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

(Incorporated in Bermuda with limited liability)

Stock Code : 00152

Shenzhen International
深國際

LOGISTICS WITH ETHICS, FOR A *BETTER WORLD*

Annual Report 2021


LOGISTICS WITH ETHICS,
FOR A BETTER WORLD

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 43.48%* 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 general-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, the Group expands into various business segments such as comprehensive development of lands related to the logistics industry as well as investment in and operation of general-environmental protection business with the aim of creating greater value for its shareholders.

* *As at 31 December 2021*

Set out below is a simplified corporate structure of the Group as at 31 December 2021 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

Logistics Parks in the Greater Bay Area(3)

100%	Shenzhen (Longhua) South China Logistics Park
100%	Shenzhen (Qianhai) Western Logistics Park
50%	Shenzhen (Bao'an) Airport Express Center
70%	Shenzhen (Longhua) Kanghuai E-commerce Center
100%	Zhongshan Torch Integrated Logistics Hub

Logistics Parks in Other Regions of China (3)

100%	Guizhou Longli Integrated Logistics Hub
100%	Chongqing Shuangfu Integrated Logistics Hub
100%	Chongqing Shapingba Integrated Logistics Hub
100%	Kunming Integrated Logistics Hub
100%	Chengdu Qingbaijiang Integrated Logistics Hub
100%	Wuhan Dongxihu Integrated Logistics Hub
40%	Nanchang Integrated Logistics Hub
100%	Changsha Integrated Logistics Hub
100%	Hangzhou Integrated Logistics Hub
100%	Ningbo Integrated Logistics Hub
100%	Jinhua Yiwu Integrated Logistics Hub
100%	Wuxi Huishan Integrated Logistics Hub
100%	Suzhou Kunshan Integrated Logistics Hub
100%	Suzhou Xiangcheng Integrated Logistics Hub
90%	Hefei Integrated Logistics Hub
100%	Xuzhou Integrated Logistics Hub
100%	Nantong Integrated Logistics Hub
100%	Shanghai Qingpu Integrated Logistics Hub
100%	Shanghai Minhang Integrated Logistics Hub
100%	Xi'an Integrated Logistics Hub
100%	Tianjin Zhonglong Integrated Logistics Hub
100%	Tianjin Xiqing Integrated Logistics Hub
85.3%	Shenyang Integrated Logistics Hub
47%	Shijiazhuang Zhengding Smart Hub
55.39%	Yantai Beiming Logistics Park

Logistics Services

	Logistics Financial
100%	Shenzhen International Modern Logistics Microfinance Co., Ltd
38%	Shenzhen International Huazhang Logistics Industry Private Equity Funds Management Co., Ltd
	Technology Logistics
79.87%	Shenzhen EDI Co., Ltd.
	Supply Chain Management
100%	Shenzhen International Supply Chain Management Co., Ltd.
51%	Shenzhen Total Logistics Service Co., Ltd.
	Equity Investment in Logistics Entities
10%	Air China Cargo Co., Ltd.
40%	Sinotrans Shenzhen International Logistics Limited
10.75%	Hubei Prolog Technology Co., Ltd.
5.2%	China Comservice Supply Chain Management Co., Ltd.

Logistics Park Transformation and Upgrading

100%	Qianhai Project(4)

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)
	Ports Supply Chain Management Service
100%	Shenzhen International Supply Chain Management Nanjing Co., Ltd.

Toll Road / General-Environmental Protection

51.56%	Shenzhen Expressway Corporation Limited(1)(2)

Other Investments

49%	Shenzhen Airlines Company Limited

(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 and an office project held by a subsidiary in which the Group holds 83.3% equity interest

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Li Haitao *(Chairman)*
Liu Zhengyu *(Chief Executive Officer)*
Wang Peihang
Dai Jingming

Non-Executive Directors:

Hu Wei
Zhou Zhiwei

Independent Non-Executive Directors:

Cheng Tai Chiu, Edwin
Pan Chaojin
Zeng Zhi

AUDIT COMMITTEE

Zeng Zhi *(Chairman)*
Cheng Tai Chiu, Edwin
Pan Chaojin

NOMINATION COMMITTEE

Pan Chaojin *(Chairman)*
Wang Peihang
Zeng Zhi

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 2021) (Stock Code: 149689)
RMB Bonds (First Tranche 2022) (Stock Code: 149768)

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

LEGAL ADVISER

Reed Smith Richards Butler LLP *(Hong Kong Legal Adviser)*

PRINCIPAL BANKERS

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)*
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

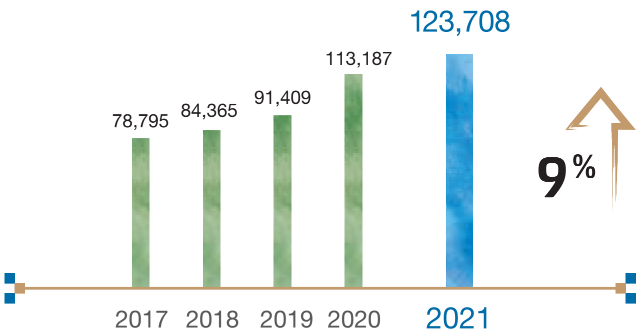
HONG KONG BRANCH SHARE REGISTRAR

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

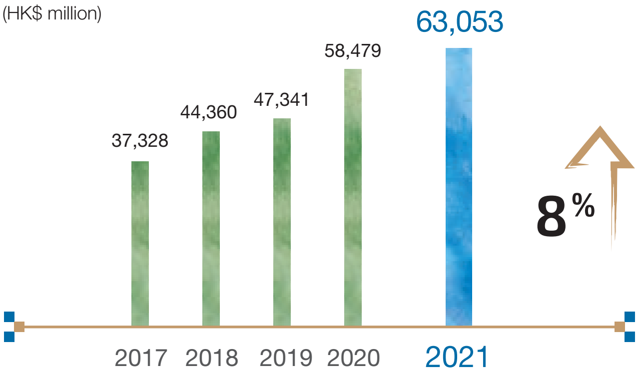
INVESTOR RELATIONS CONSULTANT

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

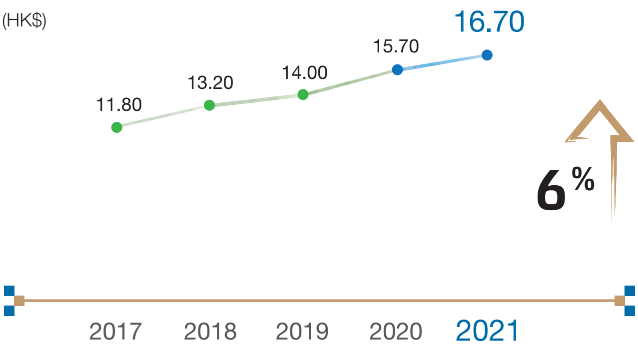
Total Assets
(HK$ million)



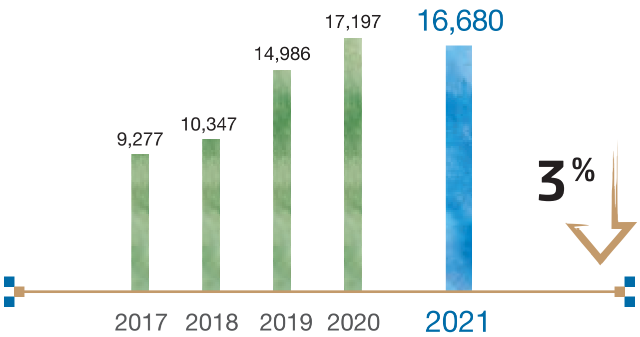
Total Equity
(HK$ million)



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

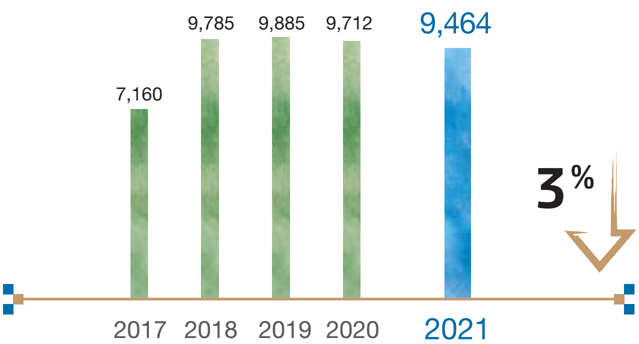


Revenue*
(HK$ million)

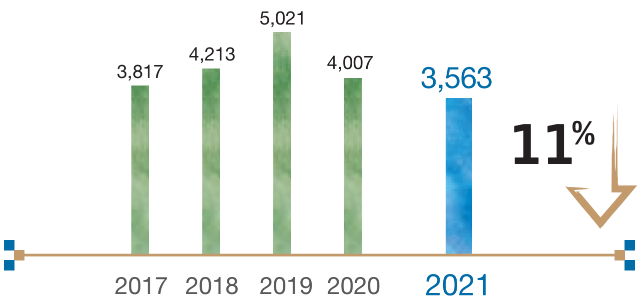


* *Excluding revenue from construction services for toll roads*

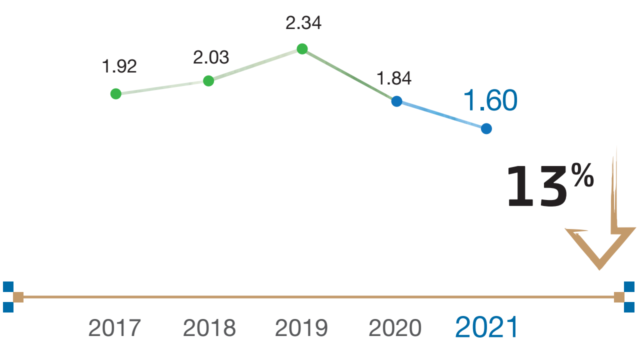
Profit before Finance Costs and Tax
(HK$ million)



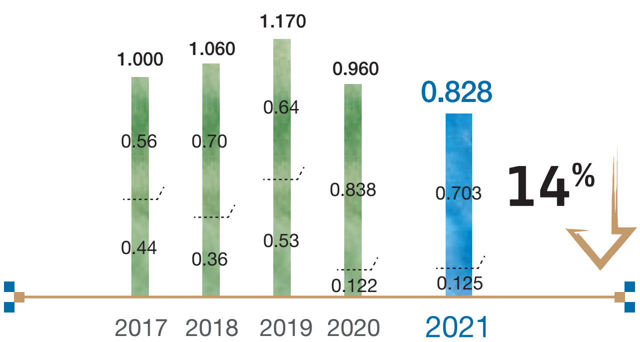
Profit Attributable to Ordinary Shareholders of the Company
(HK$ million)



Earnings per Share (Basic)
(HK$)



Dividend per Share
(HK$)



FINANCIAL HIGHLIGHTS

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*
		2021		
Toll roads and general-environmental protection business				
– Revenue	**11,280**	**3,943**	**722**	**4,665**
– Construction service revenue	**1,862**	**—**	**—**	**—**
Toll roads and general-environmental protection business sub-total	**13,142**	**3,943**	**722**	**4,665**
Logistics parks	**1,380**	**607**	**17**	**624**
Logistics services	**988**	**22**	**7**	**29**
Port and related services	**2,712**	**200**	**—**	**200**
Logistics park transformation and upgrading services	**320**	**161**	**875**	**1,036**
Sub-total	**5,400**	**990**	**899**	**1,889**
Head office functions	**—**	**4,671**	**(1,761)**	**2,910**
Total	**18,542**	**9,604**	**(140)**	**9,464**
Finance income				**289**
Finance costs				**(1,035)**
Finance costs – net				**(746)**
Profit before income tax				**8,718**
		2020		
Toll roads and general-environmental protection business				
– Revenue	9,250	2,817	596	3,413
– Construction service revenue	2,255	—	—	—
Toll roads and general-environmental protection business sub-total	11,505	2,817	596	3,413
Logistics parks	887	191	13	204
Logistics services	952	47	—	47
Port and related services	1,411	171	—	171
Logistics park transformation and upgrading services	4,697	2,599	—	2,599
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 costs				(919)
Finance costs – net				(602)
Profit before income tax				9,110

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 2021 figures are extracted from the audited financial statements. The 2017 to 2020 figures were restated accordingly due to the completion of acquire 100% equity interest in Coastal Company

	Year ended 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**18,541,926**	19,452,409	16,820,326	11,581,036	10,139,141
Profit before income tax	**8,718,125**	9,110,599	9,147,506	8,361,925	6,149,248
Income tax expense	**(2,628,092)**	(3,071,972)	(2,037,965)	(1,835,228)	(1,441,847)
Profit before NCI	**6,090,033**	6,038,627	7,109,541	6,526,697	4,707,401
Perpetual securities holders	**(92,075)**	(91,866)	(92,951)	(92,969)	—
Non-controlling interests	**(2,435,282)**	(1,939,791)	(1,995,996)	(2,221,076)	(890,607)
Profit attributable to shareholders	**3,562,676**	4,006,970	5,020,594	4,212,652	3,816,794

	As at 31 December				
	2021	2020	2019	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Fixed assets	**19,078,772**	12,742,544	10,029,717	10,629,924	9,185,317
Investment properties	**7,697,726**	611,305	576,796	93,930	93,330
Land use rights	**3,328,772**	3,802,321	3,393,684	—	—
Investments in associates & joint ventures	**19,797,578**	14,431,233	14,527,280	14,320,000	14,533,635
Available-for-sales financial assets	**—**	—	—	—	—
Other Financial Asset	**1,120,136**	2,345,483	538,016	485,949	186,912
Intangible assets	**32,922,243**	31,645,704	26,260,742	27,032,014	33,624,346
Other non-current assets	**12,746,196**	8,628,867	4,456,634	2,012,743	1,752,285
Net current assets	**(1,954,508)**	5,003,812	16,506,234	17,366,787	6,336,102
Non-current liabilities	**(31,684,556)**	(20,732,337)	(28,947,831)	(27,581,502)	(28,383,594)
Net assets	**63,052,359**	58,478,932	47,341,272	44,359,845	37,328,333
Equity					
Issued capital	**2,266,714**	2,194,991	2,161,842	2,119,873	2,028,783
Reserves	**35,605,032**	32,191,662	28,123,193	25,878,059	21,897,565
Equity attributable to ordinary shareholders	**37,871,746**	34,386,653	30,285,035	27,997,932	23,926,348
Perpetual securities	**2,330,939**	2,330,939	2,330,939	2,330,939	2,330,939
Non-controlling interests	**22,849,674**	21,761,340	14,725,298	14,030,974	11,071,046
Total equity	**63,052,359**	58,478,932	47,341,272	44,359,845	37,328,333

KEY EVENTS IN 2021

OPERATION MANAGEMENT

January

The Group entered into a strategic investment agreement with Hubei Prolog Technology Co., Ltd. (湖北普羅格科技股份有限公司), a leading logistics technology enterprise in the industry, and concluded an investment of over RMB100 million in the company, taking the first step of its strategic investment in the emerging intelligent logistics industry.

May

The Group made a strategic investment in Hongtu Innovation Yantian Port Warehousing Logistics Closed Infrastructure Securities Investment Fund, which was listed on the Shenzhen Stock Exchange on 21 June 2021 (stock code: 180301).

June

The Group entered into sale and purchase agreements in respect of the first logistics assets porfolio to acquire high-standard logistics warehouse projects located in the three core cities of Shanghai, Tianjin and Chongqing. The acquisition was officially completed on 9 September of the same year, and the projects are currently operating well.

August

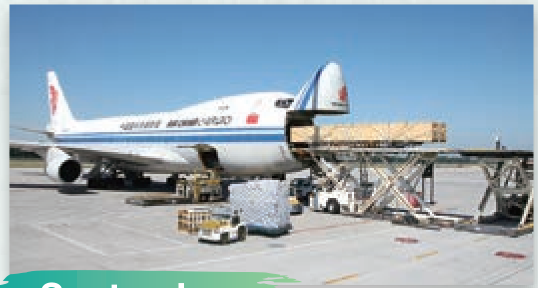
The Group made a strategic investment in China Comservice Supply Chain Management Co., Ltd., the only 5A-level comprehensive logistics enterprise in the PRC telecommunications industry, and became its third largest shareholder. The Group accelerated the deployment of the smart logistics industry to fuel its strategic development during the "14th Five-Year Plan".

August

In order to further build a large-scale and professional industrial group and enhance the regional competitive advantage and industry competitiveness in the principal business of toll roads, a subsidiary of Shenzhen Expressway Corporation Limited entered into a sale and purchase agreement with Shenzhen Investment International Capital Holdings Co., Ltd. to indirectly acquire a 71.83% stake in Shenzhen Investment Holdings Bay Area Development Company Limited (stock code: 00737).

September

Shenzhen Pinghunan National Logistics Hub, which is one of the first national logistics hubs in the country, has officially kicked off its construction. It will be built into a single largest "road and railway" internal transportation center in China and even in Asia with the model of "building a smart logistics park on top of a traditional railway freight station", being the first of its kind in the world.



September

The Group completed the business registration procedures for the capital injection of 10% equity interest in Air China Cargo Co., Ltd. and officially entered into the air cargo industry, laying a foundation for further seizing business opportunities in the aviation logistics field.

October

The Company successfully issued corporate bonds of RMB4,000 million in China, which will help the Group achieve the strategic goal of establishing a comprehensive logistics ecosystem combining "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" during the "14th Five-Year Plan" period.

October

The Group entered into a share transfer agreement in respect of the acquisition of 70% equity interest in Shenzhen SEG Technology Development Co., Ltd., and acquired the scarce quality logistics land resources in Pingshan district, Shenzhen. The Group plans to build the project into an innovative demonstration base, Pingshan Digital Logistics Hub for deep integration of manufacturing and logistics industry.

November

The Group successfully won the bid for a parcel of land in the Yantian Comprehensive Bonded Zone. The project will rely on Yantian Port (an international port) and Yantian Comprehensive Bonded Zone to build it into a world-leading highly digital, intelligent and green Bonded Logistics Hub.

November

In order to relieve the urgent need of enterprises to deliver export orders during the peak season of Christmas in Europe, the Company teamed up with Shenzhen Customs to customize a special train named “Shenzhen International Express” connected China and Europe, for cross-border e-commerce companies as well as micro-, small- and medium-sized enterprises engaging in foreign trade within the Greater Bay Area and its surrounding cities, and the launching ceremony was held at Pinghunan National Logistics Hub.

December

The launching ceremony of the “Bay Area Express (灣區號)”, an international train connected China and Laos, was successfully held at Pinghunan National Logistics Hub, adding a new international railway route linking Shenzhen with Laos and other ASEAN countries. It will enable Shenzhen to further play its role as an international transport hub city, promoting the trade between Shenzhen and ASEAN countries, and actively implement “The Regional Comprehensive Economic Partnership” (RCEP).

STRATEGIC COOPERATION

March

The Group entered into a strategic cooperation agreement with Airport Group (機場集團). Both parties will take this opportunity to open up more space for cooperation in the aviation logistics business, give full play to the advantages of brands, resources and core capabilities in their respective professional fields, and create a new model of concerted cooperation among state-owned enterprises in Shenzhen.

March

The Group and Jiangsu Port Group Co., Ltd. (江蘇省港口集團) entered into a strategic cooperation agreement, and will carry out all-round and in-depth strategic cooperation in port intelligence, green construction and environmental governance.

May

The Group entered into a strategic cooperation agreement with the People's Government of Shenqiu County. Both parties will seek more extensive cooperation in the development of urban supporting infrastructure, and jointly promote the deep integrated development of ports, industries, cities and parks.

August

The Group entered into a strategic cooperation framework agreement with Shenzhen Energy Group Co., Ltd. Both parties will promote project expansion and business cooperation in renewable energy, comprehensive smart energy, green business, and the coordination and sharing of businesses and resources.

November

The Group entered into a strategic cooperation agreement with the People's Government of Chongzuo City, Guangxi, and is expected to participate in the project of "China-ASEAN Inland Trade Logistics Port" located in Chongzuo City, including the construction and operation of Chongzuo City Customs Clearance Center, high-standard warehouses, cold chain warehouses and other facilities.

November

The Group entered into a strategic cooperation agreement with China Vanke Co., Ltd. Both parties will cooperate deeply to build a more stable and sustainable strategic partnership in the areas of park transformation, logistics, commericial and office projects.

CORPORATE HONORS

January

The Company was granted the “Best Digital Investor Relationship Award” in the 4th selection of China Excellent IR.

July

The Group was awarded the Top 10 Cases of “Supporting Rural Revitalization” in the “Blue Book of Social Value of State-owned Enterprises in the Guangdong-Hong Kong-Macao Greater Bay Area (2021)”.

August, September

The Company’s 2020 annual report won three awards in the 35th International ARC Awards 2021 and six awards in the 2020 Vision Awards Annual Report Competition organized by the League of American Communications Professionals (LACP).

August

The Company’s innovative management won the “National Transportation Industry Award” once again.

September

The Company won the “Brand Enterprise Award” in the 16th International Logistics Exhibition concecutively.

November

The Company won the "Guangdong-Hong Kong-Macao Greater Bay Area Outstanding Contribution Enterprise Award" of Linghang "9+2" (領航「9+2」).

November

The Company's 2020 annual report won Overall Performance - Silver Award and Cover Design - Bronze Award in the IADA 2020 International Annual Report Design Awards organized by The International Annual Report Design Awards (IADA) for the first time.

December

The Company won three awards including the Greater Bay Area Outstanding Business Award, the Best Investor Relations Award and the Best ESG Award in the China Financing Awards held by the China Financial Market magazine.

December

The Company won the Best Listed Company Award, one of the key awards in the 11th China Securities Golden Bauhinia Award organised by Hong Kong Ta Kung Wen Wei Media Group.

CHAIRMAN'S STATEMENT

Reinforcing Foundation to Enhance Competitiveness of Main Business; Formulating Long-Term Strategies and Deploying New Logistics Infrastructures

Dear shareholders,

2021 was a very challenging year. Amidst the shadow of pandemic, the recovery of the global economy was extremely challenging. The complexity of the domestic and international situation and the repeated outbreaks of the COVID-19 pandemic continued to disrupt social and economic activities, posing adverse impact on various businesses of the Group, especially with the business of Shenzhen Airlines. Facing the severe and complex external environment and many challenges, the Group actively overcame such adversity, and firmly adhered to the strategic principle of "long-term development, progress with stability, and vigorous deployment". The Group continued to focus on high-quality development on the one hand, and capacity building on the other, so that the Group could withstood such severe test and emerged with good annual operating results.

Overcoming Difficulties, Ensuring Profit Realization Amidst Extraordinary Times, and Continuing Cash Dividends Distribution

For the year ended 31 December 2021 (the "Year"), the Group's core businesses grew steadily, with core business profit attributable to shareholders increased by 47% year-to-year to HK$2,704 million, the revenue and profit attributable to shareholders from logistics business increased by 29% and 199% million year-to-year when compared to the corresponding period of the previous year to HK$2,368 million and HK$507 million, respectively. The Group's overall revenue remained stable at HK$16,680 million as compared to the corresponding period of the previous year, and the profit attributable to shareholders decreased by 11% to HK$3,563 million as compared to the corresponding period of the previous year.

The Board of Directors (the "Board") recommended the payment of final dividend and special dividend in total of HK$0.828 per share for the Year and a payout ratio of 52.7%.

Focusing on the New Development of the Logistics Operations

In 2021, the Group further clarified the development direction and path of accelerating the expansion of its core logistics operations and promoting the upgrading of business infrastructure. It concentrated on improving the comprehensive logistics ecosystem combining "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics", and laid out a solid foundation for multimodal transportation, forming a logistics network covering logistics parks, inland ports, air cargo terminals and railway cargo terminals, etc. On this basis, the Group placed further emphasis on high-value added services such as intelligent logistics and cold chain logistics.

Accelerating the Development of "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure"

Logistics Parks: Focusing on the development path of logistics parks, the Group has made new breakthroughs in the national layout, successfully established 10 projects, newly acquired about 1.61 million square meters of land, and newly constructed and put into operation an operating area of 710,000 square meters. As at 31 December 2021, the Group's strategic layout in the country has increased to 37 key logistics gateway cities, and a total of 30 logistics projects have been managed and operated, with a total operating area of 3.32 million square meters. The occupancy rate of the projects that have been put into operation exceeded 93%. Against the background of scarcity of land resources for warehousing and logistics, the Group has demonstrated extraordinary competitive advantages in terms of resource acquisition and integration, especially in core areas such as the Shenzhen Base Camp and the Guangdong-Hong Kong-Macau Greater Bay Area (the "Greater Bay Area"). In Shenzhen, the Group successfully won the bid of land parcels of Yantian Comprehensive Bonded Zone Project; the Group signed an equity transfer agreement in relation to the Pingshan project; the inspection and acceptance of the first stage of the second phase of the South China Logistics Part successfully completed; the pace of the Longhua Liguang Project constructions was also accelerating. These four projects will be classified as first batch of digital logistics hubs. At the same time, the Group deeply participated in the planning and construction of the tertiary logistics stations in Shenzhen, and became the backbone of the tertiary logistics stations in Shenzhen. In terms of its footsteps in the Greater Bay Area, the Company entered the logistics market in Foshan with a good start, and took Foshan as the second main market of the Group in the Greater Bay Area. At the beginning of 2022, the Group successfully won its bid for two warehouse construction sites in Nanhai District, Foshan and Shunde District, Foshan.

Inland Port Networking: Focusing on the goal of developing into a strong inland port operator in the country, the Group accelerated the implementation of the "Port Network Initiative", built a port network layout with river-sea, rail-water, and road-water integrated transportation, extended the industrial chain, and optimized the supply chain to expand its business scale. During the Year, the construction of the Jiangxi Fengcheng Shangzhuang Project commenced. The Group also completed the equity acquisition and the second round of capital increase in relation to the Jiangsu Jingjiang project, and obtained the approval from the Ministry of Transport of the PRC relating to the construction of port to the Yangtze River Port coastline. The Group completed the establishment of a joint venture company and won the bid for the project land under the Henan Shenqiu project.

Air Cargo: Focusing on the development path for air cargo terminal and railway cargo terminal, the Group took the cooperation between national and local state-owned enterprises as the starting point, strategically acquired 10% equity of Air China Cargo Co., Ltd. (the largest air cargo enterprise in China) and established a strategic cooperative relationship with the Shenzhen Airport to fully integrate the resources of investment and joint venture companies in Shenzhen Airport and Airport Express Center and to actively promote aviation logistics projects in Beijing and Shenzhen.

Railway Freight Logistics Infrastructure: In terms of railway freight station, the Pinghunan National Logistics Hub project in cooperation with China Railway Guangzhou Group Co., Ltd. was officially launched. Shenzhen Shenguo Railway Logistics Development Co., Ltd. (深圳市深國鐵路物流發展有限公司) (the project company) was officially established, and the first phase of freight yard has been handed over. The largest comprehensive logistics hub in Asia that supports road, rail and sea multimodal transportation which is led by the Group accelerated its development. The next step will be to actively promote projects such as Foshan Danzao project and Changsha North Station project. The "Bay Area Express", a train service operated in cooperation with Sinotrans Limited and running from China to Europe and from China to Laos, were operating well. In 2021, the China-Europe trains ran 150 times in total, and the trade volume exceeded US$600 million. Good economic and social benefits were achieved. The bulk cargo consolidation and packaging business of China-Europe trains opened up a new pattern for international logistics and transportation, and the newly-opened China-Laos trains from Shenzhen to Laos added a new international railway channel for Shenzhen.

Comprehensive Strengthening of New Logistics Concept "Intelligent and Cold Chain Logistics"

The Group entered the sub-segment track of intelligent logistics and cold chain logistics, promoted the upgrading of business formats, and created new business drivers. In terms of intelligent logistics, it entered the logistics and supply chain field of the information communication technology (ICT) industry for the first time through strategic investment in China Comservice Supply Chain Management Company Ltd. (a subsidiary of China Communications Services Corporation Limited, which ranks first in the domestic telecommunication logistics industry in terms of market share). The Group made strategic investment in Hubei Prolog Technology Co., Ltd., a leading company in intelligent warehousing solutions, to jointly provide customers with one-stop solutions for intelligent warehousing. The Group cooperated with Capital Group and Airport Group to set up a intelligent airport logistics industry fund, focusing on investing in intelligent logistics and intelligent airport industry chains. The Group promoted the successful delivery and use of Hangzhou intelligent warehouse and South China Logistics Park 4-direction shuttles stereo warehouse. In terms of cold chain logistics, the Group seized the opportunities that the domestic cold chain logistics industry was relatively low in concentration and the market development was still in the growth stage, and continued to promote the implementation of a number of cold chain projects. The A3 intelligent medical warehouse of Shijiazhuang Project reached an agreement with Shanghai Pharma, the A7 co-sharing medical warehouse has completed the inspection and acceptance, the cold warehouse in Qingbaijiang, Chengdu was about to be put into operation, and the construction of the Longhua Liguang cold warehouse was in full swing. The Group vigorously promoted the investment in and mergers and acquisitions of cold chain logistics enterprises, and actively seized the opportunity in the cold chain logistics industry. At present, the total area of the intelligent and cold chain projects constructed, under construction and to be constructed by the Group was 243,000 square meters.

Short Closed-loop "Investment, Construction, Financing and Operation" and Long Closed-loop "Investment, Construction, Operation and transformation" Development Models Boosted the Double Improvement of the Scale and Efficiency of Logistics Business

Achieved a Breakthrough in its Short Closed-loop "Investment, Construction, Financing and Operation" Business Model

In 2021, the closed-loop business model of "investment, construction, financing and operation" in the Group's logistics park was verified for the first time. The Nanchang Project was successfully injected into a fund and resulted in a profit attributable to shareholders of approximately HK$175 million, realizing the fair value of the project assets and accelerating the recovery of funds. At present, the Group was actively preparing for projects such as Hefei to be outplaced through public offering of REITs and other means, and striving to monetize nearly half scale of the park through off-balance sheet transactions during the "14th Five-Year Plan" period, to promote rolling development, improve capital utilization efficiency, and expand the scale of the industry.

The Long Closed-Loop "Investment, Construction, Operation and Transformation" Development Model Advanced in an Orderly Manner

The urbanization process brings opportunities for the adjustment of land functions in the logistics park. The Group has abundant reserves of high-quality land resources. The compensation and subsequent development income brought by the change in land use became the source of huge profits for the Group. In 2021, the Group released the remaining project income ahead of schedule through disposal of 35.7% of the equity interest in the Meilin Checkpoint Project, recorded a profit before tax of approximately HK$4,771 million and profit attributable to shareholders of approximately HK$2,852 million, which supplemented the Group's working capital for investment in main business projects, improved the quality and efficiency of core assets, and reduced potential operational risks brought by the ongoing development of the real estate regulatory policies in the PRC, helping to realize the Group's target of "14th Five-Year" development strategic plan. The office and commercial parts of the first phase of Qianhai Project exceeded the investment target. As a "Digital Economy Town", Yidu Building (頤都大廈) ranks first among the six professional towns in Qianhai. The construction of the second phase of the Qianhai Project, the second phase of the South China Logistics Park and Shijiazhuang Zhengding Smart Hub Project was progressing steadily. As the largest single logistics park in Shenzhen, the transformation and upgrading of the South China Logistics Park was incorporated into the five major plans at the urban level. The Group innovatively proposed the reform pilot idea of "coordinating the interests of preparation and consolidation of state-owned transferred industrial land", and the transformation work achieved phased results.

Toll Road Business Provided Stable Guarantee for Development, and the Emerging General-Environmental Protection Business has a Good Momentum

The toll road business is growing mature, and through continuous consolidation and improvement, it has good cash flow and profitability, which can effectively help cultivate new businesses and accumulate potential for future development. The general-environmental protection business is currently in a period of cultivation and growth, and is under the national "carbon peak and carbon neutrality" policies and the policy direction of development of clean energy. By actively deploying in the sub-sectors such as wind power, organic waste and solid waste treatment, the general-environmental protection business will gradually become a star industry in the future.

Toll Road Business Further Obtained High-Quality Assets

In 2021, the Group, through its listed subsidiary, Shenzhen Expressway Corporation Limited ("Shenzhen Expressway"), continued to consolidate and enhance the main business of toll roads, and advanced major construction projects with high quality and efficiency. The second phase of the Shenzhen Outer Ring Project (about 9.35 kilometers) was completed and officially opened to traffic on 1 January 2022. The preliminary work such as the engineering survey and design of the first section of the third phase was actively advancing. The progress of the second phase of the Shenzhen Coastal Project was more than halfway through. At the same time, the Group actively grasped the business opportunities brought by Shenzhen's promotion of state-owned enterprise reform and optimization of industrial structure. Shenzhen Expressway completed the acquisition of Shenzhen Investment Holdings Bay Area Development Company Limited in January 2022, realizing the expansion of high-quality industrial resources and the growth of scale and profit of toll road business.

General-Environmental Protection Business Achieved Fruitful Results

In 2021, the Group successfully entered the forefront of the new industrial segment of general-environmental protection through Shenzhen Expressway. The Group completed the acquisition of 100% equity interests of three wind power projects in Mulei, Xinjiang (i.e. Mulei County Qianzhi New Energy Development Co., Ltd., Mulei County Qianhui New Energy Development Co., Ltd. and Mulei County Qianxin New Energy Development Co., Ltd.), and acquired 20% equity interests of the 99.4MW wind power project of Huaian Zhongheng New Energy Co., Ltd. and the 100% equity interests of Shanghai Zhuneng New Energy Technology Co., Ltd., promoting the further expansion of the Group's clean energy business. In the field of organic waste treatment, the Group completed the acquisition of 70% equity interests of Shenzhen Lisai Environmental Technology Limited to further increase the Group's share of kitchen waste treatment in Shenzhen. The Group actively promoted the construction and operation of Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd., which further enhanced kitchen waste treatment capability. The engineering, procurement and construction (EPC) business recorded a year-on-year increase, and its development in equipment manufacturing market also achieved results. At the same time, the Group officially entered into an agreement in respect of Shenzhen Guangming Environmental Park Project, which will be one of the largest comprehensive kitchen waste utilization projects in the country upon completion.

Focusing on Capacity Building and Continuing to Promote the Group's Core Competence

As a red chip company registered overseas and listed in Hong Kong, the Group strictly abides by the relevant rules of the Stock Exchange, focuses on the establishment of the Board, market-oriented reform, team building and other aspects of work, and continues to improve the Group's core competence.

Carrying Out the Establishment of an Excellent Board and Continuously Improving the Level of Corporate Governance

The Group optimized the structure of the Board which is in line with the Company's development and comprises a majority of external directors, and established a five-level authorization system of "General Meetings – Board – Executive Board Committee – Chief Executive Officer – Senior Management" to improve the efficiency of management decision-making and approval. The Group formulated guidelines for directors' performance of duties, carried out special training and project research, and improved the quality of the performance of the Board and scientific decision-making. The Company strengthened the establishment of the board of directors of its subsidiaries, formulated management measures for concurrently serving as directors and supervisors, adjusted the directors and supervisors of subsidiaries, and improved the ability of directors and supervisors to perform their duties.

Promoting the Market-Oriented Reform of "8-Talent" to Effectively Stimulate the Vitality of Enterprises

In terms of employee recruitment and dismissal, the Group implemented compulsory examinations for every candidate, and strictly controlled the selection of employees. The Group adjusted the positions of employees who ranked bottom and dismissed incompetent employees, and selected the last 5%-10% of employees as adjustment targets to give full play to the catfish effect. In terms of employee promotion and demotion, the Group fully implemented market-based selection of the management team of subsidiaries and contract-based management, and established dual channels of "management sequence and professional sequence". In terms of adjusting remuneration, the remuneration package was determined according to the principle of "performance improves, salary increases; performance declines, salary decreases", and realized the bundling of interests through option incentives at the headquarters level, and a long-term incentive scheme and restraint mechanism was established at the subsidiary level. In terms of re-designation of positions, the Group improved the compound ability of cadres by building a learning organization, strengthening systematic training, carrying out multi-directional temporary job training, and establishing reserve talent teams, etc.

Paying Close Attention to Team Building and Further Strengthening Team Effectiveness

On the spiritual level, the Group set up a variety of honorary awards such as pioneering and enterprising, special contribution, advanced departments and advanced individuals, vigorously advocated the culture of strugglers, provided a career development platform for fair competition, and created a good atmosphere of uprightness and entrepreneurship. On the material level, the Group strengthened the team effectiveness through formulating a remuneration system linked to performance and benefits, a secondary distribution mechanism for bonus packages, and a long-term incentive scheme.

Through a series of reforms and management improvement actions, the Group's governance level reached a new level, the cohesion and execution of the team were significantly enhanced, the brand influence was increased continuously, and the industry position was effectively improved. The Group was awarded the honor of A-class enterprise in the evaluation of triple institutional reforms under the "Double-Hundred Action" conducted by the country (there were 103 A-class enterprises nationwide, only 2 enterprises in Shenzhen). The personnel reform of "talent selection, employment, nurturing, retention", experiences in improving modern corporate governance capabilities and reform of investment decision-making systems were selected as an example of national reform experience promotion or published in relevant publications of the SASAC of the State Council. The Group won the "Guangdong-Hong Kong-Macao Greater Bay Area Outstanding Contribution Enterprise Award", "Best Infrastructure and Public Utilities Company", "National Transportation Enterprise Management Innovation Demonstration Unit", "Best ESG Award" and "Best Digital Investor Relations Award". The Company also won the NewFortune's "Best IR Hong Kong Listed Company" and the Golden Bauhinia Awards "Best Listed Company Award" again, reflecting the market's high recognition of the Group's corporate value.

Social Responsibility

The Group integrates social responsibility into its corporate business strategy and daily management activities, takes overall consideration of stakeholders such as the government, shareholders, employees, customers, partners, the environment and the community, and practices the core values of "co-creation and shared value". It fully implements the environmental, social and governance ("ESG") corporate development concept, carries out systematic training internally, regularly organizes the implementation of ESG work, and strengthens the penetration of relevant concepts into all levels of work. The Group always adheres to green and low-carbon operation, and promotes the sustainable development of enterprises and society through "carrying out green projects, building a green logistics ecology, and building a green and intelligent port" and deeply cultivating the field of general-environmental protection. It continues to help common prosperity, adopts the "1+4" innovative assistance model, carries out rural revitalization, and won the title of "Entity of Outstanding Contribution to Poverty Alleviation in Guangdong Province" (廣東省脱貧攻堅突出貢獻集體). At the same time, when the fifth wave of the COVID-19 epidemic broke out in Hong Kong, the Group actively responded to the epidemic prevention requirements of the Shenzhen Municipal Government, proactively cooperated with the government to set up a centralized operation point for Shenzhen-Hong Kong cross-border transportation, built two Shenzhen-Hong Kong cross-boundary transfer stations in Longhua District and Longgang District, and successfully undertook the operation of 2 cross-boundary transfer stations in Bao'an District and Dapeng New District. The Group jointly operated the aid train to Hong Kong with Sinotrans Limited, which not only guaranteed the transportation safety of cross-border materials supplied to Hong Kong, but also provided a solid barrier for "guarding against imported cases" in Shenzhen.

Outlook

In 2021, the Group comprehensively carried out the deployment of "14th Five-Year" strategic plan, focusing on Shenzhen, integrating into the Greater Bay Area, and emerging in the whole country, and strived to become a first-class industrial group with brand influence, market competitiveness and characteristics. During the "14th Five-Year Plan" period, the Group is committed to doubling the operation scale of its logistics parks, becoming the first in Shenzhen and the top three in the Greater Bay Area, and striving to enter the top five in the country. It actively pursued investment opportunities for the interconnection of inland ports to expand its port business scale and seek for listing. The Group continued to consolidate the market position of toll road business to contribute stable income to the Group, accelerated the development of general-environmental protection business, and expanded new energy and organic waste treatment projects to accumulate potential for future development.

Actively Deploying in Shenzhen and the Greater Bay Area

In recent years, the central government has issued a series of policies to support the logistics industry, such as the "Layout and Construction Plan of National Logistics Hubs" (《國家物流樞紐佈局和建設規劃》) and "Opinions on Promoting High-quality Development of Logistics Industry to Form a Strong Domestic Market" (《關於推動物流高質量發展促進形成強大國內市場的意見》), offering the industry a good environment for growth. In particular, the introduction of the REITs policy pilot opened up the closed loop of investment, development, construction, management, and exit, providing important momentum for the sustainable development of logistics infrastructure. The support at the policy level largely solved the worries after the business expansion of logistics infrastructure providers. At the same time, during the pandemic, the acceleration and upgrading of online consumption and e-commerce generated stronger demand for logistics, providing a high-quality development soil for the logistics industry. Shenzhen International has been working on this track for many years and accumulated rich experience and resources. In the past year, the project expansion accelerated at an unprecedented pace, and the layout was firmly based on the development path of the main logistics business.

From the perspective of long-term development trends, on the demand side, stimulated by factors such as the upgrade of the consumption-driven logistics supply chain and policy support, the demand for logistics infrastructure continued to maintain a high growth rate, and the industry was favored by multi-channel capital. On the supply side, land supply was becoming tighter, and the ability to obtain project resources became a key factor for success. As a Shenzhen state-owned enterprise registered overseas and listed in Hong Kong, the Group has dual advantages in resource acquisition and financing, and is working towards the goal of becoming a Shenzhen logistics industry group. Shenzhen is about to introduce its modern logistics infrastructure system construction strategy (2021-2035), and build a "7+30+N" three-level logistics system constructed from top to down, with top-level design, managing internal and external considerations, and unobstructed circulation. Among the 7 external logistics hubs, the Group participates in 6 hubs, whereas among the 30 secondary logistics transshipment centers, the Group participates in 7 centers, being the absolute first in terms of occupied area and the number of projects. The Group will seize the opportunity arising from the planning of tertiary logistics stations in Shenzhen, and fully explore the value of the original blue line land through its rich experience in the logistics industry and a sound capital base, so as to seize the opportunity of the layout in Shenzhen. Within the scope of the Greater Bay Area (except Shenzhen), the Company entered the Foshan market with a good start, and signed a strategic cooperation agreement with the Foshan Municipal Government, and several projects will be launched one after another. Shenzhen and Foshan are located on the east and west sides of the Pearl River. They are the support position on both sides of the core triangle of the urban agglomeration in the Greater Bay Area and important logistics hub cities linked up and down. The Greater Bay Area is forming a Bay Area industrial network with Shenzhen and Foshan as the core support points. The Group will actively occupy a favorable position and realize business tandem to accelerate the improvement of the high-quality layout in the Greater Bay Area, and strive to become a leading logistics industry group in the Greater Bay Area.

