Shenzhen International
深國際

物流天下
德行天下

Logistics with Ethics
For a Better World

Annual Report 2022

Shenzhen International Holdings Limited
深圳國際控股有限公司
(Incorporated in Bermuda with limited liability)
Stock code：00152

物流天下 德行天下

Logistics with Ethics For a Better World

Corporate Vision

to become a first-class industrial group which continues to grow stronger, better and larger

Corporate Mission

to boost the real economy and to fully assume the role of a state-owned municipal ancillary service developer and operator to serve cities, industries and people's livelihood

Corporate Character

the integration of knowledge and action for driving steady and far-reaching development

Core Values

hard work, open-mindedness, pragmatism and coordination

Contents

CORPORATE PROFILE

The Group perceives the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, the Beijing-Tianjin-Hebei areas and major logistics gateway cities as key strategic regions. Through investment, mergers & acquisitions, restructuring and consolidation, the Group focuses on the investment, construction and operation of logistics infrastructure in the four major areas of "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure" (including inland ports, urban integrated logistics parks, air cargo terminals and railway logistics terminals) and toll roads. The Group provides its customers with value-added logistics services including intelligent warehouse and integrated cold chain warehousing, and also expanded its business segments to include the comprehensive development of land related to the "logistics + commerce" industries as well as the investment in and operation of general-environmental protection business, thereby creating greater value for its shareholders.

Set out below is a simplified corporate structure of the Group as at 31 December 2022 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

深國際物流 Shenzhen International Logistics[(3)]

100%	SZ South China Logistics Park
100%	SZ Western Logistics Park
50%	Shenzhen (Bao'an) Airport Express Center
70%	Shenzhen Kanghuai E-commerce Center
100%	SZI Intelligent Logistics Hub (Zhongshan Torch)
100%	SZI Logistics Hub (Hangzhou) Phase I
100%	SZI Logistics Hub (Ningbo)
100%	SZI Logistics Hub (Jinhua Yiwu)
100%	SZI Logistics Hub (Wuxi Huishan)
100%	SZI Logistics Hub (Suzhou Kunshan)
100%	SZI Logistics Hub (Suzhou Xiangcheng)
100%	SZI Logistics Hub (Hefei Feixi)
100%	SZI Logistics Hub (Xuzhou)
100%	SZI Logistics Hub (Nantong)
100%	SZI Logistics Hub (Shanghai Qingpu)
100%	SZI Logistics Hub (Shanghai Minhang)
100%	SZI Logistics Hub (Tianjin Binhai)
100%	SZI Logistics Hub (Tianjin Xiqing)
47%	SZI Logistics Hub (Shijiazhuang Zhengding)
100%	SZI Logistics Hub (Wuhan Dongxihu)
100%	SZI Logistics Hub (Wuhan Caidian)
100%	SZI Logistics Hub (Changsha)
100%	SZI Logistics Hub (Guizhou Longli)
100%	SZI Logistics Hub (Chongqing Shuangfu)
100%	SZI Logistics Hub (Chongqing Shapingba)
100%	SZI Logistics Hub (Kunming)
100%	SZI Logistics Hub (Chengdu Qingbaijiang)
100%	SZI Logistics Hub (Zhengzhou Erqi)
100%	SZI Logistics Hub (Zhengzhou Xinzheng)
55.39%	SZI Logistics Hub (Yantai)
100%	SZI Logistics Hub (Xi'an)
85%	SZI Logistics Hub (Shenyang)

PROJECTS INJECTED INTO FUND[(4)]

- SZI Logistics Hub (Hangzhou) Phase II
- SZI Logistics Hub (Hefei Feidong)
- SZI Logistics Hub (Nanchang)

深國際物流產服 Shenzhen International Logistics Industry Service

TECHNOLOGY LOGISTICS

59.91%	Shenzhen EDI Co., Ltd.

SUPPLY CHAIN MANAGEMENT

100%	Shenzhen International Modern Logistics Microfinance Co., Ltd
51%	Shenzhen Total Logistics Service Co., Ltd.

深國際商置 Shenzhen International P&M

100%	Shenzhen International Qianhai Investment and Management (Shenzhen) Co., Ltd.

Port and Related Services

深國際港口 Shenzhen International Ports

70%	SZI Port (Nanjing Xiba)

PORTS SUPPLY CHAIN MANAGEMENT SERVICE

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

Toll Road

General-Environmental Protection

深高速 SHENZHEN EXPRESSWAY

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

Other Investment

深國際投資 Shenzhen International Investment

49%	Shenzhen Airlines Company Limited
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 Company Ltd.
38%	Shenzhen International Huazhang Logistics Industry Private Equity Funds Management Co., Ltd

(1) Listed company in Hong Kong
(2) Listed company in the PRC
(3) Only projects in operation are included
(4) SZI Logistics Hub (Nanchang), SZI Logistics Hub (Hangzhou) Phase II and SZI Logistics Hub (Hefei Feidong) are held by Shenshi Smart Logistics Infrastructure Private Equity Partnership (Limited Partnership), a joint venture held by the Group as to 40% 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 Director:

Zhou Zhiwei

Independent Non-Executive Directors:

Pan Chaojin
Zeng Zhi
Wang Guowen

AUDIT COMMITTEE

Zeng Zhi *(Chairman)*
Pan Chaojin
Wang Guowen

NOMINATION COMMITTEE

Pan Chaojin *(Chairman)*
Wang Peihang
Zeng Zhi

REMUNERATION AND APPRAISAL COMMITTEE

Pan Chaojin *(Chairman)*
Li Haitao
Wang Guowen

JOINT COMPANY SECRETARIES

Liu Wangxin
Lam Yuen Ling, Eva

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

SHENZHEN OFFICE

Shenzhen International Building
8045 Hongli West Road
Futian District, Shenzhen

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

COMPANY WEBSITE

www.szihl.com

SHARES

Hong Kong Stock Exchange:

Stock Code: 00152

SECURITIES

Shenzhen Stock Exchange:

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors

LEGAL ADVISER

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

PRINCIPAL BANKERS

Bank of Beijing *(PRC Domestic Bank)*
Bank of China
Bank of Communications
China Citic Bank
China Construction Bank *(PRC Domestic Bank)*
China Development Bank *(PRC Domestic Bank)*
China Everbright Bank
China Merchants Bank
China Minsheng Bank
DBS Bank
Huaxia Bank *(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)*

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

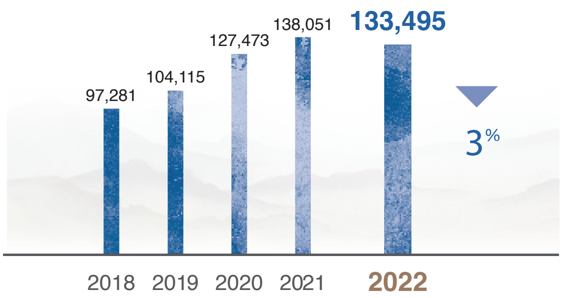
Tricor Tengis Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

INVESTOR RELATIONS CONSULTANT

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

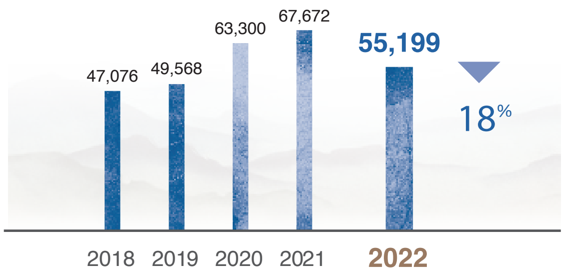
Total Assets Value

(HK$ million)



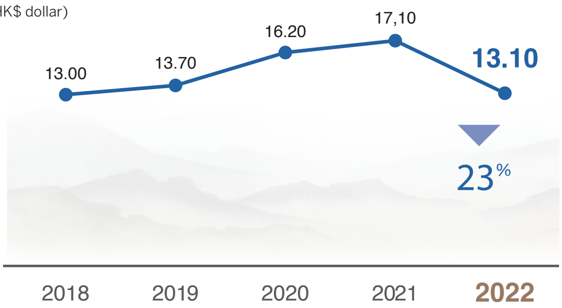
Total Equity

(HK$ million)



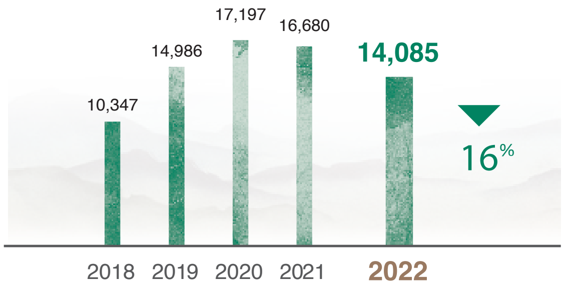
Net Asset Value per Share Attributable to Shareholders

(HK$ dollar)



Revenue *

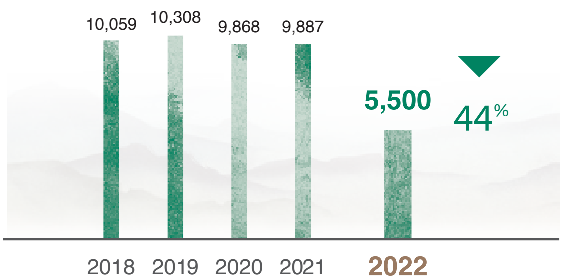
(HK$ million)



* *Excluding revenue from construction services for toll roads*

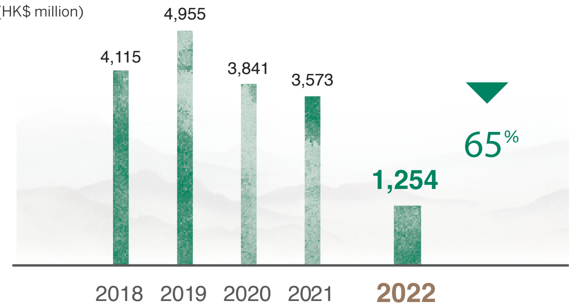
Profit before Finance Costs and Tax

(HK$ million)



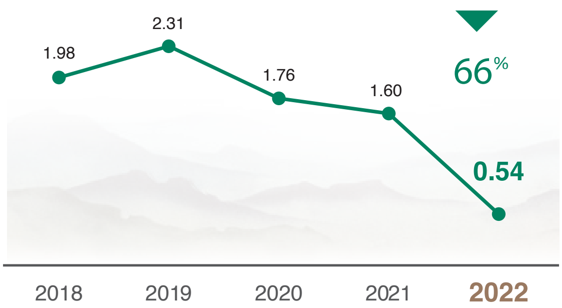
Profit Attributable to Ordinary Shareholders of the Company

(HK$ million)



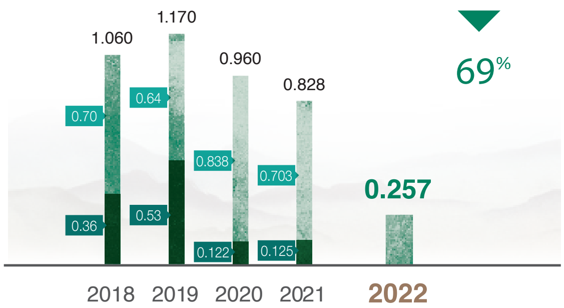
Earnings per Share (Basic)

(HK$ dollar)



Dividend per Share

(HK$ dollar)



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*
		2022		
Toll roads and general-environmental protection business				
— Revenue	**9,330**	**2,697**	**670**	**3,367**
— Construction service revenue	**1,444**	**–**	**–**	**–**
Toll roads and general-environmental protection business sub-total	**10,774**	**2,697**	**670**	**3,367**
Logistics parks	**1,573**	**1,597**	**15**	**1,612**
Logistics services	**390**	**29**	**5**	**34**
Port and related services	**2,762**	**191**	**–**	**191**
Logistics park transformation and upgrading services	**30**	**2,838**	**38**	**2,876**
Sub-total	**4,755**	**4,655**	**58**	**4,713**
Head office functions	**–**	**(268)**	**(2,312)**	**(2,580)**
Total	**15,529**	**7,084**	**(1,584)**	**5,500**
Finance income				**304**
Finance costs				**(2,873)**
Finance costs – net				**(2,569)**
Profit before income tax				**2,931**
		2021		
Toll roads and general-environmental protection business				
— Revenue	11,281	3,894	1,194	5,088
— Construction service revenue	1,862	–	–	–
Toll roads and general-environmental protection business sub-total	13,143	3,894	1,194	5,088
Logistics parks	1,380	607	17	624
Logistics services	988	22	7	29
Port and related services	2,711	200	–	200
Logistics park transformation and upgrading services	320	161	875	1,036
Sub-total	5,399	990	899	1,889
Head office functions	–	4,671	(1,761)	2,910
Total	18,542	9,555	332	9,887
Finance income				398
Finance costs				(1,329)
Finance costs – net				(931)
Profit before income tax				8,956

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 2022 figures are extracted from the audited financial statements. The 2018 to 2021 figures were restated accordingly due to the completion of acquisition of 100% equity interest in Shenzhen Investment International Capital Holdings Infrastructure Co.. Ltd..

	Year ended 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**15,529,301**	18,541,926	19,452,409	16,820,326	11,581,036
Profit before income tax	**2,930,926**	8,956,258	8,991,919	9,176,036	8,264,710
Income tax expense	**(994,769)**	(2,726,653)	(3,270,109)	(2,087,168)	(1,868,829)
Profit before NCI	**1,936,157**	6,229,605	5,721,810	7,088,868	6,395,881
Perpetual securities holders	**(92,999)**	(92,075)	(91,866)	(92,951)	(92,969)
Non-controlling interests	**(589,239)**	(2,564,519)	(1,789,091)	(2,041,045)	(2,188,230)
Profit attributable to shareholders	**1,253,919**	3,573,011	3,840,853	4,954,872	4,114,682

	As at 31 December				
	2022	2021	2020	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Fixed assets	**17,874,497**	19,087,069	12,745,050	10,031,443	10,631,398
Investment properties	**10,226,082**	7,697,726	611,305	576,796	93,930
Land use rights	**3,181,633**	3,328,772	3,802,321	3,393,684	–
Investments in associates & joint ventures	**28,489,600**	31,745,283	26,069,289	26,421,571	26,689,239
Other financial assets	**1,021,738**	1,144,780	2,382,291	563,253	498,621
Intangible assets	**29,941,138**	32,922,243	31,645,704	26,260,742	27,263,653
Other non-current assets	**12,283,240**	12,205,148	9,163,015	4,966,671	2,012,743
Net current (liabilities) assets	**(18,107,422)**	(4,230,942)	2,427,762	14,202,398	14,694,534
Non-current liabilities	**(29,711,332)**	(36,227,904)	(25,547,090)	(36,848,161)	(34,808,325)
Net assets	**55,199,174**	67,672,175	63,299,647	49,568,397	47,075,793
Equity					
Issued capital	**2,387,810**	2,266,714	2,194,991	2,161,842	2,119,873
Reserves	**28,860,054**	36,605,854	33,431,865	27,507,640	25,420,018
Equity attributable to ordinary shareholders	**31,247,864**	38,872,568	35,626,856	29,669,482	27,539,891
Perpetual securities	**–**	2,330,939	2,330,939	2,330,939	2,330,939
Non-controlling interests	**23,951,310**	26,468,668	25,341,852	17,567,976	17,204,963
Total equity	**55,199,174**	67,672,175	63,299,647	49,568,397	47,075,793

KEY EVENTS IN 2022

OPERATION MANAGEMENT

JANUARY

- The Group successfully issued RMB1,000 million corporate bonds with a record low interest rate of 2.95% in recent years

- Shenzhen Expressway Corporation Limited successfully completed the acquisition of a 71.83% equity interest in Shenzhen Investment Holdings Bay Area Development Company Limited

MARCH

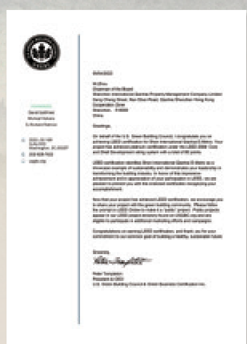
- The Group built four cross-border transfer stations in a short period of time to alleviate the pressure of cross-border freight transportation. The first freight train departed from Pinghunan National Logistics Hub to aid Hong Kong in its battle against the pandemic, demonstrating the Company's social responsibility as a state-owned enterprise

MARCH

- The Group acquired high-quality logistics projects in the gateway cities of Zhengzhou and Hefei, with a total site area of 919,000 square meters. The acquisition accelerated the Group's strategic layout of "One City, Multiple Parks" in the core regions

MAY

- Shenzhen International Yidu Building obtained the LEED-CS Platinum certification from the US Green Building Council, making the project's official entry into the world's top environmentally-friendly office buildings



SEPTEMBER

- The Group's self-developed Yicheng Qiwanli, commenced pre-sale with a sales rate of 98.5% on the first day of launch. The grand opening of Qianhai Yinli also took place simultaneously

OCTOBER

- EDI Co introduced a strategic investor under Cainiao AI, namely Shanghai Flying Fish Supply Chain Technology Co., Ltd., to jointly create "end-to-end digital intelligence" cross-border logistics solutions

NOVEMBER

- The Group entered into an investment agreement for the Western Highway Logistics Hub Project (one of the first-class highway freight hubs planned by Shenzhen) to establish logistics hub that connects the domestic and international dual circulation systems

NOVEMBER

- After signing the strategic cooperation framework agreement in May 2022, the Group and the Pingshan District government went on to sign cooperation agreements for the Pingshan Logistics Hub and Pingshan Walmart Pilot Logistics and Manufacturing Integration Project. Moving forward, both parties will deepen their cooperation in areas such as "Multi-storeyed Factories" and "Multi-storeyed Warehouses"

DECEMBER

- Two ship unloaders were successfully installed in Jingjiang Port Project, the construction of which was commenced in March 2022

DECEMBER

- The first vessel berthed at the Shenqiu Port Project, signifying the further optimization of the "1 + 3 + N" port network

DECEMBER

- The Chengdu Qingbaijiang Project, which is the Group's first self-constructed cold storage warehouse project, was officially completed and put into operation, marking the first successful stride of the Group in exploring cold chain warehousing operations

CORPORATE HONORS

JANUARY

- The Company was honored with the "Best Infrastructure and Public Utilities Company" and the "Best IR Team" at the 6th Golden Hong Kong Stocks Awards Presentation Ceremony

MARCH

- The Company was named as one of the ten benchmark enterprises in "Guangdong Province's Key State-Owned Enterprise Management Improvement Action"

APRIL

- The patents for the "Method and Device for Transmitting Data" and the "Data Filtering Method and Device", which are technologies developed independently by the Group, were reviewed and successfully granted by China National Intellectual Property Administration

JULY

- The Environmental, Social and Governance (ESG) Report 2021 of the Company was granted the "Sustainable Development Category – Silver Award" in Quam IR Awards 2021

AUGUST

- The Group's intelligent park management platform – the Shenzhen International Qianhai Intelligent Platform, was selected as one of the benchmark cases for the First National Innovation and Intelligent Practice for Transportation Enterprises in China. By utilizing cloud, artificial intelligence, big data and the Internet of Things (IoT) technologies, the project has built a digital, intelligent, and green "AIoT+ smart park" to create a safe, intelligent, efficient, and interconnected working environment

- The Company was listed as the "Double-Hundred Benchmark Enterprise" by the SASAC of the State Council for two consecutive years

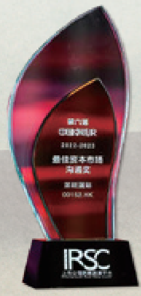
- Nanjing Xiba Port's "Research and Application of Weighing System for High-precision Dynamic Buckets of Ship Unloaders" was awarded the "First-class Prize of 2021 Science and Technology Awards" by China Ports and Harbours Association

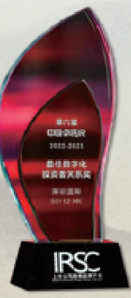
OCTOBER

- The Company's 2021 annual report won three awards in the 36th International ARC Awards 2022 and six awards in the 2021 Vision Awards Annual Report Competition organized by the League of American Communications Professionals (LACP), and five awards in the International Annual Report Design Awards (IADA) 2021 International Annual Report Design Awards organized by the IADA

DECEMBER

- The Company obtained the "Best Listed Company at Investor Relations Management" at the China Securities Golden Bauhinia Awards organized by Hong Kong Ta Kung Wen Wei Media Group, the "Annual Sustainable Development Award" at the Outstanding Listed Companies in Greater China Awards, the "Best Infrastructure and Public Utilities Company Award" at the 7th Zhitong Caijing Listed Companies Awards, as well as the "Best Digital IR Award" and "Best Capital Market Communication Award" at the 6th China IR Annual Awards





DECEMBER

- The Company once again won the "Guangdong-Hong Kong-Macao Outstanding Contribution Enterprise Award" of Linghang "9+2" presented by Hong Kong Ta Kung Wen Wei Media Group

Build up our Strength

Bide our Time for the Long Run

Dear Shareholders,

2022 was an unprecedentedly challenging year. Nevertheless, the Group rallied its forces, mustered its strength and prepared for opportunities to arise. Confronted with the pressures of an economic downturn and the impact of pandemic, the Group adhered to its established "14th Five-Year" development strategy, focused on high-quality development and capacity building. The Group has successfully weathered the challenging circumstances. Despite the considerable decline in operating results due to the significant weakening in financial performance of Shenzhen Airlines Company Limited and exchange losses, the Group continued to build up and conserve its strength and steadily enhanced its competitiveness by progressing in the development of its core business, incubation of new business models and improving in its management.

Persevering Under Pressure Ensuring Continued Development and Securing Profits for Distribution

For the year ended 31 December 2022 (the "Year"), the Group's profit attributable to shareholders decreased by 65% to HK$1,254 million as compared to the previous year. The revenue from the logistics business decreased by 17% year-on-year to HK$1,963 million, while profit attributable to shareholders increased by 181% year-on-year to HK$1,427 million.

The Board of Directors (the "Board") recommended the payment of final dividend of HK$0.257 per share for 2022 (2021: final dividend of HK$0.125; special dividend of HK$0.703). Dividend per share decreased 69% as compared to the previous year, and the payout ratio is 49%.

Ensuring Resilience with Stable Core Business Operations

Amidst increasing instability and uncertainties across the world, seeking progress while maintaining stable operation has become the guiding business principle of the Group. Over the past year, the Group adopted worst-case scenario thinking and pursued steady growth. Following its "14th Five-Year" development strategy, the Group has devised and implemented a road map to quality development, thereby delivering sound results in the planning and development of its core business.

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

In 2022, the Group was committed to accelerating the expansion of its logistics business, upgrading its business models, continuously perfecting its strategic concept of all-round "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" logistics ecosystem, expediting high-quality multimodal transportation development, as well as coordinating the planning, designing, consolidation, operation and construction of the infrastructure at its logistics hubs in core regions across the country.

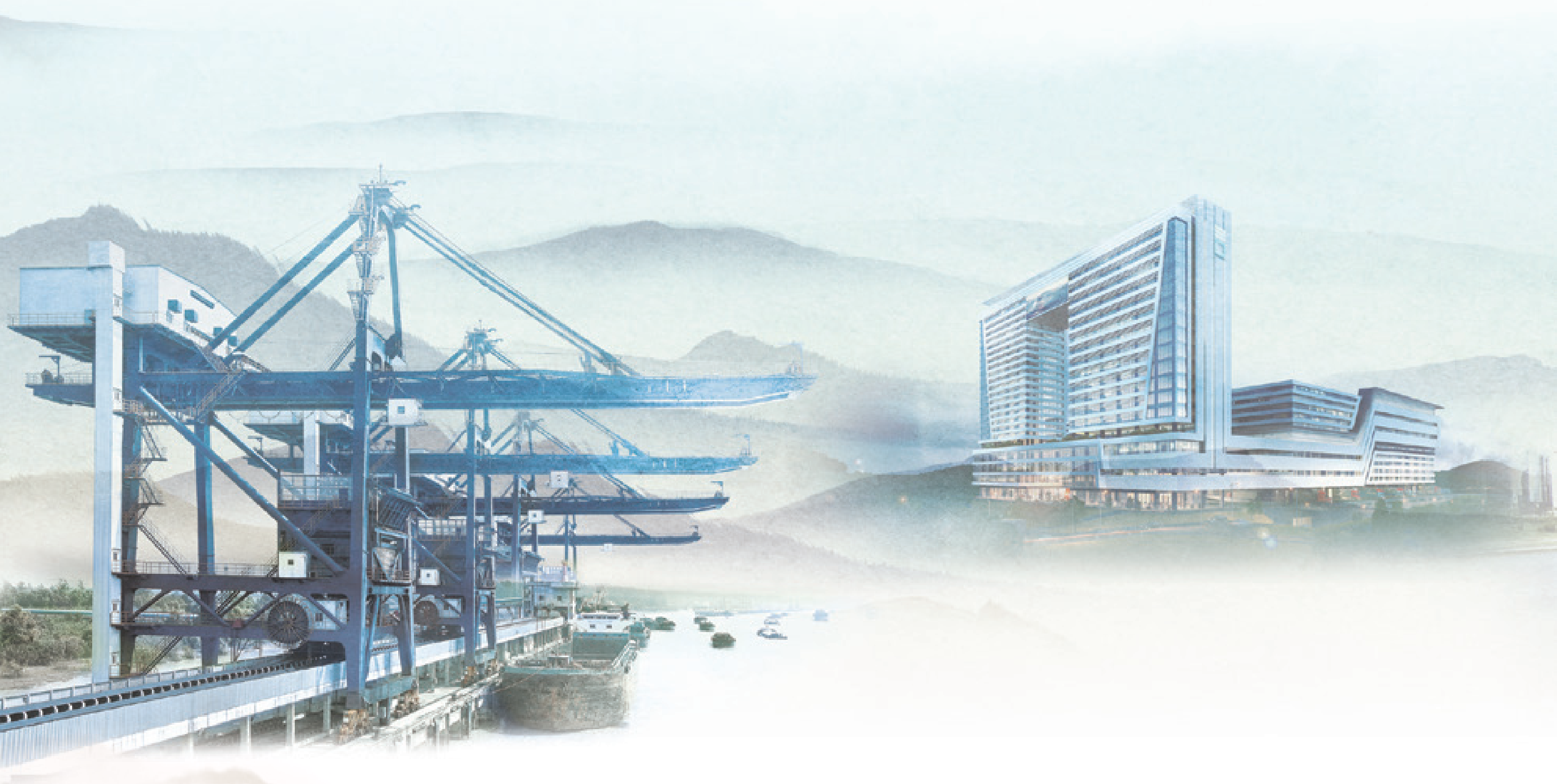
Enhancing the layout of Land-based Logistics Parks. The total operating area of the Group's logistics parks across the country reached a historic breakthrough of 4 million square meters, thereby further expanded the Group's business coverage. The "One City, Multiple Logistics Parks" strategy yielded significant results with the Group having more than one park in 13 gateway cities by the end of 2022.

The Group has also devised new investment and expansion strategies based on its competitive strength in Shenzhen and the Guangdong-Hong Kong-Macao Greater Bay Area. In Shenzhen, it has proactively seized the opportunities presented by the city's three-tiered "7+30+N" logistics station layout and "20+8" industrial clusters that support "Multi-storeyed Warehouses". The Group has successfully signed investment agreement for the Western Highway Logistics Hub and is actively promoting the construction of the first-class highway freight hub station in Shenzhen. In addition, the Group sped up the construction progress of several projects in Shenzhen, such as SZ Liguang Project and SZ Yantian Comprehensive Bonded Project. The Group is also exploring the feasibility of the first "High-End Manufacturing + Intelligent Logistics" project in Pingshan District of Shenzhen, with the aim of lowering logistics costs for society while boosting the economy of Shenzhen. In the Greater Bay Area, the Group successfully obtained two scarce land plots in Nanhai and Shunde districts of Foshan. Coupled with the existing premium projects such as Foshan Gaoming Project and Zhaoqing Gaoyao Project, the Group is establishing a new pattern of investment framework in the Greater Bay Area.

Accelerating the Development of Port Business Network. The business volume of Nanjing Xiba Port continued to rank first amongst 11 ports of its type along the Yangtze River. The construction of the main marine structures of Jingjiang Port Project has been completed. The first vessel berthed and underwent heavy load testing successfully at Shenqiu Port Project. The inspection and acceptance procedures of the first phase of Fengcheng Shangzhuang Project were completed successfully. With the initial success of the "Port Connection Action" strategy, the Group's port business has gained additional competitive strength among inland ports and laid a solid foundation for its growth and expansion.

The air cargo and railway freight logistics businesses are precisely targeted. Focusing on the development strategies of the air cargo and railway freight logistics businesses, the Group is actively promoting substantial progress in projects such as air cargo logistics hubs in Shenzhen and Beijing and the second phase of SZ Pinghunan Project, by pursuing cooperation with enterprises controlled by the central government and local government in China and integrating resource advantages, the operational capacity of the freight yard of the first phase of the SZ Pinghunan Project as well as the China-Europe and China-Laos routes of the Bay Area Express enhanced further. Through continuously exploring the development path of "developing door-to-door multimodal transportation based on rail freight routes" and by relying on the railway yard in the first phase of the SZ Pinghunan Project, the Group has successfully developed a multimodal transportation project for "Pinghunan, Shenzhen to Minhang, Shanghai" express freight train which has enhanced the transportation capacity and economic benefits of the railway business.

Comprehensive Cultivation of Intelligent and Cold Chain Logistics Businesses. The Group is accelerating the construction of infrastructure assets through self-construction and renovation. The Chengdu Qingbaijiang Project, the Group's first self-constructed cold storage warehouse project, has been completed and put into operation. Additionally, the Group is exploring land acquisition and cooperative development for a cold chain project at the Nanjing Jiangning Airport. Several intelligent and cold chain warehouses, such as the Tianjin Xiqing Project, the Longzhuo Intelligent Warehouse as well as the A5 and A7 warehouses of Shijiazhuang Zhengding Project, have been successfully renovated and put into operation. Furthermore, through a combination of self-operation and cooperation, the Group is gradually building up its operational capacity. The SZ Liguang Project and Shanghai Minhang Project were taken as the first batch of pilot projects to promote market cooperation in the development of cold chain operations. The Group is currently speeding up the expansion of its cold chain business, aiming to improve operational cash flows of its logistics business, enhance investment returns and gain a competitive advantage in the industry.



Toll Roads and General-Environmental Protection Business Maintained Stable Performance

The Group continued to consolidate and strengthen its toll road business and rolled out the general-environmental protection business through a listed subsidiary of the Company, namely Shenzhen Expressway Corporation Limited. In terms of project acquisition, the Group completed the acquisition of 71.83% equity interest in Shenzhen Investment Holdings Bay Area Development Company Limited, a Hong Kong listed company, thereby adding the Guangshen Expressway and the GZ West Expressway with an additional toll length with controlling interest of 105 kilometers ("km") to its toll road business. The Group took the designed organic waste treatment capacity to a new height by acquiring controlling stake in Shenzhen Lisai Environmental Technology Limited and winning the bids for two organic waste treatment projects in Shaoyang and Ya'an. With respect to project construction, the second phase of the Outer Ring Expressway in Shenzhen was open to traffic in January 2022, and the Group has pushed through several major projects under construction, such as the second phase of the coastal project, the Guangming Environmental Park and the Longlihe Bridge in an orderly manner. The preparation for the reconstruction and expansion of the third phase of the Shenzhen Outer Ring Expressway and the second Shenzhen-Shantou Expressway are currently in progress. As such, all the Group's major construction projects were proceeding with high quality and efficiency.

