39 million tonnes, representing a year-on-year decrease of 22.6%, in the first half of 2020.

Despite the innumerable challenges, Nanjing Xiba Port maintained normal operation and minimized the impact of the Pandemic by upgrading its services, strengthening the stickiness of its customers and taking other effective measures. During the Period, the Group renewed the goods handling service contracts with several key customers and raised prices up in a reasonable manner. The Group also continued to develop port-related supply chain management service business, thereby further diversifying its port business.

To facilitate the implementation of a key municipal construction plan of Nanjing City, namely Xianxin Road Cross-river Channel Development Plan（仙新路過江通道）, the Group completed stage one of the property transfer for the second phase of Nanjing Xiba Port in 2019. Stage two of the property transfer will be completed in the second half of 2020. In view of the expropriation of the second phase of Nanjing Xiba Port and the resultant reduction in capacity, the Group is negotiating with the local government to accelerate the leaseback of the second phase of the port in order to resume operation and realize smooth transition of the business. Furthermore, Nanjing Xiba Port is enhancing the loading and unloading capacity of the first phase by accelerating the digitalization of its port and the expansion of its depots. Meanwhile, the Group is actively exploring investment opportunities with strategic value and has entered into an investment cooperation framework agreement for the "Shenzhen International Fengcheng Rail-water Intermodal Transport Logistics Base（深國際•豐城水鐵聯運物流基地）" in July 2020 and the project is progressing in an orderly manner.

Logistics Park Transformation and Upgrading Business

The Group has actively seized the opportunities brought about by land function adjustment of logistics parks arising from the urbanization process and vigorously progressed the transformation and upgrade of logistics parks in Shenzhen, in the hope of maximizing the value of the Group's assets and in turn value for its shareholders.

I. Qianhai Project

According to the land consolidation and preparation agreement (the "Land Consolidation and Preparation Agreement") entered into among the Group, the Urban Planning Land and Natural Resources Bureau of the Shenzhen Municipality（深圳市規劃和自然資源局）and the Qianhai Authority in September 2019 in respect of five land parcels with an aggregate area of approximately 380,000 square meters owned by the Group in Qianhai (the "Qianhai Project"), the Group will receive a total compensation of RMB8,373 million for its land in Qianhai.

The Group has 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 30 June 2020, the Group entered into three land use right transfer agreements with the Qianhai Authority in respect of three land parcels with a total area of approximately 41,200 square meters in relation to the compensation for the remaining land consolidation and preparation work in Qianhai. As the land parcels for the Third Phase of Qianhai Project are acquired under the land swap contemplated under the Land Consolidation and Preparation Agreement, the Group was not required to pay contractual land prices of approximately RMB3,652 million in total to the Qianhai Authority. As a result, the Group recognized a profit before taxation of approximately RMB3,551 million (equivalent to approximately HK$3,906 million).

The land consolidation and preparation work for the Qianhai Project has progressed for years. The execution of the land use right transfer agreements in respect of the Third Phase of Qianhai Project marked the successful completion of the Group's land consolidation and preparation work in Qianhai. Through such land consolidation and preparation work in Qianhai, the Group acquired land with a total area of approximately 120,000 square meters and a gross floor area of approximately 390,000 square meters (comprising residential area of approximately 190,000 square meters and apartment area of 25,000 square meters, which are available for sale) under the new land use arrangements. As the swapped land parcels are gradually developed and released into the market, it will promote the comprehensive development of the Group's logistics-related land which would in turn continuously boost the Company's performance.

The first phase of the Qianhai Project has a total gross floor area of approximately 110,000 square meters, comprising 51,000 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 and it is expected that inspection and acceptance of the completed property will be completed by the end of 2020. 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 went beyond expectations and all 367 units had been sold out in the first half of 2020. 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 benefit from the Group's extensive supply chain management experience and CCID's strong information technology service capacity and will focus on the development of supply chain services 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 development and operation plan with SCPG（印力集團）for the commercial project.

The second phase of Qianhai Project has a plot ratio-based gross floor area of approximately 110,000 square meters (comprising residential area of approximately 91,000 square meters). An international tender for the design of the second phase of Qianhai Project is currently underway. Considering the overall planning of and the shortage of pure residential projects in the Qianhai area, it is expected that the construction and sale of the project will enhance the value of the Group's resources in the Qianhai area.

The Third Phase of Qianhai Project has a plot ratio-based gross floor area of 172,000 square meters, comprising residential area of approximately 50,000 square meters and apartment area of 25,000 square meters available for sale. It also comprises office buildings with a floor area of 79,000 square meters as well as commercial floor area of 17,000 square meters, which are available for sale. To promote the comprehensive development of the Group's logistics-related land, the Group plans to conduct an in-depth cooperation with the Qianhai Authority to establish a bonded R&D center, an international logistics distribution center, a Shenzhen-Hong Kong distribution center and a bonded exhibition and exchange center, which are all in the interests of the Group and its shareholders as a whole.

II. 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 the new land use arrangement and transformed and upgraded it into a comprehensive development project in the course of the historic implementation of the then urban renewal plan of Meilin Checkpoint by the Shenzhen Municipal Government. The project is adjacent to Futian District in downtown Shenzhen, 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 plot ratio-based 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: 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.

All residential units of the first phase of the Meilin Checkpoint Project, namely He Feng Xuan (和風軒), have been sold out. Inspection and acceptance of the finished units were completed in November 2019 whilst internal decoration of the residential units is currently underway. Pre-sale of He Ya Xuan (和雅軒), which is the second phase of the Meilin Checkpoint Project, has commenced in October 2019. As of July 2020, the units of three residential buildings with pre-sale permits were sold out and proceeds have been received. Inspection and acceptance of these completed units are expected to be completed by the end of the year. The third phase of the project, named He Song Xuan (和頌軒), is going through construction applications and preliminary infrastructure construction work.

Financial Analysis

During the Period, revenue and profit attributable to shareholders from the logistics business decreased by 4% and 19% to HK$1,629 million and HK$142 million, respectively, as compared to the corresponding period of the previous year. It was mainly due to the Pandemic and the rent relief program implemented at the beginning of the year. As all operations are gradually recovering following the continued improvement in the Pandemic situation in China, the Group expects the operating performance of the logistics business to gradually improve in the second half of the year.

Revenue of Each Logistics Business Unit

For the six months ended 30 June

	2020 HK$'000	*2019 HK$'000*	*Increase/ (decrease)*
Logistics Park Business	**389,455**	433,538	(10%)
Logistics Service Business	**598,681**	369,225	62%
Port and Related Services Business	**640,881**	897,681	(29%)
Total	**1,629,017**	1,700,444	(4%)

Profit Attributable to Shareholders of Each Logistics Business Unit

For the six months ended 30 June

	2020 HK$'000	*2019 HK$'000*	*Decrease*
Logistics Park Business*	**79,896**	95,603	(16%)
Logistics Service Business	**12,225**	15,479	(21%)
Port and Related Services Business	**49,811**	64,974	(23%)
Total	**141,932**	176,056	(19%)

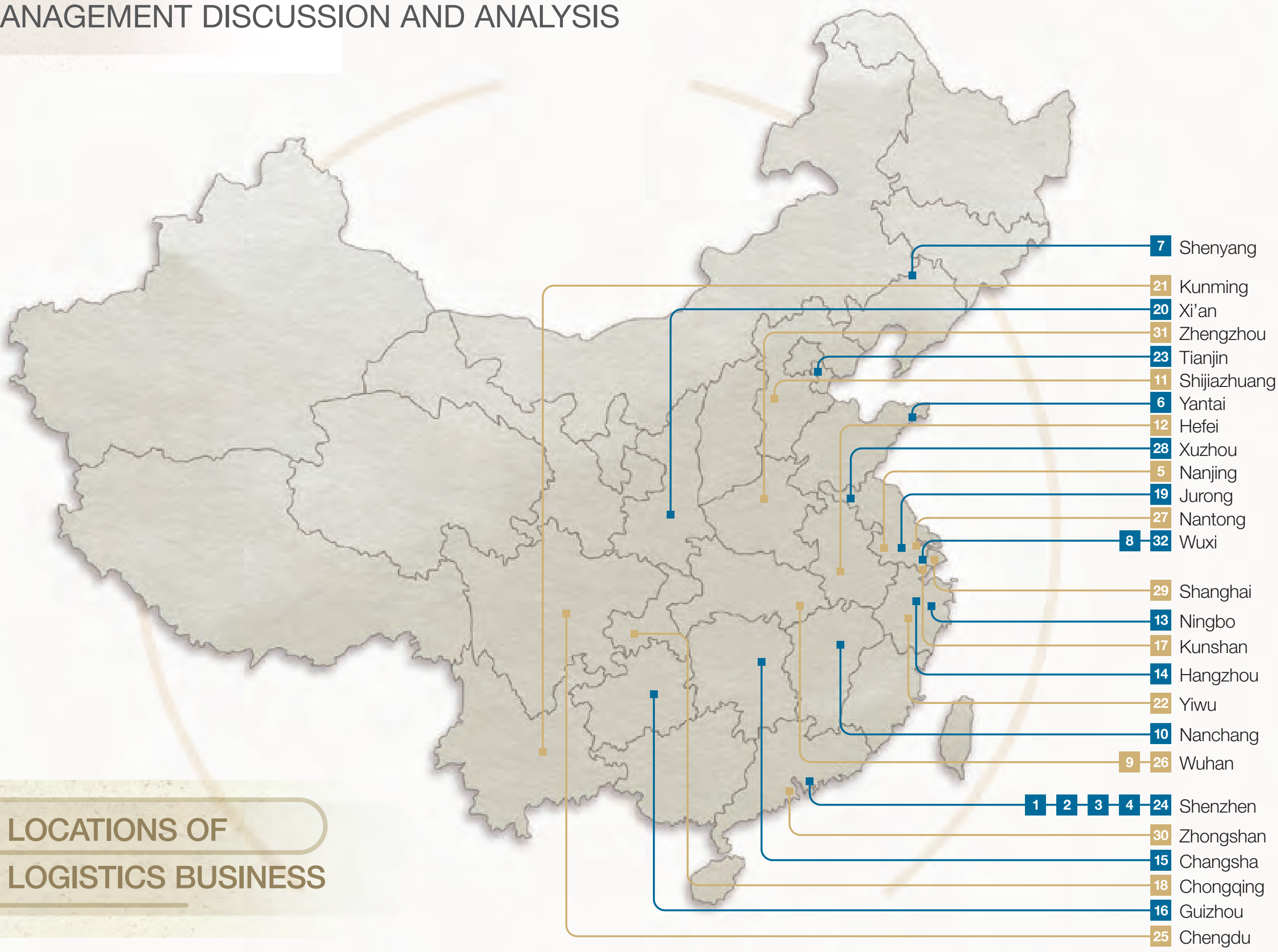
* *Including Shenzhen Airport Express Center which is a joint venture and is accounted for using the equity accounting method*

During the Period, revenue from the logistics park business decreased by 10% to HK$389 million as compared to the corresponding period of the previous year, which was mainly due to the Pandemic and the rent relief program implemented at the beginning of the year, coupled with an increase in operating costs. As a result, profit attributable to shareholders decreased by 16% to HK$79.90 million as compared to the corresponding period of the previous year.

During the Period, revenue and profit attributable to shareholders from the port and related services business decreased by 29% and 23% to HK$641 million and HK$49.81 million, respectively, as compared to the corresponding period of the previous year due to the control measures in respect of the Pandemic and a drop in demand for coal.

During the Period, revenue from the logistics service business increased by 62% to HK$599 million as compared to the corresponding period of the previous year, which was mainly attributable to the newly commenced cross-border e-commerce business. However, profit attributable to shareholders decreased by 21% to HK$12.23 million as compared to the corresponding period of the previous year as the relevant projects have relatively low profit margin during their early development stages while operating costs rocketed as a result of the Pandemic and offset the growth in revenue.

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

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

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

6. **Shandong Booming Total Logistics Park**
Located in Yantai Economic and Technological Development Zone
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: 264,000 square meters

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

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

10. **Shenzhen International Nanchang Integrated Logistics Hub**
Located in Nanchang Economic and Technological Development Zone
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: 99,000 square meters

13. **Shenzhen International Ningbo Integrated Logistics Hub**
Located in Ningnan Trade and Logistics Park, 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: 148,000 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 Industrial 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
Operating area: 121,000 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 Park, 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: 31,000 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

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

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

TOLL ROAD BUSINESS

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 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 Period is as follows:

				Average daily toll revenue	
Toll roads	*Interest held by the Group*	*Concession period*	*Length by toll (approximate km)*	*First half of 2020 (RMB'000)*	*Increase/ (decrease) compared to the corresponding period of 2019*
Shenzhen region in Guangdong Province:					
Longda Expressway (Note 1)	89.93%	2005.10 – 2027.10	4.4	**167**	(60.1%)
Meiguan Expressway	100%	1995.05 – 2027.03	5.4	**179**	(48.9%)
Jihe East	100%	1997.10 – 2027.03	23.7	**895**	(56.3%)
Jihe West	100%	1999.05 – 2027.03	21.8	**726**	(59.2%)
Shenzhen Coastal Project (Notes 2 and 3)	100%	Phase I: 2013.12 – 2038.12	Phase I: 30.9	**857**	(38.4%)
		Phase II: under construction	Phase II: 5.7		
Shuiguan Expressway	50%	2002.02 – 2027.02	20	**706**	(58.6%)
Shuiguan Extension	40%	2005.10 – 2027.02	6.3	**98**	(69.5%)
Other regions in Guangdong Province:					
Qinglian Expressway	76.37%	2009.07 – 2034.07	216	**1,148**	(50.7%)
Yangmao Expressway	25%	2004.11 – 2027.07	79.8	**597**	(62.1%)
Guangwu Project	30%	2004.12 – 2027.11	37.9	**369**	(55.7%)
Jiangzhong Project	25%	2005.11 – 2027.08	39.6	**479**	(61.5%)
Guangzhou Western Second Ring	25%	2006.12 – 2030.12	40.2	**623**	(58.9%)
Other provinces in China:					
Wuhuang Expressway	100%	1997.09 – 2022.09	70.3	**515**	(53.6%)
Yichang Project	100%	2004.01 – 2033.12	78.3	**503**	(53.5%)
Changsha Ring Road	51%	1999.11 – 2029.10	34.7	**219**	(43.7%)
Nanjing Third Bridge	25%	2005.10 – 2030.10	15.6	**785**	(44.8%)

Notes:

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

(2) 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.