Continuing to Enrich the Comprehensive Logistics Ecosystem of "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics"

The Group is making greater efforts to enrich the comprehensive logistics ecosystem of "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics", build unique industrial advantages, facilitate multimodal transportation, and empower industrial upgrading. In terms of port business, the Group will continue to firmly implement the port network initiative, and seek for development opportunities in the Yangtze River, Pearl River, Huaihe River basins and coastal areas. In terms of logistic parks, the Group will continue to vigorously carry out investment and mergers and acquisitions, strive for the implementation of more high-quality projects nationwide, and especially increase the layout in economically developed areas and key cities. In terms of air logistics, the Group will deepen the strategic cooperation with Air China Cargo, and continue to pay attention to and promote the implementation of air logistics projects. In terms of railway logistics, the Group will adhere to high-standard construction and high-level operation, and build the Pinghunan project into an integrated logistics hub with greater influence in the Greater Bay Area and even in the whole country. In terms of intelligent warehouses and cold chains, the state has continued to promote the gradual development of modern logistics towards intelligence and automation and strongly supported the construction of intelligent warehouses and cold chain infrastructure in recent years, especially the growth of cold chain demand has become another booster for the growth of the warehousing and logistics industry in the past two years. "14th Five-Year Plan for Cold Chain Logistics Development" (《「十四五」冷鏈物流發展規劃》) issued by the General Office of the State Council on 12 December 2021 specifies that by 2025, about 100 national backbone cold chain logistics bases will be constructed, which further highlights the strategic position of cold chain logistics. The Group will continue to strengthen the acquisition of operational resources and capabilities, promote relevant business development, and provide sufficient momentum for future growth.

In order to further strengthen investment, expand the industrial scale, and improve profitability and the logistics ecological chain, the Group is actively building a logistics industry fund group. On the one hand, it jointly issued the first asset securitization product, Shenshi Fund (深石基金), with Goldstone Investment Co., Ltd. and reaped results, and stepped up preparations for domestic public offering REITs to further improve the closed-loop business model of "investment, construction, financing and operation". On the other hand, the Group actively participated in public offering of REITs of Yantian Port, intelligent airport logistics industry fund (智慧空港物流產業基金) and comprehensive reform experiment (Shenzhen) fund (綜合改革試驗 (深圳) 基金), accelerated the construction of various types of logistics industry fund groups such as public offering, private placement, LP investment, and GP equity participation, and gradually established a logistics ecosystem of Shenzhen International.

Continuing to Consolidate and Enhance Toll Road and General-environmental Protection Businesses

The Group will continue to consolidate and develop toll road business and general-environmental protection businesses through Shenzhen Expressway, and improve and enrich the short-term, medium-term and long-term business development chain. In terms of toll road, through various means such as new construction, expansion of projects and integration of resources, the assets and business scale of high-speed expressways will be expanded. In terms of general-environmental protection, the Company will actively respond to the "carbon peak and carbon neutrality" policies and deploy wind power, photovoltaic power plants, wind turbine equipment, and wind turbine aftermarket operation and maintenance, energy storage, carbon trading, electricity distribution and sales and other supporting businesses in the industrial chain, while improving the processing capacity of organic waste projects and the scale of disposal of hazardous waste projects at the same time.

Building an Excellent Corporate Governance Enterprise in an All-round Way

The Group will continue to improve the level of corporate governance and empower the high-quality development of the enterprise. Taking benchmarking with world-class standards as the starting point and entry point and focusing on strengthening the management system and management capacity building, the Group will conscientiously implement the new development concept, insist on consolidating the management foundation, seek quality, efficiency and growth from the Management, insist on quality reform, efficiency reform and dynamic reform, and promote sustainable development of enterprises. The Group will adhere to precise benchmarking, strengthen strategic guidance, optimize organizational structure, implement lean management, enhance value creation, continue to strengthen innovation, prevent and defuse risks, stimulate team vitality, and realize information empowerment, to enhance the competitiveness, innovation, control, and influence and anti-risk capabilities of enterprises.

"When earth piles up into mountains; wind and rain will originate thereof", the Group has made every effort to lay the right path forward. Although the Group will still face many challenges in the future, such as the difficulty in expanding high-quality project resources, the increasing competition in the industry, and the need for capacity building brought by the upgrading of business formats, as an old saying goes "no matter how difficult things are, as long as you work hard, you will always be rewarded", the Group is confident that it will become a first-class industrial group in Shenzhen and even the whole country, and create greater value and return for all shareholders.

Acknowledgement

Last but not least, on behalf of the Board, I would like to take this opportunity to express our most sincere gratitude to 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

30 March 2022

01 Overall Review

OVERALL REVIEW

Operating Results	*2021* *HK$'000*	2020 HK$'000	Increase/ (Decrease)
Revenue (excluding construction service revenue from toll roads)	**16,680,223**	17,197,269	(3%)
Construction service revenue from toll roads	**1,861,703**	2,255,140	(17%)
Total revenue	**18,541,926**	19,452,409	(5%)
Operating profit	**9,603,838**	10,269,841	(6%)
Profit before tax and finance costs	**9,463,945**	9,712,199	(3%)
of which: Core Business	**6,685,743**	6,282,022	6%
Profit attributable to shareholders	**3,562,676**	4,006,970	(11%)
of which: Core Business	**2,703,566**	1,845,003	47%
Basic earnings per share (HK dollars)	**1.60**	1.84	(13%)
Dividend per share (HK dollars) (in aggregate)	**0.828**	0.96	(14%)
– Final dividend (HK dollars)	**0.125**	0.122	2%
– Special dividend (HK dollars)	**0.703**	0.838	(16%)

2021 was the first year when the Group commenced to implement the "14th Five-Year" development strategy. The Group's operating activities was still impacted by the COVID-19 pandemic. The Group made extensive efforts to prevent and control such pandemic and, as guided by its new strategic goals, focused on its Core Business. The Group developed the "Four Growth Engines" industrial structure which focused on logistics, toll road, port and general-environmental protection businesses as its Core Business. The Group has intensified its development and acquisition of quality projects, taken various measures to increase its productivity, actively explored business potentials and improved efficiency to advance its Core Business in an orderly manner. For the year ended 31 December 2021 (the "Year"), the Group's Core Business showed a steady growth trend, with profit from Core Business attributable to shareholders increased by 47% as compared to the corresponding period of the previous year to HK$2,704 million.

During the Year, the revenue from the Group's logistics business increased by 29% to HK$2,368 million as compared to the corresponding period of the previous year. The logistics business was greatly affected in the previous year primarily due to the outbreak of the pandemic and the adoption of the rent-free policy, while the market demand for logistics facilities in 2021 continued to recover, with revenue from the logistics business recovering generally to the level immediately before the pandemic. In addition, as the new operating area of the Group's integrated logistics hubs recorded a year-by-year increase and in view of the effect of growing scale, and benefiting from the successful injection of the Nanchang Integrated Logistics Hub Project into a fund during the Year, the profit attributable to shareholders from the logistics business increased by 199% as compared to the corresponding period of the previous year to HK$507 million.

In recent years, the Group has been engaged in advancing the construction and operation of logistics projects in an orderly manner to create new core competitive advantages. As at 31 December 2021, the Group operated integrated logistics hubs in a total of 37 key logistics gateway cities across the country, and the number of operating projects increased to 30 with the total operating area increased by 710,000 square meters as compared to the corresponding period of the previous year to 3,320,000 square meters.

Shenzhen Expressway Corporation Limited ("Shenzhen Expressway"), a subsidiary held as to approximately 52% by the Company, coordinates the operation of toll road and general-environmental protection businesses. With the gradual and steady recovery of the macro economy in the PRC, the operating performance of the toll road operated and invested in by the Group has basically been back to normal during the Year. The traffic volume and toll revenue of each toll road project recorded a comparatively significant year-on-year increase. At the same time, the general-environmental protection business was also expanding in an orderly manner. During the Year, Shenzhen Expressway recorded a revenue of approximately HK$11,893 million, increased by 29% as compared to the corresponding period of the previous year. The profit of Shenzhen Expressway attributable to the Group increased by 77% as compared to the corresponding period of the previous year to HK$1,658 million.

In respect of the port business, the revenue and profit attributable to shareholders from port and related services businesses during the Year increased by 92% and 19% to HK$2,712 million and HK$108 million respectively compared with the corresponding period of the previous year. This was mainly due to the effective development of new customers and maintenance of existing customers, the active business structure adjustment and model innovation, the expansion of the foreign trade market share, which together contributed to an increase in revenue from port and related service businesses.

During the Year, the Group's revenue decreased slightly to HK$16,680 million as compared to the corresponding period of the previous year, mainly due to the impact of delivery schedule of the Meilin Checkpoint Project in the logistics park transformation and upgrading business. Last year, the residential units of He Ya Xuan (和雅軒), the second phase of the Meilin Checkpoint Project, were all sold out and delivered to buyers, and the revenue of HK$4,697 million was recognized, whereas only decoration revenue from the second phase residential was recognized during the Year. Currently, the first phase of office and commercial projects in Qianhai is still at the early stage of investment promotion and operation. The investment promotion situation is in line with our expectations, and it is expected to bring returns to the Group in 2022.

In order to reduce the potential operational risks brought about by the ongoing development of the real estate regulatory policies, better allocate resources to expand Core Business, and to improve the quality and efficiency of operations of its core assets, the Group disposed of its 35.7% equity interest in the project company which held the land parcels of the Meilin Checkpoint Project during the Year at a consideration of approximately RMB2,788 million. Accordingly, the remaining project income from the Meilin Checkpoint Project was realized upfront, the Group recorded profit before tax of approximately HK$4,771 million and profit attributable to shareholders of approximately HK$2,852 million.

During the Year, the Group's profit attributable to shareholders decreased by 11% as compared to the corresponding period of the previous year to HK$3,563 million, mainly because Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate held as to 49% by the Group, was affected by factors such as the erratic pandemic, substantially lower demand for air passenger transport when compared to that before the pandemic, the continued rise of jet fuel price and the fluctuation of the exchange rate. A net loss of approximately RMB3,344 million (equivalent to HK$4,043 million) was recorded in 2021. The loss of Shenzhen Airlines attributable to the Group was approximately HK$1,993 million (2020: loss of HK$1,179 million).

In 2021, the Group has continued to focus on the development of its main logistics business, accelerated business expansion, and actively establish a comprehensive logistics ecosystem combining "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics", and achieved the goal of developing the core competitiveness and sustainable development capabilities for the Group's main logistics business. During the Year, the Group acquired logistics park assets including high-standard logistics warehouse projects located in the three core cities of Shanghai, Tianjin and Chongqing with a total site area of approximately 297,000 square meters and gross floor area of approximately 246,000 square meters, promoting the implementation of the Group's strategy of "multiple logistics parks within one city", enlarging its asset portfolio and enhancing its market position. At the same time, securitisation of assets is becoming more common as public offerings of the pilot schemes for PRC infrastructure public Real Estate Investment Trusts ("REITs") are successfully completed. In the future, the Group may consider implementing similar schemes to securitise its assets to diversify its "investment, construction, financing and operation" business model. In addition, the Group has shown strong competitive advantages in the acquisition of logistics resources in the Guangdong-Hong Kong-Macao Greater Bay Area (the "Greater Bay Area"). During the Year, the Group successfully won the bid for the land parcels of the Shenzhen Yantian Comprehensive Bonded Zone project with gross floor area of approximately 120,000 square meters, which would be built into a world-leading digital, intelligent and green-bonded investment and operation complex. The Group also successfully acquired the industrial park project in Pingshan District, Shenzhen with site area of about 120,000 square meters and total gross floor area of approximately 400,000 square meters, which would be built into a demonstration base for the deep integration of high-end manufacturing and logistics industries. These projects will accumulate long-term high-quality assets for the Group's future development and expand the Group's logistics operation scale and network coverage, which are in line with the Group's business development strategies and plans.

The Group has made breakthroughs in land acquisition in other cities in the Greater Bay Area. In February and March 2022, the Group successfully won its bid for storage construction sites located at Nanhai District and Shunde District in Foshan respectively. It is estimated that the total gross floor area of the two projects will be over 700,000 square meters. The Group will continue to promote the acquisition of land projects in Foshan, Zhaoqing, Zhuhai, Zhongshan, etc., and continue to expand and optimize the Group's asset size in the Greater Bay Area.

In February 2022, the Group introduced Shenzhen Vanke Development Company Limited ("Shenzhen Vanke") as the strategic investor to Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd ("Qianhai Business") by way of capital increase through Shenzhen Vanke's capital contribution of RMB915 million into Qianhai Business ("Capital Increase"). Upon completion of the Capital Increase, Shenzhen Vanke holds 28% equity interest in Qianhai Business. The Capital Increase is beneficial to the Group as it reduces the potential operation risk brought about by ongoing control policies over China's real estate industry and to lock in value and profits of project land in advance, and is also beneficial to optimizing the allocation of the Group's resources. Based on the above reasons, the Group intends to further reduce its equity interest held in Qianhai Business, and introduce strategic investors by means of capital increase through the public tender at Shenzhen United Property and Equity Exchange Co., Ltd. (深圳聯合產權交易所股份有限公司), which was announced on 3 March 2022, with an initial bidding price of not less than RMB1,480 million (the "Potential Capital Increase"). If the Potential Capital Increase can be materialised, new strategic investors will own approximately 30.6% equity interest in Qianhai Business, while the Group's equity interest in Qianhai Business will be diluted to 50%. If the Potential Capital Increase and the transactions contemplated thereunder constitute a disclosable transaction of the Company under Chapter 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 will make a separate announcement as and when appropriate in accordance with applicable Listing Rules.

During the Year, Shenzhen Expressway entered into a sale and purchase agreement with a wholly-owned subsidiary of Shenzhen Investment Holdings Company Ltd. ("SZ Investment Holdings"), the indirect controlling shareholder of the Company, for the acquisition of the 100% equity interest in Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. ("Shenzhen Investment Infrastructure") at the total consideration of no more than HK$10,479 million. Shenzhen Investment Infrastructure indirectly holds 71.83% equity interest in Shenzhen Investment Holdings Bay Area Development Company Limited ("Bay Area Development", the shares of which were listed on the Stock Exchange (Stock Code: 00737)). The transaction was completed on 11 January 2022. Through the successful acquisition of Bay Area Development, the Group acquired the interests of two premium and mature expressway assets (being Guangshen Expressway and GZ West Expressway) in the core area of the Greater Bay Area and a significant project in relation to the transformation and expansion of Guangshen Expressway. This further consolidated the Group's core advantages in investment, construction and operation of toll road, regional market share in toll road industry, future profitability and cash flow, laying foundation for realizing sustainable and long-term development.

Successful issuance of domestic corporate bonds in the PRC

The Company successfully issued corporate bonds of RMB4,000 million with final coupon rate of 3.29% in October 2021. In addition, the Company grasped beneficial opportunity for issuance and issued corporate bonds of RMB1,000 million with final coupon rate of 2.95% in January 2022. This issuance was well received by the market, which not only indicated recognition by the market on the Group's business development and profitability, but also created more favorable conditions for capital structure optimization and future business expansion of the Group.

Social responsibilities

Recently, there is the fifth wave of coronavirus pandemic outbreak in Hong Kong. To support anti-pandemic activities in Hong Kong and alleviate pressure of cross-border cargo on a best effort basis, the Group actively responds to the government's call, made good use of its profound experience and professional capability in the field of logistics park operation, and completed construction of two large cross-boundary transfer stations between Shenzhen and Hong Kong within a short period of time. In addition, the Group also successfully undertook the operation of two cross-boundary transfer stations in Bao'an and Dapeng New District in Shenzhen. The above four connection stations have a total area of 265,000 square meters, allowing the connection of over 4,000 vehicles every day, representing approximately 43.9% of the total volume of Shenzhen. Meanwhile, the Group and Sinotrans Limited jointly operated the Hong Kong aid train. The first freight train from China to aid Hong Kong arrived in Hong Kong on 2 March 2022 from Pinghunan National Logistics Hub, Shenzhen. The freight trains mainly transport epidemic prevention materials and fresh products, etc. Such trains will run one trip each day in the initial stage, and the number of trains and cargos will be increased afterwards based on actual demand. Through the above, the Group strives to help Hong Kong to fight the pandemic with prevention and control through railway transportation and actively fulfill our social responsibilities.

Dividend

The board of directors of the Company (the "Board") is committed to maintaining a stable dividend policy and continued to bring returns to its shareholders. Having considered the composition of the profit and cash flows of the Group, the Board recommended an ordinary dividend of HK$0.125 per share for the Year. The Board also proposed the payment of a special dividend of HK$0.703 per share to the shareholders for its one-off gain for the Year. The total dividend per share is HK$0.828 (2020: ordinary dividend of HK$0.122; special dividend of HK$0.838), representing a decrease of 14%, as compared to the previous year. Total dividend amounted to HK$1,877 million (2020: HK$2,112 million), representing a decrease of 11%, as compared to the previous year. The Board is committed to maintaining a stable dividend policy and distributing most of its one-off gain to its 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 ("2022 Annual General Meeting"); and (2) the Stock Exchange granting the listing of and permission to deal in the scrip shares to be issued pursuant thereto.

02 Logistics Business

OVERVIEW

The Group has extensive experience in the development, operation and management of logistics parks. Based in Shenzhen, the Group focused economically affluent regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and the Beijing-Tianjin-Hebei areas. Through self-construction, acquisition and other methods, the Group continues to consolidate its logistics assets and expand its operating scale to establish a comprehensive water, road, air, and rail infrastructure network. At the same time, the Group strives to become a "the leading comprehensive logistics services provider in the Greater Bay Area and the top logistics company in China" and takes the development and operation of high-standard warehouses and urban high-end logistics complexes as its core business functions, and efficiently meets customer needs by providing integrated logistics services such as intelligent warehousing and storage, cold chain, supply chain finance and third-party logistics.

As at 31 December 2021, the Group has established footholds in a total of 37 key logistics gateway cities across the country, the Group managed and operated a total of 30 logistics projects with an owned and planned land area of approximately 9.72 million square meters in aggregate, among which approximately 6.85 million square meters has obtained operation rights and approximately 3.32 million square meters were put in operation, with an overall occupancy rate of 93%.

ANALYSIS OF OPERATING PERFORMANCE

I. Logistics Parks in the Greater Bay Area

Guided by the strategy of establishing a foothold in Shenzhen and focusing on the Greater Bay Area, except Shenzhen, the Group has established its presence in cities such as Zhongshan, Zhaoqing and Foshan among the cities in the Greater Bay Area. The strategic vision entering into the Greater Bay Area has been initially realized. The Group strives to increase the investment layout in the Greater Bay Area, and in response to the smart and intelligent development trend presented by the industry and the local government's initiative of intensive land saving and use, Longhua Liguang Project, Yantian Comprehensive Bonded Zone Project ("Yantian Comprehensive Bonded Project"), the Pingshan Project and other projects in the Greater Bay Area together constitute the new "Shenzhen International Digital Logistics Hub" product.

As at 31 December 2021, the Group has deployed 9 logistics projects in the Greater Bay Area, of which 4 projects were already in operation or managed. These included 3 projects in Shenzhen and 1 project in Zhongshan. The projects under construction included Longhua Liguang Project in Shenzhen and, in addition, the Pinghunan Project, Yantian Comprehensive Bonded Project, and the Pingshan Project are scheduled to commence construction in 2022.

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 133,000 square meters. Kanghuai E-commerce Center actively explores the development model of green freight distribution, and to build an "Intensive, Efficient, Green and Intelligent" urban freight distribution service system. This park is one of the Green Freight Distribution Pilot Projects (綠色貨運配送示範工程) in Shenzhen. Business services provided in the park include warehouse logistics services, large data centers, office buildings, dormitories, restaurants, supermarkets, etc. The park also supports interactive sharing and intelligent interchange of data across the park with an intelligent park information management system. The operations of the project have stabilized and achieved satisfactory marketing results after successfully attracting a number of branded logistics enterprises. As at 31 December 2021, it attained an overall occupancy rate of 96%.

In recent years, the Group has been actively driving the reform and upgrade of its logistics parks in Shenzhen in accordance with industrial and urban development trends. During the Year, it continued to progress the development and construction of the second phase of South China Logistics Park and Longhua Liguang Digital Logistics Hub. The second phase of South China Logistics Park will be built as "South China Digital Valley", focusing on the positioning of Shenzhen, monitoring the general situation of the industry, meeting the good opportunity strategy of "Digital Longhua" development in Longhua District, with the development of digital industry as the guide, focusing on attracting enterprises in the global procurement and supply chain management platform, artificial intelligence, 5G technology, industrial Internet which are enterprises within the tertiary industry, aiming to promote the integration of regional industries and cities, and empowering regional development with digital industry. With a site area of approximately 62,000 square meters and a gross floor area of approximately 182,000 square meters, the second phase of the park will be developed and constructed in two stages. At present, inspection and acceptance of the first stage completed in November 2021.

Longhua Liguang Digital Logistics Hub is located in Longhua New District, Shenzhen, with a site area of approximately 45,000 square meters in an advantageous geographical location. It is expected to be a logistics park with a high floor area ratio with six levels above ground and two levels underground, comprising a gross floor area of 265,000 square meters. The Longhua Liguang Digital Logistics Hub will be built as a modern, high-standard, intelligent and eco-friendly benchmark logistics park. Once completed, it will further consolidate the Group's logistics business market share in the Shenzhen area. The construction of the main structures was completed during the Year. It is anticipated that this project will be put into operation in the first half of 2023. At the same time, the project is actively carrying out pre-investment marketing work, and has concluded preliminary understanding on cooperation with customers such as SF Express, JD.com, and Shenzhen Cereals Cold Chain (深糧冷鏈).

Pinghunan Integrated Logistics Hub Project

In 2020, the Group and China Railway Guangzhou Group Co., Ltd. entered into a cooperation agreement, pursuant to which the parties agreed to establish a joint venture to invest in and develop the Pinghunan Integrated Logistics Hub Project (平湖南綜合物流樞紐項目) (the "Pinghunan Project"). The joint venture company was incorporated in August 2021. In September 2019, the Pinghunan Project was selected as one of the first batch of 23 national integrated logistics hub projects to be developed as a national logistics hub for business by the National Development and Reform Commission of the PRC and the Ministry of Transport of the PRC.

Being the first logistics park to be jointly developed by the Group and a railway enterprise, the Pinghunan Project has a site area of approximately 900,000 square meters and an estimated gross floor area of approximately 800,000 square meters (the final gross floor area is subject to the approval by the relevant governmental authorities of Shenzhen). Through the integrated development of the Pinghunan Railway Freight Yard, the integration of supply chain logistics, cold chain logistics, China-Europe freight, business services and other functions will create the country's largest and most intelligent railway integrated logistics hub. The freight terminal at the first phase of the freight yard has been handed over as planned and has been put in operation in early 2022.

Building on the only railway freight transportation terminal in Shenzhen as well as the nearby infrastructure of high-quality ancillary expressways and ports, the project is expected to generate stable income from the leasing of logistics facilities, in addition to instigating e-commerce express, urban distribution, cold chain, railway freight and other logistics services. It can also coordinate and interact with the Group's integrated logistics hub network in cities across the nation in order to derive better synergies and generate considerable income for the Group.

In addition, the Pinghunan Project will be designed with an aim to enable seamless connection between road and railway logistics facilities. The use of expressways and railways for freight consolidation and distribution can greatly enhance railway freight consolidation capacity and service efficiency, transfer throughput from roads to railways, reduce the traffic of roads connecting ports and thus pollutant emissions, thereby enhancing the improvement of regional transportation system, which are important for improving logistics efficiency and reducing logistics costs and in line with green urban development concepts.

The Group's Pinghunan Project pioneered the model of "obtaining ownership rights in multi-story logistics facilities to be constructed over the railway freight station", achieving integrated development of "rail transportation and modern logistics". It will become a benchmark for concentrated use of land resources. The implementation of the Pinghunan Project will allow the Group to accumulate high-quality long-term efficient assets for its future development, enlarge the scale and network coverage of its logistics operations, and strengthen its market position in the Greater Bay Area as well as the rest of the country. Thus, the development of the Pinghunan Project is in line with the Group's business development strategy and planning.

Meanwhile, the Group plans to increase its efforts in the deployment of a network of railway logistics resources and will actively develop new projects such as the railway freight stations in various cities like Changsha, Guangzhou and Foshan.

In 2021, progress of increasing the Group's influence in Shenzhen's logistics industry has been made. In October 2021, the Group acquired 70% equity interest in Shenzhen SEG Technology Development Co., Ltd. ("Shenzhen SEG") for approximately RMB330 million. The industrial park held by Shenzhen SEG is located in Pingshan District, Shenzhen, an advantageous location. The project has a total site area of approximately 120,000 square meters and a gross floor area of over 400,000 square meters (the "Pingshan Project"). In the future, the Group intends to build the project into a benchmark showcasing deep integration of manufacturing and logistics facilities, and actively develop and explore smart logistics services. In addition, in November 2021, the Group successfully won its bid for Yantian Comprehensive Bonded Project with a plot ratio-basis gross floor area of approximately 120,000 square meters. Construction is expected to commence in 2022, and scheduled to be put into production and operation at the end of 2023. The project will rely on the international hub port Yantian Port and Yantian Comprehensive Bonded Zone, focus on the development of new bonded business formats for the industry, and build an internationally leading digital, intelligent and green-bonded investment and operation complex.

While establishing a foothold in Shenzhen, the Group accelerated the development of quality projects in other areas of the Greater Bay Area. The Zhongshan Torch Integrated Logistics Hub Project is the Group's first project in the Greater Bay Area (excluding Shenzhen), with a gross floor area of 66,000 square meters, helping the integrated development of logistics on both sides of the Pearl River. Since the acquisition in 2019, after more than two years of refined management, the quality of operation services has greatly improved, and the occupancy rate has reached nearly 100%. During the Year, the Group completed its investment plan for the Integrated Logistics Hub Project in Zhaoqing, with an additional contracted area of approximately 100,000 square meters.

At the beginning of 2022, the Group successfully won its bid for two warehouse construction sites in Nanhai District, Foshan and Shunde District, Foshan. The project in Nanhai District, Foshan has a site area of approximately 76,000 square meters and a plot ratio-basis gross floor area of over 160,000 square meters. It is planned to be constructed as an integrated e-commerce cloud warehouse, urban distribution, smart cold chain, supply chain management, finance, transaction display and other functions which is a high-standard, information-based modern intelligent logistics industry base. The project in Shunde District, Foshan has a site area of approximately 200,000 square meters and a plot ratio-basis gross floor area of over 600,000 square meters. It is planned to build six high-standard warehouses with winding paths and one comprehensive supporting facility, and is positioned to build a modern logistics industrial park of "high-standard warehouses + informatization". Starting with the Nanhai Project and the Shunde Project in Foshan, the Group will continue to promote the acquisition of land for projects in Foshan, Zhaoqing, Zhuhai, Zhongshan, etc., and continue to expand and optimize the Group's asset scale in the Greater Bay Area.

II. Logistics Parks in Other Regions of China

The Group focuses on the Greater Bay Area, while taking into account other tier-one and tier-two logistics gateway cities, actively promotes the national strategic layout and increases the penetration rate and project density of key cities, consolidates the foundation of the high standard warehouse network, and forms a national logistics network.

As at 31 December 2021, the Group realized the layout of integrated logistics ports in 31 logistics gateway cities in other regions of the country (excluding the Greater Bay Area and logistics park management output projects). The Group had 25 operating integrated logistics hub projects with a total operating area of approximately 2.67 million square meters, which recorded a satisfactory overall occupancy rate of approximately 91%.

The Group continued to strengthen the expansion of its logistics business in core regions such as the Yangtze River Delta, provincial capital cities and Hainan Free Trade Port. During the Year, the Company completed investment plans for a number of integrated logistics hub projects such as the Chengmai Project in Hainan, the Xiuwen Project in Guiyang, the Xiangtan Project in Hunan, the Taiyuan Project in Shanxi, etc., with an additional contracted area exceeding 490,000 square meters, and successfully acquired land use rights for the Chengmai Project in Hainan and the Xiuwen Project in Guiyang in the same year.

In addition, in June 2021, the Group successfully acquired several high-standard logistics warehouses in the three core logistics gateway cities of Shanghai, Tianjin and Chongqing at an aggregate amount of approximately RMB1,600 million. The site area and gross floor area of these projects are approximately 297,000 square meters and 246,000 square meters respectively, rapidly expanding the Group's nationwide logistics operating area and accelerating the Group's implementation of the strategy of "multiple logistics parks within one city" in core cities.

While continuing to expand new projects in the integrated logistics port, the Group has been steadily working on the projects under construction and preparations to ensure that the progress of the projects is in line with expectations. In 2021, integrated logistics hub projects such as the Qingbaijiang Project in Chengdu, the Xuzhou Project, the Nantong Project and the second phase of Hangzhou Project were successively completed and put into operation, with an additional operating area of approximately 500,000 square meters. In addition, the construction work for the Caidian Project in Wuhan, the Erqi Project in Zhengzhou, the Jiangyin Project in Wuxi, the E-commerce Industrial Park in Yiwu have been carried out as planned, and some projects are expected to be completed gradually and put into operation in 2022 and 2023.

The Shenzhen International Zhengding Smart Hub Project invested and constructed in Shijiazhuang by the Group, with a gross floor area of approximately 600,000 square meters, is the first industrial-city complex in China that integrates the two major industries of logistics and commerce. The project aims to build a demonstration area integrating the backbone cold chain base, China's quality agricultural product display base, medicine and health, science and innovation incubation platform, ice and snow entertainment and other cultural and tourism integration. Among them, the plot ratio-basis gross floor area of the commercial area exceeds 320,000 square meters, and construction has officially commenced in March 2022.

Management Projects

Capitalizing on the Group's brand influence and ability to operate mature parks, through designating professional teams to participate in the planning and design of cooperative projects, and taking full responsibility for project investment and operation management, it has expanded a number of management projects across the country. Yueyang Smart Commercial and Trading Park (岳陽智慧商貿物流園) is the first management project outside Shenzhen. 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 with a gross floor area of 250,000 square meters. The first phase of the project comprises storage facilities, of which approximately 52,000 square meters were completed and it has been operating well since it was put into operation, and the warehouse was fully operational in 2021. In addition, the Group expanded a number of management output projects during the Year: the Fengcheng Project in Jiangxi, with a gross floor area of approximately 50,000 square meters, which is expected to commence construction in 2022; the Yangpu Project in Hainan, with a gross floor area of approximately 94,000 square meters, which has commenced construction in November 2021 and will be put into operation in 2023; and the Huiyang Project in Guangdong, with a gross floor area of approximately 100,000 square meters, is expected to commence construction in 2022.

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

As the logistics and warehousing industry proliferates and rent surges, the value of integrated logistics hubs will rise steadily. The Group is actively exploring possible ways to securitize the assets of its integrated logistics hubs and implement the short closed-loop "investment, construction, financing and operation" business model. Under this model, the securitization of the assets of integrated logistics hubs will not only accelerate fund recovery, shorten project turnover time, lower gearing ratio and ensure adequate cash flows, but also realize asset appreciation from the development, construction, incubation and operation of the integrated logistics hubs and crystalize the actual value of such assets, thereby enabling rapid expansion of the Group's urban integrated logistics hubs operation and management.

Investment – *Investment and expansion. Using the Group's years of extensive investment experience in the logistics and warehousing sector, quality logistics projects will be identified with an aim to increasing the scale of investment.*

Construction – *Project construction. High-standard logistics and multipurpose warehousing products at reasonable cost that are widely accepted by the market will be constructed. Emphasis is placed on the liquidity of these assets and enhancement of project construction management skills.*

Financing – *Integration of assets and financing. Through securitization of assets, accelerate fund recovery, lower gearing ratio, ensure adequate cash flows and crystalize the actual value of such assets.*

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

In June 2021, the development of the closed-loop "investment, construction, financing and operation" business model of integrated logistics hubs achieved significant breakthrough. The Group successfully injected the Nanchang Integrated Logistics Hub Project into the logistics real estate private equity fund established by the Group together with Goldstone Investment Co., Ltd., realizing the asset securitization of the Group's first logistics park project, thereby implementing the securitization of the assets of the first logistics park project. The injection of the Nanchang Project into the fund under the "investment, construction, financing and operation" model has gradually unlocked the value of the integrated logistics hub and laid the foundation for long-term sustainable development by contributing a profit attributable to the Company's shareholders of approximately HK$175 million and an asset appreciation rate of 64%. On the other hand, the Group will continue to earn service fees by providing professional services, such as operational, maintenance, marketing, etc., to the logistics parks held by the fund.

The Group will actively progress the injection of the projects such as Hefei into a fund. Meanwhile, the Group will rigorously plan the issuance of publicly traded REITs whose basement asset is mature integrated logistics hub projects. Through various channels, the Group seeks to improve the development of closed-loop "investment, construction, financing and operation" business model, and accelerate the return of capital, optimize its industry model, enlarge its scale of operation and enhance its profitability under the premise of keeping operation right.

As at 31 December 2021, the details of the Group's major logistics projects are shown as follow:

	Project name	Location	Site area/ Planned site area (0'000 sq.m.)	Acquired site area (0'000 sq.m.)	Area in operation (leasable area) (0'000 sq.m.)	Commencement date/Expected commencement date of operation of the first phase of the project*
Logistics Parks in Greater Bay Area	Shenzhen (Longhua) South China Logistics Park	Shenzhen Longhua Logistics Park	57.8	57.8	29.0	2003
	Shenzhen (Qianhai) Western Logistics Park #	Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone	N/A	N/A	11.3	2003
	Shenzhen (Longhua) Kanghuai E-commerce Center (operated through leasing)	Pingan Road, Guanlan Street, Longhua District, Shenzhen	N/A	N/A	13.3	2018.01
	Shenzhen (Longhua) Liguang Digital Logistics Hub	Liguang Village, Guanlan Street, Longhua District, Shenzhen	4.5	4.5	–	2023
	Shenzhen (Pingshan) Digital Logistics Hub	Eastern Lanzhu Road, Longtian Street, Pingshan District, Shenzhen	12.0	–	–	2023
	Shenzhen (Yantian) Comprehensive Bonded Digital Logistics Hub	First Phase of Yantian Comprehensive Bonded Zone, Yantian District, Shenzhen	31.6	31.6	–	2024
	Shenzhen (Longguang) Pinghunan Railway Integrated Logistics Center	Hengdong Cenling Road, Nanwan Street, Longguang District, Shenzhen	90	90@	–	2022.01
	Zhongshan Torch Integrated Logistics Hub	Zhongshan Torch Hi-Tech Industry Development Zone, Zhongshan	5.7	5.7	5.7	2019.09
	Zhaoqing Gaoyao Integrated Logistics Hub	Jinli Town, Gaoyao District, Zhaoqing	10.0	–	–	2025.01
	Sub-total		**211.6**	**189.6**	**59.3**	
Logistics Parks in Other Regions of China	**Southern Area**					
	Zhanjiang Integrated Logistics Hub	Mazhang District, Zhanjiang	20.0	11.0	–	2023.06
	Hainan Chengmai Integrated Logistics Hub	Jinma Modern Logistics Center, Chengmai County, Hainan	6.3	6.3	–	2024.03
	Southwestern Area					
	Guizhou Integrated Logistics Hub	Guizhou Shuanglong Modern Service Industrial Cluster	34.8	35.0	14.8	2018.05
	Guiyang Xiuwen Integrated Logistics Hub	Zhazuo Industrial Park, Xiuwen Economic Development Zone, Guiyang	20.0	20.6	–	2025.09
	Chongqing Shuangfu Integrated Logistics Hub	Shuangfu New District, Jiangjin District, Chongqing	15.7	10.4	5.8	2019.12
	Chongqing Shapingba Integrated Logistics Hub	Shapingba District, Chongqing	14.6	14.6	11.0	2021.09
	Kunming Integrated Logistics Hub	Yangzonghai Scenic Area, Kunming	17.2	17.2	12.0	2020.01
	Chengdu Qingbaijiang Integrated Logistics Hub	International Railway Logistics Park, Qingbaijiang District, Chengdu	12.9	12.5	11.7	2021.10
	Chengdu Xinjin Integrated Logistics Hub	Xinjin Logistics Park, Tianfu New District, Chengdu	17.3	–	–	2024.12
	Central China					
	Wuhan Dongxihu Integrated Logistics Hub	Dongxihu District, Wuhan	13.3	12.6	6.7	2016.10
	Wuhan Caidian Integrated Logistics Hub	Changfu Logistics Park, Caidian District, Wuhan	26.7	12.9	–	2022.06
	Nanchang Integrated Logistics Hub□	Nanchang Economic and Technological Development Zone, Nanchang	N/A	N/A	9.1	2017.06
	Changsha Integrated Logistics Hub	Jinxia Economic Development Zone, Changsha	34.7	29.8	8.5	2018.10
	Zhuzhou Integrated Logistics Hub	Yunlong Demonstration Zone, Zhuzhou	12.6	–	–	2023.12
	Xiangtan Yuetang Integrated Logistics Hub	Yuetang Economic Development Zone, Xiangtan	10.2	–	–	2024.08
	Zhejiang Area					
	Hangzhou Integrated Logistics Hub	Hangzhou Dajiangdong Industrial Cluster, Hangzhou	42.7	42.7	39.3	2017.11
	Ningbo Integrated Logistics Hub	Ningnan Trade and Logistics Park, Ningbo	19.4	9.2	6.0	2018.10
	Jinhua Yiwu Integrated Logistics Hub	Yunxi Village under the jurisdiction of Choucheng Street, Yiwu, Jinhua	44.0	41.7	24.6	2020.12
	Jinhua Economic Development Integrated Logistics Hub	Jinhua Economic and Technological Development Zone, Jinhua	13.6	–	–	2024.05

As at 31 December 2021, the details of the Group's major logistics projects are shown as follow (Continued):

	Project name	Location	Site area/ Planned site area (0'000 sq.m.)	Acquired site area (0'000 sq.m.)	Area in operation (leasable area) (0'000 sq.m.)	Commencement date/Expected commencement date of operation of the first phase of the project*
Logistics Parks in Other Regions of China	**Jiangsu and Anhui Area**					
	Wuxi Huishan Integrated Logistics Hub	Huishan District, Wuxi	34.7	24.6	12.5	2017.10
	Wuxi Jiangyin Integrated Logistics Hub	Jiangyin Lingang Economic and Technological Development Zone, Wuxi	13.3	13.3	–	2023.10
	Suzhou Kunshan Integrated Logistics Hub	Lujiazhen, Kunshan, Suzhou	11.7	11.7	8.5	2016.06
	Suzhou Xiangcheng Integrated Logistics Hub	International Logistics Park, Wangting Village, Xiangcheng District, Suzhou	3.3	3.3	2.0	2020.12
	Hefei Integrated Logistics Hub	Anhui Hefei Commercial and Logistics Development Zone, Feidong County, Hefei	13.8	13.5	9.8	2016.10
	Jurong Integrated Logistics Hub	New City District, Northern Jurong	40.0	13.1	–	2024.12
	Xuzhou Integrated Logistics Hub	Xuzhou National Hi-Tech Industrial Development Zone, Xuzhou	14.0	13.3	7.6	2021.04
	Nantong Integrated Logistics Hub	Haimen Industrial Park, Nantong	15.2	15.2	12.5	2021.01
	Shanghai Qingpu Integrated Logistics Hub	Huaxin Town, Qingpu District, Shanghai	2.3	2.3	3.1	2019.09
	Shanghai Minhang Integrated Logistics Hub	Zhuanqiao Town, Minhang District, Shanghai	3.5	3.5	4.7	2021.09
	Huai'an Integrated Logistics Hub	Huai'an Economic and Technology Development Zone, Huai'an	11.1	–	–	2023.12
	Northern Area					
	Xi'an Integrated Logistics Hub	Xi'an National Civil Aerospace Industrial Base, Xi'an	12.0	12.0	9.3	2020.08
	Jinan Zhangqiu Integrated Logistics Hub	Zhangqiu District, Jinan	18.0	–	–	2024.12
	Tianjin Zhonglong Integrated Logistics Hub	West Wing of Tianjin Development Zone, Tianjin	6.0	6.0	3.2	2019.01
	Tianjin Xiqing Integrated Logistics Hub	Yangliuqing Town, Xiqing District, Tianjin	11.6	11.6	7.6	2021.09
	Zhengzhou Economic Development Integrated Logistics Hub	Zhengzhou International Logistics Park, Zhengzhou Economic Development Zone, Zhengzhou	26.7	–	–	2024.12
	Zhengzhou Erqi Integrated Logistics Hub	Mazhai Industrial Cluster, Erqi District, Zhengzhou	10.9	10.9	–	2022.11
	Taiyuan Zonggai Integrated Logistics Hub	Xiaohe Industrial Park, Xiaodian District, Taiyuan	12.7	–	–	2024.09
	Shenyang Integrated Logistics Hub	Shenyang International Logistics Park, Yuhong District, Shenyang	70.0	24.1	26.4	2016.04
	Shijiazhuang Zhengding Smart Hub	Zhengding County, Shijiazhuang	46.7	33.5	6.6	2017.07
	Yanta Booming Logistics Park	Yantai Economic and Technological Development Zone, Yantai	7.0	7.0	3.7[Δ]	2008
	Sub-total		**760.5**	**495.4**	**267.0**	
Management Projects	Yueyang Smart Commercial and Trading Park	New Port Area, Chenglingji District, Yueyang, Hunan	N/A	N/A	5.2	2020.10
	Jiangxi Fengcheng Project	South Station, Third Phase of Cyclic Economic Park, Fengcheng, Jiangxi	N/A	N/A	–	2024
	Hainan Yangpu Project	Southwestern Yangpu Economic Development Zone and Interior of Yangpu Bonded Hub, Hainan	N/A	N/A	–	2023
	Guangdong Huiyang Project	Daya Bay Economic and Technology Development Zone, Huizhou	N/A	N/A	–	2023
	Sub-total		**N/A**	**N/A**	**5.2**	
	Total		**972.1**	**685.0**	**331.5**	

Notes:

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

\# *The land originally owned by Western Logistics Park have been turned over to the Qianhai Authority according to the terms of land consolidation agreement of Qianhai Project*

@ *Pinghunan Project has obtained operation right of land of 900,000 square meters, the freight yard of first phase of projects with areas of 71,000 square meters has been handed over and operated since January 2022*

Δ *Including floor area of approximately 10,000 square meters operated through leasing*

□ *An integrated logistics hub project company held by Shenshi Smart Logistics Infrastructure Private Equity Partnership (Limited Partnership) (深石(深圳)智慧物流基礎設施私募基金合夥企業(有限合夥)), a joint venture held by the Group as to 40% equity interest*

III. Logistics Service Business

With technologies relating to artificial intelligence, big data and 5G maturing gradually, the combination of new applications such as automatic sorting, precise delivery and contactless distribution facilitates transforms the logistics industry from being traditional labor-intensive to high technology and intelligent upgrading. Emerging industries such as intelligent logistics and cold chain logistics have become major trends for the future development of the logistics industry.