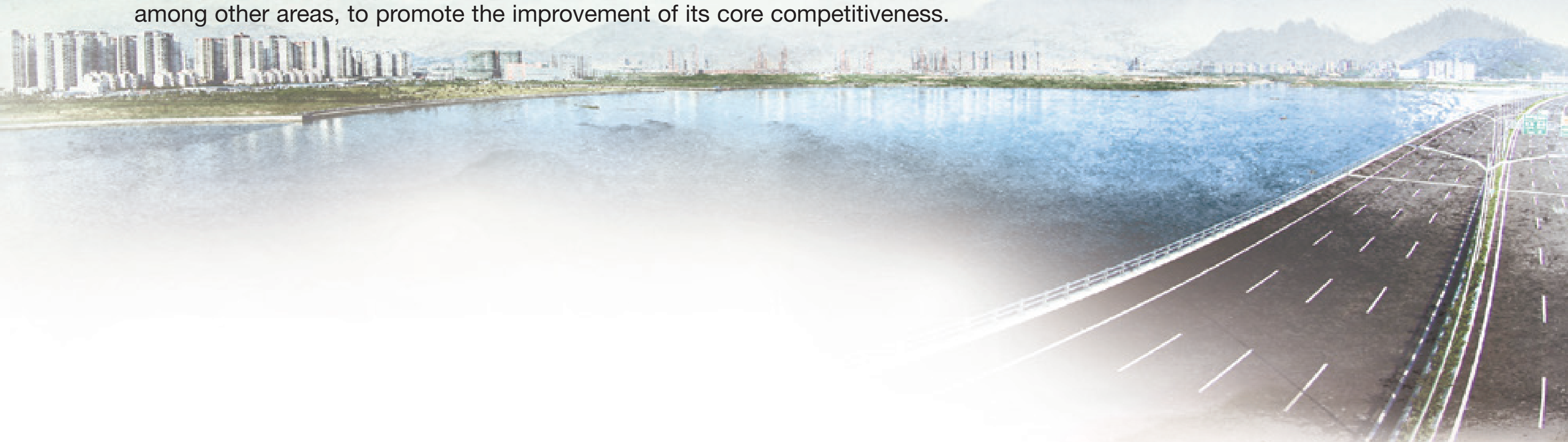
"Investment, Construction, Financing and Operation" and "Investment, Construction, Operation and Transformation" Dual Closed-Loop Business Models Developed Steadily and Efficiently

In respect of the short closed-loop "Investment, Construction, Financing and Operation" business model, the Group persists to implement both publicly-traded REITs and private equity fund. Firstly, the Group has completed the equity interests transfer of the second phase of Hangzhou Project and Hefei Feidong Project, resulting in the gain after tax of approximately HK$657 million. Secondly, in accordance with the pilot scheme on the public offering of publicly-traded REITs promulgated by the National Development and Reform Commission and the China Securities Regulatory Commission, the Group has been considering the possibility of an offering of publicly-traded REITs and related preparations are being undertaken in an orderly manner.

As to the long closed-loop "Investment, Construction, Operation and Transformation" business model, the Group will rigorously push through the transformation of the first phase of SZ South China Logistics Park into "functional headquarters for the digital economy". Meanwhile, the transformation and upgrading of Shijiazhuang Zhengding Project is proceeding in an orderly manner. The Group is speeding up the construction of this multi-functional industrial-city complex which includes intelligent logistics park, backbone cold chain base, ice and snow sports, culture and tourism, quality agricultural product display, medicine and healthcare and innovation platform. The pre-sale rate of the residential project in the second phase of the Qianhai Project, Yicheng Qiwanli, reached 98.5% on its first day of launch, marking a successful launch of the project. The "Qianhai Yinli"（前海 • 印里）, which was the first commercial project developed by the Group, had its grand opening and was well-received upon its commencement of operation. Moving forward, the Group will continue to promote the orderly development and operation of existing projects.

Capacity Building Proceeded Steadily

Capacity building is a crucial factor for sustainable and healthy development of an enterprise. To achieve this, an enterprise has to stay focused and persistent. Being a red chip company registered overseas and listed in Hong Kong, the Group has committed to complying with the applicable laws and regulations. We also placed great importance on establishing an efficient Board and enhancing corporate governance standards. The Group has rolled out a market-oriented reform of the "8-Abilities" to enhance its corporate vitality. Additionally, the Group is focusing on team-building and improving team combat effectiveness, among other areas, to promote the improvement of its core competitiveness.



In 2022, the Group was named one of the top 10 benchmark enterprises in Guangdong Province's Key State-Owned Enterprise Management Improvement Action as well as one of the 22 benchmark local state-owned enterprises across the country in the "Double-Hundred Enterprise" by the State-owned Assets Supervision and Administration Commission of the State Council. It was also included in Shenzhen's list of key companies for the accelerated building of world-class enterprises. The Group has won over 60 accolades, including the Guangdong-Hong Kong-Macao Greater Bay Area Outstanding Contribution Enterprise Award and the Best Infrastructure and Public Utilities Company, reflecting the market recognition and high regards for the Group's corporate value.

Outlook

With the relaxation of pandemic control measures, it is believed that China's economy has passed the most difficult period. However, the world is still full of instability and uncertainties. As economic recovery remains unstable, the logistics and real estate industries are experiencing market fragmentation. This presents both challenges and opportunities to the Group. The major task going forward amidst these market changes will be rising to the challenges and achieving growth in a proactive manner. In 2023, the Group will focus on the key tasks of realizing high-quality development and capacity building.

In respect of high-quality development, as China attaches increasing importance to transportation, logistics, circulation systems and a unified national market, future policies and resource investment are expected to encourage activities in these areas. At the end of 2022, the Central Economic Work Conference also reiterated the need to vigorously stimulate domestic consumption with stronger measures so as to reinstate a positive social and production cycle, in which logistics infrastructure will become more important. We will continue to focus on our core logistics business, make good use of our strengths, mitigate our risks and perfect our business models in order to improve the quality of our assets in accordance with both the long and short closed-loop development models, while exploring and creating ancillary warehousing and storage products that cater to the trend of logistics and manufacturing integration. Furthermore, the Group will further strengthen the business incubation ability and core operational capacity in respect of the port, air cargo terminal, railway freight terminal and intelligent and cold chain warehouse sub-sectors. It will strive to reinforce its unique business strength, promote multimodal transportation, support industrial upgrade and conserve power for long-term growth by further diversifying the all-round "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" system.

As to capacity building, the Group will promote sustainable growth and enhance competitive strength, innovative power, control capability, influence and risk mitigation ability mainly through reforming and perfecting its transformation and marketization mechanism, improving its corporate governance and strengthening its capacity through management, enhancing its efficiency by reform, and implement quality, efficiency and motivation reforms.

Consistent effort and perseverance are necessary to reach one's goals. An endeavouring man will succeed in his way. The Group will continue to implement the stable growth development strategy, pursue high-quality development and strive to create greater value and return for all shareholders by constantly strengthening its business foundation while gathering momentum of growth.

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 staffs for their diligence and precious contributions to the Group during the past year.

Li Haitao
Chairman

28 March 2023

01

整體回顧

Overall Review

OVERALL REVIEW

Operating Results	2022 HK$'000	2021 HK$'000 (Restated*)	Increase/ (Decrease)
Revenue (excluding construction service revenue from toll roads)	**14,085,196**	16,680,223	(16%)
Construction service revenue from toll roads	**1,444,105**	1,861,703	(22%)
Total revenue	**15,529,301**	18,541,926	(16%)
Operating profit	**7,083,667**	9,554,640	(26%)
Profit before tax and finance costs	**5,499,519**	9,887,084	(44%)
Profit attributable to shareholders	**1,253,919**	3,573,011	(65%)
Basic earnings per share (HK dollars)	**0.54**	1.60	(66%)
Dividend per share (HK dollar) (in aggregate)	**0.257**	0.828	(69%)
– Final dividend (HK dollar)	**0.257**	0.125	106%
– Special dividend (HK dollar)	**–**	0.703	N/A

* *The Group completed the acquisition of 100% equity interest in Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. ("Shenzhen Investment Infrastructure") on 11 January 2022 and consolidated it in the Group's financial statements under the common control consolidation approach. Pursuant to the applicable accounting standards, the Group has made retrospective adjustments to the consolidated financial statements for the previous year.*

In 2022, the Group faced multiple challenges due to the complex and harsh international and domestic environments, as well as the ongoing pandemic. Amidst extensive efforts to prevent and control the pandemic, the Group firmly adheres to the principle of seeking progress while maintaining stable operation. The Group also focused on developing its core logistics business, perfecting the all-round "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" system. The Group has been persistently developing the core competitiveness and sustainability of the logistics business, and pursuing long-term high-quality sustainable growth in strict adherence to its "14th Five-Year" development strategy.

For the year ended 31 December 2022 (the "Year"), the Group recorded a revenue of approximately HK$14,100 million, representing a decrease of 16% year-on-year and profit attributable to shareholders of HK$1,254 million, representing a decrease of 65% year-on-year. The drop in revenue and profit was mainly due to the significant decline in the financial performance of an associate, Shenzhen Airlines Company Limited ("Shenzhen Airlines"), and a subsidiary, Shenzhen Expressway Corporation Limited ("Shenzhen Expressway"), as compared to the corresponding period of the previous year. In addition, the substantial depreciation of Renminbi ("RMB") during the Year also resulted in foreign exchange losses.

In 2022, the Group has made new progress in expanding its core logistics business, and its nationwide network layout continued to improve. The Group demonstrated its competitive strength in obtaining land resources by successfully acquiring warehousing and storage land plots in Foshan of Guangdong Province, Nanchang of Jiangxi Province, and Haikou of Hainan Province. At the same time, the Group successfully acquired high-quality logistics warehouse projects in two key gateway cities, namely Zhengzhou and Hefei, for an aggregate consideration of RMB1,710 million, further extending the strategic layout of "One City, Multiple Logistics Parks" in core cities. In 2022, the Group obtained new land plots with the site area of approximately 1.81 million square meters, and newly developed land plots of approximately 0.87 million square meters which have been put into operation. As at 31 December 2022, the Group has established foothold in approximately 40 key logistics gateway cities across the country, and managed and operated a total of 34 logistics projects with an operating area of more than 4 million square meters in the aggregate.

Benefiting from the launch of several new parks, revenue from the logistics park business for the Year increased by 14% to HK$1,573 million as compared to the corresponding period of the previous year. However, in order to withdraw from business with lower gross profit margin and/or higher risks, the Group proactively conducted business restructuring of the logistics service business. The decrease of revenue from this sub-segment offset the revenue growth from the logistics park business. As a result, revenue from the logistics business as a whole dropped by 17% to HK$1,963 million as compared to the corresponding period of the previous year. The profit attributable to shareholders from the logistics business surged by 181% to HK$1,427 million as compared to the corresponding period of the previous year, mainly attributable to the further implementation of the Group's "Investment, Construction, Financing and Operation" closed-loop business model. The Group successfully injected the Hefei Feidong Project and the second phase of the Hangzhou Project into a private equity fund, which resulted in recognition of a gain after tax of approximately HK$657 million during the Year.

As for the logistics park transformation and upgrading business, the Group is steadily advancing the development and construction of the Qianhai Project and the orderly expansion of the long closed-loop "Investment, Construction, Operation and Transformation" business model. In February and June 2022, Shenzhen Vanke Development Company Limited ("Shenzhen Vanke") injected approximately RMB915 million and RMB1,480 million, respectively, into Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd ("Qianhai Business"). Upon the completion of the second batch of capital contribution, the Group's shareholding in Qianhai Business was diluted to 50%. The capital contribution contributed a gain before tax of approximately RMB2,487 million to the Group. In addition, the pre-sale of Yicheng Qiwanli（頤城棲灣里）, a residential project developed solely by the Group, has officially commenced in September 2022 with the pre-sale rate reached 98.5% on the first day of launch. The inspection and acceptance procedures of this project is expected to be completed by the end of 2023.

By rigorously developing the "Investment, Construction, Operation and Transformation" and "Investment, Construction, Financing and Operation" dual closed-loop business models, the Group will be able to accelerate its capital recovery, optimize its capital structure, promote successive developments, obtain and accumulate premium logistics assets, and achieve the goals of strengthening and expanding the core logistics business.

In respect of the port business, the Group actively sped up the implementation of the "Port Connection Action", explored new businesses, and aimed for high-quality development of port operation during the Year. The business volume of Nanjing Xiba Port continued to rank first amongst 11 similar ports along the Yangtze River. During the Year, revenue from the port and related services business increased by 2% as compared to the corresponding period of the previous year to HK$2,762 million. Profit attributable to shareholders decreased by 5% (if represented in RMB, maintained at a similar level with that of the previous year) as compared to the corresponding period of the previous year to HK$103 million.

The port business is an important segment in the Group's "Four Growth Engines" layout strategy. In recent years, on the one hand, the Group has been actively exploring new businesses to increase revenue, while on the other hand expanding into quality port projects. In particular, the construction of the Jingjiang Port Project, the Shenqiu Port Project and the Fengcheng Shangzhuang Project are all progressing steadily and they are expected to be put into operation gradually in 2023. A multi-point port network is taking shape.

During the Year, affected by the decline in road traffic demand, road network diversion and the promulgation of government policy to offer 10% toll discount to trucks in the fourth quarter, the overall revenue and profit attributable to shareholders of Shenzhen Expressway decreased by 17% and 27% as compared to the corresponding period of the previous year to HK$9,330 million and HK$2,315 million, respectively. Shenzhen Expressway recognized an investment gain of approximately RMB920 million due to the capital reduction of an associate during the Year, while the Group adopted HKFRS, the profit of Shenzhen Expressway attributable to the Group for the Year dropped by 60% as compared to the corresponding period of the previous year to HK$651 million.

During the Year, Shenzhen Airlines, an associate of the Company, witnessed a decline in demand for air passenger transportation due to the ongoing pandemic in the PRC. Such decrease in demand, coupled with the continuous rise in aviation fuel costs and fluctuation in exchange rates, resulted in net loss for the Year of approximately RMB11,129 million (equivalent to HK$12,793 million). According to the applicable accounting standards, the Group recognized its share of loss in the residual carrying value of Shenzhen Airlines of approximately RMB2,319 million (equivalent to HK$2,666 million) in its profit or loss during the Year. With the pandemic prevention and control in China entering a new phase, the rebound in demand for airline traffic will create a favorable macro environment for the recovery and development of the civil aviation industry. Shenzhen Airlines will further refine its route layout, rationalize its capacity allocation and strengthen overall cost control to lay a solid foundation for its sustainable and healthy business development.

Moreover, due to the significant depreciation of RMB against other currencies, the Group recorded a net foreign exchange loss of approximately HK$1,161 million during the Year. The Group will closely monitor the fluctuation and changes in RMB exchange rates, strengthen foreign exchange management and tighten control over foreign exchange risks.

Social responsibilities

In early 2022, Hong Kong experienced the fifth wave of pandemic outbreak. To support anti-pandemic measures in Hong Kong, 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-border 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-border 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 accessibility by vehicles representing approximately 43.9% of the total traffic volume of Shenzhen. Meanwhile, the Group and Sinotrans Limited ("Sinotrans") 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.

To help enterprises overcome the difficulties caused by the pandemic, the Group aligned with the relevant business relief measures in accordance with relevant policies issued by government authorities, and the Group reduced the rents payable by small and micro enterprises as well as sole proprietorships that satisfy relevant conditions with a view to taking on social responsibility, balancing economic benefits and social well-being, and demonstrating the social responsibility of a state-owned enterprise.

Dividend

The board of directors of the Company (the "Board") is committed to maintaining a stable dividend policy and continuing to bring sustainable and stable returns to its shareholders. Having considered the composition of the profit and cash flows of the Group, the Board recommended a final dividend of HK$0.257 per share for the Year (2021: final dividend of HK$0.125; special dividend of HK$0.703). Dividend per share decreased 69% as compared to the previous year. Total dividend amounts to HK$614 million (2021: HK$1,877 million), representing a decrease of 67%, as compared to the previous year.

The Board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to: (1) the approval of the proposed final dividend at the forthcoming annual general meeting of the Company ("2023 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

物流業務

Logistics Business

OVERVIEW

The Group has extensive experience in the development, operation and management of logistics parks. Based in Shenzhen, the Group focused on economically affluent regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and the Beijing-Tianjin-Hebei Region. Through self-construction, acquisition and other methods, the Group continues to consolidate its logistics assets and expand its operating scale in order to establish a comprehensive "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure" logistics infrastructure network. At the same time, the Group strives to become "the leading first-class comprehensive logistics services provider in the PRC", adopts as its core business functions the development and operation of urban high-end logistics complexes such as high-standard warehouses and intelligent logistics hubs, and meets customer needs in a comprehensive manner by providing integrated logistics services such as intelligent warehousing and storage, cold chain, supply chain finance and third-party logistics.

As at 31 December 2022, the Group has established footholds in approximately 40 key logistics gateway cities across the country, and managed and operated a total of 34 logistics projects with a planned land area of approximately 10.46 million square meters in aggregate, among which approximately 8.15 million square meters have obtained operation rights and approximately 4.31 million square meters were in operation with an overall occupancy rate of approximately 86%.

In 2022, the areas of land acquired by the Group and in operation were approximately 1.81 million square meters and approximately 0.87 million square meters, respectively.

ANALYSIS OF OPERATING ENVIRONMENT

In 2022, due to the combined impact of inflation, the Russia-Ukraine war, and the ongoing pandemic, the global economy was in a downturn, and China's domestic economy also faced significant pressure as the growth rate of logistics demand slowed down. Despite this, the Chinese government provided strong support for the logistics industry in its policies and called for the construction of logistics infrastructure networks to be strengthened, as well as the optimization and development of multimodal transport facilities, cold chain logistics facilities, and emergency logistics systems. The logistics industry faced both challenges and opportunities.

The Group responded actively to changes in the external environment and the impacts of relevant policies, turning adversity into opportunity. Building on its footholds in the Shenzhen Pilot Demonstration Zone and the Guangdong-Hong Kong-Macao Greater Bay Area, it is seizing opportunities to build a modern logistics system by upgrading logistics infrastructure across the country. Apart from seizing market opportunities to accelerate the establishment of national networks and continuously exploring investment and acquisition opportunities to expand its business scale, the group is also accelerating the cultivation of new businesses as well as continuously enhancing its "Investment, Construction, Financing and Operation" and "Investment, Construction, Operation, and Transformation" dual closed-loop business models to accumulate energy for its long-term development.

ANALYSIS OF OPERATING PERFORMANCE

Logistics Park Business

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, the Group has established its presence in cities such as Zhongshan, Zhaoqing and Foshan among the cities in the Greater Bay Area in addition to Shenzhen, to achieve its strategic vision of integration into the Greater Bay Area. The Group strives to expand its investment layout in the Greater Bay Area and has developed a series of new products, such as the "Shenzhen International Intelligent Logistics Hubs", to align with the industry's trend towards smart and intelligent development and the local government's initiative on intensive land use.

As at 31 December 2022, the Group has established 13 logistics projects across the Greater Bay Area. Among them 4 (including 3 in Shenzhen) are in operation/under management while 5 projects (including 3 in Shenzhen) are under construction.

Logistics Hub Projects in Shenzhen

In recent years, the Group has been actively driving the reconstruction and upgrading of its logistics parks in Shenzhen in accordance with industrial and urban development trends.

Projects in Operation

SZ South China Logistics Park has a site area of approximately 578,000 square meters. It is developed in two phases. The first phase, completed in 2015, is a comprehensive industrial park that mainly focuses on bonded logistics and commercial functions. It has maintained stable operation during the Year. It provides warehousing and storage, bonded logistics and third-party logistics services as well as the renowned "The Outlets-8th（8號倉奧特萊斯）" and "Longhua Luxury Cars Mall（龍華名車廣場）" in Shenzhen. It is currently preparing for the transformation into a digital economy park under the overall planning of the Shenzhen Municipal Government. With a site area of approximately 62,000 square meters and a gross floor area of approximately 200,000 square meters, the second phase of this Park will be developed into the "South China Digital Valley" to align with Longhua District's "Digital Longhua" development strategy. With a focus on the digital industry, the second phase will target enterprises in three major industries, namely artificial intelligence, 5G technologies and industrial internet, with the aim of promoting the integration of regional industries and the city, and empowering regional development with the digital industry. The second phase will be developed and constructed in two stages. The first stage has been put into operation in December 2021 while the inspection and acceptance procedure of the second stage is expected to be completed in the first half of 2023.

SZ Western Logistics Park has a total operating area of approximately 122,000 square meters. It provides mainly bonded logistics, warehousing and storage, loading, unloading, distribution and on-site value adding services. It was listed by the Ministry of Commerce of the PRC in the second batch of Exemplary E-Commerce Bases, designated as a pilot project in the Shenzhen Cross-border E-commerce Center（深圳市跨境電商展示中心）and recognized as an advanced certified enterprise under the Authorized Economic Operator Program. As at 31 December 2022, the overall occupancy rate of the park reached 100%.

SZ Kanghuai E-commerce Center is the first asset-light management project operated by the Group and has an operating area of approximately 143,000 square meters. The SZ Kanghuai E-commerce Center actively explores the development model of green freight distribution, and has built an "Intensive, Efficient, Green and Intelligent" urban freight distribution service system. This project is one of the demonstration project for the Green Freight Distribution（綠色貨運配送示範工程）in Shenzhen. Currently, the center provides a range of services, including warehouse logistics, large data centers, office buildings, dormitories and restaurants, etc. This project also supports interactive sharing and intelligent interchange of data across the park with an intelligent park information management system. The center has achieved stable operations, and has successfully attracted several branded logistics enterprises, resulting in satisfactory leasing progress. As at 31 December 2022, the center achieved an overall occupancy rate of 97%.

While identifying new logistics hub projects, the Group is also closely monitoring the progress of ongoing construction projects to ensure that they meet the expected construction timeline.

Projects in Construction

SZ Pinghunan Project, which is located in Longgang District, Shenzhen, has a total site area of approximately 900,000 square meters and an estimated gross floor area of logistics warehouses of approximately 850,000 square meters (subject to the approval by the relevant governmental authorities of Shenzhen). In September 2019, the SZ Pinghunan Project was selected by the National Development and Reform Commission of the PRC and the Ministry of Transport of the PRC as one of the first batch of 23 national logistics hub projects to be developed as national logistics hubs to provide logistics services. This project is 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, divert the traffic of roads connecting ports and reduce pollutant emissions, thereby optimizing regional transportation systems, which are important for improving logistics efficiency and reducing logistics costs, and are in line with green urban development concepts.

In August 2021, a joint venture was set up to invest in and develop the SZ Pinghunan Project pursuant to the cooperation agreement entered into between the Group and China Railway Guangzhou Group Co., Ltd. The Group intends to turn this project into a demonstrative multimodal transportation hub for the whole country as well as Asia. While preserving the functions of the original railway yard, the construction of the modern large-scale intelligent logistics complex will upgrade the railway yard into an exemplary integrated logistics hub that incorporates multimodal "Road, Railway and Water" transportation, regional distribution and delivery, public warehousing and logistics information services. On the one hand, the SZ Pinghunan Project will effectively meet the pressing demand for high-end logistics infrastructure arising from the operation of Shenzhen Municipality, perfect the city's multimodal transportation system, consolidate and relieve surrounding scattered, low-efficiency and low-performance logistics facilities, and become a modern public logistics service platform serving Shenzhen, the Guangdong-Hong Kong-Macao Greater Bay Area as well as the whole Southern China so as to boost the position of Shenzhen as an important city and entrepot trade hub under the Belt and Road Initiative. On the other hand, it will enable the Group to accumulate high-quality assets with long-term performance 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 SZ Pinghunan Project is in line with the Group's business development strategy and planning.

The Group pioneered the model of "obtaining strata titles in multi-level logistics and warehousing development to be constructed over a railway" in the SZ Pinghunan Project, thereby achieving an integrated "Rail Transportation + Modern Logistics" development. It will become a benchmark for the intensive use of land resources.

The railway yard in the first phase of the SZ Pinghunan Project has been handed over gradually since early 2022 and put into operation. The handover was successful and the operation has been smooth. The area of the railway yard/freight yard in operation in the first phase is approximately 170,000 square meters. In addition, the Group successfully rolled out the Pinghunan, Shenzhen – Minhang, Shanghai rail freight express line through the use of the railway yard of the first phase of the SZ Pinghunan Project, thereby materializing a breakthrough in terms of multimodal transportation. Land acquisition, building design and other preparations for the second phase of facilities to be constructed over the railway yard are currently progressing in full swing. The Group aims at commencing construction within 2023 and completing construction by 2026.

SZ Liguang Project is located in Longhua District, Shenzhen, with a site area of approximately 45,000 square meters. It will be built into a logistics park with a high plot ratio comprising six above ground floors and two underground floors with a planned gross floor area of 265,000 square meters. This project is designed to be a modern high-standard, intelligent and eco-friendly modern logistics park that sets an industry benchmark. This project was selected as one of Shenzhen's key projects in 2022. The Group has been speeding up the construction of this project. The topping-out of the main structure was completed in August 2022. This project is expected to be put into operation in 2023. The project is planned to comprise various facilities, including cold storage warehouses, temperature-controlled warehouses, automated stereoscopic warehouses and an ancillary service center. Upon its operation, the project is anticipated to further solidify the Group's share in the regional logistics market of Shenzhen.

SZ Yantian Comprehensive Bonded Project has a site area of approximately 32,000 square meters and a planned gross floor area of approximately 127,000 square meters. Building on Yantian Port, an international hub port, and Yantian Comprehensive Bonded Zone, this project will be built into a world-leading digital, intelligent and green-bonded logistics complex with the main aims of developing a new bonded business model. It has been selected as one of Shenzhen's key projects in 2022. The construction of this project commenced in June 2022 with the aim of being completed and put into operation in 2023.

Projects under Planning

SZ Pingshan Project has a site area of approximately 120,000 square meters and a planned gross floor area of approximately 450,000 square meters. In April 2022, the Group completed the acquisition of 70% equity interest in this project. It has distinct locational advantage of being surrounded by enterprises in sectors with huge demand for logistics services, such as the information technology, biopharmaceutical and new energy vehicle industries. This project will be a "demonstration base for deep integration of manufacturing and logistics industries" inside Shenzhen's "20+8" strategic emerging industry clusters. It will also act as an "shared intelligent logistics service center" for "9+2" strategic emerging industries in Pingshan District. It will provide efficient intelligent comprehensive logistics services to the advanced manufacturing industry. Upon completion, it will help address the shortage of high-standard logistics facilities in Pingshan District, significantly lower the logistics costs of manufacturing enterprises, and effectively promote the deep integration of manufacturing and logistics industries in Pingshan.

Western Highway Logistics Hub Project is one of seven first-class highway freight hubs stations planned by Shenzhen government. Occupying a prime location, it has a site area of approximately 75,000 square meters. The project aims at establishing a cluster of comprehensive, environmentally friendly, and intelligent high-standard logistics facilities in an intensive and stereoscopic manner, leveraging Bao'an's well-established advanced manufacturing industry and prime location on domestic and international transportation routes. This will facilitate the interaction between high-end manufacturing and logistics industries. The Group entered into the investment agreement for this project with the relevant government department in the second half of 2022 and is currently actively pursuing land obtaining for the project.

Other Projects in the Greater Bay Area

While establishing a foothold in Shenzhen, the Group is accelerating the development of quality projects in other regions in the Greater Bay Area.

Zhongshan Torch Project is the Group's first project in the Greater Bay Area (excluding Shenzhen) with an operating area of 66,000 square meters. It aims to facilitate the integrated development of logistics on both sides of the Pearl River. Following the Group's acquisition in 2019, the project has undergone nearly three years of refined management, leading to significant improvements in operation and service quality. As at 31 December 2022, the occupancy rate has reached almost 100%.

Foshan Nanhai Project and **Foshan Shunde Project** are two warehouse construction sites that the Group successfully obtained at the beginning of 2022. These projects are located in Nanhai District and Shunde District of Foshan, respectively, and have added approximately 280,000 square meters of site area in the Greater Bay Area to the Group's land reserves. With an emphasis on intensification and intelligence in their overall planning, the Group aims to develop these two warehouse projects into modern high-standard logistics parks that integrate warehousing, distribution, freight forwarding, trading, after-sales services, and e-commerce. The construction of these two projects commenced in the second half of 2022, and they are expected to commence operations in 2025.

Foshan Gaoming Project is a warehouse site that the Group successfully bid in January 2023. The project is located in Gaoming District of Foshan and with a site area of approximately 157,000 square meters. It is the third logistics park invested in by the Group in Foshan, thereby marking another breakthrough of the "One City, Multiple Logistics Parks" strategy.

Furthermore, the Group will actively promote the acquisition of land for the Zhaoqing Gaoyao Project with the target of obtaining the land within 2023.

II. Logistics Parks in Other Regions of the PRC

While focusing on the Greater Bay Area, the Group also stepped up its investment in economically affluent regions such as the Yangtze River Delta and the Beijing-Tianjin-Hebei Region as well as provincial capitals. In particular, the Group capitalized on the opportunity to implement its "One City, Multiple Logistics Parks" strategy in first and second tier logistics gateway cities in order to realize its overall national strategic layout, increase its penetration rate and project density in key cities, consolidate the foundation of its high-standard warehouse network, and create synergies on a national level.

As of 31 December 2022, the Group has extended its network of logistics hubs to more than 33 logistics gateway cities in other regions across the country (excluding the Greater Bay Area). The Group had in aggregate 30 operating logistics hub projects with a total operating area of approximately 3.67 million square meters, and these operating hubs achieved satisfactory occupancy rate.

Zhengzhou Xinzheng Project and **Hefei Feixi Project** are high-quality logistics warehouse projects acquired by the Group in the first half of 2022, at a total consideration of approximately RMB1,710 million. With an aggregate site area of approximately 919,000 square meters and an operating area of approximately 406,000 square meters, the Group plans to construct high-standard warehouses on the vacant land of these two projects. Upon completion within next two years, the total operating area will exceed 700,000 square meters, these projects are expected to become significant logistics hubs in Zhengzhou and Hefei. They will mainly provide services to local industries with customers including those in the express delivery industry, third-party logistics industry and customized logistics industry. Through the above acquisitions, the Group can further accelerate its strategy of "One City, Multiple Logistics Parks" and enhance its market share and influence in core logistics gateway cities and across the country.

Wuhan Caidian Project, stage B of the first phase of **Changsha Project**, **Zhengzhou Erqi Project** and the second phase of **Jinhua Yiwu Project** were completed and put into operation in 2022, thereby adding over 460,000 square meters of new operating area to the Group. In addition, the construction of, among other projects, **Wuxi Jiangyin Project** has commenced as planned. These projects are expected to be completed and put into operation in 2023.

The Shijiazhuang Zhengding Project, invested and constructed by the Group, is the first industrial-city complex in China that integrates the two major industries of logistics and commerce. The project has a site area of approximately 310,000 square meters and a total gross floor area of over 500,000 square meters. Among them, the intelligent logistics park has a site area of approximately 200,000 square meters. This project has successfully utilized next-generation intelligent technologies and automatic equipment to establish a new "Pharmaceutical Industrial Park + Backbone Cold Chain Base" business model. As at the end of 2022, approximately 64,000 square meters of this park have been put into operation, of which over 40,000 square meters belong to a pharmaceutical industry park. It also serves as the regional warehouse in Hebei for Shanghai Pharmaceuticals and China Resources Pharmaceuticals, both being Global 500 enterprises. Furthermore, this park is currently constructing a high-standard backbone cold chain logistics base with a gross floor area of over 100,000 square meters. The A5 and A7 warehouses of this park have been named "Green Warehouses" by the China Warehousing and Distribution Association and have obtained the first-level certification of Green Warehouses.

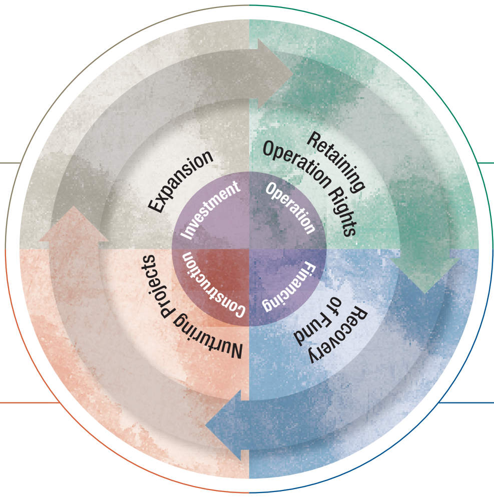
In addition, capitalizing on its strong brand influence and ability to operate mature parks, the Group has undertaken a number of management projects across the PRC. **Yueyang Smart Commercial and Trading Logistics Park** is the first of our management projects outside Shenzhen. With a completed area of approximately 52,000 square meters, the storage facilities of the first phase of the project have been operating well since it was put into operation. Furthermore, the Group has been vigorously pushing through the development of several other management projects, including: the **Hainan Yangpu Project** with a gross floor area of approximately 94,000 square meters, the construction of which has commenced in November 2021 with the aim of launching the project in 2023; and the **Guangdong Huiyang Project** with a gross floor area of approximately 100,000 square meters, which is expected to commence construction in 2023 and be put into operation in 2024.

