Shenzhen International
深國際

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

(Incorporated in Bermuda with limited liability)

Stock Code：00152

Annual Report 2020

BUILDING VALUE

SHARING FUTURE

CONTENTS

CORPORATE PROFILE

Shenzhen International Holdings Limited, a company incorporated in Bermuda, is a company listed on the main board of The Stock Exchange of Hong Kong Limited. The Group is indirectly held as to approximately 43.37%* 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, toll road, port and environmental protection businesses.

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 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 31 December 2020*

Set out below is a simplified corporate structure of the Group as at 31 December 2020 which excludes 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% Shenzhen International Tianjin Zhonglong Integrated Logistics Hub
  - 100% Shenzhen International Chongqing Integrated Logistics Hub
  - 100% Shenzhen International Shanghai Qingpu Integrated Logistics Hub
  - 100% Shenzhen International Zhongshan Torch Integrated Logistics Hub
  - 100% Shenzhen International Kunming Integrated Logistics Hub
  - 55.39% Shenzhen International Shandong Booming Total Logistics Park
  - 100% Shenzhen International Yiwu Integrated Logistics Hub
  - 100% Shenzhen International Xi'an Integrated Logistics Hub
- 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][5]

OTHER INVESTMENTS

- 49% Shenzhen Airlines Company Limited
- 1.28% CSG Holding Co., Ltd.[2]
- 40% Sinotrans Shenzhen International Logistics Limited
- 10.75% Hubei Prolog Technology Co., Ltd.

(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) On 1 December 2020, Shenzhen Baotong Highway Construction and Development Company Limited (now known as Zhilian Shenzhen International Smart Logistics (Shenzhen) Co., Ltd.), a wholly-owned subsidiary of the Company, transferred its holdings of 89.93% equity of Shenzhen Longda Expressway Co., Ltd. to Shenzhen Expressway Company Limited

In this report, the English names of the PRC entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:
Li Haitao *(Chairman)*
Wang Peihang
Dai Jingming

Non-Executive Directors:
Hu Wei
Zhou Zhiwei

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Pan Chaojin *(Chairman)*
Chan King Chung
Wang Peihang

REMUNERATION AND APPRAISAL COMMITTEE

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

JOINT COMPANY SECRETARIES

Liu Wangxin
Lam Yuen Ling, Eva

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SHENZHEN OFFICE

Shenzhen International Building
8045 Hongli West Road
Futian District, Shenzhen

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

COMPANY WEBSITE

www.szihl.com

SHARES

Hong Kong Stock Exchange:
Stock Code: 00152

SECURITIES

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

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

AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

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)*
Industrial Bank *(PRC Domestic Bank)*
ING Bank N.V.
MUFG Bank, Ltd.
Ping An Bank
Shanghai Pudong Development Bank *(PRC Domestic 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

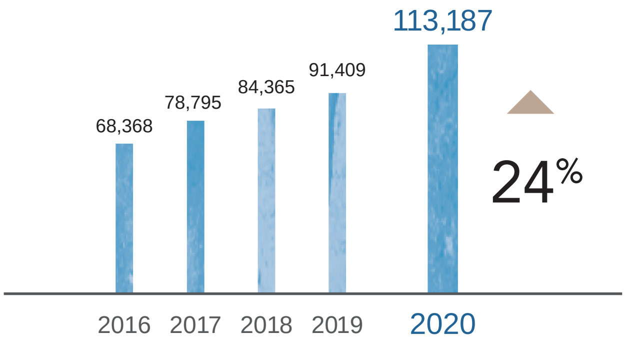
Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

INVESTOR RELATIONS CONSULTANT

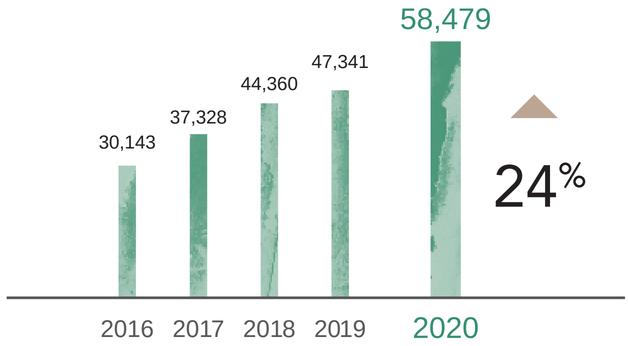
Wonderful Sky Financial Group
9th Floor, The Center
99 Queen's Road Central, Central, Hong Kong

FINANCIAL HIGHLIGHTS

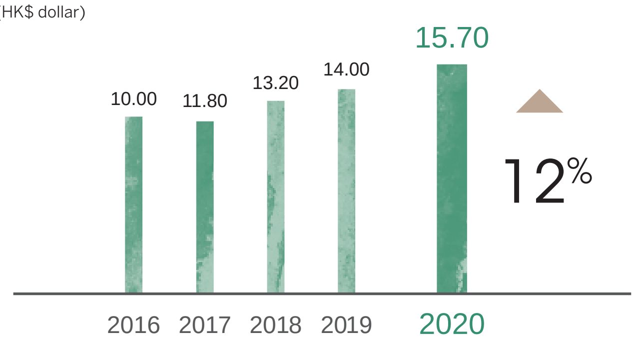
Total Assets Value
(HK$ million)



Total Equity
(HK$ million)

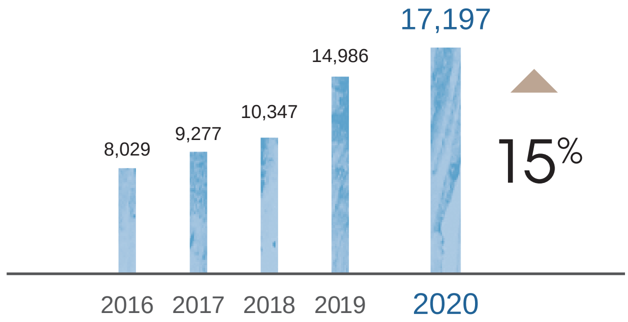


Net Asset Value per Share Attributable to Shareholders
(HK$ dollar)

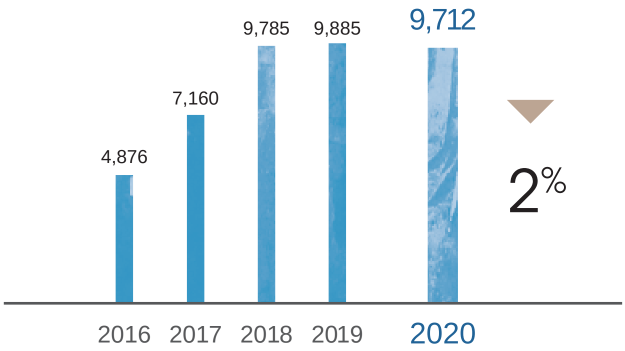


Revenue*
(HK$ million)

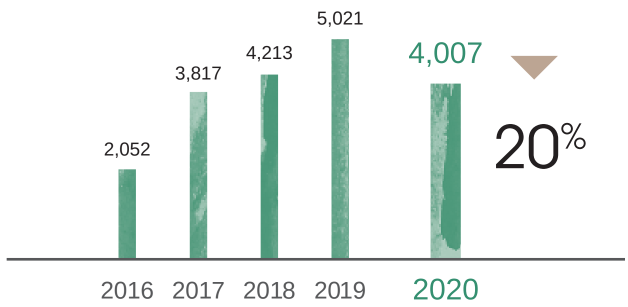
* Excluding revenue from construction services for toll roads



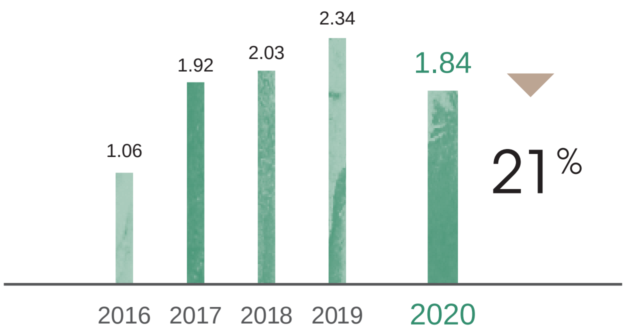
Profit before Finance Costs and Tax
(HK$ million)



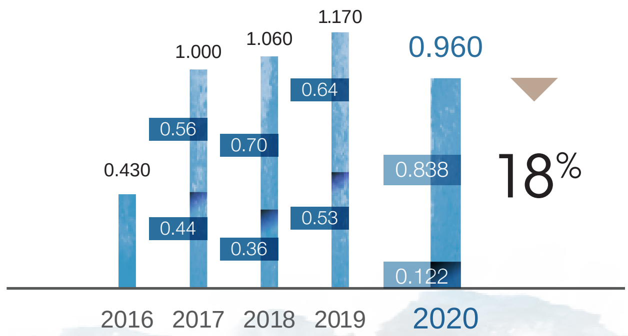
Profit Attributable to Ordinary Shareholders of the Company
(HK$ million)



Earnings per Share (Basic)
(HK$ dollar)



Dividend per Share
(HK$ dollar)



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

(HK$ million)	***Revenue***	***Operating profit***	***Share of profit of associates and joint ventures***	***Profit before finance costs and tax***
		2020		
Toll roads and environmental protection business				
– Revenue	**9,250**	**2,817**	**596**	**3,413**
– Construction service revenue	**2,255**	**–**	**–**	**–**
Toll roads and environmental protection business sub-total	**11,505**	**2,817**	**596**	**3,413**
Logistic business				
– Logistic parks	**887**	**191**	**13**	**204**
– Logistic services	**952**	**47**	**–**	**47**
– Port and related services	**1,411**	**171**	**–**	**171**
– Logistic park transformation and upgrading services	**4,697**	**2,599**	**–**	**2,599**
Logistic business sub-total	**7,947**	**3,008**	**13**	**3,021**
Head office functions – Qianhai	**–**	**4,094**	**–**	**4,094**
Head office functions	**–**	**351**	**(1,167)**	**(816)**
Total	**19,452**	**10,270**	**(558)**	**9,712**
Finance income				**317**
Finance cost				**(919)**
Finance cost – net				**(602)**
Profit before income tax				**9,110**

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

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is depicted below. The 2020 figures are extracted from the audited financial statements. The 2016 to 2019 figures were extracted from the comparatives in the 2017 to 2020 audited financial statements.

	Year ended 31 December				
	2020	*2019*	*2018*	*2017*	*2016*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Revenue	**19,452,409**	16,820,326	11,581,036	10,139,141	8,176,429
Profit before income tax	**9,110,599**	9,147,506	8,361,925	6,149,248	3,628,947
Income tax expense	**(3,071,972)**	(2,037,965)	(1,835,228)	(1,441,847)	(837,623)
Profit for the year	**6,038,627**	7,109,541	6,526,697	4,707,401	2,791,324
Perpetual securities holders of Company	**(91,866)**	(92,951)	(92,969)	–	–
Non-controlling interests	**(1,939,791)**	(1,995,996)	(2,221,076)	(890,607)	(739,677)
Profit attributable to shareholders	**4,006,970**	5,020,594	4,212,652	3,816,794	2,051,647

	As at 31 December				
	2020	*2019*	*2018*	*2017*	*2016*
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Fixed assets	**12,742,544**	10,029,717	5,273,283	5,246,181	4,234,225
Investment properties	**611,305**	576,796	93,930	93,330	87,390
Land use rights	**3,802,321**	3,393,684	2,932,326	1,959,033	1,784,514
Investments in associates & joint ventures	**14,521,255**	14,591,354	14,320,000	14,533,635	7,750,294
Available-for-sales financial assets	**–**	–	–	–	104,353
Other Financial Asset	**2,345,483**	538,016	485,949	186,912	–
Intangible assets	**31,645,704**	26,260,742	27,032,014	33,624,346	28,479,723
Other non-current assets	**8,538,845**	4,392,560	4,437,058	3,732,388	3,732,933
Net current assets	**5,003,812**	16,506,234	17,366,787	6,336,102	8,606,255
Non-current liabilities	**(20,732,337)**	(28,947,831)	(27,581,502)	(28,383,594)	(24,636,995)
Net assets	**58,478,932**	47,341,272	44,359,845	37,328,333	30,142,692
Equity					
Issued capital	**2,194,992**	2,161,842	2,119,873	2,028,783	1,957,689
Reserves	**32,191,661**	28,123,193	25,878,059	21,897,565	17,545,142
Equity attributable to ordinary shareholders of the Company	**34,386,653**	30,285,035	27,997,932	23,926,348	19,502,831
Perpetual securities	**2,330,939**	2,330,939	2,330,939	2,330,939	–
Non-controlling interests	**21,761,340**	14,725,298	14,030,974	11,071,046	10,639,861
Total equity	**58,478,932**	47,341,272	44,359,845	37,328,333	30,142,692

KEY EVENTS IN 2020

OPERATION MANAGEMENT

Changes of the Chairman and members of the board of directors during the year: the re-designation of Mr. Li Haitao as the Chairman of the board of directors, the appointments of Mr. Wang Peihang and Mr. Dai Jingming as executive directors, the appointment of Mr. Zhou Zhiwei as non-executive director and the appointments of Mr. Pan Chaojin and Mr. Chan King Chung as independent non-executive directors. The director changes during the year reduced the average age of directors and brought valuable professional expertise and diversity to the board of directors

JANUARY

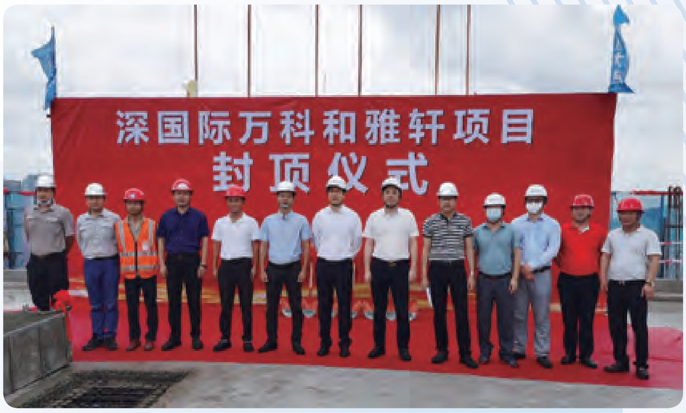
The environmental arm of Shenzhen Expressway Company Limited ("Shenzhen Expressway") successfully acquired 67% equity interest in Bioland Environmental Technologies Corp., Ltd. and expanded into the domestic organic waste treatment industry

FEBRUARY

The first train that exclusively transported bulk coal in containers in the lower stream of Yangtze River set off from the rail yard of Nanjing Xiba Port, Nanjing with 50 railroad containers (each with a capacity of 35 tonnes coal), thereby introducing a new freight transportation means for the port

MARCH

The Group and China Railway Guangzhou Group Co., Ltd. entered into a cooperation agreement and an operation agreement, which represented a major breakthrough in the Pinghunan project, a national logistics hub



JUNE

The ceiling of the main structure of He Ya Xuan (和雅軒), which is the second phase of the Meilin Checkpoint Project, was completed, marking the completion of the structural construction of all three residential skyscrapers of the project and laying a solid foundation for the completion and acceptance of the project by the end of 2020

JUNE

The Group and the Qianhai Authority entered into a land use right transfer agreement, marking the completion of the Group's land preparation work in Qianhai. In the next 5 years, the gradual development and roll out of properties developed on the swapped land plots is expected to enhance the brand value of the Group as a real estate developer

JULY

The Group entered into an investment framework agreement with, among other parties, Jiangxi Port Group Co., Ltd., to jointly develop the Shangzhuang freight terminal in Fengcheng

AUGUST

The Bay Area Express, a train between China and Europe operated jointly by the Group and Sinotrans Limited, officially set off from the Pinghunan Railway Station in Shenzhen

AUGUST

Deppon Logistics Co. Ltd., a strategic partner of the Group, set up its Shenzhen central warehouse in South China Logistics Park. It optimized the client portfolio in the park and strengthened the Group's influence in the third-party logistics service industry

OCTOBER

The smart commercial and trading logistics park of Shenzhen International in Yueyang City held its grand opening. This project has a planned gross floor area of 250,000 square meters

NOVEMBER

The Group entered into a capital increase agreement with Air China Cargo Co., Ltd. ("Air China Cargo") to acquire a 10% equity interest in Air China Cargo by way of capital contribution of RMB1,565 million, aiming at expanding into the air logistics sector, which is highly monopolized and has high barriers of entry

DECEMBER

The first phase of Outer Ring Expressway invested and operated by Shenzhen Expressway in Shenzhen officially opened to traffic. With a length of 51 kilometers, this phase represented the first expressway project in the Shenzhen Pilot Demonstration Zone to commence operation during the year. It is also the first expressway in the country to be completely covered by 5G networks

DECEMBER

The total operating area of the Group's integrated logistics hubs across the country reached almost 2 million square meters

STRATEGIC COOPERATION

JANUARY

The Group entered into a strategic cooperation agreement with JD Logistics to initiate broad cooperation in the field of logistics hub products and value-added services

SEPTEMBER

The Group and Tencent entered into a strategic cooperation agreement, pursuant to which both parties will cooperate closely in the construction of smart parks, enhancing park intelligence, establishment of smart logistics ecosystem and other related aspects, and jointly construct the "Shenzhen International Smart Park" in Qianhai, Shenzhen

OCTOBER

The Group entered into a strategic cooperation agreement with Shenzhen SEZ Construction Group Co., Ltd., in anticipation of in-depth cooperation between both parties in the construction of major projects in Shenzhen

NOVEMBER

The Group entered into a strategic cooperation agreement with Longhua District People's Government to actively participate in the development of Longhua and convert South China Logistics Park, Liguang Project into exemplary models of industrial transformation and upgrade

DECEMBER

The Group entered into strategic cooperation agreements with 21 banks, under which various financial institutions pledged their support to the Group by the provision of credit of over RMB100 billion in the next 3 to 5 years to finance high-quality development of the Group during its 14th Five-Year Plan which in turn facilitates its sustainable development

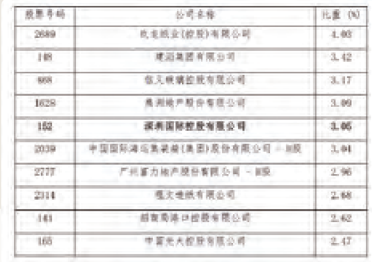
CORPORATE HONORS

APRIL

The Company was granted the Third NewFortune Best IR Hong Kong Listed Companies Award by New Fortune, a famous financial and economic media in China

FEBRUARY

On 17 February, the Company became a constituent of the Hang Seng China High Dividend Yield Index compiled by Hang Seng Indexes Company Limited



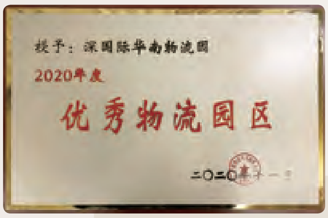
股票号码	公司名称	比重(%)
2689	玖龍紙業(控股)有限公司	4.03
148	建滔集團有限公司	3.42
868	信义玻璃控股有限公司	3.17
1628	禹洲地产股份有限公司	3.09
152	深圳国际控股有限公司	3.05
2039	中国国际海运集装箱(集团)股份有限公司－H股	3.04
2777	广州富力地产股份有限公司－H股	2.96
2314	理文造纸有限公司	2.68
144	招商局港口控股有限公司	2.62
165	中国光大控股有限公司	2.47

JULY

The Group officially joined the professional committee on logistics park of China Federation of Logistics & Purchasing as a deputy-director member

SEPTEMBER

The 2019 Annual Report of the Company won 4 awards for annual reports in the 34th International ARC Awards Competition in 2020 and 6 awards for annual reports in the 2019 Vision Awards Annual Report Competition organized by the League of American Communications Professionals (LACP)



NOVEMBER

Shenzhen International Kanghuai Modern Urban Logistics Hub Co., Ltd. and Shenzhen Shen International Modern City Logistics Port Co., Ltd. received "National AAA Level Logistics Enterprise" plaques and certificates

NOVEMBER

South China Logistics Park was given the honor of "Outstanding Logistics Park in 2020" in the 2020 Logistics Park Annual Conference organized jointly by China Federation of Logistics & Purchasing and China Society of Logistics. South China Logistics Park has been named an outstanding logistics park in the country for five consecutive years since 2016

NOVEMBER

The Company won the Best Listed Companies Award, one of the key awards in the 10th China Securities Golden Bauhinia Awards organized by Hong Kong Ta Kung Wen Wei Media Group

NOVEMBER

The Group won the "2020 Social Responsibility Contribution Awards for the PRC Logistics Industry" and "Advanced Pandemic Fighting Enterprise in the PRC Logistics Industry" in the 2020 (the Eighteenth) PRC Logistics Entrepreneurs Annual Meeting organized by China Federation of Logistics & Purchasing and the People's Government of Qingdao City

DECEMBER

The Company joined the green and smart transportation branch of the China Association of Communication Enterprise Management as a Vice President Unit, thereby strengthening interaction between the relevant business segments and their industry organizations and peers

Opening up New Opportunities to Upgrade Business Model and Embarking on New Developments to Bolster Technological Empowerment

Dear shareholders,

2020 was an unusual year. In light of the COVID-19 pandemic, the Group has taken multiple measures, such as focusing on high-quality growth and adopting robust measures to enhance management level of the Group, with the aim of actively resolving the uncertainties brought by the pandemic and reducing its impact on the Group's business. As a result, the overall operating results of the Group remained robust level notwithstanding the tough and challenging business environment.

For the year ended 31 December 2020, the Group's revenue from core businesses and operating profit increased by 15% and 19% to HK$17,197 million and HK$10,270 million, respectively, while profit attributable to shareholders decreased by 20% to HK$4,007 million, as compared to the corresponding period of the previous year.

The board of directors has proposed to distribute final and special dividends for 2020 in the aggregate amount of HK$0.96 per share. The dividend payout ratio is 52%.

Continuous Growth of Logistics Operations and Significant Improvement in Competitive Strengths

In 2020, the Group continued to step up the expansion of its core logistics operations, actively promoted the close-loop "invest, construct, finance and manage" integrated logistics hub business model, actively explored emerging business in the logistics field, and continued to drive the transformation and upgrade of its logistics parks, thereby delivering significant enhancement in the competitive strengths of its core business.

The logistics parks business witnessed tremendous growth. Efforts to increase the Group's influence in Shenzhen's logistics industry made headway: the construction of the Liguang logistics park proceeded as scheduled; with respect to the project to construct an integrated bonded zone in Yantian, the Group and the Yantian district government entered into a strategic partnership, under which six heritage land plots along the Jihe Expressway were incorporated into the plan of modern logistics hubs in Shenzhen. The Group actively participated in the formulation of Shenzhen's modern logistics infrastructure plan with the aim of capturing future development and operation opportunities. The Group's initiative to build a network of integrated logistics hubs across the country has turned a new page and during the year, over 380,000 square meters of land has been obtained and a floor area of 550,000 square meters has been put into operation. As at the end of December 2020, the Group has established footholds in a total of 30 key logistics gateway cities across the country (including logistics parks in Shenzhen and logistics park management project). The number of projects in operation increased to 24 while the total operating area increased to 2.61 million square meters. The occupancy rate of projects currently in operation exceeded 90%. Meanwhile, the Group adopted the overall scheme of "two key battlegrounds" plus "one overlay" for developing logistics parks. In other words, the Group will formulate separate plans for two key battlegrounds, namely Shenzhen and nationwide (except Shenzhen), with the Guangdong-Hong Kong-Macau Greater Bay Area as the overlaying area for different teams to jointly develop. In particular, numerous projects in Zhaoqing, Zhongshan, Huizhou, Zhuhai and other cities in the Greater Bay Area are progressing at full speed.

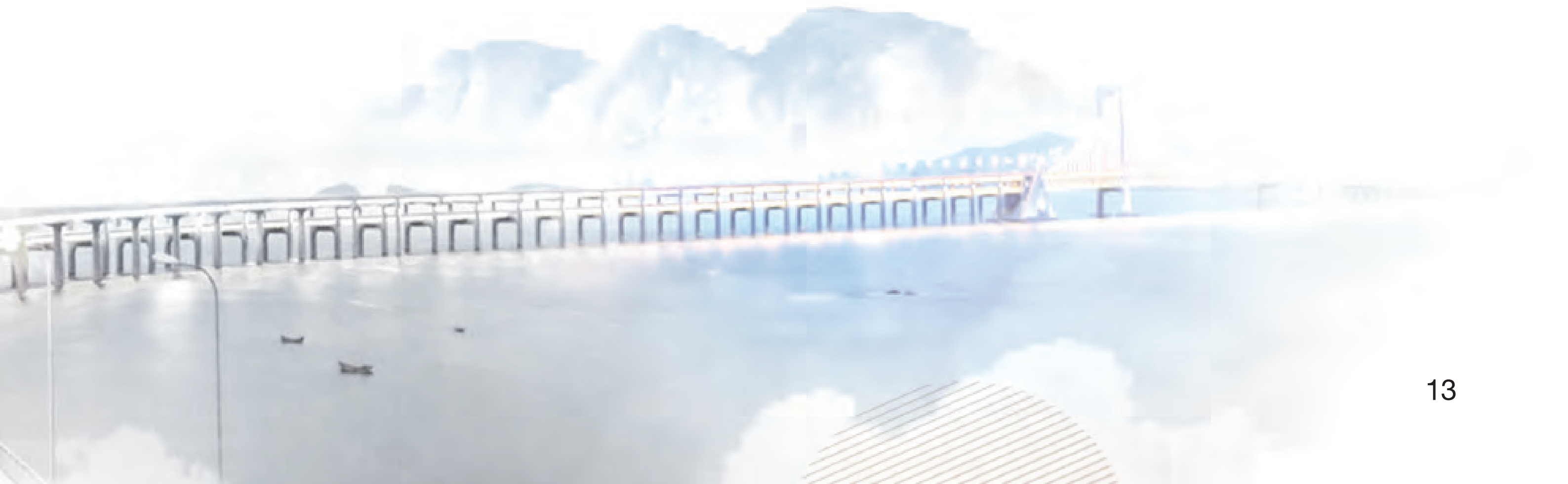
The close-loop "invest, construct, finance and manage" integrated logistics hub business model has achieved solid progress. In 2020, the Group and Goldstone Investment Co., Ltd., a fund management company under CITIC Securities, jointly launched the first batch of its logistics real estate private equity investment fund. Starting from 2021, the parties are making plans to inject 3 project companies, including the Nanchang project, Hefei project and the first phase of the Hangzhou project, into the fund. In that regard, a preliminary disclosure announcement about the share transfer in respect of the Nanchang project has already been published on the Shenzhen United Property and Share Rights Exchange. The Group will develop the first project under its close-loop "invest, construct, finance and manage" integrated logistics hub business model, which is expected to realize the asset value of the Group's integrated logistics hubs and boost the return on assets to the Group.

The capacity of the Group's comprehensive logistics services significantly increased. The Group rolled out several types of value-added park services. For instance, auxiliary facilities such as skid-mounted gas stations and new-energy vehicle charging ports were introduced to parks in, among other places, Shenyang, Kunshan and Changsha. The Group is also actively developing new engines of growth in the fields of smart and cold-chain logistics. The Group has completed an investment in Hubei Prolog Technologies Co., Ltd., a leading company in smart storage system integration, which marks the Group's first equity investment in the smart logistics sector. In addition, the smart warehouse for Ruhnn in Hangzhou has commenced operation, while the smart warehouse of Pedder Logistics in South China Logistics Park, the co-sharing pharmaceutical warehouse in Shijiazhuang, the cold warehouse and smart co-sharing warehouse in the Liguang Project and the cold warehouse in Qingbaijiang, Chengdu were progressing smoothly.

There has been major progress in logistics park transformation. Subsequent to the successful conclusion of land consolidation and preparation agreements for all the remaining land swap for the Qianhai project in 2020, the Group realized a gain before taxation of approximately RMB3,551 million in 2020. In respect of the Meilin Checkpoint Project, the second phase has already recorded sales revenue and profit while the third phase realized cash flow one year earlier than planned. The transformation of the first phase of South China Logistics Park also reached a milestone as the Group entered into a strategic cooperation framework agreement with the government of Longhua District which provides for the cooperation mechanism between the parties. Procuring the overall upgrade and transformation of South China Logistics Park has been incorporated into the Fourteenth Five-Year Plan for the Economic and Social Development of Longhua District (《龍華區國民經濟和社會發展十四五規劃》) and the Decisions on the Regional Development Framework to Establish a Digital Longhua and "One Circle, One District and Three Corridors" (《關於建設數字龍華打造「一圈一區三廊」區域發展格局的決定》). South China Logistics Park is now part of the core area of Longhua's key development area, namely Shenzhen North Station central business district, resulting in a significant promotion in strategic influence and role as an urban service provider.

High-quality Development of Port Operations and New Breakthrough in the Port Network Initiative

In 2020, Nanjing Xiba Port bolstered its overall operational and management capability through the expansion of the first phase. Furthermore, the introduction of transporting bulk commodities in containers by railway has improved the port's operational structure and maintained its leading position in terms of volume and efficiency amongst peers along the river. The continuous promotion of the management service business has won us the project from Jiangsu Nanre Thermal Power Station. Meanwhile, the synergies between the port and supply chain business has achieved encouraging results and has been added to the supplier lists of 17 premium end user customers including Huaneng Power International, Datang Power, China Huadian, China Guodian and State Power.



The Group also made more effort in the search for quality port assets with the aim of establishing a network of river trade terminals. During the year, 3 projects in Jingjiang, Shenqiu, and Fengcheng respectively were successfully launched. With a shoreline of 713 meters, the Jingjiang project is planned to be developed as a coal distribution and processing center and an integrated coal exchange center in the lower reach of the Yangtze River, with 3 terminals with a tonnage capacity of 50,000 tonnes each and 5 terminals with a tonnage capacity of 1,000 tonnes each. Upon completion, it is expected to have an annual capacity of 34.80 million tonnes. With a shoreline of 1,024 meters, the Shenqiu project will have 16 terminals with a tonnage capacity of 1,000 tonnes each. Capitalising on its location near the hinterland of Anyang Iron & Steel Group, it is expected to form a supply chain with Anyang Iron & Steel Group. Upon completion, it will have an annual capacity of 15 million tonnes. With respect to the Fengcheng Shangzhuang project, the construction of which commenced at the end of the year.

Further Consolidation of Toll Road Operations with Early Success in Digitalization Projects

In 2020, the Group further consolidated its toll road business through its listed subsidiary, namely Shenzhen Expressway Company Limited ("Shenzhen Expressway"). After completion, the first phase of the Shenzhen section of the Outer Ring Expressway has been linked to the network and officially commenced operation, thereby expanding the scale of the Group's toll road operations. At the same time, major construction projects are proceeding with high quality and speed. For example, the construction of the subsequent phases of the Shenzhen Outer Ring Expressway has accelerated, and the initial phase of the transformation and expansion of the Jihe Expressway has successfully commenced. The proposal for the second Shenzhen-Shantou Expressway has been approved by the Shenzhen municipal government at a standing committee meeting.

The Group also continued to explore "smart expressways". Taking advantage of the colossal scale of its projects, the Group actively conducted research and application of smart transportation technologies, continuously improved the business model and service standard of the expressway industry, and achieved initial success in its expressway intelligent empowerment projects. For instance, the smart video surveillance system of the Shenzhen section of the Coastal Expressway has been put into operation. The Outer Ring Expressway has, as a pilot demonstrative smart expressway project under the Ministry of Transportation, entered into the implementation phase. As for the Jihe Expressway, after adopting a groundbreaking three-dimensional integrated expressway reconstruction and expansion plan, the project applied innovative, industrialized and pivotal smart bridge construction technologies, giving rise to the first integrated bridge construction machine design in China.

Growth in Environmental Protection Operations and Improvement in Ranking in Various Market Segments

In 2020, the Group, through Shenzhen Expressway, achieved major breakthroughs in several segments of the new environmental protection business. In the clean energy segment, the Group expanded its business scale by completing the acquisition of the remaining 33% equity interest in Baotou Nanfeng Wind Power Technology Co., Ltd. ("Baotou Nanfeng Company", a company wholly owned by the Group upon the completion of this acquisition in March 2021) as well as the acquisition of equity interests in Mulei County Qianzhi New Energy Development Company Limited (木壘縣乾智能源開發有限公司) and Mulei County Qianhui New Energy Development Company Limited (木壘縣乾慧能源開發有限公司) in respect of the Mulei Wind Power Project in Xinjiang (completion of the acquisition took place in January 2021). In the solid waste resource recovery segment, the Group has completed the acquisition of the 67.14% equity interest in Bioland Environmental Technology Group Co., Ltd., thereby taking the scale of its operation to the top of the industry in China with a daily kitchen waste treatment capacity of over 4,000 tonnes. The acquisition of the 50% equity interest in Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Limited was also completed, which allowed the Group to enter the sector of dismantling new energy vehicles, disposal of solid and hazardous electric-vehicle battery waste, and post-market recycling and application. Shenzhen Expressway also solely won the Shenzhen Guangming Environmental Park PPP Project in February 2021. The Group will be responsible for coordinating and carrying out this project, turning the project into one of the largest comprehensive kitchen waste utilization projects in the country upon completion. In the water environmental remediation segment, Chongqing Derun Environment Company Limited ("Derun Environment Company") and Shenzhen Water Planning & Design Institute Company Limited ("Shenzhen Water Planning Institute"), in which the Group holds investments, as well as Shenzhen Expressway SUEZ Environment Company Limited, a subsidiary of the Group, are operating smoothly. Chongqing Sanfeng Environment Group Corp., Ltd., a subsidiary of Derun Environment Company, was officially listed on the Shanghai Stock Exchange on 5 June 2020. In the meantime, the application for permission for the listing of Shenzhen Water Planning Institute on ChiNext of the Shenzhen Stock Exchange was approved in January 2021.

Numerous Successes in Collaborations between National and Local State-owned Enterprises Resulting in Valuable Resources and Business Growth

In 2020, the Company extended the development and operation of logistic infrastructure from the segment of logistics park and port operations to air and rail freight transport, and established a comprehensive water, road, air and rail infrastructure network through investments, mergers, acquisitions and strategic partnerships. The development and construction of the national logistics hub at the Pinghunan Railway Station in collaboration with China Railway Guangzhou Group Co., Ltd. (中國鐵路廣州局集團有限公司) is programing smoothly and is expected to become the largest, smartest and most comprehensive integrated logistics hub in China and even Asia. The Bay Area Express, a train between China and Europe managed in collaboration with Sinotrans Limited, officially set off from the Pinghunan Railway Station in Shenzhen on 18 August 2020. This train is scheduled to run 3 times every week. During the year, the train ran a total of 27 times with a total rail transportation capacity of over 10,000 tonnes of cargo. The train will promote the throughput and development of value-added services of the comprehensive logistics hub at the Pinghunan, enhance the diversification of operations of the Group and support stable growth in the long run. Aiming at having a good start with expanding into the air logistics sector (which is highly monopolized and has high barriers of entry), the Group entered into a capital increase agreement with Air China Cargo Co., Ltd. ("Air China Cargo") to acquire 10% equity interest in Air China Cargo for approximately RMB1,565 million. Cooperation with large national state-owned enterprises opens up enormous business opportunities for the Group. The Group will proactively seize such valuable opportunities and develop more valuable businesses.

Effective Comprehensive Reform and Continuous Improvement in Social Recognition

In 2020, the Group focused on the reform of its human resource allocation system and implemented measures in different areas to increase the Group's flexibility in recruiting and dismissing employees, promoting and demoting leaders, adjusting remuneration, and facilitating internal transfer. Such initiatives have greatly motivated the leaders and employees to work harder and innovate, which in turn provided a significant boost to the Group's organic growth. The results of such reforms have been highlighted by the SASAC of the State Council in its annual report. The "Double-Hundred Action" reform has also attained interim success and the Group won the honor of A-class enterprise in the evaluation of triple institutional reforms under the "Double-Hundred Action" conducted by the State.

Through a series of reforms and management upgrades, the Group successfully garnered social recognition, especially high level of recognition of the Group's corporate value in the capital market as evidenced by various accolades in 2020 including the Best Listed Companies Award in the 10th China Securities Golden Bauhinia Awards, the Third NewFortune Best IR Hong Kong Listed Companies Award by New Fortune, and recent inclusion in the Hang Seng China High Dividend Yield Index, as well as 6 awards in the 2019 Vision Awards Annual Report Competition and 4 awards in the 34th International ARC Awards in 2020 for its annual report.

Forward-looking Planning and Scientific Strategies under the 14th Five-year Plan

2020 marked the end of the Group's 13th Five-year Strategic Plan as well as the start of its 14th Five-year Strategic Plan that focuses on high-quality growth.

During the 14th Five-year period, the Group will expand across the whole country with Shenzhen as its focal point and bedrock. With a view to becoming one of the leading state-owned enterprises that provide quality municipal auxiliary infrastructure and pioneer comprehensive reforms, it strives to develop a functional platform that safeguards the transportation and logistics facilities in Shenzhen, an integrated platform that consolidates transportation and logistics resources, an investment platform that covers upper and lower streams of the transportation and logistics industry chain and a business platform that operates transportation and logistics industries. The Group will stay open to options, aim at bigger development, actively identify new business areas that have good market prospects and offer high return on assets, in order to become a topnotch industrial conglomerate with relatively strong brand influence, high market competitiveness, enormous capital resources and unique character.

During the 14th Five-year period, the Group will capitalize on its conventional strength in the field of urban infrastructure and hold on to the four core business segments, namely logistics, port, toll road and environmental protection and work towards constantly increasing its business scale and efficiency. With a focus on logistics parks, the logistics segment will endeavor to become the number-one enterprise in Shenzhen and one of the top three and top five enterprises (in term of business scale) in the Greater Bay Area and the whole country, respectively, while ensuring the rapid roll out of the close-loop "invest, construct, finance and manage" development model in order to unlock the value of its logistics parks. Through service and business innovation, the Group also plans to transform itself into an integrated service provider and build a comprehensive logistics service portfolio that offers cold chain logistics, smart logistics, value-added in-park services, third-party logistics, bonded logistics and logistic information. To become one of the top comprehensive service providers in the Greater Bay Area and the whole country, a comprehensive "four-flow service network" that encompasses flows of goods, business, capital and information accompanied by a "water, road, air and rail infrastructure network" that centers around strategic logistic gateways will be formed. In order to become a strong nation-wide river trade port operator, the port segment will seek organic growth through persistently upgrading its value-added services offered by its existing port projects while building its network through active acquisition of quality ports and shoreline resources. The toll road segment seeks to become a comprehensive service provider in the expressway industry by actively seizing new construction projects in Shenzhen and the Guangdong-Hong Kong-Macau Greater Bay Area through mergers and acquisitions of quality expressway projects. In order to become a leader in its market, the environmental protection segment will assemble new growth engines, namely specific environmental protection and one-stop clean energy businesses.