In 2021, the Group accelerated construction of intelligent warehouse and cold warehouse to upgrade its business scale, and it has planned and constructed cold warehouses in logistics hub projects such as Longhua Liguang Digital Logistics Hub, Pinghunan Project, Chengdu Qingbaijiang and Shijiazhuang. For intelligent warehouse, Hangzhou Integrated Logistics Hub project successfully invited Ruhnn Holding to implement the Whalehouse's Picking Spider System (PSS), which has increased the utilization rate of its storage space by 6 times. On the other hand, South China Logistics Park upgraded and revamped the intelligent warehouse of an existing customer, Pedder Logistics. Following this upgrade, the same volume of service can be delivered within 10,000 square meters instead of 20,000 square meters. The Shijiazhuang Project reached an agreement with Shanghai Pharma to develop an intelligent medical warehouse, of which approximately 11,000 square meters have officially been put into operation while approximately 14,000 square meters sharing area were under construction. As of the end of 2021, the gross area of the Group's intelligent logistics and cold chain logistics projects constructed, under construction and planned to be constructed amounted to 243,000 square meters in aggregate.

In addition, the Group together with Shenzhen Airport Co., Ltd. (深圳市機場股份有限公司) and Shenzhen Capital Holdings Co., Ltd (深圳市資本運營集團有限公司) and other entities jointly established the "Intelligent Airport Logistics Industry Fund" (智慧空港物流產業基金), carried out investment primarily focusing on premium corporations in the intelligent logistics and airport industrial chain. The total size of the fund was approximately RMB500 million, of which the Group contributed RMB200 million, with such industry fund model helping the Group implement intelligent logistics business development strategy.

In the meantime, in 2021, the Group entered into a capital injection agreement to invest in China Comservice Supply Chain Management Company Ltd. ("China Comservice") (a subsidiary of China Communications Services Corporation Limited, which ranks first in the domestic telecommunication logistics industry in terms of market share), pursuant to which the Group has become the third largest shareholder of China Comservice. China Comservice is a unique integrated logistics enterprise with a "5A" qualification in the telecommunications industry in the PRC. Not only will the Group be able to synchronise and connect its logistics warehouse network with that of China Comservice, but it can also complement each other in various aspects to achieve win-win by jointly developing high-end logistics value-added services in emerging sectors, such as information and communications, data center, etc.

In 2020, the Group completed a strategic investment in Hubei Plog Technology Stock Company Limited (湖北普羅格科技股份有限公司) ("Plog"), a leading integrated intelligent warehouse system company. The Group actively promoted post-investment synergy, cooperated with Plog to actively and jointly explore further application of intelligent logistics technology in the park ecology and new value empowered by technology to warehouse and logistics parks.

On 9 November 2020, 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 by way of capital contribution of approximately RMB1,565 million. In September 2021, the Group completed the regulatory registration procedures and became the fourth largest shareholder of Air China Cargo. Grasping this opportunity, the Group entered the air logistics industry which is highly monopolistic with high entry barrier, at a relatively higher starting level. Meanwhile, the Group established good relationship with strategic cooperation with Air China Cargo, and will explore business cooperation opportunities in various aspects in the area of air logistics and air cargo stations in the future. Currently, both parties are actively promoting related cooperation of air logistics projects and jointly obtaining rare resources, trying to construct a comprehensive logistics system integrating air logistics, high-standard warehouses and cold chain logistics, etc.

Logistics Business

In 2020, the Group set up a joint venture with Sinotrans Limited ("Sinotrans") to operate the Bay Area Express (灣區號) in Shenzhen, a train running between China and Europe and principally operate businesses such as international cargo agency and operation of international railway. Spanning across 13,438 kilometers, the Bay Area Express sets off from Shenzhen to Duisburg, Germany via Dzungarian Gate in Xinjiang, serving one of the longest train routes of the PRC between China and Europe. Three trains run this route per week. In 2021, the Bay Area Express run a total of 150 trains, with a trading amount exceeding USD600 million, achieving well economic and social efficiency. The launch of the Bay Area Express established a new trade route linking Shenzhen and countries along the "Belt and Road Initiative" and facilitates the stable flow of foreign investment and trade. It also represents a key action of the Shenzhen Municipal Government to integrate itself into the "Belt and Road Initiative" and promote the "Building of the Greater Bay Area and the Pioneering Demonstration Zone of Socialism with Chinese Characteristics" (also called the "development of two regions"). In addition, as at 3 December 2021, a brand-new international train Bay Area Expressway, a train running between China and Laos, sets off, for the first time, spent five days running from Shenzhen to Vientiane (the capital of Laos), marking the due connection of the Trans-Asia railway network of Southeast Asia by Bay Area Express. In future, goods from corporates in the Greater Bay Area may interchange in Vientiane, Laos, and arrive in Singapore-Malaysia-Thailand, truly implementing the Regional Comprehensive Economic Partnership Agreement (RCEP). Leveraging the Bay Area Express which runs between China and Europe, the logistics parks of the Group have commenced one-stop services such as cargo consolidation and packaging, agent booking service, loading and unloading, warehousing and transportation. In particular, the fast-growing bulk cargo consolidation and packaging operation can increase the utilization rate of warehouses, create synergy among logistics parks of the Group and generate new value-adding income. Furthermore, it will benefit the freight volume of the Pinghunan Integrated Logistics Hub and the development of its various value-added services by using the Pinghunan Railway Station as the terminal of the train between China and Europe. This will in turn provide a solid foundation for the long-term stable growth of the Group's logistics business.

Shenzhen EDI Co., Ltd., ("EDI Co"), a subsidiary of the Company, is the largest ocean freight logistics big data platform in Southern China. It undertakes construction and operation of EDI's network information exchange platform for the Shenzhen port. As the data service provider of Maersk, Duffy, Mediterranean, COSCO and other major international liner companies in Southern China, its business network covers all terminals in the eastern and western port areas of Shenzhen. Meanwhile, it is also the single largest data network provider in Nansha Port, Guangzhou Port and Hong Kong Port, etc.. EDI Co takes the data network of major hub ports as the core and radiates and covers more than 30 barge terminals in the Pearl River Delta. Shenzhen Southern Electronic Port Co., Ltd. (深圳市南方電子口岸有限公司), a subsidiary of EDI Co, undertakes the construction and operation of the "single window" (單一視窗) for trading in China (Shenzhen), creating a "one-stop" international trade service platform in Shenzhen area to provide local foreign trade enterprises with convenient and efficient import and export online customs clearance services. Its overall operation is in good shape, and it attracts attention of high-quality industrial capital, which will increase the Group's potential in empowering its main business through logistics technology and expansion of digital logistics technology services.

FINANCIAL ANALYSIS

Revenue

For the year ended 31 December

	2021 *HK$'000*	2020 *HK$'000*	Increase
Logistics Parks in Greater Bay Area	**576,945**	403,658	43%
Logistics Parks in Other Regions of China	**802,653**	483,290	66%
Sub-total of Logistics Park Business	**1,379,598**	886,948	56%
Logistics Services Business	**988,199**	952,225	4%
Total	**2,367,797**	1,839,173	29%

Profit Attributable to Shareholders

For the year ended 31 December

	2021 *HK$'000*	2020 *HK$'000*	Increase/ (Decrease)
Logistics Parks in Greater Bay Area *	**147,222**	75,301	96%
Logistics Parks in Other Regions of China	**352,794**	76,880	359%
Sub-total of Logistics Park Business	**500,016**	152,181	229%
Logistics Services Business	**7,427**	17,509	(58%)
Total	**507,443**	169,690	199%

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

During the Year, the Group's revenue from logistics business and profit attributable to shareholders increased by 29% and 199% to HK$2,368 million and HK$507 million, respectively.

During the Year, the revenue from logistics park business and profit attributable to shareholders increased by 56% and 229% as compared to the corresponding period of the previous year to HK$1,380 million and HK$500 million, respectively, mainly due to factors such as pandemic outbreak and adoption of rent-free policies which had a relatively significant impact on logistics business. In 2021, the revenue from logistics business rebounded to the pre-pandemic level driven by the continuous recovery of market demand for logistics facilities. Meanwhile, with the increasing operation area of the Group's integrated logistics hubs, economies of scale started to take effect, and the successful injection of the Nanchang Integrated Logistics Hub Project into the fund during the Year resulted in a profit attributable to shareholders of HK$175 million.

During the Year, the revenue from logistics services business increased by 4% as compared to the corresponding period of the previous year to HK$988 million. However, the operating costs increased due to changes in the international shipping rates, resulting in decrease of profit attributable to shareholders by 58% as compared to the corresponding period of the previous year to HK$7.43 million.

03

Logistics Park Transformation and Upgrading Business

OVERVIEW

The Group actively promotes the adjustment, transformation and upgrading of the land use rights of its logistics park projects located in the core urban center, vigorously seizes the historic opportunity of the adjustment of the land use rights of the logistics park arising from the urbanization process, and build up the long closed-loop "investment, construction, operation and transformation" development model through the transformation and upgrading of the land use rights. The investment income from the transformation and upgrading of the logistics park provides long-term support to the Group's business development and financial performance, maximizes the value of relevant assets for its shareholders and generates considerable returns.

ANALYSIS OF OPERATING PERFORMANCE

I. Qianhai Project

The Qianhai Project represents the Group's first project successfully implemented under the long closed-loop "investment, construction, operation and transformation" development model. Through such land consolidation and preparation in Qianhai, the Group obtained compensations equivalent to approximately RMB8,373 million, through the swap of land with a total area of approximately 120,000 square meters and a gross floor area of approximately 390,000 square meters (comprising saleable residential area of approximately 190,000 square meters and saleable apartment area of approximately 25,000 square meters) under the new land planning conditions. Gain from land value appreciation represents the initial benefit of the land consolidation and preparation in Qianhai. As the swapped land parcels are gradually developed and the completed properties are released into the market, the project will continue to unlock value from its development in the next few years, which in turn will further support the continuous improvement in the Group's performance.

In order to focus its resources on the development of its main logistics business, the Group introduced Shenzhen Vanke as a strategic investor to Qianhai Business in February 2022. Shenzhen Vanke agreed to make a capital contribution of RMB915 million to Qianhai Business (i.e. Capital Increase). Upon completion of the Capital Increase, Shenzhen Vanke holds 28% equity interest in Qianhai Business. The Capital Increase will allow the Group to reduce the potential operational risks brought about by the ongoing development of the real estate regulatory policies in the PRC, to realize the intrinsic value and profits of the project land parcels in advance, and to optimize the Group's resources allocation.

The Qianhai Project will be developed in three phases. In particular, the first phase of the Qianhai Project has a total gross floor area of approximately 110,000 square meters, comprising approximately 51,000 square meters of residential project, approximately 35,000 square meters of office project and approximately 25,000 square meters of commercial project. The residential project in the first phase of the Qianhai Project, namely the PARKVIEW BAY (頤灣府), jointly developed by the Group and Shum Yip Land Co., Ltd. ("Shum Yip Land"), has been delivered in June 2021. As at 31 December 2021, about 97% of residential housings have been sold out.

The office project in the first phase of the Qianhai Project is the "Qianhai Shenzhen-Hong Kong Digital Economy Town" (前海深港數字經濟小鎮) (the "Town") jointly managed and operated by the Group and China Center for Information Industry Development ("CCID"). Capitalizing on Qianhai's special zone position and policy advantage in the Greater Bay Area, this project will benefit from the Group's extensive supply chain management experience and CCID's strong information technology service capacity, focus on the development of supply chain service and intelligent manufacturing service businesses, and promote the deep integration of the digital and real economies across the Greater Bay Area and countries/regions along the "Belt and Road Initiative". The benchmark project in the Town, namely Shenzhen International Yidu Building (深國際頤都大廈) has completed the inspection and acceptance procedures in July 2021 and has been put into operation. Positioned as AIOT + ecological courtyard and industrial operation services, it continues to attract enterprises in the digital industry to rent the workspace. As at 31 December 2021, the occupancy rate of the office project reached 57.35%. As for commercial project, the Group and SCPG (印力集團) will leverage the strengths of each other and make concerted efforts to turn the Mawan area in Qianhai into a unique boutique commercial project. Roadshows have been held in August 2021 to promote this project under the brand "Qianhai Yinli" (前海 • 印里) to the public. It is scheduled that Qianhai Yinli will be officially put into operation in the second half of 2022, and the investment marketing work is actively underway at present.

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. The construction of the second phase of the Qianhai Project Yicheng Qiwanli (頤城棲灣里) officially commenced in March 2021. Considering the overall planning of and the shortage of pure residential projects in the Qianhai area, it is expected that with the construction and sale of the second phase of the Qianhai Project, the value of the Group's resources in the Qianhai area will be fully reflected.

The third phase of the Qianhai Project has a plot ratio-based gross floor area of approximately 172,000 square meters in aggregate, comprising residential area of approximately 50,000 square meters and apartment area of approximately 25,000 square meters, both of which are saleable. It also comprises office floor area of approximately 79,000 square meters as well as commercial floor area of approximately 17,000 square meters, both of which are saleable. Currently, the Group is planning to conduct an in-depth cooperation with the Qianhai Authority to establish a bonded design center for research and development, an international logistics distribution center, a Shenzhen-Hong Kong distribution center and a bonded exhibition and exchange center, to promote the comprehensive development of the Group's logistics-related lands.

II. Progress of Transformation and Upgrading of South China Logistics Park

As economic growth in the PRC speeds up and the "two-region national development" strategy rolls out, the Greater Bay Area will become one of the most open and vibrant economic zones in the country. However, land supply in the Greater Bay Area is limited and land resources in the core areas are particularly scarce. The Group's South China Logistics Park is located in the central axis and core node of Shenzhen, covering an area of approximately 580,000 square meters. It is the Group's largest traditional warehousing and logistics park in Shenzhen, and has the most scarce land reserve resources for urban development. Promoting the transformation of the South China Logistics Park is a key part of the Group's exploration of the long closed-loop "investment, construction, operation and transformation" development model. In the next few years, the Group will proactively promote the transformation of the Park into functional headquarters for the digital economy, which in turn will gradually unlock its intrinsic value.

The transformation and upgrading of South China Logistics Park made significant progress in 2021. According to the Shenzhen General Land and Space Plan (2020-2035) (Draft) (《深圳市國土空間總體規劃 (2020-2035年) 》 (草案)) issued by the Shenzhen Municipal Government, the land parcels within the Park were included in the "urban core zone" and its strategic position and value have been greatly enhanced. In addition, the Work Plan for Promoting the Renewal and Land Development of Key Industrial Areas in Longhua District (《龍華區關於推進重點產業片區更新整備工作方案》) also designated the South China Logistics Park as one of the six key industrial areas for renewal and land development in the Longhua District. Meanwhile, the Group has maintained good communication with the relevant authorities of Longhua District. The transformation strategy of the South China Logistics Park has been widely recognized including being included in the Decision Regarding the Development of Digital Longhua to Build the Regional Development Pattern of "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》) issued by the district committee and district government of Longhua District.

III. Meilin Checkpoint Project

The Meilin Checkpoint Project is located at the previous site of Huatongyuan Logistics Centre. Having seized the opportunity of the Shenzhen Municipal Government's adjustment of the urban planning in respect of Meilin Checkpoint in the past, the Group successfully obtained the land parcel under the new land planning conditions and transformed and upgraded it into a comprehensive development project. The Meilin Checkpoint project is adjacent to Futian District in downtown Shenzhen, located in a functional development area in the city center and a key development zone of the city. It is situated at an advantageous geographical location. The land parcels of the Meilin Checkpoint Project have been transformed and upgraded to a comprehensive development project with a total plot ratio-based gross floor area of approximately 486,000 square meters comprising properties to be constructed for residential, commercial, office, business apartment and public and ancillary uses.

The Meilin Checkpoint Project is developed and constructed in three phases: the first phase includes residential properties with a saleable area of approximately 75,000 square meters and indemnificatory housing (保障房) of approximately 42,000 square meters; the second phase will provide residential properties with a saleable area of approximately 68,000 square meters, and the third phase will provide residential properties with a saleable area of approximately 63,000 square meters and office and business apartment complexes with a saleable area of approximately 190,000 square meters. The overall planning of this project includes the 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 and delivered to their owners for use in October 2020. He Ya Xuan (和雅軒), which is the second phase of the Meilin Checkpoint Project, have completed the inspection and acceptance procedures in 2020 and was delivered to their owners in October 2021. The third phase of the project, namely He Song Xuan (和頌軒), has commenced construction and pre-sales in December 2020, and all of its residential units are sold out.

In order to reduce the potential operational risks brought about by the ongoing development of the real estate regulatory policies, further concentrate resources on developing logistics and port businesses and to improve the operational quality and efficiency of core assets, the Group entered into an asset transfer agreement with Shenzhen Vanke on 21 December 2021. The Group agreed to dispose of its 35.7% equity interest in Shenzhen International United Land Co., Ltd ("United Land Company"), the project company holding land parcels of the Meilin Checkpoint Project, at a consideration of approximately RMB2,788 million. Accordingly, the remaining project revenue of the Meilin Checkpoint Project will be released in advance, increasing the working capital of the Group to invest in other new projects so as to facilitate the fulfillment of targets of its "14th Five-Year" development strategy. The disposal has been completed on 29 December 2021, the Group recorded a gain of approximately HK$4,771 million to the Group. The Company continues to indirectly hold 34.3% equity interest in United Land Company through Shenzhen Expressway.

FINANCIAL ANALYSIS

Revenue and Profit Attributable to Shareholders

For the year ended 31 December

	2021 HK$'000	2020 HK$'000	Increase/ (decrease)
Revenue	**319,552**	4,696,950	(93%)
Profit Attributable to Shareholders	**961,575**	918,819	5%

During the Year, the revenue from the logistics park transformation and upgrading business decreased by approximately 93% to approximately HK$320 million as compared to the corresponding period of the previous year, which was mainly due to the delivery progress of the Meilin Checkpoint Project. The Group recognized the revenue from the second phase of the Meilin Checkpoint Project He Ya Xuan (和雅軒) of approximately HK$4,697 million for the corresponding period of the previous year and only recognized the decoration revenue from the second phase residential of approximately HK$309 million for the Year. In addition, the PARKVIEW BAY (頤灣府) residential project in the first phase of the Qianhai Project jointly developed by the Group and Shum Yip Land was delivered in June 2021, generating investment gain of approximately HK$875 million to the Group. In addition, the profit attributable to shareholders increased by approximately 5% from the corresponding period of the previous year to HK$962 million as the valuation gain of approximately HK$150 million from property revaluation as the first phase of the Qianhai Project was put into operation.

04 Port and Related Services Business

OVERVIEW

Nanjing Xiba Port, in which the Group holds 70% equity interest, is located in the New Materials Industrial Park in Jiangbei New District, Nanjing. It is one of the major deep-water port areas planned and constructed by the government of Nanjing City and is also the only public bulk cargo terminal with tonnage capacity of over 10,000 tonnes located in the north of the Yangtze River in Nanjing Port. It has the capability of providing various services such as unloading and loading, lightering, train unloading and loading, warehousing, etc. Nanjing Xiba Port (inclusive of the first and second phases of the port) has one general bulk cargo terminal with a tonnage capacity of 50,000 tonnes, two general bulk cargo terminals each with a tonnage capacity of 70,000 tonnes and two general bulk cargo terminals each with a tonnage capacity of 100,000 tonnes, and depots with an area of approximately 400,000 square meters in the first phase of the port, which are connected to the port area by the rail link, and have unique regional advantages and good conditions to realize the integrated transportation of river-sea, rail-water and road-water.

ANALYSIS OF OPERATING PERFORMANCE

In 2021, Nanjing Xiba Port continued to optimize its customer mix and industry layout. It has actively reached out to customers with business growth potential while retaining existing customers and tapping their potentials. In 2021, a total of 604 seagoing vessels berthed at Nanjing Xiba Port with a total throughput of 38.77 million tonnes, representing a year-on-year increase of 8%, of which 5.22 million tonnes was shipped by train, representing a year-on-year increase of 6%. In addition, by taking advantage of the port's large-scale assets, the supply chain business for thermal coal, petroleum coke and foundry coke etc. were operating in an orderly manner. The Group capitalized on its function as a distribution and consolidation hub for ships and railway through actively exploring new businesses such as "rail-to-ship transfer" business and optimizing its port business portfolio. At the same time, in order to enhance its operational capabilities, the Group made great efforts to promote the development of green and intelligent ports and enhance the brand awareness and reputation of the segment.

Capitalizing on the resources of major ports, the Group provides customers with premium "logistics + procurement", "logistics + sales" and "logistics + purchase and sales" services for coal and petroleum coke and actively engages in the integration of port supply chain resources to enhance port value-added services. Since the supply chain business was launched in 2015, the business volume experienced a year-by-year increase, which not only accumulated high-quality upstream and downstream customer resources, extended the value chain of the port and realized the synergy of port and supply chain business, but also effectively pooled information, material and business flow, so as to promote the transformation and upgrading of the port from a single loading and unloading transit port to a large-scale integrated service hub platform and enhance the port's influence.

Rapid Progress of Investment and Construction Projects

The Group also made further efforts in searching for quality port projects. The Group successfully acquired the Fengcheng Shangzhuang Project, the Jingjiang Port Project and the Shenqiu Port Project in 2020. The construction of the Fengcheng Shangzhuang Project, which is owned by the Group as to 20%, commenced at the end of December 2020 and is currently proceeding as planned.

The Group and the Jingjiang Municipal Government entered into a cooperation agreement in relation to the Jingjiang Port Project in 2020 to jointly construct and operate the Jingjiang Port Project. In August 2021, the Group entered into an equity transfer agreement with Jingjiang Port (Group) Co., Ltd ("Jingjiang Port Group"), pursuant to which Jingjiang Port Group transferred its 70% equity interest in the project company to the Group. The project completed the relevant procedures of application for approval and construction in December 2021, officially commenced construction in January 2022, and is scheduled to be put into operation by the end of 2023. The Jingjiang Port Project is located in the Economic Development Zone of Jingjiang City. It is planned to build two main terminals with tonnage capacity of 100,000 tonnes (with hydraulic structure and tonnage capacity of 150,000 tonnes) on the Yangtze River and five inland dock berths with tonnage capacity of 1,000 tonnes (with hydraulic structure with tonnage capacity of 3,000 tonnes). Upon completion, it will effectively take up the functions and customer resources of the second phase of the Nanjing Xiba Port Project, while creating an effective synergy with the first phase of the Nanjing Xiba Port Project. It will play an important role in diversifying types of cargo and optimizing the sources of cargo in the port segment and will be further developed into a modern coal logistics distribution center and a coal comprehensive trading center.

In addition, 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, and set up of a joint venture, in which the Group holds 40% equity interest. The Shenqiu Port Project is located in the Shaying River in Shenqiu County. The plan is to build 23 berths with tonnage capacity of 1,000 tonnes, which will be constructed in three phases. It is expected that the annual capacity of the port will be increased by 28 million tonnes after being put into full operation. Furthermore, in the first half of 2021, the Group and the government of Shenqiu County further entered into a strategic cooperation agreement to step up their cooperation in the development of ancillary urban infrastructure, especially in the planning and construction of logistics parks, the provision of port processing and its value-added services as well as integrated water and rail transportation, striving to achieve win-win cooperation.

The port and related services business is an important segment in the "Four Growth Engines" layout strategy of the Group. Under the principle of "focusing mainly on M&A and supplemented by new construction", the Group firmly implements the "Port Connection Action". By continuously expanding the asset-heavy investment layout of port projects, and combined with the supply chain asset-light business, the Group will consolidate and enhance its core competitiveness in the port segment.

FINANCIAL ANALYSIS

Revenue and Profit Attributable to Shareholders

For the year ended 31 December

	2021 HK$'000	2020 HK$'000	Increase
Revenue	**2,711,535**	1,411,195	92%
Profit Attributable to Shareholders	**107,886**	90,818	19%

During the Year, the revenue and profit attributable to shareholders from the port and related service business increased by approximately 92% and approximately 19% to approximately HK$2,712 million and approximately HK$108 million, respectively, as compared to the corresponding period of the previous year, mainly attributable to the increase in the revenue from the port and related service business driven by the effective development of new customer sources and maintenance of existing customers, as well as active adjustment of the business mix and model innovation.

LOCATIONS OF LOGISTICS AND PORT BUSINESSES

Greater Bay Area

- Shenzhen (Longhua) South China Logistics Park
- Shenzhen (Qianhai) Western Logistics Park
- Shenzhen (Bao'an) Airport Express Center
- Shenzhen (Longhua) Kanghuai E-commerce Center
- Shenzhen (Longhua) Liguang Digital Logistics Hub
- Shenzhen (Pingshan) Digital Logistics Hub
- Shenzhen (Yantian) Comprehensive Bonded Digital Logistics Hub
- Shenzhen (Longguang) Pinghunan Railway Integrated Logistics Center
- Zhongshan Torch Integrated Logistics Hub

Southern Area (Guangdong (other than Greater Bay Area), Hainan)

- Zhanjiang Integrated Logistics Hub
- Hainan Chengmai Integrated Logistics Hub

Southwestern Area (Guizhou, Chongqing, Sichuan, Yunnan)

- Guizhou Integrated Logistics Hub
- Guiyang Xiuwen Integrated Logistics Hub
- Chongqing Shuangfu Integrated Logistics Hub
- Chongqing Shapingba Integrated Logistics Hub
- Kunming Integrated Logistics Hub
- Chengdu Qingbaijiang Integrated Logistics Hub

Central China (Hubei, Hunan, Jiangxi)

- Wuhan Dongxihu Integrated Logistics Hub
- Wuhan Caidian Integrated Logistics Hub
- Nanchang Integrated Logistics Hubo
- Changsha Integrated Logistics Hub

Zhejiang Area

- Hangzhou Integrated Logistics Hub
- Ningbo Integrated Logistics Hub
- Jinhua Yiwu Integrated Logistics Hub

Jiangsu and Anhui Area (Shanghai, Jiangsu, Anhui)

- Wuxi Huishan Integrated Logistics Hub
- Wuxi Jiangyin Integrated Logistics Hub
- Suzhou Kunshan Integrated Logistics Hub
- Suzhou Xiangcheng Integrated Logistics Hub
- Hefei Integrated Logistics Hub
- Jurong Integrated Logistics Hub
- Xuzhou Integrated Logistics Hub
- Nantong Integrated Logistics Hub
- Shanghai Qingpu Integrated Logistics Hub
- Shanghai Minhang Integrated Logistics Hub

Northern Area (Tianjin, Shaanxi, Henan, Liaoning, Hebei, Shandong)

- Xi'an Integrated Logistics Hub
- Tianjin Zhonglong Integrated Logistics Hub
- Tianjin Xiqing Integrated Logistics Hub
- Zhengzhou Erqi Integrated Logistics Hub
- Shenyang Integrated Logistics Hub
- Shijiazhuang Zhengding Smart Hub
- Yanta Booming Logistics Park

Management Project (Hunan)

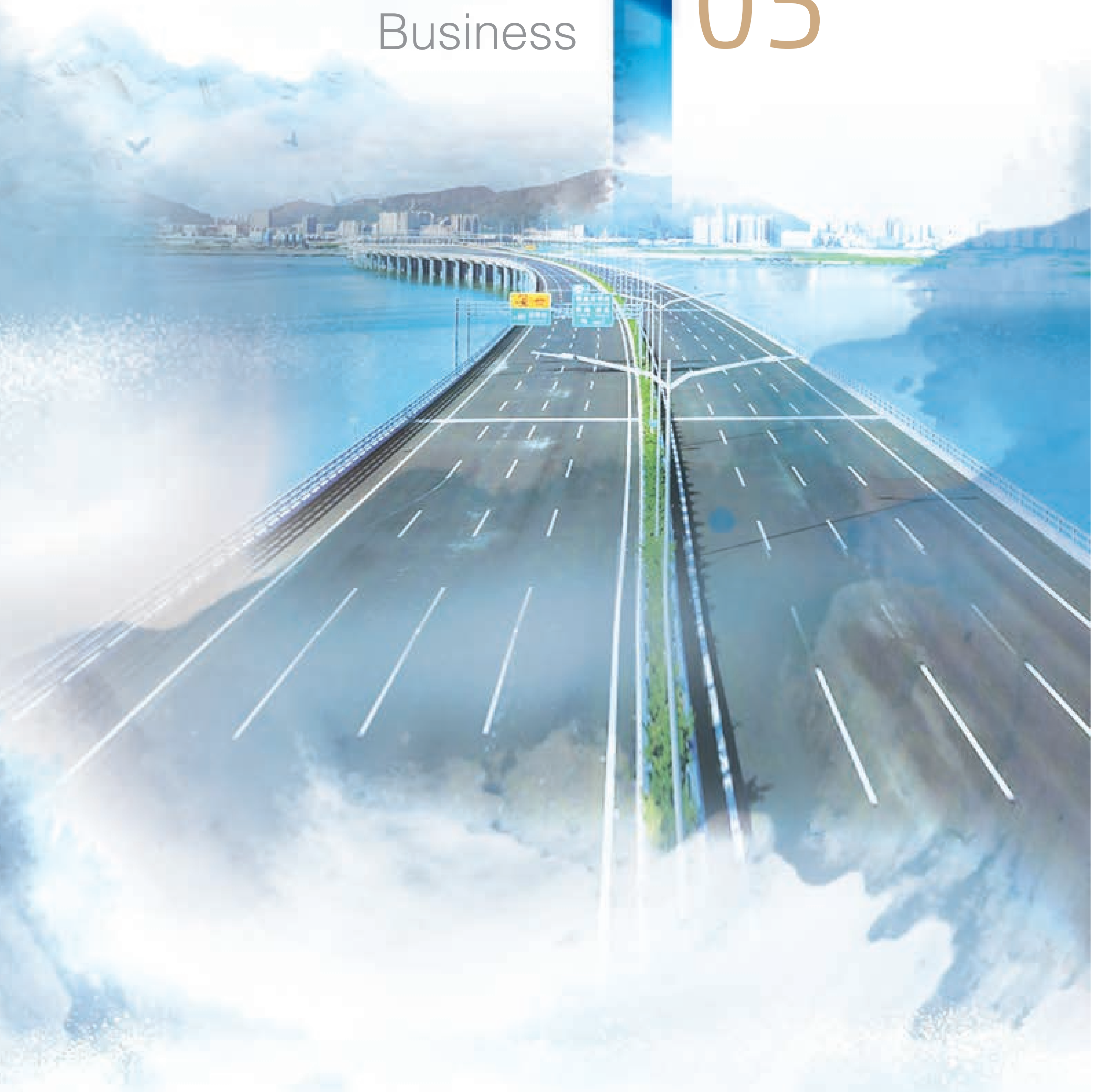
- Yueyang Smart Commercial and Trading Park

Port Projects (Jiangsu, Jiangxi, Henan)

- Nanjing Xiba Port
- Fengcheng Shangzhuang Project
- Jingjiang Port Project
- Shenqiu Port Project

Toll Road Business

05



OVERVIEW

The Group's toll road business is coordinated and operated by Shenzhen Expressway, a subsidiary held by the Group as to approximately 52%, whose H shares and A shares are listed on the Stock Exchange and the Shanghai Stock Exchange respectively. As at the date of this report, Shenzhen Expressway has invested in and operated a total of 17[1] Expressway projects, which spanned across the Guangdong-Hong Kong-Macao Greater Bay Area and extended to Hunan Province, Hubei Province, Jiangsu Province and Chongqing Municipality. The total toll length of toll roads invested in or operated by the Group was approximately 174 km, 320 km and 187 km in the Shenzhen region, other regions in Guangdong Province and other provinces in China, respectively.

ANALYSIS OF OPERATING PERFORMANCE

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

Toll roads	*Interest held*	*Length by toll (approximate km)*	*Average daily toll revenue* 2021 (RMB'000)	*Average daily toll revenue* Increase/(decrease) compared to the corresponding period of 2020
Shenzhen region:				
Meiguan Expressway	100%	5.4	**449**	14.2%
Jihe East	100%	23.7	**2,012**	0.0%
Jihe West	100%	21.8	**1,527**	(9.1%)
Shenzhen Coastal Project (Notes 1 and 2)	100%	36.6	**1,620**	8.1%
Shenzhen Outer Ring Project (Note 3)	100%	50.74	**2,523**	N/A
Longda Expressway	89.93%	4.4	**400**	2.3%
Shuiguan Expressway	50%	20	**1,809**	9.1%
Shuiguan Extension	40%	6.3	**244**	(3.6%)
Other regions in Guangdong Province				
Qinglian Expressway	76.37%	216	**2,400**	5.5%
Yangmao Expressway	25%	79.8	**1,353**	4.6%
Guangzhou Western Second Ring	25%	40.2	**1,380**	(10.6%)
Other provinces in China:				
Wuhuang Expressway	100%	70.3	**1,311**	23.8%
Yichang Project	100%	78.3	**1,277**	19.8%
Changsha Ring Road	51%	34.7	**816**	59.7%
Nanjing Third Bridge	25%	15.6	**1,301**	(14.2%)

Notes:

(1) 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.

(2) Pursuant to the agreement on compensation for freight traffic entered into among The Shenzhen Transportation Bureau, Shenzhen Expressway and the project company of the Shenzhen section of Guangshen Coastal Expressway (Guangzhou to Shenzhen) ("Coastal Company"), trucks passing though the Shenzhen Coastal Project between 1 January 2021 and 31 December 2024 will be charged 50% of the 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.

(3) Length by toll of the first and second phase of the Shenzhen Outer Ring Project is around 60 km, the first and second phase commenced operation on 29 December 2020 and 1 January 2022, respectively.

[1] Including two projects in which Bay Area Development is entitled to profit distribution rights indirectly.

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

- The Shenzhen Coastal Project is an important gateway for diverting port traffic from Shenzhen's western port area. During the Year, benefiting from the continued implementation of the preferential policy under the toll adjustment agreement, the progress of several large-scale construction projects in Qianhai and the western port area in Shenzhen, the recovery of economic activities along the road as well as the synergies between road networks brought by the opening of westbound section of Shahe West Connection Road of the Dongbin Tunnel, the Shenzhen Coastal Project recorded a growth in terms of average daily traffic volume.
- The Shenzhen Outer Ring Project is the first expressway in the PRC with full 5G network coverage enabled by adopting multifunctional smart lamp posts as carrier. The first phase, with a total length of approximately 50.74 kilometers, officially opened to traffic at the end of December 2020. The second phrase, with a total length of approximately 9.35 kilometers, officially opened to traffic on 1 January 2022. During the Year, the first phase of the Shenzhen Outer Ring Project performed well in operation and increased traffic flow of Meiguan Expressway and the Shenzhen Coastal Project whilst diverted some of the traffic flow away from Jihe Expressway.
- 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 enhanced the role of Qinglian Expressway as the main artery connecting southern China and the northern hinterland in central China. In addition, thanks to the continuous improvement in the road network of the nearby Qingyun section of Shanzhan Expressway, the operating performance of Qinglian Expressway maintained stable.
- As a result of the ongoing positive impact of the rebound of neighboring economic regions and the launch of nearby road systems such as the Changyi North-Line Expressway (Changsha-Yiyang), the operating performance of Changsha Ring Road improved significantly.

Key Construction Project

Invested under the public-private-partnership (PPP) model, the Shenzhen Outer Ring Project, which will be developed in three phases, is by far the longest toll road in Shenzhen's expressway network and will be linked up with 10 expressways and 8 first tier highways in Shenzhen upon completion. During the Year, Shenzhen Expressway put additional resources and efforts into the construction of the second phase of the Shenzhen Outer Ring Project, which officially opened to traffic on 1 January 2022. Currently, Shenzhen Expressway is actively carrying out the surveying, design and other preliminary preparation work of the third phase of the Shenzhen Outer Ring Project.

In respect of Shenzhen Coastal Project Phase II, the Shenzhen World Exhibition & Convention Center interchange has opened to traffic and been 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 has 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, Shenzhen Expressway allocated more resources, clearly defined the tasks, and made concerted efforts to ensure the annual targets and tasks being completed as scheduled. As at the date of this report, about 69% of the overall construction of Shenzhen Coastal Project Phase II has been completed. In particular, about 77%, 69% and 10% of the construction of the road bed, bridges and road surface, respectively, have been completed.

Acquisition

On 10 August 2021, the Group and a wholly owned subsidiary of SIHCL entered into a sale and purchase agreement for the acquisition of the 100% equity interest in Shenzhen Investment Infrastructure at the total consideration of no more than HK$10,479 million. Shenzhen Investment Infrastructure indirectly owns 71.83% equity interest in Bay Area Development. The transaction was completed on 11 January 2022. For details, please refer to the announcements of the Company dated 10 August 2021 and 11 January 2022.

Bay Area Development has interests in quality road assets such as Guangshen Expressway and Guangzhu West Expressway, which are located in the heart of the Greater Bay Area. The transaction will reinforce the Group's core competence in expressway investment, construction and operation, regional market share in the expressway industry, future profitability and cash flows, and it can also actively promote the transformation and expansion of the Guangzhou-Shenzhen Expressway and land development through a combination of the land along its alignment development plan, unlocking the development value of the land along its alignment development, achieving sustainable long-term development, and further enhancing the development and market value of the Group which is in line with the development strategy of the Company and in the interest of the Company and its shareholders as a whole.

FINANCIAL ANALYSIS

During the Year, the operating performance of some toll road projects was adversely affected to a certain extent because there were a few confirmed cases of the pandemic in some regions of China while the traffic volume during Spring Festival travel rush decreased due to recommendations to people to stay at their current residing localities to contain the pandemic. However, as domestic macro-economy has been recovering and becaming to stable, the operating performance of the toll roads operated and invested by Shenzhen Expressway has basically returned to normal. Coupled with incremental toll revenue contributed by the first phase of Shenzhen Outer Ring Project, the toll revenue of Shenzhen Expressway increased by 41% to HK$7,124 million (2020: HK$ 5,058 million) as compared to the corresponding period of the previous year. As at the date of this report, Shenzhen Expressway received notices from relevant authorities in Hunan Province and Hubei Province in relation to the compensation for the toll-free policy implemented on toll roads during the Pandemic control period in 2020. Based on its understanding of and judgement on the relevant documents, revenue from the relevant toll road projects has been recognized accordingly.

During the Year, net profit of the toll road business increased by 71% as compared to the corresponding period of the previous year to HK$3,089 million.

General-environmental Protection Business

06

OVERVIEW

The Group's general-environmental protection business is managed by Shenzhen Expressway. Shenzhen Expressway has entered the fields of environmental protection and clean energy business from an advantageous starting point by actively seeking cooperation opportunities with leading enterprises in the general-environmental protection industry. Through investment and mergers and acquisitions in recent years, Shenzhen Expressway has gradually commenced its focus on industries of clean energy and reutilization and management of solid waste, realizing the initial layout of the environmental protection industry.

As at the date of this report, the general-environmental protection business operated or invested by Shenzhen Expressway is set out below:

Sub-sectors	Projects	Interests held
Clean energy	Mulei Wind Power Project[1]	100%
	Baotou Nanfeng Wind Power Technology Co., Ltd.	100%
	Yongcheng Zhuneng Project[2]	100%
	Zhongwei Gantang Project[3]	100%
	Nanjing Wind Power Technology Co., Ltd.	51%
	Huaian Zhongheng New Energy Co., Ltd. (淮安中恒新能源有限公司)	20%
Reutilization and management of solid waste	Guangming Environmental Park Project[4]	100%
	Shenzhen Lisai Environmental Technology Limited	70%
	Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd.	67.14%
	Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Co., Ltd.	50%
Water environmental remediation and others	Chongqing Derun Environment Co. Ltd.	20%
	Shenzhen Water Planning & Design Institute Company Limited	11.25%

ANALYSIS OF OPERATING PERFORMANCE

I. Clean Energy

Clean energy is an emerging field in the environmental protection industry. With the progressive goals of "carbon dioxide emissions peak" and "carbon neutrality" in the PRC, the PRC government has launched a series of industrial policies and development plans to promote the development of the clean energy industry. The industries of wind power and photovoltaic power generation will usher into a new stage of stable and healthy development in the long run. Shenzhen Expressway will seize the opportunity to build a characteristic "integrated" clean energy system.

During the Year, Nanjing Wind Power Technology Co., Ltd. ("Nanjing Wind Power Company"), a subsidiary in which Shenzhen Expressway holds 51% equity interest, zealously delivered and commissioned its wind turbines, and successfully achieved full-capacity grid-connected power generation for these projects. During the Year, Nanjing Wind Power Company signed wind farm project orders amounting to 132.5 MW, completed the semi-annual inspection of more than 260 wind turbines, and comprehensively carried out relevant inspection and maintenance work for grid-connected projects, providing customers with better after-sales service.

[1] *Held by Mulei County Qianzhi New Energy Development Co. Ltd. (木壘縣乾智能源開發有限公司), Mulei County Qianhui New Energy Development Co. Ltd. (木壘縣乾慧能源開發有限公司) and Mulei County Qianxin Energy Development Co., Ltd. (木壘縣乾新能源開發有限公司).*

[2] *Held by Shanghai Zhuneng New Energy Technology Co., Ltd. (上海助能新能源科技有限公司).*

[3] *Held by NingXia Zhongwei Xintang Corporation Ltd. (寧夏中衛新唐新能源有限公司).*

[4] *Shenzhen Guangming Environmental Park PPP Project (investment and operation of projects of organic waste treatment) invested and built by the Company using the BOT (build-operate-transfer) model.*

Baotou Nanfeng Wind Power Technology Co., Ltd. ("Baotou Nanfeng Company"), a wholly-owned subsidiary of Shenzhen Expressway, is principally engaged in the investment, operation and management of 5 wind power generation farms in Inner Mongolia Autonomous Region of the PRC. 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 705,485 MWh of electricity to the grid.