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

As the logistics and warehousing industry proliferates and rental surges continuously, the value of logistics hubs is expected to rise steadily. The Group is actively exploring possible channels to securitize the assets of its logistics hubs and implement the closed-loop "Investment, Construction, Financing and Operation" business development model. Under this model, the offering of logistics real estate investment funds will not only accelerate the Group's capital recovery, shorten its project turnover time and lower its gearing ratio, but also enable the Group to realize asset appreciation from the development, construction, incubation and operation of the logistics hubs in advance, thereby enabling rapid expansion of the Group's urban logistics hubs operation and management.

Identifying quality logistics projects with the aim of expanding asset scale

Operating and managing the parks in order to fulfill management services



Constructing high-standard and multipurpose logistics and warehousing products that are widely accepted by the market at reasonable costs

Exploring equity financing channels in order to diversify financing channels

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 the aim of increasing the scale of investment.

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

Financing – Integration of assets and financing. Through securitization of assets through public offering of REITs, capital recovery will be accelerated, gearing ratio will be lowered, adequate cash flows will be ensured and asset value appreciation will be crystalized.

Operation – Operation and management. To enhance 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 will be added.

Following the successful injection of the Nanchang Project into a fund in 2021, the Group has completed the injection of the Hefei Feidong Project and the second phase of the Hangzhou Project into private equity fund during the Year. This has further facilitated the implementation of the Group's closed-loop "Investment, Construction, Financing, and Operation" business model, resulting in the gain after tax of approximately HK$657 million. In addition, the Group will continue to provide operation, maintenance and other professional services to the logistics hubs injected to the fund and receive service fees accordingly. Therefore, the injection of assets into the fund enables the Group to accelerate its capital recovery and enhance investment returns while maintaining the Group's rights to operate the logistics hubs.

Since 2022, the regulatory authorities in the PRC have been repeatedly emphasizing the need to deepen the pilot program of publicly traded REITs, further promoting a positive investment and financing cycle. With such unfaltering support from the central and local governments, the development of publicly-traded REITs in the PRC has expanded and accelerated. The Group is actively planning for the application and issuance of publicly-traded REITs, with the first batch of issuances expected to use mature logistics hubs projects in Hangzhou and Guizhou as underlying assets. The offering of publicly-traded REITs aims at revitalizing the Group's premium logistics assets, accelerating its capital recovery, enhancing its investment quality and creating a positive cycle while retaining the rights to operate the relevant parks. The Group is currently in the preparation stage for a possible application of the publicly-traded REITs.

As at 31 December 2022, details of the Group's major logistics projects are shown as follows:

	Project name	Location	Planned site area* (0'000sq.m.)	Acquired site area (0'000sq.m.)	Area in operation (Gross floor area) (0'000sq.m)	Commencement date/Expected commencement date of the operation of the first phase of the project** (year.month)
Logistics Parks in Greater Bay Area						
Logistics Hubs	SZI Pinghunan Intelligent Logistics Hub	Hengdongling Road, Nanwan Sub-district, Longgang District, Shenzhen	90	90@	–	2026
Logistics Hubs	Western Highway Logistics Hub	Bao'an District, Shenzhen	7.5	–	–	–
Logistics Parks	SZ South China Logistics Park	Minzhi Sub-district, Longhua District, Shenzhen	57.8	57.8	31.2	2003
Logistics Parks	SZ Western Logistics Park	Linhai Road, Nanshan District, Shenzhen	N/A	N/A	12.2	2003
Logistics Parks	Shenzhen Kanghuai E-commerce Center▲	Ping'an Road, Guanlan Sub-district, Longhua District, Shenzhen	N/A	N/A	14.3	2018.01
SZI Intelligent Logistics Hubs	Shenzhen Liguang	Liguang Village, Guanlan Sub-district, Longhua District, Shenzhen	4.5	4.5	–	2023
SZI Intelligent Logistics Hubs	Shenzhen Pingshan	Eastern Lanzhu Road, Longtian Sub-district, Pingshan District, Shenzhen	12	12	–	2025
SZI Intelligent Logistics Hubs	Shenzhen Yantian	First Phase of Yantian Comprehensive Bonded Zone, Yantian District, Shenzhen	3.2	3.2	–	2023
SZI Intelligent Logistics Hubs	Zhongshan Torch	Zhongshan Torch Hi-Tech Industry Development Zone, Zhongshan	5.8	5.8	6.6	2019.09
SZI Intelligent Logistics Hubs	Zhaoqing	Jinli Town, Gaoyao District, Zhaoqing	10	–	–	–
SZI Intelligent Logistics Hubs	Foshan Nanhai	Nanhai District, Foshan	7.6	7.6	–	2025
SZI Intelligent Logistics Hubs	Foshan Shunde	Shunde District, Foshan	20	20	–	2025
SZI Intelligent Logistics Hubs	Foshan Gaoming	Gaoming District, Foshan	15.7	–	–	–
	Sub-total		**234.1**	**200.9**	**64.3**	

As at 31 December 2022, details of the Group's major logistics projects are shown as follows: *(continued)*

	Project name	Location	Planned site area* (0'000sq.m.)	Acquired site area (0'000sq.m.)	Area in operation (Gross floor area) (0'000sq.m)	Commencement date/Expected commencement date of the operation of the first phase of the project** (year.month)
Logistics Parks in Other Regions of PRC						
SZI Logistics Hubs	**Zhejiang Region**					
	Hangzhou□	Hangzhou Dajiangdong Industrial Cluster, Hangzhou	Phase I: 23.9 Phase II: N/A	Phase I: 23.9 Phase II: N/A	Phase I: 21.3 Phase II: 24.3	2017.11
	Ningbo	Ningnan Trade and Logistics Park, Ningbo	19.4	9.2	5.7	2018.01
	Jinhua Yiwu	Yunxi Village under the jurisdiction of Choucheng Sub-district, Yiwu, Jinhua	44	41.7	43.6	2020.12
	Jinhua Economic Development	Jinhua Economic and Technological Development Zone, Jinhua	13.6	–	–	–
	Wenzhou	Longgang District, Wenzhou	13.9	13.9	–	2025
	Jiangsu and Anhui Region					
	Wuxi Huishan	Huishan District, Wuxi	34.7	24.6	12	2017.01
	Wuxi Jiangyin	Jiangyin Lingang Economic and Technological Development Zone, Wuxi	13.3	13.3	–	2023
	Suzhou Kunshan	Lujia Town, Kunshan, Suzhou	11.7	11.7	9.6	2016.06
	Suzhou Xiangcheng	International Logistics Park, Wangting Town, Xiangcheng District, Suzhou	3.3	3.3	1.9	2020.12
	Hefei Feidong□	Anhui Hefei Commercial and Logistics Development Zone, Feidong County, Hefei	N/A	N/A	9.3	2016.01
	Hefei Feixi	Feixi County, Hefei	42.2	42.2	19.1	2022.05
	Jurong	New North Town, Jurong	40	13.1	–	–
	Xuzhou	Xuzhou National Hi-Tech Industrial Development Zone, Xuzhou	14	13.3	7.2	2021.04
	Nantong	Haimen Industrial Park, Nantong	15.2	15.2	12.9	2021.01
	Shanghai Qingpu	Huaxin Town, Qingpu District, Shanghai	2.3	2.3	3	2019.09
	Shanghai Minhang	Zhuanqiao Town, Minhang District, Shanghai	3.5	3.5	5.2	2021.09
	Huai'an	Huai'an Economic and Technology Development Zone, Huai'an	11.1	–	–	–
	Taizhou	Dasi Town, Gaogang District, Taizhou	8.8	8.8	–	2025
	Beijing-Tianjin-Hebei Region					
	Tianjin Binhai	West Wing of Tianjin Development Zone, Tianjin	6	6	3.3	2019.01
	Tianjin Xiqing	Yangliuqing Town, Xiqing District, Tianjin	11.6	11.6	7.8	2021.09
	Shijiazhuang Zhengding	Zhengding County, Shijiazhuang	46.7	31	6.4	2017.07
	Shijiazhuang Yuanshi	Yuanshi County, Shijiazhuang	14.4	–	–	–
	Central China					
	Wuhan Dongxihu	Dongxihu District, Wuhan	13.3	12.6	6.3	2016.01
	Wuhan Caidian	Changfu Logistics Park, Caidian District, Wuhan	26.7	12.9	11.7	2022.03
	Wuhan Huangpi	Huangpi District, Wuhan	6.7	6.8	–	2025
	Nanchang□	Nanchang Economic and Technological Development Zone, Nanchang	N/A	N/A	8.7	2017.06
	Nanchang Changbei	Nanchang Integrated Bonded Zone	15.7	15.6	–	2025
	Changsha	Jinxia Economic Development Zone, Changsha	34.7	29.8	13.3	2018.01
	Xiangtan	Yuetang Economic Development Zone, Xiangtan	10.2	10	–	2024
	SZI Intelligent Logistics Hub (Yueyang)▲	New Port Area, Chenglingji District, Yueyang	N/A	N/A	5.2	2020.01

As at 31 December 2022, details of the Group's major logistics projects are shown as follows: *(continued)*

	Project name	Location	Planned site area* (0'000sq.m.)	Acquired site area (0'000sq.m.)	Area in operation (Gross floor area) (0'000sq.m)	Commencement date/Expected commencement date of the operation of the first phase of the project** (year.month)
Logistics Parks in Other Regions of PRC						
SZI Logistics Hubs	**Southwestern Region**					
	Guizhou Longli	Shuanglong Modern Service Industrial Cluster, Guizhou	34.8	34.8	14.2	2018.05
	Guiyang Xiuwen	Zhazuo Industrial Park, Xiuwen Economic Development Zone, Guiyang	20	20.6	–	2025
	Chongqing Shuangfu	Shuangfu New District, Jiangjin District, Chongqing	15.7	10.4	5.8	2019.12
	Chongqing Shapingba	Shapingba District, Chongqing	14.6	14.6	11.6	2021.09
	Kunming	Yangzonghai Scenic Area, Kunming	17.2	17.2	11.9	2020.01
	Chengdu Qingbaijiang	International Railway Logistics Park, Qingbaijiang District, Chengdu	12.9	12.5	13.3	2021.01
	Southern Region					
	Zhanjiang	Mazhang District, Zhanjiang	20	11	–	2024
	Hainan Chengmai	Jinma Modern Logistics Center, Chengmai County, Hainan	6.3	6.3	–	2024
	Haikou Gaoxin	Gaoxin District, Haikou	6.7	6.7	–	2025
	Northern Region					
	Zhengzhou Erqi	Mazhai Industrial Cluster, Erqi District, Zhengzhou	11	11	12.9	2022.12
	Zhengzhou Xinzheng	Xinzheng District, Zhengzhou	49.7	49.7	21.5	2022.05
	Yantai	Yantai Economic and Technological Development Zone, Yantai	6.9	6.9	4.0△	2008.06
	Xi'an	Xi'an National Civil Aerospace Industrial Base, Xi'an	12	12	9.3	2020.08
	Taiyuan	Xiaohe Industrial Park, Xiaodian District, Taiyuan	12.7	–	–	2025
	Shenyang	Shenyang International Logistics Park, Yuhong District, Shenyang	70	24.1	24.2	2016.04
	Sub-total		**811.4**	**614.1**	**366.5**	
	Total		**1,045.5**	**815.0**	**430.8**	

Notes:

* *Planned site areas represent the site areas as shown in the agreements establishing the projects with local governments. Actual site and gross floor areas are subject to various factors and consequential adjustment*

** *Expected commencement dates of operation are estimates and are subject to updates according to construction progress*

@ *SZI Pinghunan Intelligent Logistics Hub has obtained operation rights in respect of land with a site area of 900,000 square meters. The rail yard/freight yard of the first phase of the project with areas of 71,000 square meters and 102,000 square meters has been handed over in January 2022 and June 2022, respectively, and has been in operation*

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

□ *SZI Logistics Hub (Nanchang), the second phase of SZI Logistics Hub (Hangzhou) and SZI Logistics Hub (Hefei Feidong) are held by Shenshi Smart Logistics Infrastructure Private Equity Partnership (Limited Partnership)（深石（深圳）智慧物流基礎設施私募基金合夥企業（有限合夥））, a joint venture held by the Group as to 40% equity interest. The acquired site area has been adjusted accordingly. The Group retains the rights to operate and manage these logistics hubs and continues to provide operation, maintenance and other professional services to them and charge service fees*

▲ *management project*

Logistics Service Business

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 has facilitated the migration of the logistics industry from being traditional and labor-intensive to high technology and digitalization. Emerging industries such as intelligent logistics and cold chain logistics have become the major trends for the future development of the logistics industry. In recent years, the Group has sped up its exploration into intelligent and cold chain businesses in order to diversify its revenue streams.

Under an initiative to build new intelligent warehousing and cold chain logistics growth engines, the Group accelerated the implementation of its new strategies and focused on developing intelligent and cold chain warehousing products in 2022. As at 31 December 2022, the Group had a total of 73,000 square meters of intelligent and cold storage warehouses in operation, while approximately 267,000 square meters are under construction, proposed for construction and in the planning process. It is expected that 15,000 square meters of intelligent warehouses and 63,000 square meters of cold storage warehouses will be put into operation in 2023.

In respect of the cold chain business, the Group has made satisfactory progress in the planning and construction of cold storage warehouses in its logistics hubs. In 2022, the area of newly added cold storage warehouses was over 40,000 square meters, which included 2 pharmaceutical warehouses in the Shijiazhuang Zhengding Project as well as the Chengdu Qingbaijiang Project and the Tianjin Xiqing Project. In particular, the Chengdu Qingbaijiang Project, which is the first self-constructed cold storage warehouse project of the Group with a cold storage warehouse area of approximately 17,000 square meters, was officially launched in December 2022. Moreover, the cold storage warehouses currently under construction in the SZ Liguang Project, with an area of approximately 50,000 square meters, are expected to be operational in 2023. The Group is also expediting the land acquisition for the cold chain project at the airport of Nanjing with a planned cold storage warehouse area of approximately 30,000 square meters. Furthermore, the Group intends to commence the transformation of the Shanghai Minhang Project from a dry warehouse into a cold storage warehouse in 2023. Upon completion, the transformed cold storage warehouse is expected to have an approximate area of 47,000 square meters.

For the development of intelligent warehouses, the Group continued to carry out intelligent transformation of existing projects and a total of 20,500 square meters of operating area have been completed and put into operation after intelligent transformation. During the Year, the Group completed the intelligent transformation of the Longzhuo intelligent logistics warehouses and some warehouses in the Shijiazhuang Zhengding Project, thereby effectively enhanced the customers' storage space utilization rates and inventory turnover efficiency. In particular, the Longzhuo intelligent logistics warehouses have been put into operation in November 2022. The intelligent transformation of certain warehouses in the Shijiazhuang Zhengding Project was conducted jointly by the Group and Hubei Prolog Technology Co., Ltd.（湖北普羅格科技股份有限公司）("Prolog"), a leading integrated intelligent warehouse system company. In the future, the two parties will continue to work together to explore the application of intelligent logistics technology in the park's ecosystem, bringing new value to the warehousing and logistics park with technology.

Looking forward, the Group will continue to stay abreast of the development trends of the intelligent warehousing and cold chain industry, look out for quality acquisition targets in the industry, facilitate the development of new business and the high-quality development of industry and logistics chains, and build new growth engines for the logistics business.

Shenzhen EDI Co., Ltd. ("EDI Co"), a subsidiary of the Company, focuses on empowering the container transportation industry with digital technologies and created the largest container transport SAAS public service platform in Southern China. It also constructs and operates the EDI's network information exchange platform for the Shenzhen port. Meanwhile, EDI Co also undertakes the construction and operation of the China (Shenzhen) International Trade Single Window（中國（深圳）國際貿易單一窗口）to provide foreign trade enterprises in Shenzhen with convenient and efficient online import and export customs clearance services. During the Year, EDI Co carried on the marketing for its existing products and launched a mobile smart application (APP), namely 海運智聯. In addition, EDI Co successfully introduced a strategic investor under Cainiao AI（菜鳥）, namely Shanghai Flying Fish Supply Chain Technology Co., Ltd.（上海文鰩供應鏈科技有限公司）, to jointly create intelligent digital end-to-end cross-border logistics solutions and establish a service platform targeting at the whole industry chain of the cross-border trading sector in order to boost innovative development.

Other Strategic Logistics Investments

The Group is also actively exploring upstream and downstream companies along the logistics industry chain that can diversify its all-round logistics ecosystem combining "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics", and seizes the opportunity arising from emerging industries in the logistics sector and the policy framework, captures potential investment opportunities in multimodal transportation, intelligent and cold chain logistics and air freight forwarding enterprises, selects quality logistics asset projects and accumulates underlying resources in order to fully realize the synergies of its projects while obtaining a good return on investment.

The Group has set up a joint venture with Sinotrans to operate the Bay Area Express (灣區號) in Shenzhen as well as other principal businesses such as international cargo agency and international train operation. The China-Europe Railway Express sets off from Shenzhen and serves one of the longest train routes of the PRC between China and Europe with a total length of 13,438 kilometers. From its launch to the end of 2022, the China-Europe Railway Express has made a total of 379 trips with a trading amount of approximately USD1,200 million. In addition, two international train routes of the Bay Area Express running between China and Laos and among China, Laos and Thailand were opened afterwards. In April 2022, the first cold-chain-only train running among China, Laos and Thailand set off from Pinghunan's railway yard. This train marked the first end-to-end experimental cold chain service among China, Laos and Thailand and signified the opening of an international cold chain logistics channel between the Greater Bay Area and ASEAN. Capitalizing on the numerous routes of the Bay Area Express, the Group's logistics parks have also rolled out one-stop services covering goods consolidation, freight forwarding and booking, loading and unloading, warehousing and transportation, thereby not only improving the utilization rate of warehouses and coordination between logistics parks, but also generating new revenue from the value-adding process. Furthermore, as all the routes of the Bay Area Express begin from Pinghunan's railway yard, the Bay Area Express will help Pinghunan's railway yard boost its throughput and provide opportunities to develop all sorts of value-added services, thereby providing solid support to the long-term stable growth of the Group's logistics business.

In 2021, the Group became the third largest shareholder of China Comservice Supply Chain Management Company Ltd. ("China Comservice") (a subsidiary of China Communications Services Corporation Limited, which ranks first in the domestic telecommunication logistics industry in terms of market share). China Comservice is the only integrated logistics enterprise with a "5A" qualification in the telecommunications industry in the PRC. The Group will be able to synchronize and connect its logistics warehouse network with that of China Comservice. The parties have conducted preliminary study and research on the feasibility of cooperation in several projects. Looking forward, they will complement each other in various aspects to achieve win-win results by jointly developing high-end logistics value-added services in emerging sectors, such as information and communications, data center and others.

The Group also became the fourth largest shareholder of Air China Cargo Co., Ltd. ("Air China Cargo") by way of capital injection and share subscription with an investment amount of approximately RMB1,565 million in 2021, and holds 10% equity interest in it. The Group recorded satisfactory returns from this investment for two consecutive years with an annualized rate of return for 2022 of approximately 19%. Air China Cargo has formally launched the procedures of listing on the main board of the Shenzhen Stock Exchange. Meanwhile, the Group is strengthening its strategic cooperation with Air China Cargo to proactively procure the construction of air logistics projects in Shenzhen, Beijing and other locations with the aims of jointly obtaining scarce resources and building up a comprehensive logistics system integrating air logistics, high-standard warehouses, cold chain logistics and other services.

To implement the intelligent logistics development strategy, the Group, 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) jointly established the "Intelligent Airport Logistics Industry Fund" (智慧空港物流產業基金) in 2021. During the Year, the Group has completed strategic investment in CIMC Transportation Technology Co., Ltd. (中集運載科技有限公司) and Hichain Logistics Co., Ltd. (江蘇海晨物流股份有限公司) through this fund.

FINANCIAL ANALYSIS

Revenue
For the year ended 31 December

	2022 HK$'000	2021 HK$'000	Increase/ (decrease)
Logistics Parks in Greater Bay Area	**576,113**	576,945	–
Logistics Parks in Other Regions of China	**997,278**	802,653	24%
Sub-total of Logistics Park Business	**1,573,391**	1,379,598	14%
Logistics Service Business	**389,619**	988,199	(61%)
Total	**1,963,010**	2,367,797	(17%)

Profit Attributable to Shareholders
For the year ended 31 December

	2022 HK$'000	2021 HK$'000	Increase
Logistics Parks in Greater Bay Area	**272,761**	147,222	85%
Logistics Parks in Other Regions of China	**1,144,321**	352,794	224%
Sub-total of Logistics Park Business	**1,417,082**	500,016	183%
Logistics Service Business	**9,521**	7,427	28%
Total	**1,426,603**	507,443	181%

During the Year, revenue from the logistics business as a whole decreased by 17% as compared to the corresponding period of the previous year to HK$1,963 million, mainly due to the Group's proactive business restructuring and divestment from business with relatively low gross profit margin and/or relatively high risk by the Group during the Year. Profit of the logistics business attributable to shareholders increased by 181% as compared to the corresponding period of the previous year, mainly attributable to the gain after tax of HK$657 million resulting from the successful injection of the Hefei Feidong Project and the second phase of the Hangzhou Project into a private equity fund (the "Injections") by the Group during the Year.

During the Year, revenue from the logistics park business increased by 14% as compared to the corresponding period of the previous year to HK$1,573 million, mainly attributable to new revenue contributed by new logistics parks completed and commenced operation as well as new logistics park projects acquired during the Year. Profit attributable to shareholders increased by 183% as compared to the corresponding period of the previous year to HK$1,417 million, mainly attributable to the gain after tax of approximately HK$657 million arising from the Injections as well as the valuation gains of approximately HK$252 million arising from property re-valuation during the Year.

During the Year, revenue from the logistics service business decreased by 61% as compared to the corresponding period of the previous year to HK$390 million, mainly due to business restructuring. Profit attributable to shareholders increased by 28% as compared to the corresponding period of the previous year to HK$9.52 million.

03

物流園

轉型升級業務

Logistics Park Transformation and Upgrading Business

OVERVIEW

The Group firmly seizes the historic opportunity arising from the urbanization process in the PRC, vigorously promotes the transformation and upgrading of its logistics park projects located in key urban centers, and implements the long closed-loop "Investment, Construction, Operation and Transformation" development model in logistics park through the adjustment of the land use, upgrading, transformation, development and operation of its logistics park projects. Logistics park transformation and upgrading projects maximize the value of relevant assets. The investment income provides long-term support to the Group's business development and financial performance, and generates considerable returns for the Company's shareholders.

Shenzhen International Properties is the Group's management platform of the logistics park transformation and upgrading business and integrated asset development and operation.

ANALYSIS OF OPERATING PERFORMANCE

Qianhai Project

The Qianhai Project represents the first successful project under the long closed-loop "Investment, Construction, Operation and Transformation" development model implemented by the Group. By way of land consolidation and preparation in Qianhai, the Group obtained compensation equivalent to approximately RMB8,373 million through the swap of land with a total site area of approximately 120,000 square meters and a total 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 new land planning conditions. The gain from appreciation of land value represents the initial benefit of the land consolidation and preparation in Qianhai. As the swapped land parcels are being developed gradually and following the release of completed properties into the market, the project continues to unlock value from its development in a few years, which in turn is expected to provide a steady support in the growth of the Group's financial performance.

The Qianhai Project will be developed in three phases.

The first phase of the Qianhai Project has a total gross floor area of approximately 110,000 square meters, comprising residential area of approximately 51,000 square meters, office area of approximately 35,000 square meters and commercial area of approximately 25,000 square meters. The residential project in the first phase of the Qianhai Project, namely the PARKVIEW BAY（頤灣府）, which was jointly developed by the Group and Shum Yip Land Co., Ltd., was delivered in June 2021.

The office project, namely Shenzhen International Yidu Building（深國際頤都大廈）, is jointly managed and operated by the Group and China Center for Information Industry Development ("CCID", an enterprise directly controlled by the Ministry of Industry and Information Technology). Capitalizing on Qianhai's position as a special zone 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, and will focus on the development of supply chain service and intelligent manufacturing service businesses, thereby promoting in-depth integration of the digital and real economies across the Greater Bay Area and countries/regions along the "Belt and Road Initiative".This project has been put into operation in July 2021 as an AIOT+ ecological courtyard with industrial operation services, and attracted a number of tenants in the digital industry. As at 31 December 2022, this project recorded an occupancy rate of 73.2%. All contracted tenants are companies with high potential from the digital industry, ranking first in terms of the concentration of companies in the digital economy in Qianhai. In the first half of 2022, Shenzhen International Yidu Building successfully obtained LEED-CS Platinum certification awarded by the U.S. Green Building Council, which is a testament to the project's status as one of the world renowned environmentally-friendly office buildings.

As for the commercial part, the Group and SCPG（印力集團）will leverage on the strengths of each other and make concerted efforts to turn the Mawan area in Qianhai into a unique boutique commercial project named "Qianhai Yinli"（前海 • 印里）. This project is one of the rarely-found slow-paced garden-style neighborhoods that integrate high quality of life, culture and arts, social-circle interaction and digitalized lifestyle in Qianhai and Shenzhen. It officially commenced operation in September 2022, and the shop opening rate reached 78% of the shops opened as at 31 December 2022.

The second phase of the Qianhai Project has a plot ratio-based gross floor area of approximately 110,000 square meters in aggregate, comprising residential area of approximately 91,000 square meters. This phase will be developed in two parts. The group solely developed "Yicheng Qiwanli", which has a total plot ratio-based gross floor area of approximately 65,000 square meters, including residential gross floor area of approximately 51,000 square meters and commercial gross floor area of approximately 6,000 square meters. "Yicheng Qiwanli" was launched for pre-sale on 28 September 2022 and achieved a sales rate of approximately 98.5% on the first day of pre-sale. As of 31 December 2022, the Group has received approximately RMB4,900 million for the payment collection. It is expected to complete the inspection and acceptance procedures by the end of 2023.

Another residential development of the second phase of the Qianhai Project, developed jointly with Shenzhen Vanke, (comprising residential area of approximately 40,000 square meters and commercial area of approximately 3,400 square meters). The pre-sale for this development was completed in 2022 and the construction of the main structures is currently in steady progress.

The third phase of the Qianhai Project has a plot ratio-based gross floor area of approximately 172,000 square meters in aggregate. In respect of the residential project of the third phase of the Qianhai Project with a plot ratio-based gross floor area of approximately 80,000 square meters (comprising residential area of approximately 50,000 square meters, apartment area of approximately 25,000 square meters and commercial area of approximately 5,000 square meters) to be developed jointly with Shenzhen Vanke, the construction of the main structure is currently in steady progress and the pre-sale is planned to commence within 2023.

The Group owns two separate plots of land for office and commercial use in the third phase of the Qianhai Project, with an aggregate plot ratio-based gross floor area of approximately 92,000 square meters (comprising office gross floor area of approximately 79,000 square meters, commercial gross floor area of approximately 12,000 square meters and community service centers with a gross floor area of 1,000 square meters). The Group are currently actively promoting the land swap initiatives and plans to commence construction at a suitable time in the future.

The Group introduced Shenzhen Vanke as a strategic investor of Qianhai Business during the Year. Qianhai Business owns the rights to develop land lots number T102-0266, T102-0337 and T102-0338 in the Qianhai Project, which includes "Qianhai Yinli" as well as the aforementioned projects in the second and third phase of the Qianhai Project being developed in collaboration with Shenzhen Vanke. Shenzhen Vanke injected approximately RMB915 million and RMB1,480 million in two batches to Qianhai Business in February and June 2022, respectively. Upon the completion of the second batch of capital contribution, the Group's shareholding in Qianhai Business was diluted to 50%, and Qianhai Business ceased to be a subsidiary of the Group. As a result of the capital contribution in the Group recognized a gain before tax of approximately RMB2,487 million in 2022.

SZ South China Logistics Park

With the in-depth implementation of the nation's "Two-region Engines" strategy, the Greater Bay Area will become one of the most open and vibrant economic zones in the PRC. However, land supply in the Greater Bay Area is limited and land resources in the core areas are particularly scarce. Covering an area of approximately 580,000 square meters, the Group's SZ South China Logistics Park is located in the central axis and core node of Shenzhen. It is the largest traditional warehousing and logistics park of the Group in Shenzhen. Promoting the transformation of SZ South China Logistics Park is a key part in the Group's exploration of the long closed-loop "Investment, Construction, Operation and Transformation" development model besides the Qianhai Project. The transformation of SZ South China Logistics Park was supported by various policies in 2022, the concept for the integration of SZ South China Logistics Park in the planning and design of southern Longhua has been preliminarily recognized by the government of Longhua District. In the next few years, the Group will proactively promote the transformation of the park area into "functional headquarters for the digital economy", which will gradually unlock its intrinsic value.

Shijiazhuang Zhengding Project

The Shijiazhuang Zhengding Project is a pre-eminent project of the Group in the Beijing-Tianjin-Hebei integrated development region with a site area of 310,000 square meters. The project adheres to the concepts of smart technology, green and low-carbon as well as integration and sharing, this project will be developed into a modern industrial-city complex integrating pharmaceutical logistics, e-commerce and cold chain, ice and snow sports, cultural tourism, innovation and entrepreneurship platform and quality agricultural product display.

While pushing through the construction and operation of the intelligent logistics park in this project, the Group is also speeding up the construction of the commercial section of the project. The commercial section has a gross floor area of 320,000 square meters, and will comprise a themed innovation and entrepreneurship office and commercial street, which has commenced construction in March 2022. Additionally, an international business hotel, a commercial center and a large-scale indoor ski center are expected to commence construction in the first half of 2023. The project as a whole is expected to be completed and put into operation by the end of 2025.

To capitalize on the favorable local business environment and sophisticated positioning of the project itself, this project has focused on leasing liaison in recent years. It has attracted a number of renowned domestic and international brands, such as Sunac Culture & Tourism, Hampton by Hilton, Shenzhen SEZ Construction Group, PH Alpha and The Jerde Partnership, with the aim of pooling their strengths and jointly developing the project into a distinctive modern integrated cultural tourism complex and micro-vacation destination in the Beijing-Tianjin-Hebei Capital Economic Circle. Going forward, this project may also become a demonstrative project in the field of comprehensive energy applications as well as the first modern urban facility in the PRC that realize deep integration between the logistics and commerce industries.

FINANCIAL ANALYSIS

Revenue and Profit Attributable to Shareholders

For the year ended 31 December

	2022 HK$'000	2021 HK$'000	Increase/ (decrease)
Revenue	**30,202**	319,552	(91%)
Profit Attributable to Shareholders	**2,839,352**	961,575	195%

During the Year, revenue from the logistics park transformation and upgrading business decreased by 91% as compared to the corresponding period of the previous year mainly due to the absence of HK$309 million of residential decoration income from the second phase of the project in Meilin Checkpoint Project recognized in the corresponding period of the previous year. Revenue for the Year of HK$30.2 million mainly derived from the rental income generated by the newly launched Shenzhen International Yidu Building, which is the office development of the first phase of the Qianhai Project. Profit attributable to shareholders increased by 195% as compared to the corresponding period of the previous year to HK$2,839 million, mainly attributable to the introduction of Shenzhen Vanke as a strategic investor of Qianhai Business, which made two batches of capital contribution during the Year, and resulted in a recognition of a gain by the Group during the Year.

04

港口及相關服務業務

Port and Related Services Business

OVERVIEW

The port business is an important segment in the "Four Growth Engines" layout strategy of the Group. Under the "Port Connection Action" strategy, the Group has established two integrated river-sea transportation hub ports, one regional distribution port, one large-scale integrated inland river trade port as well as an interconnected asset-heavy port and supply chain platform along the midstream and downstream of the Yangtze River. A unique new development framework that involves investments, mergers and acquisitions in the port sector and coordination between multi-regional ports and the supply chain business has been devised. Furthermore, the Group will firmly implement the "Port Connection Action" strategy, consolidate and enhance the core competitiveness of the port segment and strive to become a competitive inland port operator in the market by continuously expanding the layout of its asset-heavy port project investment while developing the asset-light supply chain business under the principle of "mergers and acquisitions as the main focus, and supplemented by new construction" during the period of the Company's "14th Five-Year" plan.