(3) Pursuant to the truck toll adjustment agreement entered into between the Shenzhen Transportation Bureau and Coastal Company, all types of trucks passing though the Shenzhen Coastal Project between 1 March 2018 and 31 December 2020 will be charged at 50% of standard toll, for which the Shenzhen Transportation Bureau paid Coastal Company RMB302 million as compensation.

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

- Being an important gateway for diverting port traffic from Shenzhen's western port area, the Shenzhen Coastal Project witnessed a rapid rebound in terms of traffic volume as businesses resumed at full speed after stringent Pandemic control measures were lifted. During the Period, the number of trucks using Coastal Expressway exhibited exceptional growth as several infrastructure projects near Qianhai and the Exhibition & Convention Center in Shenzhen progressed at full steam to meet their schedules.

  During the Period, about 59% of the construction of the second phase of the Shenzhen Coastal Project has been completed. In particular, the Shenzhen World Exhibition & Convention Center interchange has been open to traffic since early November 2019 to link up the exhibition and convention center. The toll station of 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 end of the Shenzhen-Zhongshan Bridge of Shenzhen Coastal Phase II are also under construction. As such, the future operating performance of the 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, comprising Guangqing, Qinglian, Yuelin, Suiyue, Lintong and Lannan expressways, has been fully connected and significantly increased the traffic volume of Qinglian Expressway. The Qingyun section of Shanzhan Expressway, which was formally open to traffic on 1 January 2020, also stimulated the traffic volume of Qinglian Expressway. In addition, Qingyuan Bridge re-opened in mid-June 2020. Since part of its traffic takes Qinglian Expressway to access the bridge, this in turn boosts the operating results of Qinglian Expressway. As economic activities in the region along the expressway resumed and the surrounding road network continued to improve, Qinglian Expressway recorded satisfactory operating performance after resuming tolls.

- Located at the epicenter of the Pandemic, Wuhuang Expressway took a relatively hard blow to its operating performance during the Period. As the Pandemic came under control and production and business activities gradually resumed in Wuhan, the traffic volume of Wuhuang Expressway gradually bounced back.

- As at the end of June 2020, the other toll roads operated and invested by the Group have resumed normal operating performance as business activities and production resumed at full speed.

Financial Analysis

The Group's total revenue from the toll road business for the Period was HK$1,905 million (2019: HK$3,229 million), representing a decrease of 41% as compared to the corresponding period of the previous year. Profit before finance costs and tax was HK$330 million (2019: HK$2,165 million), representing a decrease of 85% as compared to the corresponding period of the previous year. Profit attributable to shareholders was HK$59.11 million (2019: HK$1,003 million), representing a decrease of 94% as compared to the corresponding period of the previous year.

The decrease in the Group's total revenue from the toll road business for the Period was mainly due to the loss of toll revenue as the Ministry of Transport of the PRC ordered the waiver of tolls for all cars lawfully passing through toll roads during the Pandemic between 00:00 a.m. on 17 February 2020 and 00:00 a.m. on 6 May 2020 (the "Toll-Free Policy during the Pandemic"). Since the Pandemic in China came under control and business activities and production resumed at full speed, expressways have resumed tolls on 6 May 2020 and traffic volume resumed normal and even exceeded that of the corresponding period of the previous year.

Longda Expressway

The Group owns the fee entitlement right of the 4.4-km toll section of Longda Expressway, which generated toll revenue for the Period of HK$32.49 million (2019: HK$85.38 million). Profit before finance costs and tax and profit before interest, tax, depreciation and amortization were HK$24.61 million (2019: HK$66.31 million) and HK$33.30 million (2019: HK$75.35 million), respectively.

Shenzhen Expressway and its expressway projects

During the Period, toll revenue of Shenzhen Expressway decreased by 55% to HK$1,150 million (2019: HK$2,555 million) as compared to the corresponding period of the previous year due to the Toll-Free Policy during the Pandemic. Therefore, total revenue of Shenzhen Expressway for the Period decreased by 41% to HK$1,851 million (2019: HK$3,123 million) as compared to the corresponding period of the previous year. As a result of the drop in revenue, coupled with the necessary recurring operating costs of toll roads, Shenzhen Expressway recorded a plunge in net profit of 99% to HK$23.41 million (2019: HK$2,020 million). Accordingly, the Group's share of profit from Shenzhen Expressway dropped by 95% to HK$48.44 million (2019: HK$980 million) as compared to the corresponding period of the previous year.

Key Construction Project

In respect of the Shenzhen Outer Ring Project invested in by the Group, around 76% of its construction was completed as at 30 June 2020. Basically all of its land resumption, demolition and relocation works were completed. Approximately 90%, 82% and 35% of the foundation works, the construction of bridges and all tunnels, and road surface, respectively, have been completed. Such progress has paved the way for the opening of the main line to traffic by the end of 2020.

Development of the Environmental Protection Business of Shenzhen Expressway

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

Results of Nanjing Wind Power Technology Co., Ltd. ("Nanjing Wind Power Company"), Baotou Nanfeng Wind Power Technology Co., Ltd. ("Baotou Nanfeng Company") and Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental Company") have been consolidated into Shenzhen Expressway's financial statements since April 2019, September 2019 and January 2020, respectively and they contributed wind power generation equipment sales revenue, wind power generation revenue and solid and hazardous waste treatment revenue of RMB121 million, RMB108 million and RMB195 million, respectively, to the results of Shenzhen Expressway during the Period. In addition, Chongqing Derun Environment Company Limited ("Derun Company") in which Shenzhen Expressway owns a 20% equity interest) recorded satisfactory revenue and contributed investment income of RMB93.25 million during the Period.

During the Period, 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 Expressway holds a 51% equity interest in Nanjing Wind Power Company. Since the acquisition of Nanjing Wind Power Company in 2019, Shenzhen Expressway has implemented a series of measures to strengthen the internal management, market expansion, supply chain development and technological research and development of this subsidiary, thereby significantly improving its operation and management and comprehensively expanded its whole-machine manufacturing and production capacity. Nanjing Wind Power Company commenced the construction of a new production base in Wuhu at the end of April 2020 and it also completed the technical development of two new models. Nanjing Wind Power Company will pursue its established annual targets by stepping up its marketing effort, diversifying its supply chain and reserving new technologies and products for future market expansion.

In addition, Shenzhen Expressway holds a 67% equity interest in Baotou Nanfeng Company, which is principally engaged in the investment, operation and management of five wind power generation farms in Inner Mongolia Autonomous Region of China. Baotou Nanfeng Company has rich wind power resources and enjoys synergies with its subsidiary, Nanjing Wind Power Company, by forming an industry chain. During the Period, Baotou Nanfeng Company continued to strengthen the operation and management quality of its wind farms and maintained normal overall production amid the Pandemic. Baotou Nanfeng Company fed 321,208 megawatts per hour of electricity to the grid, thereby exceeding its established half-year operating target.

As at the date of this report, Shenzhen Expressway completed the acquisition of approximately 67.14% equity interest in Bioland Environmental Company, which is one of the key providers of comprehensive organic waste treatment, construction and operation services in China. This acquisition is conducive to Shenzhen Expressway's rapid expansion in the sub-industry of organic waste treatment, generates synergies in the entire industrial chain of organic waste treatment, and facilitate the development on its business scale in the organic waste treatment business. During the Period, Bioland Environmental Company experienced a relatively large reduction in kitchen waste shipment due to the Pandemic, although the kitchen waste treatment business maintained a stable handling volume. It is expected that the waste treatment business of Bioland Environmental Company will grow steadily as consumption power rebounds after the Pandemic comes under control and the enforcement of waste sorting regulations tightens. On the other hand, both the engineering, procurement and construction (EPC) business and the equipment business recorded substantial year-on-year revenue growth. Furthermore, Bioland Environmental Company actively pursued technological research and development during the Period and achieved significant progress in the development of innovative technologies such as high-efficiency kitchen waste sorting and pulping equipment.

OTHER INVESTMENTS

Shenzhen Airlines

The airline industry suffered a heavy blow from a plunge in demand for air transport resulting from the Pandemic in the first half of 2020. During the Period, the passenger transport volume of Shenzhen Airlines decreased significantly to 7.84 million passenger rides (2019: 15.91 million passenger rides) with a passenger traffic of 11,685 million passenger-km (2019: 25,025 million passenger-km), representing a decrease of 51% and 53%, respectively, as compared to the corresponding period of the previous year.

During the Period, total revenue of the Shenzhen Airlines dropped by 57% to RMB6,641 million (equivalent to HK$7,304 million) (2019: RMB15,610 million (equivalent to HK$18,090 million)) as compared to the corresponding period of the previous year. In particular, passenger revenue decreased by 56% to RMB5,773 million (2019: RMB13,092 million) as compared to the corresponding period of the previous year. In addition, an exchange loss of RMB259 million (2019: an exchange gain of RMB8.03 million) was recorded due to the fluctuation in exchange rates. As a result, net loss amounted to RMB2,227 million (equivalent to HK$2,451 million) (2019: net profit RMB463 million (equivalent to HK$536 million)). Shenzhen Airlines brought a loss of approximately HK$1,223 million (2019: profit of HK$231 million) to the Group during the Period.

As at 30 June 2020, Shenzhen Airlines has 218 (2019: 209) aircraft in its fleet. It currently operates 301 routes comprising 295 domestic routes and 6 routes serving the Hong Kong, Macau and Taiwan regions. All international routes are suspended due to the Pandemic.

Moving on to the second half of 2020, domestic demand for air transport is gradually rebounding thanks to the control of the Pandemic while the demand for international air transport is recovering slowly. Shenzhen Airlines will bolster its competitiveness by keeping abreast of market dynamics, strengthening its cost control, rationalizing its capacity allocation and seizing the revival of market demand subsequent to the Pandemic.

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 Period, the Group did not dispose of any A shares of CSG (2019: nil). As at the date of this report, the Group holds a total of approximately 39.17 million A shares of CSG, representing approximately 1.28% of the total issued share capital of CSG.

The A shares of CSG held by the Group are classified as financial assets measured at fair value through profit or loss. As the share price of the A shares of CSG as at the end of June 2020 had a slight difference with that as at the end of December 2019, profit after tax recorded therefrom was immaterial for the Period.

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 sustainable talent supply to the Group to support its business development.

Employees and Policies on Remuneration and Benefits

As at 30 June 2020, the Group had a total of 7,532 (2019: 7,028) employees. During the Period, staff benefit expenses (including directors' remuneration) were approximately HK$490 million (2019: approximately HK$505 million).

Being one of the 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 targets 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, 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 2020, 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 Group 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 to selected talents in 2019 and 2020. At the same time, external lecturers were invited to give specific training during the Period. 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 physical and mental health.

Safety and Health

The Group has been striving to provide a safe, efficient and comfortable work environment for employees. Since 2020, the Group continued to organize a number of safety education training programmes and provided work safety guidelines to employees on the identification and prevention of safety hazards in the work place. The Group also provides various types of physical examinations related to occupational health and provides education materials to employees to ensure that their working environment is healthy and safe.

FINANCIAL POSITION

	30 June 2020 HK$ million	*31 December 2019 HK$ million*	*Increase/ (Decrease)*
Total Assets	**97,530**	91,409	7%
Total Liabilities	**51,941**	44,068	18%
Total Equity	**45,589**	47,341	(4%)
Net Asset Value attributable to shareholders	**29,247**	30,285	(3%)
Net Asset Value per share attributable to shareholders (HK dollar)	**13.3**	14.0	(5%)
Cash	**13,354**	14,780	(10%)
Bank borrowings	**16,711**	14,182	18%
Other borrowings	**519**	737	(30%)
Notes and bonds	**14,041**	11,574	21%
Total Borrowings	**31,271**	26,493	18%
Net Borrowings	**17,917**	11,713	53%
Debt-asset Ratio (Total Liabilities/Total Assets)	**53%**	48%	5#
Ratio of Total Borrowings to Total Assets	**32%**	29%	3#
Ratio of Net Borrowings to Total Equity	**39%**	25%	14#
Ratio of Total Borrowings to Total Equity	**69%**	56%	13#

Change in percentage points

Key Financial Indicators

As at 30 June 2020, the Group's total assets and total equity amounted to approximately HK$97,530 million and HK$45,589 million, respectively, while the net asset value attributable to shareholders was approximately HK$29,247 million. Net asset value per share was HK$13.3, representing a decrease of 5% as compared to the end of last year. The debt-asset ratio was 53%, representing an increase of 5 percentage points as compared to the end of last year. The ratio of total borrowings to total equity was 69%, representing an increase of 13 percentage points as compared to the end of last year. The financial position of the Group remained healthy and stable.

Cash Flow and Financial Ratios

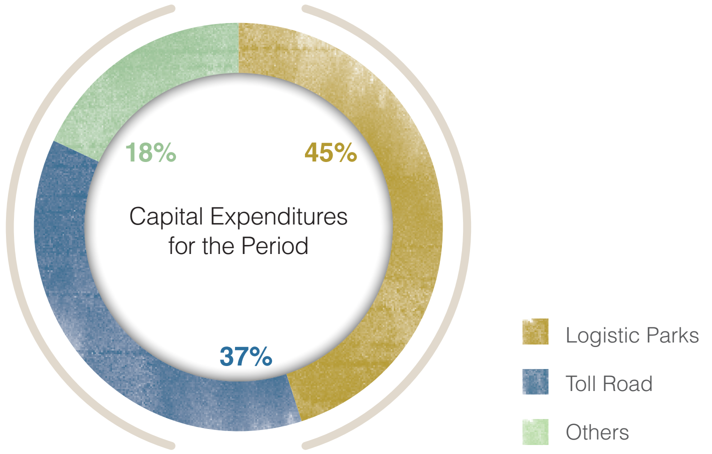
During the Period, net cash used in operating activities amounted to approximately HK$1,368 million. Net cash used in investing activities amounted to approximately HK$1,133 million. Net cash generated from financing activities amounted to approximately HK$1,433 million. The Group's cash flow generated from operations declined mainly due to the waiver of all toll charges on the Group's toll road projects during the Period in connection with the Pandemic.