During the Year, Shenzhen Expressway actively carried out investigation and research on new energy industry chain projects, and increased investment and mergers and acquisitions in high-quality wind power projects. Shenzhen Expressway has successively acquired 100% equity interests in Mulei County Qianzhi New Energy Development Co., Ltd., Mulei County Qianhui New Energy Development Co., Ltd., and Mulei County Qianxin New Energy Development Co., Ltd. (collectively, the "Mulei Wind Power Project"). The Mulei Wind Power Project is located in Changji Hui Autonomous Prefecture in Xinjiang Uygur Autonomous Region. It has a total of 166 wind power generator units with a total actual capacity of 299 MW. During the Year, the Mulei Wind Power Project supplied an aggregate of 519,860 MWh of electricity to the grid. The Mulei Wind Power Project has ample wind power resources and has wind farm developments with high values. It also enjoys a certain degree of guaranteed electricity sales for being one of the ancillary projects of the Zhundong-Southern Anhui ultra high voltage direct current transmission line in the PRC.

In addition, Shenzhen Expressway has successfully acquired multiple projects during the Year, including (i) the acquisition of 100% equity interests in Shanghai Zhuneng New Energy Technology Co., Ltd. ("Yongcheng Zhuneng Project"), which owns two decentralized wind farms with a total capacity of 32 MW in Yongcheng, Shangqiu, Henan Province; (ii) the acquisition of 20% equity interests in Huaian Zhongheng New Energy Co., Ltd., through which Shenzhen Expressway has taken the first step of strategic cooperation with State Power Investment Corporation Fujian Electric Power Co., Ltd., laying a solid foundation for the business expansion of Nanjing Wind Power Company; and (iii) the acquisition of 100% equity interests in NingXia Zhongwei Xintang Corporation Ltd., which owns a wind farm with 49.5MW in Gantang Town, Shapotou District, Zhongwei, Ningxia Hui Autonomous Region.

II. Reutilization and Management of Solid Waste

Supported by the national environmental protection policy, the organic waste treatment industry has large development spaces. Shenzhen Expressway regards organic waste treatment as a significant segment under the general-environmental protection industry, and actively builds it up to become a subdivision leader with industry-leading technology and scale advantages.

In the segment of reutilization and management of solid waste business, Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental Company"), a subsidiary in which Shenzhen Expressway holds 67.14% equity interest, owns over one hundred patented technologies and is one of the key providers of comprehensive organic waste treatment, construction and operation services in the PRC. It provides systematical comprehensive solutions to customers regarding municipal organic wastes such as kitchen waste and waste leachate. As at 31 December 2021, Bioland Environmental owned a total of 19 investment and operation (PPP) projects of organic waste treatment project (including construction – operation – transfer (BOT) model project), with a designed daily kitchen waste treatment capacity of over 4,000 tonnes. 11 of the 19 projects have put into commercial operation and are distributed in 16 countries and cities in 11 provinces across the country. Most of them are in cities with relatively well economic development, and have longer concession period to obtain relatively stable returns. During the Year, Bioland Environmental Company completed organic waste treatment volume of approximately 687,000 tonnes, achieving a better kitchen waste treatment capability than that in the corresponding period of the previous year.

Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Co., Ltd. ("Qiantai Company"), a subsidiary in which Shenzhen Expressway holds 50% equity interest, possesses qualification for dismantling new energy vehicles and is principally engaged in electric-vehicle battery recycling and vehicle dismantling businesses. It is the only enterprise qualified under the "Industry Standards and Conditions for the Comprehensive Utilisation of Waste Power Batteries for New Energy Vehicles" (新能源汽車廢舊動力蓄電池綜合利用行業規範條件) in Shenzhen. During the Year, Qiantai Company has established good cooperation relationship with certain upstream and downstream enterprises in industry and e-hailing platforms and others, and won the bid for Helloglobal's comprehensive disposal project of retired batteries, with an accumulated contract amount of over RMB90 million. Qiantai Company simultaneously promoted secondary use of battery products research and development and completed a small amount of delivery of power exchange products with downstream customers, laying foundation for further expansion of power exchange business. During the Year, Qiantai Company recycled nearly 2,000 retired vehicles. Fully leveraging its advantageous qualifications, Qiantai Company will as the next step engage in different types of collaborations and expand into the upstream and downstream decommissioned high power battery markets.

In February 2021, Shenzhen Expressway officially entered into an agreement with Urban Management and Comprehensive Law Enforcement Bureau of Guangming District, Shenzhen in respect of the Guangming Environmental Park Project, pursuant to which Shenzhen Expressway shall incorporate a project company, and the project company shall be responsible for the efforts in investment, financing, design, construction, transformation, operation, maintenance and handover of the project. The Guangming Environmental Park Project is located in Guangming District, Shenzhen and is intended to be developed into a large-scale treatment plant with a processing capacity of 1,000 tons/day for kitchen waste, 100 tons/day for large pieces waste (wasted furniture) and 100 tons/day for greening waste. The project shall be implemented under the BOT model. During the Year, Guangming Environmental Park Project has completed site levelling and foundation pit support work, and currently the project is conducting foundation pit excavation and construction of partial pile foundation.

In early 2022, Shenzhen Expressway acquired 70% equity interest in Shenzhen Lisai Environmental Technology Limited, a professional environmental engineering professional company. Through the acquisition, Shenzhen Expressway will obtain concession right of kitchen waste in Longhua District, Shenzhen, which is beneficial for the Group to increase its market share of kitchen waste treatment in Shenzhen.

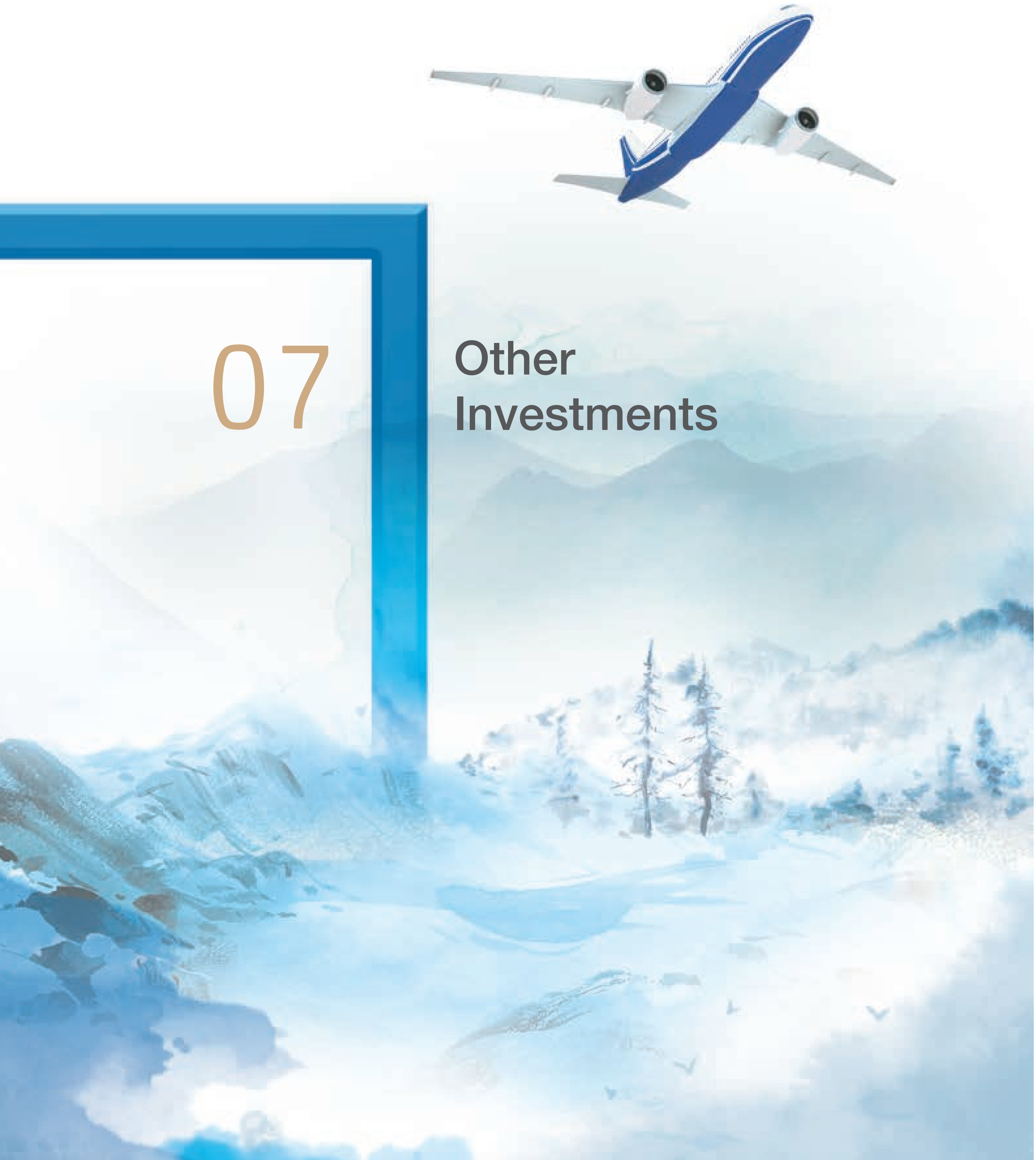
III. Water Environment Remediation and Other Environmental Protection Businesses

Chongqing Derun Environment Company Limited ("Derun Environment"), in which Shenzhen Expressway holds 20% equity interest, owns subsidiaries listed on the Shanghai Stock Exchange, namely Chongqing Water Group Co., Ltd (stock code: 601158) and Chongqing Sanfeng Environment Group Corp., Ltd. (stock code: 601827). Derun Environment is mainly engaged in water supply and sewage treatment, investment in waste incineration power generation, construction, equipment set and operation management of waste-to-energy incineration, and environmental restoration, etc. During the Year, Derun Environment won the bid for comprehensive governance project of environment of first-class river in Chongqing, and actively cooperated with subsidiaries to open business projects such as water environment governance, garbage power and renewable energy.

Shenzhen Water Planning & Design Institute Company Limited ("Water Planning Company"), in which Shenzhen Expressway holds 11.25% equity interest, was officially listed on the ChiNext of Shenzhen Stock Exchange (stock code: 301038) in August 2021.

FINANCIAL ANALYSIS

During the Year, revenue from general-environmental protection business and net profit decreased by 25% and 43% as compared to the corresponding period of the previous year to HK$2,170 million and HK$205 million, respectively, mainly due to a significant drop in the recorded sales of wind turbines for the Year as compared to that during the trend of fanatic wind turbine installation in 2020.



07 Other Investments

SHENZHEN AIRLINES

In 2021, as the pandemic hovered across the world, the demand for passenger air transport was affected by regional travel restrictions and quarantine measures, and thus remained at a low level. During the Year, Shenzhen Airlines carried 20.62 million passengers (2020: 21.67 million passenger rides), and its passenger traffic recorded 30,754 million passenger-km (2020: 32,162 million passenger-km), representing a year-on-year decrease of 5% and 4%, respectively. Due to the combined impact of factors such as fare adjustment, Shenzhen Airlines' total revenue for the Year grew by 6% to RMB18,500 million (equivalent to HK$22,365 million) (2020: RMB17,394 million (equivalent to HK$20,056 million) as compared with the previous year. In particular, passenger revenue increased by 9% to RMB16,274 million (2020: RMB14,903 million). However, factors such as skyrocketing jet fuel prices, rising airport charges and exchange rate fluctuations have further increased the operating burden of airlines. As a result, net loss of Shenzhen Airlines for the Year amounted to RMB3,344 million (equivalent to HK$4,043 million) (2020: net loss of RMB2,063 million (equivalent to HK$2,379 million), representing a year-on-year increase of 62%. The group's share of losses incurred by Shenzhen Airlines amounted to approximately HK$1,993 million (2020: loss of HK$1,179 million) during the Year.

As at 31 December 2021, Shenzhen Airlines had 229 (2020: 222) aircraft in its fleet. It currently operates 275 routes comprising 272 domestic routes and 3 international routes. All routes serving the Hong Kong, Macau and Taiwan regions have been suspended due to the pandemic.

The PRC is currently ushering in a critical period of strategic opportunities, with resilient economy, and it is thus consolidating and expanding the solid achievements of pandemic control and its economic and social development. As such, the fundamentals of the PRC's passenger air transport industry will stay positive in a long run. Meanwhile, it is expected that the rising global vaccination rate and the launch of therapeutic drugs will help promote the recovery of the tourism air transport industry. However, the future geopolitical tension will bring greater uncertainty to the price of jet fuel. Shenzhen Airlines will bolster its competitiveness and seize the opportunities brought by the international and domestic "Dual Circulation" economic strategy by keeping abreast of market dynamics, converting passenger flights into cargo flights, strengthening cost control, rationalizing its capacity allocation, enhancing comprehensive financial management, and improving its key market network.

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 disposed of approximately 39.17 million A shares of CSG (2020: nil) at an average selling price of approximately RMB10.52 (equivalent to HK$12.72) per share, recording a profit after tax of approximately HK$112 million.

As the Group sold all of its remaining A shares in CSG in July 2021, the Group does not hold any A shares of CSG as at the date of this report.

OUTLOOK

Looking forward to 2022, with coronavirus vaccination gaining popularity and continuous effect of fiscal monetary policies of various countries, the world economy is expected to continue its recovery, which directly promotes the demand for logistics infrastructure. However, issues such as global inflation and shortage in supply chain are difficult to be settled completely in a short period of time, while geopolitical tensions continue to increase risks and there are still uncertainties and challenges that economic recovery is faced with. Even so, with different degrees of resuscitation in fields of domestic manufacturing industry and consumption, the impetus on PRC economic upturn is expected to be strengthened, while the construction of new dual-cycle development pattern in the PRC, continuous growth of urbanization rate and the development of core city clusters provide a constant impetus to high-standard logistics warehouse market. In addition, the continuous high-speed growth of online retail and express delivery of physical goods, the rise of community group purchase and demand for contactless delivery will bring development opportunities for intelligent warehouses, cold chain logistics, real-time logistics and inter-city deliveries. Capitalizing on opportunities brought by this round of structural growth, the Group will rigorously develop its logistics infrastructure to lay a solid foundation for the Group's high-quality development.

Despite the complex and ever-changing business environment in the future, the management of the Group strongly believes that with each challenge comes an opportunity. Capitalizing on the distinct competitive edge in terms of urban auxiliary infrastructure, the Group will focus on four core businesses (being logistics, port, toll road and environmental protection), and rely on ample cash flows from the core toll road and logistics businesses to expand its industry scale by speeding up its investment, merger and acquisition and actively develop its intelligent warehouse, cold chain and environmental protection business. Meanwhile, the Group will remain vigilant about market dynamics and regularly review the Group's development strategies and risk control systems, to ensure the continuous and stable development of the Group.

Fully Implementing Both the "Investment, Construction, Operation and Transformation" and the "Investment, Construction, Financing and Operation" Business Development Models to Achieve Greater Economies of Scale and Efficiency of Logistics Business

In 2021, the Group successfully transferred the Meilin Checkpoint Project and recorded considerable investment income. In 2022, the Group will continue to explore its long closed-loop "investment, construction, operation and transformation" and seize the opportunities arising from urban development and renewal. While making every effort to promote the development of the Qianhai Project, the Group will adapt to the process of urbanization, actively seize the development opportunities of traditional logistics parks located in core areas of various central cities, and maximize the value of relevant assets. In particular, the Group will make every effort to promote the transformation and upgrading of its Shenzhen South China Logistics Park, and engage in the urban planning of the southern Longhua District. The South China Logistics Park is located in the core area of Longhua District, Shenzhen, with a site area of approximately 580,000 square meters, which is the largest single logistics park of the Group. Taking into account its prime location and convenient access to transportation, the park is expected to contribute considerable economic returns to the Group upon successful transformation.

In recent years, as central and local government in the PRC published a series of auxiliary policies that encourage asset securitization. It is expected that in the future, asset securitization products of logistics infrastructure which are represented by logistics parks and expressways will grow dramatically. The Group will build up the short closed-loop "investment, construction, financing and operation" business model with various channels. On the one hand, the Group will speed up asset securitization, construct "Fund Group Exit" by means of flexible allocation of REITs-like funding mainly from publicly traded REITs and supplemented by private funds. The Group will continue to promote the injection of integrated logistics hub projects into a fund, such as the Hefei Project and the first phase of the Hangzhou Project. At the same time, seizing opportunity of issuing publicly traded REITs targeting at infrastructure in the PRC, the Group intends to make use of its capital strength and flexibly allocate logistics park asset through funded operation, and realize land value-added revenue in advance. On the other hand, the Group will actively carry out investment and establishment of various logistics industry funds and leverage social capital, striving to enter upstream and downstream ecology in logistics industrial chain with small capital investment, and further expand its scale nationwide, thus making use of economies of scale and speeding up sustainable and snowballed development with various measures being taken together. In 2022, the Group will set a special platform and conduct unified management on the Group's fund group. With simultaneous development of "Logistics Property Fund" and "Logistics Industrial Chain Investment Fund", the Group expected to realize a benign circulation and snowballed development between industry and capital.

Through the double closed-loop business development models of "investment, construction, operation and transformation" and the "investment, construction, financing and operation", the Group will realize earnings in advance, optimize its capital structure, and further obtain logistics resources to accumulate long-term high-quality assets, in order to achieve rapid development of logistics business.

Establishing a Comprehensive Logistics Ecosystem Combining "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" to Promote Business Coordination

In 2022, the Group is making efforts to establish a comprehensive logistics ecosystem combining "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" in accordance with its "14th Five-Year" development strategy. This ecosystem covers logistics parks along land routes, inland ports, air cargo terminals and railroad freight stations. To be an intelligent storage service provider, the Group will nurture the operational and integrated programming capabilities of intelligent warehouses. Moreover, a cold chain logistics operation will be developed as a new core competence by leveraging the strengths of the Group's well-established network of logistics parks.

The development of logistics parks along land routes is the top priority of the Group's "14th Five-Year" development strategy. The Group will continue to seize the strategic opportunities brought about by, among other things, the Belt and Road Initiative, the Greater Bay Area, the Shenzhen Pioneering Demonstration Zone and the Yangtze River Economic Belt etc., and strengthen its presence in logistics infrastructure and related industries. It will expand its integrated logistics hub network across the country through a two-pronged approach, which includes construction as well as mergers and acquisitions. It will put extra effort into expanding in core regions with competitive edge, such as the Greater Bay Area, the Yangtze River Delta, the Beijing-Tianjin-Hebei integration zone and the Hainan Free Trade Port. It will also implement the strategy of "multiple logistics parks within one city" across key logistics hubs to further enlarge its market share. Meanwhile, the Group will also continue to strengthen the market position of its operating logistics parks that have been put into operation, push forward their intelligent transformation and improve the capability of its marketing, operational and integrated services. In addition, the Group will accelerate the development and construction of logistics parks and hubs in Shenzhen and key projects in the Shenzhen region, such as the Liguang Project, Pinghunan Integrated Logistics Hub Project and Pingshan Project etc., make full use of industrial advantages in Shenzhen to create a new digital logistic port, further increase the density of high-quality logistics assets in Shenzhen and its surrounding cities and promote interactions with the logistics hub of the Shenzhen airport and other air cargo terminals in order to establish a logistics network covering road, railway and air, enhance logistics efficiency and reduce logistics costs. The Group is also actively expanding development opportunities of projects in Hong Kong, looking for modern logistics projects in line with the Group's strategic position in the high-quality development circle in the northern metropolitan area of Hong Kong, and seeking linkage development with the Group's many projects in Shenzhen. Going forward, the Group will make the most out of its logistics parks along land routes, enhance its scale of operation as a whole and enhance core operation capabilities by giving full play to the advantages of both the long closed-loop "investment, construction, operation and transformation" and the short closed-loop "investment, construction, financing and operation".

The Group is also further implementing the "Port Network Initiative". Capitalizing on Nanjing Xiba Port, the Group will continuously establish its planned port network, step up its investments in quality port projects and expanding its network, accelerate the progress of the Jingjiang Port Project, the Shenqiu Port Project and other projects, tap high-quality coastline resources to form a port network system with a "1+N" multi-point layout. The Group intends to spin off and go public after it develops to a certain scale, so as to achieve a leap in its position in the industry. At the same time, through the empowerment of 5G mobile communication technology, digitization, artificial intelligence and other technologies, scenarios such as remote unmanned control of ports and photovoltaic power generation in storage yards and greenhouses are realized. Technological empowerment will also improve operational efficiency and promote the transformation and upgrading of traditional ports to modern ports that are environmental, intelligent, safe and efficient.

Outlook

In terms of the expansion of air cargo terminals and railway cargo terminals, the Group will intensify the "Collaborations between Central and Local State-owned Enterprises" to strive for more development opportunities. By investing in the Pinghunan Project, Air China Cargo, China Comservice, Sinotrans and other projects, the Group has cooperated with central enterprises including China Railway Guangzhou Group Co., Ltd., China National Aviation Capital Holding Co., Ltd and Sinotrans Limited in terms of urban supporting infrastructure. The relevant businesses cover the development of a logistics park, air cargo business and rail transport routes between China and Europe and between China and Laos, fully leveraging the competitive edge of each party's resources and deriving synergies. In 2022, the Group will carry out more extensive cooperation with central enterprises and strive to make substantive progress in investments such as investing in air cargo terminals and railway freight stations, with the aim of realizing mutual benefits.

Intelligent and cold chain logistics businesses will have broad prospects for development. In 2022, the Group will strengthen overall planning and continue to promote the development of intelligent and cold chain logistics businesses based on its own warehouse facilities network. On the one hand, it will nurture the operational and integrated programming capabilities of its intelligent warehouses and look for investment opportunities of leading enterprises in the industry. On the other hand, it will expedite the development of the cold chain logistics business by leveraging the strengths of its well-established network of logistics parks with a view to driving its future business growth.

In 2022, the Group will continue to consolidate and boost the strength of toll road business, comprehensively improve the refined operation level of toll roads, strengthen the operational integration of the second phase of the Shenzhen Outer Ring Project which is newly opened, comprehensively carry out the follow-up work for the development of the Bay Area, consolidate and enhance its competitiveness and synergies in core areas through a multi-pronged approach, and enhance its overall operating performance.

For the general-environmental protection business, the industries of reutilization and management of solid waste and clean energy are facing significant market opportunities under a series of government policies. The Group will continue to work hard on related segments in order to seize industry development opportunities, enhance its organic waste processing capacity and scale of waste disposal projects through a two-pronged approach of investment and construction to enlarge its market share and influence in the related markets. At the same time, the Group will further seize the market opportunities brought by the latest governmental support of the new energy market to achieve "carbon dioxide emission peak" and "carbon neutrality", increase the development and mergers and acquisitions of wind power and photovoltaic projects, actively expand new energy industry chain projects. achieve consolidation and synergies between its existing businesses and other resources of the Group, and promote the Group's high-quality sustainable growth.

The Group will capitalize on the golden strategic opportunities brought by the "Dual Circulation" national development framework and the development of two regions, namely the Greater Bay Area and Shenzhen Pioneering Demonstration Zone, to attain its own development goals and create greater value and returns for all shareholders. The Group is using all endeavours to grow into a leading industrial group with corporate value amounting to hundreds of billions.

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 strives to provide a stage for honest and virtuous elites while helping diligent and hardworking craftsmen succeed. In recent years, the Group recruits and promotes operation and management staff in accordance with a talent-based system focusing on the standard of "selflessness, virtues, high capability, strong motivation and great performance" with the aims of establishing a scientifically reasonable human resources management platform to create a fair and harmonious work environment which will in turn secure sustainable talent supply to support business development.

Employees and Policies on Remuneration and Benefits

As at 31 December 2021, the Group had a total of 8,790 (2020: 8,379) employees. During the Year, staff benefit expenses (including directors' remuneration) were approximately HK$735 million (2020: approximately HK$490 million).

Being one of the enterprises shortlisted for the "Double-Hundred Action" state-owned reform promulgated by the State-owned Assets Supervision and Administration Commission of the State Council, the Group has enormously revolutionized the employment, compensation and fringe benefit policies for its employees. The Group has established and sought to continuously improve its comprehensive remuneration management system, long-term incentive and discipline program, and 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 evaluating the value of each position, through analyzing and measuring the disparity in such value based on the results of such evaluation and the degree of specialization of each position, accurately matching the remuneration offered by the Group to market standards, establishing a performance-related pay system, building a scientific salary system, and scientifically setting the fixed float ratio of salary in order to motivate staff to strive for business success. Staff performance is assessed on a regular basis, the outcome of which will be closely reflected in remuneration adjustments and promotion. In order to stimulate staff performance, staff members who rank amongst the bottom in appraisals will be required to adjust. Besides, in order to accommodate the Group's long-term development, the Group has established a long-term incentive and discipline program under which the options granted to and exercised by the management and senior management of subsidiaries and the exercise of such options under the Company's share option scheme are linked to stringent 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 system through in-depth research on relevant policies and regulations, taking into consideration the Group's circumstances, the *Comprehensive Incentive Implementation Program* was announced to realize benchmarking of salary, performance and industry norms, complementing the long-term incentive and discipline programs implemented by the subsidiaries, motivating the management and employees to work harder and promoting implementation of the "14th Five-Year" Strategic Plan. The Group provides its employees with comprehensive fringe benefits, including staff health check, the mandatory provident fund, medical insurance and education allowance.

Employee Development and Training Programmes

The Group puts strong emphasis on attracting and nurturing talents and continuously improves its talent recruitment and selection process and broadens its recruitment channels. In 2021, the Group continuously recruited management personnel and professionals in logistics and environmental protection related sectors through market-oriented recruitment and campus recruitment to enrich its management and professional teams and optimize the talent structure according to the Group's development strategy, business needs and assessment-based recruitment principle. With the aim of motivating the operating and management teams of its subsidiaries to achieve business success, the Group has devised the *Proposal for the Comprehensive Implementation of Employment Term and Contract Management System for Management Members* in order to improve the employment term and contract management of the Group and its subsidiaries, and an "8-Talent" human resource management system in order to achieve flexible staff promotion, demotion, recruitment, dismissal, pay rise, pay cut and redesignation arrangements. The Group has improved the management talent selection and training programs. Open recruitment of management personnel at all levels are conducted. The recruitment process includes both examination and daily assessment, in addition to interviews and tests and a large group of talented young staff members were selected. Moreover, the Group establishes a "dual channel" for employee promotion and revises the management methods for positions and promotions. It also establishes dual channels of "management sequence and professional sequence" for employees, and optimizes the rank system, dividing the ranks of employees into eleven levels and corresponding management sequence to professional sequences to cultivate the spirit of "craftsman".

The Group also places a strong emphasis on the training and retention of internal staff by carrying out internal secondment at different levels, and organizing the first batch of outstanding young cadres to carry out practical activities of living and working with local farmers in poverty alleviation villages, thereby establishing a strong backup team of talented staff.

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 program which includes specific training for middle and senior management and frontline staff as well as training on regulations and other topics. It sets up 6 major training modules: inter-regional temporary assignment, practical training of living and working with local farmers, online training, new employee training, business training and internal trainer program.

At the same time, external lecturers were invited to give specific training during the Period. Through multiple rounds of selection, 24 Shenzhen International Internal Trainers were employed. In May 2021, the "Shenzhen International College" learning system was rolled out to provide over 3,000 general training courses. In addition, staff were strongly encouraged to participate in professional training courses organized by external institutions to sustainably enhance their professional knowledge and job skills.

Safety and Health

The Group strives to provide a safe, efficient and comfortable work environment for employees. Since 2021, the Group continued to organize a number of work safety education training programs 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 with an aim to create a healthy and safe working environment for its employees.

FINANCIAL POSITION

	31 December 2021 HK$ million	*31 December 2020 HK$ million*	*Increase/ (Decrease)*
Total Assets	**123,708**	113,187	9%
Total Liabilities	**60,655**	54,708	11%
Total Equity	**63,053**	58,479	8%
Net Asset Value attributable to shareholders	**37,872**	34,387	10%
Net Asset Value per share attributable to shareholders (HK dollar)	**16.7**	15.7	6%
Cash	**9,837**	15,104	(35%)
Bank borrowings	**21,667**	14,466	50%
Other borrowings	**575**	489	18%
Notes and bonds	**18,015**	17,093	5%
Total Borrowings	**40,257**	32,048	26%
Net Borrowings	**30,420**	16,944	80%
Debt-asset Ratio (Total Liabilities/Total Assets)	**49%**	48%	1#
Ratio of Total Borrowings to Total Assets	**33%**	28%	5#
Ratio of Net Borrowings to Total Equity	**48%**	29%	19#
Ratio of Total Borrowings to Total Equity	**64%**	55%	9#

Change in percentage points

Key Financial Indicators

As at 31 December 2021, the Group's total assets and total equity amounted to approximately HK$123,708 million and HK$63,053 million, respectively, while the net asset value attributable to shareholders was approximately HK$37,872 million. Net asset value per share was HK$16.7, representing an increase of 6% as compared to the end of last year. The debt-asset ratio was 49%, representing an increase of 1 percentage point as compared to the end of last year. The gearing ratio (calculated on the basis of net borrowings to total equity) was 48%, representing an increase of 19 percentage points as compared with the end of last year. Such increase was primarily due to the additional borrowings incurred as a result of increased investment activities during the year. 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$3,672 million. Net cash used in investing activities amounted to approximately HK$8,153 million. Net cash generated from financing activities amounted to approximately HK$3,046 million. The Group's core businesses maintained a stable cash inflow. The Group closely monitors changes in total borrowings with a view to maintaining its financial ratios at a stable and healthy level.

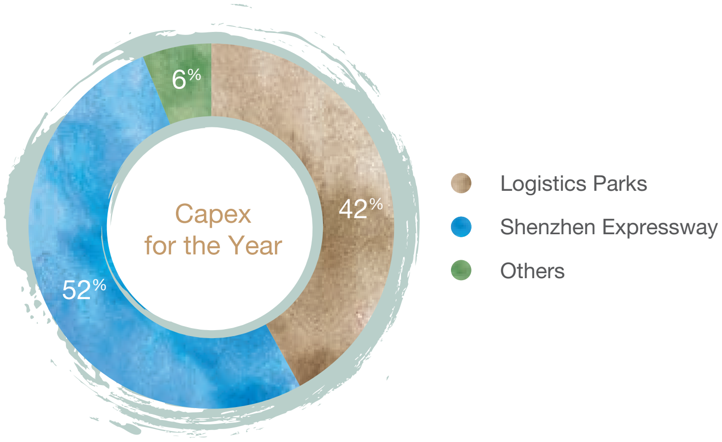
Cash Balance

As at 31 December 2021, cash held by the Group amounted to approximately HK$9,837 million (31 December 2020: HK$15,104 million), representing a decrease of 35% as compared to the end of last year, which was mainly attributable to the distribution of dividends and investment and acquisitions of projects. To facilitate the Group's operation and development in the PRC, cash held by the Group is primarily denominated in RMB. The Group pursues centralized management and allocation of funds to reduce idle funds and achieve higher return on its cash portfolio, in order to effectively manage cash on hand and provide strong support for business expansion.

Financial Position

Capital Expenditures

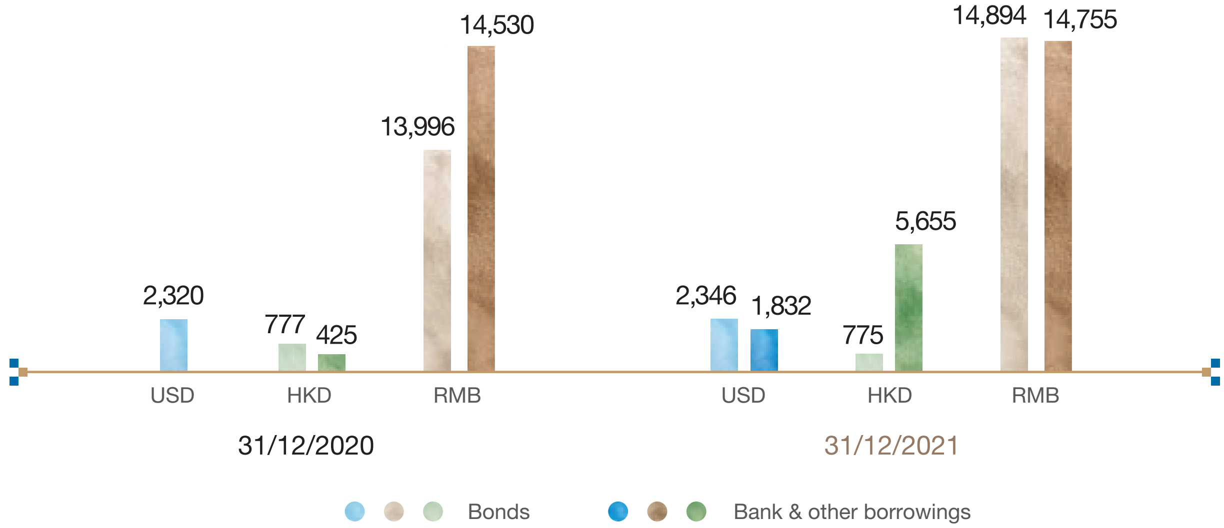
The Group's capital expenditures for the Year amounted to approximately RMB6,200 million (equivalent to HK$7,600 million), primarily comprising investments in the construction of the "Integrated Logistics Hub" projects of approximately RMB1,690 million and investments in Shenzhen Expressway's projects of approximately RMB3,230 million. The Group expects that the capital expenditures for 2022 will amount to approximately RMB7,100 million (equivalent to HK$8,700 million), including approximately RMB2,030 million for the "Integrated Logistics Hub" projects, approximately RMB2,100 million for Shenzhen Expressway's projects and approximately RMB1,070 million for the port projects.



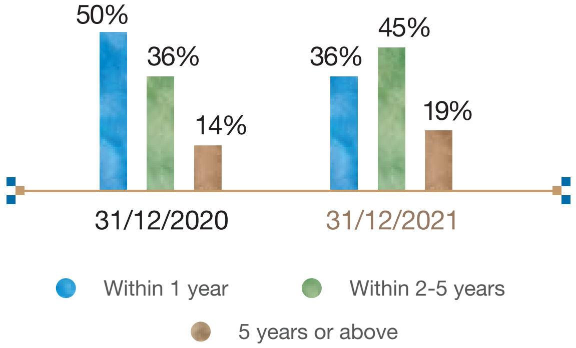
Borrowings

Total Borrowing in currency

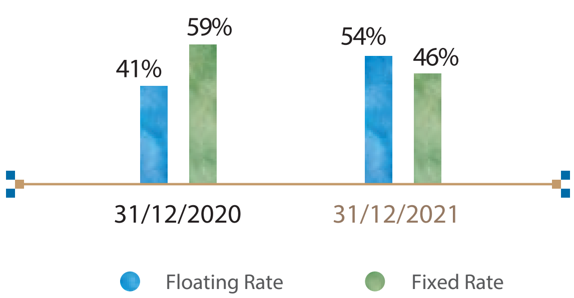
(HK$ million)



Total Borrowings – Repayment Period



Total Borrowings – Analysis of Floating rate / Fixed rate



As at 31 December 2021, the Group's total borrowings amounted to approximately HK$40,257 million, representing an increase of 26% as compared with the end of last year. During the Year, the Company issued Panda Bonds of RMB4,000 million, and Shenzhen Expressway, a subsidiary of the Group, issued each of the USD bonds of US$300 million, the green corporate bonds (first batch) of RMB1,200 million and the corporate bonds (first batch) of RMB1,000 million. 36%, 45% and 19% 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 during the year, aiming to use various financial instruments in a flexible manner to capitalize on the differences in costs. The Group seized favorable market conditions, and issued USD bonds and corporate bonds on overseas and domestic platforms, respectively, which further optimized its debt portfolio and striked a balance between its interest rate and foreign exchange risks. The Group closely monitored its overall borrowing structure, and effectively maintained the 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$. In 2021, China's economy recovered steadily with the RMB/USD exchange rate fluctuated within a reasonable range. Despite the RMB exchange rate went through three stages of depreciation, appreciation and fluctuation, it will stay within a reasonable range. 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 2021, the ratio between the Group's borrowings in RMB and other currencies was around 74%:26%.

Liquidity Risk Management

The Group currently had cash on hand and standby banking facilities of approximately HK$85,300 million. The Group maintained adequate funds and credit facilities and optimized its capital structure continuously to ensure that it is capable of operating as a going concern while expanding its business, and to mitigate liquidity risk.

Credit Ratings

During the Year, three leading international credit rating agencies, namely Moody's, Standard & Poor's and Fitch Ratings, maintained their investment-grade credit ratings of the Company of Baa2, BBB and BBB, respectively. China Lianhe Credit Rating Co., Ltd, a domestic credit rating agency, assigned an "AAA" credit rating to the Company. These ratings reflected 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 2021, please refer to notes 10, 24 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 55, was appointed in June 2016 as an Executive Director and the Chief Executive Officer of the Company, and has been re-designated from the Chief Executive Officer to the Chairman of the board of 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. Liu Zhengyu

Chief Executive Officer, Chairman of the Sustainability Committee

Mr. Liu Zhengyu, aged 51, was appointed in September 2021 as an Executive Director and the Chief Executive Officer of the Company. He is also the Chairman of the Sustainability Committee of the Company. Mr. Liu is currently a director of certain subsidiaries of the Company. Mr. Liu holds a Bachelor's degree in Economics and a Master of Business Administration degree. He has obtained the qualification as a Senior Accountant. Mr. Liu is the chairman of the board of directors and a director of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd. Mr. Liu had successively worked as a chief accountant and a deputy general manager of Shenzhen Investment Holdings Company Limited. Mr. Liu was a director of Shenzhen Cereals Holdings Co., Ltd. and Telling Telecommunication Holding Co., Ltd, a non-executive director and the chairman of the board of directors of Shenzhen Investment Holdings Bay Area Development Company Limited (a subsidiary of the Company) and a director of China State-owned Venture Capital Fund Co., Ltd. (中國國有資本風險投資基金股份有限公司). Mr. Liu has extensive experience in serving as senior management and director of largescale enterprises for years and working on corporate management, strategic management, investment and mergers and acquisitions, capital operation matters.

Executive Directors *(Continued)*

Mr. Wang Peihang
Member of the Nomination Committee

Mr. Wang Peihang, aged 54, 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. Mr. Wang took part in the management of human resources for years and has extensive experience in governmental operations and liaison, corporate management and port business.

Dr. Dai Jingming
Financial Controller

Dr. Dai Jingming, aged 57, was appointed in September 2020 as an Executive Director of the Company. He joined the Group as Financial Controller in August 2017. Dr. Dai is currently a non-executive director of Shenzhen Expressway Corporation Limited (formerly known as Shenzhen Expressway Company Limited), a subsidiary of the Company. Dr. Dai graduated from the Faculty of Agricultural Mechanical Engineering of Huazhong Agricultural University with a Bachelor's degree in Engineering in 1986 and from Zhongnan University of Finance and Economics with a Master's degree in Economics in 1992. He also obtained his Ph.D. degree in Economics from the Research Institute for Fiscal Science of the Ministry of Finance in 1998. Dr. Dai held a position as a general manager of the planning and finance department of Shenzhen Investment Limited and Shum Yip Group Limited, and was a non-executive director of Coastal Greenland Limited. In addition, he also worked in Hubei Agricultural Machinery General Company and Wuhan Branch of the Agricultural Bank of China. Dr. Dai has extensive experience in corporate finance, investment and management.

Non-Executive Directors

Mr. Hu Wei

Mr. Hu, aged 59, was appointed in May 2017 as an Executive Director of the Company 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 Corporation Limited (formerly known as Shenzhen Expressway Company Limited) and Shenzhen Investment Holdings Bay Area Development Company Limited (the subsidiaries of the Company). 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 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.

Non-Executive Directors *(Continued)*

Dr. Zhou Zhiwei

Dr. Zhou Zhiwei, aged 44, 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. Dr. Zhou holds a Doctor of Philosophy. Dr. Zhou has served in various departments of the Shenzhen Municipal Government and is familiar with the operation of the Chinese government and corporate management. Dr. Zhou has extensive experience in economic management.

Independent Non-Executive Directors

Professor Cheng Tai Chiu

Member of the Audit Committee and the Remuneration and Appraisal Committee

Professor Cheng Tai Chiu, Edwin, aged 64, was appointed in August 2018 as an Independent Non-Executive Director of the Company. He is also a member of each of the Audit Committee and the Remuneration and Appraisal Committee of the Company. He obtained the 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 Remuneration and Appraisal Committee, Member of the Audit Committee

Mr. Pan Chaojin, aged 57, was appointed in June 2020 as an Independent Non-Executive Director of the Company. He is also the Chairman of each of the Nomination Committee and 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 distinguished 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, organizedand 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.

Independent Non-Executive Directors *(Continued)*

Dr. Zeng Zhi

Chairman of the Audit Committee and Member of the Nomination Committee

Dr. Zeng Zhi, aged 50, was appointed in February 2022 as an Independent Non-Executive Director of the Company. He is also the Chairman of the Audit Committee and a member of the Nomination Committee of the Company. Dr. Zeng holds a Master's degree in Finance from Zhongnan University of Economics and Law, a Master's degree of Applied Business Research and a degree of Doctor of Business Administration from SBS Swiss Business School. He is also a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He has also been awarded the professional qualification certificate in accountancy by the Ministry of Finance of China. Dr. Zeng is currently a chief financial officer of a financial technology company in Hong Kong and a member of the Advisory Board on Accountancy of Lingnan University in Hong Kong. Dr. Zeng was an executive director and chief financial officer of Haike Chemical Group Ltd., an independent non-executive director of GTS Chemical Holdings Plc, and acted as chief financial officer, company secretary and/or qualified accountant of several companies in China, Hong Kong and Singapore. Dr. Zeng has extensive experience in corporate governance, strategic planning, financial controlling and capital operation.

SENIOR MANAGEMENT

Mr. Ji Zhilong

Chief Compliance Officer

Mr. Ji Zhilong, aged 59, 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 53, 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 Corporation Limited (formerly known as 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.

SENIOR MANAGEMENT *(CONTINUED)*

Mr. Yi Aiguo
Vice President

Mr. Yi Aiguo, aged 58, 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 Corporation Limited (formerly known as 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 Corporation 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, Member of the Sustainability Committee

Mr. Fan Zhiyong, aged 48, was appointed as a Vice President of the Company in August 2020. He is also a member of the Sustainability Committee of the Company. He graduated from Tongji University School of Materials Science. He holds an Executive Master's degree in business administration from Xiamen University. Mr. Fan had worked in Shenzhen Nanyou (Holdings) Co., Ltd. He joined the Group in May 2003, is currently a director of certain subsidiaries of the Company. Mr. Fan was a non-executive director and a member of Risk Management Committee of Shenzhen Expressway Corporation Limited (formerly known as Shenzhen Expressway Company Limited). Mr. Fan has more than 20 years of extensive experiences in engineering management and corporate management.