ANALYSIS OF OPERATING PERFORMANCE

Nanjing Xiba Port

Nanjing Xiba Port, in which the Group holds 70% equity interest, is located in the New Materials Industrial Park in Jiangbei New District, Nanjing, and came into operation in 2010. 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 for vessels with a tonnage capacity 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, 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 with a tonnage capacity of 70,000 tonnes each and two general bulk cargo terminals with a tonnage capacity of 100,000 tonnes each, 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 rail link, and have unique regional advantages and good conditions to realize integrated river-sea, rail-water and road-water transportation.

In 2022, Nanjing Xiba Port overcame the impact of various unfavorable factors and improved its quality and efficiency by enhancing collaboration with its major customers and reaching out to new customers so as to increase business volume. At the same time, it has continued to optimize its business structure by consolidating its integrated "rail-to-ship transfer" business while developing the container-to-bulk business. In 2022, its business volume continued to rank first amongst 11 similar ports along the Yangtze River. A total of 571 seagoing vessels berthed at Nanjing Xiba Port with a total throughput of approximately 38.7 million tonnes, of which approximately 4.67 million tonnes were transported by train.

As for the port supply chain business, the Group capitalized on the resources of several major ports and adopted a "consolidation, development and transformation" concept to consolidate mature businesses and customers, develop new markets and business, continuously reinforce risk management and control, and expand into new income streams. In addition to the provision of premium coal and petroleum coke supply chain management services to its customers, the Group also actively engages in the integration of port supply chain resources. In 2022, the supply chain business brought in new customers in the thermal coal sector and expanded its upstream channel. This segment made multiple breakthroughs in new businesses such as the importation of thermal coal, cement coal, coal for chemical processing and coking coal while actively extending its industry chain, which has not only secured premium upstream and downstream customers for the other asset-heavy terminal projects under construction by the Group, but also attracted information, logistics and business flows, thereby effectively facilitating the transformation and upgrade of its port assets from freight loading, unloading and transshipment ports into large-scale integrated port services platforms.

Investment and Construction Projects

In recent years, the Group has put additional efforts in developing quality port projects, accelerating the construction of the Jingjiang Port Project, the Shenqiu Port Project and the Fengcheng Shangzhuang Project, utilising premium shoreline assets, exploring quality port projects, expediting the establishment of the"1 + N" multi-point port network, and transforming and upgrading its ports into green, intelligent, safe and efficient modern ports by making full use of advanced technologies. In 2022, the port business sped up the development of its port network by carrying out the construction of its projects in an orderly manner with the expectation of rolling them out gradually within 2023.

The Jingjiang Port Project: The Group and the Jingjiang Municipal Government entered into a cooperation agreement to jointly construct and operate the Jingjiang Port Project in 2020, in which the Group holds a 70% equity interest. Located in the Economic Development Zone of Jingjiang City, the Jingjiang Port Project is planned to construct two new main berths for vessels with a tonnage of 100,000 tonnes each (with hydraulic structure for vessels with a tonnage of 150,000 tonnes) along the Yangtze River and five reconstructed lakeside inland berths for vessels with a tonnage of 1,000 tonnes each (with hydraulic structure for vessels with a tonnage of 3,000 tonnes). The Group will strive to upgrade this project into a top-notch green, smart and efficient modern port in China. This project was listed as a "key project in the service industry of Jiangsu Province" in 2021 and 2022 and a "major project of Jiangsu Province in 2022", and the construction is pivotal for increasing the Group's market share in the port sector and achieving high-quality development of its "Port Connection Action" strategy. The construction of the main marine structures of this project has been completed and two of the first batch dock cranes have been successfully commissioned at the end of 2022. This project is scheduled to be put into operation by the end of 2023.

The Shenqiu Port Project: The Group, has also cooperated 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) to set up a joint venture to invest in, construct and operate the Shenqiu Port Project located along the Shaying River in Shenqiu County. This joint venture is owned by the Group as to 40%. According to the current plan, 26 berths for vessels with a tonnage of 1,000 tonnes each will be built in three phases under this project. It is expected that the annual capacity of the port will increase by 30 million tonnes after all these berths are put into full operation. This project will be transformed into an efficient, environmental-friendly and advanced bulk cargo terminal. The construction of the Shenqiu Port Project is proceeding in an orderly manner. In December 2022, the first vessel successfully berthed and underwent heavy load testing at the Shenqiu Port, marking a big step forward for the Group's "Port Connection Action" strategy.

The Fengcheng Shangzhuang Project: The construction of the Fengcheng Shangzhuang Project, which is owned by the Group as to 20%, is currently proceeding as planned. The inspection and acceptance procedures of the first phase were completed at the end of 2022. The project is expected to commence operation in the first half of 2023.

A multi-point port network has begun to take shape after years of efforts by the Group. The Group has been actively exploring quality port projects around the midstream and downstream of the Yangtze River and on major inland waterways, the Shenqiu Port Project, Fengcheng Shangzhuang Project and the Jingjiang Port Project under construction now will be put into operation in succession in the future. Looking forward, it will work towards strengthening the business synergies between these projects and Nanjing Xiba Port in order to establish a network of transit ports along the Yangtze River and thereby further enhance the competitiveness of the ports under its brand.

FINANCIAL ANALYSIS

Revenue and Profit Attributable to Shareholders

For the year ended 31 December

	2022 HK$'000	2021 HK$'000	Increase/ (Decrease)
Revenue	**2,761,767**	2,711,535	2%
Profit Attributable to Shareholders	**102,709**	107,886	(5%)

During the Year, the revenue from the port and related service business increased by 2% as compared to the corresponding period of the previous year to HK$2,762 million, and the profit attributable to shareholders decreased by 5% (if represented in RMB, maintained at a similar level with the previous year) as compared to the corresponding period of the previous year to HK$103 million.

LOCATIONS OF LOGISTICS AND PORT BUSINESS

Greater Bay Area
SZ South China Logistics Park
SZ Western Logistics Park
Shenzhen (Bao'an) Airport Express Center
Shenzhen Kanghuai E-commerce Center
SZI Intelligent Logistics Hub (Shenzhen Liguang)
SZI Intelligent Logistics Hub (Shenzhen Pingshan)
SZI Intelligent Logistics Hub (Shenzhen Yantian)
SZI Pinghunan Inteligent Logistics Hub
SZI Intelligent Logistics Hub (Zhongshan Torch)
SZI Intelligent Logistics Hub (Foshan Nanhai)
SZI Intelligent Logistics Hub (Foshan Shunde)

Southern Area (Guangdong (other than Greater Bay Area), Hainan)
SZI Logistics Hub (Zhanjiang)
SZI Logistics Hub (Hainan Chengmai)
SZI Logistics Hub (Haikou Gaoxin)

Southwestern Area (Guizhou, Chongqing, Sichuan, Yunnan)
SZI Logistics Hub (Guizhou Longli)
SZI Logistics Hub (Guiyang Xiuwen)
SZI Logistics Hub (Chongqing Shuangfu)
SZI Logistics Hub (Chongqing Shapingba)
SZI Logistics Hub (Kunming)
SZI Logistics Hub (Chengdu Qingbaijiang)

Central China (Hubei, Hunan, Jiangxi)
SZI Logistics Hub (Wuhan Dongxihu)
SZI Logistics Hub (Wuhan Caidian)
SZI Logistics Hub (Wuhan Huangpi)
SZI Logistics Hub (Nanchang)
SZI Logistics Hub (Nanchang Changbei)
SZI Logistics Hub (Changsha)
SZI Logistics Hub (Xiangtan)
SZI Intelligent Logistics Hub (Yueyang)

Jiangsu and Anhui Area (Shanghai, Jiangsu, Anhui)
SZI Logistics Hub (Wuxi Huishan)
SZI Logistics Hub (Wuxi Jiangyin)
SZI Logistics Hub (Suzhou Kunshan)
SZI Logistics Hub (Suzhou Xiangcheng)
SZI Logistics Hub (Hefei Feidong)
SZI Logistics Hub (Hefei Feixi)
SZI Logistics Hub (Jurong)
SZI Logistics Hub (Xuzhou)
SZI Logistics Hub (Nantong)
SZI Logistics Hub (Taizhou)
SZI Logistics Hub (Shanghai Qingpu)
SZI Logistics Hub (Shanghai Minhang)

Zhejiang Area
SZI Logistics Hub (Hangzhou)
SZI Logistics Hub (Ningbo)
SZI Logistics Hub (Jinhua Yiwu)
SZI Logistics Hub (Wenzhou)

Beijing-Tianjin-Hebei Region (Tianjin, Hebei)
SZI Logistics Hub (Tianjin Binhai)
SZI Logistics Hub (Tianjin Xiqing)
SZI Logistics Hub (Shijiazhuang Zhengding)

Northern Area (Shaanxi, Henan, Liaoning, Shandong)
SZI Logistics Hub (Xi'an)
SZI Logistics Hub (Zhengzhou Erqi)
SZI Logistics Hub (Zhengzhou Xinzheng)
SZI Logistics Hub (Shenyang)
SZI Logistics Hub (Yantai)

Port Projects (Jiangsu, Jiangxi, Henan)
SZI Port (Nanjing Xiba)
SZI Port (Jiangxi Fengcheng)
SZI Port (Jiangsu Jingjiang)
SZI Port (Henan Shenqiu)

05

收費公路業務

Toll Road Business

OVERVIEW

The Group's toll road business is managed and operated by Shenzhen Expressway, a subsidiary in which the Group holds an approximately 52% equity interest and whose H shares and A shares are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively. As of the end of 2022, Shenzhen Expressway has invested in and operated a total of 16 expressway projects, which spanned across Shenzhen and the Guangdong-Hong Kong-Macao Greater Bay Area and extended to economically developed regions. The total toll length of toll roads with controlling interests operated or invested in by the Group in the Shenzhen region, other regions in Guangdong Province and other provinces in China were approximately 174 km, 350 km and 119 km, respectively.

ANALYSIS OF OPERATING PERFORMANCE

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

Toll roads	Interests held	Toll length (approximate km)	Average daily mixed traffic volume ('000 vehicles) (Note 1)	Average daily toll revenue (RMB'000)
Shenzhen region:				
Meiguan Expressway	100%	5.4	138	373
Jihe East	100%	23.7	283	1,733
Jihe West	100%	21.8	187	1,284
Shenzhen Coastal Project (Notes 2 and 3)	100%	36.6	141	1,318
Shenzhen Outer Ring Project	100%	60	242	2,616
Longda Expressway	89.93%	4.4	140	361
Shuiguan Expressway	50%	20	238	1,566
Shuiguan Extension	40%	6.3	55	189
Other regions in Guangdong Province:				
Qinglian Expressway	76.37%	216	44	1,686
Guangshen Expressway (Note 4)	45%	122.8	527	6,186
GZ West Expressway (Note 4)	50%	98	222	2,862
Yangmao Expressway	25%	79.8	44	1,682
Guangzhou Western Second Ring	25%	40.2	73	1,110
Other provinces in China:				
Wuhuang Expressway (Note 5)	0%	0	63	1,053
Yichang Project	100%	78.3	55	1,060
Changsha Ring Road	51%	34.7	83	651
Nanjing Third Bridge (Note 6)	35%	15.6	29	1,250

Notes:

(1) Average daily mixed traffic volumes exclude toll-free traffic volumes during toll-free periods during the holidays.

(2) The Shenzhen Coastal Project refers to the Shenzhen section of Guangshen Coastal Expressway (Guangzhou to Shenzhen) and comprises Shenzhen Coastal Phase I and Shenzhen Coastal Phase II. Shenzhen Coastal Phase I, which was completed and commenced operation at the end of 2013, includes the main line of the Shenzhen Coastal Project and related facilities. Shenzhen Coastal Phase II, the construction of which commenced in December 2015, includes the Shenzhen World Exhibition & Convention Center interchange and the connection line on the Shenzhen side of the Shenzhen-Zhongshan Bridge. The Shenzhen World Exhibition & Convention Center interchange was completed and open to traffic in 2019.

(3) According to the freight compensation agreement entered into amongst the Transport Bureau of Shenzhen Municipal Government, Shenzhen Expressway and the project company of the Guangshen Coastal Expressway (Guangzhou to Shenzhen) ("Coastal Company"), during the period from 1 January 2021 to 31 December 2024, trucks passing through the Shenzhen Coastal Project should be charged at 50% of the standard toll rates, and such tolls waived by Coastal Company shall be compensated by the government in a lump sum in March of the following year.

(4) On 11 January 2022, Shenzhen Expressway completed the acquisition of 100% equity interest in Shenzhen Investment Infrastructure, thereby indirectly holding approximately 71.83% of the shares in Shenzhen Investment Holdings Bay Area Development Company Limited ("Bay Area Develpment"), which is in turn indirectly entitled to the rights to share 50% and 45% of the profits of GZ West Expressway and Guangshen Expressway, respectively. The average daily toll revenue of Guangshen Expressway and GZ West Expressway shown in the above table is excluding taxes.

(5) The concession period of Wuhuang Expressway, which was invested in by Shenzhen Expressway, expired at 00:00 on 10 December 2022 and the handover has been completed in accordance with the regulations and requirements of the transportation authorities.

(6) Shenzhen Expressway acquired 10% equity interest in Nanjing Yangtze River Third Bridge Company Limited ("Nanjing Third Bridge Company") for a consideration of approximately RMB175 million (or a net consideration, after dividend distribution during the transition period, of approximately RMB158.9 million). The industry and commerce registration procedure for the acquisition has been completed on 27 September 2022. Shenzhen Expressway's interest in Nanjing Third Bridge Company increased from 25% to 35%.

During the Year, due to the external situation causing a decrease in road traffic demand, as well as the 10% discount for trucks toll tariffs promulgated by the State Council and transportation authorities, the overall toll revenue of the toll road operated and invested by the Group decreased year-on-year.

In addition, the operating performances of toll road projects were affected by the positive or negative impact of different factors such as changes in surrounding competitive or coordinated road networks, construction or maintenance of the toll roads. In particular:

- Phase II of the Shenzhen Outer Ring Project was officially open to traffic on 1 January 2022 and contributed positively to the overall operating performance of the project after linking to and creating synergies with Phase I of the project. As a result, the Shenzhen Outer Ring Project recorded year-on-year growth in both traffic volume and toll revenue for the Year. As the most convenient highway artery connecting west-to-east in Shenzhen, the Shenzhen Outer Ring Project achieved synergies in terms of traffic volume with Meiguan Expressway, the Shenzhen Coastal Project and Longda Expressway while diverting some of the traffic along the whole Jihe Expressway. In addition, an interchange with four ramps joining the Shenzhen Outer Ring Project and Huiyan Expressway at Pingdi has yet to be completed due to construction delays. Once completed, this interchange is expected to attract additional traffic to the Shenzhen Outer Ring Project.

- Guanglian Expressway (Guangzhou to Lianzhou), which is basically parallel to Qinglian Expressway, was officially commenced operation at the end of 2021. This has resulted in a certain diversion of the traffic volume from Qinglian Expressway, leading to a relatively substantial year-on-year decrease in toll revenue for the Qinglian Expressway during the Year. Nevertheless, the Group will actively explore the potential of Qinglian Expressway and attract traffic by promoting the advantages of Qinglian Expressway through different channels, such as its passage through numerous economic centers, industrial parks and tourist attractions, and its provision of a relatively convenient and fast route for traffic connecting neighboring areas. In addition, the opening of the Erguang Expressway Lianzhou Connecting Line (Erenhot to Guangzhou) and other highways connections have in general benefited the operating performance of Qinglian Expressway.

- Guangshen Expressway is an important express route between Guangzhou and Shenzhen while GZ West Expressway is an integral part of the ring road in the Pearl River Delta linking Guangzhou and Zhuhai. In 2022, the social traffic demand was in decline due to the external conditions in Guangzhou, Dongguan, Shenzhen and other cities along the connecting routes of the Guangshen Expressway and GZ West Expressway. Furthermore, Phase IV of Guangzhongjiang Expressway (Guangzhou – Zhongshan – Jiangmen), which was open to traffic at the end of 2021, diverted the traffic from certain parts of GZ West Expressway. Therefore, both Guangshen Expressway and GZ West Expressway recorded year-on-year decrease in toll revenue for the Year.

- Upon the completion of the reconstruction and expansion of Yangmao Expressway at the end of 2021, all two-way and eight-lane expressway commenced operation. The standard toll rate of Yangmao Expressway also increased from RMB0.45 to RMB0.6 per standard vehicle-km. Furthermore, benefiting from the interconnection of neighboring highways that commenced operation, the traffic capacity increases significantly. As such, Yangmao Expressway recorded a significant growth in toll revenue during the Year.

- The Yichang Project and Changsha Ring Road in Hunan Province recorded year-on-year decrease in both average daily traffic volume and toll revenue due to repeated rainfalls, snowfalls and frosty weather.

Key Construction Projects

Invested in under the public-private-partnership (PPP) model, the Shenzhen Outer Ring Project, which will be developed in three phases, is the longest expressway in the expressway network planning of Shenzhen to date. Upon completion, it will be connected to 10 expressways and 8 first-class highways in Shenzhen region. While the second phase of the Shenzhen Outer Ring Project was open to traffic on 1 January 2022, Shenzhen Expressway has been actively implementing the preliminary work, such as refining the designs, for the construction of the third phase of the Shenzhen Outer Ring Project during the Year.

Phase II of Shenzhen Coastal mainly includes the construction of the interchange of the International Convention and Exhibition Center and the connecting lane on the Shenzhen side of Shenzhen-Zhongshan Bridge. On one hand, the interchange of the International Convention and Exhibition Centre was completed and put into operation in 2019. On the other hand, the connection line on the Shenzhen side of the Shenzhen-Zhongshan Bridge comprises two connections at the airport and Hezhou, respectively. Upon completion, the connection line will be linked to the Phase I of Shenzhen Coastal, Jihe Expressway, Guangshen Expressway, Shenzhen-Zhongshan Bridge and Bao'an International Airport. During the Year, Shenzhen Expressway actively carried out roadbeds, bridges and ancillary works with a focus on the pile foundation and other construction works on the eastern artificial island. As at the end of the Year, approximately 78.4% of the overall construction of the Phase II of Shenzhen Coastal has completed. In particular, approximately 78%, 84% and 15% of the construction of the roadbeds, bridges and road surface have completed respectively.

In addition, Shenzhen Expressway entered into a contract in relation to the public-private-partnership (PPP) reconstruction and expansion project of Jihe Expressway (the "Jihe Expressway R&E Project") with the Transport Bureau of the Shenzhen Municipal Government during the Year. It has also entered into two joint construction agreements with Shenzhen SEZ Construction and Development of Transportation and Investment Co., Ltd. in respect of the project. However, Shenzhen City intended to optimise the construction implementation proposal of the Jihe Expressway R&E Project and adjust the investment and financing proposal accordingly. The Group will go through the relevant approval procedures again upon the finalization of such proposal.

On 11 January 2022, Shenzhen Expressway completed the acquisition of the entire equity interest in Shenzhen Investment Infrastructure. Shenzhen Investment Infrastructure indirectly held 71.83% equity interest in Bay Area Development. For details, please refer to the announcements of the Company dated 10 August 2021 and 11 January 2022.

FINANCIAL ANALYSIS

During the Year, toll revenue and net profit of the toll road business decreased by 20% and 29% as compared to the corresponding period of the previous year to HK$5,723 million and HK$1,930 million, respectively, mainly affected by the decrease in road traffic demand and the diversion caused by the opening of Guanglian Expressway for Qinglian Expressway.

06

大環保業務

General-environmental Protection Business

OVERVIEW

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

ANALYSIS OF OPERATING PERFORMANCE

The general-environmental protection companies/projects operated or invested in by Shenzhen Expressway as at the date of this report are set out below:

	Name of companies/projects	Interests held
Clean energy	Xinjiang Mulei 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.	20%
	Shenzhen Fenghe Energy Investment Limited	50%
Solid waste treatment	Guangming Environmental Park Project[4]	100%
	Shaoyang Project[5]	100%
	Shenzhen Lisai Environmental Technology Limited	70%
	Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd.	92.29%
	Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Co., Ltd.	63.33%
Water environmental remediation and other environmental protection businesses	Chongqing Derun Environment Co., Ltd.	20%
	Shenzhen Water Planning & Design Institute Co., Ltd.	11.25%

Clean Energy

Clean energy is an emerging field in the general-environmental protection industry. With the progressive goals of reaching "carbon peak" and "carbon neutrality", China has launched a series of industrial policies and development plans to promote the development of the clean energy industry. The wind power and photovoltaic power generation industries will be ushered into a new phase of stable and healthy development in the long run. The Group will seize the opportunity to build a distinctive "integrated" clean energy system. As at the end of 2022, wind power projects invested and operated by the Group had an accumulated installed capacity of 648 MW and were all completed and grid-connected wind farms that received government subsidies and located in areas with relatively abundant wind resources and stable electricity demands.

1 *The wind power project of Changji Mulei Laojunmiao Wind Farm in Xinjiang Zhundong New Energy Base.*
2 *The 32 megawatt (MW) wind power project in Yongcheng City, Shangqiu City, Henan Province.*
3 *The 49.5 MW wind power project in Gantang, Zhongwei City, Ningxia Province.*
4 *The Shenzhen Guangming Environmental Park PPP Project (an organic waste treatment investment and operation project) was invested in and constructed by the Group under the BOT (Build-Operate-Transfer) model.*
5 *The kitchen waste collection, transfer and disposal concession project in Shaoyang City, Hunan Province.*

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

Wind power generation

Names of companies/projects	Proportion of consolidated revenue	Power supply to the grids in Megawatt Hours (MWh)(1)	Revenue from wind power projects (RMB'000)(1)
Baotou Nanfeng Wind Power Technology Co., Ltd.	100%	747,973.91	254,203.43
Xinjiang Mulei Project	100%	734,712.00	344,505.91
Yongcheng Zhuneng Project	100%	79,479.42	42,201.46
Zhongwei Gantang Project	100%	104,978.47	50,722.28
Huaian Zhongheng New Energy Co., Ltd.	–	216,763.80	106,080.30

(1) Amounts of power supply to the grids are calculated based on the settlement cycles of the power grids. Revenue includes electricity charges subsidy income based on amounts of power supply fed to the grids.

During the Year, Nanjing Wind Power Technology Co., Ltd. ("Nanjing Wind Power Company"), a subsidiary in which Shenzhen Expressway holds 51% equity interest, proceeded with its projects under construction, pushed through the implementation of its planned projects, including the supply of equipment for the 49.5 MW wind power project in Xuchang, as well as providing the subsequent operation and maintenance service for, among other projects, Huaian Zhongheng New Energy Co., Ltd., the Zhongwei Gantang Project and the Yongcheng Zhuneng Project in a diligent manner. However, the implementation and performance of some of its orders were delayed due to limitations in relation to project approval or conditions on the part of the other partners. Furthermore, due to factors such as delays in construction, production and operation progress, the operating performance of Nanjing Wind Power Company during the Year was hampered. In the new cycle of "grid parity", large-scale wind turbines with high capacity are more popular amongst wind power companies that are looking to reduce costs and enhance efficiency. As the small and medium-sized wind turbines currently offered by Nanjing Wind Power Company do not align with the market demand for large-scale wind turbines, the results of market development during the Year were below expectation.

Shenzhen Fenghe Energy Investment Limited, a joint venture established by Shenzhen Expressway with State Power Investment Corporation Fujian Electric Power Co., Ltd. in 2021, completed the acquisition of 51% equity interest in Nanjing Avis Transmission Technology Company Limited ("Nanjing Avis") during the Year. Nanjing Avis is a leading enterprise engaged in the operation and maintenance of gearbox equipment in the PRC. It has a large market share in the gearbox equipment maintenance market. Through the acquisition of Nanjing Avis, the Group may, on one hand, cooperate with leading company in the industry to jointly expand in the clean energy after-sales operation and maintenance service market, and, on the other hand, help to expand its integrated wind power industry chain and enlarge its profit base.

Solid waste treatment

Supported by the national environmental protection policy, the organic waste treatment industry has a relatively large room for development. The Group regards organic waste treatment as a significant segment of the general-environmental protection industry, and actively builds itself into a segment leader with industry-leading technology and scale advantages.

Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental Company"), a subsidiary of the Company, is one of the key providers of comprehensive organic waste treatment, construction and operation services in the China and provides customers with systematic and comprehensive solutions regarding the treatment of municipal organic waste. As at the date of this report, Bioland Environmental Company had a total of 20 organic waste treatment investment and operation projects under public-private partnership (PPP) model (including Build-Operate-Transfer (BOT) projects) with a designed kitchen waste treatment capacities of over 4,800 tons per day, of which 13 projects have commenced commercial operation. As Bioland Environmental Company collected less wastes (such as kitchen waste and waste oil) during the Year when compared with the previous year, it has in turn recorded unsatisfactory operating performance. In addition, some construction projects of Bioland Environmental Company have been delayed and were not put into commercial operation as scheduled. As a result, the overall operating performance for 2022 was below expectation. During the Year, Shenzhen Expressway increased its shareholding in Bioland Environmental Company to 92.29% by way of capital contribution in order to optimize the financial structure, tighten its control and enhance the standardization level over the operation and management of Bioland Environmental Company.

During the Year, Shenzhen Expressway completed an increase in its equity interest in a subsidiary, Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Co., Ltd. ("Qiantai Company"), to 63.33%. Qiantai Company qualifies for scrapping retired new energy vehicles and providing "integrated" comprehensive utilization of retired new energy vehicles and their power batteries while also scrapping and recycling petrol-powered vehicles. It is also the only whitelist enterprise qualified under the "Industry Standards and Conditions for the Comprehensive Utilisation of Waste Power Batteries for New Energy Vehicles" (新能源汽車廢舊動力蓄電池綜合利用行業規範條件) in Shenzhen. Since 2021, Qiantai Company has actively expanding its industrial market, and has established good cooperative relationships with the upstream and downstream companies of certain industries and e-hailing platforms. As all of its operations are breaking new grounds, the next step of Qiantai Company will be making full use of its advantageous qualification as a whitelist enterprise to actively explore synergies with upstream and downstream enterprises and set up a closed-loop regional industrial chain.

In February 2021, Shenzhen Expressway entered into an agreement with the 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, which shall in turn be responsible for the investment, financing, design, construction, transformation, operation, maintenance and hand-over procedures of the project. Located in Guangming District, Shenzhen, the Guangming Environmental Park Project will be developed into a large-scale treatment plant with a processing capacity of 1,000 tons per day for organic waste, 100 tons per day for bulky waste (discarded furniture) and 100 tons per day for garden waste, and will be implemented under the BOT model. During the Year, the Group actively pushed through the construction of the main structure as well as the procurement and installation of key equipment of the Guangming Environmental Park Project, and the project is expected to complete in 2023.

In April 2022, Shenzhen Expressway completed the acquisition of 70% equity interest in Shenzhen Lisai Environmental Technology Limited ("Lisai Environmental"), which has been consolidated into the Group's financial statements since the first half of 2022. Through this acquisition, Shenzhen Expressway will obtain the concession to handle kitchen waste in Longhua District, Shenzhen, thereby boosting Shenzhen Expressway's share in Shenzhen's kitchen waste treatment market. During the Year, Lisai Environmental increased its kitchen waste collection capacity by 45% as compared to that before its acquisition to 500 tons per day as at the end of 2022 through implementing neighborhood-oriented collection policies and installing small on-site treatment facilities, and successfully turned around from losses to profits for the first time since its acquisition by the Group by treating approximately 158,000 tons of kitchen waste and extracting 3,642 tons of oil during the Year.

Shenzhen Expressway successfully won the concession of the Shaoyang Project to operate a kitchen waste collection and treatment project in Daxiang District, Shaoyang City, Hunan Province, in November 2022, and entered into the concession agreement in December 2022. With a designed treatment capacity of 200 tons per day, the Shaoyang Project will be carried out under the Transfer-Operate-Transfer (TOT) model with a concession period of 30 years.

Water Environment Remediation and Other Environmental Protection Businesses

Chongqing Derun Environment Co., Ltd., in which Shenzhen Expressway holds 20% equity interest, holds two subsidiaries listed on the Shanghai Stock Exchange, namely Chongqing Water Group Co., Ltd (stock code: 601158) and Chongqing San Feng Environmental Industrial Group Co. Ltd (stock code: 601827), which are principally engaged in, among other things, water supply and sewage treatment; investment in, construction of, turnkey equipment for, and operation and management of waste incineration power generation projects; and environmental restoration.

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

FINANCIAL ANALYSIS

During the Year, revenue from the general-environmental protection business decreased by 8% as compared to the corresponding period of the previous year to HK$2,020 million. It is mainly due to the decrease in income from the kitchen waste treatment project. As compared with the corresponding period of the previous year, net profit also decreased by 23% to HK$248 million.

07

其他投資

Other Investments

SHENZHEN AIRLINES

In 2022, the demand from tourists for passenger flights plunged and the civil aviation industry experienced a downturn due to the continual pandemic and subsequently tightened local travel restrictions and quarantine measures implemented in Shenzhen and various regions. During the Year, Shenzhen Airlines carried 14.61 million passenger rides and recorded a passenger traffic of 22,396 million passenger-km, representing a decrease of 40% and 38%, respectively, as compared to the corresponding period of the previous year.

Shenzhen Airlines' total revenue for the Year decreased by 32% to RMB12,541 million (equivalent to HK$14,416 million) (2021: RMB18,500 million (equivalent to HK$22,360 million)) as compared to the corresponding period of the previous year. In particular, passenger revenue decreased by 31% to RMB11,170 million (equivalent to HK$12,840 million) (2021: RMB16,274 million (equivalent to HK$14,903 million)). At the same time, factors such as skyrocketing international aviation fuel prices and exchange rate fluctuations have placed heavier burden on the operation of airlines and made it harder for Shenzhen Airlines to improve its operating results. As a result, net loss of Shenzhen Airlines for the Year amounted to RMB11,129 million (equivalent to HK$12,793 million) (2021: net loss of RMB3,344 million (equivalent to HK$4,043 million)). However, under the equity method, when the Group's share of accumulated losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses. Therefore, the share of losses incurred by Shenzhen Airlines recognized by the Group in the profit or loss for the Year was equal to its residual carrying value, i.e., approximately HK$2,666 million (2021: loss of HK$1,993 million).

As at 31 December 2022, Shenzhen Airlines had 226 (2021: 229) aircrafts in its fleet and operated 308 routes comprising of 301 domestic routes and 7 international routes.

Looking forward, with the optimization of the pandemic containment measures by local governments, the macro-economic environment in the PRC is gathering momentum for stable growth, and the economy is expected to recover. As a result, the demand for airline routes is reviving, which will in turn create a favorable macro environment for the rebound of the civil aviation industry. Furthermore, the integrated development of the Pearl River Delta and Guangdong, Hong Kong and Macau will unlock the economic development potential of the hinterland and hence give sustained and solid support to the business development of Shenzhen Airlines. Shenzhen Airlines will bolster its market competitiveness and lay the sound foundation for healthy and sustainable business development by staying abreast of the changing market demands and policy developments, strengthening operational management, refining its route layout, rationalizing its capacity allocation, improving its service quality, strengthening overall cost control and reinforcing its safety system.

OUTLOOK FOR 2023

Looking forward to 2023, the logistics industry in China is expected to enter a new stage of systematic consolidation, transformational development, functional upgrade, quality advancement, efficiency enhancement and cost reduction while the logistics infrastructure industry is expected to experience a new wave of growth momentum against the backdrop of steady economic recovery in the mainland and the implementation of the nation's "14th Five-Year" Modern Logistics Development Plan. In addition, the development of the distribution system under the new Domestic-International Dual Circulation development framework will also open up opportunities in various fields, such as multimodal transportation facilities, backbone cold chain logistics systems and emergency logistics networks. The Group will stay abreast of China's development policies, seize growth opportunities across the industry, continue to capitalize on its well-established strengths in developing and operating ancillary urban infrastructure, focus on its four core business segments, namely logistics, port, toll road and general-environmental protection, and take prudent steps towards the goal of becoming a top-notch industrial conglomerate and an industry leader.

Consolidating Foundation of Core Logistics Business and Continuously Perfecting All-round "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" System

As a series of national policies take effect while consumer demand recovers and rises steadily in 2023, the construction of logistics infrastructure such as high-standard urban warehouses is becoming the new engine in regional economic development. Local governments are attaching growing importance to modern logistics. Industry consolidation and development are speeding up. The Group will capitalize on its advantages, make additional efforts to acquire premium resources, consolidate its business foundation, expand the scope of its "inland port networking, logistics parks, air cargo and railway freight logistics infrastructure network" around strategic logistics and warehousing hubs, which in turn lay a solid foundation for the Company's long-term development.