Cash Balance

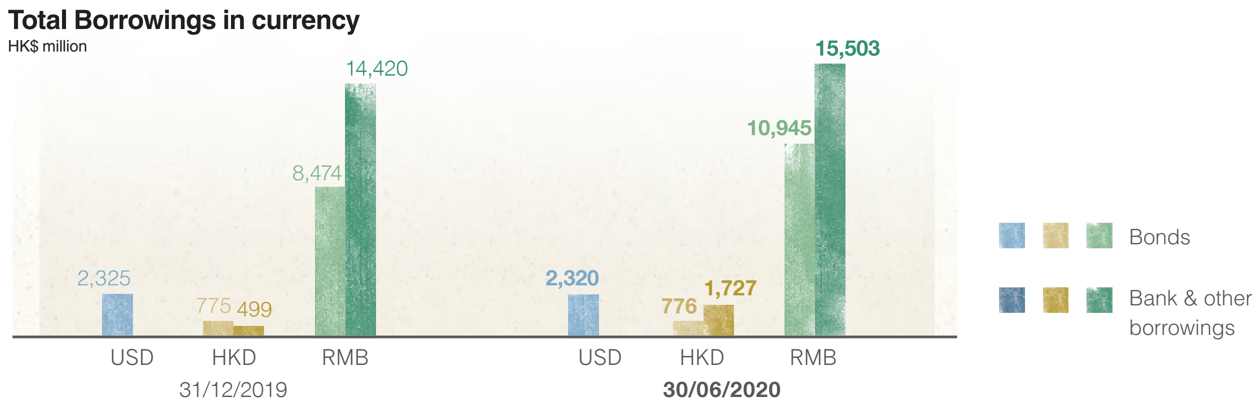
As at 30 June 2020, cash held by the Group amounted to approximately HK$13,354 million (31 December 2019: HK$14,780 million), representing a decrease of 10% as compared to the end of last year, which was mainly due to investment in its projects and the distribution of dividend for the year 2019 during the Period. To facilitate the Group's operation and development in the PRC, cash held by the Group is primarily denominated in RMB. The Group maintains a prudent treasury policy that centralizes the allocation of funds with the aims of reducing idle funds and achieving higher return on its cash portfolio to provide strong support for the development of its business.

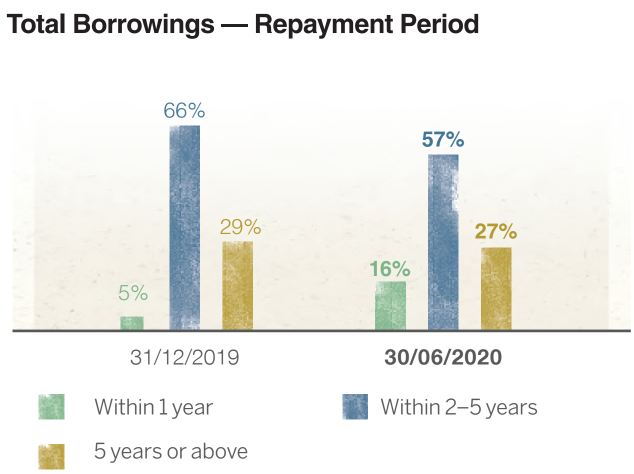
Capital Expenditures

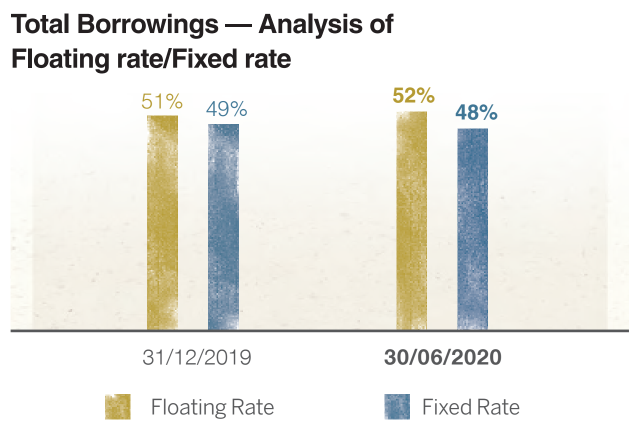
The Group's capital expenditures for the Period amounted to approximately RMB2,246 million (equivalent to HK$2,462 million), primarily comprising investments in the construction of "Integrated Logistics Hub" projects of approximately RMB980 million and investments in Shenzhen Expressway's projects of approximately RMB840 million. The Group expects the capital expenditures for the second half of 2020 to be approximately RMB6,100 million (equivalent to HK$6,700 million), including approximately RMB1,900 million for the "Integrated Logistics Hub" projects, approximately RMB2,400 million for Shenzhen Expressway's projects and approximately RMB600 million for United Land Company's projects.



Borrowings







As at 30 June 2020, the Group's total borrowings amounted to approximately HK$31,271 million, representing an increase of 18% as compared with the end of last year. During the Period, Shenzhen Expressway, a subsidiary of the Group, issued the first tranche of 5-year corporate bonds (epidemic prevention and control bonds) of RMB1,400 million and 180-day short-term bond of RMB1,000 million. 16%, 57% and 27% 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 constantly improves its financial management and optimizes its borrowing structure. It has conducted several onshore and offshore financing activities with the aims of capitalizing on the financing platforms in China and Hong Kong and striking a balance between lower interest rates and lower foreign exchange risk to make appropriate financing decisions.

The Group's Financial Policy

Except for the updates as stated below, the Group's financial policies were in line with those disclosed in its annual report for 2019 and set out in those statements.

Exchange Rate Risk

The cash flows, cash on hand and assets of the businesses operated by the Group are mainly denominated in RMB, whereas loans are mainly denominated in RMB, HK$ and US$. During the Period, the foreign exchange market continued to fluctuate due to the China-US trade conflicts. RMB to US$ exchange rates exhibited significant fluctuations during the Period, from appreciation to depreciation and then the exchange rates stabilized. The management of the Group has been closely monitoring the trend and movement of RMB exchange rates. During the Period, the Group incurred an exchange loss of approximately HK$25.52 million. As RMB is expected to continue two-way fluctuations, the Group will adjust the currency structure of its borrowings and utilize hedging instruments as appropriate to manage exchange rate risk and reduce the impact of fluctuation in the exchange rates of RMB. As at 30 June 2020, the ratio between the Group's borrowings in RMB and other currencies was around 85%:15%.

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$65,600 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 Period, three leading international credit rating agencies, namely Moody's, Standard & Poor's and Fitch Ratings, maintained their investment-grade credit ratings of the Company of Baa2, BBB and BBB, respectively. 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 30 June 2020, please refer to notes 17 and 28, respectively, of the unaudited interim financial report.

OUTLOOK FOR THE SECOND HALF OF 2020

Moving on to the second half of 2020, although the Pandemic situation around the world is not yet under control, the situation in China gradually becomes under control and the Chinese economy is basically back to normal. As a demonstration pilot zone full of vitality, Shenzhen is speeding up its economic rebound with a year-on-year positive growth in GDP for the first half of the year. In fact, the fundamentals and growth momentum of the Chinese economy remain unchanged. The protracted Pandemic situation has encouraged the habit of shopping online among the Chinese. As a result of the online shopping trend, the demand for contactless delivery for online purchases will stimulate demand for smart storage, cold chain, real-time logistics and intercity distribution. Market demand for high-standard warehouses will continue to be strong.

The management of the Group believes that with each challenge comes an opportunity. As such, the Company will remain vigilant and regularly review the Group's development strategies and risk control systems in order to respond flexibly to market dynamics. Capitalizing on the edge of its nationwide network, the Group will collaborate with its partners to achieve growth. The Group will also continue to improve its performance through exploring new potentials, cost control, expansion to increase revenue and speeding up its investment, merger and acquisition projects. With respect to the toll road business and airline segment, the Group will actively negotiate with the relevant government authorities for the timely roll-out of compensations for Pandemic control and relief measures implemented during the Epidemic. Despite the complex and ever-changing business environment, the Group will strive to progress the work in different aspects of its operations in hope of achieving stable performance.

In the second half of 2020, the Group will continue to seize the strategic opportunities brought about by, among other things, the Belt and Road Initiative, the Guangdong-Hong Kong-Macao Greater Bay Area, the Shenzhen demonstration pilot zone and the Yangtze River Economic Belt, and strengthen its presence in logistic infrastructure and related industries, expand its integrated logistics hub network across the country, particularly in prosperous regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and the Pan-Bohai Rim. It is expected the aforesaid will enable the Group to continue accumulate sustainable and high-quality assets for its long-term development whilst also expanding the scale of the Group's assets in order to achieve economies of scale. The Group will continue to strengthen the business promotion, operation and management capabilities of its logistics hub projects in operation, strictly control its operating costs, introduce more value-added services, enhance the production capacity of its warehouse storage area and improve its profitability. The Group will strive to explore the businesses of smart warehousing and cold chain and investment opportunities in both the upstream and downstream parts of the logistics value chain in a proactive manner.

The Group will actively explore a closed-loop business model for integrated logistics hubs, comprising investment, construction, management and divestment, in order to achieve development on a rolling and sustainable basis and realize land appreciation gains from its logistics hubs. As China officially launches the pilot scheme for public real estate investment trusts (REITs) in respect of infrastructures, the Group will also proactively explore the possibility of offering REITs.

The Group will continue to consolidate its leading position in the logistics park market in Shenzhen, seize the major opportunity brought about by the logistics hub layout planning of Shenzhen, actively participate in the construction of government logistics hub projects and speed up the development and construction of key projects in Shenzhen, bolster its investment, merger and acquisition of quality logistics assets in Shenzhen and surrounding cities.

The Group will also continue its efforts to transform its logistics parks in order to seize the significant opportunity brought by adjustments to the land use of logistics parks across Shenzhen. During the Period, the land consolidation and preparation work of the Qianhai Project had been completed. The Group will focus its efforts towards the operations of its commercial properties while progressing the development and sales of the Meilin Checkpoint Project and the Qianhai Project with the expectation of unlocking their value over the next few years. Pre-sale of He Ya Xuan (和雅軒), which is the second phase of the Meilin Checkpoint Project, commenced in October 2019. As of July 2020, all units in the three residential buildings with pre-sale permits have been sold and proceeds have been received. Completion inspection and filing procedures of the buildings are expected to be completed by the end of the year.

As China's economic development and urbanization grow rapidly, the limited land supply in the Greater Bay Area, particularly land resources in its core regions, becomes increasingly scarce. Given the high intrinsic value of the land parcels of the Group's logistics parks, the intensity of development efforts and innovation in business model in the future will be key to extracting such value. The Group will seize opportunities arising from urban development and renewal, and accelerate the transformation and upgrade of South China Logistics Park with the aim of increasing the economic value of the land parcels of its logistics parks, realizing the commercial value of the existing resources of the Group in a timely manner and enhancing the overall profitability of the Group. Situated in the core region of Longhua with a site area of approximately 600,000 square meters, the Group's South China Logistics Park is situated at a prime location with an excellent transportation network. It is expected that upon successful transformation, South China Logistics Park will contribute considerable economic returns to the Group.

In the second half of 2020, the Group will accelerate the construction progress of its toll road projects under development. In particular, the Group will work to ensure the punctual completion of the major works of the Shenzhen Outer Ring Project and the second phase of the Shenzhen Coastal Project which are currently under development. Meanwhile, smart collection and integration will be applied to key projects, beginning with the reconstruction and expansion of Jihe Expressway in order to enhance overall operating performance by lowering labor costs and management fees through higher degrees of smart operation and management. The Group will continue to consolidate and boost its toll road business by actively exploring merger, acquisition and restructuring opportunities and investing in toll road and bridge projects with great potential.

As to the environmental protection industry, the Group will focus on pursuing suitable investment opportunities in organic waste disposal, hazardous industrial waste treatment, clean energy generation and other segments in order to derive synergies with existing operations as well as better consolidate and coordinate resources of the Group. At the same time, the Group seeks to build a professional team by attracting external and nurturing in-house talents, enhancing research and development on environmental technologies, bolstering its operational capability and mustering core competitive strengths.