Mr. Hou Shenghai
Vice President, Member of the Sustainability Committee

Mr. Hou Shenghai, aged 49, was appointed as a Vice President of the Company in March 2021. He is also a member of the Sustainability Committee of the Company. Mr. Hou is currently a director and vice chairman of Shenzhen Airlines Company Limited as well as a director of certain subsidiaries of the Company. Mr. Hou holds a master's degree in architecture and civil engineering. Mr. Hou previously held several management positions at various levels in the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal. He joined the Company in February 2016 and successively serve as the manager of the administration department and chief administrative officer. Mr. Hou has extensive experience in project and construction management, corporate management and administration.

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 2021 (the "Year").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in logistics, toll road, port and general-environmental protection 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 general-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 2021 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 105 to 216.

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$0.125 per share for the Year and a special dividend of HK$0.703 per share. The total dividend for the Year is HK$0.828 per share (2020: final dividend of HK$0.122 per share; special dividend of HK$0.838 per share), which amounted to approximately HK$1,877 million (2020: HK$2,112 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 24 May 2022. 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 22 June 2022.

SUMMARY FINANCIAL INFORMATION

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

SHARES AND 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 21 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

The Company issued RMB300 million panda bond (the first tranche) carrying a coupon rate of 5.2% and sell-back option on 23 January 2018, which was listed on the Shenzhen Stock Exchange ("SZSE"). Whereas the bondholders exercised the option to sell back to the Company, the Company repurchased the panda bond in full at par on 22 January 2021, and paid the interests as required.

The Company issued RMB4,700 million panda bond (the second tranche) carrying a coupon rate of 4.15% and sell-back option on 13 November 2018, which was listed on SZSE. Whereas the bondholders exercised the option to sell back to the Company, the Company repurchased the panda bond in full at par on 15 November 2021, and paid the interests as required.

For the details of the above securities, please refer to the relevant announcements of the Company.

Save as disclosed above, 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 2021, the Company's reserves available for distribution to shareholders, comprising contributed surplus, retained earnings and other distributable reserves, amounted to approximately HK$2,078,727,000 (2020: HK$2,287,813,000). 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. Liu Zhengyu *(Chief Executive Officer)* (appointed on 14 September 2021)
Mr. Wang Peihang
Dr. Dai Jingming

Non-Executive Directors

Mr. Hu Wei
Dr. Zhou Zhiwei

Independent Non-Executive Directors

Professor Cheng Tai Chiu, Edwin
Mr. Pan Chaojin
Dr. Zeng Zhi (appointed on 1 February 2022)
Mr. Chan King Chung (resigned on 1 February 2022)

In accordance with Bye-Law 100 of the Bye-Laws (supplemented by Bye-Law 189(v) of the Bye-Laws), Dr. Zeng Zhi will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election as Director.

In accordance with Bye-Law 109(A) of the Bye-Laws, Mr. Wang Peihang, Dr. Zhou Zhiwei and Mr. Pan Chaojin 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 99 to 100 of this annual report. In addition, the interests of the Directors in the share options of the Company are disclosed in the section headed "SHARE OPTION SCHEME" below.

Save as disclosed in the section headed "DISCLOSURE OF INTERESTS" on pages 99 to 100 of this annual report and the section headed "SHARE OPTION SCHEME" below, at no time during the Year was the Company, any of its subsidiaries, the holding company of the Company or any of its subsidiaries a party to any arrangement to enable the Directors, chief executives, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company approved and adopted a share option scheme (the "Share Option Scheme") 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 3)*	
Name and category of participants	*Date of grant of share options (Note 1)*	*Exercise period of share options*	*Exercise price of share options (Note 2)*	*As at 1 January 2021*	*Granted during the Year*	*Adjusted during the Year (Note 2)*	*Exercised during the Year*	*Cancelled/ lapsed during the Year*	*As at 31 December 2021 (Approximate % of issued shares of the Company)*	*Immediately before the date of grant of share options*	*Immediately before the date of exercise of share option*
			HK$							*HK$*	*HK$*
Directors											
Mr. Li Haitao	26 May 2017	26 May 2019 to 25 May 2022	9.472	1,005,993	–	79,775	–	–	1,085,768 (0.048%)	12.56	N/A
Mr. Hu Wei	26 May 2017	26 May 2019 to 25 May 2022	9.472	1,173,448	–	93,054	–	–	1,266,502 (0.056%)	12.56	N/A
Dr. Zhou Zhiwei	18 May 2020	18 May 2020 to 25 May 2022	12.892	249,734	–	19,804	–	–	269,538 (0.012%)	15.10	N/A
				2,429,175	–	192,633	–	–	2,621,808		
Other employees in aggregate	26 May 2017	26 May 2019 to 25 May 2022	9.472	27,915,592	–	1,768,461	(5,793,805)	(3,037,943)	20,852,305	12.56	12.88
	18 May 2020	18 May 2020 to 25 May 2022	12.892	3,985,755	–	303,947	–	(152,881)	4,136,821	15.10	N/A
				31,901,347	–	2,072,408	(5,793,805)	(3,190,824)	24,989,126		
				34,330,522	**–**	**2,265,041**	**(5,793,805)**	**(3,190,824)**	**27,610,934**		

Notes:

(1) All these share options granted have been vested on or before 26 May 2021.

(2) 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 2020 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$10.223 to HK$9.472 and from HK$13.914 to HK$12.892, respectively, with effect from 23 June 2021.

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

The 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 7.32% of the issued shares of the Company as at the date of this annual report. During the Year, the Company did not grant any option pursuant to the Share Option Scheme.

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 99 to 100 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.

ISSUANCE OF THE FIRST TRANCHE OF CORPORATE BONDS

In October 2021, the Company issued the first tranche of corporate bonds of RMB4,000 million, which carries a coupon rate of 3.29% per annum with a six-year maturity (with option to sell back by the bondholders at the end of the third year following the issuance). The said first tranche of corporate bonds are listed on the Shenzhen Stock Exchange. The net proceeds from the issuance will be used for the repayment of interest-bearing indebtedness and supplementing the Group's working capital, in accordance with the requirements under the laws, regulations and policies of the PRC.

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, Shenzhen International United Land Co., Ltd. ("United Land Company") entered into a loan agreement ("China Vanke Loan Agreement") with (amongst others) China Vanke Co., Ltd. ("China Vanke"), pursuant to which the maximum principal amount of the loan ("China Vanke Loans") of RMB1,800 million is made available for a term of three years from the date of the China Vanke Loan Agreement, with an initial interest rate at 3.65% per annum and 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 (the "Transaction").For details of the Transaction, please refer to the announcement of the Company dated 25 July 2019.

As at the date of the China Vanke Loan Agreement, the Group and China Vanke held 70% and 30% equity interests in United Land Company respectively. China Vanke was then a substantial shareholder of United Land Company and thus a connected person of the Company at the subsidiary level. The transactions contemplated under the China Vanke Loan Agreement constituted a non-exempted continuing connected transaction of the Company under the Listing Rules. Subsequently, the Group entered into an asset transaction agreement with a subsidiary of China Vanke on 21 December 2021 to sell 35.7% equity interest in United Land Company to the subsidiary of China Vanke. The transaction was completed on 29 December 2021. Upon completion of the transaction, United Land Company has ceased to be a subsidiary of the Company. For details of the transaction, please refer to this section below and the announcements of the Company dated 21 October 2021 and 21 December 2021.

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), for a period of three years. The terms of the loan agreement between United Land Company and all shareholders have always been consistent.

Since China Vanke was a connected person of the Company during the Year, the transactions contemplated under the China Vanke Loan Agreement constituted a continuing connected transaction of the Company ("Continuing Connected Transaction") under Chapter 14A of the Listing Rules.

As at 28 December 2021, United Land Company advanced loans to China Vanke amounting to RMB1,800 million in aggregate, pro rata to its shareholding in United Land Company. For the year ended 31 December 2021, United Land Company recognized an interest income amounting to approximately RMB64,307,782.46 in aggregate, with an initial interest rate at 3.65% per annum. Interest is payable once a year.

The independent non-executive Directors 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 Transaction and other connected transactions carried out during the Year and up to the date of this annual report.

(3) Connected Transactions

On 10 August 2021, (i) Mei Wah Industrial (Hong Kong) Limited (美華實業 (香港) 有限公司) ("Mei Wah Industrial", a non-wholly-owned subsidiary of the Company) as purchaser and Shenzhen Investment International Capital Holdings Co., Ltd. ("Shenzhen Investment International Capital") as seller entered into a sale and purchase agreement (the "Sale and Purchase Agreement") and (ii) Shenzhen Investment Holdings Company Limited (深圳市投資控股有限公司) ("SIHCL"), Shenzhen Investment International Capital, Mei Wah Industrial and Shenzhen Expressway Company Limited ("Shenzhen Expressway", now known as Shenzhen Expressway Corporation Limited) entered into a payment obligation agreement (the "Payment Obligation Agreement"). Pursuant to the Sale and Purchase Agreement and the Payment Obligation Agreement, Mei Wah Industrial has conditionally agreed to purchase and Shenzhen Investment International Capital has conditionally agreed to sell the entire issued share capital of Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. (深圳投控國際資本控股基建有限公司), at a total consideration of approximately HK$10,479,000,000 (the "Transaction").

As SIHCL is the controlling shareholder of the Company and Shenzhen Investment International Capital of the controlling shareholder of the Company and thus a connected person to the Company within the meaning of the Listing Rules, the Transaction constitutes connected transaction of the Company under Chapter 14A of the Listing Rules. Completion of the Transaction took place on 11 January 2022. For details, please refer to the joint announcements of the Company and Shenzhen Expressway dated 10 August 2021 and 11 January 2022, the circulars dispatched is associate by the Company dated 24 November 2021, and the poll results announcements published by the Company dated 10 December 2021.

On 21 October 2021, (1) the Company, Shenzhen International Bay Area Investment Development Co., Ltd. (深圳市深國際灣區投資發展有限公司) ("Shenzhen International Bay Area Investment", an indirect wholly-owned subsidiary of the Company), Shenzhen SEG Group Co., Ltd. (深圳市賽格集團有限公司) ("SEG Group") and Shenzhen SEG Technology Development Co., Ltd. (深圳賽格科技發展有限公司) ("SEG Technology"), entered into a cooperation agreement (the "Cooperation Agreement"); and (2) Shenzhen International Bay Area Investment, SEG Group and SEG Technology entered into a share transfer agreement (the "Share Transfer Agreement"). Pursuant to the Cooperation Agreement and the Share Transfer Agreement, SEG Group agreed to sell and Shenzhen International Bay Area Investment agreed to purchase 70% equity interest in SEG Technology at an aggregate consideration of approximately RMB333,470,000 (the "Acquisition").

As at the date of signing of the Cooperation Agreement and the Share Transfer Agreement, SIHCL was the controlling shareholder of the Company which indirectly owned approximately 43.48% of the issued shares of the Company, and directly and indirectly owned an aggregate of 42.85% equity interest of SEG Group at the same time. Therefore, SEG Group is a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the Acquisition constitutes a connected transaction of the Company. For details, please refer to the announcement of the Company dated 21 October 2021.

On 21 December 2021, Xin Tong Chan Development (Shenzhen) Co., Ltd. (新通產實業開發 (深圳) 有限公司) ("XTC Company"), a wholly-owned subsidiary of the Company, entered into the asset transaction agreement (the "Asset Transaction Agreement") with Shenzhen Vanke Development Company Limited (深圳市萬科發展有限公司) ("Vanke Development", a subsidiary of China Vanke), pursuant to which XTC Company agreed to sell its 35.7% equity interest in United Land Company to Vanke Development at a final consideration of RMB2,788 million (the "Disposal").

As at the date of signing of the Asset Transaction Agreement, United Land Company was an indirect subsidiary of the Company and was held as to 35.7%, 34.3% and 30% by XTC Company, Shenzhen Expressway and China Vanke, respectively. As China Vanke was a substantial shareholder of a subsidiary of the Company, China Vanke was a connected person at the subsidiary level (meaning as ascribed thereto under the Listing Rules) of the Company. Vanke Development was a subsidiary of China Vanke and was therefore a connected person of the Company. Accordingly, the Disposal constituted a connected transaction of the Company. For details, please refer to the announcements of the Company dated 21 October 2021 and 21 December 2021.

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$259,913.

ENVIRONMENTAL PROTECTION

The Group has always put a great emphasis on environmental protection and actively carried out construction of ecological system. The Group as a whole has established an ecological system promoting respect of the nature, conforming to nature and protecting the nature and continuously enhancing awareness of construction of enterprise ecological system. Combining the Group's business structure and by means of planning and construction innovation, operation management innovation as well as technological innovation, the Company has commenced concrete tasks such as green construction, sponge city, prefabricated 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 78 to 98 of this annual report.

AUDITOR

The financial statements for the Year have been audited by Deloitte Touche Tohmatsu ("Deloitte"), and the financial statements for the two years ended 31 December 2019 and 2020 were audited by KPMG.

Deloitte will retire and a resolution for its re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Li Haitao
Chairman

30 March 2022

CORPORATE GOVERNANCE REPORT

The Company believes that sound corporate governance goes beyond merely meeting the basic requirements of the regulatory authorities for listed companies. More importantly, sound corporate governance can facilitate the Company in achieving its development needs. Several governance guidelines and procedures have been established by the Company over the years, including "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 "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 the year, 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 2021 (the "Year"), the Company has complied with the code provisions set out in "Corporate Governance Code", 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

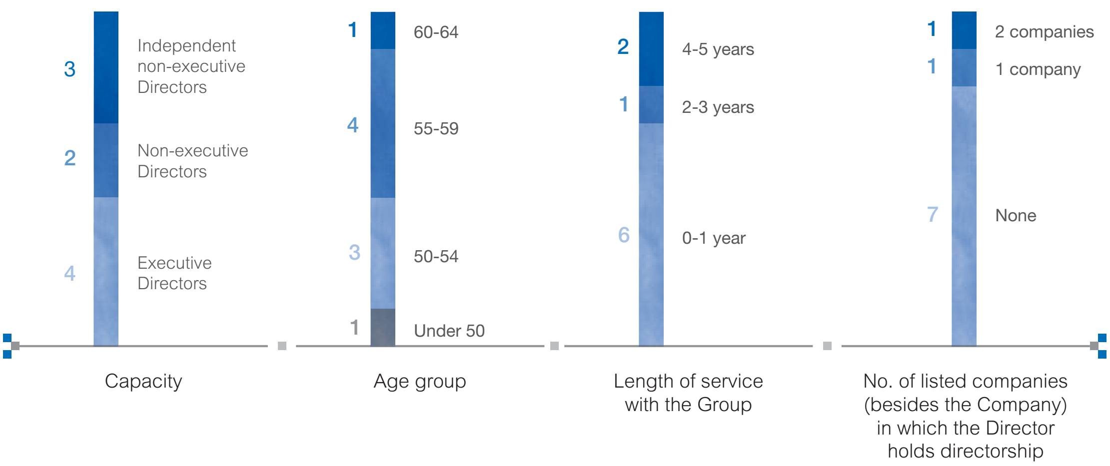
Composition of the Board

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 nine Directors, including four executive Directors: Messrs. Li Haitao, Liu Zhengyu, Wang Peihang and Dr. Dai Jingming; two non-executive Directors: Mr. Hu Wei and Dr. Zhou Zhiwei; and three independent non-executive Directors: Professor Cheng Tai Chiu, Edwin, Mr. Pan Chaojin and Dr. Zeng Zhi. 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:

Perspectives on Board Diversity



Biographies of the Directors (including their skills and experience) are set out in the section headed "Biographies of Directors and Senior Management" on pages 64 to 68 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. As at the date of this report, each of Mr. Li Haitao and Mr. Liu Zhengyu serves as the Chairman and the Chief Executive Officer of the Company respectively. During the Year, before Mr. Liu Zhengyu was appointed as the Chief Executive Officer of the Company, the functions of the Chief Executive Officer were performed by the senior management jointly.

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 of Board members during the Year and up to the date of this report

The change of Board members during the Year and up to the date of this report as below:

Effective Date	*Name of Directors*	*Change*
14 September 2021	Mr. Liu Zhengyu	Appointed as an executive Director and Chief Executive Officer of the Company
1 February 2022	Mr. Chan King Chung	Resigned as an independent non-executive Director
1 February 2022	Dr. Zeng Zhi	Appointed as an independent 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 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 10 December 2021, Dr. Zeng Zhi has been appointed as an independent non-executive Director, and he will stand for re-election by the Shareholders at the annual general meeting to be held on 13 May 2022.

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;
- determining the Group's operational and management strategies;
- preparing 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
- reviewing the dividends distribution proposal.

BOARD MEETINGS AND PROCEDURES

The Board meets regularly and holds at least four meetings a year and at least one meeting each quarter. 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 2021, a total of eleven 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 Board 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 2021 without the presence of any other executive Directors and the management.

The following major items were reviewed at the Board meetings held in 2021:

(1) reviewing the 2020 annual results and the payment of dividends;

(2) approving the 2021 interim results;

(3) reviewing the results and business operations of the first and third quarters of 2021;

(4) reviewing the appointment of the new auditor of the Company for 2021;

(5) approving the discloseable transaction in relation to acquisition of office property by Shenzhen Expressway Corporation Limited;

(6) approving the discloseable transaction in relation to acquisition of entire issued share capital in several logistics companies;

(7) approving the entering into a framework agreement in relation to the possible acquisition of shares of Suning.com Co., Ltd.;

(8) approving the 14th Five-year Strategic Plan of the Group;

(9) approving the major and connected transaction in relation to the acquisition of entire issued share capital of Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. by the Group;

(10) approving the discloseable and connected transaction in relation to the disposal of 35.7% equity interest in Shenzhen International United Land Co., Ltd.;

(11) approving the connected transaction in relation to the acquisition of 70% equity interest in Shenzhen SEG Technology Development Co., Ltd.;

(12) approving the entering into of new service contract with Professor Cheng Tai Chiu, Edwin, an independent non-executive Director;

(13) approving the appointment of Mr. Liu Zhengyu as an executive Director and the Chief Executive Officer of the Company;

(14) approving 2020 Environmental, Social and Governance Report;

(15) approving the matters related to the formation of governance structure of Environmental, Social and Governance, the establishment of Sustainability Committee and the adoption of its terms of reference; and

(16) approving the amendments to the "Internal Control Policy" and "Total Risk Management Regulations".

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. Liu Zhengyu	√	√	√
Mr. Wang Peihang	√	√	√
Dr. Dai Jingming	√	√	√
Mr. Hu Wei	√	√	√
Dr. Zhou Zhiwei	√	√	√
Professor Cheng Tai Chiu, Edwin	√	√	
Mr. Pan Chaojin	√	√	√
Mr. Chan King Chung *(resigned as an independent non-executive Director on 1 February 2022)*	√	√	

In 2021, the Company arranged for the Directors (including independent non-executive Directors) to conduct site visits, allowing them to inspect places such as Qianhai Project, Logistics Hubs Projects located in Hangzhou and Yiwu, Longhua Liguang Project, Kanghuai E-commerce Center, Dongguan Huawei Smart Warehouse, etc. Through such site visits, the Directors could have a deeper understanding of the Group's business model and operating conditions.

Specialized Committees of the Board

In order to assist the Board in discharging its duties in a more efficient manner, the Board has established four specialized committees, namely Audit Committee, Nomination Committee, Remuneration and Appraisal Committee and Sustainability 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 2021 are set out below:

Audit Committee (established in 1995)

The Audit Committee consists of three independent non-executive Directors, currently including Dr. Zeng Zhi (Chairman), Professor Cheng Tai Chiu, Edwin and Mr. Pan Chaojin. On 1 February 2022, Dr. Zeng Zhi was appointed as chairman of the Audit Committee, while Mr. Chan King Chung resigned as chairman of the Audit Committee.

Responsibilities and work performed in 2021

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 (the "Auditor"), 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 systems 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 6 meetings during 2021. The following major issues were reviewed and discussed during the year:

- reviewing the annual results for 2020 and the interim results for 2021, 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 2020 annual financial statements and fees for the review of 2021 interim financial statements;
- considering the appointment of the new Auditor for 2021 and made recommendation to the Board;
- 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 2020;
- to review with the management and relevant departments the effectiveness of the Group's risk management and internal control system for the year 2020;
- considering the 2021 internal audit plan of the Group; and
- considering the amendments to the "Internal Control Policy" and "Total Risk Management Regulations" and proposing to the Board for approval.

During the Year, the Audit Committee met the Auditor 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. Wang Peihang and Dr. Zeng Zhi. On 1 February 2022, Dr. Zeng Zhi was appointed as member of the Nomination Committee, while Mr. Chan King Chung resigned as member of the Nomination Committee.

Responsibilities and work performed in 2021

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 the qualification and experience of the Directors who are subject to retirement by rotation and re-election at each annual general meeting and advise the Board thereon;
- to 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 2 meetings during 2021. 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 2021 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; and
- evaluating and making recommendation to the Board on the appointment of Mr. Liu Zhengyu as an executive Director.

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. In respect of the Company's progress on achieving the objectives of the Board Diversity Policy, the Company recognizes that it should further improve its gender diversity given the Board currently consists of only male Directors. The Company has been actively looking for female Directors to join the Board, and will appoint at least one female Director to the Board no later than 31 December 2024.

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 79 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.

Responsibilities and work performed in 2021

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 2 meetings during 2021. The following major issues were reviewed and discussed during the Year:

- evaluating the performance of executive Directors and senior management for 2020;
- approving bonus payments for 2020 to the senior management; and
- approving the service contract made between the Company and a candidate for executive Director.

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

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

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

Details of the Directors' fee and other emoluments of the Directors are set out in note 32 to the financial statements.

Sustainability Committee (established in November 2021)

The Sustainability Committee consists of one executive Director and two senior management of the Company, namely Mr. Liu Zhengyu (Chairman), Mr. Fan Zhiyong and Mr. Hou Shenghai. On 29 November 2021, Mr. Liu Zhengyu was appointed as the Chairman of the Sustainability Committee, and Mr. Fan Zhiyong and Mr. Hou Shenghai were appointed as the member of the Sustainability Committee.

Responsibilities and work performed in 2021

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

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

The Sustainability Committee did not hold any meeting during 2021.

The attendance records of the Board meetings, specialized committee meetings and general meeting of the Company held in 2021

Details of the Directors' attendance at the Board meetings, specialized committee meetings and general meetings of the Company held in 2021 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	**10**/11	N/A	N/A	**2**/2	**1**/1	**1**/1
Mr. Liu Zhengyu (1)	**3**/3	N/A	N/A	N/A	**0**/0	**1**/1
Mr. Wang Peihang	**10**/11	N/A	**2**/2	N/A	**1**/1	**1**/1
Dr. Dai Jingming	**10**/11	N/A	N/A	N/A	**1**/1	**1**/1
Non-executive Directors						
Mr. Hu Wei	**9**/11	N/A	N/A	N/A	**1**/1	**1**/1
Dr. Zhou Zhiwei	**10**/11	N/A	N/A	N/A	**1**/1	**1**/1
Independent Non-executive Directors						
Professor Cheng Tai Chiu, Edwin	**10**/11	**6**/6	N/A	**2**/2	**1**/1	**1**/1
Mr. Pan Chaojin	**11**/11	**6**/6	**2**/2	**2**/2	**1**/1	**1**/1
Dr. Zeng Zhi (2)	**0**/0	**0**/0	**0**/0	N/A	**0**/0	**0**/0
Mr. Chan King Chung (3)	**11**/11	**6**/6	**2**/2	N/A	**1**/1	**1**/1

Notes:

(1) Mr. Liu Zhengyu was appointed as an executive Director on 14 September 2021.

(2) Dr. Zeng Zhi was appointed as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee on 1 February 2022.

(3) Mr. Chan King Chung was resigned as an independent non-executive Director, the chairman of the Audit Committee and a member of the Nomination Committee on 1 February 2022.

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 consist of four executive Directors, namely Mr. Li Haitao, Mr. Liu Zhengyu, Mr. Wang Peihang and Dr. Dai Jingming. On 14 September 2021, Mr. Liu Zhengyu was appointed as member of the Executive Board Committee.

Responsibilities and works performed in 2021

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 of the Company 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 2021, the Executive Board Committee considered and discussed major matters including: the Company's 2020 annual results and dividend proposal, 2021 interim and quarterly results and business development, budgets for the year 2021, notifiable transactions and connected transactions, the Company's policies adoption and amendments, capital operation projects as well as considered, plans for bank financing and "14th Five-Year Strategic Plan", etc.; and discussed 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 2021, the Board has selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable and has prepared the financial statements on a going concern basis. For details of the basis of preparation of the financial statements, please refer to Note 2 to the consolidated financial statements in this annual report.

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

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

INTERNAL CONTROL AND RISK MANAGEMENT

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

By working out an overall strategy on corporate development, the 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' internal management model.

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

According to the 14th Five-Year Plan of the Group, the Group focuses on developing four major segments, namely logistics, port, toll road and general-environmental protection businesses. Since the setting of the strategic development directions for the urban integrated logistics hub business in 2012, the Group has explored and gradually formulated the short closed-loop "investment, construction, financing and operation" and the long closed-loop "investment, construction, operation and transformation" development models to examine and realize the value of its asset-heavy projects throughout their life cycles. With the commencement of the construction of urban integrated logistics hubs, ports and toll roads as well as the gradual development of new businesses, the Group audited the entire process of its construction projects and implemented specialized risk prevention and control over the new businesses and newly-incorporated companies in 2017. In 2019, the Group put greater emphasis on the financial business and the logistics and supply chain development business and regulated high-risk processes and areas of these businesses in order to prevent operational, compliance and other risks. In 2021, the Group continued to optimize and fully implemented the investment project incentive and disincentive system in certain specific operations in order to stimulate team vitality and innovation and, in turn, achieve 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 the level of independence of its internal audit function, the Group adjusted the functions of the risk management department in early 2017 by incorporating the investment review and intermediary agency management functions into the risk management department. The risk management department is responsible for establishing and improving the Group's comprehensive risk management system and internal legal management system, assessing the performance of the internal control system, managing the engagement of intermediary agencies, and considering and reviewing investment projects and merger and acquisition projects. Meanwhile, the Company separated the audit function and post-investment evaluation tracking of investment projects from the original risk management department. The audit department, which is responsible for establishing and improving the Group's internal audit system, independently audited the Group and its subsidiaries, and supervised the implementation of audit reforms. In 2018, in order to optimize its management and control, the Group established the Risk Control Committee to coordinate, organize and synchronize the Group's risk prevention and control work and provide reference for the management to make decisions on risk management and control. In 2021, the Risk Control Committee held 4 meetings to provide solutions and recommendations on the Group's existing risks. These solutions and recommendations have been implemented under the supervision of the Group's risk management department.

Function Positioning of Headquarters of the Group

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

Basic Management Control

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

Systems Build-up

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

Risk Management

The Company constantly improves its internal control and risk management systems, and has set up and effectively implemented a comprehensive risk management system that focuses on risk identification, risk assessment and risk prevention in accordance with the control environment, financial control, operational control, compliance control and risk management. The organizational structure of the Company's risk management comprises the Board, the Audit Committee, the management of the Company, the Risk Control Committee, the risk management department, the audit department and risk coordinators at other departments. In 2021, the Group continued to perfect its "1+N" internal control system by formulating the Internal Control System, the Comprehensive Risk Management Regulations and the Administrative Regulations on the Assessment of the Internal Control System. It is also exploring ways to establish a compliance management system that caters for the actual needs of the Group.

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

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

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

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

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

The Board has comprehensively reviewed the Group's internal control and risk management systems and their effectiveness for 2021 and found that their performances were sound and that there were no significant control failures or weaknesses. The Board considers that the relevant systems are effective and sufficient to provide reasonable guarantee that the Group can achieve its operational and governance objectives. The Board will continue to urge the management of the Company to enhance the internal control and risk management systems in order to ensure their effective operation.

Functions of Risk Management Department

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

- internal control and risk management
- reviewing investment projects
- overseeing asset valuation
- managing of intermediary agencies
- overseeing legal and compliance 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 knowledge. Such training courses include, among others, internal control and risk prevention and management training, compliance management training, investment training, professional training on legal matters, and equity management and asset evaluation training.

The risk management department reviews and analyses the Group's potential risks and formulates corresponding measures.

Risk	Description	Corresponding measures
Policy risks	• The amendment to the *Regulations on the Administration of Toll Roads* has not yet been finalized. Toll revenue may be affected by such policy adjustment.	• Keep monitoring the status of the amendment to the *Regulations on the Administration of Toll Roads*.
	• The supply of land for the logistics and warehousing industries are tightening while the types of land being rolled out are diversifying, which together require better short-term profitability from logistics projects.	• Study policy developments in the logistics, warehousing and real estate industries, explore channels and ways to realize land value, improve project planning and assessment of relevant economic data, and ensure accurate market positioning and controllable income.
	• In view of the national policy that emphasizes environmental protection and prohibits large-scale development in the Yangtze River economic region, approvals for developments along the coastline are harder and harder to obtain. The carbon peak and carbon neutrality policies also affect the operations of not only the energy and power-generation industries, which are clients of port operators, but also the port sector itself, which is an energy consuming industry and subject to stringent emissions monitoring. The operation and development of the port sector are thus affected.	• Keep abreast of policy changes in the environmental protection industry, study the impact of such policy changes and consider countermeasures.
	• Tightening national environmental protection standards and possible diminution in fiscal and tax subsidies for some environmental protection segments may affect the operation and profitability of the Company's environmental protection business.	
Risks related to investment, mergers and acquisitions	• Insufficient preliminary scrutiny and investigation of the investment, incautious due diligence, incomplete risk identification and inadequate risk control may result in underperformance.	• Keep improving the investment management system and conduct due diligence stringently in accordance with the requirements of such system.
	• Insufficient forward-looking market analysis and late and inefficient investment decision-making may result in the loss of valuable investment projects.	• Strengthen industry and market research, keep abreast of industry development trends, speed up the investment decision-making process and enhance efficiency.
	• Conflicts in cultural integrations between corporations and mismanagement may arise after mergers and acquisitions.	• Carry through the profit-related system to achieve risk sharing by aligning the interests of project teams and their projects.
	• Inadequate control on investment costs and delay in the progress of any projects may affect the actual production and operation of such projects.	• Implement integration of target companies steadily, strengthen management of major activities of invested companies and reduce operational risks.

Risk	Description	Corresponding measures
Risks related to construction projects	• Expressway construction projects are subject o certain construction safety risks due to their vast number, extensive scope, complicated techniques and conditions as well as the difficulty in devising traffic diversion plans.	• Strengthen supervision over the safety management of construction projects, ensure workers are qualified and machineries are in good conditions, and provide safety training and emergency drills to workers.
	• Contingencies, the long settlement period and management challenges of integrated logistics hub construction projects may results in delays.	• Insist on strengthening safety management procedures and tighten overall control over project quality and progress.
	• Whether construction costs can be effectively controlled and meet the goals and requirements set by the Group will have a significant impact on the future production, operation and performance of a project.	• Control project costs and expenses strictly and track and audit the whole process of the projects spanning from tendering, bidding, contracting, design changes, delivery acceptance and completion settlement to commencement of operation.
Risks related to trade receivables	• An economic downturn resulting from the novel coronavirus pandemic may affect the cash flows of partners in 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. • Strengthen tracking of partners' financial position and manage trade receivables before, during and after the event to reduce the risk of bad debts. • Collect receivables by establishing a special team for trade receivables, devising individual strategy for each trade receivable and assigning responsibility to specific employee, and formulate timely risk management measures and terminate certain business with disproportional risks.
Cash flows risks	• As its investment projects require relatively large amount of capital while cash inflows from the projects at the initial construction and operation periods 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.
	• Macro-economic policies may exert pressure on the cash inflows of certain subsidiaries in the Group's logistics service business.	• Strengthen the financial warning system and assess risk indicators regularly to identify and respond to potential cash flow risks in a timely manner.

Risk	*Description*	*Corresponding measures*
Legal and compliance risks	• Reasonableness of contract terms. • Disputes and compliance risks may arise during the operation of joint investment projects. • Disputes may arise between the Group and its contractors in respect of the completion and settlement of construction projects. • Tightening internet and information security management by the government may result in higher information security compliance requirements.	• Implement smart legal affair management system, establish ties with law firms and legal advisors, and build an in-house legal team. • Improve the legal risks mitigation mechanism and ensure the Company's business operates in compliance with legal and regulatory requirements. • Set stringent contractual terms in project agreements, and coordinate proactively with all parties in concern to bridge the gap in the costing for materials. • Study and abide by internet and information security laws and regulations and enhance the Group's data and information security compliance management.
Human resources management	• Whether our internal management capabilities such as human resources are in line with new business models and management requirements may have a significant impact on the successful implementation of the Group's strategic plans. • Cautious and compliant recruitment and dismissal processes are required to reduce the Group's risk in respect of employment.	• Formulate long-term incentive mechanism and talent development plans. • Establish talent reserves and provide professional training to the talents in these reserves. • Demand timely rectification of neglectfulness and incompliance in the recruitment and dismissal processes by its subsidiaries.
Exchange rate risks	• The Group may incur exchange losses and higher financial costs if the exchange rates of Renminbi fall continuously.	• Establish a prediction and warning system for Renminbi exchange rates and fix the interest and exchange rates of debts in foreign currencies by using financial derivatives. • Maintain a balanced mix of currencies in terms of debts 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.

Risk	Description	Corresponding measures
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 the financial impact on the Group in a timely manner. • Strengthen communication with the acquired enterprises, focus on their operation, and formulate and enforce effective revenue-boosting and cost-cutting measures for investment holding companies.

EXTERNAL AUDITOR

During the Year, the fees payable by the Group to the Auditor, Deloitte Touche Tohmatsu ("Deloitte"), for audit services and non-audit services were approximately HK$8,951,000 and HK$11,166,000 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 Deloitte, and recommend the Board to re-appoint Deloitte to be the Auditor for the year 2022 at the forthcoming annual general meeting.

COMPANY SECRETARY

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

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

Minutes of Board meetings and meetings of all specialized committees under the Board are took by the Joint Company Secretaries and the secretary of each of the specialized committees should record 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.

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

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

GENERAL MEETINGS

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

The chairman of the Board and the chairmen of the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee attended the annual general meeting of the Company held in 2021 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
18 May 2021 (annual general meeting)	• the audited financial statements and the reports of the Directors and of the Auditors for the year ended 31 December 2020; • payment of the final dividend and special dividend for the year ended 31 December 2020; • re-election of the retiring Directors and authorisation of the Board to fix the Directors' remuneration; • appointment of Deloitte Touche Tohmatsu as the 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.
10 December 2021 (special general meeting)	• the agreements entered into by the Group for the acquisition of entire interests in Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd.; 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 the Joint Company Secretaries of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified by the Company's share registrar and upon its confirmation that the requisition is proper and in order, the Joint Company Secretaries will make arrangements in accordance with the relevant laws and regulations for the Board to convene a special general meeting by serving sufficient notice to all Shareholders.

Procedures for putting forward proposals at general meetings

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

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

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

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

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

Procedures for 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 the fruits of its business development, corporate strategy and prospects with its investors and is also glad to provide its information and engage in exchanges with potential investors.

The Group has been rigorously building an effective communication platform with the capital market by proactively presenting its results and development while understanding investors' concerns and market opinions through various channels such as meetings with institutional investors, roadshows (or reverse roadshows) and investor conferences. Notwithstanding the continuous impact of the pandemic, the Group actively adopted innovative ways, such as hosting online results conference and participating in various meetings through teleconferencing systems, while holding more roadshows with special topics for domestic and overseas capital markets, in order to reconnect with the investors. Altogether, it interacted with a total of 410 domestic and foreign investors during the Year. Such interactive communication channels have enhanced the investors' understanding of the Group's business operation, long-term development strategies and investment value.

The Group also places great emphasis on the investment community. The Group's investor relations team keeps track of the feedback of the capital market on the Company and reports the opinions, suggestions and expectations of the capital market to the Company's management in a timely manner for the management team to formulate operation, management and development strategies that are beneficial to the Company's sustainable development and value accretion. During the Year, a total of 8 reputable securities dealers at home and abroad have issued 23 research reports on the Group. All these reports assigned positive grades such as buy, outperform or overweight to the Group.

Attributable to such efforts, the Group won market recognition for its investor relations and corporate governance. During the Year, it obtained 7 quality awards, including the China IR Annual Award (卓越IR) for the Best Digital Investor Relations (最佳數字化投資者關係獎), the 4th New Fortune Best IR of HK-Listed Company (第四屆新財富「最佳IR港股公司」), The Greater Bay Area Navigation Award for Its Outstanding Contribution (領航「9+2」之「粵港澳大灣區傑出貢獻企業獎」), the 11th China Securities Golden Bauhinia Award for the Best Listed Company (第十一屆金紫荊獎之「最佳上市公司」), the Outstanding Business in GBA Award (大灣區傑出業務大獎), the Best Investor Relations Award (最佳投資者關係獎) and the Best ESG Award (最佳ESG獎) in the China Financial Market Awards (中國融資大獎) issued by China Financial Market, demonstrating the increasing brand influence of Shenzhen International.

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 major promotional activities held during the Year are as follows:

2021	***Major events***
January	• Participated in virtual investor presentations organized by Morgan Stanley online
	• Held local and overseas non-deal roadshows (Virtual)
February	• Held Shenzhen International overseas strategy and project presentations (Virtual)
	• Held local and overseas analyst meetings (Virtual)
March	• Held Shenzhen International Shenzhen reverse roadshows and strategy and project presentations
	• Held Shenzhen International 2020 annual results presentations and analyst meetings (Virtual)
	• Held overseas Shenzhen International 2020 annual results non-deal roadshows (Virtual)
April	• Held local Shenzhen International 2020 annual results non-deal roadshows (Virtual)
May	• Participated in the 2021 Wonderful Sky IDEAS Summit (Virtual)
	• Participated in the first virtual China summit organized by Morgan Stanley (Virtual)
	• Participated in Guosen Securities' 2021 interim investment strategy conference (Virtual)
June	• Held local and overseas non-deal roadshows (Virtual)

2021	Major events
July	• Held non-deal roadshows in Beijing
	• Held non-deal roadshows in Shanghai
August	• Held Shenzhen International 2021 interim results presentations (Virtual)
	• Held Shenzhen International 2021 interim results analysts meetings (Virtual)
September	• Participated in Citi's 2021 industrial investment annual conference (Virtual)
	• Held local and overseas Shenzhen International 2021 interim results non-deal roadshows (Virtual)
October	• Participated in virtual investor presentations organized by Daiwa (Virtual)
November	• Participated in Citi's 16th China investment summit (Virtual)
	• Participated in virtual investor strategy meetings organized by CICC
	• Participated in CITIC Securities' 2022 capital market annual conference (Virtual)
	• Participated in Huatai Securities' 2022 investment summit (Virtual)
December	• Participated in virtual investor strategy meetings organized by CITIC
	• Participated in Haitong Securities' 2022 investment strategy presentations (Virtual)
	• Participated in Road Show China's 2022 listed company investor relations innovation summit

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

The Group's website (www.szihl.com) is the official access to the latest information on the Group. Public notices, circulars, press releases, results announcements and other announcements are uploaded to the website on a regular basis. Investors can also access general information on the Group, biographies of the Directors and senior management, as well as 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 organizing investor relations activities. It aims to deepen investors' understanding of and trust in the Group's businesses, establish confidence in the Group's future development and gain recognition and support from the market, so as to fully demonstrate its business potential and intrinsic value. In addition, the Group also collects extensive feedback from the market through these activities for the purpose of improving its governance, operational and management standards.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2021, the interests and short positions of the directors (the "Directors") and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") are set out as follows and in the section headed "SHARE OPTION SCHEME" as set out in the Report of the Directors on pages 72 to 73 of this annual report:

(a) Long positions in the ordinary shares of the Company

Name of Directors	*Number of shares held*	*Capacity*	*Nature of interest*	*Approximate % of the issued shares of the Company (Note 1)*
Li Haitao	40,644	beneficial owner	personal	0.002%
Hu Wei	315	beneficial owner	personal	0.00001%

(b) Long positions in the ordinary shares of the associated corporation, Shenzhen Expressway Corporation Limited

Name of Directors	*Number of H shares held*	*Capacity*	*Nature of interest*	*Approximate % of the issued shares in class of the associated corporation (Note 2)*
Hu Wei	200,000	beneficial owner	personal	0.027%

Notes:

(1) The percentage were calculated based on the total number of shares of the Company in issue as at 31 December 2021 (i.e. 2,266,714,438 shares).

(2) The percentage was calculated based on the total number of H shares of Shenzhen Expressway Corporation Limited in issue as at 31 December 2021 (i.e. 747,500,000 shares).

Save as disclosed above and in the section headed "SHARE OPTION SCHEME" as set out in the Report of the Directors on pages 72 to 73 of this annual report, as at 31 December 2021, 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 72 to 73 of this annual report, at no time during the year ended 31 December 2021 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 2021, the interests and short positions of the substantial shareholders (other than the Directors or chief executives) of the Company in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO are set out below:

Long positions in the ordinary shares of the Company

Name of shareholders	***Number of shares held***	***Capacity***	***Approximate % of the issued shares of the Company*** *(Note 1)*
Shenzhen Investment Holdings Company Limited ("SIHCL") *(Note 2)*	952,010,090	interest of controlled corporation	42.00%
Ultrarich International Limited ("Ultrarich")	952,010,090	beneficial owner	42.00%
UBS Group AG *(Note 3)*	199,122,728	interest of controlled corporation	8.78%

Notes:

(1) The percentage was calculated based on the total number of shares of the Company in issue as at 31 December 2021 (i.e. 2,266,714,438 shares).

(2) Ultrarich was a wholly-owned subsidiary of SIHCL and held a long position of the shares of the Company. Accordingly, SIHCL was deemed to be interested in the long position of these shares of the Company held by Ultrarich. As informed by Ultrarich, it received a total of 33,625,870 scrip shares on 23 June 2021. Therefore, as at 31 December 2021, Ultrarich held a long position of 985,635,960 shares of the Company, representing approximately 43.48% of the issued shares of the Company.

(3) UBS AG, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Americas) Inc., UBS Asset Management Life Limited, UBS Switzerland AG, UBS Financial Services Inc., UBS Asset Management (Australia) Ltd, UBS Asset Management (Deutschland) GmbH, UBS Asset Management (Singapore) Ltd, UBS Asset Management Switzerland AG, UBS Asset Management Trust Company, UBS Asset Management (UK) Limited, UBS Fund Management (Luxembourg) S.A. and UBS Fund Management (Switzerland) AG are wholly owned by UBS Group AG. Accordingly, UBS Group AG was deemed to be interested in the long position of an aggregate of 199,122,728 shares of the Company held by these companies.