Logistics parks have been identified as the core segment in the Group's "14th Five-Year" strategic plan, and they are also instrumental to promoting the development of a high-quality logistics industry in the PRC. To further improve and expand the logistics hub network of the Group across the country, the Group will continue to focus on efficiency and quality, and diligently select economically developed cities that are located in core regions, such as the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta, which have great potential for accommodating the relocation of key industries from across the country. At the same time, the Group will make good use of its local advantages in the Guangdong Province and the Shenzhen Municipality to proactively seize the opportunities brought by the three-tiered "7+30+N" logistics station layout, "20+8" industrial clusters, "Multi-storeyed Factories", "Multi-storeyed Warehouses" and other policies in relation to the logistics industry. It will strive to roll out more quality projects in Shenzhen by creating pilot and demonstrative projects such as "High-end Manufacturing + Intelligent Logistics" and "Multi-storeyed Factories + Logistics Facilitation" projects. Furthermore, the Group will continue to integrate and balance the asset-light and asset-heavy strategies with a view to exploring and developing an integrated urban service system and a value-adding integrated logistics hub service ecosystem that achieve the "warehousing + transportation + distribution + value chain extension" using the operational capacity of the asset-light operation and the hardware of the asset-heavy operation. In view of the development of the Northern Metropolis in Hong Kong as well as the Shenzhen-Hong Kong integration policies, the Group will actively seeking cooperation opportunities to develop quality projects in Hong Kong.

As a key component in the nation's carbon peak and carbon neutrality strategy, port operation is an important segment in the Group's "Four Growth Engines" layout strategy. The Group is determined to implement the "Port Connection Action" and increase the scale, market recognition and influence of its assets by further expanding in the Guangdong-Hong Kong– Macao Greater Bay Area, the Yangtze River, the Pearl River and inland waterways with a view to exploring future spin-off possibilities with respect to this business segment. On the other hand, the Group will speed up the construction of the Jingjiang Port Project and the second phase of the Shenqiu Port Project while improving the performance of Nanjing Xiba Port and the first phase of the Shenqiu Port Project so as to build up its core competitive strength. To become a well-established nation-wide port operator, the Group will also seek breakthroughs in the acquisition of resources from the upstream and downstream industry chains, as well as business integration and intelligent and green transformation.

In respect of the railway logistics business, the Group will accelerate the land acquisition process for the second phase of the SZ Pinghunan Project, continue to expand the container loading, unloading and transition operations of the first phase of the SZ Pinghunan Project, and diversify railway logistics applications by exploring and rolling out new operations such as container devanning, vanning and consolidation. As for the aviation logistics, the Group will continue to drive the implementation of air cargo terminals in Shenzhen and Beijing, while also pursuing collaboration opportunities in logistics, warehousing, cold chain and air freight shipping and forwarding, and build up its integrated air and land logistics chain service capacity, leveraging its equity investment in Air China Cargo.

As for the intelligent and cold chain logistics business, the Group will continue to learn from leading enterprises in the logistics, supply chain, multimodal transportation, intelligent equipment and identify acquisition opportunities to acquire companies with cold chain platforms and supply chains. This aims to nurture talents in its intelligent and cold chain business team while bolstering its core operational capacity. Furthermore, the Group will speed up the development and construction of cold storage warehouses in SZ Liguang Project, Shanghai Minhang Project and the cold chain project at the airport of Nanjing in order to increase the scale of its cold chain business. It will also actively study the compatibility to include cold chain warehouses in the newly built parks so as to create additional synergies between conventional logistics parks and the intelligent and cold chain logistics business.

In 2023, the Group will further leverage on its strength in constructing, operating and managing toll roads with the aim of reinforcing the core competitive strength of the core toll road business in numerous ways, such as advancing the reconstruction and expansion of existing projects, speeding up the development of major projects in construction, carrying out intelligent transformation and digitalization of toll roads, researching into the marketization of the industry chain, and stimulating land development along expressways.

With respect to the general-environmental protection business, the Group will seize the opportunities brought by the nation's environmental protection policies, such as the carbon peak and carbon neutrality strategies and the renewable energy development plan, thereby enhancing the profitability of the general-environmental protection segment by staying focused on the solid waste treatment and clean energy sub-sectors, rationalizing resource allocation, selecting quality projects, streamlining operations and realizing business synergies.

Coordinating Development of "Investment, Construction, Financing and Operation" and "Investment, Construction, Operation and Transformation" Dual Closed-Loop Business Models and Maximizing Asset Value

The "Investment, Construction, Financing and Operation" and "Investment, Construction, Operation and Transformation" dual closed-loop business models are the crucial components for the Group's core logistics business to achieve sustainable development. In 2023, the Group will steadily advance the long closed-loop "Investment, Construction, Operation and Transformation" business model by actively pushing through the land swap of the third phase of the Qianhai Project and acquiring more high-quality and sustainable resources. The Group will also explore an innovative "Landlord + Shareholder" business model by carrying out equity investment in quality enterprises through platforms such as the "Digital Economy Industrial Carriers" and the "functional headquarters for the digital economy" transformed from the first phase of SZ South China Logistics Park. As a result, the quality and efficiency of transformation projects are expected to improve.

In 2023, the Group will continue to optimize the short closed-loop "Investment, Construction, Financing and Operation" business model in various ways. It may consider options to further increase cash inflow including possible issuance of publicly traded infrastructure REITs with mature integrated logistics hub projects as their underlying assets and/or creation of multi-layered asset-backed securities portfolios by actively progressing new private equity funds or other REITs-like projects. The Group will also bolster the research into funds in upstream and downstream logistics industries that make good use of capital market insights and leverage synergies in order to help optimize the Group's coverage in the industry.

To further enhance the quality of its investments, the Group will conduct preliminary studies on potential investment projects, plan ahead for channels and pathways of asset liquidity under the guidance of its dual closed-loop business models and with reference to rules governing the issuance of REITs, and prioritize to cities and projects with potential for transformation. Through the dual closed-loop business development models of "Investment, Construction, Operation and Transformation" and "Investment, Construction, Financing and Operation", the Group will be able to speed up cash recovery, optimize its capital structure, enhance the capacity, quality and scale of its core logistics business, and achieve positive industrial and capital cycles.

The year 2023 will be a pivotal year in the development of the Group's "14th Five-Year" strategic plan. The Group will grasp the opportunities brought by the nation's modern logistics network development plan, strive for high-quality development, enhance its operational efficiency and create greater value and return for all shareholders.

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 strategic planning. The Group strives to provide a platform for honest and virtuous elites to work and help diligent and hardworking employees succeed. In recent years, the Group recruits and promotes operation and management staff in accordance with a talent-based system focusing on the criteria of “selflessness, virtues, high capability, strong motivation and proven performance” with the aims of establishing a rational and scientific human resources management platform to create a fair and harmonious working environment which will in turn secure sustainable talent supply to support the business development. In 2022, the Comprehensive Documentation System for the Selection and Appointment of Senior Management Members is issued to further regulate the selection and appointment of senior management members, strengthen the supervision of the overall selection and employment process of staff members, thereby enhancing the credibility of the selection and employment process. To further consolidate the proper implementation of the Group’s “14th Five-Year” strategy, the Group is currently reviewing its human resources system by conducting analysis on its human resources sub-strategy, formulating a talent criteria matrix and issuing a human resources analysis report. The Group has finalized the human resources sub-strategy, which provides for a systematic analysis of the challenges faced by the existing human resources system, defines clear strategic positioning for future human resources development, formulates separate plans for each human resources function and establishes a comprehensive human resources supply chain that incorporates selection, employment, development and retention based on the internal and external conditions necessary for the Group’s development in order to provide ample and capable human resources for realizing the Group’s “14th Five-Year” strategy.

Employees and Policies on Remuneration and Benefits

As at 31 December 2022, the Group had a total of 8,983 (2021: 8,790) employees. During the Year, staff benefit expenses (including directors’ remuneration) were approximately HK$1,762 million (2021: approximately HK$1,911 million).

The Group was recognized as one of the 22 exemplary local state-owned enterprises across the nation in the “Double-Hundred Benchmark Enterprise” by the State-owned Assets Supervision and Administration Commission (the “SASAC”) of the State Council. The Group was also included in Shenzhen SASAC’s list of key companies to be promoted as top-notch enterprises across the world. It has greatly revolutionized the employment, compensation and fringe benefit policies for its employees, and established and continuously improved 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 standards and the value of individual positions. It has also completed an analysis of its performance-based remuneration system with reference to its business plan for the period under its “14th Five-Year” strategy. A database of the correlation between remuneration and performance has been established by the Group based on the results of the above remuneration and performance benchmarking analysis conducted in 2021. The Group has started evaluating the value of each position, 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 setting a scientific fixed-float salary ratio in order to motivate its 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 make improvements. To further revolutionize the Group’s internal remuneration policy, promotions and remuneration adjustments are made according to the group-wide staff performance assessment and a sound performance-based remuneration distribution system. The Group has been enhancing its existing long-term incentive system through in-depth research on relevant policies and regulations based on the Group’s circumstances. The Comprehensive Incentive Implementation Program was announced to realize benchmarking of salary, performance and industry norms, complement the long-term incentive and discipline programs implemented by the subsidiaries, motivate the management and employees to work harder and promote implementation of the “14th Five-Year” Strategic Plan. The Group provides its employees with comprehensive fringe benefits, including health checks, mandatory provident funds, medical insurance and education allowances.

Employee Development and Training Programs

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 2022, the Group has continued to recruit management personnel and professionals of high calibre in the logistics and environmental protection sectors through market-oriented recruitment and campus recruitment, updated its Employee Handbook, and provided proper induction training for new employees in order to enrich its management and professional teams and optimize the talent structure according to the Group's development strategy and business needs and an assessment-based recruitment principle. With the aim of motivating the operation and management teams of its subsidiaries to achieve business success, the Company has devised the Regulations on the Employment Term and Contract Management System for Management Members in order to provide guidance to its subsidiaries on the signing of the relevant documents with respect to employment term and contractual management of managerial staff members, and improve the employment term and contract management of the Group's employees. An "8-Abilities" human resources management system was also formulated in order to achieve flexible staff promotion, demotion, recruitment, dismissal, pay rise, pay cut and re-designation arrangements for management members.

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

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

Safety and Health

The Group strives to provide a safe, efficient and comfortable working environment for employees. To create a safe, healthy and comfortable working environment, it proactively arranges annual health checks and maintains health benefits for its staff, and organizes staff birthday gatherings, which have been attended by the management members of the Group. Since 2022, the Group has been organizing 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 workplace. The Group also provides various types of health checks and educational materials relating to occupational health with an aim to create a healthy and safe working environment for its employees.

FINANCIAL POSITION

	31 December 2022 *HK$ million*	31 December 2021 *HK$ million* (restated)	Increase/ (Decrease)
Total Assets	**133,495**	138,051	(3%)
Total Liabilities	**78,296**	70,379	11%
Total Equity	**55,199**	67,672	(18%)
Net Asset Value attributable to shareholders	**31,248**	38,873	(20%)
Net Asset Value per share attributable to shareholders (HK dollar)	**13.1**	17.1	(23%)
Cash	**14,025**	11,985	17%
Bank borrowings	**34,861**	25,610	36%
Other borrowings	**314**	534	(41%)
Notes and bonds	**18,592**	18,015	3%
Total Borrowings	**53,767**	44,159	22%
Net Borrowings	**39,742**	32,174	24%
Debt-asset Ratio (Total Liabilities/Total Assets)	**59%**	51%	8#
Ratio of Total Borrowings to Total Assets	**40%**	32%	8#
Ratio of Net Borrowings to Total Equity	**72%**	48%	24#
Ratio of Total Borrowings to Total Equity	**97%**	65%	32#

Change in percentage points

Key Financial Indicators

As at 31 December 2022, the Group's total assets and total equity amounted to approximately HK$133,495 million and HK$55,199 million, respectively, while net asset value attributable to shareholders was approximately HK$31,248 million. Net asset value per share was HK$13.1, representing a decrease of 23% as compared to the end of last year, which was mainly due to, among other things, fluctuations in RMB exchange rates. The debt-to-asset ratio was 59%, representing an increase of 8 percentage points as compared to the end of last year. The gearing ratio (calculated on the basis of net borrowings to total equity) was 72%, representing an increase of 24 percentage points as compared with that at the end of last year. Such increase was primarily due to the borrowings incurred as a result of increased investment activities during the Year.

Cash Flow and Financial Ratios

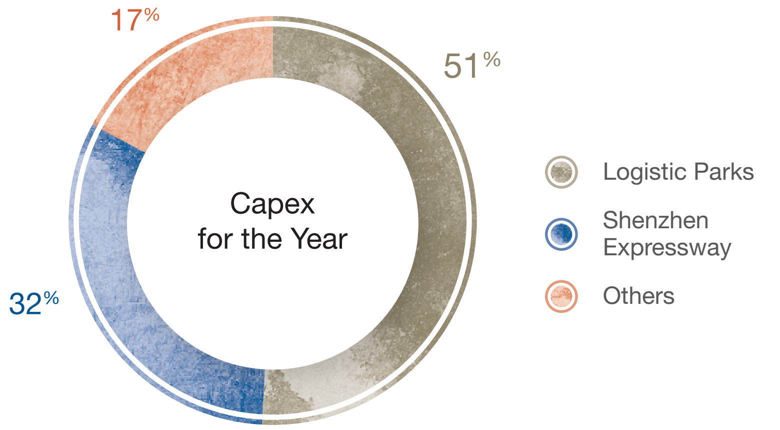
During the Year, net cash generated from operating activities amounted to approximately HK$10,134 million. Net cash used in investing activities amounted to approximately HK$7,836 million. Net cash used in financing activities amounted to approximately HK$445 million. The Group's core businesses maintained 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 2022, cash held by the Group amounted to approximately HK$14,025 million (31 December 2021 (restated): HK$11,985 million), representing an increase of 17% as compared to the end of last year. To facilitate the Group's operation and development in the PRC, cash held by the Group is primarily denominated in RMB. The Group maintains an effective treasury policy to manage its cash on hand that centralizes the allocation of funds with the aim of reducing idle funds and achieving higher return on its cash portfolio in order to provide strong support for the development of its business.

Capital Expenditures

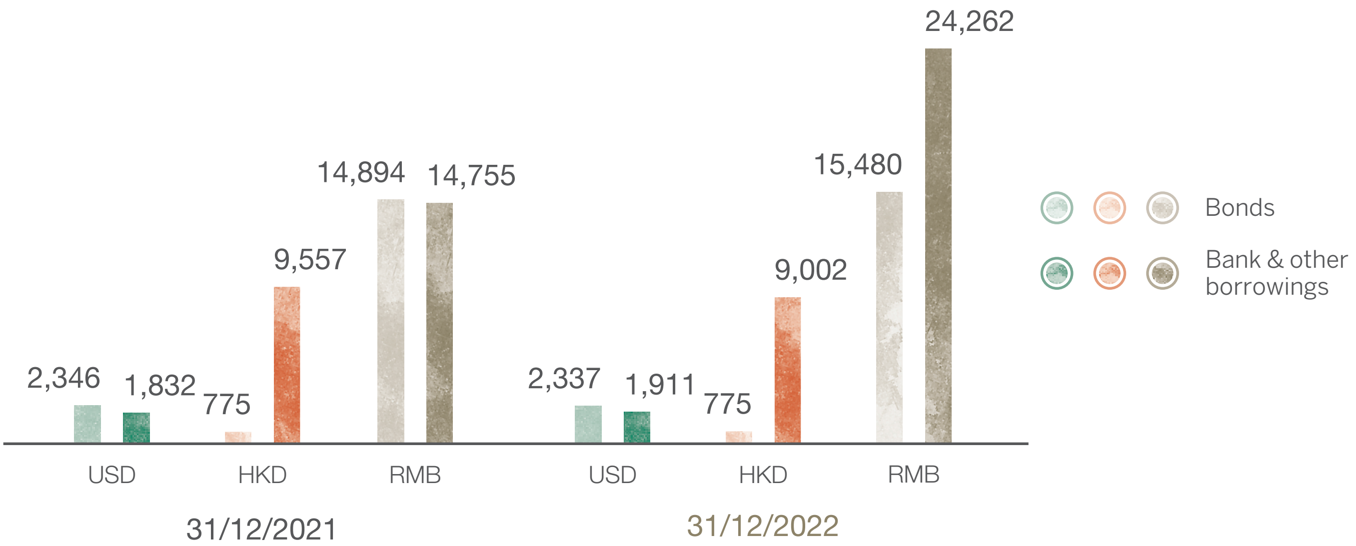
The Group's capital expenditures for the Year amounted to approximately RMB6,200 million (equivalent to HK$7,000 million), primarily comprising investments of approximately RMB3,160 million in the logistics parks projects and investments of approximately RMB2,000 million in Shenzhen Expressway's projects. The Group expects that the capital expenditures for 2023 will amount to approximately RMB8,800 million (equivalent to HK$9,900 million), including approximately RMB3,800 million for logistics parks projects, approximately RMB2,700 million for Shenzhen Expressway's projects and approximately RMB1,200 million for port projects.



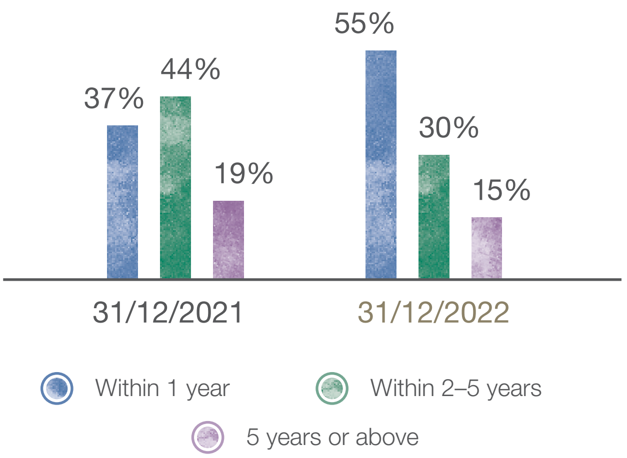
Borrowings

Total Borrowings in currency

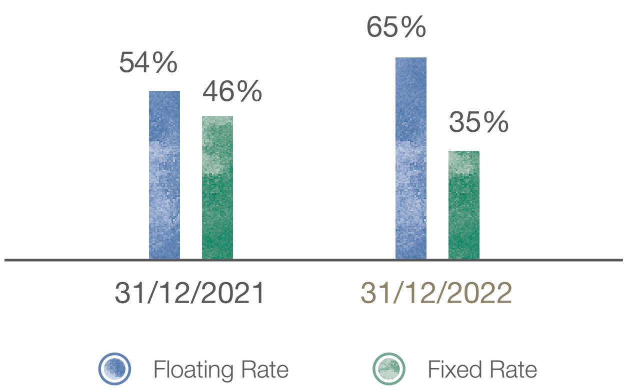
HK$ million



Total Borrowings—Repayment Period



Total Borrowings — Analysis of Floating rate/Fixed rate



As at 31 December 2022, the Group's total borrowings amounted to approximately HK$53,767 million, representing an increase of 22% as compared with the end of last year. During the Year, with a view to increasing its liquidity for continuing its development plan, the Company issued Panda Bonds of RMB1,000 million, and Shenzhen Expressway, a subsidiary of the Group, issued corporate bonds (first batch) of RMB1,500 million. 55%, 30% and 15% of the Group's total borrowings are due for repayment within 1 year, within 2 to 5 years and after 5 years, respectively.

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

The Group's Financial Policy

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$. During the Year, as the COVID-19 pandemic, US interest rate hike and the Russo-Ukrainian War affected global economic development, economic growth was subject to a great deal of uncertainty, and RMB/US$ exchange rates fluctuated relatively wildly. The Group will continue to monitor the foreign exchange market, adjust the currency structure of its borrowings and utilize hedging instruments as appropriate to manage its exchange rate risk. As at 31 December 2022, the ratio between the Group's borrowings in RMB and other currencies was around 74%:26%.

Liquidity Risk Management

As of 31 December 2022, the Group had cash on hand and standby banking facilities of approximately HK$93,400 million. The Group maintained adequate funds and credit facilities and optimized its capital structure continuously to ensure that it is capable of operating as a going concern while expanding its business, and to mitigate liquidity risk.

Credit Ratings

During the 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 favourable capital market recognition of the Group's financial soundness and solvency, and demonstrated confidence in the Group's ability to realize sustainable and quality growth.

Pledge of Assets, Guarantees and Contingencies

For details of the Group's pledge of assets, guarantees and contingencies as at 31 December 2022, please refer to notes 10, 23 and 38, 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 56, 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 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. Since becoming the Company's Chairman, Mr. Li has performed his duties with diligence with dual focus on building up the Group's capabilities and its high-quality corporate development. He has strengthened board development, established a number of foundational measures systems relating to the Company's long-term development, and has implemented eight major reforms in respect of investment decisions, project management and other matters, as well as the "Eight Abilities" human resource management system. As a result, the Company's corporate governance standard, management and operational capability as well as core competitiveness have been substantially enhanced. The Company received several awards, including being recognized as the "Double-Hundred Benchmark Enterprise" in the state-owned enterprise reform by the SASAC of the State Council and the benchmark enterprise in Guangdong Province's Key State-Owned Enterprise Management Improvement Action. Furthermore, the Group's core businesses, including the logistics, ports, toll roads, and general environmental protection-related segments have seen marked improvements which are conducive to the strengthening of the Company's market positioning and brand influence.

Mr. Liu Zhengyu

Chief Executive Officer, Chairman of the Sustainability Committee

Mr. Liu Zhengyu, aged 52, 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's degree in Business Administration. He has obtained the qualification as a Senior Accountant. Mr. Liu had successively worked as a chief accountant and a deputy general manager of Shenzhen Investment Holdings Company Limited. Mr. Liu was the chairman of the board of directors and a director of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co., Ltd., 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. Mr. Liu has extensive experience in serving as senior management and director of large-scale enterprises for years and working on corporate management, strategic management, investment and mergers and acquisitions, and capital operation matters.

Executive Directors *(continued)*

Mr. Wang Peihang

Member of the Nomination Committee

Mr. Wang Peihang, aged 55, 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 economic management and port business.

Dr. Dai Jingming

Financial Controller

Dr. Dai Jingming, aged 58, 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 and a member of the Strategy Committee of Shenzhen Expressway Corporation 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 Director

Dr. Zhou Zhiwei

Dr. Zhou Zhiwei, aged 45, 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 degree of 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

Mr. Pan Chaojin

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

Mr. Pan Chaojin, aged 58, 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., 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 ("Beijing Dacheng"). He was awarded "Outstanding Individual for Development of Leading Management and Consultation Industry" in 2013. Mr. Pan was the director of investment of Shanghai Fosun Industry Investment Co., Ltd. and the head of the State-owned Enterprise Restructuring Department of Beijing Dacheng. Mr. Pan participated in the planning and implementation of the first general offer of listed company in China, supervised and participated in, among other projects, the restructuring of various major provincial and municipal state-owned enterprises, organized and participated in the business consolidation, merger and acquisition, strategic consultation and management improvement of various enterprises, and participated in the researches on, among other subjects, state-owned enterprises in transition and overseas enterprise restructuring by the State-owned Assets Supervision and Administration Commission of the State Council. With extensive involvement in the management and restructuring of state-owned enterprises, Mr. Pan has extensive experience in corporate governance, group management, strategic transformation and capital operation.

Dr. Zeng Zhi

Chairman of the Audit Committee, Member of the Nomination Committee

Dr. Zeng Zhi, aged 51, 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.

Dr. Wang Guowen

Member of the Audit Committee and the Remuneration and Appraisal Committee

Dr. Wang Guowen, aged 57, was appointed in September 2022 as an Independent Non-Executive Director of the Company. He is also a member of each of the Audit Committee and Remuneration and Appraisal Committee of the Company. Dr. Wang holds a doctoral degree in World Economics from Nankai University and completed post-doctoral research in supply chain management in Peking University. Dr. Wang is a Senior Research Fellow of, and the Director of the Center for Logistics and Supply Chain Management at, the China (Shenzhen) Development Institute. He is also the Vice President of China Society of Logistics, Chief Representative of the China Round-table of the Council of Supply Chain Management Professionals, the Chairman of the Expert Committee on Blockchain Application in Logistics and Supply Chain under the China Federation of Logistics & Purchasing ("CFLP"), and the Chairman of the CFLP Green Logistics Expert Committee, as well as a visiting professor of Nankai University, Beijing Jiaotong University and The Hong Kong Polytechnic University. Dr. Wang is an independent non-executive director of Henan Xinning Modern Logistics Co., Ltd. (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 300013)). From January 2013 to December 2019, Dr. Wang was an independent non-executive director of Shenzhen Feima International Supply Chain Co Ltd. (the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 002210)). Dr. Wang previously served as an expert to World Bank and Asia Development Bank, and the Chinese industry convener of APEC Asia-Pacific Supply Chain Consortium (A2C2). Dr. Wang has extensive experience in regional economy, industrial development planning, logistics and supply chain management.

SENIOR MANAGEMENT

Mr. Ge Fei
Vice President

Mr. Ge Fei, aged 54, 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 School of Civil Engineering with a Bachelor's degree. Mr. Ge joined the fifth engineering bureau of the Ministry of Railways in August 1990. He joined Xing Tong Chan Development (Shenzhen) Co., Ltd. (formerly Shenzhen Freeway Development Company Limited which became a subsidiary of the Group in October 2001) in January 1994. He joined Shenzhen Expressway Corporation 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, a vice president of Shenzhen Expressway Corporation Limited and a chairman of Shenzhen International Logistics Development Company Limited. Mr. Ge has extensive experience in construction project management, land development, logistics development and operation, corporate management and investment.

Mr. Yi Aiguo
Vice President

Mr. Yi Aiguo, aged 59, 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 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 logistics 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 49, 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) 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. Mr. Fan has more than 20 years of extensive experiences in engineering management and corporate management.

SENIOR MANAGEMENT *(continued)*

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

Mr. Hou Shenghai, aged 50, 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 served 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.

Mr. Du Peng
Vice President

Mr. Du Peng, aged 50, was appointed as a Vice President of the Company in April 2022. Mr. Du hold a Master's degree in Education. Mr. Du had served in various departments of the government for many years, and had successively worked as senior management in various state-owned enterprises such as Shenzhen Agricultural Products Group Co., Ltd. and Shenzhen Talent Group Co., Ltd. Mr. Du has extensive experience in administrative management and corporate management.

REPORT OF THE DIRECTORS

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 2022 (the "Year").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in logistics, toll road, port and general-environmental protection businesses. Through investment, mergers and acquisitions, restructuring and consolidation, the Group focuses on the investment, construction and operation of logistics infrastructure projects in the four major areas of "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure" (including inland ports, urban integrated logistics parks, air cargo terminals and railway logistics terminals) and toll roads. The Group provides its customers with value-added logistics services including intelligent warehouse and integrated cold chain warehousing, and also expanded its business segments to include the comprehensive development of land related to the "logistics + commerce" industries as well as the investment in and operation of general-environmental protection business. Particulars of the principal activities of the Company's principal subsidiaries are set out in note 42 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, the performance during the Year, a discussion on the principal risks and uncertainties facing the Group, important events that have occurred after the balance sheet date (if any), an indication of likely future development in the Group's business, an analysis using financial key performance indicators, are set out in this "REPORT OF THE DIRECTORS" and the "FINANCIAL HIGHLIGHTS", "CHAIRMAN'S STATEMENT", "MANAGEMENT DISCUSSION AND ANALYSIS" and "CORPORATE GOVERNANCE REPORT" in this annual report.

In addition, a discussion on the Group's environmental policies and performance and an account of the Group's key relationships with its stakeholders are set out in the Environmental, Social and Governance Report.

The above sections in the annual report and the Environmental, Social and Governance Report form an integral part of this report.

RESULTS OF THE GROUP

The Group's results for the year ended 31 December 2022 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 100 to 226.

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 the bye-laws of the Company (the "Bye-Laws").

DIVIDENDS

The Board recommended a final dividend of HK$0.257 per share for the Year (2021: final dividend of HK$0.125 per share; special dividend of HK$0.703 per share), which amounted to approximately HK$614 million (2021: HK$1,877 million) in aggregate.

The Board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to: (1) the approval of the proposed final dividend at the forthcoming annual general meeting; and (2) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the scrip shares to be issued. Details of the Scrip Dividend Scheme and the election form will be sent to shareholders of the Company on or about 25 May 2023. 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 21 June 2023.

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 EQUITY-LINKED AGREEMENTS

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 20 to the consolidated financial statements.

Save as disclosed in the section headed "SHARE OPTION SCHEME" below, no equity-linked agreement was entered into by the Company, or subsisted during the Year.

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

On 29 November 2022, the Company has fully redeemed the USD300,000,000 aggregate principal amount of 3.95% senior perpetual capital securities issued on 21 November 2017 at its principal amount. The listing of such securities on the Stock Exchange has been withdrawn.

For the details of the 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 2022, the Company's reserves available for distribution to shareholders, comprising contributed surplus, retained earnings and other distributable reserves, amounted to approximately HK$905,432,000 (2021: HK$2,078,727,000). 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 core competitiveness of the Group.

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)*
Mr. Wang Peihang
Dr. Dai Jingming

Non-Executive Directors:

Dr. Zhou Zhiwei
Mr. Hu Wei (resigned on 7 December 2022)

Independent Non-Executive Directors:

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

Dr. Wang Guowen was appointed by the Board as an independent non-executive director on 1 September 2022 to fill a causal vacancy on the Board. In accordance with the Bye-Law 100 of the Bye-Laws (supplemented by Bye-Law 189(v) of the Bye-Laws), Dr. Wang Guowen 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. Li Haitao, Mr. Liu Zhengyu and Dr. Dai Jingming 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 entities connected to any of them 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 94 to 95 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 94 to 95 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***	***As at 1 January 2022***	***Granted during the Year***	***Adjusted during the Year***	***Exercised during the Year***	***Cancelled/ lapsed during the Year*** *(Note 2)*	***As at 31 December 2022 (Approximate % of issued shares of the Company)***	***Immediately before the date of grant of share options***	***Immediately before the date of exercise of share options***
			HK$							*HK$*	*HK$*
Directors											
Mr. Li Haitao	26 May 2017	26 May 2019 to 25 May 2022	9.472	1,085,768	–	–	–	(1,085,768)	0 (0%)	12.56	N/A
Mr. Hu Wei (Resigned on 7 December 2022)	26 May 2017	26 May 2019 to 25 May 2022	9.472	1,266,502	–	–	–	(1,266,502)	0 (0%)	12.56	N/A
Dr. Zhou Zhiwei	18 May 2020	18 May 2020 to 25 May 2022	12.892	269,538	–	–	–	(269,538)	0 (0%)	15.10	N/A
				2,621,808	–	–	–	(2,621,808)	0		
Other employees In aggregate	26 May 2017	26 May 2019 to 25 May 2022	9.472	20,852,305	–	–	–	(20,852,305)	0	12.56	N/A
	18 May 2020	18 May 2020 to 25 May 2022	12.892	4,136,821	–	–	–	(4,136,821)	0	15.10	N/A
				24,989,126	–	–	–	(24,989,126)	0		
				27,610,934	**–**	**–**	**–**	**(27,610,934)**	**0**		

Note:

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

(2) All these unexercised share options have lapsed on 26 May 2022. No share options were cancelled during the Year.

(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 number of share options of the Company available for grant under the Share Option Scheme mandate limit as at 1 January 2022 and 31 December 2022 is 117,011,652 shares and 144,622,586 shares respectively. 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 6.95% 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 94 to 95 of this annual report.

PERMITTED INDEMNITY PROVISIONS

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

MANAGEMENT CONTRACTS

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

RELATED PARTY TRANSACTIONS, CONNECTED TRANSACTIONS AND CONTINUING 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 41 to the consolidated financial statements.

(2) Connected transactions and continuing connected transactions

During the year, there were no connected transactions or continuing connected transactions that were not fully exempt from shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

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.

DONATIONS

During the Year, the Group made charitable and other donations amounted to approximately HK$18,618,324.

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 70 to 93 of this annual report.