Social Responsibility

The Group actively shoulders social responsibilities as a listed company and stands by its mission and commitment to contribute to the country, the society and people. Upholding green and low-carbon operation principles, the Group spares no effort to promote sustainable corporate and social development. To foster a strong people-oriented culture, activities such as sharing seminars, collective workshops and staff birthday parties are organized with the aim of fostering a good work and learning environment. The Group also continued to make progress in combating poverty. Based on the successful story of how poverty amongst households in Xinmin Village, Heyuan City was eliminated, a promotional movie on targeted poverty alleviation called *Qinghuai*（《情懷》）was produced and a showroom about poverty alleviation was established to showcase the 5-year history of poverty alleviation, both of which were well received. Amidst the outbreak of COVID-19 pandemic in the country, the Group embraced its social responsibility, actively responded to the government's call and supported municipal operation and quarantine efforts through fully utilizing its facilities and services in the fields of logistics and toll road.

Outlook

Impacted by the COVID-19 pandemic in 2020, the political and economic structure across the globe experienced drastic changes. The Central Committee of the Chinese Communist Party advocated a new domestic and international "dual circulation" development framework in which domestic economic cycle plays a leading role. Under this framework, logistics will be the backbone of the circulation system in the society and play a more important role in the "dual circulation". The Opinions on Promoting High-Quality Development of Infrastructure（《關於推動基礎設施高品質發展的意見》）recently approved by the Central Comprehensively Deepening Reforms Commission（中央深改委）emphasized the need to build an integrated, efficient, economical, practical, smart, green, safe, reliable and modern infrastructure system, which will facilitate the development of integrated, efficient, high-end and smart logistics infrastructure. Shenzhen has already devised a new plan for logistics freight transportation stations that aims to comprehensively revamp and upgrade logistics infrastructure in Shenzhen as well as build a modern and high-standard three-tier logistics hub system. This plan will bring enormous opportunities to the logistics industry and enterprises. In view of the ongoing consumption upgrade, heightened expectations from end customers, production and manufacture upgrade as well as increasing logistics demand in respect of daily supplies and protective equipment as a result of the pandemic in China, the Group believes that the logistics industry in which it operates will enjoy enormous room for development and thus continuous growth in the future.

Going forward, the Group will aggressively roll out more diversified logistics value-added services and actively transform itself into a comprehensive urban auxiliary service provider, in addition to strengthening the operations of its logistics park. The Group will further refine its short close-loop "invest, construct, finance and manage" and long close-loop "invest, construct, manage and transfer" business models, and push for the identification and realization of value throughout the lifecycle of its logistics park assets. With the shorter close-loop "invest, construct, finance and manage" model, financing of relevant projects will continuously and steadily proceed with the aim of improving the Group's operational efficiency, facilitating constant expansion of its logistics park operations, and implementing a rolling program of integrated logistics hub development. On the other hand, the longer close-loop "invest, construct, manage and transfer" model will help the Group seize historical opportunities brought by urbanization, drive the change in land use, renewal and reconstruction of parks with potential to realize additional investment gain, which would in turn lay a solid foundation for the Group's revenue growth for years to come. As the application of automation, artificial intelligence, big data, internet of things and other similar technologies becomes a general trend in the logistics industry, the Group will continue to step up its development of smart logistics and cold chain logistics businesses in order to drive future business growth. At the same time, the Group will actively participate in the implementation of Shenzhen's new plan for logistics freight transportation stations and further expand its market share in Shenzhen. The port segment, on the other hand, will work on its Yangtze River network initiative, speed up the commencement and construction of new projects, and push for the operation and revenue contribution of these new projects as soon as possible.

At the end of 2020, the Group secured sufficient funds for its high-quality growth under the 14th Five-year Plan by entering into strategic cooperation agreements with 21 banks, pursuant to which these financial institutions will provide the Group with credit facilities in an aggregate amount of over RMB100 billion in the next 3 to 5 years. At the same time, the Group will actively develop innovative investment model in order to enhance its overall competitive strength by transforming itself from an industrial enterprise into an industrial investment group that conducts investments, mergers, acquisitions and resource consolidation along the whole industry chain and in emerging business areas.

2021 marks the beginning of the Group's 14th Five-year Strategic Plan and a new round of "Double-Hundred Action". The Group will seize the window brought by the comprehensive reform of state-owned assets and enterprises, capitalize on the golden strategic opportunities brought by the development of two regions, namely the Guangdong-Hong Kong-Macau Greater Bay Area and the Shenzhen Pilot Demonstration Zone, implement its 14th Five-year Strategic Plan, enhance its capacity, seek breakthroughs, lay a solid foundation to transform itself into a unique topnotch industrial group with a corporate value of hundreds of billions of Renminbi, and ultimately create greater value and return for all shareholders.

Acknowledgement

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

Li Haitao
Chairman

26 March 2021

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OVERALL REVIEW

OVERALL REVIEW

Operating Results	***2020 HK$'000***	*2019 HK$'000*	*Increase/ (Decrease)*
Revenue (excluding construction service revenue from toll roads)	**17,197,269**	14,986,224	15%
Construction service revenue from toll roads	**2,255,140**	1,834,102	23%
Total revenue	**19,452,409**	16,820,326	16%
Operating profit	**10,269,841**	8,624,747	19%
Profit before tax and finance costs	**9,712,199**	9,885,057	(2%)
Profit attributable to shareholders	**4,006,970**	5,020,594	(20%)
Basic earnings per share (HK dollars)	**1.84**	2.34	(21%)
Dividend per share (HK dollars) (in aggregate)	**0.96**	1.17	(18%)
– Final dividend (HK dollars)	**0.122**	0.53	(77%)
– Special dividend (HK dollars)	**0.838**	0.64	31%

In 2020, the novel coronavirus pandemic (the "Pandemic") dealt a heavy blow to the global economy, and the businesses of the Group were inevitably impacted to different extents. Faced with the severe operating environment and fierce market competition, the Group actively responded and continued to strive to expand its business network, seized market opportunities and improved its operational efficiency, sped up its investment in high-quality projects to minimize the impact of the Pandemic on its businesses, and achieved a better annual performance in an unfavorable operating environment.

For the year ended 31 December 2020 (the "Year"), revenue and operating profit of the Group increased by 15% and 19% to HK$17,197 million and HK$10,270 million, respectively, as compared to the corresponding period of the previous year. However, the Group's profit before tax and finance costs and profit attributable to the shareholders decreased by 2% and 20%, respectively, as compared to the corresponding period of the previous year due to the loss incurred by Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate in which the Group holds a 49% equity interest, as a result of the Pandemic. If the impact of Shenzhen Airlines is excluded, the Group's profit before tax and finance costs and profit attributable to the shareholders for the Year both increased by 17% as compared to the previous year.

The Group continued to step up the development of its logistics business and achieved steady and sustained growth in this core business. As at 31 December 2020, the Group has established footholds in a total of 30 key logistics gateway cities across the country (including logistics parks in Shenzhen and logistics park management project). The number of projects in operation increased to 24 while the total operating floor area reached 2.61 million square meters. The overall occupancy rate exceeded 90%. During the Year, integrated logistics hubs in operation contributed revenue and profit attributable to shareholders of approximately HK$483 million and HK$76.88 million, respectively, representing an increase of 19% and 78%, respectively, as compared to the previous year. Total revenue of the logistics business for the Year remained stable at HK$7,947 million as compared to the corresponding period of the previous year. Profit attributable to shareholders dropped by 27% as compared to the corresponding period of the previous year to HK$1,179 million mainly due to a shift in the product portfolio of the Meilin Checkpoint Project recognized (towards more indemnificatory housing（保障房）with lower gross profit margin) under the logistics park transformation and upgrading business during the Year, as well as the Pandemic.

During the Year, toll revenue of Shenzhen Expressway Company Limited ("Shenzhen Expressway"), a subsidiary of the Company held as to approximately 52%, stood at the same level as that of the previous year. Since the resumption of toll collection on 6 May 2020, overall traffic volume of toll roads operated and invested by the Group resumed normality and exhibited positive growth, which partially offset the impact of the Pandemic on the toll road business in the first half of 2020. Furthermore, based on an understanding of and judgement on the documents issued by Department of transportation of Guangdong Province in relation to the toll-free policy implemented on toll roads during the Pandemic control period, the Group recognized revenue from the toll road projects held by it in Guangdong Province. During the Year, the overall revenue of Shenzhen Expressway increased by 30% as compared to the corresponding period of the previous year to HK$9,250 million, which was mainly driven by new revenue from the environmental protection business. However, due to the recognition of one-off deferred income tax assets in 2019 as well as the rise in operating, sales, research and development and other costs of the environmental protection business, the profit of Shenzhen Expressway attributable to the Group decreased by 27% as compared to the corresponding period of the previous year to HK$938 million. Excluding the impact of the deferred income tax assets, profit attributable to the Group would increase by 16% as compared to the corresponding period of the previous year.

In 2020, the passenger air transport market suffered a heavy blow from the continuous spread of the Pandemic worldwide and the resultant plunge in demand for air travel. During the Year, Shenzhen Airlines drastically reduced its capacity and recorded a drop in total revenue of 46% as compared to the corresponding period of the previous year to RMB17,394 million (HK$20,056 million), as well as loss for the Year of RMB2,063 million (HK$2,379 million). Shenzhen Airlines contributed a loss of approximately HK$1,179 million (2019: profit of HK$593 million) to the Group during the Year. Shenzhen Airlines shifted its focus from passenger to freight traffic and launched several international air cargo routes with the aim of securing air cargo business as part of the international and domestic "dual circulation" economic strategy, particularly the larger domestic circulation. It also continued to improve its revenue and cost control. As a result of these measures, coupled with related government relief measures, etc., Shenzhen Airlines effectively narrowed its loss for the Year in the second half of the Year. Adhering to the "seek progress through stability" philosophy, 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.

In recent years, the Group has strived to seize the significant opportunity brought by the land use adjustments for logistics parks across Shenzhen by increasing its efforts in transforming and upgrading logistics parks. The Group entered into the land use right transfer agreements 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") in respect of the third phase of the Qianhai Project on 30 June 2020. The third phase of the Qianhai Project has a total land area of approximately 41,200 square meters and a total plot ratio-based gross floor area of approximately 172,500 square meters. As the land parcels for the third phase of the Qianhai Project were acquired under the land swap contemplated under the land consolidation and preparation agreement, the Group did not need to pay any contractual land prices to the Qianhai Authority. As a result, the Group recognized a one-off gain before taxation of approximately HK$4,094 million (equivalent to approximately RMB3,551 million) and profit attributable to shareholders of approximately HK$3,071 million (equivalent to approximately RMB2,663 million) during the Year. The successful conclusion of the land use right transfer agreements for the third phase of the Qianhai Project marked the completion of the Group's land consolidation and preparation for the Qianhai Project.

In 2020, the Group successfully promoted a number of mergers and acquisitions projects, as well as the development and operation of logistics infrastructure from the original segment of logistics parks and port operations to air cargo and rail cargo transportation, and established a full-scale infrastructure network of water, road, air and rail. During the Year, the Group and China Railway Guangzhou Group Co., Ltd.（中國鐵路廣州局集團有限公司）("China Railway Guangzhou Group") entered into a cooperation agreement, pursuant to which the parties agreed to jointly develop and construct a national logistics hub at the Pinghunan Railway Station. The Bay Area Express, a train between China and Europe operated by a joint venture set up by the Group and Sinotrans Limited, officially set off from the Pinghunan Railway Station in Shenzhen on 18 August 2020. With the aim of entering the air logistics sector with a good start, the Group entered into a capital increase agreement with Air China Cargo Co., Ltd. ("Air China Cargo") to acquire 10% equity interest in Air China Cargo for approximately RMB1,565 million. These projects are in line with the Group's business development strategy and plan as they enable the Group to accumulate sustainable and high-quality assets for its future development whilst also expanding the scale and coverage of the Group's logistics operations.

Dividend

The board of directors of the Company (the "Board") is committed to maintaining a stable dividend policy and bringing sustained returns to the shareholders. Having considered the composition of the profit and cash flows of the Group, the Board recommended a final dividend of HK$0.122 per share for the Year. The Board also proposed the payment of a special dividend of HK$0.838 per share to the shareholders for its one-off profit for the Year. The total dividend per share is HK$0.96 (2019: final dividend of HK$0.53; special dividend of HK$0.64). Total dividend amounted to HK$2,107 million (2019: HK$2,529 million), dividend payout ratio is 52%. The Board is committed to maintaining a stable dividend policy and distributing most of its one-off profit to the shareholders.

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

02 LOGISTICS BUSINESS

ANALYSIS OF OPERATING PERFORMANCE

Logistics Park Business

The Group focuses on the investment and construction of logistics infrastructure in major cities across the country and strives for the development and expansion of its logistics business so as to expand the network and scale of its operation and maintain long-term sustainable development. As at 31 December 2020, the Group managed and operated a total of 24* logistics projects with an aggregate owned and planned land area of approximately 7.78 million square meters, among which approximately 5.24 million square meters have been acquired and approximately 2.61 million square meters were put in operation.

* *Excluding a joint venture, the Shenzhen Airport Express Center*

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 park network + integrated logistics services" as its core competitive edge.

The business model of integrated logistics hubs is based on city and inter-city distribution centers that are equipped with warehousing, distribution and transfer capabilities, raw and fresh food cold chain centers, as well as e-commerce centers. It also provides commercial and financial value-added services, as well as high-quality and efficient services for a lot of e-commerce platforms, express delivery companies, producers and manufacturers.

The Group is committed to establishing a large-scale network of logistics parks, expanding the scale of its logistics asset portfolio and its operations through construction and acquisitions in order to increase its share in the logistics market. As at the end of December 2020, the Group operated integrated logistics hubs in a total of 28 key logistics gateway cities across the country (excluding Shenzhen and logistics park management project) and had entered into investment agreements with the relevant government departments in respect of a total planned site area of approximately 7.14 million square meters. In 2020, the Group focused on identifying projects in economically affluent regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and the Beijing-Tianjin-Hebei areas with a special focus on the network layout in key central cities. In 2020, the Group completed the investment plans of integrated logistics hub projects in Zhengzhou Erqi, Zhuzhou, Huai'an and Jinhua.

In 2020, the Kunming Project, the Xi'an Project and the first phase of the Yiwu Project were completed and put into operation, resulting in an increase of approximately 550,000 square meters in the operating area of integrated logistics hubs as compared to the previous year. As at the end of December 2020, the Group had 20 operating integrated logistics hub projects with a total operating area of approximately 1.99 million square meters, which recorded a satisfactory overall occupancy rate of approximately 91%.

In 2020, the Group made good progress in land acquisition, successively obtained land use rights for the projects in Zhengzhou Erqi, Wuxi Jiangyin and Zhanjiang, and successfully acquired the project in Suzhou Xiangcheng. The total area of newly acquired land parcels amounted to approximately 385,000 square meters. As at the end of December 2020, the Group has obtained land with a total site area of approximately 4.60 million square meters.

Construction works of the Nantong Project, the Xuzhou Project, the second phase of the Hangzhou Project, the Qingbaijiang Project in Chengdu, the Caidian Project in Wuhan, the Erqi Project in Zhengzhou and the second phase of the Yiwu Project have begun as planned. Several projects are expected to be completed and put into operation in 2021 and 2022. While the Group continues to explore new projects for development, the Group is also making progress with the construction or planning of its projects with an aim to meet the prospective schedules. The Group is also actively preparing for marketing of these projects.

To support the rapid development of the integrated logistics hubs business, the Group formulated a close-loop "invest, construct, finance and manage" business model through offering units of its logistics real estate investment fund. In 2020, the Group entered into a limited partnership agreement with, among other investors, Goldstone Investment Co., Ltd. It is expected that formal offering of the logistics real estate investment fund, as well as injection of the Nanchang Project would be completed in 2021.

II. Shenzhen Logistics Parks Business

Shenzhen is the base of the Group's core logistics business. Following the 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 promote its position in the city's logistics industry.

As at the end of December 2020, the Group managed and/or operated a total of three logistics projects and the Liguang Project (under construction) in Shenzhen. The logistics projects of the Group in Shenzhen had a total land area of approximately 640,000 square meters, of which approximately 570,000 square meters was in operation with an overall occupancy rate of approximately 90%.

In 2020, South China Logistics Park actively explored the potential of increasing its revenue and profits with its existing resources. It also actively expanded the high value-added customs bonded business by conducting intelligent upgrade at its existing warehouses and establishing a smart warehouse that allows players in the customs bonded trade between Hong Kong and Shenzhen to pack bulk goods into containers. It was also actively developing new customer relationships, strengthening the stickiness of existing customers, fostering collaboration with tenants of the park and maintaining good operating environment.

Capitalizing on the Group's brand influence and operating ability, South China Logistics Park was successfully engaged in a new logistics park management project, namely Yueyang Smart Commercial and Trading Park（岳陽智慧商貿物流園）. This project has a gross floor area of 250,000 square meters. The first phase of the project will comprise storage facilities, of which 50,000 square meters of high-standard warehouses and sorting and distribution centers have been completed. The second phase will offer commercial auxiliary facilities. The project officially commenced operation in October 2020 and has attracted various renowned domestic corporations, thereby achieving an occupancy rate of approximately 84%. It 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 Hunan Province.

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. The construction schedule was adjusted as a result of the Pandemic. The design has been optimized taking into account terrain and cost control considerations. The facade has been completed while landscaping and installation of digital equipment are in progress. Delivery is expected in 2021. Taking advantage of the positioning of Shenzhen where the park is located, and in order to seize the significant opportunities in the industry, the second phase of South China Logistics Park will be developed into 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 the 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 and it has an operating area of approximately 138,000 square meters. At present, business services provided in the park include warehouse logistics services, large data center, office buildings, dormitories, restaurants and supermarkets, etc. The park has supported interactive sharing and smart interchange of data across the park since the establishment of a smart park information management system in 2019. It has also achieved satisfactory operating results and successfully attracted a number of branded logistics enterprises. In 2020, the park was certified as a "National AAA-level Logistics Enterprise"(國家3A級物流企業)and "Shenzhen Public Innovation Space"(深圳市眾創空間), and attained an overall occupancy rate of 90%.

At the end of 2018, the Group successfully acquired the land use right for the Liguang Project located in Longhua New District, Shenzhen, with a site area of approximately 45,000 square meters and a total gross floor area of 265,000 square meters. The Liguang Project, the construction of which officially commenced at the end of 2019, will comprise 100,000 square meters of room-temperature warehouse, 50,000 square meters of cold warehouses and 18,000 square meters of office, trading and showroom area providing logistics storage, trading, display, distribution, co-loading, urban delivery, distribution processing and other comprehensive logistics services. The Liguang Project is expected to be put into operation in 2023 and will become a modern, high-standard, intelligent and eco-friendly benchmark logistics park.

During the Year, the Group and China Railway Guangzhou Group entered into a cooperation agreement, pursuant to which, the parties agreed to jointly invest in and establish a joint venture to upgrade and transform the Pinghunan Railway Freight Yard into the largest comprehensive logistics hub in the country that supports road, rail and sea multimodal transportation. This hub has a site area of 900,000 square meters and an expected gross floor area of approximately 800,000 square meters. The first phase of this 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 procuring the establishment of the joint venture.

Details of the Group's major logistics projects as at 31 December 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	596,000	596,000	322,000	2003
	Yueyang Smart Commercial and Trading Park@ (logistics park management project)	New Port Area, Chenglingji District, Yueyang	N/A	N/A	51,000	Oct 2020
	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	–	2023
	Sub-total		641,000	641,000	622,000	
Integrated Logistics Hubs	Guizhou Integrated Logistics Hub	Shuanglong Modern Service Industrial Cluster, Guizhou	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, Chengdu	173,000	–	–	Dec 2023
	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	–	Mar 2022
	Nanchang Integrated Logistics Hub	Nanchang Economic and Technological Development Zone, Nanchang	267,000	156,000	91,000	Jun 2017
	Changsha Integrated Logistics Hub	Jinxia Economic Development Zone, Changsha	347,000	298,000	85,000	Oct 2018
	Zhuzhou Integrated Logistics Hub	Yunlong Demonstration Zone, Zhuzhou	126,000	–	–	Dec 2023
	Hangzhou Integrated Logistics Hub	Hangzhou Dajiangdong Industrial Cluster, Hangzhou	427,000	427,000	207,000	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, Jinhua	440,000	417,000	246,000	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	–	Feb 2023
	Kunshan Integrated Logistics Hub	Lujiazhen, Kunshan, Suzhou	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	400,000	131,000	–	Dec 2023
	Xuzhou Integrated Logistics Hub	Xuzhou National Hi-Tech Industrial Development Zone, Xuzhou	140,000	133,000	–	April 2021
	Nantong Integrated Logistics Hub	Haimen Industrial Park, Nantong	152,000	152,000	–	Jan 2021
	Shanghai Qingpu Integrated Logistics Hub	Huaxin Town, Qingpu District, Shanghai	23,000	23,000	31,000	Sep 2019
	Huai'an Integrated Logistics Hub	Huai'an Economic & Technological Development Zone, Huai'an	111,000	–	–	Dec 2023
	Jinhua Integrated Logistics Hub	Jinhua Economic and Technological Development Zone, Jinhua	136,000	–	–	Dec 2023
	Suzhou Xiangcheng Integrated Logistics Hub	International Logistics Park, Wangting Village, Xiangcheng District, Suzhou	33,000	33,000	20,000	Dec 2020
	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	Jul 2017
	Xi'an Integrated Logistics Hub	Xi'an National Civil Aerospace Industrial Base, Xi'an	120,000	120,000	93,000	Aug 2020
	Jinan Zhangqiu Integrated Logistics Hub	Zhangqiu District, Jinan	180,000	–	–	Dec 2023
	Tianjin Zhonglong Integrated Logistics Hub	West Wing of Tianjin Development Zone, Tianjin	60,000	60,000	32,000	Jan 2019
	Zhengzhou Integrated Logistics Hub	Zhengzhou International Logistics Park, Zhengzhou Economic Development Zone, Zhengzhou	267,000	–	–	Dec 2023
	Zhengzhou Erqi Integrated Logistics Hub	Mazhai Industrial Cluster, Erqi District, Zhengzhou	109,000	109,000	–	Nov 2022
	Shandong Booming Total Logistics Park	Yantai Economic and Technological Development Zone, Yantai	70,000	70,000	37,000△	2008
	Zhanjiang Integrated Logistics Hub	Mazhang District, Zhanjiang	200,000	110,000	–	Jun 2023
	Zhongshan Torch Integrated Logistics Hub	Zhongshan Torch Hi-Tech Industry Development Zone, Zhongshan	57,000	57,000	58,000	Sep 2019
	Sub-total		7,140,000	4,601,000	1,991,000	
	Total		7,781,000	5,242,000	2,613,000	

Notes:

* *The expected dates of operation are estimations and are subject to update according to construction progress.*
@ *Yueyang Smart Commercial and Trading Park in is a logistics park management project undertaken by South China Logistics Park.*
\# *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.*
△ *Including floor area of approximately 10,000 square meters operated through leasing.*

Logistics Service Business

Building on its network of logistics hubs across the country, the Group effectively strengthened its competitiveness in the logistics industry by stepping up the development of integrated logistics services.

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, including setting up a joint venture with Evergrande Agri-Husbandry Group Co., Ltd（恒大農牧集團有限公司）to provide the latter with comprehensive supply chain management services, partnering with DHL to provide intelligent warehouse construction and operation services for Huawei, establishing drop and pull connection services for the Yantai-Dalian shipping line, developing a paperless shipping service across the ports of Shenzhen, and expanding seaport business in Nansha of Guangzhou and Tianjin.

The Group actively explored the smart warehouse business and formulated a sub-strategy for the development of smart warehouses at the end of 2019, pursuant to which it strives to establish demonstrative and pilot smart warehouses at its logistics parks and conducting investments in, and mergers and acquisitions of, outstanding enterprises along the industry chain in an orderly manner. In 2020, for the business development, whilst ensuring the smooth operation of Huawei's smart warehouse, Hangzhou Integrated Logistics Park successfully invited Ruhnn, the No. 1 brand in the KOL marketing of e-commerce industry in China, to apply Whalehouse's Picking Spider System (PSS) to enhance the utilization rate of its storage space by 6 times, thereby increasing rental income per square meter by 4 times. On the other hand, South China Logistics Park upgraded and revamped the smart warehouse of Pedder Logistics, an existing client, using the intensive storage technology with 4-direction shuttles. Following this upgrade, the same volume of service can be delivered with 10,000 instead of 20,000 square meters, thereby releasing storage space for rent by other clients. In addition, the smart medical warehouse in Shijiazhuang, the "smart + cold chain" warehouse in Liguang Project and several other projects are currently under construction and will soon be put into operation. In respect of investment, merger and acquisition projects, the Group is currently working on several potential projects. The Group has already completed a strategic investment in Hubei Prolog Technologies Co., Ltd.（湖北普羅勞格科技股份有限公司）, a leading company in the field of smart warehouse system integration, thereby taking the first step in its equity investment in the smart logistics industry and laying the solid foundation for the future development of the smart storage business.

Port and Related Services Business

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.

In 2020, the operation of the port business faced immense pressure due to the Pandemic and macro-economic downturn. A total of 448 seagoing vessels berthed at Nanjing Xiba Port with a total throughput of 35.93 million tonnes, representing a year-on-year decrease of 17% in 2020.

Despite the various challenges, Nanjing Xiba Port continued to optimize its client portfolio to make the most of its clientele and improve its connections in the industry. It also made an effort in maintaining normal operations to minimize the impact of the Pandemic on its clients by taking effective measures against the Pandemic. Furthermore, the port actively expanded, revamped and upgraded the first phase, comprehensively enhanced its operating and management capabilities and optimized its business structure by introducing transport of bulk commodities in containers by rail. As a result, the port business maintained its leadership position amongst its peers along the river in terms of business volume. The port actively develop value-added businesses such as coal distribution, supply chain management and supply chain financial services taking advantage of the port resources. During the Year, the port secured a management contract in respect of Jiangsu Nanre Thermal Power Station.

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 two of the property transfer and successfully concluded a leaseback agreement for the second phase of Nanjing Xiba Port in 2020.

The Group also made further effort in the search for quality port assets. The expansion effort achieved breakthroughs in 2020. In particular, the construction of the Fengcheng Shangzhuang Project, the project company of which is owned by the Group as to 20%, commenced at the end of December 2020. The Jingjiang Project also progressed in an orderly manner. In December 2020, the Group entered into an investment and cooperation agreement with the municipal government of Jingjiang. The approval procedures are currently underway and it is expected that construction will commence in 2022. The Jingjiang Project will effectively take up the functions performed by and client base of the second phase, while creating synergies with the first phase, of the Nanjing Xiba Port. The project will play an important role in widening, among other things, the types and sources of goods processed by the port segment. Furthermore, in early 2021, the Group entered into a cooperation agreement with, among other parties, the government of Shenqiu County and Henan Angang Zhoukou Steel Co., Ltd. (河南安鋼周口鋼鐵有限責任公司) in relation to the port project at Shenqiu Port Logistics Park.

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 progressed the transformation and upgrade of logistics parks in Shenzhen, in hope of maximizing the value of the Group's assets and in turn value for its shareholders. Through the transformation and upgrade of logistics parks, the Group can enhance its capital strength and lay a solid foundation for the development of its logistics parks and logistics business.

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 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") 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 received a total compensation of RMB8,373 million for surrendering 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 under the third phase of the Qianhai Project 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 to the Qianhai Authority. As a result, the Group recognized a gain before taxation of approximately RMB3,551 million (equivalent to approximately HK$4,094 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 the 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 further 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. As at 31 December 2020, the first phase of the Qianhai Project is preparing for inspection and acceptance procedures. The residential project which was 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 with all 367 units sold out in the first half of 2020. The units are expected to be delivered in 2021, at which time the Group will record significant investment gain. For the office project, which was positioned as the information port for the "Belt and Road Initiative" in Qianhai, 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, smart manufacturing services as well as promoting the 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 with the aim of capitalizing the strength of each party and turning the Mawan area in Qianhai into a unique boutique commercial project.

The second phase of the Qianhai Project has a plot ratio-based gross floor area of approximately 110,000 square meters (comprising residential area of approximately 91,000 square meters). Preliminary works such as design and tendering of the second phase of the Qianhai Project is currently underway. Considering the overall planning of and the shortage of solely residential projects in the Qianhai area, it is expected that the construction and sale of the second phase of the Qianhai Project will greatly enhance the value of the Group's resources in the area.

The third phase of the 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 and design 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.

In addition, the Group entered into a cooperation agreement with Shenzhen Tencent Computer Systems Company Limited on 4 September 2020 to jointly develop the "Shenzhen International Intelligent Park（深國際智慧園區）" in Qianhai, Shenzhen. Located in the free trade zone in Qianhai, Shenzhen, this project will be an important integral part of the "Shenzhen International Qianhai Intelligent Hub". This strategic cooperation will help the Group carry out digitalization and intelligence development of the industrial park and solve management issues faced by traditional parks with the help of new technologies and methods. A safe, smart, efficient, convenient and interactive environment will be created to improve corporate management efficiency and corporate image. The project is progressing steadily.

II. Meilin Checkpoint Project

The Meilin Checkpoint Project is located at the previous site of Huatongyuan Logistics Centre. The Group 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 apartments, as well as public utility and ancillary facilities. With the phased development and sale of the Meilin Checkpoint Project, the Group has brought in ample capital to provide solid financial support for the development of the Group's logistics business.

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. During the Year, internal decoration of the residential units has also ended and these units were delivered to their owners. Pre-sale of He Ya Xuan（和雅軒）, which is the second phase of the Meilin Checkpoint Project, commenced in October 2019. During the Year, the units of three residential buildings with presale permits were sold out and proceeds have been largely received, and inspection and acceptance of these finished units have been completed. The third phase of the project, namely He Song Xuan（和頌軒）, has commenced construction and presales in December 2020. As at the end of December 2020, 88% of the residential units have been sold.

III. Transformation and upgrading of South China Logistics Park

As economic growth in China speeds up and the two-region national development strategy rolls out, the Guangdong-Hong Kong-Macao Greater Bay Area will become one of the most open and energetic economic zones in the country. However, land supply in the Greater Bay Area is limited. Land resources in the core areas are particularly scarce. Being the Group's biggest traditional storage logistics park in Shenzhen, South China Logistics Park has a site area of approximately 600,000 square meters, occupying a convenient prime location. It is expected that the successful transformation of this park will bring remarkable economic return for the Group.

During the Year, the transformation of South China Logistics Park achieved a milestone as the Group entered into a strategic cooperation framework agreement with the government of Longhua District to lay out the cooperation mechanism for the overall upgrade and transformation of South China Logistics Park. South China Logistics Park is now part of the core area of Longhua's key development area, namely Shenzhen North Station central business district, resulting in a significant promotion in strategic influence and role as an urban service provider.

FINANCIAL ANALYSIS

During the Year, revenue from the logistics business amounted to HK$7,947 million, which was similar to that of the corresponding period of the previous year, while profit attributable to shareholders from the logistics business decreased by 27% as compared to the corresponding period of the previous year to HK$1,179 million, mainly due to a shift in the product portfolio of the Meilin Checkpoint Project recognized (towards more indemnificatory housing（保障房）with lower gross profit margin) under the logistics park transformation and upgrading business during the Year, as well as the Pandemic.

Revenue from Each Logistics Business Unit
For the year ended 31 December

	2020 HK$'000	*2019 HK$'000*	*Increase/ (decrease)*
Logistics Park Business	**886,948**	832,626	7%
Logistics Service Business	**952,225**	878,422	8%
Port and Related Services Business	**1,411,195**	1,564,412	(10%)
Logistics Park Transformation and Upgrading Business	**4,696,950**	4,569,316	3%
Total	**7,947,318**	7,844,316	1%

Profit Attributable to Shareholders from Each Logistics Business Unit
For the year ended 31 December

	2020 HK$'000	*2019 HK$'000*	*Decrease*
Logistics Park Business*	**152,181**	165,922	(8%)
Logistics Service Business	**17,509**	25,529	(31%)
Port and Related Services Business	**90,818**	116,299	(22%)
Logistics Park Transformation and Upgrading Business	**918,819**	1,314,409	(30%)
Total	**1,179,327**	1,622,159	(27%)

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

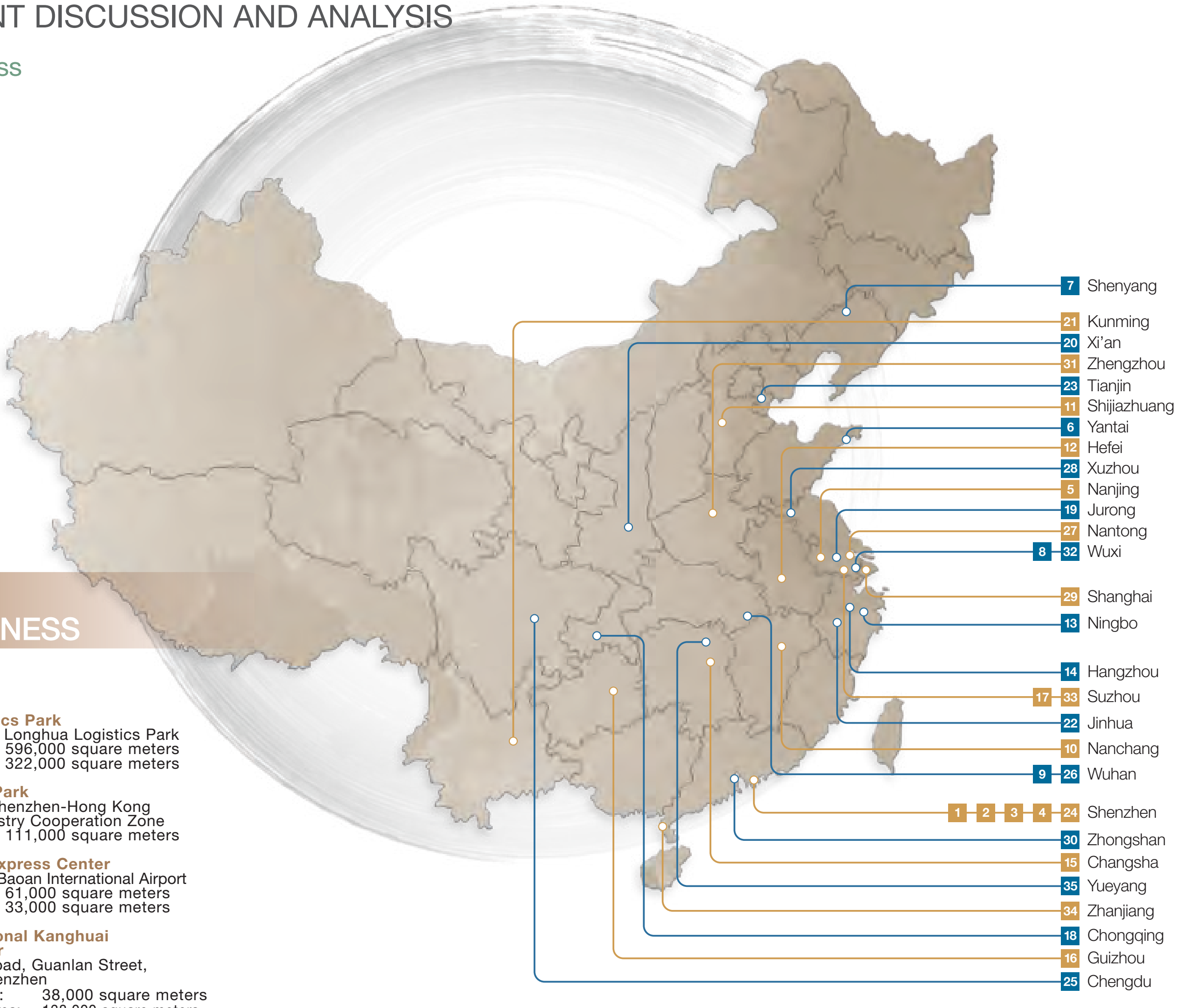
During the Year, revenue from the logistics park business increased by 7% as compared to the corresponding period of the previous year to HK$887 million, which was mainly due to an increase in the number of integrated logistics hubs in operation and an overall occupancy rate of 90% during the Year. However, profit attributable to shareholders decreased by 8% as compared to the corresponding period of the previous year to HK$152 million due to the Pandemic and the rent relief program implemented at the beginning of the year, in addition to an increase in operating costs.

During the Year, revenue and profit attributable to shareholders from the port and related service business decreased by 10% and 22% as compared to the corresponding period of the previous year to HK$1,411 million and HK$90.82 million, respectively, due to the Pandemic prevention and control measures, as well as the expropriation of the second phase of Nanjing Xiba Port and a drop in the demand for coal.

During the Year, revenue from the logistics service business increased by 8% as compared to the corresponding period of the previous year to HK$952 million, which was mainly driven by the newly commenced cold and supply chain business as well as the multi-model integration. However, profit attributable to shareholders decreased by 31% as compared to the corresponding period of the previous year to HK$17.51 million since these new projects were in the initial stage of development and recorded relatively low gross profit, while the surge in operating costs due to the Pandemic offset the increase in revenue.

During the Year, the logistics park transformation and upgrading business contributed revenue of HK$4,697 million to the Group, which was mainly due to the satisfactory sales performance of He Ya Xuan, the second phase of the Meilin Checkpoint Project, the residential units of which have been sold out, completed and delivered to the owners on schedule as of December 2020. However, profit attributable to shareholders decreased by 30% as compared to the corresponding period of the previous year to HK$919 million due to a shift in the product portfolio of the Meilin Checkpoint Project recognized (towards more indemnificatory housing (保障房) with lower gross profit margin) during the Year.