Save as disclosed above, as at 31 December 2021, 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.

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Shenzhen International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 105 to 216, which comprise the consolidated balance sheet as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

OTHER MATTERS

The consolidated financial statements of the Company for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 26 March 2021.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Amortization of concession intangible assets for the operating rights of the toll road business	***Audit response***
As shown in notes 10(i), as at 31 December 2021, the carrying amounts of the toll road operating rights of the Group was HKD28,640,486,000, and the amortization of toll road operating rights for the year ended 2021 was HKD2,091,188,000. The toll road operating rights of the Group are amortized based on the estimated future traffic volume over the operating right period. When the toll road operating rights are amortized, the amortization per each standard traffic volume is calculated based on the estimated total standard traffic volume during the operating period of each toll road and the initial costs of the toll road operating rights. The estimated future traffic volume requires significant estimates to the total traffic volume in the remaining operational period. These estimates and judgements may be affected by unexpected changes in future market and economic conditions. Therefore, we identify the amortization accuracy and the valuation of the toll road operating rights of the Group as a key audit matter.	We have performed the following audit procedures in response to the aforementioned key audit matters: • Understand and evaluate the process and key internal controls related to the amortization of toll road operation rights; • Assess the independence and professional capability of the third party agency employed by the Company to estimate traffic volume; • Assess the reasonableness of the actual traffic volume applied in the calculation of amortization; • Obtain the traffic volume budget reports issued by the third-party agency and understand the approach to estimate future traffic volume of the remaining operation period in the future, and assess the historical accuracy of such reports by comparing the historical estimated traffic volume and the actual traffic volume in corresponding years; • Re-calculate the amortization of the toll road operating rights to verify the accuracy of its amount in the financial statements.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

- 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.

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Au Mei Yin.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

30 March 2022

CONSOLIDATED BALANCE SHEET

At 31 December 2021

(For reference only) ***2021*** ***RMB'000***		NOTES	***2021*** ***HKD'000***	2020 *HKD'000*
	ASSETS			
	Non-current assets			
6,278,265	Investment properties	6	**7,697,726**	611,305
15,560,648	Property, plant and equipment	7	**19,078,772**	12,742,544
2,714,946	Land use rights	8	**3,328,772**	3,802,321
3,203,091	Construction in progress	9	**3,927,282**	3,099,947
26,851,381	Intangible assets	10	**32,922,243**	31,645,704
333,704	Goodwill	11	**409,152**	279,035
15,953,321	Interests in associates	12	**19,560,227**	14,431,233
193,583	Interests in joint ventures	13	**237,351**	90,022
913,583	Other financial assets	14	**1,120,136**	2,345,483
701,281	Deferred tax assets	25	**859,835**	1,688,335
6,157,720	Other non-current assets	15	**7,549,927**	3,471,528
78,861,523			**96,691,423**	74,207,457
	Current assets			
7,798,815	Inventories and other contract costs	16	**9,562,059**	14,721,654
395,182	Contract assets	17(a)	**484,529**	408,532
442,720	Other financial assets	14	**542,815**	936,949
5,162,080	Trade and other receivables	18	**6,329,180**	7,221,519
212,638	Derivative financial instruments		**260,713**	—
759,112	Restricted bank deposits	19	**930,741**	2,521,504
835,000	Deposits in banks with original maturities over three months	19	**1,023,786**	3,508,668
6,428,987	Cash and cash equivalents	19	**7,882,525**	9,073,474
—	Disposal group held for sale	20	**—**	587,346
22,034,534			**27,016,348**	38,979,646
100,896,057	**Total assets**		**123,707,771**	113,187,103

At 31 December 2021

(For reference only) *2021* *RMB'000*		NOTES	***2021*** ***HKD'000***	2020 *HKD'000*
	EQUITY AND LIABILITIES			
	Equity attributable to ordinary shareholders of the Company			
10,057,692	Share capital and share premium	21	**12,331,648**	11,529,380
20,830,504	Other reserves and retained earnings	22	**25,540,098**	22,857,273
30,888,196	**Equity attributable to ordinary shareholders of the Company**		**37,871,746**	34,386,653
1,901,114	**Perpetual securities**	23	**2,330,939**	2,330,939
18,636,194	**Non-controlling interests**		**22,849,674**	21,761,340
51,425,504	**Total equity**		**63,052,359**	58,478,932
	Non-current liabilities			
21,105,253	Borrowings	24	**25,876,966**	16,175,771
1,163,292	Lease liabilities	28	**1,426,302**	737,751
2,138,922	Deferred tax liabilities	25	**2,622,514**	2,253,391
1,434,456	Other non-current liabilities	26	**1,758,774**	1,565,424
25,841,923			**31,684,556**	20,732,337
	Current liabilities			
10,160,922	Trade and other payables	27	**12,458,217**	12,884,246
—	Derivative financial instruments		**—**	99,356
236,792	Contract liabilities	17(b)	**290,329**	2,816,549
1,425,292	Income tax payable		**1,747,538**	2,185,511
11,727,972	Borrowings	24	**14,379,564**	15,872,334
77,652	Lease liabilities	28	**95,208**	117,838
23,628,630			**28,970,856**	33,975,834
49,470,553	**Total liabilities**		**60,655,412**	54,708,171
100,896,057	**Total equity and liabilities**		**123,707,771**	113,187,103

The consolidated financial statements on pages 105 to 216 were approved and authorised for issue by the board of directors on 30 March 2022 and are signed on its behalf by:

Liu Zhengyu
DIRECTOR

Dai Jingming
DIRECTOR

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

(For reference only) 2021 RMB'000		NOTES	***2021 HKD'000***	2020 *HKD'000*
15,337,881	**Revenue**	29	**18,541,926**	19,452,409
(10,732,921)	Cost of sales		**(12,975,001)**	(12,990,147)
4,604,960	**Gross profit**		**5,566,925**	6,462,262
49,931	Other income		**60,362**	141,603
4,654,083	Other gains - net	30	**5,626,309**	4,963,245
(153,335)	Distribution costs		**(185,367)**	(166,450)
(1,118,806)	Administrative expenses		**(1,352,522)**	(971,782)
(92,538)	Impairment loss on trade receivables and contract assets	37(a)(iv)	**(111,869)**	(159,037)
7,944,295	**Operating profit**		**9,603,838**	10,269,841
15,020	Share of profit of joint ventures	13	**18,158**	13,778
(130,740)	Share of loss of associates	12	**(158,051)**	(571,420)
7,828,575	**Profit before finance costs and income tax**		**9,463,945**	9,712,199
239,054	Finance income	33	**288,991**	317,255
(855,996)	Finance cost	33	**(1,034,811)**	(918,855)
(616,942)	Finance costs - net		**(745,820)**	(601,600)
7,211,633	**Profit before income tax**		**8,718,125**	9,110,599
(2,173,958)	Income tax expense	34	**(2,628,092)**	(3,071,972)
5,037,675	**Profit for the year**		**6,090,033**	6,038,627
	Attributable to:			
2,947,046	Ordinary shareholders of the Company		**3,562,676**	4,006,970
76,164	Perpetual securities holders of Company		**92,075**	91,866
2,014,465	Non-controlling interests		**2,435,282**	1,939,791
5,037,675			**6,090,033**	6,038,627
	Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)			
	Basic	35(a)	**1.60**	1.84
	Diluted	35(b)	**1.59**	1.83

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	***2021*** ***HKD'000***	2020 *HKD'000*
Profit for the year		**6,090,033**	6,038,627
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Share of other comprehensive income (expense) of associates	12	**16,268**	(52,285)
Items that will not be reclassified to profit or loss:			
Currency translation differences from functional currency to presentation currency		**1,812,164**	2,774,649
Gain on revaluation of properties previously occupied by the Group		**34,085**	—
Deferred taxation relating to revaluation of properties		**(8,521)**	—
Fair value loss on equity security designated at fair value through other comprehensive income		**(1,432)**	(716)
Sub-total		**1,836,296**	2,773,933
Other comprehensive income for the year		**1,852,564**	2,721,648
Total comprehensive income for the year		**7,942,597**	8,760,275
Total comprehensive income attributable to:			
Ordinary shareholders of the Company		**4,653,113**	5,956,373
Perpetual securities holders of the Company		**92,075**	91,866
Non-controlling interests		**3,197,409**	2,712,036
		7,942,597	8,760,275

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to ordinary shareholders of the Company						
	Share capital and share premium HKD'000 (note 21)	*Other reserves HKD'000 (note 22)*	*Retained earnings HKD'000 (note 22)*	*Subtotal HKD'000*	*Perpetual securities HKD'000*	*Non-controlling interests HKD'000*	*Total HKD'000*
Balance at 1 January 2021	11,529,380	5,950,834	16,906,439	34,386,653	2,330,939	21,761,340	58,478,932
Profit for the year	–	–	3,562,676	3,562,676	92,075	2,435,282	6,090,033
Other comprehensive income							
Fair value loss on equity security designated at fair value through other comprehensive income	–	(1,432)	–	(1,432)	–	–	(1,432)
Share of other comprehensive income of associates	–	(7,621)	–	(7,621)	–	23,889	16,268
Gain on revaluation of properties previously occupied by the Group	–	34,085	–	34,085	–	–	34,085
Deferred taxation relating to revaluation of properties	–	(8,521)	–	(8,521)	–	–	(8,521)
Currency translation differences	–	1,073,926	–	1,073,926	–	738,238	1,812,164
Total other comprehensive income	–	1,090,437	–	1,090,437	–	762,127	1,852,564
Total comprehensive income for the year	–	1,090,437	3,562,676	4,653,113	92,075	3,197,409	7,942,597
Transactions with owners in their capacity as owners							
Employee share options							
– proceeds from shares issued	58,953	–	–	58,953	–	–	58,953
– recognition of share-based payments and forfeited options	(5,525)	–	–	(5,525)	–	–	(5,525)
Transfer to reserve	–	291,073	(291,073)	–	–	–	–
Dividend relating to 2020 (note 36)	–	–	(2,112,400)	(2,112,400)	–	–	(2,112,400)
Issue of scrip shares as dividend (note 36)	748,840	–	–	748,840	–	–	748,840
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	–	(875,231)	(875,231)
Non-controlling interests arising on business combinations (note 41)	–	–	–	–	–	(1,407,042)	(1,407,042)
Share of associates' reserves movement	–	142,112	–	142,112	–	(972)	141,140
Capital injections by non-controlling interests	–	–	–	–	–	179,610	179,610
Capital reduction by non-controlling interests	–	–	–	–		(5,440)	(5,440)
Distribution for perpetual securities (note 23)	–	–	–	–	(92,075)	–	(92,075)
Transfer of currency translation reserve upon derecognition of a subsidiary	–	(731,790)	731,790	–	–	–	–
Total transactions with owners in their capacity as owners	802,268	(298,605)	(1,671,683)	(1,168,020)	(92,075)	(2,109,075)	(3,369,170)
Balance at 31 December 2021	12,331,648	6,742,666	18,797,432	37,871,746	2,330,939	22,849,674	63,052,359

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to ordinary shareholders of the Company						
	Share capital and share premium *HKD'000* *(note 21)*	Other reserves *HKD'000* *(note 22)*	Retained earnings *HKD'000* *(note 22)*	Subtotal *HKD'000*	Perpetual securities *HKD'000*	Non-controlling interests *HKD'000*	Total *HKD'000*
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	–	(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 for the year	–	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
– recognition of share-based payments and forfeited options	10,313	–	–	10,313	–	–	10,313
Transfer to reserve	–	338,011	(338,011)	–	–	–	–
Dividend relating to 2019 (note 36)	–	–	(2,530,140)	(2,530,140)	–	–	(2,530,140)
Issue of scrip shares as dividend (note 36)	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 43)	–	–	–	–	–	4,810,187	4,810,187
Capital reduction by non-controlling interests	–	–	–	–	–	(28,248)	(28,248)
Distribution for perpetual securities (note 23)	–	–	–	–	(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 CASH FLOWS

For the year ended 31 December 2021

	NOTES	*2021* *HKD'000*	2020 *HKD'000*
Cash flows from operating activities			
Cash generated from operations	38	**5,883,176**	4,869,260
Income tax paid		**(2,211,515)**	(2,824,543)
Net cash generated from operating activities		**3,671,661**	2,044,717
Cash flows from investing activities			
Acquisition of subsidiaries	41	**(1,632,568)**	(519,150)
Disposal of subsidiaries	41	**466,279**	—
Derecognition of a subsidiary	41	**3,306,880**	—
Deposit paid for acquisition of a subsidiary	42	**(749,109)**	—
Purchases of property, plant and equipment, land use rights, construction in progress, intangible assets and other non-current assets		**(8,084,682)**	(6,157,880)
Advance to non-controlling interests		**(4,895,905)**	(356,210)
Increase in interests in associates and joint ventures		**(2,644,447)**	(475,543)
Proceeds from disposal of property, plant and equipment		**60,118**	1,280,217
Purchase of other financial assets		**(536,635)**	(2,275,423)
Proceeds from disposal of other financial assets		**2,695,801**	—
Proceeds from disposal group held for sale		**587,346**	—
Receive in advance of disposal group held for sale		**—**	185,241
Withdrawal of deposits in banks with original maturities over 3 months		**2,562,863**	—
Placement of deposits in banks with original maturities over 3 months		**—**	(2,717,290)
Interest received		**266,471**	325,131
Dividends received		**444,530**	338,928
Net cash used in investing activities		**(8,153,058)**	(10,371,979)
Cash flows from financing activities			
Interest paid		**(1,172,646)**	(1,412,952)
Proceeds from issuance of ordinary shares of the Company	21	**58,953**	15,255
Issuance of perpetual capital securities		**—**	4,810,187
Capital deductions by non-controlling interests		**(5,440)**	(28,248)
Capital contributions by non-controlling interests		**179,610**	—
Proceeds from borrowings	38(b)	**29,583,188**	10,440,827
Repayments of borrowings	38(b)	**(19,567,809)**	(6,052,647)
Repayments of financing leasing assets	38(b)	**(1,686,781)**	(773,936)
Capital element of lease rentals paid	38(b)	**(1,756,194)**	(140,858)
Interest element of lease rentals paid	38(b)	**(65,314)**	(38,086)
Advance from an associate		**—**	2,049,335
Repayment to an associate		**(120,890)**	—
Dividends paid to the Company's and subsidiaries' shareholders		**(2,308,585)**	(3,270,103)
Distribution to perpetual securities holders		**(92,075)**	(91,866)
Proceeds from other financing activities		**—**	20,702
Net cash generated from financing activities		**3,046,017**	5,527,610
Net decrease in cash and cash equivalents		**(1,435,380)**	(2,799,652)
Cash and cash equivalents at the beginning of the year		**9,073,474**	11,931,764
Exchange difference		**244,431**	(58,638)
Cash and cash equivalents at the end of the year	19	**7,882,525**	9,073,474

1. GENERAL INFORMATION

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

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

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

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

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

As at 31 December 2021, Ultrarich International Limited ("Ultrarich") directly owned 985,635,960 ordinary shares of the Company, representing approximately 43.48% 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 43.48% 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.

The functional currency of the Company is Renminbi ("RMB"), while the consolidated financial statements is presented in Hong Kong dollar ("HKD"), unless otherwise stated. The management of the Group considered that selecting HKD as its presentation currency is more beneficial for the users of the consolidated financial statements as the Company's shares are listed on the Stock Exchange in Hong Kong.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Company's current liabilities exceeded its current assets by HKD1,954,508,000 as at 31 December 2021.

In order to improve the Group's financial position, to provide liquidity and cash flows and to sustain the Group as a going concern, the Group has been implementing a number of measures. These measures include but not limited to considering usage of existing banking facilities.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments that are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those presented in the Group's annual financial statements for the year ended 31 December 2020, except for the accounting policy that is first effective for the current accounting period of the Group.

3.1 Application of new and amendments to HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform - Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform - Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 "Financial Instruments: Disclosures".

As at 1 January 2021, the Group has several borrowings, the interest of which are indexed to benchmark rates that will be or maybe subject to interest rate benchmark reform.

The following shows the total amounts of outstanding contracts. The amounts of borrowings are shown at their carrying amounts are shown at their notional amounts.

	HKD Hong Kong Interbank Offered Rate HKD'000
Unsecured bank borrowings	4,060,000

The amendments have had no impact on the consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the year.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020[2]

[1] *Effective for annual periods beginning on or after 1 April 2021*
[2] *Effective for annual periods beginning on or after 1 January 2022*
[3] *Effective for annual periods beginning on or after 1 January 2023*
[4] *Effective for annual periods beginning on or after a date to be determined*

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Amendments to HKFRS 3 "Reference to the Conceptual Framework"

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

Amendments to HKAS 1 "Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)"

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

As at 31 December 2021, certain of the Group's bank borrowings are subject to compliance with certain financial ratios within 12 months from the reporting date. A portion of these borrowings were classified as non-current as the Group met such ratios at 31 December 2021. Pending clarification on the application of relevant requirements of the amendments, the Group will further assess the potential impacts of the amendments in relation to the borrowings with financial and other covenants. The impacts on application, if any, will be disclosed in the Group's future consolidated financial statements.

Except for as disclosed above, based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty — that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

As disclosed in note 3.28 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The Group is still in the process of assessing the full impact of the application of the amendments.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Subsidiaries

3.2.1 Consolidation

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

(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 in exchange for control of the acquiree. 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. Acquisition-related costs are expensed as incurred.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Subsidiaries *(continued)*

3.2.1 Consolidation *(continued)*

(a) Business combinations *(continued)*

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if 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 gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in October 2010).

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Subsidiaries *(continued)*

3.2.1 Consolidation *(continued)*

(a) Business combinations *(continued)*

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.

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. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. 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 as a bargain purchase gain.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Subsidiaries *(continued)*

3.2.1 Consolidation *(continued)*

(b) 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 carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non- controlling interests according to the Group's and the non-controlling interests' proportionate interests. 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.

(c) Disposal of subsidiaries

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

3.2.2 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 Associates and joint ventures

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

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

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

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

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

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

Sale or contribution of assets between the Group and its associate or joint venture constitutes a business is accounted for in accordance with the accounting policy set out in note 3.2.1(c). 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 or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.4 Goodwill

Goodwill represents the excess of

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

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

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

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

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

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

3.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (i.e. the functional currency). For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group using exchange rates prevailing at the end of each reporting period.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.5 Foreign currency translation *(continued)*

(b) Transactions and balances *(continued)*

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

At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Translation difference on non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the 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 fair value through other comprehensive income ("FVTOCI") are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency 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.

Exchange differences relating to the retranslation of the Group's net assets to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in currency translation reserve. Such exchange differences accumulated in the currency translation reserve are not reclassified to profit or loss subsequently.

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

3.6 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.7 Property, plant and equipment

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

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 3.11).

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 3.13).

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.8 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.

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

3.9 Investment properties

Investment property, principally comprising commercial building and car parking spaces, is held for long-term rental yields and is not occupied by the Group. Investment property is initially measured at cost, including any directly attributable expenditure. Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases. After initial recognition, investment property is carried at fair value, 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". Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. A leased property which is recognised as a right-of-use asset is derecognised if the Group as intermediate lessor classifies the sublease as a finance lease. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3.10 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.11 Leases

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

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

(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. Non-lease components are separated from lease component and are accounted for by applying other applicable standards.

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

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date (less any lease incentives received), and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 3.7 and 3.12). Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 3.9; and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value in accordance with note 3.19.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.11 Leases *(continued)*

(a) As a lessee *(continued)*

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

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

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

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

(b) As a lessor

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

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

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

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 3.31(c).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 3.11(a), then the Group classifies the sub-lease as an operating lease.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.12 Concession intangible assets

(a) Toll Road

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

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

Amortisation of concession intangible assets is 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.

(b) Kitchen waste disposal project

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.13 Impairment of non-financial assets

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

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

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.14 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 3.

3.15 Financial assets

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place. The instruments are initially stated at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15, plus directly attributable transaction costs, except for those measured at fair value through profit or loss ("FVTPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 37(c). The financial assets are subsequently accounted for as follows, depending on their classification.

(a) **Financial assets other than equity investments**

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.15 Financial assets *(continued)*

(b) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVTOCI such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income in accordance with the policy set out in note 3.31(h).

Interest income recognised in accordance 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. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3.16 Credit loss and impairment of assets

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

- financial assets measured at amortised cost (including cash and cash equivalents, deposits in banks with original maturities over three months, restricted bank deposits, trade and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);
- contract assets as defined in HKFRS 15 (see note 3.20); and
- lease receivables.

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

Measurement of ECL

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Measurement of ECL *(continued)*

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

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

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

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

ECL are measured on either of the following bases:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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, unless the Group has reasonable and supportable information that demonstrates otherwise;
- 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.

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

ECL 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 in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

Credit-impaired financial assets

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

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.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. Except for credit-impaired debtors that are assessed individually, the Group uses a practical expedient in estimating ECL on not credit-impaired trade receivables and contract assets using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Derecognition of financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.17 Financial liabilities and equity

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

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

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

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

3.18 Derivative financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.19 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. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

The cost of completed properties held for sale comprises all costs of 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 3.19(a)), property, plant and equipment (see note 3.7) or concession intangible assets (see note 3.12).

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.19 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 3.31.

3.20 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 3.31) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 3.16 and are reclassified to receivables when the right to the consideration has become unconditional (see note 3.21).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 3.31). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 3.21).

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

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

3.21 Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 3.20).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 3.16).

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.22 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 ECL) in accordance with the policy set out in note 3.16.

3.23 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.

3.24 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.

3.25 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.

3.26 Borrowings

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.27 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.

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

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

3.28 Current and deferred tax

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

(a) Current income tax

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

(b) Deferred tax

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.28 Current and deferred tax *(continued)*

(b) Deferred tax *(continued)*

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.

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.28 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.

3.29 Short-term and other long-term employee benefits

(a) Pension obligations

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

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

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

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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

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

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

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.

3.30 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.31 Revenue and other income

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

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

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

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

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

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

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

(a) Toll revenues

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

(b) Construction service revenue under service concessions

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.31 Revenue and other income *(continued)*

(c) **Rental income from operating leases**

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

(d) **Logistics related service revenues**

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

(e) **Sales of goods**

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

(f) **Sales of properties**

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when the property is delivered to customer, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the consolidated balance sheet under contract liabilities (see note 3.20).

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, in accordance with the policies set out in note 3.27.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.31 Revenue and other income *(continued)*

(g) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVTOCI that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 3.16).

(h) Dividend income

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

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

3.32 Government grants

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

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

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

3.33 Contingent liabilities

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

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

3.34 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.35 Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in note 3.35(a); or

(vii) A person identified in note 3.35(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.

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 HKFRS 15 using the percentage of completion method. Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable.

Due to the fact there was no real cash flow realised/realisable during the construction phase of the infrastructure during the Service Concessions, 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.

During the year ended 31 December 2021, the Group appointed an independent professional traffic consultant to reassess the aggregate future traffic volume of Changsha Ring Road (North-western Section) (“Changsha Ring Road”). The Group has adjusted the amortisation unit for the related concession intangible assets according to the revised total projected traffic volume since 1 January 2021 on a prospective basis. Such change in accounting estimate has resulted in decrease in profit attributable to ordinary shareholders of the Company of HKD5,767,000 for the year ended 31 December 2021 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 associates

The Group determines at each balance sheet date whether there is any objective evidence that the interest in the associate is impaired. When conducting impairment test of interest in associate, the Group adopted valuation in use using the present value of the future cash flows expected to arise from the associate based on the cash flows from operations, taking into account revenue growth rates, gross margin and long term growth rate used in the cash flow projections and a suitable discount rate by reference to comparable companies, to assess the recoverable amount. Key assumptions used include the multiples and discount for lack of marketability. The Group's believes the recoverable amount will exceed the carrying amount, then no impairment is provided for the current year.

4.2 Critical judgements in applying accounting policies

Significant influence over associates

For certain associates of which the Group holds less than 20% ownership, as disclosed in note 12, significant judgements are required in assessing whether the Group has significant influence over these entities. The Group considers it exercises significant influence over these entities through its representation on the board of directors and its participation in the financial and operating policy decisions.

5. SEGMENT INFORMATION

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

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

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

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

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

5. SEGMENT INFORMATION *(continued)*

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

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

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the board of directors, the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 are set out below.

For the year ended 31 December 2021

		Logistics business						
	Toll roads and general-environmental protection business HKD'000	*Logistics parks HKD'000*	*Logistics services HKD'000*	*Port and related services HKD'000*	*Logistics park transformation and upgrading services HKD'000*	*Sub-total HKD'000*	*Head office functions HKD'000*	*Total HKD'000*
Revenue from contracts with customers within the scope of HKFRS 15								
– Point in time	11,135,440	169,733	988,199	2,711,535	319,552	4,189,019	–	15,324,459
– Overtime	2,007,602	–	–	–	–	–	–	2,007,602
Subtotal	13,143,042	169,733	988,199	2,711,535	319,552	4,189,019	–	17,332,061
Revenue from other sources								
– Leases from logistics parks	–	1,209,865	–	–	–	1,209,865	–	1,209,865
Revenue	13,143,042	1,379,598	988,199	2,711,535	319,552	5,398,884	–	18,541,926
Operating profit	3,943,246	606,440	22,405	200,322	160,817	989,984	4,670,608	9,603,838
Share of profit (loss) of joint ventures	–	17,795	7,356	–	–	25,151	(6,993)	18,158
Share of profit (loss) of associates	722,263	(394)	–	–	875,134	874,740	(1,755,054)	(158,051)
Finance income	121,167	6,438	1,585	857	73,361	82,241	85,583	288,991
Finance costs	(896,484)	(40,873)	(4,071)	(932)	(8,825)	(54,701)	(83,626)	(1,034,811)
Profit before income tax	3,890,192	589,406	27,275	200,247	1,100,487	1,917,415	2,910,518	8,718,125
Income tax expense	(596,679)	(85,171)	(8,742)	(52,961)	(113,996)	(260,870)	(1,770,543)	(2,628,092)
Profit for the year	3,293,513	504,235	18,533	147,286	986,491	1,656,545	1,139,975	6,090,033
Profit attributable to non-controlling interests	(1,635,808)	(4,219)	(11,106)	(39,400)	(24,916)	(79,641)	(719,833)	(2,435,282)
Subtotal	1,657,705	500,016	7,427	107,886	961,575	1,576,904	420,142	3,654,751
Profit attributable to perpetual securities holders	–	–	–	–	–	–	(92,075)	(92,075)
Profit attributable to ordinary shareholders of the Company	1,657,705	500,016	7,427	107,886	961,575	1,576,904	328,067	3,562,676
Depreciation and amortisation	2,717,774	320,576	22,289	37,565	196	380,626	134,070	3,232,470
Capital expenditure								
– Additions in investment properties, property, plant and equipment, construction in progress, land use rights and intangible assets	5,016,549	3,191,558	265,730	38,684	499	3,496,471	185,174	8,698,194
– Additions in investment properties, property, plant and equipment, and land use rights arising from acquisition of subsidiaries (note 41)	3,402,822	1,916,193	–	–	–	1,916,193	–	5,319,015
– Additions in interests in associates	397,312	–	–	–	3,283,760	3,283,760	2,109,804	5,790,876

5. SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2020

	Toll roads and general-environmental protection business HKD'000	Logistics business: Logistics parks HKD'000	Logistics business: Logistics services HKD'000	Logistics business: Port and related services HKD'000	Logistics business: Logistics park transformation and upgrading services HKD'000	Sub-total HKD'000	Head office functions HKD'000	Total HKD'000
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
– Overtime	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								
– Leases from logistics parks	–	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
Profit attributable to 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 (note 41)	2,669,993	–	–	–	–	–	–	2,669,993
–Additions in interests in associates	344,528	–	–	–	–	–	138,326	482,854

(a) The revenue from toll roads included construction service revenue under service concession arrangements in amount of HKD1,861,703,000 for the year (2020: HKD2,255,140,000).

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

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

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

6. INVESTMENT PROPERTIES

	2021 **HKD'000**	2020 HKD'000
Beginning of the year	**611,305**	576,796
Transferred from inventories (note 16)	**2,696,028**	—
Transferred from CIP (note 9)	**1,344,355**	—
Transferred from land use rights (note 8)	**778,029**	—
Acquisition of subsidiaries (note 41)	**1,916,193**	—
Fair value gains (note 30)	**212,503**	20,387
Exchange difference	**139,313**	14,122
End of the year	**7,697,726**	611,305
Analysis of the carrying amount is as follows:		
Investment properties	**5,575,342**	611,305
Investment properties under construction	**2,122,384**	—
	7,697,726	611,305

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

During the year ended 31 December 2021, the Group has changed its intention of holding certain properties from selling to customers as inventories to earn rentals and/or for capital appreciation, as evidenced by the commencement of operating leases to third parties. Accordingly, inventories of HKD2,696,028,000 are transferred from inventories to investment properties. The difference between the carrying amounts and the fair values of those properties were recognised as "change in fair value of investment properties" in other gains - net during the year.

In addition, the Group has changed its intention of holding certain CIP from operating logistics parks business to earn rentals, as evidenced by the ending the Group's owner-occupation of those CIP. Accordingly, CIP of HKD1,344,355,000 and the corresponding land use rights of HKD778,029,000 were transferred to investment properties under construction during the year ended 31 December 2021. The difference between the carrying amounts and the fair values of those properties at the date of transfer of HKD25,564,000 (net of tax of HKD8,521,000) was recognised in other comprehensive income and accumulated in "revaluation reserve".

6. INVESTMENT PROPERTIES *(continued)*

Fair Value Hierarchy

The Group's investment properties were revalued at 31 December 2021. 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 categories of properties 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.

	Valuation techniques	*Unobservable input*	*Range*
Investment properties – Commercial	Market comparison approach	Discount on quality of the buildings	2.45% to 7.56% (2020: 3.9% to 10%)
Investment properties – Leasehold	Income capitalisation method	Capitalisation rate	4.15% to 9.05% (2020: 8.85%)
		Expected occupancy rate	80% to 95% (2020: 80% to 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 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:

	2021 ***HKD'000***	2020 *HKD'000*
Within 1 year	**279,216**	80,819
After 1 year but within 2 years	**397,383**	77,864
After 2 years but within 3 years	**158,880**	76,047
After 3 years but within 4 years	**105,448**	71,564
After 4 years but within 5 years	**138,460**	66,450
After 5 years	**203,825**	63,379
	1,283,212	436,123

7. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2021

	Land and buildings HKD'000	Other properties leased for own use HKD'000	Leasehold improvements HKD'000	Motor vehicles HKD'000	Furniture, fixtures, and equipment HKD'000	Loading equipment and facilities in port and wind-power equipment HKD'000	Total HKD'000
Net book amount as at 1 January 2021	7,925,754	631,133	15,752	44,779	1,439,097	2,686,029	12,742,544
Acquisition of subsidiaries (note 41)	261,201	320,342	–	1,012	3,442	2,761,658	3,347,655
Disposal of subsidiaries (note 41)	(192,002)	–	–	–	(734)	–	(192,736)
Transfer from construction in progress (note 9)	2,404,493	–	–	2,359	367,790	2,577	2,777,219
Additions	605,641	14,690	724	16,330	208,538	218,602	1,064,525
Disposals	(117,469)	–	–	(11,285)	(25,781)	(7,978)	(162,513)
Exchange difference	281,951	23,717	495	1,533	51,257	125,899	484,852
Depreciation	(331,524)	(114,796)	(1,947)	(22,899)	(249,445)	(262,163)	(982,774)
Closing net book value	10,838,045	875,086	15,024	31,829	1,794,164	5,524,624	19,078,772
At 31 December 2021							
Costs	12,527,138	1,210,824	30,076	146,054	4,121,746	6,265,377	24,301,215
Accumulated depreciation and impairment	(1,689,093)	(335,738)	(15,052)	(114,225)	(2,327,582)	(740,753)	(5,222,443)
Net book value	10,838,045	875,086	15,024	31,829	1,794,164	5,524,624	19,078,772

7. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Year ended 31 December 2020

	Land and buildings *HKD'000*	Other properties leased for own use *HKD'000*	Leasehold improvements *HKD'000*	Motor vehicles *HKD'000*	Furniture, fixtures, and equipment *HKD'000*	Loading equipment and facilities in port and wind-power equipment *HKD'000*	Total *HKD'000*
Net book amount as at 1 January 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

Property ownership certificates for buildings with net book value of HKD862,364,000 (2020: HKD915,536,000) 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.

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	***2021*** ***HKD'000***	2020 *HKD'000*
Included in "Investment properties"			
Ownership interests in leasehold investment properties, carried at fair value, with remaining lease term of			
– between 10 and 50 years		**187,174**	146,632
Included in "Property, plant and equipment"			
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost	(i)	**10,838,047**	7,925,754
Other properties leased for own use, carried at depreciated cost	(ii)	**875,086**	631,133
		11,713,133	8,556,887
Included in "Land use rights"			
Land use rights, carried at depreciated cost	8	**3,328,772**	3,802,321
		11,713,133	8,556,887

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2021 ***HKD'000***	2020 *HKD'000*
Depreciation and amortisation charge of right-of-use assets by class of underlying asset		
Property, plant and equipment	**446,320**	389,223
Land use rights (note 8)	**72,043**	88,213
	518,363	477,436
Interest on lease liabilities (note 33)	**65,314**	38,086
Expense relating to short-term leases	**65,381**	27,957
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	**7,538**	11,795
Total cash outflow for leases	**2,171,749**	2,089,697

During the year, additions to right-of-use assets were HKD579,427,000 (2020: HKD6,997,494,000). This amount mainly included lease of a warehouse of HKD579,427,000 (2020: purchase of a leasehold property of HKD2,377,335,000 and Land in Qianhai held for future development of HKD4,494,925,000).

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 28, respectively.

Note:

(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 logistics 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

	2021 ***HKD'000***	2020 *HKD'000*
Beginning of the year	**3,802,321**	3,393,684
Acquisition of subsidiaries (note 41)	**55,167**	132,663
Derecognition of subsidiaries (note 41)	**(66,876)**	—
Additions	**277,322**	259,386
Transfer to inventories	**(8,600)**	(113,089)
Transfer to investment properties	**(778,029)**	—
Amortisation (note 7(a))	**(72,043)**	(88,213)
Exchange difference	**119,510**	217,890
End of the year	**3,328,772**	3,802,321

The analysis of carrying amount of leasehold land is as follows:

In the PRC	**2021** ***HKD'000***	2020 *HKD'000*
Medium-term leases (10 - 50 years)	**3,328,772**	3,797,035
Long-term leases (over 50 years)	**—**	829
Leases with unspecified periods	**—**	4,457
	3,328,772	3,802,321

9. CONSTRUCTION IN PROGRESS

	2021 ***HKD'000***	2020 *HKD'000*
Beginning of the year	**3,099,947**	1,846,436
Acquisition of subsidiaries (note 41)	**—**	91,522
Additions	**4,840,010**	2,423,997
Transfer to property, plant and equipment (note 7)	**(2,777,219)**	(1,410,586)
Transfer to investment properties	**(1,344,355)**	—
Exchange difference	**108,899**	148,578
End of the year	**3,927,282**	3,099,947

10. INTANGIBLE ASSETS

	2021 **HKD'000**	2020 HKD'000
Cost	**50,046,258**	46,090,008
Accumulated amortisation and impairment	**(17,124,015)**	(14,444,304)
Net book value as at 31 December	**32,922,243**	31,645,704

	2021 **HKD'000**	2020 HKD'000
Net book value as at 1 January	**31,645,704**	26,260,742
Acquisition of subsidiaries (note 41)	**—**	2,207,551
Additions	**2,516,337**	3,024,228
Others	**(97,667)**	—
Amortisation	**(2,177,653)**	(1,654,926)
Exchange difference	**1,035,522**	1,808,109
Net book value as at 31 December	**32,922,243**	31,645,704

(i) Toll roads

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 1 to 25 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any consideration payable to the Group.

As at 31 December 2021, the carrying amounts of the toll road operating rights of the Group was HKD28,640,486,000 (2020: HKD28,261,521,000). According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options. Amortisation of concession intangible assets related to toll roads of HKD2,091,188,000 (2020: HKD1,612,567,000) has all been charged in the consolidated income statement within "Cost of sales".

The operating rights of certain toll roads were pledged for secured borrowings (see note 24(a)).

(ii) Kitchen waste disposal project

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

11. GOODWILL

	2021 HKD'000	2020 HKD'000
Cost and carrying amount as at 1 January	**279,035**	262,427
Additions (note 41)	**242,812**	—
Impairment loss recognised in the year	**(132,979)**	—
Exchange difference	**20,284**	16,608
Cost and carrying amount as at 31 December	**409,152**	279,035

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU"s) identified according to following business:

	2021 HKD'000	2020 HKD'000
General-environmental protection business	**56,449**	185,276
Logistics parks	**340,542**	81,981
Logistics services	**12,161**	11,778
	409,152	279,035

As at 31 December 2021, the Group assessed the recoverable amount of all the CGUs of general-environmental protection business, logistics parks and logistics services.

The recoverable amounts of CGU of logistics parks is determined based on a value in use calculation according to the present value of the estimated future cash flow of the logistics parks business. That calculation uses cash flow projections based on financial budgets approved by management of the Group covering a five-year period from 2022 to 2026 having a pre-tax discount rate of 13.0% and projection of terminal value using the perpetuity method at a growth rate of 3.0%. The key assumptions for the value in use calculation include revenue growth rates and budgeted gross margin, which are determined based on the Group's past performance and inflation rate. The management of the Group believes that any reasonable change in the above assumptions will not result in the aggregate carrying amount of the CGU of logistic parks business exceeding its recoverable amount.

The recoverable amount of CGU of general-environmental protection business is determined based on a value in use calculation according to the present value of the estimated future cash flow of the general-environmental protection business, which are mainly operated by Nanjing Wind Power Technology Co., Ltd ("Nanjing Wind Power"). That calculation uses cash flow projections based on financial budgets approved by management of the Group covering a five-year period from 2022 to 2026 having a pre-tax discount rate of 13.0%, and projection of terminal value using the perpetuity method at a zero growth rate. The key assumptions for the value in use calculation include revenue growth rates and budgeted gross margin, which are determined based on the Group's past performance, business plan, industry development trend and inflation rate.

As a result of the impairment assessment, an impairment of goodwill directly related to general-environmental protection business amounting to HKD132,979,000 has been recognised in profit or loss and included in the other gains - net line item during the year ended 31 December 2021.

12. INTERESTS IN ASSOCIATES

	2021 HKD'000	2020 HKD'000
Beginning of the year	**14,431,233**	14,527,280
Additions (Note (b))	**5,790,876**	482,854
Deduction	**—**	(15,613)
Transfer to disposals group held for sale	**—**	(570,348)
Share of loss of associates	**(158,051)**	(571,420)
Share of other comprehensive income of associates	**16,268**	(52,285)
Share of associates' reserves movement	**141,140**	175,184
Dividends	**(1,264,950)**	(434,415)
Exchange difference	**603,711**	889,996
End of the year	**19,560,227**	14,431,233

The year-end balance comprises the following:

	2021 HKD'000	2020 HKD'000
Share of net assets, other than goodwill	**16,761,823**	11,721,214
Goodwill on acquisition (Note (c))	**2,798,404**	2,710,019
	19,560,227	14,431,233

Notes:

(a) *The major associates as listed below are held indirectly by the Company, their place of business and country of incorporation is the PRC. They are accounted for using equity method.*

Name	% Ownership interest in		Business nature
	2021	2020	
Shenzhen Airlines Company Limited ("Shenzhen Airlines") (Note (e))	**49%**	49%	Aviation services
Air China Cargo Co., Ltd ("Air China Cargo") (Note (b))	**10%**	—	Aviation services
Shenzhen International United Land Co., Ltd. ("United Land Company") (Note (b))	**34.3%**	—	Real estate development
Guangzhou Western Second Ring Expressway Company Limited	**25%**	25%	Construction, operation and management of highways
Nanjing Yangzi River Third Bridge Company Limited	**25%**	25%	Construction, operation and management of bridges
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	**25%**	25%	Construction, operation and management of highways
Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd. ("Qianhai Real Estate")	**50%**	50%	Real estate development
Chongqing Derun Environment Company Limited ("Derun Company") (Note (e))	**20%**	20%	Environment management and resources recovery
Foshan Shunde ShengChuang Expressway Environmental Science Industry M&A investment partnership	**45%**	45%	Investment management

(b) *On 28 September 2021, the Group completed acquisition of 10% equity interest in Air China Cargo Co., Ltd. ("Air China Cargo") by way of capital contribution of RMB1,565,161,000 (approximately HKD1,892,119,000). Upon completion of the acquisition, Air China Cargo is regarded as an associate of the Group since the Group maintains a board seat in the board of directors of this entity, which has significant influence over its management, including participation in the financial and operating policy decisions. The initial accounting for the share of net assets of this associate acquired with fair value of RMB1,565,161,000 (approximately HKD1,892,119,000) has been determined on a provisional basis, awaiting the completion of professional valuations and the amounts of may be adjusted accordingly.*

On 28 December 2021, United Land Company ceased to be a subsidiary upon disposal of its 35.7% interests held by the Group and became an associate of the Company, details of which are disclosed in note 41. On the same date, the fair value of the interests in United Land Company held by the Company was approximately HKD3,283,760,000, which is determined based on valuation report, and has been regarded as the cost of interests in an associate from the date on which the Group ceased to have control.