AUDITOR

The financial statements for the Year have been audited by Deloitte Touche Tohmatsu ("Deloitte"), and the financial statements for each of the two years ended 31 December 2020 and 2021 were audited by KPMG and Deloitte, respectively.

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

ON BEHALF OF THE BOARD

Li Haitao
Chairman

28 March 2023

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 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. In formulating and implementing its corporate governance practices, the Company has applied the principles in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Moreover, various policies including the "Rules of the Board of Directors", "Terms of reference of Executive Board Committee", Terms of reference of Specialized Committees and "Model Code for Securities Transactions by Directors and Insiders who have access to inside information" were formulated and modified in January 2023, which further improved the corporate governance structure of the Company in connection with compliance with 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 2022 (the "Year"), the Company has complied with the code provisions set out in "Corporate Governance Code", Appendix 14 of the Listing Rules.

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 principles and practices of corporate governance adopted by the Group are set out in this section.

CORPORATE CULTURE

The Company has set out the following values to provide guidance on employees' conduct and behaviors as well as the business activities, and to ensure they are embedded throughout the Company's vision, mission, policies and business strategies:

Corporate Mission	:	to boost the real economy and to fully assume the role of a state-owned municipal ancillary service developer and operator to serve cities, industries and people's livelihood
Corporate Vision	:	to become a first-class industrial group which continues to grow stronger, better and larger
Corporate Character	:	the integration of knowledge and action for driving steady and far-reaching development
Core Values	:	hard work, open-mindedness, pragmatism and coordination
Enterprise Spirit	:	logistics with ethics, for a better world
Business Philosophy	:	building value, sharing future

THE BOARD

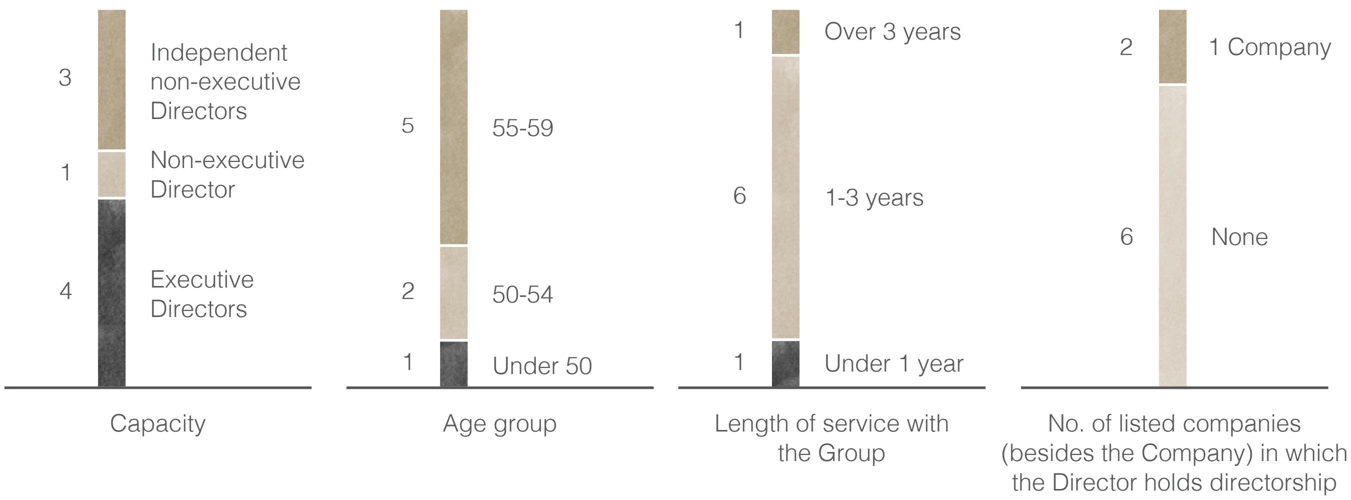
Composition of the Board

As at the date of this report, the board of directors of the Company (the "Board" or the "Director") consists of eight Directors, including four executive Directors: Messrs. Li Haitao, Liu Zhengyu, Wang Peihang and Dr. Dai Jingming; one non-executive Director: Dr. Zhou Zhiwei; and three independent non-executive Directors: Mr. Pan Chaojin, Dr. Zeng Zhi and Dr. Wang Guowen. The 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 59 to 63 of this annual 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. During the Year, each of Mr. Li Haitao and Mr. Liu Zhengyu serves as the Chairman and the Chief Executive Officer of the Company respectively.

Independent non-executive Directors

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

Changes in Board members

The changes of Board members during the Year are as follows:

Effective Date	*Name of Directors*	*Change*
7 December 2022	Mr. Hu Wei	Resigned as a non-executive Director
1 September 2022	Professor Cheng Tai Chiu, Edwin	Resigned as an independent non-executive Director
1 September 2022	Dr. Wang Guowen	Appointed as an independent non-executive Director
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 Company's 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 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 annual general meeting of the Company held on 13 May 2022, Dr. Wang Guowen has been appointed as an independent non-executive Director, Dr. Wang Guowen will stand for re-election by the Shareholders at the annual general meeting to be held on 16 May 2023.

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 other resources are in place for the Group to meet its strategic 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; 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 physical Board meeting shall be held by the Company, and the interested Director(s) shall abstain from voting at such Board meeting.

During the Year, a total of eight Board meetings were held. Notice of at least fourteen days were given for regular Board meetings and notice of at least seven days were given for non-regular meetings. To ensure all Directors are given opportunities to make suggestions on agenda items to be discussed at the Board meetings, all draft agendas for regular Board meetings are provided to all Directors for their comment prior to the meetings. The Chairman and the independent non-executive Directors met in November 2022 without the presence of any other Directors and the management.

The following sets out the major work performed by the Board in 2022:

(1) approving the 2021 annual results and the annual report;

(2) approving the proposal of payment of final dividends;

(3) approving the 2022 interim results and the interim report;

(4) reviewing the results and business operations of the first and third quarters of 2022;

(5) approving the recommendation on the re-appointment of the auditor for 2022;

(6) approving notifiable transactions of the Group as required under the Listing Rules;

(7) approving the changes of independent non-executive Directors, and the changes of the members of each of the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee; and

(8) approving 2021 Environmental, Social and Governance Report.

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	✓	✓	✓
Dr. Zhou Zhiwei	✓	✓	✓
Mr. Pan Chaojin	✓	✓	✓
Dr. Zeng Zhi	✓	✓	✓
Dr. Wang Guowen	✓	✓	✓
Mr. Hu Wei *(resigned as a non-executive director on 7 December 2022)*	✓	✓	
Professor Cheng Tai Chiu, Edwin *(resigned as an independent non-executive director on 1 September 2022)*	✓	✓	
Mr. Chan King Chung *(resigned as an independent non-executive director on 1 February 2022)*	✓	✓	

During the Year, the Company arranged the Directors (including independent non-executive Directors) to conduct site visits to places such as the Qianhai Project and Shenzhen Liguang Project, etc. Through these site visits, Directors could have a deeper understanding of the Group's business model and operating conditions.

SPECIALIZED COMMITTEES OF THE BOARD AND OTHER COMMITTEES

In order to assist the Board in discharging its duties in a more efficient manner, the Board has established the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee which members comprised Directors only. The Company also has an Executive Board Committee which members comprised executive Directors only for managing and overseeing the day-to-day business operations of the Group and has a Sustainability Committee which comprised one Director and a number of senior management members for the Group's sustainability matters. The above-mentioned committees have designated responsibilities and terms of reference approved by the Board, and duties including reviewing and monitoring matters in such designated areas of the Company and making recommendations to the Board accordingly.

The Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee may seek independent professional advice to properly discharge their responsibilities to the Company where necessary. Such costs shall be borne by the Company.

A summary of the responsibilities of and the work performed by the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee, the Executive Board Committee and the Sustainability Committee during 2022 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), Mr. Pan Chaojin and Dr. Wang Guowen. On 1 February 2022, Dr. Zeng Zhi was appointed to succeed Mr. Chan King Chung as the Chairman of the Audit Committee. On 1 September 2022, Dr. Wang Guowen was appointed to succeed Professor Cheng Tai Chiu as a member of the Audit Committee.

Responsibilities and work performed in 2022

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

- to discuss and make recommendations to the Board on the appointment, re-appointment, replacement and removal of the external 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 integrity of financial statements, interim reports, annual reports and accounts of the Company and to review significant financial judgments contained therein;
- to review the Group's financial control, risk management and internal control systems and compliance management system, and the Group's statement on risk management and internal control systems contained in the annual report;
- to discuss with the senior management on the development of Group's risk management and internal control systems and the compliance management system to ensure that the senior management has performed its duty to establish effective systems; and this discussion should include the adequacy of resources, qualifications and experience of staff, training programmes and budget of the Group's accounting and financial reporting function; and
- to review arrangements for employees of the Group and external third parties who deal with the Group (such as customers and suppliers) to raise concerns, in confidence and anonymity about possible improprieties in financial reporting, internal control or other matters; and to ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action.

The Audit Committee held 6 meetings during 2022. The work performed in the Year included the following:

- reviewing the annual results for 2021, the interim results for 2022 and the relevant financial statements, and confirmed the related disclosures in the financial statements were complete, accurate and fair and recommended the same to the Board for approval;
- considering the recommendation on the re-appointment of the Auditor for 2022;
- 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 2021;
- reviewing with the management and relevant departments the effectiveness of the Group's risk management and internal control system for the year 2021;
- considering the 2022 internal audit plan of the Group;
- approving "Significant Risk Assessment Programme"; and
- reviewing the change of the Chairman and the member of the Audit Committee and proposing to the Board for approval.

During the Year, the Audit Committee met the Auditor thrice in the absence of the executive directors and the senior 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 to succeed Mr. Chan King Chung as member of the Nomination Committee.

Responsibilities and work performed in 2022

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 and review factors such as the qualification and experience of candidates for 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 assess the independence and qualification of independent non-executive directors;
- to review annually the structure, size and composition (including the skills, knowledge and experience) of the Board;
- to draw up the board diversity policy and make recommendations to the Board. Review the implementation and effectiveness of such policy on an annual basis and report to the Board; and
- to consider and supervise the implementation of the nomination policy of directors, to review and make recommendations on amendments to the Board where appropriate.

The Nomination Committee held 3 meetings during 2022. The work performed in the Year included the following:

- evaluating and making recommendation on the performance of the Directors who were subject to retirement or retirement by rotation and re-election at the 2022 annual general meeting;
- reviewing the independence of each independent non-executive Director;
- reviewing the structure, size, composition and diversity of the Board, and the time devoted by the Directors on performing his duties;
- reviewing the candidates of the independent non-executive Director and making recommendation to the Board; and
- reviewing the change of the member of the Nomination Committee and proposing to the Board for approval.

To ensure independent views and input are made available to the Board and protect the shareholders' rights, the Company has established the following mechanisms and the Nomination Committee will review its implementation and effectiveness annually:

- to ensure the Board has sufficient independent non-executive Directors, which meets the requirement of the Listing Rules that at least one-third of the Board are independent non-executive Directors;
- all independent non-executive Directors are required to submit a written confirmation to the Company annually to confirm the independence of each of them and their immediate family members, and their compliance with the requirements as set out in the Rule 3.13 of the Listing Rules;
- to ensure that independent non-executive Directors have extensive experience and professional knowledge, so that they can objectively measure the comprehensive development of the Group during decision-making process and play a supervisory role. In addition, the independent non-executive Directors can seek independent professional advice in order to perform their duties where necessary;
- to arrange site visits for independent non-executive Directors from time to time to enhance their understanding of the Company's business;
- the Chairman of the Board will meet with the independent non-executive Directors at least once annually without the presence of any other Directors and management to listen independent views on various issues concerning the Group; and
- a Director (including independent non-executive Directors) who has material interest in any contract, transaction or arrangement shall abstain from voting and not be counted in the quorum on any Board resolution approving the same.

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. In addition, the Company is committed to creating a diverse and equal working environment for all employees. In respect of the Group's workforce, the ratio of women to men (including senior management, but excluding the Directors) as at 31 December 2022 was approximately 39:61. The gender ratio of the Group's workforce is primarily based on the availability of human resources in this particular industry which the Group operates in. Taking into account the aforesaid, the Company considers there to be reasonable diversity across its workforce in terms of gender mix, and has therefore not set quantitative targets to alter its gender mix to a specific ratio. With the objective of further optimising the gender diversity in mind, the Group will continue to take gender diversity into account in its ongoing recruitment process and to build a diverse and inclusive workforce.

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 72 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 Dr. Wang Guowen. On 1 September 2022, Dr. Wang Guowen was appointed to succeed Professor Cheng Tai Chiu as a member of the Remuneration and Appraisal Committee.

Responsibilities and work performed in 2022

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

- to review and consider the level, policy and structure of remuneration of Directors and senior management of the Company, to establish a formal and transparent procedure for developing remuneration policy, and make recommendations to the Board;
- to consider the remuneration proposals for Directors and senior management, and to ensure that no Director or senior management or any of their associates is involved in the determination and decision of his or her own remuneration;
- to consider the remuneration packages of executive Directors and senior management, including benefits in kind and pension entitlements etc.; and make recommendations to the Board on the remuneration of non-executive directors;
- to make recommendations to the Board on the directors' and senior management's participation in the incentive remuneration scheme and the share scheme, including benefits obtained from bonuses, share options, share awards or other similar schemes and the operation and supervision of these schemes; and
- to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

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 considers and makes recommendations to the Board the remuneration packages of executive Directors and senior management, including benefits in kind and pension entitlements. The Remuneration and Appraisal Committee may consult the Chairman of the Board and/or the Chief Executive Officer about proposals relating to the remuneration for other executive Directors and seek professional advice, if necessary.

The Remuneration and Appraisal Committee held 3 meetings during 2022. The work performed in the Year included the following:

- approving assessment indicators for 2022 to the senior management;
- reviewing the change of the members of the Nomination Committee and proposing to the Board for approval; and
- approving the renewal of service contract made between the Company and one of its 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 – K$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 31 to the financial statements.

Executive Board Committee

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

Responsibilities and work performed in 2022

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

- to monitor all business operations of the Group;
- to prepare and approve the Group's business plans and annual budget;
- to deal with the ordinary business of the Group and to authorise the Chief Executive Officer to lead the management for the day-to-day operations of the Group, and to authorise individual executive Directors to deal with the daily operation of various businesses of the Group;
- to consider the notifiable transactions, connected transactions and continuing connected transactions of the Group as required under the Listing Rules and advise the Board thereon;
- to consider and review the Company's policies on corporate governance and make recommendations to the Board;
- to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors;
- to review and monitor the training and continuous professional development of the Directors and senior management of the Company;
- 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
- 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.

The work performed by the Executive Board Committee during the Year included considering and approving the Company's 2021 annual results and dividend proposal, 2022 interim and quarterly results and business development, budgets for the year 2022, notifiable transactions, the Company's policies adoption and amendments, capital operation projects, and the business development plans, capital expenditures and loans, and changes in the senior management of the Company's subsidiaries etc.

Sustainability Committee (established in November 2021)

The Sustainability Committee consists of one executive Director and two senior management members of the Company, namely Mr. Liu Zhengyu (Chairman), Mr. Fan Zhiyong and Mr. Hou Shenghai.

Responsibilities and work performed in 2022

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 held 1 meeting during 2022. The work performed during the Year included approving the scope of responsibility of the ESG Working Group, the reporting boundary of Environmental, Social and Governance Report and review the Environmental, Social and Governance Report.

The attendance records of the Board meetings, specialized committee meetings and general meeting of the Company held in 2022

Details of the Directors' attendance at the Board meetings, specialized committee meetings and general meetings of the Company held in 2022 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***
Executive Directors					
Mr. Li Haitao	**8**/8	N/A	N/A	**3**/3	**1**/1
Mr. Liu Zhengyu	**6**/8	N/A	N/A	N/A	**1**/1
Mr. Wang Peihang	**8**/8	N/A	**3**/3	N/A	**1**/1
Dr. Dai Jingming	**7**/8	N/A	N/A	N/A	**1**/1
Non-executive Directors					
Dr. Zhou Zhiwei	**8**/8	N/A	N/A	N/A	**1**/1
Mr. Hu Wei(1)	**6**/8	N/A	N/A	N/A	**0**/1
Independent non-executive Directors					
Mr. Pan Chaojin	**8**/8	**6**/6	**3**/3	**3**/3	**1**/1
Dr. Zeng Zhi(2)	**7**/7	**5**/5	**2**/2	N/A	**1**/1
Dr. Wang Guowen(3)	**3**/3	**1**/1	N/A	**1**/1	N/A
Professor Cheng Tai Chiu, Edwin(4)	**5**/5	**5**/5	N/A	**2**/2	**1**/1
Mr. Chan King Chung(5)	**1**/1	**1**/1	**1**/1	N/A	N/A

Notes:

(1) Mr. Hu Wei resigned as a non-executive Director on 7 December 2022.

(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) Dr. Wang Guowen was appointed as an independent non-executive Director, a member of the Audit Committee and a member of the Remuneration and Appraisal Committee on 1 September 2022.

(4) Professor Cheng Tai Chiu, Edwin resigned as an independent non-executive Director, a member of the Audit Committee and a member of the Remuneration and Appraisal Committee on 1 September 2022.

(5) Mr. Chan King Chung 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 provides 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.

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 2022, 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 and reviewing their effectiveness. 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 Group's ability to achieve 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 Company leads and supports its subsidiaries to achieve corporate development in accordance with the Group's strategic plans. The Company achieves sustainable development through good and regulated management by adjusting, improving and enhancing the internal management model of its subsidiaries.

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 its 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, draw up white papers on the management and control over different types of subsidiaries, 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 2022, the Group continued to optimize and update the investment business risk accountability systems of certain specific operations in order to refine the assessment criteria, stimulate investment and, in turn, achieve effective investment risk prevention and control.

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 and compliance management system, assessing the performance of the internal control system, managing the engagement of intermediary agencies, overseeing asset valuation and the selection of intermediary agencies for specific auditing projects, as well as 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 efforts and provide reference for the management to make decisions on risk management and control. As such, the Group has gradually established and has continued to refine its three-tier risk prevention and control system comprised mainly of the risk management departments of its subsidiaries, the Risk Control Committee at the management level and the Board, and its three lines of defense, which consist primarily of the relevant functional departments of the risk management, audit and supervisory departments at the subsidiary and headquarter levels.

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 and financial management, capital management, construction management, procurement 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 systems, 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 based on 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. The documents formalizing the Group's top-level risk management and internal control structure are the Comprehensive Risk Management Regulations (2021 Revised Edition) and the Internal Control System (2021 Revised Edition). In 2022, the Group continued to perfect its "1+N" internal control system by formulating and issuing the Procedures for Assessing Major Risks and the Administrative Regulations on the Standardization of Internal Control, thereby further refining and modernizing its corporate system and corporate governance structure and, in turn, improving the Group's ability to prevent and avert major risks and manage its operations.

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 and system in place for the employees and those who deal with the Company to raise concerns, in confidence and anonymity, with the audit committee about possible improprieties in any matter related to the Company.

In addition, to identify, process and announce inside information, the Group has also implemented relevant procedures, including pre-approval for transactions of the Group's securities by specific 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 2022 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 adequate to provide reasonable assurance 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 are scheduled to participate in various training courses every year in accordance with the Company's needs in order to enhance their conceptual 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. Set out below are some of the examples of the work done by the risk management department during the Year.

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. • The supply of land for the logistics and warehousing industries are tightening while the ways to roll out such land are diversifying, which together require better short-term profitability from logistics projects. To continuously stabilize their economies, local governments are tightening the terms and conditions for investment in quality resources and projects as well as the assessment criteria for the value and tax of such projects. • Due to multi-regional port resource integration and the establishment of various provincial port corporations that enjoy favorable policy support, the port segment is facing intense competition for port resources. Affected by the wide-spread adoption of medium- and long-term coal contracts, the coal supply chain operated by the port business faces a drastic decline in market demand for coal from, among others, electricity generating companies and, in turn, immense pressure on the profitability of the port supply chain. • 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.	• Keep monitoring the status of the amendment to the *Regulations on the Administration of Toll Roads* • Study policy developments in the logistics, warehousing and real estate industries, stick to the overall principle of complementing first-hand development with second-hand development by acquiring both first-hand and second-hand land plots while identifying and engaging in joint development projects with infrastructure operators across the nation, further 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. • Maintain close communication with local governments in which its ports are located, and safeguard and enhance its market position by getting an edge in the competition for port resources by improving its port designs, goods handling technologies and overall service quality. • Keep abreast of policy changes in the environmental protection industry, study the impact of such policy changes and consider countermeasures.

Risk	Description	Corresponding measures
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. • As investment options become increasingly complex and investment formats become increasingly diversified, the risk of misjudgment may increase. • Insufficient forward-looking market analysis and late and inefficient investment decision-making may result in the loss of valuable investment projects. • Conflicts in cultural integrations between corporations and mismanagement may arise after mergers and acquisitions.	• Keep improving the investment management system and conduct due diligence stringently in accordance with the requirements of such system. • Conduct comprehensive due diligence review and sufficient risk exposure and risk probability analysis for all kinds of investment options, mitigate, avert and control risks by means of contractual terms, and formulate risk response strategies in advance. • Strengthen industry and market research, keep abreast of industry development trends, speed up the investment decision-making process and enhance efficiency. • Carry through the profit-related system to achieve risk sharing by aligning the interests of project teams and their projects. • Implement integration of target companies steadily, strengthen management of major activities of invested companies and reduce operational risks.
Risks related to trade receivables	• The novel coronavirus pandemic may affect the cash flows of business partners in capital-intensive businesses, such as the tenants of small and medium logistic warehouses, logistics and supply chain developers and third-party logistics service providers, 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 business partners' financial position and manage trade receivables before, during and after the trade in order to reduce the risk of bad debts. • Adopt case-by-case solutions and assign designated persons for counterparties with trade receivable risk, and propose risk response strategies in a timely manner.

Risk	Description	Corresponding measures
Risks related to construction projects	• Expressway construction projects are subject to 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. • Contingencies, the long settlement period and management challenges of integrated logistics hub and port construction projects may result in delays. • Fluctuations in raw material prices may affect effective control over construction costs and, in turn, have a significant impact on the future production, operation and performance of a project.	• 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. • Insist on strengthening all management procedures and tightening overall control over project quality and progress. • Control project costs and expenses strictly and track and audit the whole process of the projects spanning from tendering, bidding, contracting, design changes, inspection, delivery acceptance and completion settlement to commencement of operation.
Legal and compliance risks	• The determination of contractual terms and the performance of contracts may be subject to risks. • 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 central government may result in higher information security compliance requirements.	• Implement and continuously improve the smart legal affair management system, connect it to the database of the financial reporting system, and review the execution and approval of major contracts using the system. • Bolster the legal affair department, the team of professional legal counsel and the legal talent reserve. • Improve the legal risks mitigation mechanism, provide legal, anti-monopoly and other compliance training, and ensure that 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 concerned to bridge gaps in material costs. • Study and abide by internet and information security laws and regulations and enhance the Group's data and information security compliance management.

Risk	Description	Corresponding measures
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. • Follow established mechanisms and policies in relation to recruitment and dismissal processes by its subsidiaries and demand timely rectification in case of potential non-compliance.
ESG risks	• In the environmental aspect, the sustainable development of the Group may be affected by ineffective resource management, insufficient understanding of the impact of climate change on business operations, and inaccurate or incomplete environmental data collection and supervision. • In the social aspect, the sustainable development of the Group may be affected by disputes with its staff, suppliers, consumers, media and other stakeholders. • In the corporate governance aspect, the sustainable development of the Group may be affected by issues related to its governance structure, transparency, independence, board diversity and shareholders' right.	• Monitor ESG-related policies and documents, strengthen the Group's environmental, social and corporate governance data collection, ensure the accuracy and completeness of such data, and continuously improve relevant monitoring and management measures according to actual circumstances.
Exchange rate risks	• The Group may incur exchange losses and higher financial costs if the exchange rates of Renminbi fall as a result of the impact brought by the pandemic on the domestic economy.	• 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 lower the balance of foreign currency loans as and when appropriate in order to reduce the impact of exchange rate fluctuations. • Maintain appropriate overseas financing credit lines.

EXTERNAL AUDITOR

During the Year, the fees payable by the Group to the Auditor, Deloitte Touche Tohmatsu ("Deloitte") in respect of audit and non-audit services is set out below:

Services rendered	Fee paid/payable HKD'000
Audit services	**8,257**
Non-audit services	
– Interim results review	**1,833**
– Review of Project circulars	**3,074**
– Due diligence and internal control review	**1,242**
– Quarterly results review	**560**
– Other	**143**
Total	**15,109**

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 2023 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 taken by the Joint Company Secretaries and the secretary of each of the specialized committees should record in sufficient details 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 2022 to answer questions raised by the Shareholders.

During the Year, the Company held 1 general meeting. Set out below is a summary of the matters resolved at the general meeting:

Date	*Matters resolved at the general meetings*
13 May 2022 (annual general meeting)	• the audited financial statements and the reports of the Directors and of the Auditors for the year ended 31 December 2021; • payment of the final dividend and special dividend for the year ended 31 December 2021; • re-election of the retiring Directors and authorisation of the Board to fix the Directors' remuneration; • re-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 in the Company.

Voting by poll on shareholders' resolutions

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

Before commencement of a general meeting, the chairman of the general meeting shall explain clearly to the 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' COMMUNICATION POLICY

In order to ensure the Shareholders are provided with comprehensive, equal and timely access to balanced and understandable information about the Company to enable the Shareholders to exercise their rights in an informed manner, and to allow active Shareholders' engagement with the Company, the Company has adopted the shareholders' communication policy (which has been made available at the Company's website) and annually reviews the policy to ensure its effectiveness.

During the Year, the Company has reviewed the implementation and effectiveness of the shareholders' communication policy. Having considered the various existing channels of communication and shareholders' participation including without limitation: (a) AGMs and SGMs (if any) which provide a forum for the Shareholders to make comments and exchange views with the Board; (b) publication of announcements, annual reports, ESG report, interim reports and key corporate governance policies on the websites of the Stock Exchange and the Company in a timely manner; and (c) the availability of latest corporate information (including contact information such as telephone, fax number and email address) on the Company's website for effective communication between Shareholders and the Company, the Company considers that the shareholders' communication policy has been properly implemented and effective during the Year.

SHAREHOLDERS' RIGHTS

Convening 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.

CONSTITUTIONAL DOCUMENTS

There has been no significant change in the Company's constitutional documents during the Year and up to the date of this report. However, as disclosed in the announcement of the Company dated 28 March 2023 in relation to the proposed amendments to the Memorandum of Association and Bye-Laws of the Company, it is proposed that certain amendments be made to the existing Memorandum of Association and Bye-Laws of the Company for the purpose of bringing the them in alignment with the Core Shareholder Protection Standards set out in Appendix 3 of the Listing Rules following the relevant amendments to the Listing Rules and allowing general meetings of the Company to be held as a physical meeting, hybrid meeting or an electronic meeting to encourage shareholders participation in meetings. For details, please refer to the relevant announcement 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 strategies and prospects with its investors. The Group also welcomes potential investors to access information about us and engage in dialogue.

Providing investors with timely, accurate and meaningful information was crucial in maintaining investors' confidence amidst the fluctuating COVID-19 pandemic situation in 2022. Adhering to its well-established and transparent investor relations management principles, the Group has actively strengthened the interactive communication platform with the capital market by proactively presenting its results and development while understanding investors' concern and market opinion through various channels, such as meetings with institutional investors, roadshows (or reverse roadshows) and investor conferences during the Year.

In response to the evolving pandemic situation, the Group rigorously maintained close communication with the investors and shareholders via a diverse range of channels. Through hosting results presentations by ways of teleconferences and livestream while holding more non-deal roadshows, online meetings and large-scale strategy presentations at home and abroad, it conducted nearly 80 interactive activities and communicated with a total of over 400 local and foreign investors in the domestic and international capital markets 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, various reputable securities dealers at home and abroad issued 13 research reports on the Group. Most of these reports assigned positive grades such as buy, outperform or overweight to the Group.

Attributable to such consistent efforts, the Group has won market recognition for its work on investor relations and corporate governance. During the Year, it received a number of prestigious awards, including the "Best Infrastructure and Public Utilities Company"（最佳基建及公共事業公司）and the "Best IR Team"（最佳IR團隊）at the 6th Golden Hong Kong Stock Awards（金港股）, the Greater Bay Area Navigation Award for Its Outstanding Contribution in the 3rd Greater Bay Area Navigation Awards（第三屆領航9+2「領航粵港澳大灣區傑出貢獻企業獎」）, the "Best Listed Company in IR Management"（最佳投資者關係管理上市公司）at the China Securities Golden Bauhinia Awards（金紫荊獎）presented by Hong Kong Ta Kung Wen Wei Media Group, received the "Sustainable Development for the Year Award"（年度可持續發展獎）by Gelonghui Jinge Awards（格隆匯金格獎）, the "Best Infrastructure and Utilities Company"（最佳基建及公共事業公司）at the 7th listed company awards presented by zhitongcaijing.com（智通財經）and the "Best Digital IR Award"（最佳數字化投資者關係獎）and the "Best Capital Market Communication Award"（最佳資本市場溝通獎）at the 6th China IR Annual Awards（第六屆中國卓越IR), thereby 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 as well as conferences or seminars in the capital market. Details of the major promotional activities held during the Year are as follows:

2022	*Major events*
January	• Held local and overseas analyst meetings (Virtual)
	• Held local and overseas investor and shareholder meetings (Virtual)
February	• Held investor roadshows and meetings (Virtual)
	• Held local and overseas analyst project study and research meetings (Virtual)
March	• Held Shenzhen International 2022 annual results presentations and analyst meetings (Virtual)
April	• Held "Explore Shenzhen International: Reverse Roadshow"
	• Held local and overseas Shenzhen International 2022 post-annual results non-deal roadshows (Virtual)
May	• Participated in Huatai Securities' 2022 interim strategy presentation (Virtual)
	• Held local and overseas analyst meetings (Virtual)
June	• Held non-deal roadshows (Virtual)
	• Held local and overseas analyst meetings (Virtual)
July	• Participated in 2022 Summer Hong Kong Stock Investment Conference and Listed Company Roadshow (2022夏季港股投資論壇•上市公司路演) held by gelonghui.com (格隆匯) (Virtual)
August	• Held Shenzhen International 2022 interim results presentations (Virtual)
	• Held Shenzhen International 2022 interim results analysts meetings (Virtual)
September	• Held local and overseas Shenzhen International 2022 post-interim results non-deal roadshows (Virtual)
October	• Held local and overseas investor roadshows (Virtual)
	• Held local and overseas analyst project research meetings (Virtual)
November	• Participated in Citi's 2022 China investment summit (Virtual)
	• Participated in Huatai Securities' strategy presentation (Virtual)
December	• Participated in Guosen Securities' 2023 annual capital market conference named "Focusing on High-Quality Development" (聚焦高質量發展) (Virtual)
	• Participated in Sealand Securities' strategy presentation (Virtual)

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 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.

DISCLOSURE OF INTERESTS

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2022, 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 67 to 68 of this annual report:

Long position in the ordinary shares of the Company

Name of Director	*Number of shares held*	*Capacity*	*Nature of interest*	*Approximate % of the issued shares of the Company (Note)*
Li Haitao	40,644	beneficial owner	personal	0.002%

Note: The percentage was calculated based on the total number of shares of the Company in issue as at 31 December 2022 (i.e. 2,387,809,199 shares).

Save as disclosed above and in the section headed "SHARE OPTION SCHEME" as set out in the Report of the Directors on pages 67 to 68 of this annual report, as at 31 December 2022, 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 67 to 68 of this annual report, at no time during the year ended 31 December 2022 was the Company, any of its subsidiaries, the holding company of the Company or any of its subsidiaries a party to any arrangement which enabled 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 2022, 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)*	364,500	beneficial owner	0.01%
	1,058,717,983	interest of controlled corporation	44.34%
Ultrarich International Limited ("Ultrarich") *(Note 2)*	1,058,717,983	beneficial owner	44.34%
UBS Group AG *(Note 3)*	195,820,718	interest of controlled corporation	8.20%

Notes:

(1) The percentage was calculated based on the total number of shares of the Company in issue as at 31 December 2022 (i.e. 2,387,809,199 shares).