LOCATION OF LOGISTICS BUSINESS



1. **South China Logistics Park**
   Located in Shenzhen Longhua Logistics Park
   Land area: 596,000 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. **Shenzhen International 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
   Land area: 241,000 square meters
   Operating area: 264,000 square meters

8. **Shenzhen International Wuxi Integrated Logistics Hub**
   Located in Huishan District, Wuxi
   Land 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, Nanchang
    Land area: 156,000 square meters
    Operating area: 91,000 square meters

11. **Shenzhen International Shijiazhuang Integrated Logistics Hub**
    Located in Zhengding County, Shijiazhuang
    Land 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
    Land 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: 207,000 square meters

15. **Shenzhen International Changsha Integrated Logistics Hub**
    Located in Jinxia Economic Development Zone, Changsha
    Land 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, Suzhou
    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
    Land 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
    Land area: 131,000 square meters

20. **Shenzhen International Xi'an Integrated Logistics Hub**
    Located in Xi'an National Civil Aerospace Industrial Base, Xi'an
    Land area: 120,000 square meters
    Operating area: 93,000 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, Jinhua
    Land area: 417,000 square meters
    Operating area: 246,000 square meters

23. **Shenzhen International Tianjin Zhonglong Integrated Logistics Hub**
    Located in West Wing of Tianjin Development Zone, Tianjin
    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
    Land area: 125,000 square meters

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

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

28. **Shenzhen International Xuzhou Integrated Logistics Hub**
    Located in Xuzhou National Hi-Tech Industrial Development Zone, Xuzhou
    Land area: 133,000 square meters

29. **Shenzhen International Shanghai Qingpu Integrated Logistics Hub**
    Located in Huaxin Town, Qingpu District, Shanghai
    Land area: 23,000 square meters
    Operating area: 31,000 square meters

30. **Shenzhen International Zhongshan Torch Integrated Logistics Hub**
    Located in Zhongshan Torch Hi-Tech Industry Development Zone, Zhongshan
    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

33. **Shenzhen International Suzhou Xiangcheng Integrated Logistics Hub**
    Located in International Logistics Park, Wangting Village, Xiangcheng District, Suzhou
    Land area: 33,000 square meter
    Operating area: 20,000 square meters

34. **Shenzhen International Zhanjiang Integrated Logistics Hub**
    Located in Mazhang District, Zhanjiang
    Land area: 110,000 square meters

35. **Yueyang Smart Commercial and Trading Park**
    Located in New Port Area, Chenglingji District, Yueyang
    Leasehold Operating area: 51,000 square meters

03 TOLL ROAD BUSINESS

OVERVIEW

The Group's toll road business spans across the Shenzhen region, other regions in Guangdong Province and other provinces in China. The Group controls a total of 17 expressway projects. As at the date of this report, the Group operates the toll road business through Shenzhen Expressway, a subsidiary held by the Company as to approximately 52%, whose H shares and A shares are listed on the Stock Exchange and the Shanghai Stock Exchange respectively. The total toll length of toll roads invested in or operated by the Group was 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 9 km of the toll section under the second phase of the Shenzhen Outer Ring Project is under construction.

Besides consolidating the toll road business, the Group also prudently explores collaboration opportunities with leaders and branded enterprises in the environmental protection industry in recent years, aiming to enter various market sectors such as environmental protection and clean energy from an advantageous starting point. At the moment, Shenzhen Expressway has established a two-pronged framework with two core businesses, namely toll roads and environmental protection, which is expected to enhance development potential for the Group in the long term.

ANALYSIS OF OPERATING PERFORMANCE

Toll Road Business

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

Toll roads	*Interest held by the Group*	*Length by toll (approximate km)*	*Average daily toll revenue*	
			2020 (RMB'000)	*Increase/ (decrease) compared to the corresponding period of 2019*
Shenzhen region:				
Longda Expressway (Notes 1 and 2)	89.93%	4.4	**391**	(9.3%)
Meiguan Expressway	100%	5.4	**393**	2.5%
Jihe East	100%	23.7	**2,012**	(4.4%)
Jihe West	100%	21.8	**1,680**	(8.1%)
Shenzhen Coastal Project (Notes 3 and 4)	100%	36.6	**1,498**	2.7%
Shuiguan Expressway	50%	20	**1,658**	(7.2%)
Shuiguan Extension	40%	6.3	**253**	(23.6%)
Other regions in Guangdong Province:				
Qinglian Expressway	76.37%	216	**2,275**	(0.8%)
Yangmao Expressway	25%	79.8	**1,294**	(15.1%)
Guangwu Project (Note 5)	30%	37.9	**787**	(1.1%)
Jiangzhong Project (Note 5)	25%	39.6	**1,175**	(6.0%)
Guangzhou Western Second Ring	25%	40.2	**1,544**	(3.4%)
Other provinces in China:				
Wuhuang Expressway	100%	70.3	**1,059**	(6.3%)
Yichang Project	100%	78.3	**1,066**	(3.6%)
Changsha Ring Road	51%	34.7	**511**	19.6%
Nanjing Third Bridge	25%	15.6	**1,517**	8.9%

Notes:

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

(2) Shenzhen Baotong Highway Construction and Development Company Limited (now known as Zhilian Shenzhen International Smart Logistics (Shenzhen) Co., Ltd.), a wholly-owned subsidiary of the Company, transferred its holdings of 89.93% equity of Shenzhen Longda Expressway Co., Ltd. to Shenzhen Expressway on 1 December 2020.

(3) 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 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.

(4) Pursuant to the truck toll adjustment agreement (the "Toll Adjustment Agreement") in respect of the Coastal Project entered into between the Shenzhen Transportation Bureau and project company of the Shenzhen section of Guangshen Coastal Expressway (Guangzhou to Shenzhen) ("Coastal Company"), all types of trucks passing though the Shenzhen Coastal Project between 1 March 2018 and 31 December 2020 were to be charged at 50% of standard toll, in connection with which the Shenzhen Transportation Bureau paid Coastal Company RMB302 million as compensation. After expiration of the Toll Adjustment Agreement, the Shenzhen Transportation Bureau, Shenzhen Expressway and Coastal Company entered into an agreement on compensation for freight traffic stipulating that trucks passing though the Coastal Project between 1 January 2021 and 31 December 2024 will be charged at 50% of standard toll, and the tolls waived will be paid by the government to Shenzhen Expressway and Coastal Company in a lump sum in March of the following year.

(5) On 24 December 2020, Shenzhen Expressway entered into transfer agreements in respect of a 30% equity interest in Yunfu City Guangyun Expressway Company Limited and a 25% equity interest in Guangdong Jiangzhong Expressway Company Limited. As at the date of this report, the transfers are in progress.

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

- Being an important gateway for diverting port traffic from Shenzhen's western port area, the Shenzhen Coastal Project witnessed a rapid rebound in traffic volume as production and businesses resumed at full speed after stringent Pandemic control measures were lifted. During the Year, as several large-scale construction projects in Qianhai and the western port area in Shenzhen progressed, the resumption of economic activities along its route, and the synergies between road networks brought by the opening of west section of Shahe West Connection Road of the Dongbin Tunnel, the Shenzhen Coastal Project recorded a year-on-year growth in daily traffic volume.

- In respect of Shenzhen Coastal Phase II, the Shenzhen World Exhibition & Convention Center interchange has been open to traffic and connected to the exhibition and convention center since 2019. The toll station of Coastal Expressway at the Shenzhen World Exhibition & Convention Center interchange has also commenced operation and become a major transportation hub that facilitates modern logistics, business, trade, exhibitions and conventions as well as regional economic co-operation and the development of nearby urban areas. During the Year, the construction design and plan of Shenzhen Coastal Phase II were adjusted to take into account of the construction of the eastern artificial island of the Shenzhen-Zhongshan Bridge. According to the adjusted construction plan, about 47% of the overall construction of Shenzhen Coastal Phase II has been completed. In particular, about 57%, 63% and 10% of the road bed, bridges and road surface, respectively, have been completed.

- 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 accesses the bridge via Qinglian Expressway, the re-opening has boosted the operating results of Qinglian Expressway. As economic activities in the region along the expressway resumed and public demand for road trips surged during peak travel seasons, Qinglian Expressway recorded year-on-year growth in operating results after resuming tolls.

- Located at the epicenter of the Pandemic, Wuhuang Expressway suffered a relatively hard blow to its operating performance in the first half of 2020. As the Pandemic came under control and production and business activities gradually resumed in Wuhan, the traffic volume of Wuhuang Expressway gradually bounced back in the second half of the Year. Nevertheless, Wuhuang Expressway recorded a year-on-year drop in average daily toll revenue for the Year as a result of lane blockage due to intersection construction projects and flooding in nearby provinces.

Key Construction Project

Invested by the Group under the public-private-partnership (PPP) model, the Shenzhen Outer Ring Project, including both the first and second phase, is by far the longest toll road in Shenzhen's expressway network and will link with 10 expressways and 8 first tier highways in the Shenzhen region upon completion. During the Year, the Group successfully met the target of formally opening the first phase of the Shenzhen Outer Ring Project to traffic on 29 December 2020 notwithstanding the delay in construction progress due to the Pandemic at the beginning of the Year. As at the date of this report, around 81.4% of the Outer Ring Project has been completed. The construction of road bed and bridges of the second phase of the project are in progress at full steam. At the same time, the Group is currently actively carrying out the surveying, design and other preliminary preparation work of the third phase of the Outer Ring Project.

Development of the Environmental Protection Business

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

During the Year, Chongqing Derun Environment Company Limited, in which Shenzhen Expressway owns a 20% equity interest, continued to focus on markets in Chongqing and its surrounding regions and maintaining its leadership in Chongqing's water supply and sewage treatment market. Its subsidiary, Chongqing Sanfeng Environment Group Corp., Ltd., was officially listed on the Shanghai Stock Exchange (stock code: 601827) on 5 June 2020.

During the Year, Shenzhen Water Planning & Design Institute Company Limited, in which Shenzhen Expressway owns a 15% equity interest, achieved a continual increase in market share with newly secured contracts of approximately RMB1,500 million in aggregate. Its application for permission for listing on ChiNext of the Shenzhen Stock Exchange was approved in January 2021.

Since the acquisition of the 51% equity interest in Nanjing Wind Power Technology Co., Ltd. ("Nanjing Wind Power Company") in 2019, Shenzhen Expressway has implemented a series of measures to strengthen the internal management of this subsidiary, thereby significantly improving its operations and management and comprehensively increased its whole-machine manufacturing and production capacity. Nanjing Wind Power Company was ready for mass production of two new models after completing the technical development, testing and certification thereof during the Year. Nanjing Wind Power Company will work towards its annual targets by stepping up its marketing and sales efforts, diversifying its supply chain, accumulating new technologies and developing products for future market expansion.

In addition, Shenzhen Expressway holds a 67% equity interest in Baotou Nanfeng Wind Power Technology Co., Ltd. ("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 abundant wind power resources and enjoys synergies with Nanjing Wind Power Company along the industry chain. During the Year, Baotou Nanfeng Company fed an aggregate of 644,131 megawatt-hours of electricity to the grid.

During the Year, Shenzhen Expressway completed the acquisition of approximately 67.14% equity interest in Bioland Environmental Technologies Corp., Ltd. ("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 of the scale of its organic waste treatment business. Although Bioland Environmental Company recorded a relatively large reduction in kitchen waste shipment due to the Pandemic in the first half of 2020, the volume processed by the kitchen waste treatment business basically returned to normal after the Pandemic became under control. The engineering, procurement and construction (EPC) business of Bioland Environmental Company recorded substantial year-on-year growth in 2020. With 9 new patents, Bioland Environmental Company has also achieved significant progress in the development of innovative technologies such as high-efficiency kitchen waste sorting and pulping equipment. As at the date of this report, it has a total of 17 organic waste treatment build-operate-transfer (BOT)/PPP projects with an aggregate designed daily kitchen waste treatment capacity of over 4,000 tonnes in 14 counties and cities in 10 provinces across the country.

Furthermore, in August 2020, Shenzhen Expressway entered into an agreement to acquire 50% of equity interest in Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Limited ("Qiantai Company") by way of capital increase and transfer. The amount of the capital contribution will be RMB225 million. With more than 10 proprietary intellectual property rights related to key technologies of electric-vehicle battery recycling and dismantling new energy vehicles, Qiantai Company possesses qualification for dismantling new energy vehicles and is principally engaged in electric-vehicle battery recycling and vehicle dismantling businesses. Through this acquisition, the Group will be able to capture opportunities in the development of this emerging market by promptly entering the sector of dismantling new energy vehicles, disposal of solid and hazardous waste from electric-vehicle battery, and post-market recycling and application.

FINANCIAL ANALYSIS

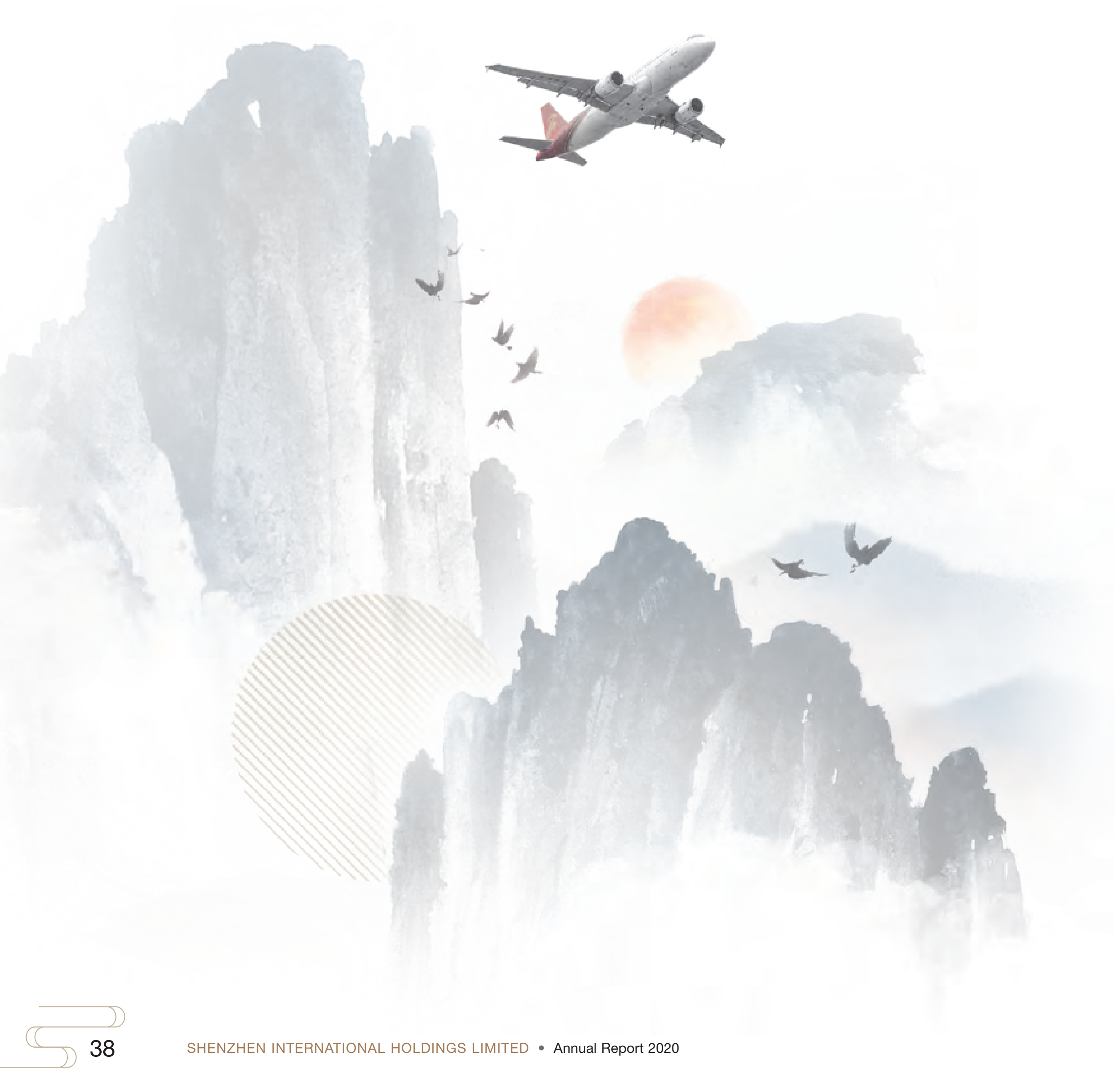
In the first half of 2020, toll revenue from toll roads operated and invested by the Group saw a year-on-year decrease due to the Pandemic and the implementation of the toll-free policy during the Pandemic. As the resumption of toll collection of toll roads across the country since 6 May 2020, coupled with the gradual recovery of the domestic economy, the overall traffic volume of toll roads operated and invested by the Group resumed normal. Meanwhile, the results of Nanjing Wind Power Company and Baotou Nanfeng Company were consolidated into Shenzhen Expressway's financial statements throughout the Year and Bioland Environmental Company was, for the first time, consolidated into Shenzhen Expressway's financial statements during the Year. Accordingly, Shenzhen Expressway recorded revenue from environmental protection operations. As a result, total revenue of Shenzhen Expressway for the Year was HK$9,250 million (2019: HK$7,141 million), representing an increase of 30% as compared to the corresponding period of the previous year.

Net profit of Shenzhen Expressway for the Year amounted to HK$2,160 million (2019: HK$2,545 million), representing a decrease of 15% as compared to the corresponding period of the previous year, mainly due to the recognition of one-off deferred income tax assets last year as well as the increase in costs, sales expenses and research and development expenditure of the environmental protection business during the Year. Profit of Shenzhen Expressway attributable to the Group for the Year dropped by 27% as compared to the corresponding period of the previous year to HK$938 million (2019: HK$1,291 million). Excluding the impact of the deferred income tax assets, profit attributable to shareholders increased by 16% as compared to the corresponding period of the previous year.

During the Year, toll revenue of Shenzhen Expressway amounted to HK$5,058 million (2019: HK$5,134 million), which maintained at a similar level to that of the previous year. This was mainly attributable to the fact that since the resumption of toll collection at 00:00 a.m. on 6 May 2020 by toll roads operated and invested by the Group, overall traffic volume resumed normal and exhibited positive growth, which partially offset the impact of the Pandemic on the toll road business in the first half of 2020. As at the date of this report, Shenzhen Expressway has received documents from Department of Transportation of Guangdong Province in relation to the toll-free policy implemented on toll roads during the Pandemic control period. Based on its understanding of and judgement on the documents, revenue from the toll road projects in Guangdong Province has been recognized accordingly.

On 9 November 2020, Shenzhen Bao Tong Highway Construction and Development Limited (now known as Zhilian Shenzhen International Smart Logistics (Shenzhen) Co., Ltd.), a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Shenzhen Expressway to transfer its 89.93% equity interest in Longda Expressway to Shenzhen Expressway at a consideration of RMB405,388,000. This transaction was completed during the Year. On that basis, the Group's right to collect toll from the 4.4-km toll section of Longda Expressway is held by Shenzhen Expressway and consolidated into Shenzhen Expressway's financial statements in accordance with applicable accounting standards.

04 OTHER INVESTMENTS



SHENZHEN AIRLINES

In 2020, the Pandemic spread across the world and the passenger air transport market suffered a heavy blow from a plunge in demand for air travel. During the Year, the passenger transport volume of Shenzhen Airlines decreased significantly to 21.67 million passenger rides (2019: 32.51 million passenger rides) with a passenger traffic of 32,162 million passenger-km (2019: 50,700 million passenger-km), representing a decrease of 33% and 37%, respectively, as compared to the corresponding period of the previous year.

During the Year, total revenue of Shenzhen Airlines dropped by 46% as compared to the corresponding period of the previous year to RMB17,394 million (equivalent to HK$20,056 million) (2019: RMB31,955 million (equivalent to HK$35,900 million)). In particular, passenger revenue decreased by 45% as compared to the corresponding period of the previous year to RMB14,903 million (2019: RMB27,329 million). As a result, net loss amounted to RMB2,063 million (equivalent to HK$2,379 million) (2019: net profit of RMB1,194 million (equivalent to HK$1,341 million)) after taking into account an exchange gain of RMB1,030 million (2019: an exchange loss of RMB264 million) due to changes in exchange rates. Shenzhen Airlines brought a loss of approximately HK$1,179 million (2019: profit of HK$593 million) to the Group during the Year.

During the Year, to satisfy the sudden demand for international air transport of medical supplies and other cargos, Shenzhen Airlines launched several international freight routes by converting passenger flights into cargo flights, etc., with the aim of securing air cargo business as part of the international and domestic “dual circulation” economic strategy, particularly the larger domestic circulation. Coupled with constant improvement in revenue and cost control and related government relief measures, Shenzhen Airlines effectively narrowed its losses in the second half of the Year.

As at 31 December 2020, Shenzhen Airlines has 222 (2019: 218) aircraft in its fleet. It currently operates 227 routes comprising 221 domestic routes, 1 route serving the Hong Kong, Macau and Taiwan region, and 5 international routes.

Following the gradual roll out and administration of vaccines against COVID-19, the global Pandemic is expected to subside and demand for domestic and international air transport is expected to further recover in 2021. Shenzhen Airlines will bolster its competitiveness by keeping abreast of market dynamics, converting passenger flights into cargo flights, strengthening cost control, rationalizing its capacity allocation and improving its key market network.

AIR CHINA CARGO

Benefitting from the transformation and upgrading of consumption market as well as the rapid growth of the cross-border e-commerce industry in the PRC, demand for international supply chain and freight logistics exploded and the air cargo industry has seen good development opportunities in recent years. On 9 November 2020, the Group entered into a capital increase agreement with Air China Cargo and agreed to subscribe for new registered capital of RMB1,068,952,720 (equivalent to approximately HK$1,257,591,435) by making a capital contribution of RMB1,565,160,572.63 (approximately HK$1,841,365,380) to Air China Cargo. Upon completion of the capital contribution, the Group will hold 10% equity interest in Air China Cargo. As at the date of this report, the capital contribution is being reviewed by regulatory authorities. The Group will further publish an announcement when the capital contribution has been completed.

CSG HOLDING CO., LTD. ("CSG")

Taking into account the Group's business development, cash requirement and internal resource allocation as well as capital market conditions, the Group has been divesting its shareholding in CSG as and when appropriate in order to maximize the benefits of the Company and its shareholders.

During the Year, the Group did not dispose of any A shares of CSG (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 December 2020 was higher than that as at the end of December 2019, profit after tax of approximately HK$80.28 million was recorded therefrom for the Year.

SINOTRANS SHENZHEN INTERNATIONAL LOGISTICS CO., LTD. ("SINOTRANS SHENZHEN INTERNATIONAL")

On 18 August 2020, the Bay Area Express in Shenzhen, a train running from China to Europe, set off for the first time from the Shenzhen Pinghunan Railway Station to Duisburg, Germany. Travelling 13,438 km, it serves one of the longest train routes between China and Europe. Following the development of the route initiated by the Shenzhen Municipal Government, the Bay Area Express is operated and managed by a joint venture, Sinotrans Shenzhen International, set up by the Group and Sinotrans Limited. The Group owns a 40% equity interest in Sinotrans Shenzhen International. 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 to businesses in Shenzhen and the surrounding areas, which in turn benefits the freight volume of the Pinghunan integrated logistics hub and the development of various value-added services. As of late February 2021, the Bay Area Express had run 38 times and transported an aggregate of 20,000 tonnes of goods with value exceeding RMB1,000 million.

OUTLOOK FOR 2021

Looking forward to 2021, although the global economy could see signs of sluggish recovery, the Pandemic may remain as the largest uncertainty and challenge faced by economies across the world. Nevertheless, as the market environment in China gradually stabilizes, China's macro-economy will continue to rebound steadily while economic will gradually resume normal. Driven by various policies to boost domestic demand and stimulate consumption, consumer spending is expected to continue to improve. Meanwhile, the Pandemic has encouraged the practice of online shopping. Demand for contactless delivery will bring business opportunities for smart warehouses, cold chain, real-time logistics and inter-city delivery. Market demand for high-standard warehouses will continue to be strong. Capitalizing on opportunities brought by this round of structural growth, the Group will expand rigorously and pave the way for future high-quality development in the future.

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 improve its performance through exploring potentials, controlling costs, expanding production, increasing revenue and speeding up its investment, merger and acquisition projects. Despite the complex and ever-changing business environment, the Group strives to work on different aspects of its operations in the hope of achieving stable performance.

2021 marks the beginning of the 14th Five-year Strategic Plan and is also a crucial year in the Group's high-quality development. Capitalizing on its distinct competitive edge in terms of urban auxiliary infrastructure, the Group will concentrate on four core businesses, namely logistics, port, toll road and environmental protection. In order to achieve sustainable development in each of these segments, the Group will speed up its investment, merger and acquisition projects and expand their scale and efficiency.

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 and the Shenzhen demonstration pilot zone, and strengthen its presence in logistics infrastructure and related industries. Meanwhile, the Group will 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, the Pan-Bohai Rim and the Beijing-Tianjin-Hebei integration zone through a two-pronged approach, which includes construction as well as mergers and acquisitions. It will also seize the opportunity to build multiple logistics parks within one or more of the logistics gateway cities to enlarge its asset portfolio and realize economies of scale. Furthermore, building on Nanjing Xiba Port, the Group will establish its planned port network and strengthen its leading position in upstream and downstream Yangtze River by stepping up its investments in key hubs along the Yangtze River and major river trade routes.

The Group will also continue to strengthen market position of its operating logistics parks, push forward intelligent transformation, improve the capacity of its marketing, operational and value-added services, stringently control operating costs, optimize business scope, and provide professional logistics park operation and management services to its clients. Meanwhile, the Group will actively identify investment opportunities and expand along the logistics industry chain in the fields of road, rail, air and multimodal transportation, step up its investment in, and construction of, smart warehouses and cold chain projects, nurture the operational and integrated programming capabilities of smart warehouse, and explore both asset-light and asset-heavy resource allocation, business coordination and management models.

In 2021, integrated logistics hubs in, among other places, Nanchang and Hefei will be pilot projects for the securitization of assets and achieving sustainable rolling development. The Group will also actively explore opportunities to issue under pilot scheme for Real Estate Investment Trusts (REITs) for infrastructure in China in order to establish the close-loop "invest, construct, finance and manage" business model in multiple ways.

In 2021, the Group will seize opportunities arising from urban development and renewal, and accelerate the transformation and upgrade of South China Logistics Park. Situated in the core region of Longhua with a site area of approximately 600,000 square meters, South China Logistics Park is located 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.

Outlook for 2021

The Group will actively support the planning and development of logistics parks and hubs in Shenzhen, expedite the change of waterfront land into logistics land, accelerate the development and construction of key projects in the Shenzhen region, such as Liguang Logistics Park and Pinghunan integrated logistics hub, and increase its investment in and the density of high-quality logistics assets in Shenzhen and its surrounding cities.

The Group entered into a transfer framework agreement (the "Framework Agreement") on 28 February 2021 in relation to the possible acquisition of approximately 8% of the issued shares of Suning.com Co., Ltd ("Suning.com") at a price of RMB6.92 per share (the "Possible Acquisition"). The Possible Acquisition is subject to execution of definitive agreement(s), and if the parties fail to enter into definitive agreement(s) within six months after the date of the Framework Agreement, the Possible Acquisition will automatically lapse. The Group is currently conducting due diligence on Suning.com.

In 2021, the Group will continue to consolidate and boost the core toll road business by accelerating the construction progress of the third phase of the Shenzhen Outer Ring Project and the second phase of the Shenzhen Coastal Project as well as the preparations for the Shenshan Second Expressway. It is also increasing the application of information technologies to its toll roads operations and further increasing the level of intelligence in its operations and management in order to enhance the project's overall operating performance by lowering labor costs and management fees.

For the environmental protection industry, the Group will continue to focus on reutilization and management of solid waste, clean energy generation and other segments in order to enlarge its market share and influence in the organic waste disposal and damaged and old car dismantling segments. At the same time, the Group will seek more and suitable investment opportunities in order to seize the opportunities brought by the latest state support of the new energy market, achieve consolidation and synergies between its existing businesses and other resources of the Group, and promote the Group's high-quality sustainable growth.

HUMAN RESOURCES

Human Resources Philosophy

Driven by the philosophy of embracing the dedicated as the foundation, the Group's human resources management strategy has always been a core component of the Group's overall planning. The Group provides a stage for honest and virtuous elites while helping diligent and hardworking craftsmen succeed. It aims to establish a scientific and reasonable human resources management platform to create 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 31 December 2020, the Group had a total of 8,379 (2019: 6,918) employees. During the Year, staff benefit expenses (including directors' remuneration) were approximately HK$1,399 million (2019: approximately HK$1,408 million).

Being one of the enterprises shortlisted for 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. The Group has in place and seeks to the continuously improve its comprehensive remuneration management system, the long-term incentive and discipline programme, and the performance management system. Employees' salaries are commensurate with their positions, competence and performance and determined with reference to the prevailing market conditions. The Group has finished benchmarking its remuneration scheme against market standard and the value of individual positions by studying market conditions, significance of the role and enhancing its remuneration structure in order to motivate the staff to strive for business success. Staff performance is assessed on a regular basis, the outcome of which will be 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 align incentive income with the growth of the Company's operating results. The Group has been enhancing its existing long-term incentive program. Through in-depth research on relevant policies and regulations, with and taking into consideration the Group's actual conditions, the "Comprehensive Incentive Implementation Program" was announced to establish standards which reflect salary, performance and industry norms, to complement the long-term incentive and discipline programs implemented by the subsidiaries, motivate the management and employees to work harder, to implement the 13th Five-Year Plan of the Group in an effective manner, and to lay the solid foundation for the 14th Five-Year Strategic Plan. 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 out internal secondment at all levels, providing training to talents with strong capabilities 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 and employees who deliver outstanding performance and show potential are selected to take up 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 includes 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 systematic 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 strives 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 educational materials to create a healthy and safe working environment for its employees.

FINANCIAL POSITION

	31 December 2020 HK$ million	31 December 2019 HK$ million	Increase/ (Decrease)
Total Assets	**113,187**	91,409	24%
Total Liabilities	**54,708**	44,068	24%
Total Equity	**58,479**	47,341	24%
Net Asset Value attributable to shareholders	**34,387**	30,285	14%
Net Asset Value per share attributable to shareholders (HK dollar)	**15.7**	14.0	12%
Cash	**15,104**	14,780	2%
Bank borrowings	**14,466**	14,182	2%
Other borrowings	**489**	737	(34%)
Notes and bonds	**17,093**	11,574	48%
Total Borrowings	**32,048**	26,493	21%
Net Borrowings	**16,944**	11,713	45%
Debt-asset Ratio (Total Liabilities/Total Assets)	**48%**	48%	–
Ratio of Total Borrowings to Total Assets	**28%**	29%	(1)#
Ratio of Net Borrowings to Total Equity	**29%**	25%	4#
Ratio of Total Borrowings to Total Equity	**55%**	56%	(1)#

Change in percentage points

Key Financial Indicators

As at 31 December 2020, the Group's total assets and total equity amounted to approximately HK$113,187 million and HK$58,479 million, respectively, while the net asset value attributable to shareholders was approximately HK$34,387 million. Net asset value per share was HK$15.7, representing an increase of 12% as compared to the end of last year. The debt-asset ratio was 48%, which was similar to that at the end of last year. The ratio of total borrowings to total equity was 55%, representing a decrease of 1 percentage point as compared to the end of last year. The financial position of the Group remained healthy and stable.

Cash Flow and Financial Ratios

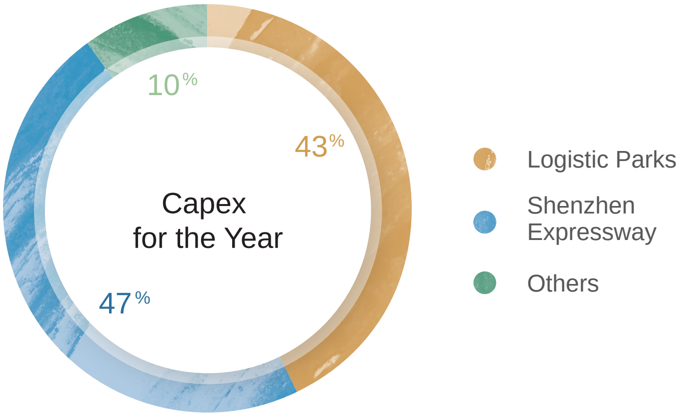
During the Year, net cash generated from operating activities amounted to approximately HK$632 million. Net cash used in investing activities amounted to approximately HK$7,966 million. Net cash generated from financing activities amounted to approximately HK$4,535 million. The Group's cash flow generated from operations declined mainly due to the waiver of toll charges on the Group's toll road projects during the Year in connection with the Pandemic. The Group closely monitors changes in total borrowings with a view to maintaining its financial ratios at a healthy level.

Cash Balance

As at 31 December 2020, cash held by the Group amounted to approximately HK$15,104 million (31 December 2019: HK$14,780 million), representing an increase of 2% as compared to the end of last year. To facilitate the Group's operation and development in the PRC, cash held by the Group is primarily denominated in RMB. The Group maintains an effective treasury policy to manage its cash on hand that centralizes the allocation of funds with the aim of reducing idle funds and achieving higher return on its cash portfolio in order to provide strong support for the development of its business.

Capital Expenditures

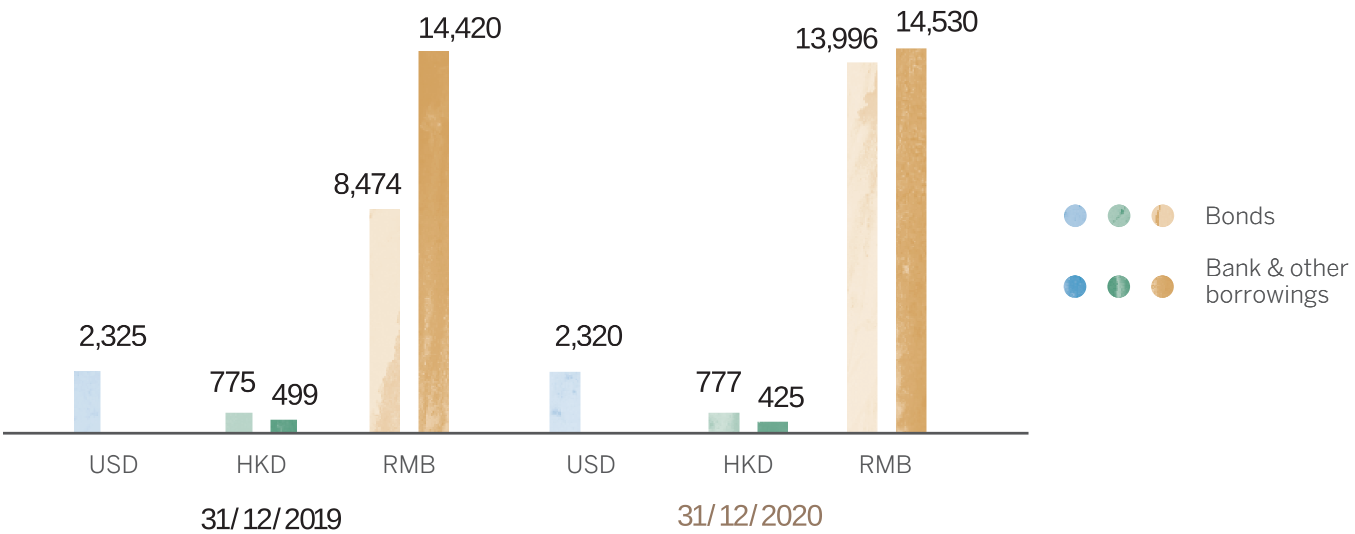
The Group's capital expenditures for the Year amounted to approximately RMB5,510 million (equivalent to HK$6,540 million), primarily comprising investments in the construction of "Integrated Logistics Hub" projects of approximately RMB2,350 million and investments in Shenzhen Expressway's projects of approximately RMB2,570 million. The Group expects the capital expenditures for 2021 to be approximately RMB7,200 million (equivalent to HK$8,500 million), including approximately RMB2,670 million for the "Integrated Logistics Hub" projects, approximately RMB3,350 million for Shenzhen Expressway's projects and approximately RMB640 million for Qianhai Project.



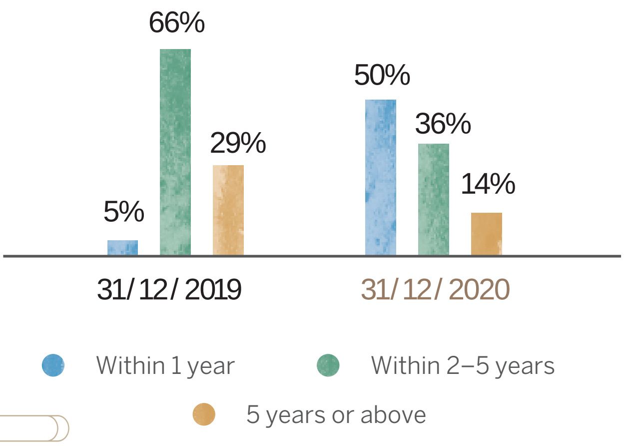
Borrowings

Total Borrowings in currency

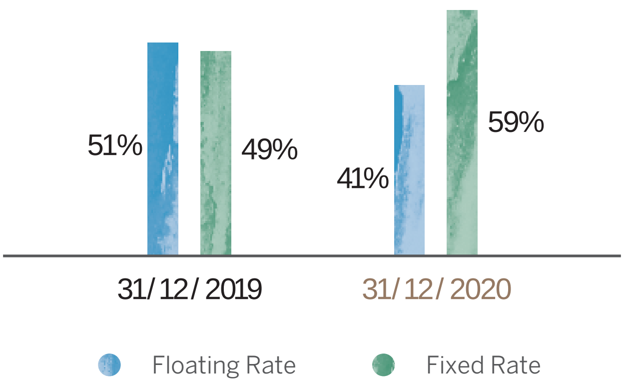
HK$ million



Total Borrowings—Repayment Period



Total Borrowings — Analysis of Floating rate/Fixed rate



As at 31 December 2020, the Group's total borrowings amounted to approximately HK$32,048 million, representing an increase of 21% as compared with the end of last year. During the Year, Shenzhen Expressway, a subsidiary of the Group, issued 5-year corporate bonds (epidemic prevention and control bonds) of RMB1,400 million, 5-year corporate bonds (green bonds) of RMB800 million and 270-day short-term bonds of RMB2,000 million. 50%, 36% and 14% 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. It has conducted several onshore and offshore financing activities with the aim of using different financial instruments in a flexible manner so as to capitalize on the differences in costs. The Group seized favorable market conditions and issued 3 batches of ultra-short-term bonds and repaid some borrowings with high interest rates, thereby effectively lowering its finance costs. The Group closely monitors its overall borrowing structure, continuously optimizes its debt portfolio, strikes a balance between its interest rate and foreign exchange risks, and effectively maintains funds with high cost efficiency in order to meet its overall capital needs.