KPMG

Review report to the board of directors of Shenzhen International Holdings Limited
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 30 to 65, which comprises the consolidated balance sheet of Shenzhen International Holdings Limited (the "Company") and its subsidiaries as of 30 June 2020 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial report performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2020 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

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

25 August 2020

INTERIM CONSOLIDATED BALANCE SHEET – UNAUDITED

(All amounts in Hong Kong dollar thousands unless otherwise stated)

(For reference only) As at 30 June 2020 RMB'000		Note	As at 30 June 2020 HK$'000	As at 31 December 2019 HK$'000
	ASSETS			
	Non-current assets			
506,282	Investment properties	7	**554,829**	576,796
9,252,665	Property, plant and equipment	7	**10,139,907**	10,029,717
2,962,984	Land use rights	7	**3,247,106**	3,393,684
2,114,721	Construction in progress	7	**2,317,502**	1,846,436
25,653,788	Intangible assets	7	**28,113,740**	26,260,742
235,003	Goodwill		**257,538**	262,427
12,099,277	Interests in associates	8	**13,259,481**	14,527,280
72,946	Interests in joint ventures		**79,940**	64,074
497,457	Other financial assets	9	**545,158**	538,016
1,344,291	Deferred tax assets		**1,473,196**	1,247,740
1,055,287	Other non-current assets	10	**1,156,479**	1,035,957
55,794,701			**61,144,876**	59,782,869
	Current assets			
13,361,842	Inventories and other contract costs	11	**14,643,115**	10,111,605
688,672	Contract assets		**754,709**	503,509
696,649	Other financial assets	9	**763,451**	219,160
5,925,321	Trade and other receivables	12	**6,493,502**	5,662,296
93,498	Derivative financial instruments		**102,463**	70,005
2,158,956	Restricted bank deposits		**2,365,979**	2,056,827
108,027	Deposits in banks with original maturities over 3 months		**118,385**	791,378
9,918,286	Cash and cash equivalents		**10,869,355**	11,931,764
250,127	Disposal group held for sale	13	**274,111**	279,315
33,201,378			**36,385,070**	31,625,859
88,996,079	**Total assets**		**97,529,946**	91,408,728

(All amounts in Hong Kong dollar thousands unless otherwise stated)

(For reference only) As at 30 June 2020 RMB'000		Note	As at 30 June 2020 HK$'000	As at 31 December 2019 HK$'000
	EQUITY AND LIABILITIES			
	Equity attributable to ordinary shareholders of the Company			
10,145,258	Share capital and share premium	14	**11,515,550**	11,098,877
16,686,331	Other reserves and retained earnings	15	**17,730,959**	19,186,158
26,831,589	**Equity attributable to ordinary shareholders of the Company**		**29,246,509**	30,285,035
1,982,837	**Perpetual securities**	16	**2,330,939**	2,330,939
12,785,874	**Non-controlling interests**		**14,011,917**	14,725,298
41,600,300	**Total equity**		**45,589,365**	47,341,272
	Liabilities			
	Non-current liabilities			
24,006,444	Borrowings	17	**26,308,432**	25,179,181
633,853	Lease liabilities		**694,634**	722,274
1,608,463	Deferred tax liabilities		**1,762,700**	1,773,633
1,148,973	Other non-current liabilities	18	**1,259,148**	1,272,743
27,397,733			**30,024,914**	28,947,831
	Current liabilities			
8,619,307	Trade and other payables	19	**9,445,817**	7,432,917
5,314,029	Contract liabilities	20	**5,823,593**	4,612,724
1,411,430	Income tax payable		**1,546,772**	1,659,449
4,528,675	Borrowings	17	**4,962,932**	1,314,083
124,605	Lease liabilities		**136,553**	100,452
19,998,046			**21,915,667**	15,119,625
47,395,779	**Total liabilities**		**51,940,581**	44,067,456
88,996,079	**Total equity and liabilities**		**97,529,946**	91,408,728

The notes on pages 37 to 65 form part of this unaudited interim financial report.

INTERIM CONSOLIDATED INCOME STATEMENT – UNAUDITED

(All amounts in Hong Kong dollar thousands unless otherwise stated)

(For reference only) Six months ended 30 June 2020 RMB'000		Note	*Six months ended 30 June* **2020 HK$'000**	2019 HK$'000
4,002,331	**Revenue**	6, 21	**4,402,036**	5,711,592
(3,487,080)	Cost of sales		**(3,835,327)**	(3,825,185)
515,251	**Gross profit**		**566,709**	1,886,407
3,573,859	Other gains – net	22	**3,930,775**	387,760
66,724	Other income	23	**73,387**	48,151
(46,582)	Distribution costs		**(51,234)**	(53,261)
(291,371)	Administrative expenses		**(320,470)**	(288,950)
(11,412)	Impairment losses on trade receivables and contract assets		**(12,552)**	(46,335)
3,806,469	**Operating profit**		**4,186,615**	1,933,772
5,567	Share of profit of joint ventures		**6,123**	5,979
(971,456)	Share of (loss)/profit of associates	8	**(1,068,474)**	618,104
2,840,580	**Profit before finance costs and income tax**		**3,124,264**	2,557,855
109,572	Finance income	24	**120,514**	113,157
(440,563)	Finance costs	24	**(484,560)**	(446,463)
(330,991)	Finance costs – net	24	**(364,046)**	(333,306)
2,509,589	**Profit before income tax**		**2,760,218**	2,224,549
(922,673)	Income tax (expense)/benefit	25	**(1,014,819)**	137,823
1,586,916	**Profit for the period**		**1,745,399**	2,362,372
	Attributable to:			
1,557,589	Ordinary shareholders of the Company		**1,713,233**	1,238,971
41,842	Perpetual securities holders of the Company		**45,931**	46,511
(12,515)	Non-controlling interests		**(13,765)**	1,076,890
1,586,916			**1,745,399**	2,362,372
	Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)			
	Basic	26	**0.79**	0.58
	Diluted	26	**0.79**	0.58

The notes on pages 37 to 65 form part of this unaudited interim financial report.

Details of dividends paid to ordinary shareholders of the Company are set out in Note 27.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	*Six months ended 30 June* **2020** **HK$'000**	2019 HK$'000
Profit for the period		**1,745,399**	2,362,372
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Share of other comprehensive income of associates	8	**78,370**	(17,362)
Items that will not be reclassified to profit or loss:			
Currency translation differences		**(953,985)**	(218,141)
Net movement in fair value reserve on other financial assets (non-recycling)	15	**(134)**	(13)
Sub-total		**(954,119)**	(218,154)
Other comprehensive income for the period, net of tax		**(875,749)**	(235,516)
Total comprehensive income for the period		**869,650**	2,126,856
Total comprehensive income attributable to:			
Ordinary shareholders of the Company		**1,073,668**	1,070,773
Perpetual securities holders of the Company		**45,931**	46,511
Non-controlling interests		**(249,949)**	1,009,572
		869,650	2,126,856

The notes on pages 37 to 65 form part of this unaudited interim financial report.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Attributable to Ordinary Shareholders of the Company						
	Share capital and share premium	*Other reserves (Note 15)*	*Retained earnings (Note 15)*	*Total*	*Perpetual securities*	*Non-controlling interests*	*Total equity*
Balance as at 1 January 2019	10,552,228	3,545,003	13,488,783	27,586,014	2,330,939	14,049,613	43,966,566
Profit for the period	–	–	1,238,971	1,238,971	46,511	1,076,890	2,362,372
Other comprehensive income	–	(168,198)	–	(168,198)	–	(67,318)	(235,516)
Total comprehensive income for the six months ended 30 June 2019	–	(168,198)	1,238,971	1,070,773	46,511	1,009,572	2,126,856
Transactions with owners in their capacity as owners							
Employee share option scheme							
– proceeds from shares issued (Note 14)	44,485	–	–	44,485	–	–	44,485
– value of employee services (Note 14)	12,026	–	–	12,026	–	–	12,026
Transfer from reserve	–	2,284	(2,284)	–	–	–	–
Dividend relating to 2018	–	–	(2,252,192)	(2,252,192)	–	–	(2,252,192)
Issue of scrip shares as dividend	411,198	–	–	411,198	–	–	411,198
Dividend paid/payables to non-controlling interests by subsidiaries	–	–	–	–	–	(1,154,900)	(1,154,900)
Non-controlling interests arising on business combinations	–	–	–	–	–	397,243	397,243
Capital injection by non-controlling interests	–	–	–	–	–	16,630	16,630
Capital reduction by non-controlling interests	–	–	–	–	–	(2,144)	(2,144)
Distribution for perpetual securities (Note 16)	–	–	–	–	(46,511)	–	(46,511)
Total transactions with owners	467,709	2,284	(2,254,476)	(1,784,483)	(46,511)	(743,171)	(2,574,165)
Balance as at 30 June 2019	11,019,937	3,379,089	12,473,278	26,872,304	2,330,939	14,316,014	43,519,257

The notes on pages 37 to 65 form part of this unaudited interim financial report.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Attributable to Ordinary Shareholders of the Company						
	Share capital and share premium	*Other reserves (Note 15)*	*Retained earnings (Note 15)*	*Total*	*Perpetual securities*	*Non-controlling interests*	*Total equity*
Balance as at 1 January 2020	11,098,877	3,418,538	15,767,620	30,285,035	2,330,939	14,725,298	47,341,272
Profit for the period	–	–	1,713,233	1,713,233	45,931	(13,765)	1,745,399
Other comprehensive income	–	(639,565)	–	(639,565)	–	(236,184)	(875,749)
Total comprehensive income for the six months ended 30 June 2020	–	(639,565)	1,713,233	1,073,668	45,931	(249,949)	869,650
Transactions with owners in their capacity as owners							
Employee share option scheme							
– proceeds from shares issued (Note 14)	7,450	–	–	7,450	–	–	7,450
– value of employee services (Note 14)	4,288	–	–	4,288	–	–	4,288
Transfer from reserve	–	1,111	(1,111)	–	–	–	–
Dividend relating to 2019 (Note 27)	–	–	(2,530,140)	(2,530,140)	–	–	(2,530,140)
Issue of scrip shares as dividend (Note 27)	404,935	–	–	404,935	–	–	404,935
Dividend paid/payables to non-controlling interests by subsidiaries	–	–	–	–	–	(950,217)	(950,217)
Non-controlling interests arising on business combinations (Note 30)	–	–	–	–	–	502,247	502,247
Transactions with non-controlling interests	–	1,273	–	1,273	–	(1,273)	–
Capital injection by non-controlling interests	–	–	–	–	–	12,758	12,758
Capital reduction by non-controlling interests	–	–	–	–	–	(26,947)	(26,947)
Distribution for perpetual securities (Note 16)	–	–	–	–	(45,931)	–	(45,931)
Total transactions with owners	416,673	2,384	(2,531,251)	(2,112,194)	(45,931)	(463,432)	(2,621,557)
Balance as at 30 June 2020	11,515,550	2,781,357	14,949,602	29,246,509	2,330,939	14,011,917	45,589,365

The notes on pages 37 to 65 form part of this unaudited interim financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	*Six months ended 30 June*	
		2020	*2019*
Cash flows from operating activities			
Cash generated from operations		**435,391**	4,401,875
Interest paid		**(327,544)**	(376,843)
Income tax paid		**(1,475,910)**	(848,225)
Net cash (used in)/generated from operating activities		**(1,368,063)**	3,176,807
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash paid	30	**(245,614)**	(242,532)
Purchase of property, plant and equipment, land use rights, construction in progress, intangible assets and other non-current assets		**(2,247,765)**	(1,886,144)
Advance from an associate		**879,894**	–
Increase in interests in associates	8	**(195,502)**	(66,636)
Proceeds from disposal assets of Nanjing Xiba Port Co., Ltd.	13	**329,961**	–
Proceeds from disposal of property, plant and equipment, and concession intangible assets		**39,568**	27,928
Net cash flow from (purchase)/redemptions of other financial assets, net of tax		**(534,470)**	186,282
Decrease in deposits in banks with original maturities over 3 months		**672,993**	564,776
Advance to non-controlling interests		**–**	(276,262)
Dividends received		**44,105**	239,338
Proceeds from disposal of subsidiaries		**–**	656,374
Cash generated from other investing activities		**124,227**	93,310
Net cash used in investing activities		**(1,132,603)**	(703,566)
Cash flows from financing activities			
Proceeds from borrowings	17	**7,341,557**	3,210,333
Repayments of borrowings	17	**(2,969,315)**	(3,015,073)
Dividends paid to the Company's and subsidiaries' shareholders		**(2,448,514)**	(2,225,601)
Distribution for perpetual securities holders	16	**(45,931)**	(46,511)
Advance to non-controlling interests		**(428,949)**	–
Capital injections by non-controlling interests		**12,758**	16,630
Cash used in other financing activities		**(28,907)**	(38,510)
Net cash generated from/(used in) financing activities		**1,432,699**	(2,098,732)
Net (decrease)/increase in cash and cash equivalents		**(1,067,967)**	374,509
Cash and cash equivalents at the beginning of the period		**11,931,764**	13,663,906
Effect of foreign exchange rates changes		**5,558**	(8,553)
Cash and cash equivalents at the end of the period		**10,869,355**	14,029,862

NON-CASH TRANSACTIONS

The major non-cash transaction for the six months ended 30 June 2020 represented the issue of scrip shares as dividend (Note 27).

The notes on pages 37 to 65 form part of this unaudited interim financial report.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

1. GENERAL AND MAJOR DEVELOPMENT

(a) General information

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

– Toll roads; and

– Logistic business.

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

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

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

As at 30 June 2020, Ultrarich International Limited ("Ultrarich") directly owned 952,010,090 ordinary shares of the Company, representing approximately 43.39% of the issued share capital of the Company. As Shenzhen Investment Holdings Company Limited ("SIHCL") held 100% equity interest in Ultrarich, it had a deemed interest in 43.39% 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.

This interim financial report is presented in Hong Kong dollar ("HKD") thousands, unless otherwise stated.

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

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

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

According to the Land Consolidation and Preparation Agreement, no contractual land prices (including land use right assignment fees, land development funds and municipal ancillary facility funds) were charged for the above three land use rights which were transferred in 2020 upon signing of the Land Transfer Agreements. As a result, the Group has completed the Third Phase of Qianhai Project land consolidation and preparation and recognised other net gain of HKD3,905,586,000 in the consolidated income statement for the period ended 30 June 2020 (See Note 22).

2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS"), *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 25 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2019 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on page 29.

3. CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

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 in this interim financial report. Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4. ESTIMATES

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

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2019 Financial Statements.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

4. ESTIMATES *(continued)*

Amortisation of concession intangible assets

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

Amortisation of concession intangible assets is provided 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 Group performs periodic assessments of the total projected traffic volume. The Group appoints independent professional traffic consultants to perform independent professional traffic studies and makes appropriate adjustment if there is a material difference between projected traffic volume and actual traffic volume. By the first quarter of 2020, the Group appointed an independent professional traffic consultant to reassess the aggregate future traffic volume of Shuiguan Expressway and Yichang Expressway. The Group has adjusted the amortisation unit for the related concession intangible assets according to the revised total projected traffic volume since 1 January 2020 on a prospective basis. Such change in accounting estimate has resulted in decrease in profit attributable to ordinary shareholders of the Company of HKD2,450,000 for the six months ended 30 June 2020 and will affect the amortisation charges of the Group in the future.