(2) Ultrarich was a wholly-owned subsidiary of SIHCL and held 1,058,717,983 shares of the Company. Accordingly, SIHCL was deemed to be interested in the long position of these shares of the Company held by Ultrarich.

(3) UBS AG, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Americas) Inc., UBS Asset Management Life Ltd, UBS Switzerland AG, UBS Financial Services Inc, UBS Asset Management (Australia) Ltd, UBS Asset Management (Deutschland) GmbH, UBS Asset Management (Singapore) Ltd, UBS Asset Management Switzerland AG, UBS Asset Management (UK) Limited, UBS Fund Management (Luxembourg) S.A. 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 195,820,718 shares of the Company held by these companies.

Save as disclosed above, as at 31 December 2022, the Company was not aware of any other substantial shareholders (other than the Directors or chief executives) which had interests or short positions 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.

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 100 to 226, which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and 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 2022, 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.

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 MATTERS *(continued)*

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 2022, the carrying amounts of the toll road operating rights of the Group was HKD25,326,002,000, and the amortization of toll road operating rights for the year ended 2022 was HKD1,813,806,000. 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.

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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

28 March 2023

CONSOLIDATED BALANCE SHEET

At 31 December 2022

(For reference only) 31.12.2022 RMB'000		NOTES	*31.12.2022 HKD'000*	*31.12.2021 HKD'000 (restated)*	*1.1.2021 HKD'000 (restated)*
	ASSETS				
	Non-current assets				
9,087,919	Investment properties	6	**10,226,082**	7,697,726	611,305
15,885,066	Property, plant and equipment	7	**17,874,497**	19,087,069	12,745,050
2,827,517	Land use rights	8	**3,181,633**	3,328,772	3,802,321
3,053,775	Construction in progress	9	**3,436,227**	3,927,282	3,099,947
26,608,689	Intangible assets	10	**29,941,138**	32,922,243	31,645,704
490,558	Goodwill	11	**551,995**	657,917	519,943
15,589,612	Interests in associates	12	**17,542,041**	19,560,227	14,431,233
9,729,096	Interests in joint ventures	13	**10,947,559**	12,185,056	11,638,056
908,019	Other financial assets	14	**1,021,738**	1,144,780	2,382,291
671,816	Deferred tax assets	24	**755,954**	859,835	1,688,335
6,699,966	Other non-current assets	15	**7,539,064**	6,760,114	3,854,790
91,552,033			**103,017,928**	108,131,021	86,418,975
	Current assets				
5,594,487	Inventories and other contract costs	16	**6,295,136**	9,562,059	14,721,654
377,341	Contract assets	17(a)	**424,599**	484,529	408,532
2,518,187	Other financial assets	14	**2,833,562**	973,640	1,888,626
5,920,375	Trade and other receivables	18	**6,661,838**	6,654,253	7,367,630
210,804	Derivative financial instruments		**237,205**	260,713	–
2,492,656	Restricted bank deposits	19	**2,804,834**	930,741	2,807,558
346,549	Deposits in banks with original maturities over three months	19	**389,950**	1,023,786	3,508,668
9,624,508	Cash and cash equivalents	19	**10,829,873**	10,030,535	9,763,648
–	Disposal group held for sale		**–**	–	587,346
27,084,907			**30,476,997**	29,920,256	41,053,662
118,636,940	**Total assets**		**133,494,925**	138,051,277	127,472,637

At 31 December 2022

(For reference only) *31.12.2022* *RMB'000*		NOTES	*31.12.2022* *HKD'000*	*31.12.2021* *HKD'000* *(restated)*	*1.1.2021* *HKD'000* *(restated)*
	EQUITY AND LIABILITIES				
	Equity attributable to ordinary shareholders of the Company				
11,747,107	Share capital and share premium	20	**13,218,304**	12,331,648	11,529,380
16,022,870	Other reserves and retained earnings	21	**18,029,560**	26,540,920	24,097,476
27,769,977	**Equity attributable to ordinary shareholders of the Company**		**31,247,864**	38,872,568	35,626,856
–	**Perpetual securities**	22	**–**	2,330,939	2,330,939
21,285,529	**Non-controlling interests**		**23,951,310**	26,468,668	25,341,852
49,055,506	**Total equity**		**55,199,174**	67,672,175	63,299,647
	Non-current liabilities				
21,707,601	Borrowings	23	**24,426,242**	27,910,782	18,592,507
880,051	Lease liabilities	27	**990,268**	1,430,391	737,751
2,497,014	Deferred tax liabilities	24	**2,809,738**	2,782,820	2,343,661
1,319,795	Other non-current liabilities	25	**1,485,084**	4,103,911	3,873,171
26,404,461			**29,711,332**	36,227,904	25,547,090
	Current liabilities				
11,350,002	Trade and other payables	26	**12,771,467**	15,755,370	16,974,863
–	Derivative financial instruments		**–**	–	99,356
4,985,416	Contract liabilities	17(b)	**5,609,785**	290,329	2,816,549
692,520	Income tax payable		**779,251**	1,760,252	2,359,542
26,075,140	Borrowings	23	**29,340,767**	16,247,986	16,257,752
73,895	Lease liabilities	27	**83,149**	97,261	117,838
43,176,973			**48,584,419**	34,151,198	38,625,900
69,581,434	**Total liabilities**		**78,295,751**	70,379,102	64,172,990
118,636,940	**Total equity and liabilities**		**133,494,925**	138,051,277	127,472,637

The consolidated financial statements on pages 100 to 226 were approved and authorised for issue by the board of directors on 28 March 2023 and are signed on its behalf by:

Liu Zhengyu
DIRECTOR

Dai Jingming
DIRECTOR

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

(For reference only) *2022* *RMB'000*		NOTES	*2022* *HKD'000*	*2021* *HKD'000* *(restated)*
13,508,939	**Revenue**	28	**15,529,301**	18,541,926
(9,901,735)	Cost of sales and services		**(11,382,613)**	(12,975,001)
3,607,204	**Gross profit**		**4,146,688**	5,566,925
134,233	Other income		**154,309**	62,888
3,478,509	Other gains – net	29	**3,998,746**	5,626,309
(128,373)	Distribution costs		**(147,573)**	(185,367)
(977,938)	Administrative expenses		**(1,124,196)**	(1,404,246)
48,447	Net reversal of impairment loss (impairment loss) on trade receivables and contract assets	36(a)(iv)	**55,693**	(111,869)
6,162,082	**Operating profit**		**7,083,667**	9,554,640
54,697	Share of profit of joint ventures	13	**62,877**	490,495
(1,432,747)	Share of loss of associates	12	**(1,647,025)**	(158,051)
4,784,032	**Profit before finance costs and income tax**		**5,499,519**	9,887,084
264,633	Finance income	32	**304,211**	397,798
(2,499,052)	Finance cost	32	**(2,872,804)**	(1,328,624)
(2,234,419)	Finance costs – net		**(2,568,593)**	(930,826)
2,549,613	**Profit before income tax**		**2,930,926**	8,956,258
(865,350)	Income tax expense	33	**(994,769)**	(2,726,653)
1,684,263	**Profit for the year**		**1,936,157**	6,229,605
	Attributable to:			
1,090,784	Ordinary shareholders of the Company		**1,253,919**	3,573,011
80,900	Perpetual securities holders of Company		**92,999**	92,075
512,579	Non-controlling interests		**589,239**	2,564,519
1,684,263			**1,936,157**	6,229,605
	Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)			
	Basic	34(a)	**0.54**	1.60
	Diluted	34(b)	**0.54**	1.60

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTE	***2022*** ***HKD'000***	*2021* *HKD'000* *(restated)*
Profit for the year		**1,936,157**	6,229,605
Other comprehensive (expense) income:			
Items that may be reclassified to profit or loss:			
Share of other comprehensive (expense) income of associates	12	**(26,744)**	16,268
Exchange differences arising on translation of foreign operations		**(959,343)**	256,433
		(986,087)	272,701
Items that will not be reclassified to profit or loss:			
Exchange differences arising from translation of functional currency to presentation currency		**(5,825,921)**	1,205,019
Gain on revaluation of properties previously occupied by the Group		**12,918**	34,085
Deferred taxation relating to revaluation of properties		**(3,230)**	(8,521)
Fair value (loss) gain on equity securities designated at fair value through other comprehensive income		**(690)**	8,809
		(5,816,923)	1,239,392
Other comprehensive (expense) income for the year		**(6,803,010)**	1,512,093
Total comprehensive (expense) income for the year		**(4,866,853)**	7,741,698
Total comprehensive (expense) income attributable to:			
Ordinary shareholders of the Company		**(4,622,009)**	4,413,732
Perpetual securities holders of the Company		**92,999**	92,075
Non-controlling interests		**(337,843)**	3,235,891
		(4,866,853)	7,741,698

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to ordinary shareholders of the Company						
	Share capital and share premium HKD'000 (note 20)	*Other reserves HKD'000 (note 21)*	*Retained earnings HKD'000 (note 21)*	*Sub-total HKD'000*	*Perpetual securities HKD'000*	*Non-controlling interests HKD'000*	*Total HKD'000*
At 1 January 2022 (restated)	12,331,648	9,432,728	17,108,192	38,872,568	2,330,939	26,468,668	67,672,175
Profit for the year	–	–	1,253,919	1,253,919	92,999	589,239	1,936,157
Other comprehensive (expense) income							
Share of other comprehensive expense of associates	–	(13,790)	–	(13,790)	–	(12,954)	(26,744)
Exchange differences arising on translation of foreign operations	–	(494,647)	–	(494,647)	–	(464,696)	(959,343)
Exchange differences arising from translation of functional currency to presentation currency	–	(5,376,489)	–	(5,376,489)	–	(449,432)	(5,825,921)
Gain on revaluation of properties previously occupied by the Group	–	12,918	–	12,918	–	–	12,918
Deferred taxation relating to revaluation of properties	–	(3,230)	–	(3,230)	–	–	(3,230)
Fair value loss on equity securities designated at fair value through other comprehensive income	–	(690)	–	(690)	–	–	(690)
Total other comprehensive expense	–	(5,875,928)	–	(5,875,928)	–	(927,082)	(6,803,010)
Total comprehensive (expense) income for the year	–	(5,875,928)	1,253,919	(4,622,009)	92,999	(337,843)	(4,866,853)
Transactions with owners in their capacity as owners							
Transfer to reserve	–	206,694	(206,694)	–	–	–	–
Dividend relating to 2021 (note 35)	–	–	(1,876,840)	(1,876,840)	–	–	(1,876,840)
Issue of scrip shares as dividend (note 35)	886,656	–	–	886,656	–	–	886,656
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	–	(1,243,882)	(1,243,882)
Share of associates' reserves movement	–	28,560	–	28,560	–	9,394	37,954
Capital injections by non-controlling interests	–	–	–	–	–	977,524	977,524
Capital reductions by non-controlling interests	–	–	–	–	–	(441,535)	(441,535)
Distribution for perpetual securities (note 22)	–	–	–	–	(92,999)	–	(92,999)
Redemption of perpetual securities (note 22)	–	–	–	–	(2,330,939)	–	(2,330,939)
Transfer of exchange reserve upon disposal of subsidiaries	–	(56,034)	56,034	–	–	–	–
Business combination under common control	–	(2,041,071)	–	(2,041,071)	–	(1,481,016)	(3,522,087)
Total transactions with owners in their capacity as owners	886,656	(1,861,851)	(2,027,500)	(3,002,695)	(2,423,938)	(2,179,515)	(7,606,148)
At 31 December 2022	13,218,304	1,694,949	16,334,611	31,247,864	–	23,951,310	55,199,174

	Attributable to ordinary shareholders of the Company						
	Share capital and share premium HKD'000 (note 20)	*Other reserves HKD'000 (note 21)*	*Retained earnings HKD'000 (note 21)*	*Sub-total HKD'000*	*Perpetual securities HKD'000*	*Non-controlling interests HKD'000*	*Total HKD'000*
At 1 January 2021 (as previously reported)	11,529,380	5,950,834	16,906,439	34,386,653	2,330,939	21,761,340	58,478,932
Business combination under common control	–	2,392,453	(1,152,250)	1,240,203	–	3,580,512	4,820,715
At 1 January 2021 (restated)	11,529,380	8,343,287	15,754,189	35,626,856	2,330,939	25,341,852	63,299,647
Profit for the year (restated)	–	–	3,573,011	3,573,011	92,075	2,564,519	6,229,605
Other comprehensive (expense) income							
Share of other comprehensive (expense) income of associates	–	(7,621)	–	(7,621)	–	23,889	16,268
Exchange differences arising on translation of foreign operations	–	132,217	–	132,217	–	124,216	256,433
Exchange differences arising from translation of functional currency to presentation currency	–	681,752	–	681,752	–	523,267	1,205,019
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)
Fair value gain on equity securities designated at fair value through other comprehensive income	–	8,809	–	8,809	–	–	8,809
Total other comprehensive income (restated)	–	840,721	–	840,721	–	671,372	1,512,093
Total comprehensive income for the year (restated)	–	840,721	3,573,011	4,413,732	92,075	3,235,891	7,741,698
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	–	572,441	(572,441)	–	–	–	–
Dividend relating to 2020 (note 35)	–	–	(2,112,400)	(2,112,400)	–	–	(2,112,400)
Issue of scrip shares as dividend (note 35)	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	–	–	–	–	–	(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 22)	–	–	–	–	(92,075)	–	(92,075)
Transfer of exchange reserve upon derecognition of a subsidiary	–	(731,790)	731,790	–	–	–	–
Business combination under common control	–	265,957	(265,957)	–	–	–	–
Total transactions with owners in their capacity as owners (restated)	802,268	248,720	(2,219,008)	(1,168,020)	(92,075)	(2,109,075)	(3,369,170)
At 31 December 2021 (restated)	12,331,648	9,432,728	17,108,192	38,872,568	2,330,939	26,468,668	67,672,175

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	NOTES	2022 HKD'000	2021 HKD'000 (restated)
Cash flows from operating activities			
Cash generated from operations	37	**11,676,073**	6,865,480
Income tax paid		**(1,542,496)**	(2,376,596)
Net cash generated from operating activities		**10,133,577**	4,488,884
Cash flows from investing activities			
Acquisition of subsidiaries		**(3,508,600)**	(1,632,568)
Disposal of subsidiaries		**978,068**	466,279
Derecognition of a subsidiary		**–**	3,306,880
Deposit paid for acquisition of a subsidiary	2	**–**	(749,109)
Purchases of property, plant and equipment, land use rights, construction in progress, intangible assets and other non-current assets		**(7,230,749)**	(12,446,637)
Advances to non-controlling interests		**–**	(4,895,905)
Repayments from associates and a joint venture		**1,782,085**	–
Advances and loan to associates and a joint venture		**(1,327,032)**	(1,874,076)
Increase in interests in associates and joint ventures		**(500,360)**	(2,644,447)
Proceeds from disposal of property, plant and equipment		**677,530**	60,118
Purchase of other financial assets		**(252,903)**	(536,635)
Proceeds from disposal of other financial assets		**56,547**	2,695,801
Proceeds from disposal group held for sale		**–**	587,346
Purchase of structured deposits		**(2,128,337)**	(414,711)
Redemption of structured deposits		**403,933**	960,651
Withdrawal of restricted bank deposits and deposits in banks with original maturities over three months		**561,503**	2,562,863
Interest received		**324,232**	375,278
Dividends received		**1,269,141**	1,363,424
Capital return from an associate	12	**1,058,973**	–
Net cash used in investing activities		**(7,835,969)**	(12,815,448)
Cash flows from financing activities			
Interest paid		**(1,996,995)**	(1,516,030)
Proceeds from issuance of ordinary shares of the Company	20	**–**	58,953
Redemption of perpetual capital securities		**(2,330,939)**	–
Capital deductions by non-controlling interests		**(441,535)**	(5,440)
Capital contributions by non-controlling interests		**977,524**	179,610
Proceeds from borrowings	37(b)	**14,009,260**	30,302,652
Repayments of borrowings	37(b)	**(3,396,131)**	(21,254,590)
Capital element of lease rentals paid	37(b)	**(335,679)**	(1,756,194)
Interest element of lease rentals paid	37(b)	**(64,694)**	(65,314)
Advance from an associate		**–**	1,792,666
Repayment to an associate		**(1,831,477)**	(120,890)
Loan from a related company		**–**	3,083,001
Repayment of loan from a related company		**(2,710,552)**	–
Dividends paid to the Company's and subsidiaries' shareholders		**(2,230,578)**	(2,308,585)
Distribution to perpetual securities holders		**(92,999)**	(92,075)
Net cash (used in) generated from financing activities		**(444,795)**	8,297,764
Net increase (decrease) in cash and cash equivalents		**1,852,813**	(28,800)
Cash and cash equivalents at the beginning of the year		**10,030,535**	9,763,648
Effect of foreign exchange rate changes		**(1,053,475)**	295,687
Cash and cash equivalents at the end of the year	19	**10,829,873**	10,030,535

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 ("Shenzhen Expressway"), is also listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange.

As at 31 December 2022, Ultrarich International Limited ("Ultrarich") directly owned 1,058,717,983 ordinary shares of the Company, representing approximately 44.34% 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 the 44.34% of the equity in the Company held by Ultrarich. SIHCL directly owned 364,500 ordinary shares of the Company, representing approximately 0.01% of the issued share capital of the Company. SIHCL effectively held 44.35% of the issued share capital of the Company and is the largest shareholder of the Company. SIHCL is supervised and managed by Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission ("Shenzhen SASAC"). The directors of the Company regard 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 approximately HKD18,107,422,000 as at 31 December 2022.

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.

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

Merger accounting for business combination involving entities under common control

On 10 August 2021, Mei Wah Industrial (Hong Kong) Limited ("Mei Wah"), a wholly-owned subsidiary of Shenzhen Expressway, entered into a sale and purchase agreement with Shenzhen Investment International Capital Holdings Co., Ltd. ("Shenzhen Investment Capital"), a wholly-owned subsidiary of SIHCL for the acquisition of 100% equity interest in Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. ("Shenzhen Investment Infrastructure"), at a final consideration of approximately HKD2,585,236,000, and pursuant to which Mei Wah agreed to finance the repayment of loans owed by Shenzhen Investment Infrastructure to Shenzhen Investment Capital and certain bank loans. On 10 December 2021, such agreement was approved by the shareholders of the Company in a special general meeting. The acquisition subsequently completed on 11 January 2022, and Shenzhen Investment Infrastructure has since became a subsidiary of the Company. Shenzhen Investment Infrastructure 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 Hong Kong Stock Exchange. As at 31 December 2021, deposit of HKD749,109,000 have been paid to the seller and such deposits have been utilised to setoff the final consideration.

As both the Company and Shenzhen Investment Infrastructure are controlled by SIHCL before and after the acquisition and the control is not transitory, the acquisition has been regarded as business combination under common control. The acquisition has been accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

The consolidated financial statements of the Group has been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the two years ended 31 December 2022 and 2021 presented.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest. The adjustments to eliminate share capital/registered capital of the combining entities or businesses against the related investment costs have been made to merger reserve in the consolidated statement of changes in equity.

The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the prior years have been restated to include the operating results of Shenzhen Investment Infrastructure as if these acquisitions had been completed since the date the respective business came under the common control of SIHCL.

The consolidated balance sheet as at 31 December 2021 have been restated to adjust the carrying amounts of the assets and liabilities of Shenzhen Investment Infrastructure which had been in existence as at and 31 December 2021 as if those entities or businesses were combined from the date when they first came under the common control of SIHCL (see below for the financial impacts).

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

Merger accounting for business combination involving entities under common control *(continued)*

The effect of restatements on the consolidated balance sheet as at 31 December 2021 is as follows:

	As previously reported HKD'000	*Effect of business combination under common control HKD'000*	*Elimination of intra-group balance HKD'000*	*As restated HKD'000*
ASSETS				
Non-current assets				
Investment properties	7,697,726	–	–	7,697,726
Property, plant and equipment	19,078,772	8,297	–	19,087,069
Land use rights	3,328,772	–	–	3,328,772
Construction in progress	3,927,282	–	–	3,927,282
Intangible assets	32,922,243	–	–	32,922,243
Goodwill	409,152	248,765	–	657,917
Interests in associates	19,560,227	–	–	19,560,227
Interests in joint ventures	237,351	11,947,705	–	12,185,056
Other financial assets	1,120,136	24,644	–	1,144,780
Deferred tax assets	859,835	–	–	859,835
Other non-current assets	7,549,927	–	(789,813)	6,760,114
	96,691,423	12,229,411	(789,813)	108,131,021
Current assets				
Inventories and other contract costs	9,562,059	–	–	9,562,059
Contract assets	484,529	–	–	484,529
Other financial assets	542,815	430,825	–	973,640
Trade and other receivables	6,329,180	325,073	–	6,654,253
Derivative financial instruments	260,713	–	–	260,713
Restricted bank deposits	930,741	–	–	930,741
Deposits in banks with original maturities over three months	1,023,786	–	–	1,023,786
Cash and cash equivalents	7,882,525	2,148,010	–	10,030,535
	27,016,348	2,903,908	–	29,920,256
Total assets	123,707,771	15,133,319	(789,813)	138,051,277

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

Merger accounting for business combination involving entities under common control *(continued)*

	As previously reported HKD'000	*Effect of business combination under common control HKD'000*	*As restated HKD'000*
EQUITY AND LIABILITIES			
Equity attributable to ordinary shareholders of the Company			
Share capital and share premium	12,331,648	–	12,331,648
Other reserves and retained earnings	25,540,098	1,000,822	26,540,920
Equity attributable to ordinary shareholders of the Company	37,871,746	1,000,822	38,872,568
Perpetual securities	2,330,939	–	2,330,939
Non-controlling interests	22,849,674	3,618,994	26,468,668
Total equity	63,052,359	4,619,816	67,672,175
Non-current liabilities			
Borrowings	25,876,966	2,033,816	27,910,782
Lease liabilities	1,426,302	4,089	1,430,391
Deferred tax liabilities	2,622,514	160,306	2,782,820
Other non-current liabilities	1,758,774	2,345,137	4,103,911
	31,684,556	4,543,348	36,227,904
Current liabilities			
Trade and other payables	12,458,217	3,297,153	15,755,370
Contract liabilities	290,329	–	290,329
Income tax payable	1,747,538	12,714	1,760,252
Borrowings	14,379,564	1,868,422	16,247,986
Lease liabilities	95,208	2,053	97,261
	28,970,856	5,180,342	34,151,198
Total liabilities	60,655,412	9,723,690	70,379,102
Total equity and liabilities	123,707,771	14,343,506	138,051,277

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

Merger accounting for business combination involving entities under common control *(continued)*

The effect of restatements described above on the consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2021 by line items is as follows:

	As previously reported HKD'000	*Effect of business combination under common control HKD'000*	*As restated HKD'000*
Revenue	18,541,926	–	18,541,926
Cost of sales and services	(12,975,001)	–	(12,975,001)
Gross profit	5,566,925	–	5,566,925
Other income	60,362	2,526	62,888
Other gains – net	5,626,309	–	5,626,309
Distribution costs	(185,367)	–	(185,367)
Administrative expenses	(1,352,522)	(51,724)	(1,404,246)
Impairment loss on trade receivables and contract assets	(111,869)	–	(111,869)
Operating profit	9,603,838	(49,198)	9,554,640
Share of profit of joint ventures	18,158	472,337	490,495
Share of loss of associates	(158,051)	–	(158,051)
Profit before finance costs and income tax	9,463,945	423,139	9,887,084
Finance income	288,991	108,807	397,798
Finance costs	(1,034,811)	(293,813)	(1,328,624)
Finance costs – net	(745,820)	(185,006)	(930,826)
Profit before income tax	8,718,125	238,133	8,956,258
Income tax expense	(2,628,092)	(98,561)	(2,726,653)
Profit for the year	6,090,033	139,572	6,229,605
Profit for the year attributable to:			
Ordinary shareholders of the Company	3,562,676	10,335	3,573,011
Perpetual securities holders of the Company	92,075	–	92,075
Non-controlling interests	2,435,282	129,237	2,564,519
	6,090,033	139,572	6,229,605

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

Merger accounting for business combination involving entities under common control *(continued)*

	As previously reported HKD'000	*Effect of business combination under common control HKD'000*	*As restated HKD'000*
Profit for the year	6,090,033	139,572	6,229,605
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Share of other comprehensive income of associates	16,268	–	16,268
Exchange differences arising on translation of foreign operations	–	256,433	256,433
	16,268	256,433	272,701
Items that will not be reclassified to profit or loss:			
Exchange differences arising from translation of functional currency to presentation currency	1,812,164	(607,145)	1,205,019
Gain on revaluation of properties previously occupied by the Group	34,085	–	34,085
Deferred taxation relating to revaluation of properties	(8,521)	–	(8,521)
Fair value (loss) gain on equity securities designated at fair value through other comprehensive income	(1,432)	10,241	8,809
	1,836,296	(596,904)	1,239,392
Other comprehensive income (expense) for the year	1,852,564	(340,471)	1,512,093
Total comprehensive income (expense) for the year	7,942,597	(200,899)	7,741,698
Total comprehensive income (expense) attributable to:			
Ordinary shareholders of the Company	4,653,113	(239,381)	4,413,732
Perpetual securities holders of the Company	92,075	–	92,075
Non-controlling interests	3,197,409	38,482	3,235,891
	7,942,597	(200,899)	7,741,698

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

Merger accounting for business combination involving entities under common control *(continued)*

The effect of restatements on the consolidated balance sheet as at 1 January 2021 is as follows:

	As previously reported HKD'000	*Effect of business combination under common control HKD'000*	*As restated HKD'000*
ASSETS			
Non-current assets			
Investment properties	611,305	–	611,305
Property, plant and equipment	12,742,544	2,506	12,745,050
Land use rights	3,802,321	–	3,802,321
Construction in progress	3,099,947	–	3,099,947
Intangible assets	31,645,704	–	31,645,704
Goodwill	279,035	240,908	519,943
Interests in associates	14,431,233	–	14,431,233
Interests in joint ventures	90,022	11,548,034	11,638,056
Other financial assets	2,345,483	36,808	2,382,291
Deferred tax assets	1,688,335	–	1,688,335
Other non-current assets	3,471,528	383,262	3,854,790
	74,207,457	12,211,518	86,418,975
Current assets			
Inventories and other contract costs	14,721,654	–	14,721,654
Contract assets	408,532	–	408,532
Other financial assets	936,949	951,677	1,888,626
Trade and other receivables	7,221,519	146,111	7,367,630
Restricted bank deposits	2,521,504	286,054	2,807,558
Deposits in banks with original maturities over three months	3,508,668	–	3,508,668
Cash and cash equivalents	9,073,474	690,174	9,763,648
Disposal group held for sale	587,346	–	587,346
	38,979,646	2,074,016	41,053,662
Total assets	113,187,103	14,285,534	127,472,637

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

Merger accounting for business combination involving entities under common control *(continued)*

	As previously reported HKD'000	*Effect of business combination under common control HKD'000*	*As restated HKD'000*
EQUITY AND LIABILITIES			
Equity attributable to ordinary shareholders of the Company			
Share capital and share premium	11,529,380	–	11,529,380
Other reserves and retained earnings	22,857,273	1,240,203	24,097,476
Equity attributable to ordinary shareholders of the Company	34,386,653	1,240,203	35,626,856
Perpetual securities	2,330,939	–	2,330,939
Non-controlling interests	21,761,340	3,580,512	25,341,852
Total equity	58,478,932	4,820,715	63,299,647
Non-current liabilities			
Borrowings	16,175,771	2,416,736	18,592,507
Lease liabilities	737,751	–	737,751
Deferred tax liabilities	2,253,391	90,270	2,343,661
Other non-current liabilities	1,565,424	2,307,747	3,873,171
	20,732,337	4,814,753	25,547,090
Current liabilities			
Trade and other payables	12,884,246	4,090,617	16,974,863
Derivative financial instruments	99,356	–	99,356
Contract liabilities	2,816,549	–	2,816,549
Income tax payable	2,185,511	174,031	2,359,542
Borrowings	15,872,334	385,418	16,257,752
Lease liabilities	117,838	–	117,838
	33,975,834	4,650,066	38,625,900
Total liabilities	54,708,171	9,464,819	64,172,990
Total equity and liabilities	113,187,103	14,285,534	127,472,637

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

Merger accounting for business combination involving entities under common control *(continued)*

The effect of restatements to the Group's equity on 1 January 2021 is summarised below:

	As previously reported HKD'000	*Effect of business combination under common control HKD'000*	*As restated HKD'000*
Share capital and share premium	11,529,380	–	11,529,380
Other reserves	5,950,834	2,392,453	8,343,287
Retained earnings	16,906,439	(1,152,250)	15,754,189
Equity attributable to ordinary shareholders of the Company	34,386,653	1,240,203	35,626,856
Perpetual securities	2,330,939	–	2,330,939
Non-controlling interests	21,761,340	3,580,512	25,341,852
Total equity	58,478,932	4,820,715	63,299,647

The effect of restatements to the Group's equity on 31 December 2021 is summarised below:

	As previously reported HKD'000	*Effect of business combination under common control HKD'000*	*As restated HKD'000*
Share capital and share premium	12,331,648	–	12,331,648
Other reserves	6,742,666	2,690,062	9,432,728
Retained earnings	18,797,432	(1,689,240)	17,108,192
Equity attributable to ordinary shareholders of the Company	37,871,746	1,000,822	38,872,568
Perpetual securities	2,330,939	–	2,330,939
Non-controlling interests	22,849,674	3,618,994	26,468,668
Total equity	63,052,359	4,619,816	67,672,175

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

Merger accounting for business combination involving entities under common control *(continued)*

The effect of restatements on the consolidated statement of cash flows for the year ended 31 December 2021 is as follows:

	As previously reported HKD'000	*Effect of business combination under common control HKD'000*	*As restated HKD'000*
Cash flows from operating activities			
Cash generated from operations	5,883,176	982,304	6,865,480
Income tax paid	(2,211,515)	(165,081)	(2,376,596)
Net cash generated from operating activities	3,671,661	817,223	4,488,884
Cash flows from investing activities			
Acquisition of subsidiaries	(1,632,568)	–	(1,632,568)
Disposal of subsidiaries	466,279	–	466,279
Derecognition of a subsidiary	3,306,880	–	3,306,880
Deposit paid for acquisition of a subsidiary	(749,109)	–	(749,109)
Purchase of property, plant and equipment, land use rights, construction in progress, intangible assets and other non-current assets	(8,084,682)	(4,361,955)	(12,446,637)
Advance to non-controlling interests	(4,895,905)	–	(4,895,905)
Advances and loan to associates and a joint venture	–	(1,874,076)	(1,874,076)
Increase in interests in associates and joint ventures	(2,644,447)	–	(2,644,447)
Proceeds from disposal of property, plant and equipment	60,118	–	60,118
Purchase of other financial assets	(536,635)	–	(536,635)
Proceeds from disposal of other financial assets	2,695,801	–	2,695,801
Proceeds from disposal group held for sale	587,346	–	587,346
Purchase of structured deposits	–	(414,711)	(414,711)
Redemption of structured deposits	–	960,651	960,651
Withdrawal of deposits in banks with original maturities over three months	2,562,863	–	2,562,863
Interest received	266,471	108,807	375,278
Dividends received	444,530	918,894	1,363,424
Net cash used in investing activities	(8,153,058)	(4,662,390)	(12,815,448)

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

Merger accounting for business combination involving entities under common control *(continued)*

	As previously reported HKD'000	*Effect of business combination under common control HKD'000*	*As restated HKD'000*
Cash flows from financing activities			
Interest paid	(1,172,646)	(343,384)	(1,516,030)
Proceeds from issuance of ordinary shares of the Company	58,953	–	58,953
Capital deductions by non-controlling interests	(5,440)	–	(5,440)
Capital contributions by non-controlling interests	179,610	–	179,610
Proceeds from borrowings	29,583,188	719,464	30,302,652
Repayments of borrowings	(21,254,590)	–	(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)
Advance from an associate	–	1,792,666	1,792,666
Repayment to an associate	(120,890)	–	(120,890)
Loan from a related company	–	3,083,001	3,083,001
Dividends paid to the Company's and subsidiaries' shareholders	(2,308,585)	–	(2,308,585)
Distribution for perpetual securities holders	(92,075)	–	(92,075)
Net cash generated from financing activities	3,046,017	5,251,747	8,297,764
Net (decrease) increase in cash and cash equivalents	(1,435,380)	1,406,580	(28,800)
Cash and cash equivalents at the beginning of the year	9,073,474	690,174	9,763,648
Effect of foreign exchange rates changes	244,431	51,256	295,687
Cash and cash equivalents at the end of the year	7,882,525	2,148,010	10,030,535

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

Merger accounting for business combination involving entities under common control *(continued)*

The effect of restatement on the Group's earnings per share for the year ended 31 December 2021 is as follows:

Basic	*HKD per share*
As previously stated	1.60
Adjustments arising from business combination under common control	0.01
Restated*	1.60

Diluted	*HKD per share*
As previously stated	1.59
Adjustments arising from business combination under common control	0.01
Restated	1.60

* *Rounding difference*

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 2021, except for the accounting policy that is first effective for the current accounting period of the Group.