The Group's Financial Policy

Interest Rate Risk Management

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

Exchange Rate Risk

The cash flows, cash on hand and assets of the businesses operated by the Group are mainly denominated in RMB, whereas loans are mainly denominated in RMB, HK$ and US$. Due to a number of factors such as the Pandemic, the global economy and the China-US trade conflicts, RMB to US$ exchange rates exhibited significant fluctuations from depreciation to appreciation before stabilizing afterwards during the Year. During the Year, the Group recorded an exchange gain of approximately HK$261 million. The Group will continue to monitor the foreign exchange market, adjust the currency structure of its borrowings and utilize hedging instruments as appropriate to manage its exchange rate risk. As at 31 December 2020, the ratio between the Group's borrowings in RMB and other currencies was around 89%:11%.

Liquidity Risk Management

The Group currently has cash on hand and standby banking facilities of approximately HK$70,100 million. The Group maintains adequate funds and credit facilities and optimizes its capital structure continuously to ensure that it is capable of operating as a going concern while expanding its business, and to mitigate liquidity risk.

Credit Ratings

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

Pledge of Assets, Guarantees and Contingencies

For details of the Group's pledge of assets, guarantees and contingencies as at 31 December 2020, please refer to notes 10, 25 and 39, respectively, of the consolidated financial statements.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

MEMBERS OF THE BOARD

Executive Directors

Mr. Li Haitao

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

Mr. Li Haitao, aged 54, was appointed in June 2016 as an Executive Director and the Chief Executive Officer and has been re-designated from the Chief Executive Officer to the Chairman of the board of directors of the Company since 6 May 2020. He is also a member of the Remuneration and Appraisal Committee of the Company. Mr. Li is currently a director of certain subsidiaries of the Company. Mr. Li is responsible for devising the Group's overall development strategy and important systems, as well as supervising the implementation of resolutions of the general meetings and the board. Mr. Li studied at Peking University HSBC Business School and previously held positions in Government departments in relation to administration for industry and commerce, personnel and labor as well as public works. Mr. Li was a director of Ultrarich International Limited. Mr. Li has comprehensive and in-depth understanding of Chinese social governance and practices in governmental operations after having served government departments at township, county, district and municipal levels and undertaken leadership positions with various specialised authorities over a span of more than 30 years. Mr. Li has hands-on knowledge in economic management, land development, construction works, industrial and commercial administration, foreign trade and personnel management, as well as extensive exposures to various social sectors and experiences in economic management.

Mr. Wang Peihang

Member of the Nomination Committee

Mr. Wang Peihang, aged 53, was appointed in September 2020 as an Executive Director of the Company. He is also a member of the Nomination Committee of the Company. Mr. Wang is currently a director of certain subsidiaries of the Company. Mr. Wang holds an executive master's degree in business administration from Tianjin University. He has held various leadership positions in Shenzhen Institute of Education and Organization Department of Shenzhen Municipal Committee. Mr. Wang was a director of Shenzhen Yantian Port Group Co., Ltd. and a supervisor of Shenzhen Yantian Port Holdings Co., Ltd. (listed on the Shenzhen Stock Exchange). Mr. Wang, who took part in the management of human resources for years and has extensive experience in economic management and port business.

Mr. Dai Jingming

Financial Controller

Mr. Dai Jingming, aged 56, was appointed in September 2020 as an Executive Director of the Company. He joined the Group as Financial Controller in August 2017. Mr. Dai is currently a non-executive director and a member of the Strategy Committee of Shenzhen Expressway Company Limited, a subsidiary of the Company. Mr. Dai graduated from the Faculty of Agricultural Mechanical Engineering of Huazhong Agricultural University with a Bachelor's degree in Engineering in 1986 and from Zhongnan University of Finance and Economics with a Master's degree in Economics in 1992. He also obtained his Ph.D. degree in Economics from the Research Institute for Fiscal Science of the Ministry of Finance in 1998. Mr. Dai held a position as a general manager of the planning and finance department of Shenzhen Investment Limited and Shum Yip Group Limited, and was a non-executive director of Coastal Greenland Limited. In addition, he also worked in Hubei Agricultural Machinery General Company and Wuhan Branch of the Agricultural Bank of China. Mr. Dai has extensive experience in corporate finance, investment and management.

Non-Executive Directors

Mr. Hu Wei

Mr. Hu Wei, aged 58, was appointed in May 2017 as an Executive Director and has been re-designated as a Non-Executive Director of the Company in September 2020. Mr. Hu is currently an executive director and the chairman of the board of directors of Shenzhen Expressway Company Limited, a subsidiary of the Company, and a director of its certain subsidiaries. Mr. Hu was a vice president of the Company from August 2011 to May 2017. Mr. Hu graduated from Changsha Railway University (now known as Central South University) with a Bachelor's degree in Foreign Languages (English). He also obtained a Master's degree in Risk Management from University of South Australia and a Master's degree in business administration from Xiamen University and is a senior economist. Mr. Hu worked in a number of organisations including Changsha Railway University, Henan Provincial Commission for Foreign Economic Relations and Trade, Henan Hongkong (Holdings) Limited (the window corporate entity of Henan Province in Hong Kong) and China Everbright Bank. Mr. Hu has extensive experience in corporate management including investment, financing, capital operations, auditing and risk management.

Mr. Zhou Zhiwei

Mr. Zhou Zhiwei, aged 43, was appointed in September 2020 as a Non-Executive Director of the Company and is currently a director and vice president of Shenzhen Airlines Company Limited. Mr. Zhou holds a Doctor of Philosophy. Mr. Zhou has served in various departments of the Shenzhen Municipal Government and is familiar with the operation of the Chinese government and corporate management. Mr. Zhou has extensive experience in economic management.

Independent Non-Executive Directors

Professor Cheng Tai Chiu, Edwin

Member of the Audit Committee and the Remuneration and Appraisal Committee

Professor Cheng Tai Chiu, Edwin, aged 63, was appointed in August 2018 as an Independent Non-Executive Director of the Company. He is also a member of the Audit Committee and the Remuneration and Appraisal Committee of the Company. He obtained his Doctor of Philosophy degree and Doctor of Science degree from the University of Cambridge and is Dean of the Faculty of Business, Fung Yiu King – Wing Hang Bank Professor in Business Administration, and Chair Professor of Management of The Hong Kong Polytechnic University. Professor Cheng has previously taught in Canada, England and Singapore. Professor Cheng's main areas of research and teaching include supply chain management, e-commerce, management information systems and operations management.

Mr. Pan Chaojin

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

Mr. Pan Chaojin, aged 56, was appointed in June 2020 as an Independent Non-Executive Director of the Company. He is also the Chairman of the Nomination Committee and the Remuneration and Appraisal Committee, and a member of the Audit Committee of the Company. Mr. Pan holds a Master's degree in industrial economics from Nanjing University and is currently the president of China-USA Benchmark Group, Ltd.（中美嘉倫國際諮詢（北京）有限公司）, a special researcher at the Enterprise Restructuring Institute of the Renmin University of China, a visiting professor at the China Business Executives Academy, Dalian and a consultant of Beijing Dacheng Law Offices, LLP（北京大成律師事務所）("Beijing Dacheng"). He was awarded "Outstanding Individual for Development of Leading Management and Consultation Industry（引領管理諮詢行業發展傑出貢獻人物）" in 2013. Mr. Pan was the director of investment of Shanghai Fosun Industry Investment Co., Ltd.（上海復星產業投資有限公司）and the head of the State-owned Enterprise Restructuring Department（國有企業改制部）of Beijing Dacheng. Mr. Pan participated in the planning and implementation of the first general offer of listed company in China, supervised and participated in, among other projects, the restructuring of various major provincial and municipal state-owned enterprises, organized and participated in the business consolidation, merger and acquisition, strategic consultation and management improvement of various enterprises, and participated in the researches on, among other subjects, state-owned enterprises in transition and overseas enterprise restructuring by the State-owned Assets Supervision and Administration Commission of the State Council. With extensive involvement in the management and restructuring of state-owned enterprises, Mr. Pan has extensive experience in corporate governance, group management, strategic transformation and capital operation.

Mr. Chan King Chung
Chairman of the Audit Committee and Member of the Nomination Committee

Mr. Chan King Chung, aged 58, was appointed in June 2020 as an Independent Non-Executive Director of the Company. He is also the Chairman of the Audit Committee and a member of the Nomination Committee of the Company. Mr. Chan holds a Bachelor's degree in Business Administration from the Chinese University of Hong Kong, a Bachelor's degree of Arts in Accountancy from City University of Hong Kong, a Master of Accountancy degree from Charles Sturt University in Australia and a degree of Master of Business Administration from Murdoch University in Australia. Mr. Chan is also a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Hong Kong Institute of Chartered Secretaries. Mr. Chan was an independent non-executive director of LEAP Holdings Group Limited (now known as OKG Technology Holdings Limited), and acted as company secretary, financial controller and/or qualified accountant of several listed companies in Hong Kong. Mr. Chan is currently a member of the Professional Advisers Committee (專業顧問委員會) and the chairman of Independent Financial Adviceand Audit Consultation Committee (獨立財務顧問與審計諮詢委員會) of the Belt and Road and Guangdong-Hong Kong-Macao Greater Bay Area Development & Research Center (「一帶一路」暨「粵港澳大灣區」發展研究中心) of Jiangxi University of Finance and Economics. He is currently an independent non-executive director of Coolpad Group Limited. Mr. Chan has nearly 30 years of experience in corporate governance, management and financial controlling.

SENIOR MANAGEMENT

Mr. Ji Zhilong
Chief Compliance Officer

Mr. Ji Zhilong, aged 58, joined the Group in December 2017 and he currently serves as Chief Compliance Officer of the Company. Mr. Ji graduated from South China Agricultural College (now known as South China Agricultural University) with a bachelor's degree. He is a senior political advisor, deputy editor, senior corporate culture consultant and senior corporate EAP consultant. Mr. Ji had successively undertaken key leadership positions of Shiyan, Dapeng and Pinghu, Shenzhen, a chief editor of Haitian Publishing House, Shenzhen, an executive director and deputy general manager of Shenzhen Bus Group Co., Ltd. Mr. Ji is well versed in both government operation and corporate management.

Mr. Ge Fei
Vice President

Mr. Ge Fei, aged 52, was appointed as a Vice President of the Company in May 2017. Mr. Ge is currently a director of certain subsidiaries of the Company. He graduated from Beijing Jiaotong University with a Bachelor's degree in the Department of Civil Engineering. Mr. Ge joined the fifth engineering bureau of the Ministry of Railways in August 1990. He joined Xing Tong Chan Development (Shenzhen) Co., Ltd.（新通產實業開發（深圳）有限公司, formerly Shenzhen Freeway Development Company Limited（深圳市高速公路開發有限公司）which became a subsidiary of the Group in October 2001) in January 1994. He joined Shenzhen Expressway Company Limited in October 1998 and had worked successively as deputy general manager and general manager of various expressway projects. He was the executive director of Shenzhen Guangshen Coastal Expressway Investment Company Limited（深圳市廣深沿江高速公路投資有限公司）and a vice president of Shenzhen Expressway Company Limited. Mr. Ge has extensive experience in construction project management, land development, logistic management, corporate management and investment.

Mr. Yi Aiguo
Vice President

Mr. Yi Aiguo, aged 57, was appointed as a Vice President of the Company in May 2017. Mr. Yi is currently a director of certain subsidiaries of the Company. He graduated from Southwest Jiaotong University with a postgraduate and a Master's degree in railway transportation management. After graduation, Mr. Yi worked in Guangzhou Railway (Group) Corporation for 11 years and joined Shenzhen Expressway Company Limited in October 1998. He had worked as the general manager of Operations Management Department and was a supervisor of Shenzhen Expressway Company Limited. Mr. Yi had successively worked as a director, the general manager and the chairman of Nanjing Xiba Wharf Co. Ltd., a subsidiary of the Company. Mr. Yi has extensive experience in logistic management, construction project management and integrated corporate management of various modes of transportation including railways, highways and water transport.

Mr. Fan Zhiyong
Vice President

Mr. Fan Zhiyong, aged 47, was appointed as a Vice President of the Company in August 2020. He graduated from Tongji University School of Materials Science. He holds an Executive Master's degree in business administration from Xiamen University. Mr. Fan had worked in Shenzhen Nanyou (Holdings) Co., Ltd. He joined the Group in May 2003, is currently a director of certain subsidiaries of the Company. Mr. Fan was a non-executive director and a member of Risk Management Committee of Shenzhen Expressway Company Limited. Mr. Fan has more than 20 years of extensive experiences in engineering management and corporate management.

The board of directors of the Company (the "Board") herein present their report and the audited consolidated financial statements of the Group for the year ended 31 December 2020 (the "Year").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in logistics and toll road business. The Group carries out the investment, construction and operation of logistics infrastructure projects including integrated logistics hubs and toll roads through expansion, mergers and acquisitions, restructuring and consolidation, and provides high-end and value-added logistic services to customers based on these infrastructures. Meanwhile, the Group expands its business to various business segments including comprehensive development of lands related to logistics industry, and investment in and operation of environmental protection business. Particulars of the principal activities of the Company's principal subsidiaries are set out in note 43 to the consolidated financial statements.

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

RESULTS OF THE GROUP

The Group's results for the year ended 31 December 2020 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 91 to 192.

DIVIDEND POLICY

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

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

DIVIDENDS

The Board recommended a final dividend of HK$0.122 per share for the Year and a special dividend of HK$0.838 per share. The total dividend for the Year is HK$0.96 per share (2019: final dividend of HK$0.53 per share; special dividend of HK$0.64 per share), which amounted to approximately HK$2,107 million (2019: HK$2,529 million) in aggregate.

The Board recommended that the final dividend and special dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend and special dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to: (1) the approval of the proposed final dividend and special dividend at the forthcoming annual general meeting; and (2) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the scrip shares to be issued. Details of the Scrip Dividend Scheme and the election form will be sent to shareholders of the Company on or about 27 May 2021. It is expected that the dividend warrants and certificates for scrip shares allotted under the Scrip Dividend Scheme will be dispatched to shareholders on or about 23 June 2021.

SUMMARY FINANCIAL INFORMATION

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

SHARES AND SHARE OPTIONS

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution to shareholders, comprising contributed surplus, retained earnings and other distributable reserves, amounted to approximately HK$2,287,813,000 (2019: HK$4,497,871,000). The share premium of the Company may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

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

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

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

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

DIRECTORS

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

Executive Directors:

Mr. Li Haitao *(Chairman)*
Mr. Wang Peihang (appointed on 1 September 2020)
Mr. Dai Jingming (appointed on 25 September 2020)
Mr. Gao Lei (resigned on 6 May 2020)
Mr. Zhong Shanqun (resigned on 1 September 2020)
Mr. Liu Jun (resigned on 25 September 2020)

Non-Executive Directors:

Mr. Hu Wei (re-designated from executive Director to non-executive Director on 25 September 2020)
Mr. Zhou Zhiwei (appointed on 25 September 2020)
Mr. Xie Chudao (retired on 15 May 2020)
Mr. Liu Xiaodong (resigned on 25 September 2020)

Independent Non-Executive Directors:

Professor Cheng Tai Chiu, Edwin
Mr. Pan Chaojin (appointed on 12 June 2020)
Mr. Chan King Chung (appointed on 12 June 2020)
Dr. Yim Fung (resigned on 15 May 2020)
Mr. Ding Xun (resigned on 12 June 2020)
Mr. Nip Yun Wing (resigned on 12 June 2020)

In accordance with Bye-Law 100 of the Bye-Laws (supplemented by Bye-Law 189(v) of the Bye-Laws), Mr. Wang Peihang, Mr. Dai Jingming and Mr. Zhou Zhiwei will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election as Directors.

In accordance with Bye-Law 109(A) of the Bye-Laws, Mr. Li Haitao, Mr. Hu Wei and Professor Cheng Tai Chiu, Edwin will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election as Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

DIRECTORS' INTERESTS IN SECURITIES

The interests in securities of the Directors are separately disclosed in the section headed "DISCLOSURE OF INTERESTS" on pages 83 to 84 of this annual report. In addition, the interests of the Directors in the share options of the Company are disclosed in the section headed "SHARE OPTION SCHEME".

Save as disclosed in the section headed "DISCLOSURE OF INTERESTS" on pages 83 to 84 of this annual report and the section headed "SHARE OPTION SCHEME" below, at no time during the year ended 31 December 2020 was the Company, any of its subsidiaries, the holding company of the Company or any of its subsidiaries a party to any arrangement to enable the Directors, chief executives, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company approved and adopted a share option scheme (the "Share Option Scheme") 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 and include (a) any full-time employee of the Group, (b) any director (including executive, non-executive or independent non-executive directors) of the Group and associated companies and joint ventures of the Group or (c) any substantial shareholder of the Company.

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

				Number of unlisted share options (Physically settled equity derivatives)							*Share Price of the Company (Note 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*	*Granted during the Year*	*Reclassification*	*Adjusted during the Year (Note 3)*	*Exercised during the Year*	*Cancelled/ lapsed during the Year*	*As at 31 December 2020 (Approximate % of issued shares of the Company)*	*As at the date of grant of share option*	*As at the date of exercise of share options*
			HK$								*HK$*	*HK$*
Directors												
Mr. Li Haitao	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. Hu Wei	26 May 2017 *(Note 1)*	26 May 2019 to 25 May 2022	10.223	1,080,722	–	–	92,726	–	–	1,173,448 (0.054%)	12.56	N/A
Mr. Zhou Zhiwei *(Note 5)*	18 May 2020 *(Note 2)*	18 May 2020 to 25 May 2022	13.914	–	–	249,734	–	–	–	249,734 (0.011%)	15.10	N/A
Mr. Gao Lei *(Note 6)*	26 May 2017 *(Note 1)*	26 May 2019 to 25 May 2022	10.223	1,144,754	–	(1,144,754)	–	–	–	–	12.56	N/A
Mr. Zhong Shanqun *(Noted 7)*	26 May 2017 *(Note 1)*	26 May 2019 to 25 May 2022	10.223	1,080,722	–	(1,173,449)	92,727	–	–	–	12.56	N/A
Mr. Liu Jun *(Noted 8)*	26 May 2017 *(Note 1)*	26 May 2019 to 25 May 2022	10.223	1,080,722	–	(1,173,448)	92,726	–	–	–	12.56	N/A
				5,313,418	–	(3,241,917)	357,674	–	–	2,429,175		
Other employees In aggregate	26 May 2017 *(Note 1)*	26 May 2019 to 25 May 2022	10.223	26,442,782	–	3,491,651	2,166,919	(1,434,663)	(2,751,097)	27,915,592	12.56	14.43
	18 May 2020 *(Note 2)*	18 May 2020 to 25 May 2022	13.914	–	3,920,000	(249,734)	336,336	–	(20,847)	3,985,755	15.10	N/A
				26,442,782	3,920,000	3,241,917	2,503,255	(1,434,663)	(2,771,944)	31,901,347		
				31,756,200	**3,920,000**	**-**	**2,860,929**	**(1,434,663)**	**(2,771,944)**	**34,330,522**		

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 Year. 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. Zhou Zhiwei was appointed as a non-executive Director on 25 September 2020.

(6) Mr. Gao Lei resigned as an executive Director on 6 May 2020.

(7) Mr. Zhong Shanqun resigned as an executive Director on 1 September 2020.

(8) Mr. Liu Jun resigned as an executive Director on 25 September 2020.

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

Details of the model and significant assumptions used to estimate the fair value of the share options granted by the Company to eligible participants during the Year are set out in note 22 to the consolidated financial statements. Such option pricing model requires input of subjective assumptions. Any changes in the subjective input assumptions may materially affect the estimation of the fair value of the share options.

The total number of shares of the Company available for issue under the Share Option Scheme mandate limit is 165,905,769 shares which represent approximately 7.6% of the issued shares of the Company as at the date of this annual report. On 18 May 2020, the Company granted 3,920,000 share options to certain individuals to subscribe for a total of 3,920,000 ordinary shares of the Company pursuant to the Share Option Scheme at the exercise price at HK$15.108 per share.

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

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

The interests in shares of the Company held by substantial shareholders of the Company are separately disclosed in the section headed "DISCLOSURE OF INTERESTS" on pages 83 to 84 of this annual report.

PERMITTED INDEMNITY PROVISIONS

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

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

(1) Related party transactions

Details of significant related party transactions of the Group (which do not constitute connected transactions and continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) are set out in note 42 to the consolidated financial statements.

(2) Continuing Connected transactions

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

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

As at 31 December 2020, United Land Company advanced loans to China Vanke amounting to RMB1,766,517,000 million pro rata to its shareholding in United Land Company. For the year ended 31 December 2020, United Land Company recognized an interest income amounting to approximately RMB60,062,000, with an initial interest rate at 3.65% per annum. Interest is payable once a year.

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

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

The Company's auditor was engaged to report on the Continuing Connected Transaction and issued a letter regarding the matters described in rule 14A.56 of the Listing Rules.

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

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

POST BALANCE SHEET EVENTS

Details of events after the balance sheet date of the Group are set out in note 45 to the consolidated financial statements.

DONATIONS

During the Year, the Group made charitable and other donations amounted to approximately HK$5,316,000.

ENVIRONMENTAL PROTECTION

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

SUFFICIENCY OF PUBLIC FLOAT

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

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the "CORPORATE GOVERNANCE REPORT" on pages 61 to 82 of this annual report.

AUDITOR

There have been no changes of the auditor of the Company during the past three years.

The Company strives to enhance and improve its corporate governance standards. It adopted a policy on change of auditor in early 2016 under which the Company shall consider whether to change its auditor who has undertaken audit services continuously for over five years in order to ensure independence of the auditor. As KPMG has been the Company's auditor continuously for five years since 2016, in accordance with the policy on change of auditor and having considered the recommendation of the audit committee of the Company, the Board has resolved to change its auditor and proposed that Deloitte Touche Tohmatsu be appointed as the new auditor of the Company for the financial year ending 31 December 2021 following the retirement of KPMG and to hold office until the conclusion of the next annual general meeting of the Company, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Li Haitao
Chairman

26 March 2021

The Company believes that sound corporate governance goes beyond merely meeting the basic requirements of the regulatory authorities for listed companies. More importantly, sound corporate governance can facilitate the Company in achieving its development needs. Several governance guidelines and procedures have been established by the Company over the years, including "Work Rules of the Board of Directors", "Terms of Reference of Executive Board Committee" and "Rules Governing Information Disclosure", with the aim to clearly define the duties, scope of authority and standards of conduct clearly. This enhances the Company's corporate governance standards which are continuously reviewed and improved through implementation. Moreover, various policies including the "Work Rules of the Board of Directors", "Guidelines of Directors' Duties", "Terms of Reference of Chief Executive Officer", "Guidelines of Pre-meeting Communication" were formulated and perfected during 2020, which further improved the corporate governance structure of the Company in connection with compliance of regulatory requirements. The Group will continue to review its governance practices to ensure their implementation and continue to optimize accordingly in accordance with the latest regulatory requirements.

During the year ended 31 December 2020 (the "Year"), the Company has complied with the code provisions set out in "Corporate Governance Code and Corporate Governance Report", Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

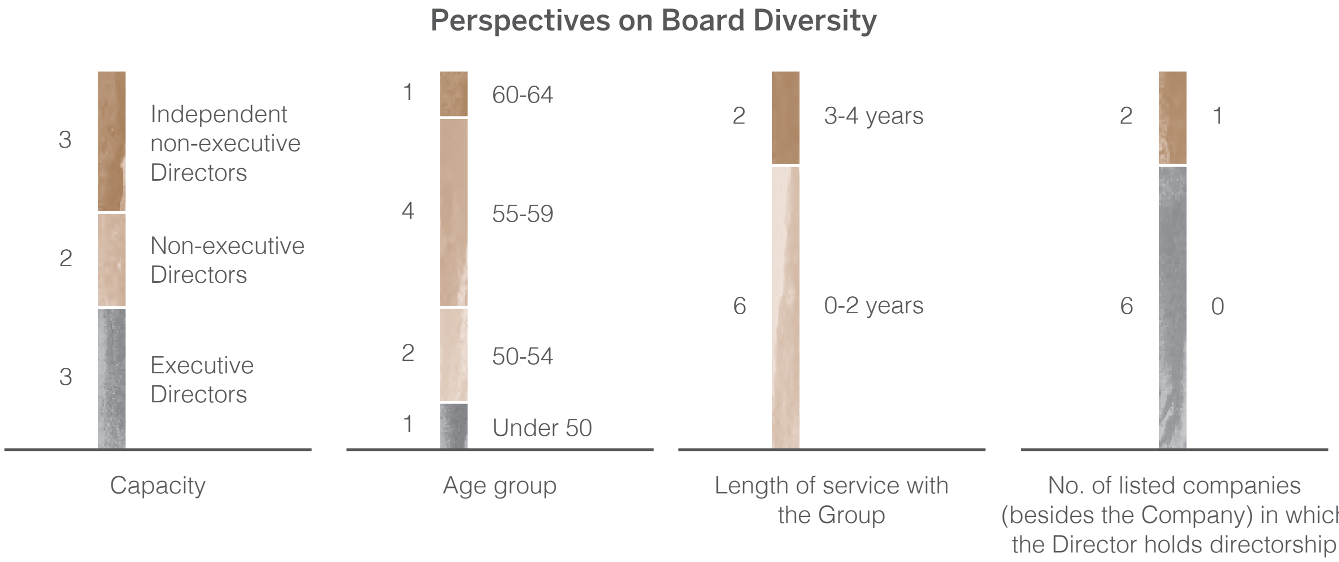
THE BOARD

Composition of the Board

As of the date of this report, the board (the "Board") of Directors (the "Directors" and each of them a "Director") of the Company consists of eight Directors, including three executive Directors: Messrs. Li Haitao, Wang Peihang and Dai Jingming; two non-executive Directors: Messrs. Hu Wei and Zhou Zhiwei; and three independent non-executive Directors: Professor Cheng Tai Chiu, Edwin, Messrs. Pan Chaojin and Chan King Chung. The independent non-executive Directors represented at least one-third of the Board throughout the Year as required under the Listing Rules.

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

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



Biographies of the Directors (including their skills and experience) are set out in the section headed "Biographies of Directors and Senior Management" on pages 48 to 51 of this report.

The Chairman and the Chief Executive Officer

The Chairman and the Chief Executive Officer of the Company are two distinct and separate positions, and not performed by the same individual. The Chairman is responsible for the effective running of the Board whereas the Chief Executive Officer is responsible for day-to-day operation of the Group's business. Their respective responsibilities have been clearly established and set out in written form as "The Roles of the Chairman and Chief Executive Officer" of the Company. On 6 May 2020, Mr. Gao Lei resigned from his position as the Chairman of the Board and Mr. Li Haitao was re-designated from the Chief Executive Officer of the Company to the Chairman of the Board. Since then, the Company has not yet appointed the Chief Executive Officer of the Company and the Board is still in the process of identifying a suitable candidate. The functions of Chief Executive Officer of the Company are currently performed by the senior management jointly during this period.

Independent non-executive Directors

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

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

Change in Board member during the Year

The change of Board members during the Year as below:

Effective Date	***Name of Directors***	***Change***
6 May 2020	Mr. Gao Lei	Resigned as an executive Director
15 May 2020	Dr. Yim Fung	Resigned as an independent non-executive Director
	Mr. Xie Chudao	Retired as a non-executive Director
12 June 2020	Mr. Pan Chaojin	Appointed as an independent non-executive Director
	Mr. Chan King Chung	Appointed as an independent non-executive Director
	Mr. Ding Xun	Resigned as an independent non-executive Director
	Mr. Nip Yun Wing	Resigned as an independent non-executive Director
1 September 2020	Mr. Wang Peihang	Appointed as an executive Director
	Mr. Zhong Shanqun	Resigned as an executive Director
25 September 2020	Mr. Dai Jingming	Appointed as an executive Director
	Mr. Zhou Zhiwei	Appointed as a non-executive Director
	Mr. Hu Wei	Re-designated from an executive Director to a non-executive Director
	Mr. Liu Jun	Resigned as an executive Director
	Mr. Liu Xiaodong	Resigned as a non-executive Director

Nomination and appointment of Directors

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

The Company's bye-laws and the Corporate Governance Code in Appendix 14 of the Listing Rules have specified that all new Directors appointed during the year to fill a casual vacancy or as an addition to the Board are subject to re-election by Shareholders at the first annual general meeting or special general meeting after appointments. Each Director shall be subject to retirement by rotation at least once every three years pursuant to the Company's bye-laws. After the special general meeting of the Company held on 31 August 2020, Mr. Wang Peihang and Mr. Dai Jingming have been appointed as an executive Director respectively, and Mr. Zhou Zhiwei has been appointed as a non-executive Director, they will stand for election by the Shareholders at the annual general meeting to be held on 18 May 2021.

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

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

Role and responsibilities of the Board

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

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

Board Meetings and Procedures

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

In 2020, a total of eight Board meetings were held. Notice of at least fourteen days were given for regular Board meetings and notice of at least seven days were given for non-regular meetings. To ensure all Directors are given opportunities to make suggestions on agenda items to be discussed at the Board meetings, all draft agendas for regular Board meetings are provided to all Directors for their comment prior to the meetings. The Chairman and the independent non–executive Directors met in November 2020 without the presence of any other executive Directors and the management.

The following major items were reviewed at the Board meetings held in 2020:

(1) approving and considering the 2019 annual results and the payment of dividends;

(2) approving the 2020 interim results;

(3) reviewing the results and business operations of the first and third quarters of 2020;

(4) reviewing the share option scheme of the Company and proposal for amendments to the scheme rules;

(5) approving the discloseable transaction in relation to signing of the cooperation agreement and operation agreement by Shenzhen International Holdings (SZ) Limited and China Railway Guangzhou Group Co., Ltd. regarding upgrading and transforming the Pinghunan Railway Freight Yard into a comprehensive logistics hub;

(6) approving the discloseable transaction in relation to the investment in Air China Cargo Co., Ltd. through capital increase and capital contribution;

(7) approving the change in directorship and re-designation of Directors and/or entering into service contracts with them;

(8) approving the change of composition of specialized committees of the Board;

(9) approving the appointment of joint company secretaries and authorised representatives;

(10) approving 2019 Environmental, Social and Governance Report; and

(11) approving the amendments to the "Work Rules of the Board of Directors" and "Terms of Reference of Chief Executive Officer", and adoption of "Guidelines of Directors' Duties".

Training and Development of Directors

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

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

	Topics on training covered		
Directors	***Corporate governance***	***Regulatory***	***Industry-specific***
Mr. Li Haitao	✔	✔	✔
Mr. Wang Peihang	✔	✔	✔
Mr. Dai Jingming	✔	✔	✔
Mr. Hu Wei	✔	✔	✔
Mr. Zhou Zhiwei	✔	✔	✔
Professor Cheng Tai Chiu, Edwin	✔	✔	
Mr. Pan Chaojin	✔	✔	✔
Mr. Chan King Chung	✔	✔	

In November and December 2020, the Company conducted site visits for certain Directors allowing the Directors to inspect places such as Dongguan Huawei Smart Warehouse, Shenzhen South China Logistics Park, etc. Through such site visits, the non-executive Directors could have a deeper understanding of the Group's business model and operating conditions.

Specialized Committees of the Board

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

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

A summary of the responsibilities of and the work performed by each Board committee during 2020 are set out below:

Audit Committee (established in 1995)

The Audit Committee consists of three independent non-executive Directors, current members are Mr. Chan King Chung (Chairman), Professor Cheng Tai Chiu, Edwin and Mr. Pan Chaojin. On 12 June 2020, Messrs. Chan King Chung and Pan Chaojin 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.

Responsibilities and work performed in 2020

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

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

- to monitor the completeness of financial statements of the Company and to review significant opinions on financial reporting contained in the financial statements and reports;

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

- to discuss with the management on the Group's risk management and internal control system and to ensure that the management has discharged its duty to establish an effective internal control system, to ensure the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions, and the adequacy of trainings received by the staff and related budgets; and

- to review confidential arrangements which employees can raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee is to ensure proper arrangements are in place for the fair and independent investigation into such concerns and appropriate follow up actions.

The Audit Committee held 4 meetings during 2020. The following major issues were reviewed and discussed during the year:

- reviewing the annual results for 2019 and the interim results for 2020, and confirmed the related disclosures in the financial statements were complete, accurate and fair and recommended the same to the Board for approval;

- approving the auditor's fees for the audit of 2019 annual financial statements and fees for the review of 2020 interim financial statements;

- considering the recommendation on the re-appointment of the auditor for 2020;

- reviewing the adequacy of resources, qualifications and experience of staff of the Group's accounting, financial reporting and internal audit functions and their training programme and related budget for the year 2019;

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

- considering the 2020 internal audit plan of the Group; and

- reviewing the change of the members of the Audit Committee and proposing to the Board for approval.

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

Nomination Committee (established in December 2003)

The Nomination Committee consists of two independent non-executive Directors and one executive Director, namely Mr. Pan Chaojin (Chairman), Mr. Chan King Chung and Mr. Wang Peihang. On 12 June 2020, Messrs. Pan Chaojin 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. On 1 September 2020, Mr. Wang Peihang was appointed as member of the Nomination Committee, while Mr. Zhong Shanqun was resigned as member of the Nomination Committee.

Responsibilities and work performed in 2020

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

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

The Nomination Committee held 4 meetings during 2020. The following major issues were reviewed and discussed during the Year:

- evaluating and making recommendation on the performance of the Directors who were subject to retirement or retirement by rotation and re-election at the 2020 annual general meeting;
- reviewing and confirming the independence of each of the independent non-executive Directors;
- reviewing the structure, composition and diversity of the Board;
- evaluating and making recommendation to the Board on the appointment of 2 executive Directors, a non-executive Director and 2 independent non-executive Directors; and
- reviewing the change of the members of the Nomination Committee and proposing to the Board for approval.

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

Nomination Policy
The Nomination Policy of the Company was adopted by the Board. It sets out the selection criteria to be adopted by the Nomination Committee to select suitable Directors, the nomination procedures as well as the processes and measures adopted by the committee to implement such policy. The Nomination Committee will take into account the candidate's reputation, professional achievements, experience and time available to the Board in assessing the suitability of the candidate as a Director. The procedures for the nomination of Directors set out on page 63 of this annual report.

Remuneration and Appraisal Committee (established in December 2003)

The Remuneration and Appraisal Committee consists of two independent non-executive Directors and one executive Director, namely Mr. Pan Chaojin (Chairman), Mr. Li Haitao and Professor Cheng Tai Chiu, Edwin. On 6 May 2020, Mr. Li Haitao 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 Chaojin was appointed as chairman of the Remuneration and Appraisal Committee while Mr. Ding Xun resigned as chairman of the Remuneration and Appraisal Committee.

Responsibilities and work performed in 2020

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

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

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

The Remuneration and Appraisal Committee held 5 meetings during 2020. The following major issues were reviewed and discussed during the Year:

- evaluating the performance of executive Directors and senior management for 2019;
- approving bonus payments for 2019 to the senior management;
- reviewing the change of the members of the Remuneration and Appraisal Committee and proposing to the Board for approval;
- approving the renewal of service contracts made between the Company and 2 executive Directors respectively;
- approving the service contracts made between the Company and 2 candidates for executive Directors respectively; and
- considering the service contracts made between the Company and 2 candidates for non-executive Directors respectively.

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

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

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

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

The attendance records of the Board meetings, specialized committee meetings and general meeting of the Company held in 2020

Details of the Directors' attendance at the Board meetings, specialized committee meetings and general meetings of the Company held in 2020 are set out in the following table:

	Number of Meetings Attended/Number of Meetings Held during the Director's term of office					
Directors	***Board***	***Audit Committee***	***Nomination Committee***	***Remuneration and Appraisal Committee***	***Annual General Meeting***	***Special General Meeting***
Executive Directors						
Mr. Li Haitao(1)	**8**/8	N/A	N/A	**3**/3	**1**/1	**1**/1
Mr. Wang Peihang(2)	**3**/3	N/A	**1**/1	N/A	**0**/0	**0**/0
Mr. Dai Jingming(3)	**2**/2	N/A	N/A	N/A	**0**/0	**0**/0
Mr. Gao Lei(4)	**2**/2	N/A	N/A	**1**/2	**0**/0	**0**/0
Mr. Zhong Shanqun(5)	**3**/5	N/A	**3**/3	N/A	**1**/1	**0**/1
Mr. Liu Jun(6)	**4**/6	N/A	N/A	N/A	**1**/1	**1**/1
Non-executive Directors						
Mr. Hu Wei(7)	**8**/8	N/A	N/A	N/A	**1**/1	**1**/1
Mr. Zhou Zhiwei(8)	**2**/2	N/A	N/A	N/A	**0**/0	**0**/0
Mr. Xie Chudao(9)	**2**/2	N/A	N/A	N/A	**0**/1	**0**/0
Mr. Liu Xiaodong(10)	**6**/6	N/A	N/A	N/A	**1**/1	**1**/1
Independent non-executive Directors						
Professor Cheng Tai Chiu, Edwin(11)	**7**/8	**3**/4	N/A	**3**/3	**1**/1	**1**/1
Mr. Pan Chaojin(12)	**5**/5	**1**/1	**2**/2	**2**/2	**0**/0	**1**/1
Mr. Chan King Chung(13)	**5**/5	**1**/1	**2**/2	N/A	**0**/0	**1**/1
Mr. Ding Xun(14)	**3**/3	**3**/3	**2**/2	**3**/3	**1**/1	**0**/0
Mr. Nip Yun Wing(15)	**3**/3	**3**/3	**2**/2	N/A	**1**/1	**0**/0
Dr. Yim Fung(16)	**2**/2	N/A	N/A	**2**/2	**0**/1	**0**/0

Notes:

(1) Mr. Li Haitao was appointed as a member of the Remuneration and Appraisal Committee on 6 May 2020.

(2) Mr. Wang Peihang was appointed as an executive Director and a member of the Nomination Committee on 1 September 2020.

(3) Mr. Dai Jingming was appointed as an executive Director on 25 September 2020.

(4) Mr. Gao Lei resigned as an executive Director, the Chairman of the Board and a member of the Remuneration and Appraisal Committee on 6 May 2020.

(5) Mr. Zhong Shanqun resigned as an executive Director and a member of the Nomination Committee on 1 September 2020.

(6) Mr. Liu Jun resigned as an executive Director on 25 September 2020.

(7) Mr. Hu Wei was re-designated from an executive Director to a non-executive Director on 25 September 2020.

(8) Mr. Zhou Zhiwei was appointed as a non-executive Director on 25 September 2020.