(c) *The balance represents the goodwill arising from the acquisition of equity interests in Yangmao Company, Consulting Company, Shenzhen Airlines and Derun Company.*

(d) *The Group maintains a board seat in the board of directors of this entity, which has significant influence over its management, including participation in the financial and operating policy decisions.*

12. INTERESTS IN ASSOCIATES *(continued)*

Notes: (continued)

(e) *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***	
	2021 HKD'000	2020 *HKD'000*	***2021 HKD'000***	2020 *HKD'000*
Current Assets	**5,864,690**	2,691,264	**15,204,159**	13,539,112
Liabilities	**(33,082,281)**	(29,254,970)	**(13,117,847)**	(9,509,096)
Net current (liabilities) assets	**(27,217,591)**	(26,563,706)	**2,086,312**	4,030,016
Non-current assets	**76,343,142**	74,510,419	**51,051,220**	45,335,250
Liabilities	**(45,505,378)**	(40,300,698)	**(14,649,588)**	(14,830,592)
Net non-current assets	**30,837,764**	34,209,721	**36,401,632**	30,504,658
Non-controlling interests	**228,388**	42,773	**(17,134,670)**	(15,130,524)
Net assets	**3,848,561**	7,688,788	**21,353,274**	19,404,150

Summarised statement of comprehensive income

	Shenzhen Airlines		***Derun Company***	
	2021 HKD'000	2020 *HKD'000*	***2021 HKD'000***	2020 *HKD'000*
Revenue	**22,364,998**	21,890,499	**16,094,418**	13,038,751
(Loss) profit for the year	**(4,042,900)**	(2,445,218)	**1,986,059**	1,190,017
Other comprehensive expense	**(54,927)**	(8,816)	**(98,030)**	(138,504)
Total comprehensive (expense) income	**(4,097,827)**	(2,454,034)	**1,888,029**	1,051,513
Dividends received from the associate	**1,421**	112,994	**159,574**	143,804

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***	
	2021 HKD'000	2020 *HKD'000*	***2021 HKD'000***	2020 *HKD'000*
Opening net assets	**7,688,788**	9,831,244	**19,404,150**	17,097,166
(Loss) profit for the year	**(4,042,900)**	(2,445,218)	**1,802,156**	1,190,017
Other comprehensive income	**(54,927)**	(8,816)	**(98,030)**	(138,504)
Associates' reserves movement	**—**	—	**391,650**	875,921
Dividend paid	**(2,901)**	(230,601)	**(797,872)**	(737,922)
Currency translation differences	**260,501**	542,179	**651,220**	1,117,472
Closing net assets	**3,848,561**	7,688,788	**21,353,274**	19,404,150
Interest in the associate (Note)	**1,885,795**	3,767,506	**4,270,655**	3,880,830
Goodwill	**947,696**	917,764	**1,793,715**	1,737,062
Carrying value	**2,833,491**	4,685,270	**6,064,370**	5,617,892

Note: The Group shares 49% and 20% of equity interests of Shenzhen Airlines and Derun Company respectively.

12. INTERESTS IN ASSOCIATES *(continued)*

Notes: (continued)

(f) Summarised financial information for individually immaterial associates is as follows:

	2021 ***HKD'000***	2020 *HKD'000*
Total carrying amount of individually immaterial associates in consolidated financial statements	**10,662,367**	3,712,701
Individually immaterial associates' results attributed to the Group		
Profit for the year	**1,462,539**	378,776
Other comprehensive income	**62,788**	47,729
Total comprehensive income	**1,525,327**	426,505

13. INTERESTS IN JOINT VENTURES

	2021 ***HKD'000***	2020 *HKD'000*
Beginning of the year	**90,022**	64,074
Addition	**137,331**	8,302
Share of profit of joint ventures	**18,158**	13,778
Dividends received	**(13,719)**	(820)
Exchange difference	**5,559**	4,688
End of the year	**237,351**	90,022

(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***
	2021	2020	
Shenzhen Airport International Express Supervision Center Co., Ltd.	**50%**	50%	Equipment services for customs monitoring
Shenzhen Shenshi Warehousing Investment Co., Ltd.	**46%**	—	Warehouse 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:

	2021 ***HKD'000***	2020 *HKD'000*
Total carrying amount of individually immaterial joint ventures in consolidated financial statements	**237,351**	90,022
Individually immaterial joint ventures' results attributed to the Group		
Profit for the year	**18,158**	13,778
Total comprehensive income	**18,158**	13,778

14. OTHER FINANCIAL ASSETS

	2021	2020
	HKD'000	*HKD'000*
Financial asset measured at amortised cost		
– Debt securities (Note (a))	**–**	593,684
Equity security designated at FVTOCI		
– Unlisted equity securities	**55,966**	56,075
Financial assets measured at FVTPL		
– Listed securities in the PRC (Note (b))	**420,205**	343,265
– Unlisted equity securities (Note (c))	**1,003,860**	2,025,518
– Unlisted fund investment (Note (d))	**182,920**	263,890
	1,662,951	3,282,432
Less: non-current portion	**(1,120,136)**	(2,345,483)
Current portion	**542,815**	936,949

Notes:

(a) *Amount represented debt security with principal amount of RMB500,000,000 at the rate of 4.3% per annum, which was issued by Wanhe Securities Co., Ltd. (an indirect subsidiary of Shenzhen SASAC) and guaranteed by Shenzhen Capital Holdings Co., Ltd. (a direct subsidiary of Shenzhen SASAC), was matured and settled on 7 April 2021.*

(b) *As at 31 December 2021, listed equity investments stated at market price represent 112,000,000 shares (31 December 2020: nil) of listed real estate investment trust ("REITs") amounting to HKD420,205,000 (31 December 2020: nil).*

As at 31 December 2020, listed equity investments stated at market price represent 39,173,196 shares of CSG Holding Co., Ltd. ("CSG") held by the Group which was fully disposed during the year ended 31 December 2021 at a consideration of HKD498 million.

(c) *As at 31 December 2021, unlisted equity investments mainly represent the Group's interest in Shenzhen SASAC Cooperative Development Private Investment Fund ("Kunpeng Fund"), Shenzhen Water Planning and Design Institute Co., Ltd. and Guangdong United Electronic Services Co., Ltd. (2020: interest in Kunpeng Fund and Wanhe Securities Co., Ltd.). During the year ended 31 December 2021, investments in Wanhe Securities Co., Ltd. was redeemed at HKD1,128 million.*

(d) *As at 31 December 2021 and 2020, the amount represents investments in the Yuanzhi Credit Suisse Smart Airport Logistics Industry Private Equity Fund and the Group's share in Shenzhen Capital Lingxiu Logistics Facility Phase I Private Investment Fund (2020: the Group's share in Shenzhen Capital Lingxiu Logistics Facility Phase I Private Investment Fund).*

15. OTHER NON-CURRENT ASSETS

As at 31 December 2021, other non-current assets mainly includes: (i) receivables of HKD1,033,716,000 (2020: HKD954,051,000) in relation to extension of toll period according to the compensation plan issued by the Guangdong Provincial Transportation Administration; (ii) receivables of financing leases of HKD402,789,000 (2020: HKD584,957,000); (iii) receivables of electricity subsidy of HKD900,906,000 (2020: HKD363,650,000); (iv) receivables from agent construction business of HKD1,612,409,000 (2020: HKD741,197,000); (v) deposit paid for acquisition of Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd ("Shenzhen Investment Infrastructure") of HKD749,109,000 (2020: nil), as disclosed in note 42 and (vi) receivables from Shenzhen Investment Infrastructure of HKD789,813,000 (2020: nil).

16. INVENTORIES AND OTHER CONTRACT COSTS

	2021	2020
	HKD'000	*HKD'000*
Land held for future development	**220,262**	7,197,229
Land and properties under development for sale	**8,288,445**	6,405,424
Completed properties for sale	**386,402**	802,095
Others	**679,890**	571,483
Impairment	**(12,940)**	(254,577)
	9,562,059	14,721,654

(a) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2021	2020
	HKD'000	*HKD'000*
Carrying amount of inventories sold	**2,372,085**	4,664,178
Write-down (Reversal of write-down) of inventories	**12,618**	(1,752)
Total	**2,384,703**	4,662,426

(b) The analysis of carrying amount of leasehold land held for properties development for sale included in above mentioned inventories is as follows:

	2021	2020
	HKD'000	*HKD'000*
In the PRC, with remaining lease term of:		
between 10 and 50 years	**4,938,138**	10,017,728
50 years or more	**521,592**	3,048,812
	5,459,730	13,066,540

The amount of properties expected to be recovered after more than one year is HKD3,057,544,000 (2020: HKD5,402,554,000). All the other inventories are expected to be recovered within one year.

17. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2021 **HKD'000**	2020 *HKD'000*
Arising from performance under construction contracts	**524,275**	454,716
Less: Loss allowance	**(39,746)**	(46,184)
Contract assets, net of loss allowance	**484,529**	408,532

As at 1 January 2020, the amount of contract assets, net of loss allowance is HKD503,509,000.

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 HKD436,154,000 (2020: HKD366,603,000).

(b) Contract liabilities

	2021 **HKD'000**	2020 *HKD'000*
Property development pre-sale proceeds (Note)	**119,326**	2,782,161
Sales and maintenance fees received in advance	**107,113**	7,116
Others sales and services fee received in advance	**63,890**	27,272
	290,329	2,816,549

Note: 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

	2021 **HKD'000**	2020 *HKD'000*
Beginning of the year	**2,816,549**	4,612,724
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	**(319,552)**	(4,290,379)
Increase in contract liabilities as a result of receiving deposits and instalments in advance during the year	**5,608,102**	2,453,541
Decrease in contract liabilities as a result of derecognition of a subsidiary (note 41)	**(7,818,349)**	—
Increase in contract liabilities as a result of accruing interest expense on advances	**3,579**	40,663
End of the year	**290,329**	2,816,549

The amount of pre-sale proceeds expected to be recognised as income after more than one year is HKD nil (2020: HKD2,442,274,000).

18. TRADE AND OTHER RECEIVABLES

	2021	2020
	HKD'000	*HKD'000*
Trade receivables and bill receivables (Note (a))	**2,210,657**	2,667,184
Less: Loss allowance	**(327,202)**	(212,896)
Trade receivable, net of loss allowance	**1,883,455**	2,454,288
Lease receivables (Note (b))	**74,013**	62,125
Advance to non-controlling interest (note 42)	**—**	2,097,503
Amount due from United Land Company (note 42)	**1,577,488**	—
Dividend receivable from associates	**119,587**	115,810
Other debtors	**1,548,333**	1,173,401
	5,202,876	5,903,127
Deposits and prepayments	**1,126,304**	1,318,392
	6,329,180	7,221,519

Notes:

(a) *The settlement period of the toll revenue from toll road operations is normally within a month due to the implementation of unified toll collection policy on expressways of the Group in the PRC. Trade receivables other than toll revenue generally due within 120 days from the date of billing. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 37(a)(iv).*

As at 1 January 2020, the amount of trade receivable, net of loss allowance is HKD1,523,467,000.

As at 31 December 2021, the ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

	2021	2020
	HKD'000	*HKD'000*
0 - 90 days	1,231,482	1,882,969
91 - 180 days	187,771	326,387
181 - 365 days	240,506	95,828
Over 365 days	550,898	362,000
	2,210,657	2,667,184

(b) *Lease receivables*

	2021	2020
	HKD'000	*HKD'000*
Lease receivables	476,802	647,082
Less: non-current portion	(402,789)	(584,957)
	74,013	62,125

19. CASH AND CASH EQUIVALENTS

	2021 **HKD'000**	2020 HKD'000
Cash at bank and on hand (Note (a))	**9,837,052**	15,103,646
Less: Restricted bank deposits (Note (b))	**(930,741)**	(2,521,504)
Less: Deposits in banks with original maturities over three months (Note (c))	**(1,023,786)**	(3,508,668)
Cash and cash equivalents	**7,882,525**	9,073,474

Notes:

(a) *The cash at bank and in hand were denominated in the following currencies:*

	2021 **HKD'000**	2020 HKD'000
RMB	9,581,710	15,013,072
HKD	67,913	54,632
USD	171,454	35,792
Other currencies	15,975	150
	9,837,052	15,103,646

(b) *As at 31 December 2021 and 2020, the restricted bank deposits mainly represented restricted project funds for construction management.*

(c) *As at 31 December 2021 and 2020, the deposits in banks with original maturities over 3 months mainly represented time deposits carry interest at market rates which range from 1.90% to 3.86% (2020: 1.65% to 3.80%).*

20. 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. 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 gain of RMB446,484,000 (equivalent to HKD514,798,000) for the year ended 31 December 2020.

On 20 November 2020, the Group planned to dispose all its interests in two associates, Guangdong Jiangzhong Expressway Company Limited and Yunfu Guangyun Expressway Company Limited. 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. All assets transfer has been completed during the year ended 31 December 2021.

21. SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares	*Ordinary share capital HKD'000*	*Share premium HKD'000*	*Total HKD'000*
At 1 January 2020	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
– recognition of share-based payments (note 32)	—	—	18,689	18,689
– forfeited options	—	—	(8,376)	(8,376)
Issue of scrip shares as dividend (note 36)	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
Employee share option				
– proceeds from shares issued	5,793,805	5,793	53,160	58,953
– recognition of share-based payments (note 32)	—	—	3,977	3,977
– forfeited options	—	—	(9,502)	(9,502)
Issue of scrip shares as dividend (note 36)	65,929,527	65,930	682,910	748,840
At 31 December 2021	**2,266,714,438**	**2,266,715**	**10,064,933**	**12,331,648**

(a) Authorised and issued shares

As at 31 December 2021, the total authorised number of shares was 3,000 million (2020: 3,000 million) with par value of HKD1.00 per share (2020: HKD1.00 per share). All issued shares are fully paid.

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

(b) Share options

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

	2021		2020	
	Average Exercise price	***Number of share options***	Average Exercise price	Number of share options
	HKD	***000***	*HKD*	*000*
Beginning of the year	**10.677**	**34,330**	10.854	31,756
Granted	**—**	**—**	15.108	3,920
Exercised	**10.172**	**(5,794)**	10.633	(1,435)
Forfeited	**9.730**	**(3,191)**	10.571	(2,772)
Adjusted	**—**	**2,265**	—	2,861
End of the year	**10.016**	**27,610**	10.677	34,330

The related weighted-average share price at the time of exercise was HKD13.06 (2020: HKD13.26) per share in 2021.

Share options outstanding at the end of the year have the following dates of expired and exercise prices:

		Number of share options	
Date of expired	Exercise price	***2021***	2020
	HKD	***000***	*000*
25 May 2022 (Note (i))	9.472	**23,204**	30,095
25 May 2022 (Note (ii))	12.892	**4,406**	4,235
		27,610	34,330

Notes:

(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, 3,038,000 (2020: 2,751,000) of the 2017 Share Options were forfeited and 5,794,000 (2020: 1,435,000) of 2017 Share Options were exercised.

On 23 June 2021, the Company adjusted the exercise price and number of 2017 Share Options outstanding as a result of scrip dividends distribution according to the terms of the share option scheme and supplemental guidelines from the Hong Kong Stock Exchange. The exercise price of 2017 Share Options were adjusted to HKD9.472 per share and the number of share options were increased by 1,941,000.

(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. 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. During the year, 153,000 (2020: 21,000) of the 2020 Share Options were forfeited.

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.

On 23 June 2021, the Company adjusted the exercise price and number of 2020 Share Options outstanding as a result of scrip dividends distribution according to the terms of the share option scheme and supplemental guidelines from the Hong Kong Stock Exchange. The exercise price of 2020 Share Options were adjusted to HKD12.892 per share and the number of share options were increased by 324,000.

22. OTHER RESERVES AND RETAINED EARNINGS

	Fair value reserve HKD'000 (Note (a))	Reserve funds HKD'000 (Note (b))	Capital reserve HKD'000	Goodwill reserve HKD'000	Merger reserves HKD'000	Revaluation surplus HKD'000	Other reserves HKD'000 (Note (c))	Currency translation reserve HKD'000	Contributed surplus HKD'000 (Note (d))	Other reserves sub-total HKD'000	Retained earnings HKD'000	Total HKD'000
At 1 January 2021	(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
Profit attributable to ordinary shareholders of the Company	–	–	–	–	–	–	–	–	–	–	3,562,676	3,562,676
Net movement in fair value reserve on other financial assets	(1,432)	–	–	–	–	–	–	–	–	(1,432)	–	(1,432)
Share of other comprehensive income of associates	–	–	–	–	–	–	(7,621)	–	–	(7,621)	–	(7,621)
Gain on revaluation of properties previously occupied by the Group	–	–	–	–	–	34,085	–	–	–	34,085	–	34,085
Deferred taxation relating to revaluation of properties	–	–	–	–	–	(8,521)	–	–	–	(8,521)	–	(8,521)
Currency translation differences	(102)	–	–	–	–	–	–	1,074,028	–	1,073,926	–	1,073,926
Total comprehensive income	(1,534)	–	–	–	–	25,564	(7,621)	1,074,028	–	1,090,437	3,562,676	4,653,113
Transfer to reserve	–	291,073	–	–	–	–	–	–	–	291,073	(291,073)	–
Transactions with non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–
Share of associates' reserve's movement	–	–	–	–	–	–	142,112	–	–	142,112	–	142,112
Dividend relating to 2020 (note 36)	–	–	–	–	–	–	–	–	–	–	(2,112,400)	(2,112,400)
Transfer of currency translation reserve upon derecognition of a subsidiary	–	–	–	–	–	–	–	(731,790)	–	(731,790)	731,790	–
At 31 December 2021	(4,004)	4,593,932	59,723	(159,583)	(2,148,839)	532,780	2,241,651	1,614,001	13,005	6,742,666	18,797,432	25,540,098
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	(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 36)	–	–	–	–	–	–	–	–	–	–	(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

22. OTHER RESERVES AND RETAINED EARNINGS *(continued)*

Notes:

(a) *The fair value reserve comprises the cumulative net change in the fair value of debt securities measured at FVTOCI held at the end of the reporting period.*

(b) *In accordance with the PRC regulations, certain companies of the Group in the PRC are required to transfer part of their profits after taxation to various reserve funds, which are non-distributable, before profit distributions are made. The amounts of the transfers are subject to the approval of the boards of directors of these companies, in accordance with their joint venture agreements and/or articles of association.*

(c) *Other reserves mainly represented the differences between the considerations paid or received and the relevant carrying value of net assets of the subsidiaries acquired or disposed of for the transactions with certain non-controlling interests, share of other comprehensive income of associates and the share of associates' reserve's movement.*

(d) *The contributed surplus of the Group represents the difference between the nominal value of the shares of the former group holding company, acquired pursuant to the Group reorganisation on 9 January 1990, over the nominal value of the Company's shares issued in exchange thereof.*

23. 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 2021, the profit attributable to the holders of perpetual securities, based on the applicable interest rate, amounted to HKD92,075,000 (2020: HKD91,866,000) and such amount was distributed to the holders of perpetual securities.

24. BORROWINGS

	Note	**2021** **HKD'000**	2020 HKD'000
Secured bank borrowings	(a)	**10,824,370**	6,291,997
Unsecured bank borrowings		**10,882,894**	8,174,000
Medium-term notes	(b)	**997,845**	2,134,462
Senior notes	(c)	**774,883**	776,856
Corporate bonds	(d)	**8,833,808**	5,874,980
Panda bonds	(e)	**4,932,215**	5,932,438
Borrowings from finance lease companies	(f)	**534,030**	489,258
Super short-term commercial paper	(g)	**2,476,485**	2,374,114
		40,256,530	32,048,105
Less: Amount due within one year		**(14,379,564)**	(15,872,334)
Amount shown under non-current liabilities		**25,876,966**	16,175,771
Analysis of borrowings due within one year:			
Secured bank borrowings	(a)	**2,044,580**	548,868
Unsecured bank borrowings		**8,609,775**	3,359,907
Medium-term notes	(b)	**–**	1,186,727
Corporate bonds	(d)	**1,142,511**	2,319,835
Panda bonds	(e)	**–**	5,932,438
Borrowings from finance lease companies	(f)	**106,213**	150,445
Super short-term commercial paper	(g)	**2,476,485**	2,374,114
		14,379,564	15,872,334

24. BORROWINGS *(continued)*

Notes:

(a) *Secured bank borrowings are as follows:*

	2021 HKD'000	2020 HKD'000	**Security**
Qinglian Syndicated Loan	**2,441,591**	1,168,915	Secured by a pledge of the operating rights of Qinglian Expressway
Coastal Syndicated Loan	**3,121,350**	4,177,344	Secured by a pledge of the operating rights of Coastal Expressway
Qinglong Pledge Loan	**519,556**	572,904	Secured by a pledge of the operating rights of Shuiguan Expressway
Huangshi Environmental Investment Bioland Renewable Energy Co., Ltd. ("Huangshi Bioland") Pledge Loan	**59,665**	62,930	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	**17,165**	19,592	Guaranteed by Bioland Company and secured by a pledge of Bioland's franchise income and franchise rights
Guiyang Bell Bioland Environmental Technologies Co., Ltd. ("Guiyang Bell Bioland") Pledge Loan	**61,305**	74,210	Guaranteed by Bioland Company and Shi Junying, 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	**11,280**	21,848	Guaranteed by Bioland Company and Shi Junying, and secured by a pledge of the equity of Bioland Environmental subsidiaries
Guangxi Bioland Pledge Loan	**59,833**	69,342	Guaranteed by Bioland Company and Shi Junying, and secured by a pledge of the machinery and equipment of Guangxi Bioland, and the equity of Bioland Environmental subsidiaries
Mulei County Qianxin Energy Developemnt Co., Ltd. ("Qianxin Energy") Pledge Loan	**121,511**	–	Secured by a pledge of the right to charge the electricity fee of the wind farm
Mulei County Qianzhi Energy Developemnt Co., Ltd. ("Qianzhi Energy") Pledge Loan	**984,978**	–	Secured by a pledge of the right to charge the electricity fee of the wind farm
Mulei County Qianhui Energy Developemnt Co., Ltd. ("Qianhui Energy") Pledge Loan	**633,944**	–	Secured by a pledge of the right to charge the electricity fee of the wind farm
Fuzhou Lande Environmental Protection Technology Co., Ltd. ("Lande Environmental") Pledge Loan	**73,565**	–	Guaranteed by Bioland Company and secured by a pledge of Fuzhou project franchise right
Beihai Zhonglan Environmental Technology Co., Ltd. ("Zhonglan Environmental") Pledge Loan	**73,688**	–	Guaranteed by Bioland Company and secured by a pledge of North sea project franchise right
Pledge loan of financial leasing company	**85,826**	–	Secured by a pledge of Yongcheng project rent receivable right
Shenzhen Expressway Headquarter Pledge Loan	**885,238**	–	Secured by a pledge of certain office premises of the Group
Short-term Pledge Loan	**1,519,257**	–	Secured by a pledge of the 80.2666% equity interests of Shenzhen Investment Holdings Co., Ltd.
Short-term Pledge Loan	**17,981**	–	Secured by a pledge of the right to collect trade receivables for financial leasing projects
Short-term Pledge Loan	**136,637**	124,912	Secured by a pledge of the 45% equity interests of Jade Emperor Limited, a wholly-owned subsidiary of the Company and receivables from Anhui Ruishuo Construction Co., Ltd.

24. BORROWINGS *(continued)*

Notes: (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, bears a fixed interest at 4.14% per annum and were settled in 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. The interest of medium-term notes should be paid annually and the principal should be repaid at maturity on 15 August 2023.

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

(d) Shenzhen Expressway issued long-term corporate bonds of RMB800 million for a term of 15 years bearing interest at 5.5% per annum in August 2007. 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 bond 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. 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 bonds were settled on 18 July 2021. On 8 July 2021, Shenzhen Expressway issued long-term corporate bonds of USD300 million for a term of 5 years. The issuing price was equal to 99.13% of principle with bearing interest at of 1.75% per annum. Interest is payable semi-annually and the bonds were matured on 7 July 2026.

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, which carrying a coupon rate of 3.05% per annum. The interest of the bond should be paid annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, the issuer shall be entitled to adjust the coupon rate of corporate bonds and investors will be entitled to sell back the bonds to the issuer.

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

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

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

(e) On 19 January 2018, the Company issued 5-years Panda Bond-Phase I with par value of RMB300 million carrying a coupon rate of 5.2% per annum. On 12 November 2018, the Company issued 5-years Panda Bond-Phase II with par value of RMB4,700 million carrying a coupon rate of 4.15% per annum. The interest of Panda Bonds should be paid annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, the issuer shall be entitled to adjust the coupon rate of corporate bonds and investors will be entitled to sell back the bonds to the issuer. Since the investors have the rights to sell back the bonds to the Company since January 2021 and November 2021 for Panda Bond-Phase I and Panda Bond-Phase I, respectively. The Panda Bond was classified as current liabilities as at 31 December 2020 and settled during the year ended 31 December 2021.

On 29 October 2021, the Company issued 6-years Panda Bond-Phase I with par value of RMB 4,000 million carrying a coupon rate of 3.29% per annum. The interest of Panda Bonds should be paid annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, the issuer shall be entitled to adjust the coupon rate of corporate bonds and investors shall be entitled to sell back the bonds to the issuer.

(f) As at 31 December 2021, the franchise rights, the land use rights and the equity of Bioland Environmental subsidiaries, with the total net book value of HKD2,483,188,000 (31 December 2020: HKD2,242,700,000), were pledged for secured borrowings from finance lease companies of HKD534,030,000 (31 December 2020: HKD489,258,000). These borrowings will be matured in years range from 2024 to 2032 and carry interest rates range from 4.5% to 4.9% per annum.

(g) On 18 June 2021, 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 2.65% per annum. On 14 September 2021, 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 2.36% per annum. As at 31 December 2020, the amount represented the second phase of super short-term commercial paper of RMB1,000 million bearing interest at 2.4% per annum and the third phase of super short-term commercial paper of RMB1,000 million bearing interest at 2.6% per annum, which were fully repaid during the current period.

At 31 December 2021, the borrowings were repayable as follows:

	2021	2020
	HKD'000	*HKD'000*
Within 1 year	**14,379,564**	15,872,334
Between 1 and 2 years	**7,562,461**	2,379,984
Between 2 and 5 years	**10,696,216**	9,233,715
Over 5 years	**7,618,289**	4,562,072
	40,256,530	32,048,105

24. BORROWINGS *(continued)*

The carrying amounts of the borrowings are denominated in the following currencies:

	2021	2020
	HKD'000	*HKD'000*
HKD	**6,429,433**	1,201,656
RMB	**29,649,157**	28,526,614
USD	**4,177,940**	2,319,835
	40,256,530	32,048,105

The ranges of interest rates of bank borrowings at the balance sheet date were as follows:

	2021	2020
HKD	**0.75% to 1.57%**	2.78% to 5.88%
RMB	**1.30% to 6.00%**	1.20% to 5.23%
USD	**1.08% to 1.10%**	2.88%

The Group has unutilised banking facilities as follows:

	2021	2020
	HKD'000	*HKD'000*
Floating rate		
– Expiring within one year	**21,718,619**	11,373,221
– Expiring after one year	**53,736,441**	43,649,605
	75,455,060	55,022,826

25. DEFERRED TAX

The components of deferred tax assets (liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

	Concession intangible assets HKD'000	Fair value changes of other financial assets HKD'000	Tax losses HKD'000	Payroll and other expenses accrued but not paid HKD'000	New toll station operating subsidies HKD'000	Relocation compensation for Meilinguan Project HKD'000	Disposal gains of Nanjing Xiba Port assets HKD'000	Business combinations involving enterprises not under common control HKD'000	Accruals for construction costs and PRC Land Appreciation Tax HKD'000	Unrealised profits HKD'000	Toll road compensation income HKD'000	Fair value changes of other investment properties HKD'000	Revaluation reserve HKD'000	Others HKD'000	Total HKD'000
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)
Change of fair value reserve on other financial assets credited to equity	–	239	–	–	–	–	–	–	–	–	–	–	–	–	239
Credited (charged) to the profit or loss (note 34)	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
Acquisition of subsidiaries (note 41)	(146,428)	–	–	–	–		–	(9,376)	–	–	–	–	–	–	(155,804)
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)
1 January 2021	(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)
Change of fair value reserve on other financial assets credited to equity	–	478	–	–	–	–	–	–	–	–	–	–		–	478
Revaluation of properties credited to equity	–	–	–	–	–	–	–	–	–	–	–	–	(8,521)	–	(8,521)
Credited (charged) to the profit or loss (note 34)	128,941	26,632	935	(66,471)	(14,513)	(227,648)	290,551	(465,515)	–	–	–	(53,126)	–	(102,786)	(483,000)
Acquisition of subsidiaries (note 41)	–	–	–	–	–	–	–	–	–	–	–	(276,458)	–	(4,773)	(281,231)
Derecognition of subsidiaries (note 41)	–	–	–	–	–	–	–	–	(390,266)	–	–	–	–	(5,401)	(395,667)
Exchange differences	(29,292)	(3,460)	4,940	608	8,150	4,753	(5,175)	(5,671)	13,001	3,453	(6,659)	(4,687)	(121)	(9,522)	(29,682)
31 December 2021	(996,911)	(53,307)	156,939	70,064	132,015	22,091	–	(558,879)	21,363	109,320	(210,839)	(334,271)	(8,642)	(111,622)	(1,762,679)

25. DEFERRED TAX *(continued)*

	2021	2020
	HKD'000	*HKD'000*
Deferred tax assets	**859,835**	1,688,335
Deferred tax liabilities	**(2,622,514)**	(2,253,391)
	(1,762,679)	(565,056)

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 HKD693,286,000 (2020: HKD821,175,000) 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 2021 is as follows:

	2021	2020
	HKD'000	*HKD'000*
Year		
2021	**–**	299,609
2022	**155,338**	202,318
2023	**75,597**	73,210
2024	**97,645**	94,561
2025	**156,418**	151,477
2026	**1,483,748**	–
	1,968,746	821,175

Deferred tax liabilities have not been recognised in respect of the withholding income tax that would be payable on the distribution of the retained profits of the Group's investees as the Group controls the dividend policy of these entities and management expects that it is probable that these profits will not be distributed in the foreseeable future.

26. OTHER NON-CURRENT LIABILITIES

	2021 HKD'000	2020 HKD'000
Compensations from government regarding operation of toll station (Note (a))	588,711	556,564
Other deferred income (Note (b))	730,231	675,875
Long term employee bonus	230,464	136,327
Operating costs in the extended period for toll road compensation	171,109	157,965
Others	38,259	38,693
	1,758,774	1,565,424

Notes:

(a) *The amount mainly represents government compensations amounting to HKD 550,346,000 (2020: HKD556,564,000) for the operation subsidy of toll stations and ramp.*

(b) *Other deferred income mainly includes government grants amounting to HKD675,090,000 (2020: HKD500,603,000) which was received from the government for the purpose of subsidising the Group's development, operation and setting up certain integrated logistics hubs.*

27. TRADE AND OTHER PAYABLES

	2021 HKD'000	2020 HKD'000
Trade payables (Note (a))	3,872,355	1,177,825
Construction payables (Note (b))	1,748,692	5,937,494
Dividend payable	6,908	69,794
Other payables and accrued expenses	3,005,751	3,584,047
Amount due to associates (Note (c))	3,811,725	2,049,335
	12,445,431	12,818,495
Deferred income	12,786	65,751
	12,458,217	12,884,246

Notes:

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

	2021 HKD'000	2020 HKD'000
0 - 90 days	1,819,439	805,595
91 - 180 days	493,793	157,811
181 - 365 days	1,002,740	30,814
Over 365 days	556,383	183,605
	3,872,355	1,177,825

(b) *Construction payables mainly includes: (i) advances from government relating to construction projects is an amount of HKD412,073,000 (2020: HKD2,126,893,000); (ii) payable for projects of logistics parks and entrusted management and construction of highways is an amount of HKD1,336,619,000 (2020: HKD3,810,601,000).*

(c) *The amount represented loan advance from of Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd. ("Qianhai Real Estate") and United Land Company, the associates of the Group. As at 31 December 2021, RMB977,391,000 (equivalent to HKD1,198,371,000) (2020: RMB1,725,950,000 (equivalent to HKD2,049,335,000)) and RMB2,131,452,000 (equivalent to HKD2,613,354,000) (2020: nil) was advance to the Group by Qianhai Real Estate and United Land Company, respectively. As at 31 December 2020, the amount due to Qianhai Real Estate is unsecured, interest-bearing at 3.5% per annum and repayable within 2021. The outstanding amount due to Qianhai Real Estate as at 31 December 2021 was extended to be repayable within 2022, with the same terms. The interest expenses for the year was HKD50,040,000 (2020: HKD30,812,000). The amount due to United Land Company is unsecured, interest-free and expected to be repayable within one year.*

28. LEASE LIABILITIES

The lease liabilities were repayable as follows:

	2021 HKD'000	2020 HKD'000
Within 1 year	**95,208**	117,838
After 1 year but within 2 years	**281,051**	105,397
After 2 years but within 5 years	**266,364**	193,243
After 5 years	**878,887**	439,111
	1,521,510	855,589

Lease liabilities carry weighted-average interest rate at 4.42% (2020: 4.58%)

29. REVENUE

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2021 HKD'000	2020 HKD'000
Revenue from contracts with customers within the scope of HKFRS 15		
Toll roads and general-environmental protection business		
– Toll revenue	**7,123,724**	5,057,851
– Entrusted construction management service and construction consulting service revenue	**1,249,551**	583,985
– Construction service revenue under service concession arrangements	**1,861,703**	2,255,140
– General-environmental protection service	**2,169,520**	2,906,285
– Others	**738,544**	701,830
	13,143,042	11,505,091
Logistics Business		
– Logistics parks	**169,733**	72,248
– Logistics services	**988,199**	952,225
– Port and related services	**2,711,535**	1,411,195
– Logistics park transformation and upgrading service	**319,552**	4,696,950
	4,189,019	7,132,618
	17,332,061	18,637,709
Revenue from other sources		
Logistics Business		
– Leases from logistics parks	**1,209,865**	814,700
	18,541,926	19,452,409

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets are disclosed in note 5.

29. 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 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts are HKD269,699,000 (2020: HKD2,816,549,000) and HKD479,183,000 (2020: HKD810,902,000) for revenue expected to be recognised in the future from pre-completion sales contracts for properties under development with the Group and from the construction contracts to be delivered by the Group, respectively. The amount for pre-completion sales contracts includes the interest component of pre-completion properties sales contracts under which the Group obtains significant financing benefits from the customers. 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 HKFRS 15 to its sales contracts for logistics 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 logistics 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.

30. OTHER GAINS - NET

	2021 ***HKD'000***	2020 *HKD'000*
Gain on replacement of land (Note)	**—**	4,094,268
Gain on disposal assets of Nanjing Xiba Port Co., Ltd. (note 20)	**—**	514,798
Gain on losing control on United Land Company (note 41)	**4,771,027**	—
Gain on derecognition of a subsidiaries (note 41)	**164,105**	—
Gain on adjustment of contingent consideration of Shuiguan Expressway	**—**	46,120
Change in fair value of derivative financial instruments	**358,215**	—
Change in fair value of other financial assets	**209,446**	250,549
Change in fair value of investment properties (note 6)	**212,503**	20,387
(Loss) gain on disposal of derivative financial instruments	**(152,249)**	20,702
Gain on disposal of other financial assets	**179,322**	—
(Loss) gain on disposal of property, plant and equipment	**(102,395)**	1,247
Others	**(13,665)**	15,174
Total	**5,626,309**	4,963,245

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

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

According to the 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 HKD4,094,268,000 in the consolidated income statement for the year ended 31 December 2020.

31. PROFIT FOR THE YEAR

	2021 HKD'000	2020 HKD'000
Profit for the year has been arrived at after charging:		
Construction services cost under service concession arrangements	**1,861,703**	2,255,140
Kitchen waste disposal project costs	**1,023,552**	802,904
Depreciation and amortisation	**3,232,470**	2,531,704
Employee benefit expenses (note 32)	**1,888,685**	1,398,502
Cost of inventories sold (note 16)	**2,384,703**	4,662,426
Transportation expenses and contractors' costs	**370,744**	667,845
Other tax expenses	**246,407**	134,972
Commission, management fee and maintenance expenses for toll roads	**406,647**	540,861
Entrusted construction management service costs	**991,578**	468,646
Auditors' remuneration		
– Audit services	**8,951**	7,045
– Non-audit services	**11,166**	4,840
Legal and consultancy fees	**174,087**	89,225

32. EMPLOYEE BENEFIT EXPENSES

	2021 HKD'000	2020 HKD'000
Wages and salaries	**1,475,182**	1,133,159
Pension costs-defined contribution plans	**74,110**	49,902
Share-based payment expenses (note 21)	**3,977**	18,689
Others	**335,416**	196,752
	1,888,685	1,398,502

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 (2020: nil) were utilised during the year and none is available at the year-end to reduce future contribution.

32. EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2021 is set out below:

	Notes	*Fees HKD'000*	*Salary HKD'000*	*Discretionary bonuses HKD'000*	*Other benefits HKD'000*	*Employer's contribution to retirement scheme HKD'000*	*Compensation for loss of office as director HKD'000*	*Total HKD'000*
Executive directors								
Li Haitao	(i)	–	334	814	348	192	–	1,688
Liu Zhengyu	(xii)	–	73	222	26	38	–	359
Wang Peihang	(iii)	–	682	410	85	164	–	1,341
Dai Jingming	(iv)	–	604	–	27	–	–	631
Non-executive directors								
Hu Wei	(v)	–	856	293	293	178	–	1,620
Zhou Zhiwei	(vi)	–	682	372	85	178	–	1,317
Independent non-executive directors								
Cheng Tai Chiu, Edwin		350	–	–	–	–	–	350
Chan King Chung	(ix)	350	–	–	–	–	–	350
Pan Chaojin	(ix)	350	–	–	–	–	–	350
		1,050	3,231	2,111	864	750	–	8,006

32. EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Directors' emoluments *(continued)*

The remuneration of each Director for the year ended 31 December 2020 is set out below:

	Notes	Fees *HKD'000*	Salary *HKD'000*	Discretionary bonuses *HKD'000*	Other benefits *HKD'000*	Employer's contribution to retirement scheme *HKD'000*	Compensation for loss of office as director *HKD'000*	Total *HKD'000*
Executive directors								
Li Haitao	(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
Zhong Shanqun	(vii)	–	406	471	45	99	–	1,021
Liu Jun	(viii)	–	650	741	76	116	–	1,583
Non-executive directors								
Zhou Zhiwei	(vi)	–	650	794	76	68	–	1,588
Liu Xiaodong	(viii)	173	–	–	–	–	–	173
Xie Chudao	(xi)	83	–	–	–	–	–	83
Independent non-executive directors								
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
		1,510	3,869	5,378	473	713	–	11,943

Notes:

(i) Re-designated from the position of Chief Executive Officer to the Chairman of the Board of Directors of the Company on 6 May 2020.

(ii) The former Chairman of the Company and resigned on 6 May 2020.

(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.

(xii) Appointed as an Executive Director and the Chief Executive Officer of the Company on 14 September 2021.

32. EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Directors' emoluments *(continued)*

The emoluments of executive directors are for their services in connection with the management of the affairs of the Company and the Group. The emoluments of non-executive directors and independent non-executive directors are for their services as directors of the Company.

During the year ended 31 December 2021 and 2020, 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 2021 (2020: nil), and the respective fair value of the share-based payments recognised for the year ended 31 December 2021 was HKD263,000 (2020: HKD409,000).

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 2021 (2020: nil), and the respective fair value of the share-based payments recognised for the year ended 31 December 2021 was nil (2020: HKD241,000).

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 2021 (2020: nil), and the respective fair value of the share-based payments recognised for the year ended 31 December 2021 was HKD206,000 (2020: HKD321,000).

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 2021 (2020: nil), and the respective fair value of the share-based payments recognised for the year ended 31 December 2021 was nil (2020: HKD251,000).

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 2021 (2020: nil), and the respective fair value of the share-based payments recognised for the year ended 31 December 2021 was nil (2020: HKD268,000).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2020: two) directors. The emoluments payable to the remaining three (2020: three) individual during the year is as follows:

	2021 ***HKD'000***	2020 *HKD'000*
Basic salaries and allowances	**2,436**	1,859
Year-end bonuses	**1,684**	2,176
Contributions to the retirement scheme	**575**	378
Share-based payment expenses	**—**	1,091
Other benefits	**81**	244
	4,776	5,748

The emoluments fell within the following bands:

	2021	2020
HKD1,500,001 - HKD2,000,000	**3**	2
HKD2,000,001 - HKD2,500,000	**—**	1

33. FINANCE INCOME AND COSTS

	2021 HKD'000	2020 HKD'000
Finance income		
Interest income from bank deposits	**(188,637)**	(246,918)
Other interest income	**(100,354)**	(70,337)
Total finance income	**(288,991)**	(317,255)
Interest expense		
– Bank borrowings	**570,691**	776,034
– Medium-term notes	**43,425**	91,011
– Senior notes	**29,752**	30,199
– Corporate bonds	**332,783**	210,563
– Panda bonds	**233,380**	242,964
– Borrowings from finance lease companies	**49,571**	60,980
– Interest on contract liabilities	**3,579**	40,336
– Interest on lease liabilities	**65,314**	38,086
– Other interest costs	**58,318**	52,186
Net foreign exchange gains	**(99,282)**	(260,711)
Loss on derivative financial instruments directly attributable to borrowings	**–**	168,762
Less: finance costs capitalised on qualified assets	**(252,720)**	(531,555)
Total finance costs	**1,034,811**	918,855
Net finance costs	**745,820**	601,600

Finance costs of HKD252,720,000 (2020: HKD531,555,000) have been capitalised for the construction of qualified assets such as property, plant and equipment, construction in progress and properties under development, using an average interest rate of 3.82% (2020: 3.93%) per annum.

34. INCOME TAX EXPENSE

	2021 HKD'000	2020 HKD'000
Current income tax		
PRC Corporate Income Tax	**2,096,405**	2,537,046
PRC Land Appreciation Tax	**31,671**	661,425
Withholding income tax on dividends	**17,016**	24,214
Deferred tax (note 25)	**483,000**	(150,713)
	2,628,092	3,071,972

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

The PRC Corporate Income Tax ("CIT") charged to the consolidated income statement was calculated based on the assessable profits of the Company's subsidiaries located in the PRC of the year at a rate of 25% (2020: 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.

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:

	2021 HKD'000	2020 HKD'000
Profit before income tax	**8,718,125**	9,110,599
Tax calculated at a tax rate of 25%	**2,179,531**	2,277,650
Tax impact of:		
– Different tax rates in other jurisdiction	**(15,741)**	(35,064)
– Non-taxable income	**(34,154)**	(15,737)
– Non-deductible expenses	**78,817**	93,424
– Unrecognised tax losses	**370,937**	61,678
– Share of results of joint ventures and associates	**34,973**	139,410
– Withholding income tax on dividends (Note)	**17,016**	24,214
– Use of unrecognised deductible tax losses and temporary difference in respect of prior years	**(11,745)**	(18,517)
– Adjustment in respect of prior years	**(15,295)**	36,916
– LAT and LAT deductible for PRC CIT purpose	**23,753**	507,998
Income tax expense	**2,628,092**	3,071,972

Note: *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.

35. 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.