5. FINANCIAL VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

	As at 30 June 2020			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets				
Equity securities designated at FVOCI (non-recycling)				
– Unlisted equity securities	–	–	52,485	52,485
Financial assets measured at FVPL				
– Listed securities in the PRC	215,506	–	–	215,506
– Unlisted equity securities	–	–	252,828	252,828
– Unlisted fund investment	–	–	239,846	239,846
Derivative financial instruments	–	102,463	–	102,463

(All amounts in Hong Kong dollar thousands unless otherwise stated)

5. FINANCIAL VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

	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

During the period, there were no transfers between level 1 and level 2, or transfers into or out of level 3 (2019: Nil). There were no changes in valuation techniques during the period.

(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 Holding Co., Ltd ("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.

(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	19.42-20.71
		The discount of lack of marketability	34.68%-35.26%
– Unlisted fund investment (Note ii)	Income capitalisation method	Yield	6.5%
		Market monthly rental rate (RMB/sq.m.)	23.1-42.0
		Occupancy rate	63%-98%

(All amounts in Hong Kong dollar thousands unless otherwise stated)

5. FINANCIAL VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

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

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

(i) The fair value of unlisted equity instruments is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2020, 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 HKD20,226,510.

(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 30 June 2020 the carrying amount is not materially different from their fair value.

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

	Six months ended 30 June	
	2020	*2019*
Unlisted equity securities and fund investments:		
Beginning of the period	**538,016**	485,949
Net unrealised gains or losses recognised in other comprehensive income during the period	**(178)**	(202)
Redemptions	**(12,917)**	(19,255)
Changes in fair value recognised in profit or loss during the period	**30,576**	5,115
Exchange difference	**(10,339)**	(1,591)
At 30 June	**545,158**	470,016

6. 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 of directors. The board of directors 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; and (iii) port and related services.

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

(All amounts in Hong Kong dollar thousands unless otherwise stated)

6. SEGMENT INFORMATION *(continued)*

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the board of directors, the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance for the period ended 30 June 2020 and 2019 is set out below.

For the six months ended 30 June 2020

	Toll roads	*Logistic business*				*Head office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related services*	*Subtotal*		
Revenue from contracts with customers within the scope of HKFRS 15							
– Point in time	1,549,249	98,459	598,681	640,881	1,338,021	–	2,887,270
– Over time	1,223,770	–	–	–	–	–	1,223,770
Subtotal	2,773,019	98,459	598,681	640,881	1,338,021	–	4,111,040
Revenue from other sources	–	290,996	–	–	290,996	–	290,996
Revenue	2,773,019	389,455	598,681	640,881	1,629,017	–	4,402,036
Operating profit	174,966	102,971	17,369	88,967	209,307	3,802,342	4,186,615
Share of profit of joint ventures	–	5,814	–	–	5,814	309	6,123
Share of profit/(loss) of associates	155,045	(60)	–	–	(60)	(1,223,459)	(1,068,474)
Finance income	32,213	1,608	476	56	2,140	86,161	120,514
Finance costs	(342,552)	(9,798)	(747)	(15)	(10,560)	(131,448)	(484,560)
Profit before income tax	19,672	100,535	17,098	89,008	206,641	2,533,905	2,760,218
Income tax benefit/(expense)	15,605	(22,431)	(2,273)	(21,064)	(45,768)	(984,656)	(1,014,819)
Profit for the period	35,277	78,104	14,825	67,944	160,873	1,549,249	1,745,399
Non-controlling interests	23,831	1,792	(2,600)	(18,133)	(18,941)	8,875	13,765
Subtotal	59,108	79,896	12,225	49,811	141,932	1,558,124	1,759,164
Profit attributable to perpetual securities holders of the Company	–	–	–	–	–	(45,931)	(45,931)
Profit attributable to ordinary shareholders of the Company	59,108	79,896	12,225	49,811	141,932	1,512,193	1,713,233
Depreciation and amortisation	859,773	141,152	19,905	19,225	180,282	35,301	1,075,356
Capital expenditure							
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	1,116,041	363,243	25,918	10,402	399,563	719,878	2,235,482
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets arising from acquisition of a subsidiary (Note 30)	2,120,203	–	–	–	–	–	2,120,203
– Additions in interests in associates	195,502	–	–	–	–	–	195,502

(All amounts in Hong Kong dollar thousands unless otherwise stated)

6. SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2019

	Toll roads	*Logistic business*				*Head office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related services*	*Subtotal*		
Revenue from contracts with customers within the scope of HKFRS 15							
– Point in time	3,102,783	129,852	369,225	897,681	1,396,758	–	4,499,541
– Over time	908,365	–	–	–	–	–	908,365
Subtotal	4,011,148	129,852	369,225	897,681	1,396,758	–	5,407,906
Revenue from other sources	–	303,686	–	–	303,686	–	303,686
Revenue	4,011,148	433,538	369,225	897,681	1,700,444	–	5,711,592
Operating profit/(loss)	1,805,689	105,352	18,796	112,858	237,006	(108,923)	1,933,772
Share of profit of joint ventures	–	5,710	–	–	5,710	269	5,979
Share of profit of associates	359,642	97	–	–	97	258,365	618,104
Finance income	28,661	2,402	7,502	118	10,022	74,474	113,157
Finance costs	(333,324)	(3,591)	(591)	(1,647)	(5,829)	(107,310)	(446,463)
Profit before income tax	1,860,668	109,970	25,707	111,329	247,006	116,875	2,224,549
Income tax benefit/(expense)	185,377	(12,126)	(5,311)	(21,145)	(38,582)	(8,972)	137,823
Profit for the period	2,046,045	97,844	20,396	90,184	208,424	107,903	2,362,372
Non-controlling interests	(1,043,360)	(2,241)	(4,917)	(25,210)	(32,368)	(1,162)	(1,076,890)
Subtotal	1,002,685	95,603	15,479	64,974	176,056	106,741	1,285,482
Profit attributable to perpetual securities holders of the Company	–	–	–	–	–	(46,511)	(46,511)
Profit attributable to ordinary shareholders of the Company	1,002,685	95,603	15,479	64,974	176,056	60,230	1,238,971
Depreciation and amortisation	858,375	113,912	8,920	30,993	153,825	14,455	1,026,655
Capital expenditure							
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	911,047	764,044	10,574	20,455	795,073	437,156	2,143,276
– Additions in property, plant and equipment and intangible assets arising from acquisition of a subsidiary	101,200	–	–	–	–	–	101,200
– Additions in interests in associates	66,636	–	–	–	–	–	66,636

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

(All amounts in Hong Kong dollar thousands unless otherwise stated)

7. INTANGIBLE ASSETS AND OTHER FIXED ASSETS

	Intangible assets	*Property, plant and equipment*	*Land use rights*	*Construction in progress*	*Sub-total*	*Investment properties*	*Total*
Six months ended 30 June 2020							
Net book amount as at 1 January 2020	**26,260,742**	**10,029,717**	**3,393,684**	**1,846,436**	**41,530,579**	**576,796**	**42,107,375**
Acquisition of a subsidiary (Note 30)	**2,050,783**	**12,559**	**25,644**	**31,217**	**2,120,203**	**–**	**2,120,203**
Fair value change	**–**	**–**	**–**	**–**	**–**	**(13,071)**	**(13,071)**
Additions	**1,053,841**	**141,623**	**40,146**	**999,872**	**2,235,482**	**–**	**2,235,482**
Disposals	**(713)**	**(39,364)**	**–**	**–**	**(40,077)**	**–**	**(40,077)**
Transfers	**–**	**523,004**	**(109,121)**	**(523,004)**	**(109,121)**	**–**	**(109,121)**
Exchange difference	**(554,809)**	**(187,201)**	**(64,426)**	**(37,019)**	**(843,455)**	**(8,896)**	**(852,351)**
Depreciation/amortisation	**(696,104)**	**(340,431)**	**(38,821)**	**–**	**(1,075,356)**	**–**	**(1,075,356)**
Net book amount as at 30 June 2020	**28,113,740**	**10,139,907**	**3,247,106**	**2,317,502**	**43,818,255**	**554,829**	**44,373,084**
Six months ended 30 June 2019							
Net book amount as at 1 January 2019	27,020,690	5,796,625	2,932,326	2,424,315	38,173,956	330,979	38,504,935
Acquisition of subsidiaries	93,225	7,975	–	–	101,200	–	101,200
Fair value change	–	–	–	–	–	47,426	47,426
Additions	809,238	257,523	364,332	594,042	2,025,135	118,141	2,143,276
Disposals	(11,559)	(16,370)	–	–	(27,929)	–	(27,929)
Transfers	–	1,888,239	–	(2,013,135)	(124,896)	124,896	–
Exchange difference	(116,512)	(60,479)	(18,462)	(17,023)	(212,476)	(6,517)	(218,993)
Depreciation/amortisation	(778,709)	(206,331)	(41,615)	–	(1,026,655)	–	(1,026,655)
Net book amount as at 30 June 2019	27,016,373	7,667,182	3,236,581	988,199	38,908,335	614,925	39,523,260

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 2 to 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 consideration payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

8. INTERESTS IN ASSOCIATES

	Six months ended 30 June	
	2020	*2019*
Beginning of the period	**14,527,280**	13,811,104
Additions	**195,502**	66,636
Share of (loss)/profit of associates	**(1,068,474)**	618,104
Share of other comprehensive income of associates	**78,370**	(17,362)
Dividends	**(206,170)**	(332,303)
Exchange difference	**(267,027)**	(64,459)
End of the period	**13,259,481**	14,081,720

The ending balance comprises the following:

	As at	
	30 June 2020	*31 December 2019*
Unlisted investments		
Share of net assets, other than goodwill	**10,725,219**	11,944,907
Goodwill on acquisition	**2,534,262**	2,582,373
	13,259,481	14,527,280

Based on the assessment made by the directors of the Company, there were no impairment losses for the interests in associates as at 30 June 2020 (31 December 2019: Nil).

(All amounts in Hong Kong dollar thousands unless otherwise stated)

9. OTHER FINANCIAL ASSETS

	As at	
	30 June 2020	31 December 2019
Financial assets measured at amortised cost		
– Debt security (Note (a))	**547,944**	–
Equity securities designated at FVOCI (non-recycling)		
– Unlisted equity securities	**52,485**	53,662
Financial assets measured at FVPL		
– Listed securities in the PRC (Note (b))	**215,506**	219,160
– Unlisted equity securities	**252,828**	243,371
– Unlisted fund investment (Note (c))	**239,846**	240,983
	1,308,609	757,176
Less: non-current portion	**(545,158)**	(538,016)
Current portion	**763,451**	219,160

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

(b) As at 30 June 2020, listed equity investments stated at market price represent 39,173,196 shares (31 December 2019: 39,173,196 shares) the Group held in CSG. During the period, the Group did not dispose of any shares in CSG (six months ended 30 June 2019: Nil).

(c) As at 30 June 2020, 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 period end.

10. OTHER NON-CURRENT ASSETS

As at 30 June 2020, other non-current assets mainly represented: (i) prepaid construction cost of HKD387,975,000 (31 December 2019: HKD397,501,000); (ii) receivables of electricity subsidy of HKD267,054,000 (31 December 2019: HKD205,741,000); and (iii) lease receivables of HKD85,099,000 (31 December 2019: HKD114,303,000).

(All amounts in Hong Kong dollar thousands unless otherwise stated)

11. INVENTORIES AND OTHER CONTRACT COSTS

	As at	
	30 June 2020	*31 December 2019*
Land held for future development	**6,712,752**	2,760,347
Land and properties under development for sale	**7,056,035**	6,707,856
Completed properties for sale	**591,764**	342,505
Others	**517,528**	541,352
Impairment	**(234,964)**	(240,455)
	14,643,115	10,111,605

12. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2020	*31 December 2019*
Trade receivables and bill receivables (Note (a))	**1,978,158**	1,588,348
Less: Loss allowance	**(100,454)**	(64,881)
Trade receivables, net of loss allowance	**1,877,704**	1,523,467
Lease receivables	**88,618**	93,807
Receivable from government arising from disposal of the Nanjing Xiba Port Projects (Note 13)	**58,285**	394,400
Advance to non-controlling interests	**1,967,743**	1,871,404
Dividend receivable from associates	**184,448**	16,993
Other debtors (Note (b))	**563,175**	603,714
Financial assets measured at amortised cost	**4,739,973**	4,503,785
Deposits and prepayments (Note (c))	**1,753,529**	1,158,511
	6,493,502	5,662,296

(All amounts in Hong Kong dollar thousands unless otherwise stated)

12. TRADE AND OTHER RECEIVABLES *(continued)*

Notes:

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

	As at	
	30 June 2020	31 December 2019
0 – 90 days	**1,136,383**	1,249,205
91 – 180 days	**179,777**	110,368
181 – 365 days	**439,029**	74,341
Over 365 days	**222,969**	154,434
	1,978,158	1,588,348

(b) The amounts mainly included receivables of deposits and guarantees of HKD256,567,000 (31 December 2019: HKD200,117,000).

(c) The amounts mainly included: (i) prepayment for land use rights for future development and guarantee deposit of land use rights of HKD201,404,000 (31 December 2019: HKD269,613,000); (ii) prepaid of construction costs of HKD326,565,000 (31 December 2019: HKD253,928,000); (iii) prepaid transportation costs of HKD12,147,000 (31 December 2019: HKD27,413,000); (iv) prepaid materials cost of HKD545,858,000 (31 December 2019: HKD128,938,000); (v) deductible value-added tax of HKD420,673,000 (31 December 2019: HKD341,384,000); and (vi) other prepaid cost HKD246,881,000 (31 December 2019: HKD137,235,000).

13. 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. 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. Nanjing Xiba Port had received the consideration of first phase of assets transfer amounting to HKD502,513,000 and HKD329,961,000 in the second half of 2019 and first half of 2020 respectively from the government. The remaining balance of first phase of assets transfer as at 30 June 2020 amounted to HKD58,285,000. The net book value of Nanjing Xiba Port as at 30 June 2020 was HKD274,111,000 (31 December 2019: HKD279,315,000).