(9) Mr. Xie Chudao retired as a non-executive Director on 15 May 2020.

(10) Mr. Liu Xiaodong resigned as a non-executive Director on 25 September 2020.

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

(12) Mr. Pan Chaojin was appointed as an independent non-executive Director, the chairman of the Nomination Committee, the chairman of the Remuneration and Appraisal Committee, and a member of the Audit Committee on 12 June 2020.

(13) Mr. Chan King Chung was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee on 12 June 2020.

(14) Mr. Ding Xun resigned as an independent non-executive Director, the chairman of the Nomination Committee, the chairman of the Remuneration and Appraisal Committee, and a member of the Audit Committee on 12 June 2020.

(15) Mr. Nip Yun Wing resigned as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee on 12 June 2020.

(16) Dr. Yim Fung resigned as an independent non-executive Director and a member of the Remuneration and Appraisal Committee on 15 May 2020.

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

SUPPLY OF AND ACCESS TO INFORMATION

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

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

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

INSURANCE ON DIRECTORS' AND OFFICERS' LIABILITIES

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

DIVISION OF AUTHORITY BETWEEN THE BOARD AND THE MANAGEMENT

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

EXECUTIVE BOARD COMMITTEE

Members of the Executive Board Committee are appointed by the Board. The Committee consists of three executive Directors, namely Mr. Li Haitao, Mr. Wang Peihang and Mr. Dai Jingming. On 6 May 2020, Mr. Gao Lei resigned as member of the Executive Board Committee. On 1 September 2020, Mr. Wang Peihang was appointed as member of the Executive Board Committee while Mr. Zhong Shanqun resigned as member of the Executive Board Committee. On 25 September 2020, Mr. Dai Jingming was appointed as member of the Executive Board Committee while Messrs. Hu Wei and Liu Jun resigned as members of the Executive Board Committee.

Responsibilities and works performed in 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2020, the Executive Board Committee considered and discussed major matters including the Company's 2019 annual results and dividend proposal, 2020 interim and quarterly results and business development, budgets for the year 2020, notifiable transactions, plans for bank financing, grant of share options to eligible participants, the Company's policies adoption and amendments as well as the business development plans, capital expenditures and loans, and changes in the senior management of the Company's subsidiaries.

FINANCIAL REPORTING

The Directors acknowledge their responsibility for preparing financial statements that give a true and fair view of the financial position, results and cash flow of the Group. In preparing the financial statements for the year ended 31 December 2020, the Board has selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable and has prepared the financial statements on a going concern basis. For details of the basis of preparation of the financial statements, please refer to note 2.1 to the consolidated financial statements this annual report.

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

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

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

According to the Group's development strategy, the Group focused on developing its logistic and toll road businesses. In 2012, the Group set the direction for the strategic development of "Integrated Logistics Hub", and commenced its implementation. With the construction of "Integrated Logistics Hub" projects and gradual development of the Group's new business and financial business, the Group conducted an audit on the entire construction process and implemented specialized risk prevention and control over the new business, newly-incorporated companies and financial sector business in 2017. In 2019, the Group put greater emphasis on the financial business and the logistics and supply chain development business, standardized the operation and process in risk-concentrated areas of the financial business and the logistics and supply chain development business, and preventing operational and compliance risks. In 2020, the Group continues to optimize and comprehensively implement the investment project incentive and disincentive system and linking employee remuneration with the performance of high-risk business at the specific business level to stimulate team vitality and innovation, in turn achieving the risk and benefit sharing between core employees and the enterprise.

Corporate Internal Risk Management and Control Model

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

Function Positioning of Headquarters of the Group

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

Management Control

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

Systems Build-up

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

Risk Management

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

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

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

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

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

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

The Board has comprehensively reviewed the Group's internal control and risk management systems and their effectiveness for 2020 and found that the implementation thereof progressed well and that there were no significant control failures or weaknesses. The Board considers that the relevant systems are effective and sufficient to reasonably enable the Group to achieve its operational and governance objectives. The Board will continue to urge the management of the Company to enhance the internal control and risk management systems in order to ensure an effective operation of the systems.

Functions of Risk Management Department

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

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

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

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

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

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

Risk	***Description***	***Corresponding measures***
Legal and compliance risks	• Incorporating reasonable terms in contracts.	• Implement smart legal management system, establish ties with law firms and legal advisors, and build an in-house legal team.
	• Disputes may arise during the operation of the investment projects.	• Improve mechanism to minimize legal risks and to ensure the Company's business are operated in compliance with legal and regulatory requirements.
	• Disputes on the settlement with contractors may arise in connection with completed construction projects.	• Set stringent contractual terms in project agreements, proactively coordinate with all parties in concern to bridge the gap of costing of materials.
Human resources management	• Whether our internal management capabilities such as human resources are in line with the new business model and management requirements can have a significant impact on the Group's successful strategic planning.	• Establish a long-term incentive plan and staff training plan. • Establish talent pool and arrange professional expertise training for the talent pool.
Exchange rate risks	• The Group's financial costs would rise when the exchange rate of RMB falls continuously.	• Establish a prediction and warning system for Renminbi exchange rate, and fix the interest and exchange rates of foreign exchange debts by using financial derivatives. • Maintain a balanced currency-debt structure and adjust the balance of foreign currency loans according to exchange rate fluctuations in a timely manner to reduce the impact of such fluctuations. • Maintain appropriate overseas financing credit lines.
Goodwill impairment risk	• Future unsatisfactory operating performance of acquired enterprises may result in indicators of and provision for the impairment of goodwill.	• Monitor and assess the probability of impairment of the Group's investments as well as their financial impact on the Group. • Strengthen communication with the acquired enterprises, focus on their operation, and formulate and enforce effective revenue-boosting and costcutting measures for investment holding companies.

EXTERNAL AUDITOR

During the Year, the fees payable by the Group to the Company's auditor KPMG for audit services and non-audit services were approximately HK$3,805,000 and HK$1,093,000 respectively. The non-audit services include professional services such as professional tax advisory and review of interim results.

The Audit Committee has reviewed the audit fees, procedures and effectiveness, independence and objectivity of KPMG.

COMPANY SECRETARY

The Company has appointed the (Joint) Company Secretary(ies) being responsible for providing secretarial services to the Board and ensuring operations of the Company are in compliance with Hong Kong listed companies' regulatory requirements as well as enhancing its corporate governance standards.

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

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

On 7 August 2020, Ms. Tam Mei Mei resigned from her position as the company secretary of the Company while Mr. Liu Wangxin together with Ms. Lam Yuen Ling Eva were appointed as the joint company secretaries of the Company. Mr. Liu Wangxin is the principal contact person for the Company's corporate secretarial matters.

During the Year, both (Joint) Company Secretary(ies) undertook not less than 15 hours of professional training, respectively, to update their skills and knowledge.

GENERAL MEETINGS

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

The chairman of the Board and the chairmen of the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee attended the AGM of the Company held in 2020 to answer questions raised by the Shareholders.

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

Date	***Matters resolved at the general meetings***
15 May 2020 (annual general meeting)	• the audited financial statements and the reports of the Directors and of the auditors for the year ended 31 December 2019; • payment of the final dividend and special dividend for the year ended 31 December 2019; • re-election of the retiring Directors and authorisation of the Board to fix the Directors' remuneration; • re-appointment of KPMG as auditor of the Company and authorisation of the Board to determine their remuneration; • granting of a repurchase mandate to the Board to repurchase shares in the Company; • granting of a general mandate to the Board to allot, issue and otherwise deal with the shares in the Company; and • extending the general mandate granted to the Board to allot, issue and otherwise deal with the shares.
31 August 2020 (special general meeting)	• the proposed amendments to the share option scheme of the Company adopted on 16 May 2014; and • re-election of the retiring Directors

Voting by poll on shareholders' resolutions

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

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

SHAREHOLDERS' RIGHTS

Convening of special general meeting on requisition of shareholders

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

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

Procedures for putting forward proposals at general meetings

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

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

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

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

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

Procedures for proposing a person for election as a Director

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

Information Disclosure

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

INVESTOR RELATIONS

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

The Group has been actively building an effective communication platform with the capital market through various channels such as meetings with institutional investors, roadshows and investor conferences. The Group places great emphasis on the investment community and strives to obtain research reports on the business conditions of the Group from securities dealers. Up to 2020, a total of 35 reputable securities dealers at home and abroad have issued research reports on the Group. During the Year, the Group communicated regularly with investors and analysts through on-site visits, one-on-one meetings or teleconferences, with over 400 domestic and overseas attendances. Such interactive communication channels have enhanced investors' understanding of the Group's business conditions and long-term development strategies.

Following the launch of southbound Stock Connect in recent years, the flow of domestic investment funds into Hong Kong stock market has increased. The Group was also included in the list of the Shanghai Connect and Shenzhen Connect in 2014 and 2016 respectively. Notwithstanding the impact of the epidemic, in 2020, the Group continued to strengthen its efforts in promotional campaigns targeting both domestic and overseas capital markets, including hosting 11 non-transaction related roadshows after the announcement of its results in Beijing, Shanghai and Shenzhen and 2 overseas roadshows, participating in 7 investor presentations organized by securities firms in China and overseas, and obtaining 19 research reports from domestic and overseas securities dealers during the year. Such campaigns have further strengthened the bilateral communication between the Group and Chinese and overseas institutional investors and securities dealers and, in particular, broadened the reach of the Group in the domestic capital market.

On 17 January 2020, the Group's share price and capitalization surged to a historic high of HK$18.6 and over HK$40 billion, respectively. The Group is fully recognized by the capital market and has been admitted to the following indices in the past two years, which may be of reference value investors.

2020	Admitted to Hang Seng China High Dividend Yield Index
2019	Admitted to Hang Seng SCHK High Dividend Yield Index Admitted to Hang Seng Mainland China Companies High Dividend Yield Index

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

2020	***Major events***
January	• Attended the investor presentation organized by Daiwa Securities online
February	• Admitted to Hang Seng China High Dividend Yield Index
March	• Held the 2019 annual results presentation online
	• Held the analyst meeting for the 2019 annual results online
	• Held the 2019 annual results roadshow in Hong Kong
April	• Held the 2019 annual results roadshows in Beijing, Shanghai and Shenzhen
	• Held the overseas (Japan) 2019 annual results roadshow online
May	• Held the overseas (Singapore) 2019 annual results roadshow online
	• Attended the investor presentation organized by Industrial Securities online
June	• Held the second round of 2019 annual results roadshows in Beijing, Shenzhen and Shanghai
	• Attended the investor presentation organized by Citigroup online
	• Attended the investor presentation organized by JPMorgan Chase online
	• Attended the Investment Strategy Conference for 2H 2020 organized by CICC online
	• Attended the Online Strategy Conference for Summer 2020 organized by Huatai Securities
	• Attended the analyst meeting organized by BOCI
	• Attended the analyst meeting organized by Bank of America Merrill Lynch
July	• Organised an analyst meeting to disclose the announcement in relation to the Qianhai Project
	• Organised a reverse roadshow in Hong Kong

2020	*Major events*
August	• Held the 2020 interim results presentation online
	• Held the analyst meeting for the 2020 interim results online
	• Held the 2020 interim results roadshow in Hong Kong online
September	• Attended the investor presentation organized by Morgan Stanley online
October	• Held the 2020 interim results roadshows in Beijing, Shanghai and Shenzhen
November	• Organised overseas 2020 interim results roadshows online
	• Shenzhen International received the Third NewFortune Best IR Hong Kong Listed Companies Award by New Fortune, a famous financial and economic media in China
	• Attended the Citigroup Investor Summit 2020 organized by Citigroup online
	• Organised visit to the Shenzhen South China Logistics Park for an investor, GMO Research
December	• Shenzhen International received the Best Listed Companies Award in the 10th China Securities Golden Bauhinia Awards

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

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

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

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2020, the interests and short positions of the directors (the "Directors") and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are set out as follows and in the section headed "SHARE OPTION SCHEME" as set out in the Report of the Directors on pages 56 to 58 of this annual report:

Long positions in the ordinary shares of the Company

Name of Directors	*Number of ordinary shares held*	*Capacity*	*Nature of interest*	*Approximate % of the issued shares of the Company*
Li Haitao	37,477	beneficial owner	personal	0.002%
Hu Wei	130,315	beneficial owner	personal	0.006%

Save as disclosed above and in the section headed "SHARE OPTION SCHEME" as set out in the Report of the Directors on pages 56 to 58 of this annual report, as at 31 December 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.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "DIRECTORS' INTERESTS IN SECURITIES" above and the section headed "SHARE OPTION SCHEME" as set out in the Report of the Directors on pages 56 to 58 of this annual report, at no time during the year ended 31 December 2020 was the Company, any of its subsidiaries, the holding company of the Company or any of its subsidiaries a party to any arrangement to enable the Directors, chief executives, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 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 the issued shares of the Company***
Shenzhen Investment Holdings Company Limited ("SIHCL") – *Note (1)*	952,010,090	interest of controlled corporation	43.37%
Ultrarich International Limited ("Ultrarich")	952,010,090	beneficial owner	43.37%
UBS Group AG – *Note (2)*	223,438,795	interest of controlled corporation	10.18%
Hermes Investment Management Ltd	132,099,393	investment manager	6.02%

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, UBS Asset Management (Japan) Ltd and UBS Asset Management Life Limited are wholly-owned by UBS Group AG. Accordingly, UBS Group AG was deemed to be interested in the long position of an aggregate of 223,438,795 shares of the Company held by these companies.

Save as disclosed above, as at 31 December 2020, the Company was not aware that any substantial shareholders (other than the Directors or chief executives) of the Company had interests or short positions in the shares and underlying shares of the Company which are as required to be recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

KPMG

Independent auditor's report to the shareholders of Shenzhen International Holdings Limited

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Shenzhen International Holdings Limited and its subsidiaries ("the Group") set out on pages 91 to 192, which comprise the consolidated balance sheet as at 31 December 2020, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Accounting for the interest in Shenzhen Airlines Company Limited ("Shenzhen Airlines")

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

The key audit matter	How the matter was addressed in our audit
The Group's 49% interest in Shenzhen Airlines is accounted for under the equity method. The Group's share of the loss from Shenzhen Airlines for the year ended 31 December 2020 was HKD1,198,157,000 and the Group's share of Shenzhen Airlines' net assets was HKD4,685,270,000 as at 31 December 2020. This represented approximately 30% and 4% of the Group's profit attributable to ordinary shareholders of the Company for the year ended 31 December 2020 and total assets as at 31 December 2020 respectively. The complexity of the Shenzhen Airlines' revenue recognition, which involves complicated information technology systems and an estimation of the unit fair value of Shenzhen Airlines' customer loyalty programme, and the significant degree of judgement exercised by management of Shenzhen Airlines in relation to the assessment of the carrying values of aircraft and flight equipment and provisions for major overhauls give rise to the risk of potential material misstatements in the Group's interest in Shenzhen Airlines in the consolidated financial statements. We identified the accounting for the interest in Shenzhen Airlines as a key audit matter because the complexity and management judgement involved in the preparation of the financial information of Shenzhen Airlines increases the risk of material misstatement in the consolidated financial statements.	Our audit procedures to assess potential impairment of concession intangible assets included the following: • obtaining an understanding of the group-wide controls and the consolidation process; • evaluating the consolidation adjustments prepared by management to account for the Group's interest in Shenzhen Airlines based on the audited financial information of Shenzhen Airlines; • re-calculating the Group's interest in Shenzhen Airlines and the Group's share of profit of Shenzhen Airlines for the year based on the audited financial information of Shenzhen Airlines; • instructing the auditors of Shenzhen Airlines ("the component auditors") to perform a full scope audit of the financial information of Shenzhen Airlines in accordance with the Group audit instructions issued by us; • participating in the component auditors' risk assessment and planning process to identify significant risks of material misstatement of Shenzhen Airlines' financial information and evaluating the audit procedures planned to be performed to respond to the identified significant risks of material misstatement of Shenzhen Airlines' financial information; and • discussing with the component auditors their audit findings and conclusions with regard to their audit and evaluating the sufficiency and appropriateness of the audit evidence for the purpose of our audit of the consolidated financial statements by reviewing the component auditors' reporting deliverables.

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

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

The key audit matter	How the matter was addressed in our audit
The Group has 20% interest in Derun Company, which is accounted for under the equity method. The Group's share of the net assets in Derun Company as at 31 December 2020 was HKD5,617,892,000, which represented approximately 5% of the total assets of the Group. As at 31 December 2020, management assessed whether the investment in Derun Company may be impaired and performed an impairment assessment accordingly. Such impairment assessment involves significant accounting estimates and judgements on key assumptions adopted, including multiples and discount for lack of marketability. We identified assessing potential impairment of the investment in Derun Company as a key audit matter because impairment assessment requires significant judgement and estimation which increases the risk of error or potential management bias.	Our audit procedures to assess potential impairment of investment in Derun Company included the following: • assessing the operating results and the assets' market value of Derun Company, obtaining, discussing with management and evaluating the key assumptions underlying management's assessment of potential impairment; • obtaining and inspecting the valuation reports prepared by the external valuer engaged by the Group; • evaluating the competence, capabilities and objectivity of the external valuer; • involving valuation specialists, to assess the valuations prepared by the external valuer by evaluating the valuation methodologies adopted with reference to the requirements of the prevailing accounting standards, challenging the comparable companies selected and assumptions adopted, including multiples and discount for lack of marketability, and considering the possibility of management bias in the selection of assumptions adopted; and • evaluating the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards.

Accounting for business combination of Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental")

Refer to Note 41 to the consolidated financial statements and the accounting policies in Note 2.3.

The key audit matter	How the matter was addressed in our audit
During the year ended 31 December 2020, the Group acquired 67.14% equity interest in Bioland Environmental at a total consideration of RMB798,137,000 (equivalent to HKD902,972,000), which constitutes a business combination. Upon completion of the acquisition, Bioland Environmental became a non-wholly owned subsidiary of the Group. The fair values of the identifiable assets and liabilities acquired in the acquisition were assessed by the Group based on valuation report prepared by a firm of external valuers and intangible assets of HKD2,125,868,000, representing the fair value of franchise agreements in relation to the build-operate-transfer kitchen waste disposal project was recorded. The fair value assessment involves the exercise of significant management judgement, in particular in determining the assumptions adopted, which include forecast revenue and operating cost and discount rates applied. We identified accounting for the business combination of Bioland Environmental as a key audit matter because of the significant impact the acquisition has on the consolidated financial statements and because the valuation of assets and liabilities acquired can be inherently subjective and requires significant judgement and estimation which increases the risk of error or potential management bias.	Our audit procedures to assess acquisition accounting of Bioland Environmental included the following: • Inspecting the sale and purchase agreement and evaluating management's accounting for the acquisition, including determination of acquisition date, with reference to the terms set out in the agreement and the requirements of the prevailing accounting standards; • obtaining and inspecting the valuation reports prepared by the external valuers engaged by the Group; • evaluating the competence, capabilities and objectivity of the external valuer; • involving valuation specialists, to assess the methodologies adopted by the external valuers in assessing the fair values of the assets and liabilities acquired with reference to the requirements of the prevailing accounting standards and challenging the key assumptions and critical judgements adopted which impacted the valuation by comparing these key assumptions and critical judgements with market data and the Group's business plan supporting the acquisition; • evaluating the mathematical accuracy of management's allocation of consideration for the identifiable assets and liabilities acquired; and • assessing the reasonableness of the disclosures in relation to the acquisition in the financial statements with reference to the requirements of the prevailing accounting standards.

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

KPMG

Certified Public Accountants

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

26 March 2021

CONSOLIDATED BALANCE SHEET

(All amounts in HKD thousands unless otherwise stated)

(For reference only) As at 31 December 2020 RMB'000 (Note 2.7(d))		Note	*As at 31 December* **2020 HK$'000**	*2019 HK$'000*
	ASSETS			
	Non-current assets			
514,841	Investment properties	6	**611,305**	576,796
10,731,770	Property, plant and equipment	7	**12,742,544**	10,029,717
3,202,315	Land use rights	8	**3,802,321**	3,393,684
2,610,776	Construction in progress	9	**3,099,947**	1,846,436
26,652,012	Intangible assets	10	**31,645,704**	26,260,742
235,003	Goodwill	11	**279,035**	262,427
12,153,985	Interests in associates	13	**14,431,233**	14,527,280
75,816	Interests in joint ventures	14	**90,022**	64,074
1,975,366	Other financial assets	15	**2,345,483**	538,016
1,421,916	Deferred tax assets	26	**1,688,335**	1,247,740
2,923,721	Other non-current assets	16	**3,471,528**	1,035,957
62,497,521			**74,207,457**	59,782,869
	Current assets			
12,398,577	Inventories and other contract costs	17	**14,721,654**	10,111,605
344,066	Contract assets	18(a)	**408,532**	503,509
789,098	Other financial assets	15	**936,949**	219,160
6,081,963	Trade and other receivables	19	**7,221,519**	5,662,296
–	Derivative financial instruments		**–**	70,005
2,123,611	Restricted bank deposits	20	**2,521,504**	2,056,827
2,955,000	Deposits in banks with original maturities over 3 months	20	**3,508,668**	791,378
7,641,679	Cash and cash equivalents	20	**9,073,474**	11,931,764
494,663	Disposal group held for sale	21	**587,346**	279,315
32,828,657			**38,979,646**	31,625,859
95,326,178	**Total assets**		**113,187,103**	91,408,728

CONSOLIDATED BALANCE SHEET

(All amounts in HKD thousands unless otherwise stated)

(For reference only) As at 31 December 2020 RMB'000 (Note 2.7(d))		Note	*As at 31 December* 2020 HK$'000	2019 HK$'000
	EQUITY AND LIABILITIES			
10,157,424	Share capital and share premium	22	**11,529,380**	11,098,877
18,783,295	Other reserves and retained earnings	23	**22,857,273**	19,186,158
28,940,719	**Equity attributable to ordinary shareholders of the Company**		**34,386,653**	30,285,035
1,982,837	**Perpetual securities**	24	**2,330,939**	2,330,939
18,327,400	**Non-controlling interests**		**21,761,340**	14,725,298
49,250,956	**Total equity**		**58,478,932**	47,341,272
	Liabilities			
	Non-current liabilities			
13,623,234	Borrowings	25	**16,175,771**	25,179,181
621,334	Lease liabilities	29	**737,751**	722,274
1,897,806	Deferred tax liabilities	26	**2,253,391**	1,773,633
1,318,400	Other non-current liabilities	27	**1,565,424**	1,272,743
17,460,774			**20,732,337**	28,947,831
	Current liabilities			
10,851,110	Trade and other payables	28	**12,884,246**	7,432,917
83,678	Derivative financial instruments		**99,356**	–
2,372,098	Contract liabilities	18(b)	**2,816,549**	4,612,724
1,840,639	Income tax payable		**2,185,511**	1,659,449
13,367,680	Borrowings	25	**15,872,334**	1,314,083
99,243	Lease liabilities	29	**117,838**	100,452
28,614,448			**33,975,834**	15,119,625
46,075,222	**Total liabilities**		**54,708,171**	44,067,456
95,326,178	**Total equity and liabilities**		**113,187,103**	91,408,728

The consolidated financial statements on pages 91 to 192 were approved by the Board of Directors on 26 March 2021 and were signed on its behalf.

Li Haitao
Director

Wang Peihang
Director

The notes on pages 99 to 192 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

(All amounts in HKD thousands unless otherwise stated)

(For reference only) As at 31 December 2020 RMB'000 (Note 2.7(d))		Note	*Year ended 31 December 2020 HK$'000*	*2019 HK$'000*
16,871,074	**Revenue**	5, 30	**19,452,409**	16,820,326
(11,266,355)	Cost of sales	32	**(12,990,147)**	(10,121,072)
5,604,719	**Gross profit**		**6,462,262**	6,699,254
122,813	Other income		**141,603**	86,393
4,304,621	Other gains – net	31	**4,963,245**	2,891,058
(144,362)	Distribution costs	32	**(166,450)**	(150,949)
(842,827)	Administrative expenses	32	**(971,782)**	(869,504)
(137,933)	Impairment loss on trade receivables and contract assets	3.1(b)	**(159,037)**	(31,505)
8,907,031	**Operating profit**		**10,269,841**	8,624,747
11,949	Share of profit of joint ventures	14	**13,778**	13,513
(495,592)	Share of (loss)/profit of associates	13	**(571,420)**	1,246,797
8,423,388	**Profit before finance costs and income tax**		**9,712,199**	9,885,057
275,156	Finance income	34	**317,255**	278,094
(796,922)	Finance cost	34	**(918,855)**	(1,015,645)
(521,766)	Finance costs – net	34	**(601,600)**	(737,551)
7,901,622	**Profit before income tax**		**9,110,599**	9,147,506
(2,664,322)	Income tax expense	35	**(3,071,972)**	(2,037,965)
5,237,300	**Profit for the year**		**6,038,627**	7,109,541
	Attributable to:			
3,473,393	Ordinary shareholders of the Company		**4,006,970**	5,020,594
81,526	Perpetual securities holders of Company		**91,866**	92,951
1,682,381	Non-controlling interests		**1,939,791**	1,995,996
5,237,300			**6,038,627**	7,109,541
	Earnings per share attributable to ordinary shareholders of the Company during the year (expressed in HK dollars per share)			
	– Basic	36(a)	**1.84**	2.34
	– Diluted	36(b)	**1.83**	2.33

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

The notes on pages 99 to 192 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HKD thousands unless otherwise stated)

	Note	Year ended 31 December	
		2020	2019
		HK$'000	HK$'000
Profit for the year		**6,038,627**	7,109,541
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Share of other comprehensive income of associates	13	**(52,285)**	38,527
Items that will not be reclassified to profit or loss:			
Currency translation differences		**2,774,649**	(961,937)
Net movement in fair value reserve on other financial assets (Non-recycling)	23	**(716)**	(1,505)
Sub-total		**2,773,933**	(963,442)
Other comprehensive income for the year, net of tax	26	**2,721,648**	(924,915)
Total comprehensive income for the year		**8,760,275**	6,184,626
Total comprehensive income attributable to:			
Ordinary shareholders of the Company		**5,956,373**	4,404,564
Perpetual securities holders of the Company		**91,866**	92,951
Non-controlling interests		**2,712,036**	1,687,111
		8,760,275	6,184,626

The notes on pages 99 to 192 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in HKD thousands unless otherwise stated)

	Attributable to ordinary shareholders of the Company						
	Share capital and share premium (Note 22)	*Other reserves (Note 23)*	*Retained earnings (Note 23)*	*Subtotal*	*Perpetual securities*	*Non-controlling interests*	*Total equity*
Balance 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 year	–	–	4,006,970	4,006,970	91,866	1,939,791	6,038,627
Other comprehensive income							
Net movement in the fair value reserve on other financial assets (non-recycling)	–	(716)	–	(716)	–	–	(716)
Share of other comprehensive Income of associates	–	(32,310)	–	(32,310)	–	(19,975)	(52,285)
Currency translation differences	–	1,982,429	–	1,982,429	–	792,220	2,774,649
Total other comprehensive income	–	1,949,403	–	1,949,403	–	772,245	2,721,648
Total comprehensive income	–	1,949,403	4,006,970	5,956,373	91,866	2,712,036	8,760,275
Transactions with owners in their capacity as owners							
Employee share options							
– proceeds from shares issued	15,255	–	–	15,255	–	–	15,255
– value of employee services	10,313	–	–	10,313	–	–	10,313
Transfer to reserve	–	338,011	(338,011)	–	–	–	–
Dividend relating to 2019 (Note 37)	–	–	(2,530,140)	(2,530,140)	–	–	(2,530,140)
Issue of scrip shares as dividend (Note 37)	404,935	–	–	404,935	–	–	404,935
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	–	(1,144,898)	(1,144,898)
Non-controlling interests arising on business combinations (Note 41)	–	–	–	–	–	756,663	756,663
Transactions with non-controlling interests	–	154,556	–	154,556	–	(154,556)	–
Share of associates' reserves movement	–	90,326	–	90,326	–	84,858	175,184
Capital injections by non-controlling interests (Note 12(b))	–	–	–	–	–	4,810,187	4,810,187
Capital reduction by non-controlling interests	–	–	–	–	–	(28,248)	(28,248)
Distribution for perpetual securities (Note 24)	–	–	–	–	(91,866)	–	(91,866)
Total transactions with owners in their capacity as owners	430,503	582,893	(2,868,151)	(1,854,755)	(91,866)	4,324,006	2,377,385
Balance at 31 December 2020	11,529,380	5,950,834	16,906,439	34,386,653	2,330,939	21,761,340	58,478,932

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in HKD thousands unless otherwise stated)

	Attributable to ordinary shareholders of the Company						
	Share capital and share premium (Note 22)	*Other reserves (Note 23)*	*Retained earnings (Note 23)*	*Subtotal*	*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 year	–	–	5,020,594	5,020,594	92,951	1,995,996	7,109,541
Other comprehensive income							
Net movement in the fair value reserve on other financial assets (non-recycling)	–	(1,505)	–	(1,505)	–	–	(1,505)
Share of other comprehensive income of associates	–	18,766	–	18,766	–	19,761	38,527
Currency translation differences	–	(633,291)	–	(633,291)	–	(328,646)	(961,937)
Total other comprehensive income	–	(616,030)	–	(616,030)	–	(308,885)	(924,915)
Total comprehensive income	–	(616,030)	5,020,594	4,404,564	92,951	1,687,111	6,184,626
Transactions with owners in their capacity as owners							
Employee share options							
– proceeds from shares issued	114,251	–	–	114,251	–	–	114,251
– value of employee services	21,200	–	–	21,200	–	–	21,200
Transfer to reserve	–	489,565	(489,565)	–	–	–	–
Dividend relating to 2018	–	–	(2,252,192)	(2,252,192)	–	–	(2,252,192)
Issue of scrip shares as dividend	411,198	–	–	411,198	–	–	411,198
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	–	(1,287,003)	(1,287,003)
Non-controlling interests arising on business combinations	–	–	–	–	–	397,243	397,243
Capital injections by non-controlling interests	–	–	–	–	–	18,599	18,599
Capital reduction by non-controlling interests	–	–	–	–	–	(140,265)	(140,265)
Distribution for perpetual securities (Note 24)	–	–	–	–	(92,951)	–	(92,951)
Total transactions with owners in their capacity as owners	546,649	489,565	(2,741,757)	(1,705,543)	(92,951)	(1,011,426)	(2,809,920)
Balance at 31 December 2019	11,098,877	3,418,538	15,767,620	30,285,035	2,330,939	14,725,298	47,341,272

The notes on pages 99 to 192 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in HKD thousands unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Cash flows from operating activities			
Cash generated from operations	38	**4,869,260**	11,651,794
Interest paid		**(1,412,952)**	(1,152,891)
Income tax paid		**(2,824,543)**	(3,154,875)
Net cash generated from operating activities		**631,765**	7,344,028
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash paid	41	**(519,150)**	(661,602)
Purchases of property, plant and equipment, land use rights, construction in progress, intangible assets and other non-current assets		**(6,157,880)**	(4,292,013)
Advance from an associate		**2,049,335**	–
Net increase in interests in associates and joint ventures		**(475,543)**	(314,340)
Proceeds from disposal of property, plant and equipment		**1,280,217**	529,674
Net cash flow from (purchase)/redemptions of other financial assets, net of tax		**(2,275,423)**	389,871
Disposal of subsidiaries, net of cash acquired		**–**	656,374
Receive in advance of disposal group held for sale		**185,241**	–
(Increase)/decrease in deposits in banks with original maturities over 3 months		**(2,717,290)**	82,790
Interest received		**325,131**	267,644
Dividends received		**338,928**	631,123
Net cash used in investing activities		**(7,966,434)**	(2,710,479)

(All amounts in HKD thousands unless otherwise stated)

	Note	Year ended 31 December 2020	2019
Cash flows from financing activities			
Proceeds from issuance of ordinary shares under employee share option scheme	22	**15,255**	114,251
Issuance of perpetual capital securities	12(b)	**4,810,187**	–
Capital deductions by non-controlling interests		**(28,248)**	(121,666)
Proceeds from borrowings	38(b)	**10,440,827**	5,202,760
Repayments of borrowings	38(b)	**(6,052,647)**	(4,928,704)
Repayments of financing leasing assets	38(b)	**(773,936)**	(1,491,802)
Capital element of lease rentals paid	38(b)	**(140,858)**	(63,338)
Interest element of lease rentals paid	38(b)	**(38,086)**	(45,678)
Advance to non-controlling interests		**(356,210)**	(1,852,596)
Dividends paid to the Company's and non-controlling interests		**(3,270,103)**	(3,127,997)
Distribution to perpetual securities holders		**(91,866)**	(92,951)
Proceeds from other financing activities		**20,702**	30,176
Net cash generated from /(used in) financing activities		**4,535,017**	(6,377,545)
Net decrease in cash and cash equivalents		**(2,799,652)**	(1,743,996)
Cash and cash equivalents at the beginning of the year		**11,931,764**	13,663,906
Exchange difference		**(58,638)**	11,854
Cash and cash equivalents at the end of the year	20	**9,073,474**	11,931,764

The notes on pages 99 to 192 are an integral part of these consolidated financial statements.

1. GENERAL AND MAJOR DEVELOPMENT

(a) General information

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

– Toll roads and environmental protection business; and

– Logistic business.

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

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

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

As at 31 December 2020, Ultrarich International Limited ("Ultrarich") directly owned 952,010,090 ordinary shares of the Company, representing approximately 43.37% of the issued share capital of the Company. As Shenzhen Investment Holdings Company Limited ("SIHCL") held the 100% equity interest in Ultrarich, it had a deemed interest in 43.37% 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 that Shenzhen SASAC as having control of the Company's relevant activities and is the de facto controller of the Company due to the voting power it held in the Company.

These consolidated financial statements are presented in Hong Kong dollars ("HKD"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 26 March 2021.

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

During the year ended 31 December 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 RMB3,651,745,000 (equivalent to HKD4,335,959,000).

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 RMB3,550,958,000 (equivalent to HKD4,094,268,000) in the consolidated income statement for the year ended 31 December 2020 (see Note 31).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance and basis of preparation

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

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries and the Group's interests in associates and joint ventures.

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

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

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

2.2 Changes in accounting policies and disclosures

The accounting policies applied are consistent with those of the 2019 Financial Statements as described therein, except for the accounting policy that is first effective for the current accounting period of the Group.

2.2.1 New and amended standards adopted by the Group

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

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

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. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020. In particular, the Group has elected to apply the concentration test to an acquisition during the year.

(All amounts in HKD thousands unless otherwise stated)

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

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

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

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred.

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 consolidated financial statements.

2.2.2 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2020

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

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

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

2.3 Subsidiaries

2.3.1 Consolidation

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

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss.

Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

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

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

2.3 Subsidiaries *(continued)*

2.3.1 Consolidation *(continued)*

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

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

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

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

(c) Change in ownership interest in subsidiaries without change of control
Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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

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

2.3 Subsidiaries *(continued)*

2.3.2 Company's balance sheet

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

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

2.4 Associates

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

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

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

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

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

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

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

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

2.5 Joint ventures

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

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

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

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

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

2.6 Goodwill

Goodwill represents the excess of

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

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

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

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

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

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

2.7 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

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

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

(d) RMB figures

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

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

2.8 Segment reporting

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

2.9 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

2.10 Construction in progress

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

2.11 Investment properties

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

2.12 Land use rights

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

2.13 Leased assets

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

(a) As a lessee

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

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

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

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

2.13 Leased assets *(continued)*

(a) As a lessee *(continued)*

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

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

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

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

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

(b) As a lessor

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

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

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

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

2.14 Concession intangible assets

Toll Road

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

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

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

Kitchen waste disposal project

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

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

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

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

2.15 Impairment of non-financial assets

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

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

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

2.17 Other investments in debt and equity securities

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

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

(a) Investments other than equity investments

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

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2.32(g)).
- fair value through other comprehensive income (FVOCI) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.
- fair value at profit or loss (FVPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

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

2.17 Other investments in debt and equity securities *(continued)*

(b) Equity investments

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

(c) Derivative financial instruments

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

2.18 Credit loss and impairment of assets

Credit losses from financial instruments, contract assets and lease receivables

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

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

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

– lease receivables.

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

Measurement of ECLs

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

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

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

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

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

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

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

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

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

Measurement of ECLs *(continued)*

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

ECLs are measured on either of the following bases:

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

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

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

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

Significant increases in credit risk

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

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

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

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

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

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

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

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

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

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

Basis of calculation of interest income

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

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

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

– significant financial difficulties of the debtor;

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

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

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

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

Write-off policy

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

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

2.19 Financial liabilities

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

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

2.20 Inventories and other contract costs

(a) **Inventories**

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

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

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

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

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

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

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

(b) **Other contract costs**

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

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

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

2.20 Inventories and other contract costs *(continued)*

(b) Other contract costs *(continued)*

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

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

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

2.21 Contract assets and contract liabilities

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

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

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

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

2.22 Trade and other receivables

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

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

2.23 Cash and cash equivalents

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

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

2.24 Share capital

Ordinary shares are classified as equity.

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

2.25 Perpetual securities

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

2.26 Trade and other payables

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

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

2.27 Borrowings

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

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

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

2.28 Borrowing costs

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

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

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

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

2.28 Borrowing costs *(continued)*

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

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

2.29 Current and deferred tax

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

(a) Current income tax

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

(b) Deferred tax

Inside basis differences

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

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

Outside basis differences

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

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

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

2.29 Current and deferred tax *(continued)*

(c) Offsetting

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

2.30 Employee benefits and share-based payments

(a) Pension obligations

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

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

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

(b) Share-based payments

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

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

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

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

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

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

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

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

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

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

(c) Bonus plans

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

2.31 Provisions

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

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

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

2.32 Revenue and other income

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

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

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

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

2.32 Revenue and other income *(continued)*

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

(a) Toll revenues

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

(b) Construction service revenue under service concessions

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

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

(c) Rental income from operating leases

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

(d) Logistic related service revenues

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

(e) Sales of goods

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

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

2.32 Revenue and other income *(continued)*

(f) Sales of properties

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

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

(g) Interest income

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

(h) Dividend income

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

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

2.33 Government grants

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

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

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

2.34 Contingent liabilities

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

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

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

2.35 Dividend distribution

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

2.36 Related parties

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

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

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

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

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

(All amounts in HKD thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk, fair value interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out under policies approved by the board of directors. The Group identifies and evaluates financial risks in close co-operation with the Group's operating units. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excessive liquidity.