	2021 HKD'000	2020 HKD'000
Earnings		
Profit attributable to ordinary shareholders of the Company	**3,562,676**	4,006,970
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue	**2,233,481**	2,179,419
Basic earnings per share (HKD per share)	**1.60**	1.84

(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.

	2021 HKD'000	2020 HKD'000
Earnings		
Profit attributable to ordinary shareholders of the Company	**3,562,676**	4,006,970
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue	**2,233,481**	2,179,419
Adjustments - share options	**3,222**	6,239
Weighted average number of ordinary shares for diluted earnings per share	**2,236,703**	2,185,658
Diluted earnings per share (HKD per share)	**1.59**	1.83

36. DIVIDENDS

According to the scrip dividend scheme approved by shareholders in the annual general meeting held on 18 May 2021 (2020: 15 May 2020), 65,929,527 (2020: 31,715,000) new shares were issued at a price of HKD11.3582 (2020: HKD12.768) per share, amounted HKD748,840,000 (2020: HKD404,935,000) and the remaining dividends totalling HKD1,363,559,000 (2020: HKD2,125,205,000) was paid in cash during the year. The 2020 final dividend and special dividend of HKD2,112,400,000 in aggregate (HKD0.122 per ordinary share of final dividend and HKD0.838 per ordinary share of special dividend respectively) were settled in June 2021.

	2021 HKD'000	2020 *HKD'000*
2020 final dividend of HKD0.122 (2019 final dividend of HKD0.53) per ordinary share	**268,451**	1,146,132
2020 special dividend of HKD0.838 (2019 final dividend of HKD0.64) per ordinary share	**1,843,949**	1,384,008
	2,112,400	2,530,140

At the board meeting on 30 March 2022, the board recommended the payment of final dividend and special dividend for the year of 2021 of HKD0.125 per ordinary share and HKD0.703 per ordinary share respectively. Such dividends are to be approved by the shareholders at the forthcoming annual general meeting of the Company in 2022. These consolidated financial statements do not reflect this as dividend payable.

37. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

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

(i) Currency risk

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

	2021 HKD'000	2020 *HKD'000*
Assets		
HKD	**67,913**	54,632
United States dollars ("USD")	**171,454**	35,792
	239,367	90,424
Liabilities		
HKD	**6,429,432**	1,201,656
USD	**4,177,941**	2,319,835
	10,607,373	3,521,491

37. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(i) Currency risk *(continued)*

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

As at 31 December 2021, 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)	
	2021	2020
	HKD'000	*HKD'000*
HKD against RMB		
– Weakened by 5%	**238,557**	43,013
– Strengthened by 5%	**(238,557)**	(43,013)
USD against RMB		
– Weakened by 5%	**(150,243)**	(85,652)
– Strengthened by 5%	**150,243**	85,652

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 recognised as derivative financial liability.

(ii) Interest rate risk

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

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

The Group's interest rate risk arises from long-term bank borrowings, senior notes, medium-term notes 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 2021 and 2020, 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 2021, borrowings of the Group which were issued at floating rates amounted to approximately HKD21,681,918,000 (2020: HKD13,160,620,000). As at 31 December 2021, 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 HKD81,307,000 (2020: HKD49,727,000).

37. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(ii) Interest rate risk *(continued)*

Interest rate benchmark reform

Several of the Group's HIBOR bank loans will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist. The management of the Group do not expect any transition to the relevant replacement rates until the upcoming renewal of the existing banking facilities.

(iii) Price risk

The Group is exposed to equity securities price risk in respect of investments in REITs (2020: shares of CSG). 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)	
	2021 HKD'000	2020 *HKD'000*
Share price		
– Increased by 5%	**15,758**	12,872
– Decreased by 5%	**(15,758)**	(12,872)

(iv) Credit risk and impairment assessment

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

Trade receivables and contract assets

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 generally due within 120 days from the date of billing. Normally, the Group does not obtain collateral from customers. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

At the end of the reporting period, the Group does not have significant credit concentration risk.

Except for credit-impaired debtors that are assessed individually, the Group measures loss allowances for not credit-impaired trade receivables and contract assets at an amount equal to lifetime ECL, 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.

37. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Trade receivables and contract assets (continued)

	Expected loss rate %	Gross carrying amount HKD'000	Loss allowance HKD'000
At 31 December 2021			
Current (not past due)	**2.74**	**2,386,565**	**65,297**
1 - 90 days past due	**11.74**	**32,970**	**3,871**
91 - 180 days past due	**35.70**	**16,559**	**5,912**
181 - 270 days past due	**60.90**	**11,278**	**6,868**
271 - 365 days past due	**89.39**	**24,130**	**21,570**
More than 1 year past due	**100.00**	**90,956**	**90,956**
		2,562,458	**194,474**
At 31 December 2020			
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

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:

	2021		2020
	Credit-impaired	***Not credit-impaired***	Not credit-impaired
Balance at 1 January	**—**	**259,080**	65,786
Amounts written off	**—**	**(10,116)**	(315)
Transferred to credit-impaired	**98,205**	**(98,205)**	—
Acquisition of subsidiaries	**—**	**—**	24,935
Impairment losses recognised	**71,850**	**40,019**	159,037
Exchange difference	**2,419**	**3,696**	9,637
Balance at 31 December	**172,474**	**194,474**	259,080

37. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iv) Credit risk and impairment assessment *(continued)*

Other non-current receivables, lease receivables, advance to non-controlling interest Amount due from United Land Company, Dividend receivable from associates, deposits and other receivables

The management of the Group makes periodic collective assessment as well as individual assessment on the recoverability of these balances based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balance of these balances. Based on assessment by the management of the Group, the ECL for these balances is insignificant.

Deposits in banks and cash at banks

The management of the Group considers that the credit risks on bank balances and pledged bank deposit are limited because the banks are financial institutions with high credit ratings assigned by international credit-rating agencies. The Group assessed 12-month ECL by reference to probability of default, loss given default by the relevant credit rating grades published by international credit rating agencies and concluded that the ECL is insignificant.

(v) Liquidity risk

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

37. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(v) Liquidity risk *(continued)*

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

	Contractual undiscounted cash outflow (including interest payments)					
	Less than 1 year HKD'000	*Between 1 and 2 years HKD'000*	*Between 2 and 5 years HKD'000*	*Over 5 years HKD'000*	*Total HKD'000*	*Carrying amount HKD'000*
At 31 December 2021						
Bank borrowings	10,146,177	1,506,341	4,173,929	9,713,687	25,540,134	21,707,264
Borrowings from finance lease companies	128,162	141,202	366,708	66,006	702,078	534,030
Corporate bonds	1,256,443	221,619	8,199,560	–	9,677,622	8,833,808
Panda bonds	161,354	161,354	5,388,426	–	5,711,134	4,932,215
Senior notes	29,250	809,250	–	–	838,500	774,883
Medium-term notes	44,041	1,013,904	–	–	1,057,945	997,845
Trade and other payables (excluding other taxes payable and staff welfare benefit payable)	11,312,143	–	–	–	11,312,143	11,312,143
Super Short-term Commercial paper	2,493,491	–	–	–	2,493,491	2,476,485
Lease liabilities	185,526	176,442	361,208	955,514	1,678,690	1,521,510
	25,756,587	4,030,112	18,489,831	10,735,207	59,011,737	53,090,183

	Contractual undiscounted cash outflow (including interest payments)					
	Less than 1 year HKD'000	*Between 1 and 2 years HKD'000*	*Between 2 and 5 years HKD'000*	*Over 5 years HKD'000*	*Carrying Total HKD'000*	*amount HKD'000*
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

37. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Capital management

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

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

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

The Group maintained a consistent strategy to keep the gearing ratio at a reasonable level. The gearing ratios at 31 December 2021 and 2020 were as follows:

	2021 ***HKD'000***	2020 *HKD'000*
Total borrowings	**40,256,530**	32,048,105
Less: cash and bank balances	**(9,837,052)**	(15,103,646)
Net debt	**30,419,478**	16,944,459
Total equity	**63,052,359**	58,478,932
Gearing ratio	**48%**	29%

(c) 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); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

37. FINANCIAL RISK MANAGEMENT *(continued)*

(c) 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 2021			
	Level 1 HKD'000	***Level 2 HKD'000***	***Level 3 HKD'000***	***Total HKD'000***
Assets (liabilities)				
Equity securities designated at FVTOCI				
– Unlisted equity securities	**–**	**–**	**55,966**	**55,966**
Financial assets measured at FVTPL				
– Listed securities in the PRC	**420,205**	**–**	**–**	**420,205**
– Unlisted equity securities	**–**	**–**	**1,003,860**	**1,003,860**
– Unlisted fund investment	**–**	**–**	**182,921**	**182,921**
Derivative financial instruments	**–**	**–**	**260,713**	**260,713**

	As at 31 December 2020			
	Level 1 *HKD'000*	Level 2 *HKD'000*	Level 3 *HKD'000*	Total *HKD'000*
Assets (liabilities)				
Equity securities designated at FVTOCI				
– Unlisted equity securities	–	–	56,075	56,075
Financial assets measured at FVTPL				
– 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)

During the year ended 31 December 2021, there was no transfers between Level 1 and Level 2.

Financial instruments in level 1

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

Financial instruments in level 2

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

Financial instruments in level 3

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

As at 31 December 2021, the fair value of the Group's certain non-listed equity securities in level 3 were estimated using the market method. The management of the Group believes that their fair values and its changes based on valuation techniques are reasonable and are the most appropriate value at 31 December 2021. In addition, the fair value of the Group's certain non-listed equity securities and investment funds in level 3 are estimated using the recent transaction prices and with reference to the fair value of the underlying net assets of the investments. The management of Group believes that their carrying amounts are not materially different from their fair values as at 31 December 2021.

37. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Fair value estimation *(continued)*

Financial instruments in level 3 *(continued)*

Information about Level 3 fair value measurements:

	Valuation techniques	Significant unobservable inputs	Range
As at 31 December 2020			
Financial assets measured at FVTPL			
– Unlisted equity securities (Note i)	Market comparable companies	Adjusted P/E multiplier	13.64 to 18.25
		Adjusted P/B multiplier	1.86
		The discount of lack of marketability	26.60% to 42.00%
– Unlisted fund investment (Note ii)	Income capitalisation method	Yield Market monthly	6.5%
		rental rate (RMB/sq.m.)	23.1 to 42.0
		Occupancy rate	63% to 98%

(i) The fair value of unlisted equity instruments is determined using the price/earning ratios or price/book value of comparable listed companies adjusted for lack of marketability discount. The fair value measureme11t 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 Groups' 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 FVTOCI is determined with reference to the fair value of the underlying net asset value of the investments. As at 31 December 2021 and 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:

	2021 HKD'000	2020 *HKD'000*
Unlisted equity securities and fund investments:		
Beginning of the year	**2,345,483**	538,016
Additions	**120,890**	1,579,546
Changes in fair value recognised in profit or loss during the year	**75,986**	143,503
Net unrealised gains or losses recognised in other comprehensive income during the year	**(1,909)**	(955)
Redemptions	**(1,357,662)**	—
Exchange difference	**59,959**	85,373
End of the year	**1,242,747**	2,345,483

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

	Notes	**2021**	2020
		HKD'000	*HKD'000*
Profit before income tax		**8,718,125**	9,110,599
Adjustments for:			
Depreciation	7	**982,774**	788,565
Amortisation of land use rights	8	**72,043**	88,213
Amortisation of intangible assets	10	**2,177,653**	1,654,926
Impairment loss of trade receivables, contract assets and lease receivables		**111,869**	161,323
Gain on disposal of derivative financial instruments	30	**–**	(20,702)
Gain on asset compensation of Nanjing Xiba Port Co., Ltd.	30	**–**	(514,798)
Gain on replacement of land	30	**–**	(4,094,268)
Gain on adjustment of contingent consideration of Shuiguan Expressway	30	**–**	(46,120)
Loss on adjustment of cost of concession intangible assets	10	**97,667**	–
Impairment loss recognised on goodwill	11	**132,979**	–
Gain on losing control on United Land Company	30	**(4,771,027)**	–
Gain on derecognition of a subsidiaries	30	**(164,105)**	–
Change in fair value of derivative financial instruments	30	**(358,215)**	–
Gain on disposal of other financial assets	30	**(179,322)**	–
Share-based payment expenses	32	**(5,525)**	10,313
Loss (gain) on disposal of property, plant and equipment	30	**102,395**	(1,247)
Change in fair value of other financial assets	30	**(209,446)**	(250,549)
Fair value gains on investment properties	6 & 30	**(212,503)**	(20,387)
Interest income	33	**(288,991)**	(317,255)
Interest expense	33	**1,034,811**	918,855
Share of results of associates and joint ventures	13 & 14	**139,893**	557,642
Dividend income		**(12,089)**	(33,018)
Operating cash flow before movements in working capital		**7,368,986**	7,992,092
Changes in working capital:			
Inventories		**(1,558,862)**	(307,200)
Trade and other receivables		**(899,815)**	(1,961,158)
Trade and other payables		**(2,641,567)**	2,533,662
Change of contract assets		**(61,794)**	260,882
Change of contract liabilities		**5,036,025**	(1,841,295)
Other non-current assets		**(3,009,336)**	(1,343,046)
Restricted bank deposits		**1,649,539**	(464,677)
Cash generated from operations		**5,883,176**	4,869,260

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings HKD'000 (Note 24)	*Notes and bonds HKD'000 (Note 24)*	*Lease liabilities HKD'000 (Note 28)*	*Derivative financial instruments held to corporate bonds HKD'000*	*Total HKD'000*
For the year ended 31 December 2021					
At 1 January 2021	14,955,255	17,092,850	855,589	99,356	33,003,050
Changes from financing cash flows:					
Proceeds from borrowings	17,229,011	12,354,177	–	–	29,583,188
Repayment of borrowings	(9,419,689)	(11,834,901)	–	–	(21,254,590)
Capital element of lease rentals paid	–	–	(1,756,194)	–	(1,756,194)
Interest element of lease rentals paid	–	–	(65,314)	–	(65,314)
Total changes from financing cash flows	7,809,322	519,276	(1,821,508)	–	6,507,090
Exchange adjustments	417,903	403,110	36,851	–	857,864
Changes in fair value	–	–	–	(99,356)	(99,356)
Other change:					
Acquisition of a subsidiaries	860,837	–	1,805,837	–	2,666,674
Derecognition of subsidiaries	(1,851,594)	–	–	–	(1,851,594)
Increase in lease liabilities from entering into new leases	–	–	579,427	–	579,427
Interest expenses (note 33)	49,571	–	65,314	–	114,885
Total other change	(523,283)	403,110	2,487,429	(99,356)	2,267,900
At 31 December 2021	22,241,294	18,015,236	1,521,510	–	41,778,040

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Reconciliation of liabilities arising from financing activities *(continued)*

	Bank loans and other borrowings HKD'000 (Note 24)	*Notes and bonds HKD'000 (Note 24)*	*Lease liabilities HKD'000 (Note 28)*	*Derivative financial instruments held to corporate bonds HKD'000*	*Total HKD'000*
For the year ended 31 December 2020					
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	(6,826,583)	–	–	–	(6,826,583)
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
Acquisition of a subsidiary	295,976	–	41	–	296,017
Increase in lease liabilities from entering into new leases	–	–	122,168	–	122,168
Interest expenses (note 33)	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

39. GUARANTEES AND CONTINGENCIES

(a) As at 31 December 2021, the Group has given collateral liability guarantees by phases of approximately HKD555 million (2020: HKD6,481 million) to banks in respect of housing loans extended to purchasers of properties by banks. Pursuant to the terms of guarantees, in the event of any defaults in mortgage repayments by those purchasers, the Group shall undertake to repay outstanding mortgage loans together with any accrued interest and penalty due to banks by purchasers in defaults. The validity period of the Group's guarantee shall commence from the date of grant of relevant mortgage loans and expire upon receipts of property ownership certificates by respective purchasers. The directors of the Group consider that, in case of default in repayments, the net realisable value of related properties should be able to cover outstanding mortgage loans together with any accrued interest and penalty and, accordingly, no loss allowance has been made in respect of the guarantees

(b) On 16 December 2016, Guangxi Bioland and Yonker Environmental Protection Co.,Ltd. (Yonker Environmental) entered into a contractor agreement, in relation to a project on food and kitchen waste utilization and renovation and expansion of a harmless treatment plant. On 19 November 2019, Yonker Environmental filed with Nanning Intermediate People's Court for property preservation. At 27 November 2019, the court ruled on property preservation and froze the property of Bioland Environmental Technologies Group Corp., Ltd. ("Bioland Company") and it was required to pay the equipment fund occupancy fee, civil engineering fee, civil engineering fee interest and liquidated damages totalling RMB31,648,600. On 25 December 2019, Yonker Environmental filed a lawsuit against Bioland Company and its subsidiary at the Nanning Intermediate People's Court of Guangxi Zhuang Autonomous Region, pursuant to which it claimed an amount of RMB31,648,600 from the subsidiary of Bioland Company (being the equipment occupancy fees, project fees, interest on the project fees and penalty for breach of agreement), requested Bioland Company to assume joint and several repayment responsibility for its subsidiary.

The subsidiary of Bioland Company has counter-claimed the claimant for a compensation of RMB50,000,000 for the loss from the delay in construction and failure to complete the work on time caused by the claimant. On October 19, 2020, Yonker Environmental changed the amounts of claims to a total of RMB51,758,000. As of 31 December 2021, the case is still in litigation. With the assistance of the attorney representing Guangxi Lande in the case, the board of directors of the company believes that the outcome of the lawsuit and the compensation obligation (if any) cannot be reliably estimated.

40. COMMITMENTS

	2021 ***HKD'000***	2020 *HKD'000*
Capital commitments - expenditure of property, plant and equipment, concession intangible assets and land premium		
– Contracted but not provided for	**8,898,336**	6,806,783

41. BUSINESS COMBINATION AND DERECOGNITION OF SUBSIDIARIES

For the year ended 31 December 2021

Disposal of interest in United Land Company

As disclosed in the Company's announcements dated 21 October 2021 and 21 December 2021, the Group proposed disposal of 35.7% equity interest in Shenzhen International United Land Co., Limited ("United Land Company") by way of equity transfer through public tender at the Shenzhen United Property and Equity Exchange and subsequently entered into an asset transaction agreement with the successful bidder, Shenzhen Vanke Development Company Limited ("Vanke Development"), a wholly owned subsidiary of China Vanke Co., Ltd ("China Vake") which is the non-controlling interest of United Land Company, pursuant to which the Group agreed to sell its 35.7% equity interest in United Land Company at a consideration of RMB2,788 million (approximately HKD3,400 million) ("Disposal").

Upon the completion of Disposal on 29 December 2021, the shareholding interest of the Company in United Land Company decreased from 70% to 34.3%. Accordingly, United Land Company ceased to be a subsidiary of the Company and became an associate of the Company.

The fair value of the interests in United Land Company held by the Company of approximately HKD3,283,760,000 as at 29 December 2021, determined based on consideration of the 35.7% interests of United Land Company in the Disposal, has been regarded as cost of interests in an associate from the date on which the Group ceased to have control, and accounted for in the consolidated financial statements using the equity method of accounting. The net assets of United Land Company at the date of losing control were as follows:

	HKD'000
Property, plant and equipment	160
Deferred tax assets	390,266
Inventories	4,751,425
Trade and other receivables	42,842
Advance to a subsidiary of the Company	2,613,354
Advance to China Vanke	7,181,720
Cash and cash equivalents	110,911
Trade and other payables	(570,323)
Contract liabilities	(7,818,349)
Amounts due to subsidiaries of the Company	(1,157,430)
Income tax payable	(447,018)
Borrowings	(1,851,594)
Net assets derecognised	3,245,964
Net assets derecognised	(3,245,964)
Non-controlling interest derecognised	1,396,673
Consideration received	3,417,791
Reclassified as interests in associates at fair value	3,283,760
Share of profits in transition period not entitled to the Group	(81,233)
Gain on losing control	4,771,027
Total consideration received	3,417,791
Cash and cash equivalent derecognised	(110,911)
Net cash inflow in the acquisition including in the investing activities	3,306,880

41. BUSINESS COMBINATION AND DERECOGNITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2021 *(continued)*

Disposal of Shen Cui Logistics (Shenzhen) Co., Ltd. and Nanchang Shenzhen International Integrated Logistics Hub Development Co. Ltd.

On 31 May 2021, the Group and Nanchang Shenchang, a joint venture of the Group entered into the disposal agreement in selling entire equity interests of Nanchang Shenzhen International Integrated Logistics Hub Development Co. Ltd. ("Nanchang Company") to Nanchang Shenchang at a consideration of approximately RMB424,371,000 (equivalent to HKD510,245,000). The disposal was completed on 11 June 2021.

On 12 November 2021, the Group proposed disposal of 56.5% equity interest in Shen Cui Logistics (Shenzhen) Co., Ltd. ("Shen Cui Logistics"), by way of equity transfer through public tender at the Shenzhen United Property and Equity Exchange and subsequently entered into an asset transaction agreement with the successful bidder, Cuilin Agriculture and Animal Husbandry Group Co., Ltd., a fellow subsidiary of the non-controlling interest of Shen Cui Logistics, pursuant to which the Group agreed to sell its 56.5% equity interest in Shen Cui Logistics at a consideration of RMB6,879,000 (approximately HKD8,316,000). The disposal was completed on 22 December 2021.

The following table summarises the amount of assets and liabilities at derecognition date:

	HKD'000
Property, plant and equipment	**192,576**
Land use rights	**66,876**
Deferred tax assets	**5,401**
Other non-current assets	**13,293**
Trade and other receivables	**399,359**
Cash and cash equivalents	**27,410**
Trade and other payables	**(398,598)**
Income tax payable	**(1,417)**
Net assets derecognised	**304,900**
Net assets derecognised	**(304,900)**
Total cash consideration	**493,689**
Non-controlling interest	**10,369**
Share of profits in transition period not entitled to the Group	**(35,053)**
Gain on derecognition of subsidiaries	**164,105**
Total consideration received	**493,689**
Cash and cash equivalent derecognised	**(27,410)**
Net cash inflow in the disposal including in the investing activities	**466,279**

41. BUSINESS COMBINATION AND DERECOGNITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2021 *(continued)*

Acquisition of Vailog Hong Kong DC11 Limited, Vailog HK SPV 3 Limited and Glory Honor Limited

On 29 June 2021, the Group entered into an acquisition agreement with independent third parties, Christo Investments Limited, Gaw-Vailong Logistics (Holdings) Tianjin 1 Limited and Winpine Limited, pursuant to which the Group would acquire the entire equity interests of Vailog Hong Kong DC11 Limited, Vailog HK SPV 3 Limited and Glory Honor Limited (collectively the "Vailong Companies") at a consideration of RMB746,313,000 (equivalent to HKD897,108,000) and settled the shareholders loan amounting to RMB250,275,000 (equivalent to HKD300,844,000) in aggregate. The acquisition was completed on 9 September 2021 and since then Vailong Companies became subsidiaries of the Company.

The following table summarises the consideration paid for the acquisitions of subsidiaries, the fair value of assets acquired, liabilities assumed at the acquisition date:

	HKD'000
Recognised amounts of identifiable assets acquired and liabilities assumed at the date of acquisition	
Investment properties	**1,916,193**
Trade and other receivables	**32,912**
Cash and cash equivalents	**100,572**
Trade and other payables	**(30,777)**
Income tax payable	**(5,041)**
Bank borrowings	**(782,261)**
Deferred tax liabilities	**(276,458)**
Net assets acquired attributable to the Group	**955,140**
Consideration transferred	**1,197,952**
Less: recognised amounts of net assets acquired	**(955,140)**
Goodwill arising on acquisition	**242,812**
Total consideration paid	**1,040,815**
Cash and cash equivalent acquired	**(100,572)**
Net cash outflow in the acquisition including in the investing activities	**940,243**

The revenue included in the consolidated income statement since the acquisition date contributed by Vailong Companies was HKD32,621,000. The Vailog Companies also contributed profit of HKD17,579,000 over the same period. Had the Vailog Companies been consolidated from 1 January 2021, the consolidated income statement for the period would show pro-forma revenue of HKD18,647,908,000 and a profit of HKD6,087,378,000.

41. BUSINESS COMBINATION AND DERECOGNITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2021 *(continued)*

Acquisition of Qianzhi Energy, Qianhui Energy, Qianxin Energy, Shanghai Zhuneng New Energy Technology Co., Ltd. and Ningxia Zhongwei New Tang New Energy Co., Ltd.

During the year, the Group has acquired certain subsidiaries which enable the Group to expand its environmental business.

On 25 January 2021, the Group entered into an acquisition agreement with independent third parties, Jiangsu Jinzhi Technology Co., Ltd. ("Jinzhi Technology"), Jiangsu Jinzhi Group Co., Ltd. (the controlling shareholder of Jinzhi Technology), Mulei County Qianzhi Energy Development Co., Ltd. ("Qianzhi Company") and Mulei County Qianhui Energy Development Co., Ltd. ("Qianhui Company"), pursuant to which the Group would acquire the entire equity interests of Qianzhi Company and Qianhui Company from Jinzhi Technology at a consideration of RMB290 million (equivalent to HKD346,928,000) and RMB160 million (equivalent to HKD191,408,000), respectively. The acquisition was completed on the same date and since then Qianzhi Company and Qianhui Company became subsidiaries of the Company.

On 26 March 2021, the Group entered into an acquisition agreement with independent third parties, Jinzhi Technology, Beijing Tianrui Bofeng Power Engineering Technology Co., Ltd. and Mulei County Qianxin Energy Development Co., Ltd. ("Qianxin Company"), pursuant to which the Group would acquire the entire equity interests of Qianxin Company from Jinzhi Technology at a consideration of RMB150 million (equivalent to HKD178,140,000). The acquisition was completed on the same date and since then Qianxin Company became a subsidiary of the Company.

On 31 August 2021, the Group entered into an acquisition agreement with independent third parties, Shanghai Zhuneng New Energy Technology Co., Ltd. ("Shanghai Zhuneng"), Li Shijun and Li Haodong, pursuant to which the Group would acquire the entire equity interests of Shanghai Zhuneng from Li Shijun and Li Haodong at a consideration of RMB1.5 million (equivalent to HKD1,821,000). The acquisition was completed on 1 September 2021 and since then Shanghai Zhuneng became a subsidiary of the Company.

On 14 December 2021, the Group entered into an acquisition agreement with independent third party, Beijing Tongchuang Hengyuan Technology Development Co., Ltd., pursuant to which the Group would acquire the entire equity interests of Ningxia Zhongwei New Tang New Energy Co., Ltd. ("Ningxia Zhongwei") at a price of RMB2.1 million (equivalent to HKD2,536,000) The acquisition was completed on 15 December 2021.

41. BUSINESS COMBINATION AND DERECOGNITION OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2021 *(continued)*

Acquisition of Qianzhi Energy, Qianhui Energy, Qianxin Energy, Shanghai Zhuneng New Energy Technology Co., Ltd. and Ningxia Zhongwei New Tang New Energy Co., Ltd. ***(continued)***

The following table summarises the consideration paid for the acquisitions of subsidiaries, the fair value of assets acquired, liabilities assumed at the acquisition date:

	HKD'000
Recognised amounts of identifiable assets acquired and liabilities assumed at the date of acquisition	
Property, plant and equipment	**3,347,655**
Land use rights	**55,167**
Other non-current assets	**164,422**
Trade and other receivables	**130,866**
Cash and cash equivalents	**24,576**
Trade and other payables	**(900,757)**
Income tax payable	**(1,438)**
Borrowings	**(287,946)**
Lease liabilities	**(1,805,837)**
Deferred tax liabilities	**(4,798)**
Net assets acquired attributable to the Group	**721,910**
Total cash consideration paid	**716,901**
Liabilities consumed by the Group	**3,932**
Consideration transferred	**720,833**
Less: recognised amounts of net assets acquired	**(721,910)**
Bargain purchase gain on acquisition	**(1,077)**
Total cash consideration paid	**716,901**
Cash and cash equivalent acquired	**(24,576)**
Net cash outflow in the acquisition including in the investing activities	**692,325**

The revenue included in the consolidated income statement since the acquisition date contributed by Qianzhi Company, Qianhui Company and Qianxin Company (collectively the "Mulei subsidiaries" was HKD391,625,000. The Mulei subsidiaries also contributed profit of HKD139,065,000 over the same period. Had the Mulei subsidiaries been consolidated from 1 January 2021, the consolidated income statement for the period would show pro-forma revenue of HKD18,621,632,000 and a profit of HKD6,119,269,000.

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, Yunji Smart Engineering Co., Ltd. (formerly known as Shenzhen Expressway Engineering Consulting co., Ltd.) ("Yunji Smart") became an associate of Shenzhen Expressway, and Shenzhen Expressway and Yunji Smart entered into a service agreement pursuant to which Yunji Smart provides engineering consulting, management and testing service. During the year ended 31 December 2021, Shenzhen Expressway paid service fee to Yunji Smart amounting to RMB43,842,000 (equivalent to HKD53,001,000) (2020: RMB58,528,000 (equivalent to HKD67,483,000)).

(b) As at 31 December 2021, the Group's investment commitments to related parties was RMB519,426,000 (equivalent to HKD636,864,000) (2020: RMB748,336,000 (equivalent to HKD888,549,000)), which included the capital increase commitment of Shenzhen Expressway in an associate of RMB2,976,000 (equivalent to HKD3,649,000) (2020: 433,336,000 (equivalent to HKD514,529,000)), in a joint venture of RMB201,450,000 (equivalent to HKD246,996,000) (2020: nil) and its capital contribution commitment of RMB315,000,000 (equivalent to HKD386,219,000) (2020: RMB315,000,000 (equivalent to HKD374,020,000)) 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 2021. As at 31 December 2020, RMB1,766,517,000 (equivalent to HKD2,025,131,000) was advanced to China Vanke, with an initial interest rate at 3.65% per annum and repayable on demand. The interest was repayable annually. As disclosed in note 41, on 28 December 2021, United Land Company ceased to be a subsidiary of the Company and became an associate of the Company. During the year, United Land Company recognised interest income amounted to RMB64,308,000 (equivalent to HKD 77,742,000) (2020: RMB60,062,000 (equivalent to HKD69,252,000)).

(d) As at 31 December 2021, Qianhai Real Estate, an associate of the Group, provided RMB977,391,000 (equivalent to HKD1,198,371,000) (2020: RMB1,725,950,000 (equivalent to HKD2,049,335,000)) cash advanced to the Group. Dividends distributed by Qianhai Real Estate of RMB690,000,000 (equivalent to HKD834,139,000) were settled as repayment of the outstanding amount of this loan advance.

(e) As disclosed in the Company's announcement date 10 August 2021 and the Company's circular dated 24 November 2021 issued by each of Shenzhen International and Shenzhen Expressway both dated 24 November 2021 (the "Circular"), the Group and Shenzhen Investment International Capital Holdings Co., Ltd., wholly owned subsidiary of SIHCL (the "Seller") entered into a sale and purchase agreement, pursuant to which the Group agreed to acquire the entire interests in Shenzhen Investment Infrastructure, a wholly-owned subsidiary of the Seller which holds 71.83% of the total issued shares of Shenzhen Investment Holdings Bay Area Development Company Limited ("Bay Area Development") whose shares are listed on the Stock Exchange (stock code: 00737) (the "Acquisition"). A deposit of HKD749,109,00 was paid to the Seller for the acquisition of Shenzhen Investment Infrastructure and the Acquisition was not completed as at 31 December 2021.

(f) As at 31 December 2021, amount due from United Land Company of HKD1,577,488,000 (2020:nil) was unsecured, interest-free and expected to be repayable within one year.

For the year ended 31 December 2021 and 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.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries:

Name	*Principal activities*	*Issued and fully paid share capital/ paid-in capital*	*Interest held by Group %*	*Non-controlling interests %*
Shenzhen International Total Logistics (Shenzhen) Co., Ltd.◊	Investment holding	RMB200,000,000	100	–
Shenzhen Total Logistics Service Co., Ltd.@	Provision of total logistics and transportation ancillary services	RMB31,372,549	51	49
Xin Tong Chan Development (Shenzhen) Co., Ltd.△	Investment holding	RMB200,000,000	100	–
Shenzhen International South-China Logistics Co., Ltd.@	Development, construction, operation and management of South China Logistics 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 Logistics 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 Corporation 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.@	Logistics services and related warehouse facilities	RMB90,000,000	55.39	44.61

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 Shen Guang Hui Highway Development Company@	Investment holding	RMB105,600,000	100	–
Nanjing Xiba Wharf Co. Ltd.◊*	Construction, operation and management of Wharf and Logistics Centres at Xiba Port of Nanjing	RMB455,000,000	70	30
Guangdong Qinghan Highway Development Company Limited◊	Development, operation and management of highways	RMB3,361,000,000	76.37	23.63
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited@	Construction, operation and management of an expressway	RMB440,000,000	100	–
Shenzhen Meiguan Expressway Company Limited@	Construction, operation and management of an expressway	RMB332,400,000	100	–
Shenzhen International Huatongyuan Logistics Co., Ltd.@*	Logistics 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 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	–

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 %*
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	–
Tianjin Shenzhen International Integrated Logistics Hub Development Co., Lid.@	Construction, operation and management of urban integrated logistics hub at Tianjin Binhai New Area	RMB8,000,000	100	–
Changsha Shenzhen International Integrated Logistics Hub Development Co., Ltd.@	Construction, operation and management of urban integrated logistics hub at Changsha Jinxia Economic Development Zone	RMB181,000,000	100	–
Hangzhou Shenzhen International Supply Chain Management Co., Ltd.△	Supply chain management services	USD40,000,000	100	–
Xi'an Shenzhen International Integrated Logistics Hub Development Co., Ltd.△	Construction, operation and management of urban integrated logistics hub at Xi'an National Civil Aerospace Industrial Base	USD15,000,000	100	–
Yiwu Shenzhen International Integrated Logistics Hub Development Co., Ltd.△	Construction, operation and management of urban integrated logistics hub at Yiwu	USD50,000,000	100	–
Chengdu Shenzhen International Supply Chain Management Co., Ltd.@*	Construction, operation and management of urban integrated logistics hub at Qingbai River in Chengdu	RMB100,000,000	100	–
Kunming Shenzhen International Supply Chain Management Co., Ltd.@*	Construction, operation and management of urban integrated logistics hub in Yangzonghai Scenic Area in Kunming, Yunnan Province	RMB150,000,000	100	–
Shenzhen International Properties and Management(Shenzhen) Co., Ltd.△	Project investment and enterprise management consulting services	RMB50,000,000	100	–

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 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	–
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	–

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 %*
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., Lid.[@]	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., Lid.[@]	Real estate development and investment management	RMB5,000,000	100	–
Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd.[@]	Real estate development and investment management	RMB5,000,000	100	–
Changsha Shenchang Expressway Co., Ltd.[@]	Construction, operation and management of an expressway	RMB200,000,000	51	49
Hunan Yichang Expressway Development Co., Ltd.[@]	Construction, operation and management of an expressway	RMB345,000,000	100	–
Shenzhen Outer Ring Expressway Investment Co., Ltd.[@]	Construction, operation and management of an expressway	RMB100,000,000	100	–
Nanjing Wind Power Technology Co., Ltd.[@]	Research and development, production, sales of wind power generation system; investment and operation of wind farms	RMB357,142,900	51	40

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 %*
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 logistics park at Shanghai Qingpu District	RMB10,000,000	100	–
Zhongshan Shenju Integrated Logistics Hub Development Co., Ltd.@	Operation and management of logistics 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.Δ	Construction, operation and management of urban integrated logistics hub at Erqing Zone	RMB110,000,000	67	–
China Total Logistics Co., Limited	Provision of logistics 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

Δ Foreign-owned enterprise

◊ Sino-foreign Joint Venture

@ Domestic enterprise incorporated in the PRC

^ Foreign invested joint stock limited company

* For identification purpose only

∇ These subsidiaries are held through Shenzhen Express way and the related interests indirectly held by the Group disclosed above represent the interests held by Shenzhen Expressway.

□ In accordance with the shareholder agreements, the Group controls the entity as the Group has rights to take unilateral decisions on relevant developing, operating and financing activities which significantly affect the returns, and the Group,s exposed to variable returns from its involvement with the entity

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.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Material non-controlling interests

The total non-controlling interests as at 31 December 2021 were HKD22,919,013,000 (2020: HKD21,761,340,000), of which HKD18,235,206,000 (2020: HKD15,404,907,000) was attributable to other equity holders of Shenzhen Expressway. The non-controlling interests in respect of other subsidiaries are not material.

On 4 December 2019, Shenzhen Expressway raised a perpetual bond of RMB4,000,000,000 (equivalent to approximately HKD4,810,187,000).The perpetual bond confer a right to receive distributions at the distribution rate of 4.6% per annum from the date of issuance of the bond. After ten years of issuance of the bond, the distribution rate would be increased by 2 percentage per annum if Shenzhen Expressway chooses not to redeem the bonds and the distribution rate will be further increased by 2 percentage per annum every two years and the distribution rate could be reset by at most twice. Accordingly, the distribution rates would be increased by at maximum 4 percentage per annum to a maximum rate of 8.6% per annum.

In the opinion of the management, as Shenzhen Expressway is able to control the delivery of cash or other financial assets to the holders of the perpetual bonds, the perpetual bond is classified as equity instrument and treated as non-controlling interests in the Group's financial statements.

Set out below are the summarised financial information for Shenzhen Expressway that has non-controlling interests material to the Group. The summarised financial information presented below represents the amounts before any inter-company eliminations.

	2021	2020
	HKD'000	*HKD'000*
Current assets	**10,668,462**	11,970,148
Non-current assets	**63,688,741**	53,536,458
Current liabilities	**17,896,841**	(16,869,447)
Non-current liabilities	**22,373,052**	(17,407,754)
Net assets	**34,087,310**	31,229,405
Non-controlling interests	**3,842,302**	3,864,383
Revenue	**13,143,042**	11,509,997
Profit for the year	**3,280,807**	2,538,574
Total comprehensive income	**3,276,452**	2,484,313
Total comprehensive income allocated to non-controlling interests	**121,000**	208,731
Dividends paid to non-controlling interests	**200,074**	181,047
Net cash generated from operating activities	**4,764,907**	1,280,565
Net cash used in investing activities	**(6,205,822)**	(5,108,765)
Net cash generated from financing activities	**2,018,009**	4,137,298

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.

44. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	2021		2020	
	HKD'000	HKD'000	HKD'000	HKD'000
Non-current assets				
Investments in subsidiaries		5,673,446		6,131,127
Amounts due from subsidiaries		5,909,154		1,815,032
		11,582,600		7,946,159
Current assets				
Other receivables	3,635		4,836	
Dividends due from subsidiaries	18,462,995		16,469,598	
Cash and cash equivalents	67,167		87,618	
	18,533,797		16,562,052	
Current liabilities				
Other payables	6,187		83,387	
Borrowings	5,892,228		299,890	
Panda Bond	—		5,927,193	
Amount due to a subsidiary	767,394		741,971	
	6,665,809		7,052,441	
Net current assets		11,867,988		9,509,611
Total assets less current liabilities		23,450,588		17,455,770
Non-current liabilities				
Senior Notes	774,883		776,856	
Panda Bond	4,932,215		—	
	5,707,098		776,856	
		5,707,098		776,856
NET ASSETS		17,743,490		16,678,914
CAPITAL AND RESERVES				
Share capital and share premium		12,331,648		11,529,380
Other reserves and retained earnings		3,080,903		2,818,595
Perpetual security		2,330,939		2,330,939
TOTAL EQUITY		17,743,490		16,678,914

44. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY *(continued)*

Reserve movement of the Company

	Other reserves				
	Contributed surplus *HKD'000*	Currency translation reserve *HKD'000*	Total *HKD'000*	Retained earnings *HKD'000*	Total *HKD'000*
At 1 January 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

	Other reserves				
	Contributed surplus HKD'000	***Currency translation reserve HKD'000***	***Total HKD'000***	***Retained earnings HKD'000***	***Total HKD'000***
At 1 January 2021	**58,515**	**530,782**	**589,297**	**2,229,298**	**2,818,595**
Comprehensive income					
Profit for the year	**–**	**–**	**–**	**1,903,314**	**1,903,314**
Other comprehensive income					
Currency translation differences	**–**	**471,394**	**471,394**	**–**	**471,394**
Total other comprehensive income	**–**	**471,394**	**471,394**	**–**	**471,394**
Total comprehensive income	**–**	**471,394**	**471,394**	**1,903,314**	**2,374,708**
Transactions with owners in their capacity as owners					
Dividends relating to 2020	**–**	**–**	**–**	**(2,112,400)**	**(2,112,400)**
Total transactions with owners in their capacity as owners	**–**	**–**	**–**	**(2,112,400)**	**(2,112,400)**
At 31 December 2021	**58,515**	**1,002,176**	**1,060,691**	**2,020,212**	**3,080,903**

45. EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd.

On 11 January 2022, the Company announced that all conditions of the sale and purchase agreement were satisfied and the Acquisition, as disclosed in note 42, was completed on the same date. Upon the completion of the Acquisition, the Group has become the indirect sole shareholder of the Shenzhen Investment Infrastructure, which in turn owns approximately 71.83% of the total issued shares of Bay Area Development. Accordingly, Bay Area Development has become a non wholly-owned subsidiary of the Group.

The directors of the Company are still assessing the financial impact of the Acquisition and the initial accounting for the business combination is incomplete at the time the consolidated financial statements are authorised for issue.

Capital contribution from Shenzhen Vanke

On 18 February 2022, the Company's indirect wholly-owned subsidiaries, Qianhai Business and Shenzhen International Qianhai Investment Management (Shenzhen) Co., Ltd ("Qianhai Investment"), entered into a capital increase agreement with Shenzhen Vanke, pursuant to which Shenzhen Vanke agreed to make a capital contribution of approximately RMB915,104,000 (approximately HKD1,129,758,000) to Qianhai Business. Upon completion of the Capital Increase, Qianhai Investment and Shenzhen Vanke will hold 72% and 28% equity interest in Qianhai Business, respectively, and Qianhai Business will remain a subsidiary of the Company.

Issuance of Domestic Corporate Bond

On 10 January 2022, the Company issued 6-years domestic corporate bond (Panda Bond) (Phase I) with par value of RMB 1,000 million carrying a coupon rate of 2.95% per annum. The interest of Panda Bonds should be paid annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, the issuer shall be entitled to adjust the coupon rate of corporate bonds and investors shall be entitled to sell back the bonds to the issuer.

Shenzhen International
深國際

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