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares (share)	*Ordinary shares*	*Share premium*	*Total*
As at 1 January 2019	2,119,872,855	2,119,873	8,432,355	10,552,228
Employee share option				
– proceeds from shares issued	4,836,901	4,837	39,648	44,485
– value of employee services	–	–	12,026	12,026
Issue of scrip share as dividend	30,846,611	30,847	380,351	411,198
As at 30 June 2019	2,155,556,367	2,155,557	8,864,380	11,019,937
As at 1 January 2020	**2,161,841,575**	**2,161,842**	**8,937,035**	**11,098,877**
Employee share option				
– proceeds from shares issued	**671,142**	**671**	**6,779**	**7,450**
– value of employee services	**–**	**–**	**4,288**	**4,288**
Issue of scrip share as dividend (Note 27)	**31,714,868**	**31,715**	**373,220**	**404,935**
As at 30 June 2020	**2,194,227,585**	**2,194,228**	**9,321,322**	**11,515,550**

(a) Authorised and issued shares

As at 30 June 2020, the total authorised number of ordinary shares was 3,000 million shares (31 December 2019: 3,000 million shares) with par value of HKD1.00 per share (31 December 2019: HKD1.00 per share). All issued shares are fully paid.

(b) Share options

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

	Six months ended 30 June 2020		*Six months ended 30 June 2019*	
	Average exercise price (HKD per share)	***Number of share options (thousands)***	*Average exercise price (HKD per share)*	*Number of share options (thousands)*
Beginning of the period	**10.854**	**31,756**	11.521	42,009
Granted	**15.108**	**3,920**	–	–
Forfeited	**10.758**	**(1,660)**	10.163	(1,699)
Exercised	**11.100**	**(671)**	9.197	(4,837)
Adjusted	**–**	**2,861**	–	2,568
End of the period	**10.655**	**36,206**	10.910	38,041

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

(b) Share options *(continued)*

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

Date of maturity	Exercise price (HKD per share)	Number of share options (thousands) 30 June 2020	31 December 2019
25 May 2022 (Note (i))	10.223	**31,950**	31,756
25 May 2022 (Note (ii))	13.914	**4,256**	–
		36,206	31,756

(i) On 26 May 2017, 34,770,000 share options (the "2017 Share Options") with an exercise price of HKD12.628 per share were granted to certain directors of the Company and to selected employees of the Group. During the period, 1,660,000 (six months ended 30 June 2019: 806,000) of the 2017 Share Options were forfeited and 671,000 (six months ended 30 June 2019: Nil) of the 2017 Share Options was exercised.

On 19 June 2020, 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 Hong Kong Stock Exchange. The exercise price of 2017 Share Options were adjusted to HKD10.223 per share and the number of share options were increased by 2,525,000.

(ii) On 18 May 2020, 3,920,000 share options (the "2020 Share Options") with an exercise price of HKD15.108 per share were granted to selected employees of the Group. During the period, nil of the 2020 Share Options were forfeited and nil of the 2020 Share Options was exercised.

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

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

(All amounts in Hong Kong dollar thousands unless otherwise stated)

15. OTHER RESERVES AND RETAINED EARNINGS

	Fair value reserve (non-recycling)	*Reserve funds*	*Capital reserve*	*Goodwill reserve*	*Merger reserve*	*Revaluation surplus*	*Other reserves*	*Currency translation reserve*	*Contributed surplus*	*Other reserves Sub-total*	*Retained earnings*	*Total*
At 1 January 2019	**(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	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,238,971**	**1,238,971**
Transfer to reserve	**–**	**2,284**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,284**	**(2,284)**	**–**
Dividend relating to 2018	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,252,192)**	**(2,252,192)**
Net movement in fair value reserve on other financial assets (non-recycling)	**(13)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13)**	**–**	**(13)**
Share of other comprehensive income of associates	**–**	**–**	**–**	**–**	**–**	**–**	**(18,573)**	**–**	**–**	**(18,573)**	**–**	**(18,573)**
Currency translation differences	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(149,612)**	**–**	**(149,612)**	**–**	**(149,612)**
At 30 June 2019	**(149)**	**3,477,567**	**59,723**	**(159,583)**	**(2,148,839)**	**507,216**	**1,857,249**	**(227,100)**	**13,005**	**3,379,089**	**12,473,278**	**15,852,367**
As at 1 January 2020	(1,629)	3,964,848	59,723	(159,583)	(2,148,839)	507,216	1,894,588	(710,791)	13,005	3,418,538	15,767,620	19,186,158
Profit attributable to ordinary shareholders of the Company	–	–	–	–	–	–	–	–	–	–	1,713,233	1,713,233
Transfer to reserve	–	1,111	–	–	–	–	–	–	–	1,111	(1,111)	–
Dividend relating to 2019 (Note 27)	–	–	–	–	–	–	–	–	–	–	(2,530,140)	(2,530,140)
Net movement in fair value reserve on other financial assets (non-recycling)	(134)	–	–	–	–	–	–	–	–	(134)	–	(134)
Transactions with non-controlling interests	–	–	–	–	–	–	1,273	–	–	1,273	–	1,273
Share of other comprehensive income of associates	–	–	–	–	–	–	27,839	–	–	27,839	–	27,839
Currency translation differences	31	–	–	–	–	–	–	(667,301)	–	(667,270)	–	(667,270)
At 30 June 2020	(1,732)	3,965,959	59,723	(159,583)	(2,148,839)	507,216	1,923,700	(1,378,092)	13,005	2,781,357	14,949,602	17,730,959

16. PERPETUAL SECURITIES

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

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

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

During the six months ended 30 June 2020, the profit attributable to the holders of perpetual securities, based on the applicable interest rate, was HKD45,931,000 (six months ended 30 June 2019: HKD46,511,000).

On 29 May 2020, an amount of HKD45,931,000 (six months ended 30 June 2019: HKD46,511,000) was distributed to the holders of perpetual securities.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

17. BORROWINGS

	As at 30 June 2020	As at 31 December 2019
Non-current		
Long-term bank borrowings		
– Secured (Note (a))	**9,546,361**	9,674,210
– Unsecured	**5,135,901**	4,104,271
Medium-term notes (Note (b))	**1,969,144**	2,005,643
Senior notes (Note (c))	**776,187**	774,883
Corporate bonds (Note (d))	**4,726,115**	3,216,307
Panda bonds (Note (e))	**5,473,611**	5,577,263
Borrowings from financial institutions (Note (f))	**519,086**	737,050
	28,146,405	26,089,627
Less: current portion	**(1,837,973)**	(910,446)
	26,308,432	25,179,181
Current		
Short-term bank borrowings		
– Secured (Note (g))	**130,603**	50,018
– Unsecured	**1,898,646**	353,619
Short-term bonds (Note (h))	**1,095,710**	–
	3,124,959	403,637
Current portion of long-term borrowings		
Bank borrowings		
– Secured (Note (a))	**40,899**	205,962
– Unsecured	**1,319,503**	635,279
Panda bonds	**328,575**	–
Borrowings from financial institutions (Note (f))	**148,996**	69,205
	1,837,973	910,446
	4,962,932	1,314,083
Total borrowings	**31,271,364**	26,493,264

Movement in borrowings is analysed as follows:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Opening balance as at 1 January	**26,493,264**	26,611,860
Acquisition of a subsidiary (Note 30)	**874,346**	–
Additions	**7,341,557**	3,210,333
Amortisation of transaction costs	**21,166**	10,336
Repayments	**(2,969,315)**	(3,015,073)
Exchange differences	**(489,654)**	(103,663)
Closing balance as at 30 June	**31,271,364**	26,713,793

17. BORROWINGS *(continued)*

(a) Secured borrowings is as follows:

	As at 30 June 2020 (HKD'000)	As at 31 December 2019 (HKD'000)	
Qinglian Syndicated Loan	**421,326**	1,824,929	Secured by a pledge of the operating rights of Qinglian Expressway
Outer Ring Syndicated Loan	**4,636,663**	3,920,572	Secured by a pledge of the operating rights of Outer Ring Expressway
Coastal Syndicated Loan	**3,855,516**	3,928,709	Secured by a pledge of the operating rights of Coastal Expressway
Qinglong Pledge Loan	**383,562**	Nil	Secured by a pledge of the operating rights of Shuiguan Expressway
Huangshi Environmental Investment Bioland Renewable Energy Co., Ltd. ("Huangshi Bioland") Pledge Loan	**59,178**	Nil	Secured by a pledge of the expected income rights of government payment, the accounts receivable formed by the future operating income of Huangshi Bioland and the equity of Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental") subsidiaries
Longyou Bioland Environmental Technologies Co., Ltd. ("Longyou Bioland") Pledge Loan	**18,630**	Nil	Secured by a pledge of the Longyou Bioland's franchise income and franchise rights
Guiyang Bell Bioland Environmental Technologies Co., Ltd. ("Guiyang Bell Bioland") Pledge Loan	**75,342**	Nil	Guaranteed by Non-controlling interest, and secured by a pledge of the machinery and equipment of Guiyang Bell Bioland, Guiyang Bell Bioland's concession intangible assets and the equity of Bioland Environmental subsidiaries
Guangxi Bioland Environmental Technologies Co., Ltd. ("Guangxi Bioland") Pledge Loan	**69,260**	Nil	Guaranteed by Non-controlling interest, and secured by a pledge of the equity of Bioland Environmental subsidiaries
Guangxi Bioland Pledge Loan	**26,884**	Nil	Guaranteed by Non-controlling interest, and secured by a pledge of the machinery and equipment of Guangxi Bioland, and the equity of Bioland Environmental subsidiaries

17. BORROWINGS *(continued)*

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

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

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

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

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

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

(f) As at 30 June 2020, the concession intangible assets for food waste treatment projects of Bioland Environmental, the land use rights, the machinery and the equity of Bioland Environmental subsidiaries, with the totalling net book value of HKD1,591,100,000 (31 December 2019: Nil), were pledged for secured borrowings HKD519,086,000 (31 December 2019: Nil) from Borrowings from financial institutions.

During the period, the secured borrowings amounting to HKD737,050,000 which were pledged by wind-power equipments, included in the property, plant and equipment and land use rights of the Group subsidiary Baotou Nanfeng, were fully repaid.

(g) As at 30 June 2020, bank borrowings of HKD125,000,000 (31 December 2019: HKD50,018,000) were secured by a pledge of the 45% equity interests of Jade Emperor Limited, a wholly-owned subsidiary of the Company.

As at 30 June 2020, bank borrowings of HKD5,489,000 (31 December 2019: Nil) were guaranteed by Non-controlling interests, and secured by a pledge of utility model patent technology of Guangxi Bioland.

(h) On 17 March 2020, Shenzhen Expressway issued short-term bonds of RMB1,000 million for a term of 180 days bearing interest rate at 2.3% per annum.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

18. OTHER NON-CURRENT LIABILITIES

	As at	
	30 June 2020	*31 December 2019*
Compensations from government regarding operation of new toll station (Note (a))	**475,988**	513,135
Other deferred income (Note (b))	**634,623**	629,950
Long-term employee bonus (Note (c))	**115,972**	118,173
Product warranty (Note (d))	**11,466**	11,485
Others	**21,099**	–
	1,259,148	1,272,743

(a) As at 30 June 2020, the amount mainly represented government compensations amounting to HKD475,988,000 (31 December 2019: HKD513,135,000) 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 HKD20,640,000 was recognised for the period ended 30 June 2020 (six months ended 30 June 2019: HKD23,379,000). The corresponding deferred income with maturity within one year amounted to HKD49,700,000 (31 December 2019: HKD47,625,000) was included in "Trade and other payables";

(b) As at 30 June 2020, other deferred income includes government grants amounting to HKD485,521,000 (31 December 2019: HKD455,915,000) 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 HKD2,092,000 (31 December 2019: HKD4,264,000) was included in "Trade and other payables".

(c) As at 30 June 2020, the balance represents employee bonus which are expected to be settled after 12 months was amounting to HKD115,972,000 (31 December 2019: HKD118,173,000).

(d) As at 30 June 2020 and 31 December 2019, the amount represented product warranty related to the wind-power equipment sales of the Group.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

19. TRADE AND OTHER PAYABLE

	As at	
	30 June 2020	*31 December 2019*
Trade payables (Note (a))	**533,899**	497,132
Construction payables (Note (b))	**4,338,792**	4,129,622
Dividend payable	**696,297**	68,338
Other payables and accrued expenses (Note (c))	**2,773,320**	2,446,671
Financial liabilities measured at amortised cost	**8,342,308**	7,141,763
Advance capital injection of a subsidiary	**87,452**	89,112
Amount due to an associate (Note (d))	**883,457**	–
Deferred income (Note (e))	**132,600**	202,042
	9,445,817	7,432,917

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

	As at	
	30 June 2020	*31 December 2019*
0 – 90 days	**286,423**	264,972
91 – 180 days	**12,156**	29,448
181 – 365 days	**58,469**	25,230
Over 365 days	**176,851**	177,482
	533,899	497,132

(b) Construction payables mainly included: (i) advances from government relating to construction projects is an amount of HKD1,774,045,000 (31 December 2019: HKD1,651,102,000); (ii) payable for projects of logistic parks and entrusted management and construction of highways is an amount of HKD2,564,747,000 (31 December 2019: HKD2,478,520,000).

(c) Other payables, accrued expenses mainly included: (i) payables for entrusted service costs of HKD152,028,000 (31 December 2019: HKD155,813,000); (ii) interest payables of HKD358,550,000 (31 December 2019: HKD145,995,000); (iii) employee benefit expenses of HKD280,221,000 (31 December 2019: HKD520,227,000); (iv) equity purchase payable for Nanjing Wind Power Technology Co., Ltd. of HKD230,188,000 (31 December 2019: HKD234,557,000); (v) tax payable of HKD617,757,000 (31 December 2019: HKD359,142,000); (vi) expenses payable for routine maintenance of highway of HKD201,661,000 (31 December 2019: HKD223,330,000) and (vii) equity purchase payable for Bioland Environmental of HKD170,216,000 (31 December 2019: Nil).