(a) Market risk

(i) Currency risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	As at 31 December	
	2020	2019
Assets		
HKD	**54,632**	161,043
United States dollars ("USD")	**35,792**	148,620
	90,424	309,663
Liabilities		
HKD	**1,201,656**	1,274,230
USD	**2,319,835**	2,324,879
	3,521,491	3,599,109

Apart from the above, the Group did not have significant exposure to foreign exchange risk. Nevertheless, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

(All amounts in HKD thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(i) Currency risk *(continued)*

As at 31 December 2020, should HKD and USD be weakened/strengthened by 5% against RMB, with all other factors remain unchanged, the profit after income tax for the year would be affected as follows:

	Change of profit after income tax – increase/(decrease)	
	2020	*2019*
HKD against RMB		
– Weakened by 5%	**56,245**	56,033
– Strengthened by 5%	**(56,245)**	(56,033)
USD against RMB		
– Weakened by 5%	**(1,311)**	(4,322)
– Strengthened by 5%	**1,311**	4,322

The net fair value of foreign exchange forward contracts entered into by the Group for managing the risk relating to monetary assets and liabilities in foreign currencies as at 31 December 2020 was HKD99,356,000 and recognised as derivative financial liability (2019: HKD70,005,000 and recognised as derivative financial asset).

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Apart from deposits held in banks, the Group has no significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing bank deposits resulted from the changes in interest rates, because the interest rates of deposit balances are not expected to change significantly.

The Group's interest rate risk arises from long-term bank borrowings, senior notes, medium-term notes and corporate bonds. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Senior notes, medium-term notes and corporate bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group adjusts the proportion of borrowings at fixed rate against borrowings at floating rate based on the change of the finance market environment. During 2020 and 2019, the Group's borrowings at variable rates were mainly denominated in HKD and RMB. For bank borrowings in the PRC, the interest rate would be adjusted accordingly should the lending rate promulgated by the People's Bank of China ("PBOC") be changed.

As at 31 December 2020, borrowings of the Group which were issued at floating rates amounted to approximately HKD13,160,620,000 (2019: HKD13,619,127,000). As at 31 December 2020, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged and without taking into account interest capitalisation, the profit after tax of the Group would be decreased/increased by approximately HKD49,727,000 (2019: HKD68,096,000).

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(iii) Price risk

The Group is exposed to equity securities price risk in respect of shares of CSG Holding Co., Ltd. ("CSG"), a company listed in the Shenzhen Stock Exchange held by the Group and classified as other financial assets. The Group is not exposed to significant commodity price risk.

The table below summarises the impact of increase/decrease of share price of CSG on equity. The analysis is based on the assumptions that the share price of CSG had increased/decreased by 5% as at the end of each reporting period with all other factors remain unchanged:

	Impact on other components of equity, net of tax – increase/(decrease)	
	2020	*2019*
Share price		
– Increased by 5%	**12,872**	8,218
– Decreased by 5%	**(12,872)**	(8,218)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents, bills receivable and derivative financial assets is limited because the counterparties are banks and financial institutions are either state-owned banks, listed banks or large/medium sized commercial banks, for which the Group considers to have low credit risk.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group does not have significant credit concentration risk.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 120 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

(All amounts in HKD thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

	2020		
	Expected loss rate %	***Gross carrying amount***	***Loss allowance***
Current (not past due)	**2.31%**	**2,704,847**	**62,590**
1 – 90 days past due	**15.73%**	**251,705**	**39,588**
91 – 180 days past due	**52.10%**	**14,215**	**7,406**
181 – 270 days past due	**70.65%**	**4,498**	**3,178**
271 – 365 days past due	**95.55%**	**7,128**	**6,811**
More than 1 year past due	**100.00%**	**139,507**	**139,507**
		3,121,900	**259,080**

	2019		
	Expected loss rate %	*Gross carrying amount*	*Loss allowance*
Current (not past due)	1.06%	2,007,215	21,178
1 – 90 days past due	23.99%	35,160	8,435
91 – 180 days past due	44.35%	4,528	2,008
181 – 270 days past due	52.81%	24,726	13,057
271 – 365 days past due	99.10%	2,776	2,751
More than 1 year past due	100.00%	18,357	18,357
		2,092,762	65,786

Expected loss rates are based on actual loss experience over the past 18 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2020	*2019*
Balance at 1 January	**65,786**	30,461
Amounts written off during the year	**(315)**	(333)
Acquisition of subsidiaries	**24,935**	5,037
Impairment losses recognised during the year	**159,037**	31,505
Exchange difference	**9,637**	(884)
Balance at 31 December	**259,080**	65,786

(All amounts in HKD thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk

Cash flow forecast is performed in the operating entities of the Group. The Group monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its standby committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements – for example, currency restrictions.

The table below analyses the non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Contractual undiscounted cash outflow (including interest payments)					
	Less than 1 year	*Between 1 and 2 years*	*Between 2 and 5 years*	*Over 5 years*	*Total*	*Carrying amount*
At 31 December 2020						
Bank borrowings	**3,399,574**	**1,725,686**	**5,346,577**	**6,755,078**	**17,226,915**	**14,465,997**
Borrowings from finance lease companies	**181,094**	**153,473**	**347,838**	**30,726**	**713,131**	**489,258**
Corporate bonds	**2,595,496**	**1,087,512**	**2,868,321**	**–**	**6,551,329**	**5,874,980**
Panda bonds	**6,186,951**	**–**	**–**	**–**	**6,186,951**	**5,932,438**
Senior notes	**34,730**	**34,730**	**934,828**	**–**	**1,004,288**	**776,856**
Medium-term notes	**1,279,174**	**42,650**	**992,543**	**–**	**2,314,367**	**2,134,462**
Trade and other payables (excluding other taxes payable and staff welfare benefit payable)	**9,671,107**	**–**	**–**	**–**	**9,671,107**	**9,671,107**
Super Short-term Commercial paper	**2,396,209**	**–**	**–**	**–**	**2,396,209**	**2,374,114**
Lease liabilities	**126,337**	**116,298**	**221,169**	**691,888**	**1,155,692**	**855,589**
	25,870,672	**3,160,349**	**10,711,276**	**7,477,692**	**47,219,989**	**42,574,801**
At 31 December 2019						
Bank borrowings	1,847,951	2,655,293	4,278,520	10,455,145	19,236,909	14,182,118
Borrowings from finance lease companies	113,395	698,494	–	–	811,889	737,050
Corporate bonds	116,328	2,453,414	942,493	–	3,512,235	3,216,307
Panda bonds	235,232	5,818,705	–	–	6,053,937	5,577,263
Senior notes	32,663	32,663	911,851	–	977,177	774,883
Medium-term notes	86,343	1,203,037	973,579	–	2,262,959	2,005,643
Trade and other payables (excluding other taxes payable and staff welfare benefit payable)	6,351,506	–	–	–	6,351,506	6,351,506
Lease liabilities	110,464	92,546	228,430	706,803	1,138,243	822,726
	8,893,882	12,954,152	7,334,873	11,161,948	40,344,855	33,667,496

(All amounts in HKD thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and protect interest for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount and payment schedule of dividends paid to shareholders, capital returned to shareholders, new shares issued, perpetual securities issued, or assets sold to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and bank balances. Total equity is calculated as "equity", as shown in the consolidated balance sheet.

The Group maintained a consistent strategy to keep the gearing ratio at a reasonable level. The gearing ratios at 31 December 2020 and 2019 were as follows:

	2020	*2019*
Total borrowings	**32,048,105**	26,493,264
Less: cash and bank balances	**(15,103,646)**	(14,779,969)
Net debt	**16,944,459**	11,713,295
Total equity	**58,478,932**	47,341,272
Gearing ratio	**29%**	25%

3.3 Fair value estimation

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

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

(All amounts in HKD thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

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

	As at 31 December 2020			
	Level 1	***Level 2***	***Level 3***	***Total***
Assets/(liabilities)				
Equity securities designated at FVOCI (non-recycling)				
– Unlisted equity securities	**–**	**–**	**56,075**	**56,075**
Financial assets measured at FVPL				
– Listed securities in the PRC	**343,265**	**–**	**–**	**343,265**
– Unlisted equity securities	**–**	**–**	**2,025,518**	**2,025,518**
– Unlisted fund investment	**–**	**–**	**263,890**	**263,890**
Derivative financial instruments	**–**	**(99,356)**	**–**	**(99,356)**

	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 year ended 31 December 2020, there was no transfers between Level 1 and Level 2.

(a) **Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments which are included in level 1 comprise shares of CSG classified as FVPL.

(b) **Financial instruments in level 2**

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

(All amounts in HKD thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT *(continued)*

3.3 Fair value estimation *(continued)*

(c) Financial instruments in level 3

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

Information about Level 3 fair value measurements

	Valuation techniques	*Significant unobservable inputs*	*Range*
Financial assets measured at FVPL			
–Unlisted equity securities (Note i)	Market comparable companies	Adjusted P/E multiplier	13.64 to 18.25
		Adjusted P/B multiplier	1.86
		The discount of lack of marketability	26.60% to 42.00%
–Unlisted fund investment (Note ii)	Income capitalisation method	Yield	6.5%
		Market monthly rental rate (RMB/sq.m.)	23.1-42.0
		Occupancy rate	63%-98%

(i) The fair value of unlisted equity instruments is determined using the price/earning ratios or price/book value of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 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 HKD88,154,000.

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

(iii) The fair value of equity securities designated at FVOCI (non-recycling) is determined with reference to the net asset value of the investments. As at 31 December 2020 the carrying amount is not materially different from their fair value.

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

	2020	*2019*
Unlisted equity securities and fund investments:		
Beginning of the year	**538,016**	485,949
Payment for purchases	**1,579,546**	39,092
Net unrealised gains or losses recognised in other comprehensive income during the year	**(955)**	(2,007)
Changes in fair value recognised in profit or loss during the year	**143,503**	25,997
Exchange difference	**85,373**	(11,015)
End of the year	**2,345,483**	538,016

Any gain or loss arising from the remeasurement of the Group's unlisted equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

The gains arising from the remeasurement of the unlisted equity securities and fund investments are presented in the "Other gain" line item in the consolidated income statement.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

(a) Construction service revenue recognition relating to concession contracts

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

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

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

(b) Amortisation of concession intangible assets

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

Amortisation of concession intangible assets is provided under the Traffic Flow Amortisation Method. Adjustments may need to be made to the carrying amounts of concession intangible assets should there be a material difference between total projected traffic volume and the actual results.

The directors of the Company performed a periodic assessment of the total projected traffic volume. The Group appoints independent professional traffic consultants to perform independent professional traffic studies and make appropriate adjustment if there is a material difference between projected traffic volume and actual traffic volume.

In the 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 HKD10,991,000 for the year ended 31 December 2020 and will affect the amortisation charges of the Group in the future.

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

4.1 Critical accounting estimates and assumptions *(continued)*

(c) Impairment of concession intangible assets

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

(d) Impairment test of interest in associate

The Group determines at each balance sheet date whether there is any objective evidence that the interest in the associate is impaired. When conducting impairment test of interest in associate, the Group adopted valuation technique to assess the recoverable amount. Key assumptions used include the multiples and discount for lack of marketability. The Group's believes the recoverable amount will exceed the carrying amount, then no impairment is provided for the current year.

(e) Fair value estimation of the identifiable assets and liabilities acquired

In January 2020, the Group completed the acquisition of 67.14% equity interest in Bioland Environmental. Details of the business combination information are set out in Note 41.

The Group adopted valuation technique to assess the fair value of identifiable assets and liabilities of Bioland Environmental on the acquisition date by reference to the valuer's valuation report. Major assets of Bioland Environmental at the acquisition date were intangible assets. The fair values of intangible assets were determined using income approach in which the discount rate 7.5% was applied as key assumption.

4.2 Critical judgements in applying accounting policies

Joint arrangements

The Group holds 38% – 50% of the voting rights of its joint arrangements. Significant judgements are required in assessing whether the Group has joint control over these arrangements. The directors of the Company consider that the Group has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

5. SEGMENT INFORMATION

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

– Toll roads and environmental protection business; and

– Logistic business.

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

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

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

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

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

(All amounts in HKD thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the board of directors, the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 are set out below.

For the year ended 31 December 2020

	Toll roads and environmental protection business	*Logistic business*					*Head office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related services*	*Logistic park transformation and upgrading services*	*Sub-total*		
Revenue from contracts with customers within the scope of HKFRS 15								
– Point in time	7,551,232	72,248	952,225	1,411,195	4,696,950	7,132,618	–	14,683,850
– Over time	3,953,859	–	–	–	–	–	–	3,953,859
Subtotal	11,505,091	72,248	952,225	1,411,195	4,696,950	7,132,618	–	18,637,709
Revenue from other sources	–	814,700	–	–	–	814,700	–	814,700
Revenue	11,505,091	886,948	952,225	1,411,195	4,696,950	7,947,318	–	19,452,409
Operating profit	2,816,206	191,260	46,554	171,500	2,598,905	3,008,219	4,445,416	10,269,841
Share of profit of joint ventures	–	13,367	–	–	–	13,367	411	13,778
Share of profit/(loss) of associates	596,551	(417)	–	(91)	–	(508)	(1,167,463)	(571,420)
Finance income	71,458	14,346	729	127	69,252	84,454	161,343	317,255
Finance costs	(728,621)	(16,239)	(5,794)	(118)	(17,752)	(39,903)	(150,331)	(918,855)
Profit before income tax	2,755,594	202,317	41,489	171,418	2,650,405	3,065,629	3,289,376	9,110,599
Income tax expense	(595,530)	(50,213)	(11,284)	(42,335)	(1,166,978)	(1,270,810)	(1,205,632)	(3,071,972)
Profit for the year	2,160,064	152,104	30,205	129,083	1,483,427	1,794,819	2,083,744	6,038,627
Non-controlling interests	(1,221,567)	77	(12,696)	(38,265)	(564,608)	(615,492)	(102,732)	(1,939,791)
Subtotal	938,497	152,181	17,509	90,818	918,819	1,179,327	1,981,012	4,098,836
Profit attributable to perpetual securities holders	–	–	–	–	–	–	(91,866)	(91,866)
Profit attributable to ordinary shareholders of the Company	938,497	152,181	17,509	90,818	918,819	1,179,327	1,889,146	4,006,970
Depreciation and amortisation	2,042,704	320,238	42,761	41,800	3,852	408,651	80,349	2,531,704
Capital expenditure								
– Additions in investment properties, property, plant and equipment, construction in progress, land use rights and intangible assets	4,039,463	1,477,323	42,097	102,709	200	1,622,329	1,286,515	6,948,307
– Additions in property, plant and equipment, construction in progress, land use rights, and intangible assets arising from acquisition of subsidiaries	2,669,993	–	–	–	–	–	–	2,669,993
– Additions in interests in associates	344,528	–	–	–	–	–	138,326	482,854

(All amounts in HKD thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2019

	Toll roads	*Logistic business*					*Head office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related services*	*Logistic park transformation and upgrading services*	*Sub-total*		
Revenue from contracts with customers within the scope of HKFRS 15								
– Point in time	6,567,874	72,777	878,422	1,564,412	4,569,316	7,084,927	–	13,652,801
– Over time	2,407,676	–	–	–	–	–	–	2,407,676
Subtotal	8,975,550	72,777	878,422	1,564,412	4,569,316	7,084,927	–	16,060,477
Revenue from other sources	–	759,849	–	–	–	759,849	–	759,849
Revenue	8,975,550	832,626	878,422	1,564,412	4,569,316	7,844,776	–	16,820,326
Operating profit	2,500,521	194,682	53,425	192,679	2,820,291	3,261,077	2,863,149	8,624,747
Share of profit/(loss) of joint ventures	–	13,857	–	–	–	13,857	(344)	13,513
Share of profit/(loss) of associates	616,099	(182)	–	(491)	–	(673)	631,371	1,246,797
Finance income	57,189	5,856	12,051	172	36,979	55,058	165,847	278,094
Finance costs	(678,980)	(13,493)	(3,658)	(559)	(26,028)	(43,738)	(292,927)	(1,015,645)
Profit before income tax	2,494,829	200,720	61,818	191,801	2,831,242	3,285,581	3,367,096	9,147,506
Income tax benefit/(expense)	50,319	(28,133)	(13,892)	(34,698)	(974,761)	(1,051,484)	(1,036,800)	(2,037,965)
Profit for the year	2,545,148	172,587	47,926	157,103	1,856,481	2,234,097	2,330,296	7,109,541
Non-controlling interests	(1,253,879)	(6,665)	(22,397)	(40,804)	(542,072)	(611,938)	(130,179)	(1,995,996)
Subtotal	1,291,269	165,922	25,529	116,299	1,314,409	1,622,159	2,200,117	5,113,545
Profit attributable to perpetual securities holders	–	–	–	–	–	–	(92,951)	(92,951)
Profit attributable to ordinary shareholders of the Company	1,291,269	165,922	25,529	116,299	1,314,409	1,622,159	2,107,166	5,020,594
Depreciation and amortisation	1,722,143	243,619	37,123	58,696	3,820	343,258	48,493	2,113,894
Capital expenditure								
– Additions in investment properties, property, plant and equipment, construction in progress, land use rights and intangible assets	2,520,849	1,485,458	120,442	38,365	7,968	1,652,233	1,171,749	5,344,831
– Additions in property, plant and equipment, construction in progress, land use rights, and intangible assets arising from acquisition of subsidiaries	2,034,948	387,641	–	–	–	387,641	–	2,422,589
– Additions in interests in associates	314,340	–	–	–	–	–	–	314,340

(All amounts in HKD thousands unless otherwise stated)

5. SEGMENT INFORMATION *(continued)*

(a) The revenue from toll roads included construction service revenue under service concession arrangements in amount of HKD2,255,140,000 for the year (2019: HKD1,834,102,000).

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

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

6. INVESTMENT PROPERTIES

	2020	*2019*
Beginning of the year	**576,796**	330,979
Additions	**–**	116,058
Fair value gains	**20,387**	29,001
Transfer from construction in progress (Note 9)	**–**	119,635
Exchange difference	**14,122**	(18,877)
End of the year (Note 7(a))	**611,305**	576,796

The Group leases out investment property under operating leases. The leases typically run for an initial period of 1 to 10 years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments are usually increased every year to reflect market rentals. None of the leases includes variable lease payments.

Fair Value Hierarchy

The Group's investment properties were revalued at 31 December 2020. The valuations were performed by Asset Appraisal Limited, an independent firm of professionally qualified property valuers who have among their staff Fellow of the Hong Kong Institute of Surveyors with recent experience in location and category of property being valued.

None of the Group's investment properties measured at fair value are categorised as Level 1 and Level 2 input. The Group's investment properties are at Level 3 valuation.

(All amounts in HKD thousands unless otherwise stated)

6. INVESTMENT PROPERTIES *(continued)*

Fair Value Hierarchy *(continued)*

Information about Level 3 fair value measurements

	Valuation techniques	Unobservable input	Range
Investment properties Commercial	Market comparison approach	Discount on quality of the buildings	10% to 39% (2019: 10% to 39%)
Investment properties Leasehold	Income Capitalisation method	Capitalisation rate	8.85% (2019: 8.90%)
		Expected occupancy rate	80% to 85% (2019: 85%)

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

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

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020	*2019*
Within 1 year	**80,819**	83,809
After 1 year but within 2 years	**77,864**	68,557
After 2 years but within 3 years	**76,047**	71,023
After 3 years but within 4 years	**71,564**	67,883
After 4 years but within 5 years	**66,450**	62,704
After 5 years	**63,379**	58,296
	436,123	412,272

(All amounts in HKD thousands unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2020	*Land and buildings*	*Other properties leased for own use*	*Leasehold improvements*	*Motor vehicles*	*Furniture, fixtures, and equipment*	*Loading equipment and facilities in port and wind-power equipment*	*Total*
Net book amount as at 1 January 2020	5,825,862	597,386	13,615	35,302	1,130,518	2,427,034	10,029,717
Acquisition of subsidiaries (Note 41)	154,873	65	–	4,317	1,654	77,348	238,257
Transfer from construction in progress (Note 9)	1,361,914	–	–	–	47,848	824	1,410,586
Additions	468,498	125,169	4,009	24,060	451,726	167,234	1,240,696
Disposals	(30,027)	(5,906)	–	(2,423)	(33,813)	(611)	(72,780)
Exchange difference	410,588	37,688	899	2,337	78,365	154,756	684,633
Depreciation	(265,954)	(123,269)	(2,771)	(18,814)	(237,201)	(140,556)	(788,565)
Closing net book value	7,925,754	631,133	15,752	44,779	1,439,097	2,686,029	12,742,544
At 31 December 2020							
Costs	9,236,764	843,515	28,514	146,594	3,455,341	3,145,819	16,856,547
Accumulated depreciation and impairment	(1,311,010)	(212,382)	(12,762)	(101,815)	(2,016,244)	(459,790)	(4,114,003)
Net book value	7,925,754	631,133	15,752	44,779	1,439,097	2,686,029	12,742,544

Year ended 31 December 2019	*Land and buildings*	*Other properties leased for own use*	*Leasehold improvements*	*Motor vehicles*	*Furniture, fixtures, and equipment*	*Loading equipment and facilities in port and wind-power equipment*	*Total*
Net book amount as at 1 January 2019	3,419,288	523,342	9,070	47,272	657,283	1,140,370	5,796,625
Acquisition of subsidiaries	414,395	1,467,565	–	827	6,366	381,125	2,270,278
Transfer from construction in progress (Note 9)	2,288,487	–	–	–	418,570	6,853	2,713,910
Transfer	–	(1,484,431)	–	–	–	1,484,431	–
Additions	3,971	166,859	5,452	8,072	214,508	28,424	427,286
Disposals	(21,462)	–	–	(2,737)	(4,402)	(231,788)	(260,389)
Transfer to held for sale	–	–	–	–	–	(281,010)	(281,010)
Exchange difference	(88,129)	12,264	(226)	(957)	(17,345)	(25,628)	(120,021)
Depreciation	(190,688)	(88,213)	(681)	(17,175)	(144,462)	(75,743)	(516,962)
Closing net book value	5,825,862	597,386	13,615	35,302	1,130,518	2,427,034	10,029,717
At 31 December 2019							
Costs	6,912,026	677,740	23,041	118,709	2,823,982	2,723,709	13,279,207
Accumulated depreciation and impairment	(1,086,164)	(80,354)	(9,426)	(83,407)	(1,693,464)	(296,675)	(3,249,490)
Net book value	5,825,862	597,386	13,615	35,302	1,130,518	2,427,034	10,029,717

Property ownership certificates for buildings with net book value of HKD915,536,000 (2019: HKD332,595,000) are not procured. Due to the unique feature of the Group's operation of toll roads, the affiliated buildings and structures should be reverted to the government when the approved operating periods expire. Thus, the Group does not have a plan of procuring the property ownership certificates.

(All amounts in HKD thousands unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	*2020*	*2019*
Included in "Investment properties":			
Ownership interests in leasehold investment properties, carried at fair value, with remaining lease term of			
– between 10 and 50 years		**520,590**	493,664
– 10 years or less		**90,715**	83,132
	6	**611,305**	576,796
Included in "Property, plant and equipment":			
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost	(i)	**7,925,754**	5,825,862
Other properties leased for own use, carried at depreciated cost	(ii)	**631,133**	597,386
		8,556,887	6,423,248
Included in "Land use rights":			
Land use rights, carried at depreciated cost	8	**3,802,321**	3,393,684
Included in "Inventories":			
Land held for future development		**7,184,585**	2,745,190
Land and properties under development for sale		**4,427,960**	4,774,727
Completed properties for sale		**141,162**	78,334
		11,753,707	7,598,251
		24,724,220	17,991,979

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020	*2019*
Depreciation and amortisation charge of right-of-use assets by class of underlying asset:		
Property, plant and equipment	**389,223**	278,901
Land use rights (Note 8)	**88,213**	86,415
	477,436	365,316
Interest on lease liabilities (Note 34)	**38,086**	45,678
Expense relating to short-term leases	**27,957**	19,722
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**11,795**	9,923

During the year, additions to right-of-use assets were HKD6,997,494,000 (2019: HKD6,304,926,000). This amount included the purchase of a leasehold property of HKD2,377,335,000 (2019: HKD3,626,229,000), Land in Qianhai held for future development of HKD4,494,925,000 (2019: HKD2,511,838,000) and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of land leases included in the carrying amount of inventories, total cash outflow for leases and, the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in Notes 38(c)and 29, respectively.

(All amounts in HKD thousands unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) Right-of-use assets *(continued)*

(i) **Ownership interests in leasehold land and buildings held for own use**

The Group holds several industrial buildings for its logistics business, and some buildings for office use. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease.

(ii) **Other properties leased for own use**

The Group has obtained the right to use other properties as its logistic business warehouses through tenancy agreements. The leases typically run for an initial period of 2 to 20 years. Lease payments are usually increased every year to reflect market rentals.

8. LAND USE RIGHTS

	2020	*2019*
Beginning of the year	**3,393,684**	2,932,326
Acquisition of subsidiaries (Note 41)	**132,663**	59,086
Additions	**259,386**	624,597
Transfer to inventories	**(113,089)**	(69,517)
Amortisation (Note 7(a))	**(88,213)**	(86,415)
Exchange difference	**217,890**	(66,393)
End of the year	**3,802,321**	3,393,684

The analysis of carrying amount of leasehold land is as follows:

In the PRC	***2020***	*2019*
Medium-term leases (10 – 50 years)	**3,797,035**	3,388,195
Long-term leases (over 50 years)	**829**	1,050
Leases with unspecified periods	**4,457**	4,439
	3,802,321	3,393,684

9. CONSTRUCTION IN PROGRESS

	2020	*2019*
Net book value as at 1 January	**1,846,436**	2,424,315
Acquisition of subsidiaries (Note 41)	**91,522**	–
Additions	**2,423,997**	2,305,446
Transfer to property, plant and equipment (Note 7)	**(1,410,586)**	(2,713,910)
Transfer to investment properties (Note 6)	**–**	(119,635)
Exchange difference	**148,578**	(49,780)
Net book value as at 31 December	**3,099,947**	1,846,436

(All amounts in HKD thousands unless otherwise stated)

10. INTANGIBLE ASSETS

Concession intangible assets

	2020	2019
Cost	**46,090,008**	38,120,004
Accumulated amortisation and impairment	**(14,444,304)**	(11,859,262)
Net book value as at 31 December	**31,645,704**	26,260,742

	2020	2019
Net book value as at 1 January	**26,260,742**	27,020,690
Acquisition of subsidiaries (Note 41)	**2,207,551**	93,225
Additions	**3,024,228**	1,871,444
Amortisation	**(1,654,926)**	(1,510,517)
Impairment	**–**	(620,155)
Exchange difference	**1,808,109**	(593,945)
Net book value as at 31 December	**31,645,704**	26,260,742

(i) Toll roads

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 2 to 25 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any consideration payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options. Amortisation of concession intangible assets has all been charged in the consolidated income statement within "Cost of sales".

Kitchen waste disposal project

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

(ii) The operating rights of certain toll roads were pledged for secured borrowings (see Note 25(a)).

(All amounts in HKD thousands unless otherwise stated)

11. GOODWILL

	2020	2019
Cost and carrying amount as at 1 January	**262,427**	11,324
Additions	**–**	259,838
Exchange difference	**16,608**	(8,735)
Cost and carrying amount as at 31 December	**279,035**	262,427

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to following business:

	2020	2019
Environmental protection business	**185,276**	174,249
Logistic parks	**81,981**	77,102
Logistic services	**11,778**	11,076
	279,035	262,427

The recoverable amount of the CGUs in Toll roads is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. The cash flows are discounted using a pre-tax discount rate of 13.93%(2019:13.97%).The discount rates reflect specific risks relating to the relevant segments.

12. SUBSIDIARIES

(a) A list of the principal subsidiaries as at 31 December 2020 is disclosed in Note 43.

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2020 were HKD21,761,340,000 (2019: HKD14,725,298,000), of which HKD15,404,907,000 (2019: HKD9,846,027,000) was attributable to other equity holders of Shenzhen Expressway. The non-controlling interests in respect of other subsidiaries are not material.

On 4 December 2020, Shenzhen Expressway raised a perpetual bond of RMB4,000,000,000 (equivalent to approximately HKD4,810,187,000).The perpetual bond confer a right to receive distributions at the distribution rate of 4.6% per annum from the date of issuance of the bond. After ten years of issuance of the bond, the distribution rate would be increased by 2 percentage per annum if Shenzhen Expressway chooses not to redeem the bonds and the distribution rate will be further increased by 2 percentage per annum every two years and the distribution rate could be reset by at most twice. Accordingly, the distribution rates would be increased by at maximum 4 percentage per annum to a maximum rate of 8.6% per annum.

In the opinion of the management, as Shenzhen Expressway is able to control the delivery of cash or other financial assets to the holders of the perpetual bonds, the perpetual bond is classified as equity instrument and treated as non-controlling interests in the Group's financial statements.

(All amounts in HKD thousands unless otherwise stated)

12. SUBSIDIARIES *(continued)*

(b) Material non-controlling interests *(continued)*

Significant restrictions

Most of the cash and deposits held by Shenzhen Expressway were deposited in banks in the PRC and were subject to local exchange control regulations. These local exchange control regulations provide for restrictions on repatriating capital from the PRC, other than through dividends.

Set out below are the summarised financial information for Shenzhen Expressway that has non-controlling interests material to the Group. The summarised financial information presented below represents the amounts before any inter-company eliminations.

	2020	2019
Current assets	11,970,148	8,560,600
Non-current assets	53,536,458	41,648,281
Current liabilities	(16,869,447)	(7,236,956)
Non-current liabilities	(17,407,754)	(19,793,751)
Net assets	31,229,405	23,178,174
Non-controlling interests	3,864,383	2,625,802
Revenue	11,509,997	8,783,686
Profit for the year	2,538,574	2,870,335
Total comprehensive income	2,484,313	2,909,240
Total comprehensive income allocated to non-controlling interests	208,731	36,888
Dividends paid to non-controlling interests	181,047	205,836
Net cash generated from operating activities	1,280,565	1,967,677
Net cash used in investing activities	(5,108,765)	(284,787)
Net cash generated from/(used in) financing activities	4,137,298	(1,288,701)

13. INTERESTS IN ASSOCIATES

	2020	2019
Beginning of the year	14,527,280	13,811,104
Additions	482,854	314,340
Deduction	(15,613)	–
Transfer to disposals group held for sale	(570,348)	–
Share of (loss)/profit of associates	(571,420)	1,246,797
Share of other comprehensive income of associates	(52,285)	38,527
Share of associates' reserves movement	175,184	–
Dividends	(434,415)	(575,023)
Exchange difference	889,996	(308,465)
End of the year	14,431,233	14,527,280

The year-end balance comprises the following:

	2020	2019
Share of net assets, other than goodwill	11,721,214	11,944,907
Goodwill on acquisition (Note (b))	2,710,019	2,582,373
	14,431,233	14,527,280

(All amounts in HKD thousands unless otherwise stated)

13. INTERESTS IN ASSOCIATES *(continued)*

(a) The major associates as listed below are held indirectly by the Company, their place of business and country of incorporation is the PRC. They are accounted for using equity method.

Name	*% Ownership interest in*		*Business nature*
	2020	*2019*	
Shenzhen Airlines (Note (d))	**49%**	49%	Aviation services
Guangzhou Western Second Ring Expressway Company Limited	**25%**	25%	Construction, operation and management of highways
Shenzhen Huayu Expressway Investment Company Limited	**40%**	40%	Development, operation and management of highways
Nanjing Yangzi River Third Bridge Company Limited	**25%**	25%	Construction, operation and management of bridges
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	**25%**	25%	Construction, operation and management of highways
Bank of Guizhou Company Limited (Note (c))	**3.44%**	3.44%	Deposit and loan business; domestic clearing, bills acceptance and discounting; issuance, redemption and underwriting of various types of bonds; other businesses as approved by the banking regulatory authorities and related departments
Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd. ("Qianhai Real Estate")")	**50%**	50%	Real estate development
Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company")	**24%**	24%	Project management consulting, engineering consulting and sales of engineering materials
Shenzhen Zhongneng Electronic Commerce Company Limited	**10%**	10%	Software and information technology services
Shenzhen International Huazhang II Logistics Industry Investment Partnership Enterprise	**40%**	40%	Venture capital investment
Derun Company (Note (d))	**20%**	20%	Environment management and resources recovery
Hubei Prolog Technology Co., Ltd.	**10.75%**	N/A	Science technology promotion and application service
Foshan Shunde ShengChuang Expressway Environmental Science Industry M & A investment partnership	**45%**	N/A	Investment management

(All amounts in HKD thousands unless otherwise stated)

13. INTERESTS IN ASSOCIATES *(continued)*

(b) The balance represents the goodwill arising from the acquisition of equity interests in Yangmao Company, Consulting Company, Shenzhen Airlines and Derun Company.

(c) The Group maintains a board seat in the Board of Directors, which has significant influence over its management, including participation in the financial and operating policy decisions.

(d) In the opinion of the directors, Shenzhen Airlines and Derun Company are material associates to the Group. Shenzhen Airlines and Derun Company are private companies and there are no quoted market prices available for their shares. Set out below are the summarised financial information for Shenzhen Airlines and Derun Company.

Summarised balance sheet

	Shenzhen Airlines		*Derun Company*	
	2020	*2019*	***2020***	*2019*
Current				
Assets	**2,691,264**	3,797,908	**13,539,112**	9,798,092
Liabilities	**(29,254,970)**	(28,062,252)	**(9,509,096)**	(9,343,202)
Net current (liabilities)/assets	**(26,563,706)**	(24,264,344)	**4,030,016**	454,890
Non-current				
Assets	**74,510,419**	71,996,072	**45,335,250**	37,177,294
Liabilities	**(40,300,698)**	(37,861,087)	**(14,830,592)**	(9,398,311)
Net non-current assets	**34,209,721**	34,134,985	**30,504,658**	27,778,983
Non-controlling interests	**42,773**	(39,397)	**(15,130,524)**	(11,136,707)
Net assets	**7,688,788**	9,831,244	**19,404,150**	17,097,166

Summarised statement of comprehensive income

	Shenzhen Airlines		*Derun Company*	
	2020	*2019*	***2020***	*2019*
Revenue	**21,890,499**	35,927,965	**13,038,751**	11,259,325
(Loss)/Profit for the year	**(2,445,218)**	1,315,426	**1,190,017**	1,089,260
Other comprehensive income	**(8,816)**	2,358	**(138,504)**	193,095
Total comprehensive income	**(2,454,034)**	1,317,784	**1,051,513**	1,282,355
Dividends received from the associate	**112,994**	137,735	**143,804**	130,322

(All amounts in HKD thousands unless otherwise stated)

13. INTERESTS IN ASSOCIATES *(continued)*

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

Reconciliation of the summarised financial information presented to the carrying amount of their interests in the associates.

Summarised financial information

	Shenzhen Airlines		*Derun Company*	
	2020	*2019*	***2020***	*2019*
Opening net assets	**9,831,244**	9,017,108	**17,097,166**	16,838,780
(Loss)/profit for the year	**(2,445,218)**	1,315,426	**1,190,017**	1,089,260
Other comprehensive income	**(8,816)**	2,358	**(138,504)**	193,095
Associates' reserves movement	**–**	–	**875,921**	–
Dividend paid	**(230,601)**	(281,092)	**(737,922)**	(651,612)
Currency translation differences	**542,179**	(222,556)	**1,117,472**	(372,357)
Closing net assets	**7,688,788**	9,831,244	**19,404,150**	17,097,166
Interest in the associate (i)	**3,767,506**	4,817,310	**3,880,830**	3,419,433
Goodwill	**917,764**	863,139	**1,737,062**	1,633,673
Carrying value	**4,685,270**	5,680,449	**5,617,892**	5,053,106

(i) The Group shares 49% and 20% of equity interests of Shenzhen Airlines and Derun Company respectively.

(e) Summarised financial information for individually immaterial associates is as follows:

	2020	*2019*
Total carrying amount of individually immaterial associates in consolidated financial statements	**3,712,701**	3,793,725
Individually immaterial associates' results attributed to the Group:		
Profit for the year	**378,776**	384,386
Other comprehensive income	**47,729**	(1,248)
Total comprehensive income	**426,505**	383,138

(All amounts in HKD thousands unless otherwise stated)

14. INTERESTS IN JOINT VENTURES

	2020	2019
At the beginning of the year	**64,074**	75,304
Addition	**8,302**	–
Share of profit of joint ventures	**13,778**	13,513
Dividends received	**(820)**	(23,153)
Exchange difference	**4,688**	(1,590)
At the end of the year	**90,022**	64,074

(a) The major joint ventures as listed below are held indirectly by the Company, their place of business and country of incorporation is the PRC. They are accounted for using equity method.

Name	*% Ownership interest in*		*Business nature*
	2020	2019	
Shenzhen Airport International Express Supervision Center Co., Ltd.	**50%**	50%	Equipment services for customs monitoring
Shenzhen Longzhuo Logistics Co., Ltd.	**50%**	50%	Warehousing services
Shenzhen International Huazhang Logistics Industry Private Equity Funds Management Co., Ltd.	**38%**	38%	Fund management

All joint ventures are private companies and there are no quoted market prices available for their shares.

(b) In the opinion of the directors, none of the joint ventures is material to the Group. Summarised financial information for individually immaterial joint ventures is as follows:

	2020	2019
Total carrying amount of individually immaterial joint ventures in consolidated financial statements	**90,022**	64,074
Individually immaterial joint ventures' results attributed to the Group: Profit for the year	**13,778**	13,513
Total comprehensive income	**13,778**	13,513

(All amounts in HKD thousands unless otherwise stated)

15. OTHER FINANCIAL ASSETS

	2020	2019
Financial asset measured at amortised cost		
– Debt securities (Note (a))	593,684	–
Equity security designated at FVOCI (non-recycling)		
– Unlisted equity securities	56,075	53,662
Financial assets measured at FVPL		
– Listed securities in the PRC (Note (b))	343,265	219,160
– Unlisted equity securities (Note (c))	2,025,518	243,371
– Unlisted fund investment (Note (d))	263,890	240,983
	3,282,432	757,176
Less: non-current portion	(2,345,483)	(538,016)
Current portion	936,949	219,160

(a) As at 31 December 2020, debt securities of RMB500,000,000 held by the Group 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). The debt securities are interest-bearing at 4.3% per annum and will be matured on 7 April 2021.

(b) As at 31 December 2020, listed equity investments stated at market price represent 39,173,196 shares (2019: 39,173,196 shares) of CSG Holding Co., Ltd. ("CSG") held by the Group.

(c) As at 31 December 2020, unlisted equity investments mainly represent the Group's interest in Shenzhen SASAC Cooperative Development Private Investment Fund ("Kunpeng Fund") and Wanhe Securities Co., Ltd., both of which were subscribed or acquired during the year.

(d) As at 31 December 2020, the amount represents the Group's share in Shenzhen Capital Lingxiu Logistics Facility Phase I Private Investment Fund.

16. OTHER NON-CURRENT ASSETS

As at 31 December 2020, other non-current assets mainly includes: (i) Contract asset of HKD954,051,000 in relation to extension of toll period according to the compensation plan issued by the Department of Transportation of Guangdong; (ii) receivables of financing leases of HKD647,082,000 (2019: HKD114,303,000); (iii) prepaid construction cost of HKD376,159,000 (2019: HKD397,501,000); (iv) receivables of electricity subsidy of HKD363,650,000 (2019: HKD205,741,000); and (v) receivables from agent construction business HKD741,197,000 (2019: Nil).

(All amounts in HKD thousands unless otherwise stated)

17. INVENTORIES AND OTHER CONTRACT COSTS

	2020	2019
Land held for future development	**7,197,229**	2,760,347
Land and properties under development for sale	**6,405,424**	6,707,856
Completed properties for sale	**802,095**	342,505
Others	**571,483**	541,352
Impairment	**(254,577)**	(240,455)
	14,721,654	10,111,605

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2020	2019
Carrying amount of inventories sold	**4,664,178**	3,507,361
Reversal of write-down of inventories	**(1,752)**	(1,707)
Total	**4,662,426**	3,505,654

(b) The analysis of carrying amount of leasehold land held for properties development for sale included in above mentioned inventories is as follows:

In the PRC, with remaining lease term of:	2020	2019
between 10 and 50 years	**10,017,728**	4,092,074
50 years or more	**3,048,812**	3,506,177
	13,066,540	7,598,251

The amount of properties expected to be recovered after more than one year is HKD5,402,554,000. All the other inventories are expected to be recovered within one year.

(All amounts in HKD thousands unless otherwise stated)

18. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2020	*2019*
Contract assets		
Arising from performance under construction contracts	**454,716**	504,414
Less: Loss allowance	**(46,184)**	(905)
Contract assets, net of loss allowance	**408,532**	503,509
Receivables from contracts with customers within the scope of HKFRS 15, which are included in trade receivables (Note 19(a))	**2,454,288**	1,523,467

Typical payment terms which impact on the amount of contract assets recognised are as follows:

Construction contracts

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection.

The amount of contract assets that is expected to be recovered after more than one year is HKD366,603,000 (2019: HKD391,362,000).

(b) Contract liabilities

	2020	*2019*
Contract liabilities		
Advertising service		
– Advertising fee received in advance	**27,272**	10,055
Wind Power Business		
– Sales and maintenance fees received in advance	**7,116**	382,163
Property development		
– Pre-sale proceeds	**2,782,161**	4,220,506
	2,816,549	4,612,724

(All amounts in HKD thousands unless otherwise stated)

18. CONTRACT ASSETS AND CONTRACT LIABILITIES *(continued)*

(b) Contract liabilities *(continued)*

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

Property development

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

Movements in contract liabilities

	2020	2019
Balance at 1 January	**4,612,724**	1,825,004
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(4,290,379)**	(1,309,469)
Increase in contract liabilities as a result of receiving deposits and instalments during the year in respect of properties still under development as at 31 December 2020	**2,453,541**	4,057,168
Increase in contract liabilities as a result of accruing interest expense on advances	**40,663**	40,021
Balance at 31 December	**2,816,549**	4,612,724

The amount of pre-sale proceeds expected to be recognised as income after more than one year is HKD2,442,274,000 (2019: HKD394,446,000).

(All amounts in HKD thousands unless otherwise stated)

19. TRADE AND OTHER RECEIVABLES

	2020	2019
Trade receivables and bill receivables (Note (a))	**2,667,184**	1,588,348
Less: Loss allowance	**(212,896)**	(64,881)
Trade receivable, net of loss allowance (Note (a))	**2,454,288**	1,523,467
Lease receivables (Note (b))	**62,125**	93,807
Receivable from government arising from disposal of the Nanjing Xiba Port Projects	**–**	394,400
Advance to non-controlling shareholders of a subsidiary	**2,097,503**	1,871,404
Dividend receivable from associates	**115,810**	16,993
Other debtors less loss allowance (Note (c))	**1,173,401**	603,714
Financial assets measured at amortised cost	**5,903,127**	4,503,785
Deposits and prepayments (Note (d))	**1,318,392**	1,158,511
	7,221,519	5,662,296

(a) The settlement period of the toll revenue from toll road operations is normally within a month due to the implementation of unified toll collection policy on expressways of the Group in the PRC. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in Note 3.1(b). As at 31 December 2020, the ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

	2020	2019
0 – 90 days	**1,882,969**	1,249,205
91 – 180 days	**326,387**	110,368
181 – 365 days	**95,828**	74,341
Over 365 days	**362,000**	154,434
	2,667,184	1,588,348

(b) Lease receivables

	2020	2019
Lease receivables	**647,082**	208,401
Less: non-current portion	**(584,957)**	(114,594)
	62,125	93,807

(All amounts in HKD thousands unless otherwise stated)

19. TRADE AND OTHER RECEIVABLES *(continued)*

(b) Lease receivables *(continued)*

As at 31 December 2020, the total future minimum lease payments receivables were as follows:

	2020				2019			
	Lease payments receivable	Unearned finance income	Allowance of bad debt	Carrying amount	Lease payments receivable	Unearned finance income	Allowance of bad debt	Carrying amount
Within 1 year (inclusive)	**105,414**	**(42,627)**	**(662)**	**62,125**	106,453	(10,508)	(2,138)	93,807
After 1 year but within 5 years (inclusive)	**345,845**	**(132,078)**	**(1,321)**	**212,446**	112,030	(11,936)	(1,822)	98,272
Over 5 years	**469,262**	**(94,767)**	**(1,984)**	**372,511**	17,511	(1,029)	(160)	16,322
	920,521	**(269,472)**	**(3,967)**	**647,082**	235,994	(23,473)	(4,120)	208,401

(c) The amounts mainly included: (i) receivables of construction of wind power projects of HKD584,234,000 (2019: Nil); (ii) receivables of deposits and guarantees of HKD282,003,000 (2019: HKD200,117,000); (iii) interest receivables of HKD20,502,000 (2019: HKD15,217,000); (iv) receivable of an infrastructure project, Longli BT Project, of HKD26,744,000 (2019: Nil); and (v) receivables from toll station projects of HKD10,935,000 (2019: HKD12,474,000).

(d) The amounts mainly included: (i) prepayment for land use rights for future development and guarantee deposit of land use rights of HKD274,280,000 (2019: HKD269,613,000); (ii) prepaid of construction costs of HKD74,718,000 (2019: HKD253,928,000); (iii) prepaid transportation costs of HKD24,946,000 (2019: HKD27,413,000); (iv) prepaid materials cost of HKD263,558,000 (2019: HKD128,938,000); (v) other prepaid expenses and investment costs of HKD196,652,000 (2019: HKD137,235,000); and (vi) deductible value-added tax of HKD484,238,000 (2019: HKD341,384,000).

20. CASH AND CASH EQUIVALENTS

	2020	2019
Cash at bank and on hand (Note (a))	**15,103,646**	14,779,969
Less: Restricted bank deposits (Note (b))	**(2,521,504)**	(2,056,827)
Less: Deposits in banks with original maturities over 3 months (Note (c))	**(3,508,668)**	(791,378)
Cash and cash equivalents	**9,073,474**	11,931,764

(All amounts in HKD thousands unless otherwise stated)

20. CASH AND CASH EQUIVALENTS *(continued)*

(a) Cash and cash equivalents can be withdrawn as requested. The cash at bank and in hand were denominated in the following currencies:

	2020	2019
RMB	**15,013,072**	14,470,144
HKD	**54,632**	161,043
USD	**35,792**	148,620
Other currencies	**150**	162
	15,103,646	14,779,969

(b) As at 31 December 2020, the restricted bank deposits mainly represented restricted project funds for construction management.

(c) As at 31 December 2020, the deposits in banks with original maturities over 3 months mainly represented time deposits.

21. DISPOSAL GROUP HELD FOR SALE

On 9 August 2019, Nanjing Xiba Port Co., Ltd. ("Nanjing Xiba Port", a subsidiary of the Group) and the Management Committee of Nanjing Jiangbei District entered into an agreement on compensation for Nanjing Xiba Port assets expropriation with total consideration of RMB1,500,000,000. Pursuant to the agreement, Nanjing Xiba Port completed the first phase of assets transfer in the year ended 31 December 2019.

The second phase of assets transfer was completed on 31 July 2020, the net book value and consideration of the second phase of assets were amounted to RMB250,127,000 (equivalent to HKD296,992,000) and RMB696,815,000 (equivalent to HKD827,375,000) respectively; As a result, the Group recognised other net gain of RMB446,484,000 (equivalent to HKD514,798,000) in the consolidated income statement for the year ended 31 December 2020.

On 20 November 2020, the Group planned to dispose its all interest in two associates, Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company") and Yunfu Guangyun Expressway Company Limited ("Guangyun Company"). On 28 December 2020, the buyer paid a deposit of RMB156,010,000 (equivalent to HKD185,241,000).Since the share transfer has been approved by the Board of Directors of Shenzhen Expressway on 10 November 2020, and the transfer is expected to be completed within one year, the Group's interest in these two associates are reclassified as disposal group held for sale in the Group's financial statement as at 31 December 2020.

22. SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares (share)	Ordinary share capital	Share premium	Total
At 1 January 2019	2,119,872,855	2,119,873	8,432,355	10,552,228
Employee share option				
– proceeds from shares issued	11,122,109	11,122	103,129	114,251
– value of employee services (Note 33)	–	–	21,200	21,200
Issue of scrip shares as dividend (Note 37)	30,846,611	30,847	380,351	411,198
At 31 December 2019	2,161,841,575	2,161,842	8,937,035	11,098,877
Employee share option				
– proceeds from shares issued	1,434,663	1,435	13,820	15,255
– value of employee services (Note 33)	–	–	10,313	10,313
Issue of scrip shares as dividend (Note 37)	31,714,868	31,715	373,220	404,935
At 31 December 2020	2,194,991,106	2,194,992	9,334,388	11,529,380

(a) Authorised and issued shares

As at 31 December 2020, the total authorised number of shares was 3,000 million (2019: 3,000 million) with par value of HKD1.00 per share (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:

	2020		2019	
	Average Exercise price (HKD per share)	Number of share options (thousands)	Average Exercise price (HKD per share)	Number of share options (thousands)
At 1 January	**10.854**	**31,756**	11.521	42,009
Granted	**15.108**	**3,920**	–	–
Exercised	**10.633**	**(1,435)**	10.326	(11,122)
Forfeited	**10.571**	**(2,772)**	10.163	(1,699)
Adjusted	**–**	**2,861**	–	2,568
At 31 December	**10.677**	**34,330**	10.854	31,756

The related weighted-average share price at the time of exercise was HKD13.26 (2019: HKD15.11) per share in 2020.

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

(b) Share options *(continued)*

Share options outstanding at the end of the year have the following dates of expired and exercise prices:

Date of expired	*Exercise price (HKD per share)*	*Number of share options (thousands)*	
		2020	*2019*
25 May 2022 (Note (i))	10.223	**30,095**	31,756
25 May 2022 (Note (ii))	13.914	**4,235**	–
		34,330	31,756

(i) On 26 May 2017, 34,770,000 share options (the "2017 Share Options") with an exercise of HKD12.628 per share were granted to certain directors of the Company and to selected employees of the Group. The exercise price of 2017 Share Options represents the average closing price for the five business days immediately preceding the date of grant. 40% of the share options granted is to be vested on 26 May 2019, another 30% of the share options granted will be vested on 26 May 2020, and the remaining 30% of the share options granted will be vested on 26 May 2021. Vesting of the above mentioned share is conditional upon the individual performance of respective grantees and the achievement of certain performance targets of the Group. During the year, 2,751,000 (2019:806,000) of the 2017 Share Options were forfeited and 1,435,000 (2019: 6,285,000) of 2017 Share Options were 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 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 year, 21,000 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 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 HKD thousands unless otherwise stated)

23. OTHER RESERVES AND RETAINED EARNINGS

	Fair value reserve (non-recycling) (Note (a))	*Reserve funds (Note (b))*	*Capital reserve*	*Goodwill reserve*	*Merger reserves*	*Revaluation surplus*	*Other reserves (Note (c))*	*Currency translation reserve*	*Contributed surplus (Note (d))*	*Other reserves sub-total*	*Retained earnings*	*Total*
At 1 January 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	–	–	–	–	–	–	–	–	–	–	4,006,970	4,006,970
Net movement in fair value reserve on other financial assets (non-recycling)	(716)	–	–	–	–	–	–	–	–	(716)	–	(716)
Share of other comprehensive income of associates	–	–	–	–	–	–	(32,310)	–	–	(32,310)	–	(32,310)
Currency translation differences	(125)	–	–	–	–	–	–	1,982,554	–	1,982,429	–	1,982,429
Total comprehensive income	(841)	–	–	–	–	–	(32,310)	1,982,554	–	1,949,403	4,006,970	5,956,373
Transfer to reserve	–	338,011	–	–	–	–	–	–	–	338,011	(338,011)	–
Transactions with non-controlling interests	–	–	–	–	–	–	154,556	–	–	154,556	–	154,556
Share of associates' reserve's movement	–	–	–	–	–	–	90,326	–	–	90,326	–	90,326
Dividend relating to 2019 (Note 37)	–	–	–	–	–	–	–	–	–	–	(2,530,140)	(2,530,140)
At 31 December 2020	(2,470)	4,302,859	59,723	(159,583)	(2,148,839)	507,216	2,107,160	1,271,763	13,005	5,950,834	16,906,439	22,857,273
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	–	–	–	–	–	–	–	–	–	–	5,020,594	5,020,594
Net movement in fair value reserve on other financial assets (non-recycling)	(1,505)	–	–	–	–	–	–	–	–	(1,505)	–	(1,505)
Share of other comprehensive loss of associates	–	–	–	–	–	–	18,766	–	–	18,766	–	18,766
Currency translation differences	12	–	–	–	–	–	–	(633,303)	–	(633,291)	–	(633,291)
Total comprehensive income	(1,493)	–	–	–	–	–	18,766	(633,303)	–	(616,030)	5,020,594	4,404,564
Transfer to reserve	–	489,565	–	–	–	–	–	–	–	489,565	(489,565)	–
Dividend relating to 2018 (Note 37)	–	–	–	–	–	–	–	–	–	–	(2,252,192)	(2,252,192)
At 31 December 2019	(1,629)	3,964,848	59,723	(159,583)	(2,148,839)	507,216	1,894,588	(710,791)	13,005	3,418,538	15,767,620	19,186,158

23. OTHER RESERVES AND RETAINED EARNINGS *(continued)*

(a) The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period.

(b) In accordance with the PRC regulations, certain companies of the Group in the PRC are required to transfer part of their profits after taxation to various reserve funds, which are non-distributable, before profit distributions are made. The amounts of the transfers are subject to the approval of the boards of directors of these companies, in accordance with their joint venture agreements and/or articles of association.

(c) Other reserves mainly represented the differences between the considerations paid/received and the relevant carrying value of net assets of the subsidiaries acquired/disposed of for the transactions with certain non-controlling interests.

(d) The contributed surplus of the Group represents the difference between the nominal value of the shares of the former group holding company, acquired pursuant to the Group reorganisation on 9 January 1990, over the nominal value of the Company's shares issued in exchange thereof.

24. PERPETUAL SECURITIES

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

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

As the Perpetual Securities only impose contractual obligations on the Group to repay the principal or to pay any distributions under certain circumstances which are at the Group's discretion, they have in substance conferred upon the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligations, therefore they do not meet the definition for classification as financial liabilities under HKFRS 9. As a result, the whole instrument is classified as equity, and distributions if and when declared are treated as equity dividends.

During the year ended 31 December 2020, the profit attributable to the holders of perpetual securities, based on the applicable interest rate, amounted to HKD91,866,000 (31 December 2019: HKD92,951,000).

On 29 May and 24 November 2020, an amount of HKD45,931,000 and HKD45,935,000 was distributed to the holders of perpetual securities respectively.

(All amounts in HKD thousands unless otherwise stated)

25. BORROWINGS

	2020	2019
Non-current		
Long-term bank borrowings		
– Secured (Note (a))	**6,167,085**	9,674,210
– Unsecured	**6,687,481**	4,104,271
Medium-term notes (Note (b))	**2,134,462**	2,005,643
Senior notes (Note (c))	**776,856**	774,883
Corporate bonds (Note (d))	**5,874,980**	3,216,307
Panda bonds (Note (e))	**5,932,438**	5,577,263
Borrowings from finance lease companies (Note (f))	**489,258**	737,050
	28,062,560	26,089,627
Less: Current portion of bank borrowings	**(2,297,344)**	(841,241)
Less: Current portion of medium-term notes and bonds	**(9,439,000)**	–
Less: Current portion of borrowings from finance lease companies	**(150,445)**	(69,205)
	16,175,771	25,179,181
Current		
Short-term bank borrowings		
– Secured (Note (g))	**124,912**	50,018
– Unsecured	**1,486,519**	353,619
Super Short-term Commercial Paper (Note (h))	**2,374,114**	–
	3,985,545	403,637
Current portion of long-term borrowings		
– Secured (Note (a))	**423,956**	205,962
– Unsecured	**1,873,388**	635,279
Medium-term notes(Note (b))	**1,186,727**	–
Corporate bonds (Note (d))	**2,319,835**	–
Panda bonds (Note (e))	**5,932,438**	–
Borrowings from finance lease companies (Note (f))	**150,445**	69,205
	11,886,789	910,446
	15,872,334	1,314,083
Total borrowings	**32,048,105**	26,493,264

25. BORROWINGS *(continued)*

(a) Secured borrowings are as follows:

	2020 (HKD'000)	*2019 (HKD'000)*	
Qinglian Pledge Loan	**1,168,915**	5,745,501	Secured by a pledge of the operating rights of Qinglian Expressway
Coastal Syndicated Loan	**4,177,344**	3,928,709	Secured by a pledge of the operating rights of Coastal Expressway
Qinglong Pledge Loan	**572,904**	Nil	Secured by a pledge of the operating rights of Shuiguan Expressway
Huangshi Environmental Investment Bioland Renewable Energy Co., Ltd. ("Huangshi Bioland") Pledge Loan	**62,930**	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	**19,592**	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	**74,210**	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	**21,848**	Nil	Guaranteed by non-controlling interest, and secured by a pledge of the equity of Bioland Environmental subsidiaries
Guangxi Bioland Pledge Loan	**69,342**	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

25. 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 with interest repayable annually and the principal is to be repayable in full upon maturity on 30 July 2021.

On 15 August 2018, Shenzhen Expressway completed the issue of the RMB800 million medium-term notes, which has a term of 5 years and bears a fixed interest at 4.49% per annum with interest repayable annually and the principal is to be repayable in full upon maturity on 15 August 2023.

(c) On 26 March 2018, the Company issued a 5-year Hong Kong dollar senior notes of HKD780,000,000 at a discount rate of 99.344%, with a coupon rate of 3.75% per annum ("HKD Senior Notes"). The HKD Senior Notes interest is payable on 26 March, 26 June, 26 September, and 26 December of each year. The funds raised are used to invest in integrated logistics hubs, the repayment of certain existing debt obligations and general working capital purposes.

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

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

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"), with a coupon rate of 3.05% per annum. The interest of Corporate Bond C is payable annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, Shenzhen Expressway shall be entitled to adjust the coupon rate of corporate bonds and investors have the rights to sell back the bonds to the issuer.

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

(e) On 19 January 2018, the Company issued 5-years Panda Bond-Phase I with par value of RMB300 million carrying a coupon rate of 5.2% per annum. On 12 November 2018, the Company issued 5-years Panda Bond-Phase II with par value of RMB4,700 million carrying a coupon rate of 4.15% per annum. The interest of Panda Bonds should be paid annually, and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, the issuer shall be entitled to adjust the coupon rate of corporate bonds and investors shall be entitled to sell back the bonds to the issuer. Since the investors have the rights to sell back the bonds to the Company in November 2021, the Panda Bond was classified as current liabilities as at 31 December 2020.

(f) As at 31 December 2020, the franchise rights, the land use rights and the equity of Bioland Environmental subsidiaries, with the total net book value of HKD1,519,911,000 (2019: Nil), were pledged for secured borrowings from finance lease companies HKD489,258,000 (2019: Nil).

(g) As at 31 December 2020, bank borrowings of HKD124,911,000 (2019: HKD50,018,000) were secured by a pledge of the 45% equity interests of Jade Emperor Limited, a wholly-owned subsidiary of the Group.

(All amounts in HKD thousands unless otherwise stated)

25. BORROWINGS *(continued)*

(h) On 24 June 2020, Shenzhen Expressway issued the second phase of super short-term commercial paper of RMB1,000 million for a term of 270 days bearing interest at 2.4% per annum. On 24 September 2020, Shenzhen Expressway issued the third phase of super short-term commercial paper of RMB1,000 million for a term of 270 days bearing interest at 2.6% per annum. The first phase of super short-term commercial paper of RMB1,000 million for a term of 180 days bearing interest rate at 2.3% per annum were fully repaid on 14 September 2020.

(i) At 31 December 2020, the borrowings were repayable as follows:

	2020	2019
Within 1 year	**15,872,334**	1,314,084
Between 1 and 2 years	**2,379,984**	6,192,663
Between 2 and 5 years	**9,233,715**	11,183,906
Over 5 years	**4,562,072**	7,802,611
	32,048,105	26,493,264

(j) The carrying amounts of the borrowings are denominated in the following currencies:

	2020	2019
HKD	**1,201,656**	1,274,230
RMB	**28,526,614**	22,894,155
USD	**2,319,835**	2,324,879
	32,048,105	26,493,264

(k) The ranges of interest rates at the balance sheet date were as follows:

	2020			2019		
	HKD	**RMB**	**USD**	HKD	RMB	USD
Bank borrowings	**2.78%–5.88%**	**1.2%–5.23%**	**2.88%**	2.78%–5.86%	1.2%–5.5%	2.8%

(l) The Group has standby banking facilities as follows:

	2020	2019
Floating rate		
– Expiring within one year	**11,373,221**	9,236,121
– Expiring after one year	**43,649,605**	47,418,108
	55,022,826	56,654,229

(m) The fair value of borrowings approximates their carrying amount as the effect of discounting is not significant.

(All amounts in HKD thousands unless otherwise stated)

26. DEFERRED TAX

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Concession intangible assets	*Fair value changes of other financial assets*	*Tax losses*	*Payroll and other expenses accrued but not paid*	*New toll station operating subsidies*	*Relocation compensation for Meilinguan Project*	*Disposal gains of Nanjing Xiba Port assets*	*Business combinations involving enterprises not under common control*	*Accruals for construction costs and LAT*	*Unrealised profits*	*Toll road compensation income*	*Others*	*Total*
1 January 2019	(1,609,229)	(32,784)	–	20,797	154,080	469,300	–	–	–	–	–	(22,891)	(1,020,727)
Credited to equity													
– Change of fair value reserve on other financial assets	–	502	–	–	–	–	–	–	–	–	–	–	502
Acquisition of subsidiaries	(12,670)	–	–	–	–	–	–	(81,829)	–	–	–	–	(94,499)
Credited/(charged) to the consolidated income statement (Note 35)	630,448	(15,213)	160,488	68,142	(10,598)	(99,786)	(144,656)	1,880	37,128	–	–	(58,795)	569,038
Exchange differences	22,810	806	(968)	(918)	(3,308)	(9,670)	872	317	(224)	–	–	10,076	19,793
31 December 2019	(968,641)	(46,689)	159,520	88,021	140,174	359,844	(143,784)	(79,632)	36,904	–	–	(71,610)	(525,893)
1 January 2020	**(968,641)**	**(46,689)**	**159,520**	**88,021**	**140,174**	**359,844**	**(143,784)**	**(79,632)**	**36,904**	**–**	**–**	**(71,610)**	**(525,893)**
Credited to equity													
– Change of fair value reserve on other financial assets	**–**	**239**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**239**
Acquisition of subsidiaries	**(146,428)**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,376)**	**–**	**–**	**–**	**–**	**(155,804)**
Credited/(charged) to the consolidated income statement (Note 35)	**89,373**	**(26,761)**	**(18,015)**	**40,967**	**(6,745)**	**(133,648)**	**(128,659)**	**(3,270)**	**350,187**	**102,803**	**(198,271)**	**82,752**	**150,713**
Exchange differences	**(70,864)**	**(3,746)**	**9,559**	**6,939**	**4,949**	**18,790**	**(12,933)**	**4,585**	**11,537**	**3,064**	**(5,909)**	**(282)**	**(34,311)**
31 December 2020	**(1,096,560)**	**(76,957)**	**151,064**	**135,927**	**138,378**	**244,986**	**(285,376)**	**(87,693)**	**398,628**	**105,867**	**(204,180)**	**10,860**	**(565,056)**

(All amounts in HKD thousands unless otherwise stated)

26. DEFERRED TAX *(continued)*

	2020	2019
Net deferred tax assets recognised in the consolidated balance sheet	1,688,335	1,247,740
Net deferred tax liabilities recognised in the consolidated balance sheet	(2,253,391)	(1,773,633)
Total	(565,056)	(525,893)

The tax charge relating to components of other comprehensive income is as follows:

	2020			2019		
	Before tax	Tax credited	After tax	Before tax	Tax credited	After tax
Fair value (losses)/gains on other financial assets	(955)	239	(716)	(2,007)	502	(1,505)
Share of other comprehensive income of associates	(52,285)	–	(52,285)	38,527	–	38,527
Currency translation differences	2,774,649	–	2,774,649	(961,937)	–	(961,937)
	2,721,409	239	2,721,648	(925,417)	502	(924,915)

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets in respect of tax losses amounting to HKD821,175,000 (2019: HKD842,738,000) that can be carried forward against future taxable income.

The expiry year of tax losses in respect of which deferred tax assets were not recognised at 31 December 2020 is as follows:

Year	2020	2019
2020	–	611
2021	299,609	329,298
2022	202,318	235,762
2023	73,210	194,158
2024	94,561	82,909
2025	151,477	–
	821,175	842,738

The amount of profits on which withholding income tax has not been provided at 31 December 2020 was HKD12,018,035,000 (2019: HKD7,719,575,000). Deferred tax liabilities have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as the Group controls the dividend policy of these subsidiaries and management expects that it is probable that these profits will not be distributed in the foreseeable future.

(All amounts in HKD thousands unless otherwise stated)

27. OTHER NON-CURRENT LIABILITIES

	2020	2019
Compensations from government regarding operation of new toll station (Note (a))	488,552	513,135
Other deferred income (Note (b))	743,887	629,950
Long term employee bonus (Note (c))	136,327	118,173
Product warranty (Note (d))	20,388	11,485
Operating costs in the extended period for toll road compensation	157,965	–
Others	18,305	–
	1,565,424	1,272,743

(a) The amount mainly represents government compensations amounting to HKD488,552,000 (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 HKD43,275,000 was recognised for the year ended 31 December 2020 (2019: HKD45,339,000). The corresponding deferred income with maturity within one year amounted to HKD57,057,000 (2019: HKD47,625,000) was included in "Trade and other payables".

(b) Other deferred income includes government grants amounting to HKD500,603,000 (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 HKD4,534,000 (2019: HKD4,264,000) was included in "Trade and other payables".

(c) The amount represents employee bonus which are expected to be settled after one year.

(d) The amount represents product warranty related to the wind-power equipment sales of the Group.

(All amounts in HKD thousands unless otherwise stated)

28. TRADE AND OTHER PAYABLES

	2020	2019
Trade payables (Note (a))	**1,177,825**	497,132
Payables relating to construction projects (Note (b))	**5,937,494**	4,129,622
Dividend payable	**69,794**	68,338
Other payables and accrued expenses (Note (c))	**3,412,710**	2,535,783
Amount due to an associate (Note (d))	**2,049,335**	–
Financial liabilities measured at amortised cost	**12,647,158**	7,230,875
Receive in advance (Note (e))	**171,337**	–
Deferred income	**65,751**	202,042
	12,884,246	7,432,917

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

	2020	2019
0 – 90 days	**805,595**	264,972
91 – 180 days	**157,811**	29,448
181 – 365 days	**30,814**	25,230
Over 365 days	**183,605**	177,482
	1,177,825	497,132

(b) Construction payables mainly includs: (i) advances from government relating to construction projects is an amount of HKD2,126,893,000 (2019: HKD1,651,102,000); (ii) payable for projects of logistic parks and entrusted management and construction of highways is an amount of HKD3,810,601,000 (2019: HKD2,478,520,000).

(c) Other payables and accrued expenses mainly includs: (i) payables for entrusted service costs of HKD164,718,000 (2019: HKD155,813,000); (ii) interest payables of HKD207,361,000 (2019: HKD145,995,000); (iii) employee benefit expenses of HKD552,346,000 (2019: HKD520,227,000); (iv) payables for equity acquisition of HKD371,796,000 (2019: HKD234,557,000); (v) Value added tax and other tax payable of HKD561,906,000 (2019: HKD359,149,000); (vi) expenses payable for routine maintenance of highway of HKD256,903,000 (2019: HKD223,330,000); (vii) deposits received in advance for equity acquisition of HKD185,241,000 (2019: Nil); (viii) notes payables of HKD356,765,000 (2019: HKD147,124,000); and (ix) deposits payable of HKD274,062,000 (2019: HKD164,376,000).

(d) The amount represented 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 year ended 31 December 2020. As at 31 December 2020, RMB1,700,000,000 (equivalent to HKD2,018,523,000) (2019: Nil) was advance to the Group. The amount is unsecured, interest-bearing at 3.5% per annum and repayable within the year. The interest expenses for the year was HKD30,812,000 (2019: Nil).

(e) Receive in advance represent the proceeds from asset disposal amounted HKD171,337,000 (2019: Nil).

(All amounts in HKD thousands unless otherwise stated)

29. LEASE LIABILITIES

At 31 December 2020, the lease liabilities were repayable as follows:

	2020	*2019*
Within 1 year	**117,838**	100,452
After 1 year but within 2 years	**105,397**	84,073
After 2 years but within 5 years	**193,243**	198,101
After 5 years	**439,111**	440,100
	737,751	722,274
	855,589	822,726

30. REVENUE

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2020	*2019*
Revenue from contracts with customers within the scope of HKFRS 15		
Toll roads and environmental protection business		
– Toll revenue	**5,057,851**	5,305,292
– Entrusted construction management service and construction consulting service revenue	**583,985**	403,748
– Construction service revenue under Service Concession	**2,255,140**	1,834,102
– Environmental protection service	**2,906,285**	672,922
– Others	**701,830**	759,486
	11,505,091	8,975,550
Logistic Business		
– Logistic parks	**72,248**	72,777
– Logistic services	**952,225**	878,422
– Port and related services	**1,411,195**	1,564,412
– Logistic park transformation and upgrading service	**4,696,950**	4,569,316
	7,132,618	7,084,927
	18,637,709	16,060,477
Revenue from other sources		
Logistic Business		
– Gross rentals from logistic parks		
– Lease payments that are fixed or depend on an index or a rate	**814,700**	759,849
	19,452,409	16,820,326

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets are disclosed in Note 5.

(All amounts in HKD thousands unless otherwise stated)

30. REVENUE *(continued)*

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HKD2,816,549,000 (2019: HKD4,612,724,000). This amount represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development with the Group. This amount includes the interest component of pre-completion properties sales contracts under which the Group obtains significant financing benefits from the customers (see Note 2.32). The Group will recognise the expected revenue in future when or as the work is completed or, in the case of the properties under development for sale, when the properties are assigned to the customers, which is expected to occur over the next 12 to 36 months.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for logistic services and properties under development of which the revenue will be recognised within one year such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for logistic services that had an original expected duration of one year or less.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's construction contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

31. OTHER GAINS – NET

	2020	*2019*
Gain on replacement of land (Note 1)	**4,094,268**	2,457,559
Gain on disposal assets of Nanjing Xiba Port Co., Ltd. (Note 21)	**514,798**	578,624
Gain on adjustment of contingent consideration of Shuiguan Expressway	**46,120**	29,210
Change in fair value of other financial assets	**250,549**	86,851
Gain on disposal of derivative financial instruments	**20,702**	30,176
Loss on impairment of finance lease receivables	**(2,286)**	(4,145)
Gain on disposal of other financial assets	**–**	1,620
Loss on impairment of concession intangible assets	**–**	(620,155)
Gain on disposal of subsidiaries	**–**	294,582
Others	**39,094**	36,736
Total	**4,963,245**	2,891,058

(All amounts in HKD thousands unless otherwise stated)

32. EXPENSES BY NATURE

Expenses included in cost of sales, distribution costs and administrative expenses are analysed as follows:

	2020	2019
Construction services cost under Service Concession	**2,255,140**	1,834,102
Kitchen waste disposal project	**802,904**	–
Depreciation and amortisation	**2,531,704**	2,113,894
Employee benefit expenses (Note 33)	**1,398,502**	1,408,480
Transportation expenses and contractors' costs	**667,845**	572,624
Rental Charges	**150,536**	122,526
Other tax expenses	**134,972**	122,130
Commission, management fee and maintenance expenses for toll roads	**540,861**	420,638
Entrusted construction management service costs	**320,416**	264,255
Auditors' remuneration *		
– Audit services	**7,045**	6,547
– Non-audit services	**4,840**	4,337
Legal and consultancy fees	**89,225**	64,259
Cost of inventory sold (Note 17)	**4,662,426**	3,505,654
Others	**561,963**	702,079
	14,128,379	11,141,525

* *Auditors' remuneration in 2020 includes amounts of HKD3,805,000 for audit services (2019: HKD3,707,000) and HKD1,093,000 for non-audit services (2019: HKD818,000) respectively which are paid/payable to KPMG, the auditor of the Company.*

33. EMPLOYEE BENEFIT EXPENSES

	2020	2019
Wages and salaries	**1,133,159**	1,111,964
Pension costs-defined contribution plans	**49,902**	103,722
Share-based payment expenses (Note 22)	**10,313**	21,200
Others	**205,128**	171,594
	1,398,502	1,408,480

From 1 December 2000, a MPF scheme has been set up for eligible employees in Hong Kong of the Group. Contributions to the MPF Scheme by the Group and employees are calculated at rates specified in the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group by an independently administered fund.

The Group also contributes to employee retirement schemes established by the PRC local governments in respect of certain subsidiaries in the PRC. The PRC local governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated income statement as incurred.

No forfeited contributions (2019: Nil) were utilised during the year and none is available at the year-end to reduce future contribution.

(All amounts in HKD thousands unless otherwise stated)

33. EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2020 is set out below:

Name of director	*Fees*	*Salary*	*Discretionary bonuses*	*Other benefits*	*Employer's contribution to retirement scheme*	*Compensation for loss of office as director*	*Total*
Li Haitao (i)	–	286	1,257	76	130	–	1,749
Gao Lei (ii)	–	213	1,173	45	137	–	1,568
Wang Peihang (iii)	–	271	314	36	22	–	643
Dai Jingming (iv)	–	577	–	26	–	–	603
Hu Wei (v)	–	816	628	93	141	–	1,678
Zhou Zhiwei (vI)	–	650	794	76	68	–	1,588
Zhong Shanqun (vii)	–	406	471	45	99	–	1,021
Liu Jun (viii)	–	650	741	76	116	–	1,583
Liu Xiaodong (viii)	173	–	–	–	–	–	173
Cheng Tai Chiu, Edwin	350	–	–	–	–	–	350
Chan King Chung (ix)	204	–	–	–	–	–	204
Pan Chaojin (ix)	204	–	–	–	–	–	204
Ding Xun (x)	175	–	–	–	–	–	175
Nip Yun Wing (x)	175	–	–	–	–	–	175
Yim Fung (xi)	146	–	–	–	–	–	146
Xie Chudao (xi)	83	–	–	–	–	–	83
							11,943

The remuneration of each Director for the year ended 31 December 2019 is set out below:

Name of director	*Fees*	*Salary*	*Discretionary bonuses*	*Other benefits*	*Employer's contribution to retirement scheme*	*Compensation for loss of office as director*	*Total*
Li Haitao	–	270	1,112	68	150	–	1,600
Gao Lei	–	267	1,135	68	152	–	1,622
Zhong Shanqun	–	634	659	68	143	–	1,504
Liu Jun	–	634	636	68	141	–	1,479
Hu Wei	–	795	498	85	178	–	1,556
Xie Chudao	200	–	–	–	–	–	200
Liu Xiaodong	169	–	–	–	–	–	169
Ding Xun	351	–	–	–	–	–	351
Nip Yun Wing	351	–	–	–	–	–	351
Yim Fung	351	–	–	–	–	–	351
Cheng Tai Chiu, Edwin	351	–	–	–	–	–	351
							9,534

(i) The Chief Executive Officer of the Company has been re-designed to the Chairman of the Company on 6 May 2020.

(ii) The former Chairman of the Company and resigned on 6 May 2020.

33. EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Directors' emoluments *(continued)*

(iii) Appointed as an Executive Director on 1 September 2020.

(iv) Appointed as an Executive Director on 25 September 2020.

(v) Re-designated from the position of an Executive Director to a Non-Executive Director on 25 September 2020.

(vi) Appointed as a Non-Executive Director on 25 September 2020.

(vii) Resigned on 1 September 2020.

(viii) Resigned on 25 September 2020.

(ix) Appointed as an Independent Non-Executive Director on 12 June 2020.

(x) Resigned on 12 June 2020.

(xi) Resigned on 15 May 2020.

During the year ended 31 December 2020 and 2019, no emoluments had been paid by the Group to the directors or the five highest-paid individuals referred to in (b) below as an inducement to join or upon joining the Group or as a compensation for loss of office.

In addition to the above, certain share options were granted to Members of the Executive Directorate under the Company's 2014 Share Option Scheme, which were offered to them on 29 January 2014, 22 June 2016 and 26 May 2017. The entitlements of each of the Members are as follows:

Li Haitao was granted options in respect of 410,000 shares on 22 June 2016 and 1,210,000 shares on 26 May 2017, of which no option was vested in 2020 (2019: 461,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2020 was HKD409,000 (2019: HKD894,000).