(d) The amount represent Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd. ("Qianhai Real Estate"), an associate of the Group, provided cash advance to its shareholders pro rata to their shareholdings in Qianhai Real Estate during the period ended 30 June 2020. As at 30 June 2020, RMB800,000,000 (equivalent to HKD879,894,000) (31 December 2019: Nil) was advance to Shenzhen International Qianhai Investment and Management (Shenzhen) Co., Ltd. (a wholly-owned subsidiary of the Group), which has a term of 1 year and bears a fixed interest at 3.5% per annum. The interest expenses for the period was HKD6,744,000 (six months ended 30 June 2019: Nil).

(e) The deferred income mainly included compensation related to the freight subsidy of Coastal Expressway of HKD 70,399,000 (31 December 2019: HKD143,350,000).

(All amounts in Hong Kong dollar thousands unless otherwise stated)

20. CONTRACT LIABILITIES

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

21. REVENUE

	Six months ended 30 June	
	2020	*2019*
Revenue from contracts with customers within the scope of HKFRS 15		
Toll Roads		
– Toll revenue	**1,182,944**	2,659,878
– Entrusted construction management service and construction consulting service revenue	**135,031**	94,129
– Construction service revenue under Service Concession	**867,680**	782,539
– Environmental protection service	**465,476**	–
– Others	**121,888**	474,602
	2,773,019	4,011,148
Logistic Business		
– Logistic parks	**98,459**	129,852
– Logistic services	**598,681**	369,225
– Port and related services	**640,881**	897,681
	1,338,021	1,396,758
	4,111,040	5,407,906
Revenue from other sources		
Logistic Business		
– Logistic parks	**290,996**	303,686
	4,402,036	5,711,592

(All amounts in Hong Kong dollar thousands unless otherwise stated)

22. OTHER GAINS – NET

	Six months ended 30 June	
	2020	2019
Gain on replacement of land (Note 1)	**3,905,586**	–
Fair value changes on investment properties	**(13,071)**	47,426
Change in fair value of other financial assets	**30,754**	24,184
Gain on disposal of subsidiaries	**–**	309,625
Gains on disposal of other financial assets	**–**	6,790
Others	**7,506**	(265)
	3,930,775	387,760

23. OTHER INCOME

	Six months ended 30 June	
	2020	2019
Dividend income	**17,313**	34,605
Rental income	**4,895**	2,672
Government grants	**51,179**	10,874
	73,387	48,151

24. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2020	2019
Finance income		
Interest income from bank deposits	**(115,273)**	(112,467)
Other interest income	**(5,241)**	(690)
Total finance income	**(120,514)**	(113,157)
Finance costs		
Interest expenses		
– Bank borrowings	**359,576**	340,896
– Medium-term notes	**43,392**	45,682
– Corporate bonds	**82,473**	63,779
– Panda bonds	**115,213**	119,500
– Senior notes	**14,593**	14,069
– Interest on contract liabilities	**19,105**	19,199
– Interest on lease liabilities	**17,830**	16,710
– Interest costs for other financial liabilities	**24,287**	33,149
– Borrowings from financial institutions	**45,263**	–
Net foreign exchange losses/(gains)	**25,519**	(29,042)
Gains on derivative financial instruments directly attributable to borrowings	**(33,885)**	(17,220)
Less: finance costs capitalised on qualified assets	**(228,806)**	(160,259)
Total finance costs	**484,560**	446,463
Net finance costs	**364,046**	333,306

25. INCOME TAX EXPENSE/(BENEFIT)

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

The PRC Corporate Income Tax charged to the consolidated income statement was calculated based on the assessable profits of the Group's subsidiaries located in the PRC for the period at a rate of 25% (six months ended 30 June 2019: 25%) applicable to the respective companies.

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

	Six months ended 30 June	
	2020	*2019*
Current income tax		
– PRC Corporate Income Tax	**1,345,898**	510,934
– Land appreciation tax	**–**	14,736
Deferred tax	**(331,079)**	(663,493)
	1,014,819	(137,823)

26. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2020	*2019*
Profit attributable to ordinary shareholders of the Company	**1,713,233**	1,238,971
Weighted average number of ordinary shares in issue (thousands)	**2,164,118**	2,125,371
Basic earnings per share (HK dollars per share)	**0.79**	0.58

26. EARNINGS PER SHARE *(continued)*

(b) Diluted

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

	Six months ended 30 June	
	2020	*2019*
Profit attributable to ordinary shareholders of the Company	**1,713,233**	1,238,971
Profit used in the calculation of diluted earnings per share	**1,713,233**	1,238,971
Weighted average number of ordinary shares in issue (thousands)	**2,164,118**	2,125,371
Adjustments – share options (thousands)	**7,860**	8,999
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,171,978**	2,134,370
Diluted earnings per share (HKD dollars per share)	**0.79**	0.58

27. DIVIDENDS

The board of directors has resolved not to declare any interim dividend in respect of the period (six months ended 30 June 2019: Nil). The 2019 final dividend and special dividend totaling HKD2,530,140,000 (HKD0.53 per ordinary share of final dividend and HKD0.64 per ordinary share of special dividend respectively) were settled in June 2020. According to the scrip dividend scheme approved by shareholders in the annual general meeting held on 15 May 2020, 31,715,000 new shares were issued at a price of approximately HKD12.768 per share, totaling HKD404,935,000. The remaining dividend totaling HKD2,125,205,000 was paid in cash in June 2020.

28. GUARANTEES AND CONTINGENCIES

(a) Shenzhen Expressway was entrusted by the Transport Commission of Shenzhen Municipality to manage and construct the second phase of the Nanping Project. According to the project construction entrusted management contract, Shenzhen Expressway has provided the Transport Commission of Shenzhen Municipality with an irrevocable performance bank guarantee of RMB15,000,000 (equivalent to HKD16,438,000) (31 December 2019: RMB15,000,000 (equivalent to HKD16,750,000)).

(b) 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 RMB35,800,000 (equivalent to HKD39,233,000) (31 December 2019: RMB50,170,000 (equivalent to HKD56,025,000)).

(All amounts in Hong Kong dollar thousands unless otherwise stated)

28. GUARANTEES AND CONTINGENCIES *(continued)*

(c) As of 30 June 2020, Shenzhen Expressway has given collateral liability guarantees by phases of approximately HKD729,475,000 (31 December 2019: HKD726,875,000) 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 the outstanding guarantees mortgage loans together with any accrued interest and penalty and, accordingly, no provision has been made in respect of the guarantees.

(d) Shenzhen International United Land Co., Ltd. ("United Land Company"), a subsidiary of the Group 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 Urban Renewal 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 HKD50,630,000 (31 December 2019: HKD51,591,000).

(e) As of 30 June 2020, United Land Company has given collateral liability guarantees by phases of approximately HKD5,174,860,000 (31 December 2019: HKD4,869,945,000) to banks in respect of housing loans extended to purchasers of properties by banks.

(f) On 25 December 2019,Yongqing Environmental Company Limited ("Yongqing Environmental") filed a lawsuit, requesting that Guangxi Bioland, a subsidiary of the Group, pay the equipment fund occupation fee, civil engineering fund and other costs totaling RMB31,649,000(HKD34,683,000) due to the general reconstruction contract signed on 16 December 2016. Guangxi Bioland filed a counterclaim on 15 January 2020, demanding Yongqing Environmental compensation for the loss of RMB50,000,000(equivalent to HKD54,795,000) caused by the delay of construction period. As of 30 June 2020, the case is still in litigation, and the outcome of the litigation and the obligation of indemnity (if any) cannot be reliably estimated.

29. COMMITMENTS

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

	As at	
	30 June 2020	*31 December 2019*
Capital commitments – expenditure of property, plant and equipment and concession intangible assets		
– Authorised but not contracted	**2,082,085**	2,674,531
– Contracted but not provided for	**5,521,182**	5,878,318
	7,603,267	8,552,849

(All amounts in Hong Kong dollar thousands unless otherwise stated)

30. BUSINESS COMBINATION

In January 2020, Shenzhen Expressway Environmental Company Limited ("Environmental Company"), a wholly-owned subsidiary of Shenzhen Expressway, entered into a capital increase and share transfer agreement with Bioland Environmental and its original shareholders. According to the agreement, the transaction took place in two stages. In the first phase, Environmental Company acquired a total of 125,000,000 shares (53.21% of the total share capital of the Bioland Environmental after the issuance of additional shares) by acquiring 40,000,000 shares from the original shareholders of Bioland Environmental and subscribing for newly issued 85,000,000 shares of Bioland Environmental. In the second phase, Environmental Company acquired additional 31,150,000 shares of Bioland Environmental from the original shareholders of Bioland Environmental. Consequently, Environmental Company owned 156,150,000 shares of Bioland Environmental which represents 66.46% equity interest in Bioland Environmental at a total consideration of RMB790,095,000 (equivalent to HKD893,874,000).

The following table summarises the consideration paid for Bioland Environmental, 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	478,044
Restricted bank deposits	38,487
Trade and other receivables	198,855
Inventories and other contract costs	31,336
Contract assets	167,190
Property, plant and equipment	12,559
Land use rights	25,644
Construction in progress	31,217
Intangibles assets	2,050,783
Other financial assets	2,538
Deferred tax assets	16,372
Other non-current assets	41,349
Trade and other payables	(635,341)
Contract liabilities	(4,784)
Borrowings	(874,346)
Lease liabilities	(41)
Other non-current liabilities	(55,193)
Deferred tax liabilities	(128,548)
Non-controlling interest	(502,247)
Net assets acquired attributable to the Group	893,874
Total consideration	893,874
Less: consideration payables as at 30 June 2020	(170,216)
Cash paid during six months ended 30 June 2020	723,658
Cash and cash equivalent acquired	(478,044)
Net cash outflow in the acquisition including in the investing activities	245,614

The revenue included in the consolidated income statement since the acquisition date contributed by Bioland Environmental was HKD214,532,000. Bioland Environmental also contributed loss of HKD18,196,000 over the same period.

Had Bioland Environmental been consolidated from 1 January 2020, the consolidated income statement for the period would show pro-forma revenue of HKD4,445,969,000 and a profit of HKD1,746,086,000.

31. RELATED-PARTY TRANSACTIONS

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

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

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

(a) On 1 December 2016, Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company") became an associate of Shenzhen Expressway, and Shenzhen Expressway and Consulting Company entered into a service agreement pursuant to which Consulting Company provides engineering consulting, management and testing service. During the period, Shenzhen Expressway paid service fee to Consulting Company amounting to RMB19,085,000 (equivalent to HKD20,915,000) (six months ended 30 June 2019: RMB7,709,000 (equivalent to HKD8,934,000).

(b) On 30 June 2020, the Group's investment commitments to related parties was RMB809,336,000 (equivalent to HKD886,943,000) (31 December 2019: RMB537,086,000 (equivalent to HKD599,761,000). The investment commitment was the capital investment to Guangdong Yangmao Expressway Company Limited ("Yangmao Company").

(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 the six months ended 30 June 2020. As at 30 June 2020, RMB1,776,008,000 (equivalent to HKD1,946,311,000) (31 December 2019: RMB1,659,000,000 (equivalent to HKD1,852,596,000)) was advanced to its non-controlling shareholder, with an initial interest rate at 3.65% per annum. The interest is repayable annually.

32. IMPACTS OF COVID-19 PANDEMIC (THE "PANDEMIC")

In the first half of 2020, different aspects of the operations of the Group were inevitably impacted by the outbreak of the Pandemic. The Group's toll road and airline segments suffered the hardest hit. For the six months ended 30 June 2020, the revenue of the Group decreased by 23% as compared to the corresponding period of the previous year. During the period, total revenue and profit before finance costs and tax from the Group's toll road business respectively decreased by 41% and 85% to HKD1,905 million and HKD330 million, as compared to the corresponding period of the previous year. This was mainly due to the waiver of tolls on the Group's toll road projects from 0:00 a.m. on 17 February 2020 to 0:00 a.m. on 6 May 2020 in compliance with the order of the transportation authority in China. Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate in which the Group holds a 49% equity interest, drastically reduced its capacity and recorded a loss for the period. Shenzhen Airlines brought a loss of HKD1,223 million (for the six months ended 30 June 2019: profit of HKD231 million) to the Group during the period.

The Group responded proactively to the tough operating environment and keen market competition to minimize the impact of the Pandemic on its business through, among other things, stepping up its marketing efforts, controlling its operating costs and speeding up its investments in quality projects.

As various operations of the Group gradually recover whilst the Pandemic situation in China continues to improve, the Group expects the operating performance of its business to gradually improve in the second half of the year. The Group began collecting toll charges on its toll roads from 6 May 2020 and both the traffic flow and toll revenue are gradually bouncing back. In the aspect of airline transport, the domestic airline industry is gradually recovering as the Pandemic situation in China continues to improve, while the demand for international air transport is recovering at a slower place. Shenzhen Airlines has a gradual growth in passenger transport volume and revenue. Nevertheless, the Group expects such impact to be temporary and believes that it will not affect the Group's long-term expectations on future development.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2020 (the "Period").