Gao Lei was granted options in respect of 1,400,000 shares on 29 January 2014 and 1,270,000 shares on 26 May 2017, of which no option were vested in 2020 (2019: 300,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2020 was HKD241,000 (2019: HKD939,000).

Hu Wei was granted options in respect of 1,050,000 shares on 29 January 2014 and 950,000 shares on 26 May 2017, of which nil option was vested in 2020 (2019: Nil), and the respective fair value of the share-based payments recognised for the year ended 31 December 2020 was HKD321,000 (2019: HKD702,000).

Zhong Shanqun was granted options in respect of 1,050,000 shares on 29 January 2014 and 950,000 shares on 26 May 2017, of which nil option was vested in 2020 (2019: Nil), and the respective fair value of the share-based payments recognised for the year ended 31 December 2020 was HKD251,000 (2019: HKD702,000).

Liu Jun was granted options in respect of 1,050,000 shares on 29 January 2014 and 950,000 shares on 26 May 2017, of which no option was vested in 2020 (2019:20,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2020 was HKD268,000 (2019: HKD702,000).

(All amounts in HKD thousands unless otherwise stated)

33. EMPLOYEE BENEFIT EXPENSES *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2019: four) directors. The emoluments payable to the remaining three (2019: one) individual during the year is as follows:

	2020	*2019*
Basic salaries and allowances	**1,859**	634
Year-end bonuses	**2,176**	636
Contributions to the retirement scheme	**378**	143
Share-based payment expenses	**1,091**	702
Other benefits	**244**	68
	5,748	2,183

The emoluments fell within the following bands:

	Number of individuals	
	2020	*2019*
Emolument band		
HKD1,500,001 – HKD2,000,000	**2**	–
HKD2,000,001 – HKD2,500,000	**1**	1

34. FINANCE INCOME AND COSTS

	2020	*2019*
Finance income		
Interest income from bank deposits	**(317,255)**	(273,087)
Other interest income	**–**	(5,007)
Total finance income	**(317,255)**	(278,094)
Interest expense		
– Bank borrowings	**776,034**	628,602
– Medium-term notes	**91,011**	88,606
– Senior notes	**30,199**	28,627
– Corporate bonds	**210,563**	125,751
– Panda bonds	**242,964**	235,083
– Borrowings from finance lease companies (Note 38(b))	**60,980**	14,662
– Interest on contract liabilities	**40,336**	41,259
– Interest on lease liabilities (Note 38(b))	**38,086**	45,678
– Other interest costs	**52,186**	38,999
Net foreign exchange (gains)/losses	**(260,711)**	35,955
Loss/(gain) on derivative financial instruments directly attributable to borrowings	**168,762**	(19,758)
Less: finance costs capitalised on qualified assets	**(531,555)**	(247,819)
Total finance costs	**918,855**	1,015,645
Net finance costs	**601,600**	737,551

Finance costs of HKD531,555,000 (2019: HKD247,819,000) have been capitalised for the construction of qualified assets such as property, plant and equipment, construction in progress and properties under development in 2020, using an average interest rate of 3.93% (2019: 3.89%) per annum.

(All amounts in HKD thousands unless otherwise stated)

35. INCOME TAX EXPENSE

	2020	2019
Current income tax		
PRC Corporate Income Tax	**2,537,046**	1,983,298
Land appreciation tax	**661,425**	397,157
Withholding income tax on dividends	**24,214**	226,548
Deferred tax (Note 26)	**(150,713)**	(569,038)
	3,071,972	2,037,965

The taxation on the Group's profit before income tax differs from the theoretical amount that would have arisen using the main statutory tax rate applicable to profit of the Group due to the following:

	2020	2019
Profit before income tax	**9,110,599**	9,147,506
Tax calculated at a tax rate of 25% (2019: 25%)	**2,277,650**	2,286,877
Tax impact of:		
– Different tax rates in other jurisdiction	**(35,064)**	(34,237)
– Non-taxable income	**(15,737)**	(48,288)
– Non-deductible expenses	**93,424**	44,807
– Unrecognised tax losses	**61,678**	52,394
– Share of loss/(profit) of joint ventures and associates	**139,410**	(315,078)
– Withholding income tax on dividends (Note (b))	**24,214**	226,548
– Use of unrecognised deductible tax losses and temporary difference in respect of prior years	**(18,517)**	(480,775)
– Adjustment in respect of prior years	**36,916**	7,849
– LAT and LAT deductible for PRC CIT purpose	**507,998**	297,868
Income tax expense	**3,071,972**	2,037,965

(a) Hong Kong Profits Tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year.

The PRC Corporate Income Tax charged to the consolidated income statement was calculated based on the assessable profits of the Company's subsidiaries located in the PRC of the year at a rate of 25% (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.

(b) According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding income tax rate will be reduced from 10% to 5%.

Certain profits generated by the relevant PRC subsidiaries would be distributed to their non-PRC registered intermediate holding companies and as such, deferred tax liability in this respect was provided accordingly in the consolidated financial statements of the Group for the current year to the extent that such earnings are estimated by the directors of the Company to be distributed in the foreseeable future.

36. EARNINGS PER SHARE

(a) Basic

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

	2020	*2019*
Profit attributable to ordinary shareholders of the Company	**4,006,970**	5,020,594
Weighted average number of ordinary shares in issue (thousands)	**2,179,419**	2,141,500
Basic earnings per share (HKD per share)	**1.84**	2.34

Weighted average number of ordinary shares calculated as follows:

	2020	*2019*
Issued ordinary shares at 1 January	**2,161,842**	2,119,873
Effect of scrip shares dividend issued	**680**	5,570
Effect of share options exercised	**16,897**	16,057
Weighted average number of ordinary shares at 31 December	**2,179,419**	2,141,500

(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.

	2020	*2019*
Profit attributable to ordinary shareholders of the Company	**4,006,970**	5,020,594
Weighted average number of ordinary shares in issue (thousands)	**2,179,419**	2,141,500
Adjustments – share options (thousands)	**6,239**	9,285
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,185,658**	2,150,785
Diluted earnings per share (HKD per share)	**1.83**	2.33

37. DIVIDENDS

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 the shareholders in the annual general meeting held on 15 May 2020, 31,715,000 new shares were issued at a price of HKD12.768 per share, totalling HKD404,935,000. The remaining dividends totalling HKD2,125,205,000 was paid in cash in June 2020. At the board meeting on 26 March 2021, the board recommended the payment of final dividend and special dividend for the year of 2020 of HKD0.122 per ordinary share and HKD0.838 per ordinary share respectively. Such dividends are to be approved by the shareholders at the forthcoming annual general meeting of the Company in 2021 ("Annual General Meeting"). These consolidated financial statements do not reflect this as dividend payable.

(All amounts in HKD thousands unless otherwise stated)

37. DIVIDENDS *(continued)*

	2020	2019
Proposed final and total dividend of HKD0.122 (2019: HKD0.53) per ordinary share	**267,789**	1,145,776
Proposed special dividend of HKD0.838 (2019: HKD0.64) per ordinary share	**1,839,402**	1,383,579
	2,107,191	2,529,355

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

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before income tax to consolidated cash generated from operations is set out as below

	2020	2019
Profit before income tax	**9,110,599**	9,147,506
Adjustments for:		
– Depreciation (Note 7)	**788,565**	516,962
– Amortisation of land use rights (Note 8)	**88,213**	86,415
– Amortisation of intangible assets (Note 10)	**1,654,926**	1,510,517
– Impairment loss of trade receivables, contract assets and lease receivables	**161,323**	35,650
– Loss on disposal of derivative financial instruments (Note 31)	**(20,702)**	(30,176)
– Gain on asset compensation of Nanjing Xiba Port Co., Ltd. (Note 31)	**(514,798)**	(578,624)
– Gain on replacement of land (Note 31)	**(4,094,268)**	(2,457,559)
– Gain on disposal of a subsidiary (Note 31)	**–**	(294,582)
– Loss on impairment of concession intangible assets	**–**	649,365
– Gain on adjustment of contingent consideration of Shuiguan Expressway	**(46,120)**	(29,210)
– Deferred income recognised	**(289,772)**	(164,023)
– Share-based payment expenses (Note 33)	**10,313**	21,200
– Gains on disposal of property, plant and equipment	**(1,247)**	(3,040)
– Change in fair value of other financial assets (Note 31)	**(250,549)**	(86,851)
– Fair value gains on investment properties	**(20,387)**	(29,001)
– Interest income (Note 34)	**(317,255)**	(278,094)
– Interest expense (Note 34)	**918,855**	1,015,645
– Share of loss/(profit) of associates and joint ventures (Notes 13 and 14)	**557,642**	(1,260,310)
– Dividend income	**(33,018)**	(49,939)
	7,702,320	7,721,851

(All amounts in HKD thousands unless otherwise stated)

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(a) Reconciliation of profit before income tax to consolidated cash generated from operations is set out as below *(continued)*

	2020	*2019*
Changes in working capital:		
– Inventories	**(307,200)**	457,580
– Trade and other receivables	**(1,961,158)**	1,268,363
– Trade and other payables	**2,823,434**	(415,066)
– Change of contract assets	**260,882**	(155,727)
– Change of contract liabilities	**(1,841,295)**	2,742,631
– Other non-current assets	**(1,343,046)**	–
(Increase)/decrease in restricted bank deposits	**(464,677)**	32,162
Cash generated from operations	**4,869,260**	11,651,794

Non-cash transactions

The principal non-cash transactions for the year ended 31 December 2020 represented the issue of shares to satisfy dividend pursuant to the scrip dividend scheme as disclosed in Note 37.

(All amounts in HKD thousands unless otherwise stated)

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings (Note 25)	*Notes and bonds (Note 25)*	*Lease liabilities (Note 29)*	*Derivative financial instruments held to corporate bonds*	*Total*
At 1 January 2020	14,919,164	11,574,100	822,726	(70,005)	27,245,985
Changes from financing cash flows:					
Proceeds from borrowings	5,604,346	4,836,481	–	–	10,440,827
Repayment of borrowings	(6,052,647)	–	–	–	(6,052,647)
Repayment of financing leasing assets	(773,936)	–	–	–	(773,936)
Capital element of lease rentals paid	–	–	(140,858)	–	(140,858)
Interest element of lease rentals paid	–	–	(38,086)	–	(38,086)
Total changes from financing cash flows	(1,222,237)	4,836,481	(178,944)	–	3,435,300
Exchange adjustments	901,372	666,685	51,512	599	1,620,168
Changes in fair value	–	–	–	168,762	168,762
Other change:					
Adjustment of amortisation cost	–	15,584	–	–	15,584
Proceeds from new loans from acquisition of a subsidiary	295,976	–	–	–	295,976
Increase in lease liabilities from acquisition of a subsidiary	–	–	41	–	41
Increase in lease liabilities from entering into new leases during the period	–	–	122,168	–	122,168
Interest expenses (Note 34)	60,980	–	38,086	–	99,066
Total other change	356,956	15,584	160,295	–	532,835
At 31 December 2020	14,955,255	17,092,850	855,589	99,356	33,003,050

(All amounts in HKD thousands unless otherwise stated)

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Reconciliation of liabilities arising from financing activities *(continued)*

	Bank loans and other borrowings (Note 25)	*Notes and bonds (Note 25)*	*Lease liabilities (Note 29)*	*Total*
At 1 January 2019	14,848,198	11,763,662	720,078	27,331,938
Changes from financing cash flows:				
Proceeds from borrowings	5,202,760	–	–	5,202,760
Repayment of borrowings	(4,928,704)	–	–	(4,928,704)
Repayment of financing leasing assets	–	–	(1,491,802)	(1,491,802)
Capital element of lease rentals paid	–	–	(63,338)	(63,338)
Interest element of lease rentals paid	–	–	(45,678)	(45,678)
Total changes from financing cash flows	274,056	–	(1,600,818)	(1,326,762)
Exchange adjustments	(523,450)	(219,798)	15,907	(727,341)
Other change:				
Adjustment of amortisation cost	–	30,236	–	30,236
Increase in loans from acquisition of subsidiaries	305,698	–	–	305,698
Increase in lease liabilities from acquisition of a subsidiary	–	–	1,467,565	1,467,565
Increase in lease liabilities from entering into new leases during the period	–	–	174,316	174,316
Interest expenses (Note 34)	14,662	–	45,678	60,340
Total other change	320,360	30,236	1,687,559	2,038,155
At 31 December 2019	14,919,164	11,574,100	822,726	27,315,990

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2020	*2019*
Within operating cash flows	**39,752**	29,645
Within investing cash flows	**1,871,001**	3,497,305
Within financing cash flows	**178,944**	1,600,818
	2,089,697	5,127,768

These amounts relate to the following:

	2020	*2019*
Lease rentals paid	**218,696**	1,630,463
Purchase of leasehold property	**1,871,001**	3,497,305
	2,089,697	5,127,768

(All amounts in HKD thousands unless otherwise stated)

39. GUARANTEES AND CONTINGENCIES

(a) As at 31 December 2020, 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 HKD42,508,000).

(b) As at 31 December 2020, the Group has given collateral liability guarantees by phases of approximately HKD 6,481,491,000 (2019: HKD5,596,820,000) 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, the Group shall undertake to repay outstanding mortgage loans together with any accrued interest and penalty due to banks by purchasers in defaults. The validity period of the Group's guarantee shall commence from the date of grant of relevant mortgage loans and expire upon receipts of property ownership certificates by respective purchasers. The directors of the Group consider that, in case of default in repayments, the net realisable value of related properties should be able to cover repayments of been made in respect of the guarantees outstanding mortgage loans together with any accrued interest and penalty and, accordingly, no provision has been made in respect of the guarantees.

(c) As at 31 December 2020, 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, the Group has arranged with a bank to issue irrevocable performance guarantees to Shenzhen Longhua New District City Construction Bureau amounting to HKD54,856,000 (2019: HKD51,591,000).

(d) During the year, Nanjing Wind Power, a subsidy of Shenzhen Expressway made the finance lease sales cooperation with China Development Bank Financial Leasing Company Limited (hereinafter referred to as "China Development Bank Leasing"), both parties agreed that China Development Bank Leasing provide finance leasing services for end customers of Nanjing Wind Power. If end customers fails to fulfil the payment obligation under the finance lease agreement, Nanjing Wind Power shall assume the re-disposal obligation of the leased equipment, and compensate the difference between the disposal price of the leased equipment attributable to China Development Bank Leasing and the uncollected finance lease balance. As at 31 December 2020, the finance lease balance was HKD1,004,710,000 (2019: Nil).

(e) As at 31 December 2020, Shenzhen Expressway was entrusted by the Shenzhen Ecological Environment Bureau to manage the Ecological Science and Technology Industrial Park Infrastructure and Supporting Projects of Shenzhen-Shantou special cooperation zone. According to the contractual construction entrusted management contract, Shenzhen Expressway has provided the Shenzhen Ecological Environment Bureau with an irrevocable performance bank guarantee of RMB22,660,000 (equivalent to HKD26,906,000) (2019: HKD25,304,000).

40. COMMITMENTS

(a) Capital commitments

	2020	2019
Capital commitments – expenditure of property, plant and equipment, concession intangible assets and land premium		
– Authorised but not contracted	**4,441,544**	2,674,531
– Contracted but not provided for	**6,806,783**	5,878,318
	11,248,327	8,552,849

(All amounts in HKD thousands unless otherwise stated)

41. BUSINESS COMBINATION

Acquisition of Bioland Environmental

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 67.14% equity interest in Bioland Environmental at a total consideration of RMB798,137,000 (equivalent to HKD902,972,000).

The following table summarises the consideration paid, the fair value of assets acquired and 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	191,954
Inventories and other contract costs	26,024
Contract assets	159,769
Property, plant and equipment	13,887
Land use rights	25,644
Construction in progress	35,202
Intangibles assets	2,125,868
Other financial assets	2,538
Deferred tax assets	17,080
Other non-current assets	41,349
Trade and other payables	(829,409)
Contract liabilities	(4,784)
Borrowings	(295,976)
Lease liabilities	(41)
Other non-current liabilities	(483,087)
Deferred tax liabilities	(146,428)
Non-controlling interest	(493,149)
Net assets acquired attributable to the Group	902,972
Total consideration	902,972
Less: consideration payables as at 31 December 2020	(41,638)
Cash paid during year ended 31 December 2020	861,334
Cash and cash equivalent acquired	(478,044)
Net cash outflow in the acquisition including in the investing activities	383,290

The revenue included in the consolidated income statement since the acquisition date contributed by Bioland Environmental was HKD977,459,000. Bioland Environmental also contributed profit of HKD31,539,000 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 HKD19,501,123,000 and a profit of HKD6,032,454,000.

(All amounts in HKD thousands unless otherwise stated)

41. BUSINESS COMBINATION *(continued)*

Acquisition of Guangdong Boyuan Construction Engineering Co., Ltd. and Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Co., Ltd.

During the year, the Group has acquired certain subsidiaries which enable the Group to expand its environmental business.

The following table summarises the consideration paid and the fair value of assets acquired, liabilities assumed at the acquisition date:

Recognised amounts of identifiable assets acquired and liabilities assumed at the date of acquisition	
Cash and cash equivalents	40,027
Trade and other receivables	96,886
Property, plant and equipment	224,370
Inventories and other contract costs	3,751
Construction in progress	56,320
Intangibles assets	81,683
Land use rights	107,019
Contract assets	6,136
Trade and other payables	(60,106)
Deferred tax liabilities	(26,456)
Non-controlling interest	(263,514)
Net assets acquired attributable to the Group	266,116
Total consideration	266,116
Less: consideration payables as at 31 December 2020	(90,229)
Cash paid during year ended 31 December 2020	175,887
Cash and cash equivalent acquired	(40,027)
Net cash outflow in the acquisition including in the investing activities	135,860

The revenue included in the consolidated income statement since the acquisition date contributed by the above subsidiaries was HKD20,490,000. The above subsidiaries contributed net loss of HKD651,000 over the period.

Had the above subsidiaries been consolidated from 1 January 2020, the consolidated income statement for the year would show pro-forma revenue of HKD19,475,733,000 and a profit for the year of HKD6,032,844,000.

42. RELATED-PARTY TRANSACTIONS

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

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

Apart from the related party transactions and balances already disclosed in other notes to the consolidated financial statements, the following material transactions were carried out with related parties during the year:

(a) On 1 December 2016, Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company") became an associate of Shenzhen Expressway, and Shenzhen Expressway and Consulting Company entered into a service agreement pursuant to which Consulting Company provides engineering consulting, management and testing service. During the year ended 31 December 2020, Shenzhen Expressway paid service fee to Consulting Company amounting to RMB25,094,000 (equivalent to HKD29,796,000) (2019: RMB18,839,000 (equivalent to HKD21,165,000)).

(b) As at 31 December 2020, the Group's investment commitments to related parties was RMB748,336,000 (equivalent to HKD888,549,000) (2019: RMB537,086,000 (equivalent to HKD599,761,000)), which included the capital increase commitment of Shenzhen Expressway in an associate of RMB433,336,000(equivalent to HKD514,529,000)(2019: RMB537,086,000 (equivalent to HKD599,761,000)) and its capital contribution commitment of RMB315,000,000 (equivalent to HKD374,020,000) (2019: Nil) for the establishment of a buyout fund.

(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 year ended 31 December 2020. As at 31 December 2020, RMB1,766,517,000 (equivalent to HKD2,025,131,000) (2019: RMB1,659,000,000 (equivalent to HKD1,852,596,000)) was advanced to its non-controlling shareholder. During the year, United Land Company recognised interest income amounted to RMB60,062,000 (equivalent to HKD69,252,000) (2019: RMB15,889,000 (equivalent to HKD17,851,000)), with an initial interest rate at 3.65% per annum. The interest is repayable annually.

(d) During the year ended 31 December 2020, Qianhai Real Estate, an associate of the Group, provided RMB1,725,950,000 (equivalent to HKD2,049,335,000) (2019: Nil) cash advanced to Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd.,a wholly-owned subsidiary of the Group.

For the year ended 31 December 2020, the transactions stated in Note (c) above constitute continued connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are disclosed in the Directors' Report.

(All amounts in HKD thousands unless otherwise stated)

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2020:

Name	*Principal activities*	*Issued and fully paid share capital/ paid-in capital*	*Interest held by Group (%)*	*Non-controlling interests (%)*
Shenzhen International Total Logistics (Shenzhen) Co., Ltd.◊	Investment holding	RMB200,000,000	100	–
Shenzhen Total Logistics Service Co., Ltd.@	Provision of total logistics and transportation ancillary services	RMB31,372,549	51	49
Xin Tong Chan Development (Shenzhen) Co., Ltd.△	Investment holding	RMB200,000,000	100	–
Shenzhen International South-China Logistics Co., Ltd.@	Development, construction, operation and management of South China Logistic Park	RMB350,000,000	100	–
Shenzhen International Supply Chain Management Nanjing Co., Ltd@	Supply chain management services	RMB10,000,000	100	–
Shenzhen International Holdings (SZ) Limited△	Investment holding	HKD2,180,000,000	100	–
Shenzhen EDI Co., Ltd.@	Provision of electronic information exchange, transmission and value-added information sharing services	RMB22,760,000	79.87	20.13
Shenzhen International West Logistics Co., Ltd.@	Development, construction, operation and management of Western Logistic Park	RMB450,000,000	100	–
Shenzhen Bao Tong Highway Construction and Development Limited@	Development, construction, investment, operation and management of toll highway	RMB1,533,800,000	100	–
Shenzhen Longda Expressway Company Limited@	Operation and management of Longda Expressway	RMB200,000,000	89.93	10.07
Shenzhen Expressway Company Limited^	Investment, construction, operation and management of toll highways and roads	RMB2,180,770,326	51.56	48.44
Hubei Magerk Expressway Management Private Limited△	Operation and management of highways and expressways	USD28,000,000	100	–
Shenzhen International Booming Total Logistics Co., Ltd.@	Logistic services and related warehouse facilities	RMB90,000,000	55.39	44.61
Shenzhen Shen Guang Hui Highway Development Company@	Investment holding	RMB105,600,000	100	–
Nanjing Xiba Wharf Co. Ltd.◊*	Construction, operation and management of Wharf and Logistics Centres at Xiba Port of Nanjing	RMB455,000,000	70	30
Guangdong Qinglian Highway Development Company Limited◊	Development, operation and management of highways	RMB3,361,000,000	76.37	23.63

(All amounts in HKD thousands unless otherwise stated)

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name	*Principal activities*	*Issued and fully paid share capital/ paid-in capital*	*Interest held by Group (%)*	*Non-controlling interests (%)*
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited[@]	Construction, operation and management of an expressway	RMB440,000,000	100	–
Shenzhen Meiguan Expressway Company Limited[@]	Construction, operation and management of an expressway	RMB332,400,000	100	–
Nanchang Shenzhen International Integrated Logistics Hub Development Co., Ltd.[△]	Construction, operation and management of urban integrated logistics hub at Nanchang Economic and Technological Development Zone	USD25,000,000	100	–
Shenzhen International Huatongyuan Logistics Co., Ltd.[@*]	Logistic services and related warehouse facilities	RMB60,000,000	51	49
Nanjing Xiba Port Co., Ltd.[◇*]	Construction, operation and management of Wharf and logistics centres at Xiba Port in Phase 2 of Nanjing	RMB420,000,000	70	30
Shenzhen International Logistics Development Co., Ltd.[@*]	Investment holding	RMB1,250,000,000	100	–
Shenyang Shenzhen International Integrated Logistics Properties Co., Ltd.[@*]	Construction, operation and management of Shenyang International Logistics Integrated Logistics Park at Shenyang Yuhong District	RMB250,000,000	100	–
Wuxi Shenzhen International Integrated Logistics Hub Co., Ltd.[△]	Construction, operation and management of urban integrated logistics hub at Wuxi Huishan District	USD50,000,000	100	–
Wuhan Shenzhen International Integrated Logistics Hub Development Co., Ltd.[@]	Construction, operation and management of urban integrated logistics hub at Wuhan Dongxihu District	RMB100,000,000	100	–
Wuhan Shenzhen International Supply Chain Management Co., Ltd.[△]	Supply chain management services	USD30,000,000	100	–
Shijiazhuang Shenzhen International Integrated Logistics Hub Development Co., Ltd.[@]	Construction, operation and management of urban integrated logistics hub at Shijiazhuang Zhengding County	RMB100,000,000	25	75
Shenzhen International Modern Urban Logistics Hub Co., Ltd.[@]	Construction, operation and management of logistics hub at Shenzhen Longhua	RMB200,000,000	100	–
Shenzhen International United Land Co., Ltd.[@ #]	Acquisition and demolition of Meilin Checkpoint Urban Renewal Project's land	RMB714,285,714	70	30
Fengcheng Shenzhen International Harbour Co., Ltd.	Construction and management of port facilities for public wharfs	RMB10,000,000	55	45
Tianjin Shenzhen International Integrated Logistics Hub Development Co., Ltd.[@]	Construction, operation and management of urban integrated logistics hub at Tianjin Binhai New Area	RMB8,000,000	100	–
Changsha Shenzhen International Integrated Logistics Hub Development Co., Ltd.[@]	Construction, operation and management of urban integrated logistics hub at Changsha Jinxia Economic Development Zone	RMB181,000,000	100	–

(All amounts in HKD thousands unless otherwise stated)

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name	*Principal activities*	*Issued and fully paid share capital/ paid-in capital*	*Interest held by Group (%)*	*Non-controlling interests (%)*
Hangzhou Shenzhen International Supply Chain Management Co., Ltd.△	Supply chain management services	USD40,000,000	100	–
Xi'an Shenzhen International Integrated Logistics Hub Development Co., Ltd.△	Construction, operation and management of urban integrated logistics hub at Xi'an National Civil Aerospace Industrial Base	USD15,000,000	100	–
Yiwu Shenzhen International Integrated Logistics Hub Development Co., Ltd.△	Construction, operation and management of urban integrated logistics hub at Yiwu	USD50,000,000	100	–
Chengdu Shenzhen International Supply Chain Management Co., Ltd.@*	Construction, operation and management of urban integrated logistics hub at Qingbai River in Chengdu	RMB100,000,000	100	–
Kunming Shenzhen International Supply Chain Management Co., Ltd.@*	Construction, operation and management of urban integrated logistics hub in Yangzonghai Scenic Area in Kunming, Yunnan Province	RMB150,000,000	100	–
Shenzhen International Properties and Management (Shenzhen) Co., Ltd.△	Project investment and enterprise management consulting services	RMB50,000,000	100	–
Shenzhen International Supply Chain Management Co., Ltd. @*	Logistics service and construction of warehousing facilities	RMB30,000,000	100	–
Shenzhen International Finance Leasing Co., Ltd.◇*	Monetary and financial services and financial leasing business	RMB300,000,000	48□	52
Shandong Shenzhen International Bohai Logistics Technology Development Co., Ltd.@*	Domestic and international freight forwarders	RMB15,500,000	77.42	22.58
Shenzhen International Business Co., Ltd.@*	Property leasing and management	RMB10,000,000	100	–
Shenzhen Southern Electronic Port Co., Ltd.@*	Technical development, sales, maintenance, and technology service of computer hardware, software and network system	RMB10,000,000	70	30
Tianjin Zhonglong Paper Co., Ltd.@*	Production of all kinds of paper processing produces and leasing of its own plant	RMB116,880,000	100	–
Jurong Shenzhen International Integrated Logistics Hub Development Co., Ltd.@	Construction, operation and management of urban integrated logistics hub at Huayang Street	RMB70,000,000	100	–
Chongqing Shenzhen International Integrated Logistics Hub Development Co., Ltd.△	Construction, operation and management of urban integrated logistics hub at Shuangfu Town	USD7,660,000	100	–

(All amounts in HKD thousands unless otherwise stated)

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name	*Principal activities*	*Issued and fully paid share capital/ paid-in capital*	*Interest held by Group (%)*	*Non-controlling interests (%)*
Hefei Shenzhen International Integrated Logistics Hub Co., Ltd.@*	Construction, operation and management of urban integrated logistics hub at Hefei Trade and Logistics Development Zone in Cuozheng Town, Feidong Country, Hefei City	RMB72,000,000	90	10
Ningbo Shenzhen International Integrated Logistics Hub Development Co., Ltd.△*	Construction, operation and management of urban integrated logistics hub Ningnan Trade and Logistics Zone in Fenghua City, Ningbo	USD20,000,000	100	–
Kunshan Shenzhen International Integrated Logistics Hub Development Co., Ltd.@	Construction, operation and management of urban integrated logistics hub at Lujia Town, Kunshan City	RMB89,600,000	100	–
Guizhou Pengbo Investment Company Limited@	Construction, operation and management of urban integrated logistics hub at Shuanglong modern service cluster, Guizhou	RMB122,920,000	100	–
Guizhou Hengtongli Property Company Limited@	Construction, operation and management of urban integrated logistics hub at Shuanglong modern service cluster, Guizhou	RMB52,229,945.55	100	–
Guizhou Hengtongsheng Logistics Co., Ltd.@	Construction, operation and management of urban integrated logistics hub at Shuanglong modern service cluster, Guizhou	RMB1,000,000	100	–
Shenzhen International Fritz Logistics Co., Ltd.@	Cargo transportation and warehousing services	RMB37,000,000	100	
Shenzhen Qinglong Expressway Company Limited◇	Construction, operation and management of an expressway	RMB324,000,000	50▽□	50
Shenzhen International New Vision Limited	Investment holding	USD100	100	–
Shenzhen International Ports Development (HK) Limited	Investment holding	HKD2	100	
Advance Great Limited	Investment holding	USD1	100	–
Successful Plan Assets Limited	Investment holding	USD1	100	–
Shenzhen International Qianhai Development Limited	Investment holding	HKD 1	100	–
Shenzhen International Qianhai Asset Management (Shenzhen) Co., Ltd.@	Real estate development and investment management	RMB5,000,000	100	–
Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd.@	Real estate development and investment management	RMB5,000,000	100	–
Changsha Shenchang Expressway Co., Ltd.@	Construction, operation and management of an expressway	RMB200,000,000	51	49

(All amounts in HKD thousands unless otherwise stated)

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name	*Principal activities*	*Issued and fully paid share capital/ paid-in capital*	*Interest held by Group (%)*	*Non-controlling interests (%)*
Hunan Yichang Expressway Development Co., Ltd.@	Construction, operation and management of an expressway	RMB345,000,000	100	–
Shenzhen Outer Ring Expressway Investment Co., Ltd.@	Construction, operation and management of an expressway	RMB100,000,000	100	–
Nanjing Wind Power Technology Co., Ltd.@	Research and development, production, sales of wind power generation system; investment and operation of wind farms	RMB357,142,900	51	40
Baotou Nanfeng Wind Power Technology Co., Ltd.@	Investment, development and operation of wind power projects	RMB6,000,000	67	33
Shanghai Taipeng Electronic Co., Ltd.@	Operation and management of logistic park at Shanghai Qingpu District	RMB10,000,000	100	–
Zhongshan Shenju Integrated Logistics Hub Development Co., Ltd. @	Operation and management of logistic park at Zhongshan Huoju Development Zone	RMB41,152,952	100	–
Flywheel Investments Limited	Investment holding	USD1	100	–
Zhengzhou Shenzhen International Supply Chain Management Co., Ltd.△	Construction, operation and management of urban integrated logistics hub at Erqing Zone	RMB110,000,000	67	–
China Total Logistics Co., Limited	Provision of logistic related services	HKD2	100	–
Shenzhen International China Logistics Development Limited	Investment holding	HKD1	100	–
Bioland Environmental Technologies Corp.,Ltd. @	Ecological protection and environmental management industry	RMB149,933,000	67.14	32.86

△ *Foreign-owned enterprise*

◇ *Sino-foreign Joint Venture*

@ *Domestic enterprise*

^ *Foreign invested joint stock limited company*

* *For identification purpose only*

▽ *These subsidiaries are held through Shenzhen Expressway and the related interests indirectly held by the Group disclosed above represent the interests held by Shenzhen Expressway.*

The Company indirectly held 35.7% interests and Shenzhen Expressway directly held 34.3% interests. The effective control interests is 53.39%.

□ *In accordance with the shareholder agreements, the Group controls the entity as the Group has rights to take unilateral decisions on relevant developing, operating and financing activities which significantly affect the returns, and the Group is exposed to variable returns from its involvement with the entity.*

The above table lists the subsidiaries of the Group which, in opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net assets of the Group. All subsidiaries listed above are limited liability companies. These subsidiaries are incorporated and operate in the PRC (except for Shenzhen International New Vision Limited ("NVL"), Advance Great Limited and Successful Plan Assets Limited which are incorporated in British Virgin Islands, and Shenzhen International Ports Development (HK) Limited, Shenzhen International Limited and Shenzhen International Qianhai Development Limited which are incorporated in Hong Kong). Only NVL is directly held and wholly-owned by the Company. To give details of other subsidiaries would result in particulars of excessive length.

(All amounts in HKD thousands unless otherwise stated)

44. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	2020		2019	
Non-current assets				
Investments in subsidiaries		**6,131,127**		5,083,013
Amounts due from subsidiaries		**1,815,032**		3,487,774
		7,946,159		8,570,787
Current assets				
Other receivables	**4,836**		6,982	
Dividends due from subsidiaries	**16,469,598**		16,052,875	
Cash and cash equivalents	**87,618**		552,598	
	16,562,052		16,612,455	
Current liabilities				
Other payables	**83,387**		55,911	
Borrowings	**299,890**		149,740	
Panda Bond	**5,927,193**		–	
Amount due to a subsidiary	**741,971**		696,893	
	7,052,441		902,544	
Net current assets		**9,509,611**		15,709,911
Total assets less current liabilities		**17,455,770**		24,280,698
Non-current liabilities				
Borrowings	**–**		299,590	
Panda Bond	**–**		5,577,263	
Senior Notes	**776,856**		774,883	
		776,856		6,651,736
NET ASSETS		**16,678,914**		17,628,962
CAPITAL AND RESERVES				
Share capital and share premium		**11,529,380**		11,098,877
Other reserves and retained earnings		**2,818,595**		4,199,146
Perpetual security		**2,330,939**		2,330,939
TOTAL EQUITY		**16,678,914**		17,628,962

The balance sheet of the Company was approved by the Board of Directors on 26 March 2021 and was signed on its behalf.

Li Haitao
Director

Wang Peihang
Director

(All amounts in HKD thousands unless otherwise stated)

44. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

Reserve movement of the Company

	Other reserves				
	Contributed surplus	*Currency translation reserve*	*Total*	*Retained earnings*	*Total*
At 1 January 2019	58,515	128,930	187,445	2,565,049	2,752,494
Comprehensive income					
Profit for the year	–	–	–	4,126,499	4,126,499
Other comprehensive income					
Currency translation differences	–	(427,655)	(427,655)	–	(427,655)
Total other comprehensive income	–	(427,655)	(427,655)	–	(427,655)
Total comprehensive income	–	(427,655)	(427,655)	4,126,499	3,698,844
Transactions with owners in their capacity as owners					
Dividends relating to 2018	–	–	–	(2,252,192)	(2,252,192)
Total transactions with owners in their capacity as owners	–	–	–	(2,252,192)	(2,252,192)
At 31 December 2019	58,515	(298,725)	(240,210)	4,439,356	4,199,146

(All amounts in HKD thousands unless otherwise stated)

44. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

Reserve movement of the Company *(continued)*

	Other reserves				
	Contributed surplus	*Currency translation reserve*	*Total*	*Retained earnings*	*Total*
At 1 January 2020	58,515	(298,725)	(240,210)	4,439,356	4,199,146
Comprehensive income					
Profit for the year	–	–	–	320,082	320,082
Other comprehensive income					
Currency translation differences	–	829,507	829,507	–	829,507
Total other comprehensive income	–	829,507	829,507	–	829,507
Total comprehensive income	–	829,507	829,507	320,082	1,149,589
Transactions with owners in their capacity as owners					
Dividends relating to 2019	–	–	–	(2,530,140)	(2,530,140)
Total transactions with owners in their capacity as owners	–	–	–	(2,530,140)	(2,530,140)
At 31 December 2020	58,515	530,782	589,297	2,229,298	2,818,595

45. EVENTS AFTER THE BALANCE SHEET DATE

(a) Possible Acquisition of Suning.com

On 28 February 2021, Shenzhen International Holdings (SZ) Limited ("Shenzhen International (SZ)"), the Company's wholly-owned subsidiary, and Shenzhen Kunpeng Equity Investment Management Co., Ltd, as purchasers, and Mr. Zhang Jindong, SuningHoldings Group Co., Ltd., Suning Appliance Group Co., Ltd., Xizang Trust Co., Ltd., asvendors, entered into the Framework Agreement, pursuant to which, Shenzhen International (SZ) proposes to acquire 744,803,173 shares of Suning.com at a price of RMB6.92 per share. The Possible Acquisition is subject to execution of definitive agreement(s), and if the parties fail to enter into definitive agreement(s) within six months after the date of the Framework Agreement, the Possible Acquisition will automatically lapse.

(b) Acquisition of office property

On 8 March 2021, Shenzhen Expressway entered into a property acquisition agreement with Shenzhen Luo Lan Si Bao Property Development Co., Ltd. ("LLSB"), an independent third party, pursuant to which, Shenzhen Expressway agreed to acquire an office property from LLSB at the consideration of RMB1,558,648,000. The office property will be used as office of Shenzhen Expressway in future.

(c) The Potential Transaction of Shenzhen Expressway

On 15 March 2021, Shenzhen Expressway and the Company's controlling shareholder, Shenzhen Investment Holdings Company Ltd. ("Shenzhen Investment Holdings") entered into a memorandum of understanding, pursuant to which, Shenzhen Investment Holdings intends to transfer its 71.83% equity interest in Shenzhen Investment Holdings Bay Area Development Company Limited (Stock Code: 00737) to Shenzhen Expressway.

(d) After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in Note 37.

46. 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 business suffered the hardest hit. During the year, the toll roads were suspended form fee collection from road users from 0:00 a.m. on 17 February 2020 to 0:00 a.m. on 6 May 2020 in order to comply 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 year. Shenzhen Airlines brought a loss of HKD1,179 million (2019: profit of HKD593 million) to the Group during the year.

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 coming year. The Group began collecting toll fees on its toll roads from 6 May 2020 and both the traffic flow and toll revenue are gradually bouncing back. Certain provincial governments have implemented compensation plan for the lost toll road fee in the toll fee free period. In the aspect of airline business, the domestic airline industry is gradually recovering as the pandemic situation in mainland 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.

Shenzhen International
深國際

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