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2020, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are set out as follows and in the section headed "SHARE OPTION SCHEME" below:

Long positions in the ordinary shares of the Company

Name of directors	*Number of ordinary shares held*	*Capacity*	*Nature of interest*	*Approximate % of issued shares of the Company*
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	0.041%
Hu Wei	130,315	beneficial owner	personal	0.006%

Save as disclosed above and in the section headed "SHARE OPTION SCHEME" below, as at 30 June 2020, none of the directors or chief executives of the Company had any other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

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

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

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

				Number of unlisted share options (Physically settled equity derivatives)							*Share Price of the Company (Note 4)*	
Name and category of participants	*Date of grant of share options*	*Exercise period of share options*	*Exercise price of share options (Note 3)*	*As at 1 January 2020*	*Reclassification*	*Granted during the Period*	*Adjusted during the Period (Note 3)*	*Exercised during the Period*	*Cancelled/ lapsed during the Period*	*As at 30 June 2020 (Approximate % of issued share capital of the Company)*	*Immediately before the date of grant of share options*	*Immediately before the date of exercise of share options*
			HK$								*HK$*	*HK$*
Directors												
Mr. Li Hai Tao	26 May 2017 *(Note 1)*	26 May 2019 to 25 May 2022	10.223	926,498	–	–	79,495	–	–	1,005,993 (0.046%)	12.56	N/A
Mr. Zhong Shan Qun	26 May 2017 *(Note 1)*	26 May 2019 to 25 May 2022	10.223	1,080,722	–	–	92,727	–	–	1,173,449 (0.053%)	12.56	N/A
Mr. Liu Jun	26 May 2017 *(Note 1)*	26 May 2019 to 25 May 2022	10.223	1,080,722	–	–	92,726	–	–	1,173,448 (0.053%)	12.56	N/A
Mr. Hu Wei	26 May 2017 *(Note 1)*	26 May 2019 to 25 May 2022	10.223	1,080,722	–	–	92,726	–	–	1,173,448 (0.053%)	12.56	N/A
Mr. Gao Lei *(Note 5)*	26 May 2017 *(Note 1)*	26 May 2019 to 25 May 2022	10.223	1,144,754	(1,144,754)	–	–	–	–	–	12.56	N/A
				5,313,418	(1,144,754)	–	357,674	–	–	4,526,338		
Other employees in aggregate	26 May 2017 *(Note 1)*	26 May 2019 to 25 May 2022	10.223	26,442,782	1,144,754	–	2,166,919	(671,142)	(1,660,893)	27,422,420	12.56	15.95
	18 May 2020 *(Note 2)*	18 May 2020 to 25 May 2022	13.914	–	–	3,920,000	336,336	–	–	4,256,336	15.10	N/A
				26,442,782	1,144,754	3,920,000	2,503,255	(671,142)	(1,660,893)	31,678,756		
				31,756,200	**–**	**3,920,000**	**2,860,929**	**(671,142)**	**(1,660,893)**	**36,205,094**		

Note:

(1) 40% of these share options granted was vested on 26 May 2019; another 30% was 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 respective individual grantees and the Group.

(2) 40% of these share options granted was vested on 18 May 2020; another 30% was 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 respective individual grantees and the Group.

(3) The exercise prices of the share options were subject to adjustment in the event of rights or bonus issues or other similar changes in the Company's share capital. In view of the distribution of the final dividend and special dividend for the year ended 31 December 2019 in scrip form, the Company has made adjustments to the exercise prices and the number of outstanding share options during the Period. As a result, the exercise price per share for share options granted on 26 May 2017 and 18 May 2020 were adjusted from HK$11.100 to HK$10.223 and from HK$15.108 to HK$13.914, respectively, with effect from 19 June 2020.

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

(5) Mr. Gao Lei resigned as a director of the Company on 6 May 2020.

The Group is in compliance with the requirements as stipulated in Hong Kong Financial Reporting Standard 2 "Share-based Payment". During the Period, provisions amounting to approximately HK$1,282,000 were made for the cost of share options granted by the Company and were recognized in the interim consolidated income statement. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price over the nominal value of each share is recorded by the Company in the share premium account. Share options which lapse or are cancelled prior to the expiration of their exercise period are deleted from the register of outstanding share options.

Details of the model and significant assumptions used to estimate the fair value of the share options granted by the Company to eligible participants during the Period are set out in note 14 to the unaudited interim financial report. Such option pricing model requires input of subjective assumptions. Any changes in the subjective input assumptions may materially affect the estimation of the fair value of the share options.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2020, the interests and short positions of the substantial shareholders (other than the directors or chief executives) of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO are set out below:

Long positions in the ordinary shares of the Company

Name of shareholders	***Number of ordinary shares held***	***Capacity***	***Approximate % of issued shares of the Company***
Shenzhen Investment Holdings Company Limited ("SIHCL") – *Note (1)*	952,010,090	interest of controlled corporation	43.39%
Ultrarich International Limited ("Ultrarich")	952,010,090	beneficial owner	43.39%
UBS Group AG – *Note (2)*	218,686,599	interest of controlled corporation	9.97%
Chan See Ting – *Note (3)*	128,160,000	interest of controlled corporation	5.84%
Lai Hoi Man – *Note (3)*	128,160,000	interest of controlled corporation	5.84%
Horoy Enterprise Holdings Limited ("Horoy Enterprise Holdings")	128,160,000	beneficial owner	5.84%

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) 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., UBS Fund Management (Switzerland) AG, UBS Asset Management (Shanghai) Limited, UBS Trustees (Singapore) Limited and UBS Asset Management (Japan) Ltd are wholly-owned by UBS Group AG. Accordingly, UBS Group AG was deemed to be interested in the long position of an aggregate of 218,686,599 shares of the Company held by these companies.

(3) 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.

Save as disclosed above, as at 30 June 2020, the Company was not aware that any substantial shareholders (other than the directors or chief executives) of the Company had any interests or short positions in the shares and underlying shares of the Company which are as required to be recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

CORPORATE GOVERNANCE

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

The Board

As of the date of this report, the Board consists of eight directors, including four executive directors, namely Messrs. Li Hai Tao, Zhong Shan Qun, Liu Jun and Hu Wei; one non-executive director, namely Mr. Liu Xiao Dong; and three independent non-executive directors, namely Professor Cheng Tai Chiu, Edwin, Messrs. Pan Chao Jin and Chan King Chung. On 6 May 2020, Mr. Li Hai Tao was re-designated from the position of Chief Executive Officer of the Company to the Chairman of the Board and Mr. Gao Lei resigned as an executive director; with effect from 15 May 2020, Dr. Yim Fung resigned as an independent non-executive director and Mr. Xie Chu Dao retired as a non-executive director; and on 12 June 2020, Messrs. Pan Chao Jin and Chan King Chung were appointed as independent non-executive directors while Messrs. Ding Xun and Nip Yun Wing resigned as independent non-executive directors.

During the Period, major issues considered by the Board included the following:

(1) approving the annual results and payment of dividend for the year 2019;

(2) approving the discloseable transaction in relation to the investment in the comprehensive logistics hub project at Pinghunan;

(3) approving the re-designation of Mr. Li Hai Tao from the position of Chief Executive Officer of the Company to the Chairman of the Board;

(4) reviewing the results and business operations of the Group for the first quarter of 2020;

(5) approving the appointment of Messrs. Pan Chao Jin and Chan King Chung as independent non-executive directors of the Company and their service contracts;

(6) approving the changes of composition of the audit committee of the Company (the "Audit Committee"), the nomination committee of the Company (the "Nomination Committee") and the remuneration and appraisal committee of the Company (the "Remuneration and Appraisal Committee");

(7) considering the proposal to amend certain terms of the Share Option Scheme; and

(8) approving the Environmental, Social and Governance Report for the year 2019.

Audit Committee

Established in 1995, the Audit Committee consists of three independent non-executive directors, including Mr. Chan King Chung (chairman), Professor Cheng Tai Chiu, Edwin and Mr. Pan Chao Jin. On 12 June 2020, Messrs. Chan King Chung and Pan Chao Jin were appointed as chairman and member of the Audit Committee, respectively, while Messrs. Nip Yun Wing and Ding Xun resigned as chairman and member of the Audit Committee, respectively. In formulating and adopting the terms of reference of the Audit Committee, the Board made reference to *A Guide for the Formation of an Audit Committee* issued by the Hong Kong Institute of Certified Public Accountants.

During the Period, major issues discussed by the Audit Committee together with the management and the auditor (the "Auditor") of the Company included the following:

(1) reviewing the financial report in respect of the annual results for the year 2019, confirming that the relevant disclosures in such financial report were complete, accurate and fair, and recommending the same to the Board for approval;

(2) approving the audit fee payable to the Auditor for auditing the annual financial report for the year 2019;

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

(4) reviewing the adequacy of resources, qualifications and experience of the staff of the Group's accounting, financial reporting and internal audit functions as well as their training program and related budget for the year 2019;

(5) reviewing with the management and relevant departments the effectiveness of the Group's risk management and internal control system for the year 2019;

(6) approving the Group's 2020 internal audit plan; and

(7) considering the change of composition of the Audit Committee and proposing to the Board for approval.

The Company engaged KPMG, the Auditor, to review the unaudited interim financial report of the Group for the year 2020. Before the approval of the interim financial report by the Board, the Audit Committee held a meeting with the Auditor to review the unaudited interim financial report of the Group for the six months ended 30 June 2020. The Auditor's review report is set out on page 29 of this report.

Nomination Committee

Established in December 2003, the Nomination Committee consists of three members, of whom two were independent non-executive directors. Current members of the Nomination Committee include Messrs. Pan Chao Jin (chairman), Zhong Shan Qun and Chan King Chung. On 12 June 2020, Messrs. Pan Chao Jin and Chan King Chung were appointed as chairman and member of the Nomination Committee, respectively, while Messrs. Ding Xun and Nip Yun Wing resigned as chairman and member of the Nomination Committee, respectively.

During the Period, major issues considered and discussed by the Nomination Committee included the following:

(1) evaluating and making recommendations on the performance of the directors who were subject to retirement by rotation and re-election at the 2020 annual general meeting;

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

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

(4) evaluating and making recommendations on the appointment of Messrs. Pan Chao Jin and Chan King Chung as independent non-executive directors of the Company; and

(5) considering the change of composition of the Nomination Committee and proposing to the Board for approval.

Remuneration and Appraisal Committee

Established in December 2003, the Remuneration and Appraisal Committee consists of three members, of whom two were independent non-executive directors. Current members of the Remuneration and Appraisal Committee include Messrs. Pan Chao Jin (chairman) and Li Hai Tao and Professor Cheng Tai Chiu, Edwin. On 6 May 2020, Mr. Li Hai Tao and Professor Cheng Tai Chiu, Edwin were appointed as members of the Remuneration and Appraisal Committee while Mr. Gao Lei resigned as member of the Remuneration and Appraisal Committee. On 15 May 2020, Dr. Yim Fung resigned as member of the Remuneration and Appraisal Committee. On 12 June 2020, Mr. Pan Chao Jin was appointed as chairman of the Remuneration and Appraisal Committee while Mr. Ding Xun resigned as chairman of the Remuneration and Appraisal Committee.

During the Period, major issues considered by the Remuneration and Appraisal Committee included the following:

(1) evaluating the performance of the executive directors and senior management for the year 2019;

(2) approving the renewal of service contracts between the Company and two executive directors; and

(3) considering the change of composition of the Remuneration and Appraisal Committee and proposing to the Board for approval.

Executive Committee of the Board (the "Executive Board Committee")

Members of the Executive Board Committee are appointed by the Board and consists of executive directors. Currently, the committee consists of four executive directors, namely Messrs. Li Hai Tao, Zhong Shan Qun, Liu Jun and Hu Wei. On 6 May 2020, Mr. Gao Lei resigned as member of the Executive Board Committee.

During the Period, major issues considered and discussed by the Executive Board Committee included discussing and considering the annual results and payment of dividend for the year 2019, the budget for the year 2020, a discloseable transaction, approving the grant of share options to certain employees of the Group as well as discussing the business development plans, capital expenditures, loans and changes in the senior management of the subsidiaries of the Company.

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

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

	Number of Meetings Attended/*Number of Meetings Held during the Term of Office of the Director*			
Directors	***Board***	***Audit Committee***	***Nomination Committee***	***Remuneration and Appraisal Committee***
Executive directors				
Mr. Li Hai Tao (1)	**3**/3	N/A	N/A	**1**/1
Mr. Zhong Shan Qun	**3**/3	N/A	**2**/2	N/A
Mr. Liu Jun	**3**/3	N/A	N/A	N/A
Mr. Hu Wei	**3**/3	N/A	N/A	N/A
Mr. Gao Lei (2)	**2**/2	N/A	N/A	**1**/2
Non-executive directors				
Mr. Liu Xiao Dong	**3**/3	N/A	N/A	N/A
Mr. Xie Chu Dao (3)	**2**/2	N/A	N/A	N/A
Independent non-executive directors				
Professor Cheng Tai Chiu, Edwin (4)	**3**/3	**2**/3	N/A	**1**/1
Mr. Pan Chao Jin (5)	**0**/0	**0**/0	**0**/0	**0**/0
Mr. Chan King Chung (6)	**0**/0	**0**/0	**0**/0	N/A
Mr. Ding Xun (7)	**3**/3	**3**/3	**2**/2	**3**/3
Mr. Nip Yun Wing (8)	**3**/3	**3**/3	**2**/2	N/A
Dr. Yim Fung (9)	**2**/2	N/A	N/A	**2**/2

Notes:

(1) On 6 May 2020, Mr. Li Hai Tao was re-designated from Chief Executive Officer of the Company to Chairman of the Board and was appointed as member of the Remuneration and Appraisal Committee.

(2) On 6 May 2020, Mr. Gao Lei resigned as an executive director of the Company, Chairman of the Board and member of the Remuneration and Appraisal Committee.

(3) On 15 May 2020, Mr. Xie Chu Dao retired as a non-executive director of the Company.

(4) On 6 May 2020, Professor Cheng Tai Chiu, Edwin was appointed as member of the Remuneration and Appraisal Committee.

(5) On 12 June 2020, Mr. Pan Chao Jin was appointed as an independent non-executive director of the Company, chairman of the Nomination Committee and the Remuneration and Appraisal Committee, and member of the Audit Committee.

(6) On 12 June 2020, Mr. Chan King Chung was appointed as an independent non-executive director of the Company, chairman of the Audit Committee and member the Nomination Committee.

(7) On 12 June 2020, Mr. Ding Xun resigned as an independent non-executive director of the Company, chairman of the Nomination Committee and the Remuneration and Appraisal Committee, and member of the Audit Committee.

(8) On 12 June 2020, Mr. Nip Yun Wing resigned as an independent non-executive director of the Company, chairman of the Audit Committee and member of the Nomination Committee.

(9) With effect from 15 May 2020, Dr. Yim Fung resigned as an independent non-executive director of the Company and member of the Remuneration and Appraisal Committee.

Model Code for Securities Transactions by Directors and Relevant Employees

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

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

Shenzhen International
深國際

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