3.1 Application of amendments to HKFRSs and agenda decision of the IFRS Interpretation Committee (the "Committee")

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 Group's annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 - 2020

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Application of amendments to HKFRSs and agenda decision of the IFRS Interpretation Committee (the "Committee") *(continued)*

Amendments to HKFRSs that are mandatorily effective for the current year *(continued)*

Application of Amendments to HKFRS 3 "Reference to the Conceptual Framework"

The Group has applied the amendments to business combinations for which the acquisition date was on or after 1 January 2022. 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 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 application of the amendments in the current year has had no impact on the Group's consolidated financial statements.

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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

[1] *Effective for annual periods beginning on or after 1 January 2023*

[2] *Effective for annual periods beginning on or after 1 January 2024*

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 amendments to HKFRSs and agenda decision of the IFRS Interpretation Committee (the "Committee") *(continued)*

New and amendments to HKFRSs in issue but not yet effective *(continued)*

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

The 2020 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:

- 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".

- 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 the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if the entity classify liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2022, the application of the 2020 and 2022 Amendments will not result in reclassification of the Group's liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Application of amendments to HKFRSs and agenda decision of the IFRS Interpretation Committee (the "Committee") *(continued)*

New and amendments to HKFRSs in issue but not yet effective *(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 Application of amendments to HKFRSs and agenda decision of the IFRS Interpretation Committee (the "Committee") *(continued)*

New and amendments to HKFRSs in issue but not yet effective *(continued)*

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

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.

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.

3.2 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Subsidiaries *(continued)*

3.2.1 Consolidation *(continued)*

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 or asset acquisitions

Optional concentration test

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.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 Subsidiaries *(continued)*

3.2.1 Consolidation *(continued)*

(a) Business combinations or asset acquisitions *(continued)*

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

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.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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 or asset acquisitions *(continued)*

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.

(d) Merger accounting for business combination involving businesses under common control

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

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated income statement and consolidated statement of comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

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 and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

- 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.

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 earnings.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.7 Property, plant and equipment *(continued)*

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 and losses" in the consolidated income statement.

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 and losses". 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.

If a property becomes an owner-occupied property because its use has been changed as evidenced by commencement of owner-occupation, the fair value of the property at the date of change in use is considered as the deemed cost for subsequent accounting.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

3.11 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.11 Leases *(continued)*

(a) As a lessee *(continued)*

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date (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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.11 Leases *(continued)*

(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 36(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

3.17 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. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

3.19 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.

The Group transfers a property from inventories to investment property when there is a change in use to hold the property to earn rentals or/and for capital appreciation rather than for sale in the ordinary course of business, which is evidenced by the inception of an operating lease to another party. Any difference between the fair value of the property at the date of transfer and its previous carrying amount is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.19 Inventories and other contract costs *(continued)*

(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.

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. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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).

3.22 Cash and cash equivalents

Cash and cash equivalents presented on the consolidated balance sheet include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated balance sheet.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 19.

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. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

3.27 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. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.28 Current and deferred tax *(continued)*

(b) **Deferred tax *(continued)***

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(b) Share-based payments

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

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

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

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

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

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. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

3.31 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.31 Revenue and other income *(continued)*

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

(a) **Toll revenue**

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.

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

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

(d) **Logistic related service revenues**

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

(e) **Sales of goods**

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

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.31 Revenue and other income *(continued)*

(f) **Sales of properties**

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

(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. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

3.35 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 2022, the Group appointed an independent professional traffic consultant to reassess the aggregate future traffic volume of Qinglian Expressway (2021: Changsha Ring Road (North-western section)). The Group has adjusted the amortisation unit for the related concession intangible assets according to the revised total projected traffic volume since 1 October 2022 (2021: 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 HKD10,772,000 (2021: HKD5,767,000) for the year ended 31 December 2022 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, 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.

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.

5. SEGMENT INFORMATION *(continued)*

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 2022 and 2021 are set out below.

For the year ended 31 December 2022

		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	8,090,059	576,113	389,619	2,761,767	30,202	3,757,701	–	11,847,760
– Overtime	2,684,263	–	–	–	–	–	–	2,684,263
Sub-total	10,774,322	576,113	389,619	2,761,767	30,202	3,757,701	–	14,532,023
Revenue from other sources								
– Leases from logistics parks	–	997,278	–	–	–	997,278	–	997,278
Revenue	10,774,322	1,573,391	389,619	2,761,767	30,202	4,754,979	–	15,529,301
Operating profit (loss)	2,697,295	1,596,740	29,334	190,287	2,838,168*	4,654,529	(268,157)	7,083,667
Share of profit (loss) of joint ventures	47,604	15,281	4,767	–	–	20,048	(4,775)	62,877
Share of profit (loss) of associates	622,229	(204)	–	–	38,237	38,033	(2,307,287)	(1,647,025)
Finance income	149,084	88,684	1,451	2,240	197	92,572	62,555	304,211
Finance costs	(1,707,858)	(64,639)	(829)	(1,829)	(40,458)	(107,755)	(1,057,191)	(2,872,804)
Profit (loss) before income tax	1,808,354	1,635,862	34,723	190,698	2,836,144	4,697,427	(3,574,855)	2,930,926
Income tax expense	(616,939)	(225,634)	(5,716)	(48,407)	(1,236)	(280,993)	(96,837)	(994,769)
Profit (loss) for the year	1,191,415	1,410,228	29,007	142,291	2,834,908	4,416,434	(3,671,692)	1,936,157
(Profit) loss attributable to non-controlling interests	(540,801)	6,854	(19,486)	(39,582)	4,444	(47,770)	(668)	(589,239)
Sub-total	650,614	1,417,082	9,521	102,709	2,839,352	4,368,664	(3,672,360)	1,346,918
Profit attributable to perpetual securities holders	–	–	–	–	–	–	(92,999)	(92,999)
Profit (loss) attributable to ordinary shareholders of the Company	650,614	1,417,082	9,521	102,709	2,839,352	4,368,664	(3,765,359)	1,253,919
Depreciation and amortisation	1,999,580	561,690	26,420	37,504	570	626,184	82,125	2,707,889
Capital expenditure								
– Additions in investment properties, property, plant and equipment, construction in progress, land use rights and intangible assets	1,599,897	2,287,865	171,865	23,855	(115)	2,483,470	1,920,373	6,003,740
– Additions in investment properties, property, plant and equipment, and land use rights arising from acquisition of subsidiaries	311,514	1,878,597	–	–	–	1,878,597	–	2,190,111
– Additions in interests in associates	186,734	–	–	–	2,846,141	2,846,141	30,348	3,063,223

* *Operating profit includes gain on disposal of Qianhai Business, of which details of the transaction has been disclosed in note 40.*

5. SEGMENT INFORMATION *(continued)*

For the year ended 31 December 2021 (restated)

		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
Sub-total	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	3,894,048	606,440	22,405	200,322	160,817	989,984	4,670,608	9,554,640
Share of profit (loss) of joint ventures	472,337	17,795	7,356	–	–	25,151	(6,993)	490,495
Share of profit (loss) of associates	722,263	(394)	–	–	875,134	874,740	(1,755,054)	(158,051)
Finance income	229,974	6,438	1,585	857	73,361	82,241	85,583	397,798
Finance costs	(1,190,297)	(40,873)	(4,071)	(932)	(8,825)	(54,701)	(83,626)	(1,328,624)
Profit before income tax	4,128,325	589,406	27,275	200,247	1,100,487	1,917,415	2,910,518	8,956,258
Income tax expense	(695,240)	(85,171)	(8,742)	(52,961)	(113,996)	(260,870)	(1,770,543)	(2,726,653)
Profit for the year	3,433,085	504,235	18,533	147,286	986,491	1,656,545	1,139,975	6,229,605
Profit attributable to non-controlling interests	(1,765,045)	(4,219)	(11,106)	(39,400)	(24,916)	(79,641)	(719,833)	(2,564,519)
Sub-total	1,668,040	500,016	7,427	107,886	961,575	1,576,904	420,142	3,665,086
Profit attributable to perpetual securities holders	–	–	–	–	–	–	(92,075)	(92,075)
Profit attributable to ordinary shareholders of the Company	1,668,040	500,016	7,427	107,886	961,575	1,576,904	328,067	3,573,011
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	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

Notes:

(a) *The revenue from toll roads included construction service revenue under service concession arrangements in amount of HKD1,444,105,000 for the year (2021: HKD1,861,703,000).*

(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

	2022 HKD'000	2021 HKD'000
Beginning of the year	**7,697,726**	611,305
Transferred from property, plant and equipment	**59,671**	–
Transferred to property, plant and equipment (note 7)	**(13,023)**	–
Transferred from inventories	**29,142**	2,696,028
Transferred from construction in progress (note 9)	**–**	1,344,355
Transferred from land use rights (note 8)	**–**	778,029
Additions	**2,294,679**	–
Acquisition of subsidiaries (note 40)	**1,953,904**	1,916,193
Disposal of subsidiaries (note 40)	**(1,247,721)**	–
Fair value gain (note 29)	**276,617**	212,503
Exchange difference	**(824,913)**	139,313
End of the year	**10,226,082**	7,697,726
Analysis of the carrying amount is as follows:		
Investment properties	**7,044,454**	5,575,342
Investment properties under construction	**3,181,628**	2,122,384
	10,226,082	7,697,726

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 2022, 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 inception of operating leases to third parties. Accordingly, inventories of HKD29,142,000 (2021: HKD2,696,028,000) are transferred from inventories to investment properties.

During the year ended 31 December 2022, the Group has changed its intention of holding certain property, plant and equipment from owner-occupied property to investment property to earn rentals, as evidenced by the end of the Group's owner-occupation of those property, plant and equipment. Accordingly, property, plant and equipment of HKD46,753,000 (2021: nil) was transferred to investment properties. The difference between the carrying amounts and the fair values of those properties at the date of transfer of HKD9,688,000 (net of tax of HKD3,230,000) (2021: nil) was recognised in other comprehensive income and accumulated in "revaluation reserve".

During the year ended 31 December 2021, the Group has changed its intention of holding certain construction in progress from operating logistics parks business to earn rentals, as evidenced by the end of the Group's owner-occupation of those construction in progress. Accordingly, construction in progress of HKD1,344,355,000 and the corresponding land use rights of HKD778,029,000 were transferred to investment properties under construction. 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 2022. 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	Market comparison approach	Discount on quality of the buildings	2.50% to 8.00% (2021: 2.45% to 7.56%)
Investment properties	Income capitalisation method	Capitalisation rate	4.40% to 9.15% (2021: 4.15% to 9.05%)
		Expected occupancy rate	80% to 95% (2021: 80% to 95%)

The fair value of investment properties determined using market comparison approach is determined 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 investment properties derived using the income capitalisation method is determined 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:

	2022 ***HKD'000***	*2021* *HKD'000*
Within 1 year	**226,769**	279,216
After 1 year but within 2 years	**174,449**	397,383
After 2 years but within 3 years	**99,380**	158,880
After 3 years but within 4 years	**68,789**	105,448
After 4 years but within 5 years	**57,688**	138,460
After 5 years	**58,371**	203,825
	685,446	1,283,212

7. PROPERTY, PLANT AND EQUIPMENT

Year ended 31 December 2022

	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 2022	10,838,045	881,215	15,024	32,916	1,795,245	5,524,624	19,087,069
Acquisition of subsidiaries	21,637	1,152	–	709	1,721	–	25,219
Disposal of subsidiaries	(691,216)	–	(137)	–	(117,357)	–	(808,710)
Transfer from construction in progress (note 9)	2,210,428	–	–	–	174,457	37,488	2,422,373
Transfer from (to) investment properties (note 6)	13,023	(46,753)	–	–	–	–	(33,730)
Additions	9,537	47,544	998	13,945	273,651	308,061	653,736
Disposals	(236,215)	(334,373)	–	(726)	(76,014)	(21,352)	(668,680)
Exchange difference	(914,723)	(62,229)	(1,217)	(4,286)	(149,100)	(453,221)	(1,584,776)
Depreciation	(437,070)	(152,314)	(1,916)	(12,461)	(310,811)	(303,432)	(1,218,004)
Closing net book value	10,813,446	334,242	12,752	30,097	1,591,792	5,092,168	17,874,497
At 31 December 2022							
Costs	13,751,602	810,674	28,600	148,767	4,235,402	6,095,208	25,070,253
Accumulated depreciation and impairment	(2,938,156)	(476,432)	(15,848)	(118,670)	(2,643,610)	(1,003,040)	(7,195,756)
Net book value	10,813,446	334,242	12,752	30,097	1,591,792	5,092,168	17,874,497

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

Year ended 31 December 2021 (restated)

	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	46,314	1,440,068	2,686,029	12,745,050
Acquisition of subsidiaries	261,201	320,342	–	1,012	3,442	2,761,658	3,347,655
Disposal of subsidiaries	(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	20,911	724	16,330	209,195	218,602	1,071,403
Disposals	(117,469)	–	–	(11,285)	(25,781)	(7,978)	(162,513)
Exchange difference	281,951	23,803	495	1,576	51,290	125,899	485,014
Depreciation	(331,524)	(114,974)	(1,947)	(23,390)	(250,025)	(262,163)	(984,023)
Closing net book value	10,838,045	881,215	15,024	32,916	1,795,245	5,524,624	19,087,069
At 31 December 2021							
Costs	12,527,138	1,217,133	30,076	146,133	4,123,774	6,265,377	24,309,631
Accumulated depreciation and impairment	(1,689,093)	(335,918)	(15,052)	(113,217)	(2,328,529)	(740,753)	(5,222,562)
Net book value	10,838,045	881,215	15,024	32,916	1,795,245	5,524,624	19,087,069

As at 31 December 2022, property ownership certificates for buildings with net book value of HKD752,671,000 (2021: HKD862,364,000) are not procured. Due to the unique feature of the Group's operation of toll roads, the affiliated buildings and structures should be reverted to the government when the approved operating periods expire. Thus, the Group does not have a plan of procuring the property ownership certificates.

(a) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	***2022 HKD'000***	*2021 HKD'000 (restated)*
Included in "Property, plant and equipment"			
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost	(i)	**10,813,446**	10,838,045
Other properties leased for own use, carried at depreciated cost	(ii)	**334,242**	881,215
		11,147,688	11,719,260
Included in "Land use rights"			
Land use rights, carried at depreciated cost	8	**3,181,633**	3,328,772

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

(a) Right-of-use assets *(continued)*

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

	2022 HKD'000	*2021 HKD'000 (restated)*
Depreciation and amortisation charge of right-of-use assets by class of underlying asset		
Property, plant and equipment	**589,384**	446,498
Land use rights (note 8)	**124,448**	72,043
	713,832	518,541
Interest on lease liabilities (note 32)	**64,694**	65,314
Expense relating to short-term leases	**65,448**	65,381
Expense relating to leases of low-value assets, excluding short-term leases of low value assets	**–**	7,538
Total cash outflow for leases	**513,365**	2,171,749

During the year, additions to right-of-use assets were HKD47,544,000 (2021: HKD579,427,000). This amount mainly included lease of a warehouse of HKD30,613,000 (2021: lease of a warehouse of HKD579,427,000).

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 36(a) and 27, respectively.

Notes:

(i) Ownership interests in leasehold land and buildings held for own use

The Group holds several industrial buildings for its logistics business, and some buildings for office use. The Group is the registered owner of these property interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these property interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its logistic business warehouses through tenancy agreements. The leases typically run for an initial period of 2 to 20 years. Lease payments are usually adjusted periodically based on market index.

8. LAND USE RIGHTS

	2022 HKD'000	2021 HKD'000
Beginning of the year	**3,328,772**	3,802,321
Acquisition of subsidiaries	**–**	55,167
Disposal of subsidiaries (note 40)	**(133,034)**	(66,876)
Additions	**386,887**	277,322
Transfer to inventories	**–**	(8,600)
Transfer to investment properties (note 6)	**–**	(778,029)
Amortisation (note 7(a))	**(124,448)**	(72,043)
Exchange difference	**(276,544)**	119,510
End of the year	**3,181,633**	3,328,772

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

	2022 HKD'000	2021 HKD'000
In the PRC		
Medium-term leases (10-50 years)	**3,181,633**	3,328,772

9. CONSTRUCTION IN PROGRESS

	2022 HKD'000	2021 HKD'000
Beginning of the year	**3,927,282**	3,099,947
Disposal of subsidiaries (note 40)	**(13,064)**	–
Additions	**2,261,144**	4,840,010
Transfer to property, plant and equipment (note 7)	**(2,422,373)**	(2,777,219)
Transfer to investment properties (note 6)	**–**	(1,344,355)
Exchange difference	**(316,762)**	108,899
End of the year	**3,436,227**	3,927,282

10. INTANGIBLE ASSETS

	2022 HKD'000	2021 HKD'000
Cost	**50,026,372**	50,046,258
Accumulated amortisation and impairment	**(20,085,234)**	(17,124,015)
Net book value as at 31 December	**29,941,138**	32,922,243

	2022 HKD'000	2021 HKD'000
Net book value as at 1 January	**32,922,243**	31,645,704
Acquisition of a subsidiary	**311,514**	–
Additions	**1,445,272**	2,516,337
Others	**(56,733)**	(97,667)
Amortisation	**(1,967,892)**	(2,177,653)
Impairment	**(21,899)**	–
Exchange difference	**(2,691,367)**	1,035,522
Net book value as at 31 December	**29,941,138**	32,922,243

(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 2022, the carrying amounts of the toll road operating rights of the Group was HKD25,326,002,000 (2021: HKD28,640,486,000). 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 HKD1,813,806,000 (2021: HKD2,091,188,000) has all been charged in the consolidated income statement within "Cost of sales and services".

The operating rights of certain toll roads were pledged for secured borrowings (see note 23(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

	2022 HKD'000	2021 HKD'000 (restated)
Carrying amount as at 1 January	**657,917**	519,943
Acquisition of subsidiaries	**–**	242,812
Impairment loss recognised in the year	**(52,925)**	(132,979)
Exchange difference	**(52,997)**	28,141
Carrying amount as at 31 December	**551,995**	657,917

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:

	2022 HKD'000	2021 HKD'000 (restated)
Toll roads	**228,304**	248,765
General-environmental protection business	**–**	56,449
Logistics parks	**312,531**	340,542
Logistics services	**11,160**	12,161
	551,995	657,917

As at 31 December 2022 and 2021, the Group assessed the recoverable amount of all the CGUs of toll roads, general-environmental protection business, logistics parks and logistics services.

The recoverable amounts of CGU of toll roads business is determined based on a value in use calculation according to the present value of the estimated future cash flow of the toll roads business. That calculation uses cash flow projections based on financial budgets approved by management of the Group covering the predictive period to expiration of concession rights of relevant toll roads with a pre-tax discount rate ranging from 7.94% to 9.23% (2021: 7.40%). The key assumptions for the value in use calculation include growth rate of traffic flow and gross profit 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 toll roads 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 with a pre-tax discount rate of 13.06% (2021: 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.

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 with a pre-tax discount rate of 14.71% (2021: 13.0%) and projection of terminal value using the perpetuity method at a growth rate of 3.0% (2021: 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 logistics parks business exceeding its recoverable amount.

As a result of the impairment assessment, an impairment of goodwill directly related to general-environmental protection business amounting to HKD52,925,000 (2021: HKD132,979,000) has been recognised in profit or loss and included in the "other gains – net" during the year ended 31 December 2022.

12. INTERESTS IN ASSOCIATES

	2022 HKD'000	2021 HKD'000
Beginning of the year	19,560,227	14,431,233
Additions	3,063,223	5,790,876
Share of loss of associates	(1,647,025)	(158,051)
Share of other comprehensive (expenses) income of associates	(26,744)	16,268
Share of reserves movement of associates	37,954	141,140
Return of capital	(1,058,973)	–
Dividends	(475,369)	(1,264,950)
Exchange difference	(1,911,252)	603,711
End of the year	17,542,041	19,560,227

The year-end balance comprises the following:

	2022 HKD'000	2021 HKD'000
Share of net assets, other than goodwill	14,973,821	16,761,823
Goodwill on acquisition (Note (b))	2,568,220	2,798,404
	17,542,041	19,560,227

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
	2022	2021	
Shenzhen Airlines Company Limited ("Shenzhen Airlines") (Note (c))	49%	49%	Aviation services
Air China Cargo Co., Ltd ("Air China Cargo") (Note (c) and (d))	10%	10%	Aviation services
Shenzhen International United Land Co., Ltd. ("United Land Company")	34.3%	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
Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd ("Qianhai Business")*	50%	100%	Real estate development
Chongqing Derun Environment Company Limited ("Derun Company") (Note (c))	20%	20%	Environment management and resources recovery
Foshan Shunde ShengChuang Expressway Environmental Science Industry M&A investment partnership	45%	45%	Investment management

* *The Group disposed of 50% equity interest of the entity, and the entity became an associate of the Group in 2022. Further details of the disposal are disclosed in Note 40.*

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

(c) *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.*

(d) *A valuation report received upon completion of acquisition accounting in current year indicated that the fair value at the date of acquisition was RMB1,565,161,000 (approximately HKD1,892,119,000), which approximates to the original estimates.*

(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 the two associates.*

12. INTERESTS IN ASSOCIATES *(continued)*

Notes: (continued)

(e) *(continued)*

Summarised balance sheet

	Shenzhen Airlines		Derun Company	
	2022 HKD'000	2021 HKD'000	**2022 HKD'000**	2021 HKD'000
Current assets	**4,544,063**	5,864,690	**14,858,589**	15,204,159
Current liabilities	**(28,607,385)**	(33,082,281)	**(13,328,636)**	(13,117,847)
Net current (liabilities) assets	**(24,063,322)**	(27,217,591)	**1,529,953**	2,086,312
Non-current assets	**67,819,970**	76,343,142	**54,998,377**	51,051,220
Non-current liabilities	**(53,660,174)**	(45,505,378)	**(19,563,844)**	(14,649,588)
Net non-current assets	**14,159,796**	30,837,764	**35,434,533**	36,401,632
Non-controlling interests	**548,410**	228,388	**(16,720,043)**	(17,134,670)
Equity attributable to the owners of the associate	**(9,355,116)**	3,848,561	**20,244,443**	21,353,274

Summarised statement of comprehensive income

	Shenzhen Airlines		Derun Company	
	2022 HKD'000	2021 HKD'000	**2022 HKD'000**	2021 HKD'000
Revenue	**14,416,287**	22,364,998	**16,126,706**	16,094,418
(Loss) profit for the year	**(13,139,209)**	(4,042,900)	**1,280,163**	1,802,156
Other comprehensive income (expense)	**55,815**	(54,927)	**(40,595)**	(98,030)
Total comprehensive (expense) income	**(13,083,394)**	(4,097,827)	**1,239,568**	1,704,126
Dividends received from the associate	**–**	1,421	**170,134**	159,574

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	
	2022 HKD'000	2021 HKD'000	**2022 HKD'000**	2021 HKD'000
Opening net assets	**3,848,561**	7,688,788	**21,353,274**	19,404,150
(Loss) profit for the year	**(13,139,209)**	(4,042,900)	**1,280,163**	1,802,156
Other comprehensive income (expense)	**55,815**	(54,927)	**(40,595)**	(98,030)
Associates' reserves movement	**–**	–	**81,227**	391,650
Dividend paid	**–**	(2,901)	**(850,672)**	(797,872)
Currency translation differences	**(120,283)**	260,501	**(1,578,952)**	651,220
Closing equity attributable to the owners of the associate	**(9,355,116)**	3,848,561	**20,244,445**	21,353,274
Interest in the associate (Note)	**–**	1,885,795	**4,048,889**	4,270,655
Goodwill	**–**	947,696	**1,646,173**	1,793,715
Carrying value	**–**	2,833,491	**5,695,062**	6,064,370

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

	2022 HKD'000	2021 HKD'000
The unrecognised share of loss of an associate for the year	**4,403,614**	–
Cumulative unrecognised share of loss of an associate	**4,403,614**	–

12. INTERESTS IN ASSOCIATES *(continued)*

Notes: (continued)

(f) *Aggregate financial information of associates that are not individually material is as follows:*

	2022 HKD'000	2021 HKD'000
Aggregate carrying amount of the Group's interests in associates that are not individually material	11,846,979	10,662,366
The Group's share of profit	131,542	1,462,539
The Group's share of other comprehensive income	(9,356)	62,788
The Group's share of total comprehensive income	122,186	1,525,327

13. INTERESTS IN JOINT VENTURES

	2022 HKD'000	2021 HKD'000 (restated)
Beginning of the year	12,185,056	11,638,056
Addition	349,331	137,331
Share of profit of joint ventures	62,877	490,495
Dividends received	(940,660)	(963,484)
Exchange difference	(709,045)	882,658
End of the year	10,947,559	12,185,056

Notes:

(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 2022	% Ownership interest in 2021	Business nature
Shenzhen Airport International Express Supervision Center Co., Ltd.	50%	50%	Equipment services for customs monitoring
Shenzhen Shenshi Warehousing Investment Co., Ltd.	46%	46%	Warehouse management
Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS Superhighway ")	N/A*	N/A*	Development, operation and management of an expressway
Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("GZ West Superhighway ")	50%	50%	Development, operation and management of an expressway

* *According to the joint venture agreements entered into between the relevant subsidiary and the corresponding joint venture partner under which the joint venture operate, GS Superhighway is established to undertake the development, operation and management of the Guangzhou-Shenzhen-Zhuhai Superhighway, an expressway in Guangdong Province of the PRC running between Shenzhen and Guangzhou. The operation period is 30 years from the official opening date 1 July 1997. At the end of the operation period, all the immovable assets and facilities of GS Superhighway will revert to the PRC joint venture partner without compensation.*

The Group is considered to exercise joint control over the company as the decision making on relevant activities of the company required unanimous consent of all joint venture partners under contractual arrangement. Therefore, the company is considered as a joint venture of the Group.

The Group's entitlement to the profit of the toll operations of Guangzhou-Shenzhen-Zhuhai Superhighway is 50% for the initial 10 years of operation period, 48% for the next 10 years and 45% for the last 10 years of the operation period.

The registered capital amounting to RMB471,000,000 had already been repaid by GS Superhighway to the joint venture partners during the year ended 30 June 2008, and therefore no registered capital remains for the joint venture.

13. INTERESTS IN JOINT VENTURES *(continued)*

Notes: (continued)

(b) *In the opinion of the directors, GS Superhighway and GZ West Superhighway are material joint ventures to the Group. GS Superhighway and GZ West Superhighway are private companies and there are no quoted market prices available for their shares. Set out below are the summarised financial information for GS Superhighway and GZ West Superhighway.*

Summarised balance sheet

	GS Superhighway		GZ West Superhighway	
	2022 **HKD'000**	2021 HKD'000	**2022** **HKD'000**	2021 HKD'000
Current assets	**1,523,734**	929,873	**383,972**	245,036
Current liabilities	**(2,031,483)**	(1,076,031)	**(1,220,940)**	(747,201)
Net current liabilities	**(507,749)**	(146,158)	**(836,968)**	(502,165)
Non-current assets	**16,959,599**	20,283,058	**13,308,193**	14,990,693
Non-current liabilities	**(3,670,432)**	(4,518,058)	**(4,528,285)**	(5,592,207)
Net non-current assets	**13,289,167**	15,765,000	**8,779,908**	9,398,486
Net assets	**12,781,418**	15,618,842	**7,942,940**	8,896,321

Summarised statement of comprehensive income

	GS Superhighway		GZ West Superhighway	
	2022 **HKD'000**	2021 HKD'000	**2022** **HKD'000**	2021 HKD'000
Revenue	**2,620,539**	3,464,326	**1,234,579**	1,609,774
(Loss) profit for the year and total comprehensive (expense) income	**(107,581)**	752,319	**172,818**	420,351
Dividends received from the joint venture	**726,152**	864,549	**199,611**	85,216

The information above reflects the amounts presented in the financial statements of the joint ventures (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint ventures.

Reconciliation of the summarised financial information presented to the carrying amount of their interests in the joint ventures.

Summarised financial information

	GS Superhighway		GZ West Superhighway	
	2022 **HKD'000**	2021 HKD'000	**2022** **HKD'000**	2021 HKD'000
Opening net assets	**15,618,842**	13,952,581	**8,896,321**	6,132,046
(Loss) profit for the year	**(107,581)**	752,319	**172,818**	420,351
Dividend paid	**(1,613,671)**	(1,921,221)	**(399,221)**	(170,432)
Currency translation differences	**(1,116,172)**	2,835,163	**(726,978)**	2,514,356
Closing net assets	**12,781,418**	15,618,842	**7,942,940**	8,896,321
Share of net assets	**5,751,638**	7,028,479	**3,971,470**	4,448,160
Adjustments for unrealised profit	**(73,032)**	(14,784)	**–**	–
Interest in the joint venture	**5,678,606**	7,013,695	**3,971,470**	4,448,160

13. INTERESTS IN JOINT VENTURES *(continued)*

Notes: (continued)

(b) *(continued)*

Aggregate financial information of joint ventures that are not individually material is as follows:

	2022 ***HKD'000***	*2021* *HKD'000*
Aggregate carrying amount of the Group's interests in joint ventures that are not individually material	**1,297,483**	723,201
The Group's share of profit (loss)	**24,880**	(58,223)
The Group's share of other comprehensive income	**–**	–
The Group's share of total comprehensive income (expense)	**24,880**	(58,223)

14. OTHER FINANCIAL ASSETS

	2022 ***HKD'000***	*2021* *HKD'000* *(restated)*
Equity securities designated at FVTOCI		
– Unlisted equity securities	**73,078**	80,610
Financial assets measured at FVTPL		
– Listed securities in the PRC (Note (a))	**389,044**	420,205
– Unlisted equity securities (Note (b))	**489,230**	503,017
– Unlisted fund investments (Note (c))	**820,363**	683,763
– Structured deposits (Note (d))	**2,083,585**	430,825
	3,855,300	2,118,420
Less: non-current portion	**(1,021,738)**	(1,144,780)
Current portion	**2,833,562**	973,640

14. OTHER FINANCIAL ASSETS *(continued)*

Notes:

(a) *As at 31 December 2022, listed equity investments stated at market price represent 112,000,000 shares (2021: 112,000,000 shares) of listed real estate investment trust ("REITs") amounting to HKD389,044,000 (2021: HKD420,205,000).*

(b) *As at 31 December 2022 and 2021, unlisted equity investments mainly represent the Group's interest in Shenzhen Water Planning and Design Institute Co., Ltd. and Guangdong United Electronic Services Co., Ltd.*

(c) *As at 31 December 2022 and 2021, the amount mainly represents investments in the Yuanzhi Credit Suisse Smart Airport Logistics Industry Private Equity Fund, the Group's share in Shenzhen Capital Lingxiu Logistics Facility Phase I Private Investment Fund and the Group's interest in Shenzhen SASAC Cooperative Development Private Investment Fund.*

(d) *As at 31 December 2022, the Group's structured deposit represent financial products issued by banks, with maturity of 90 to 92 days ranging from 29 March 2023 to 31 March 2023 (2021: 90 days on 24 February 2022) and an expected return at 2.95% to 3.33% (2021: 4%) per annum. The investment in financial product is classified as financial assets at FVTPL at initial recognition and measured at fair value at the end of the reporting period. The directors of the Company consider the fair value of the financial products approximate to the carrying amount as at 31 December 2022 and 2021 because of the short maturity.*

15. OTHER NON-CURRENT ASSETS

As at 31 December 2022, other non-current assets mainly includes: (i) receivables of HKD385,506,000 (2021: HKD420,058,000) 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 HKD1,218,653,000 (2021: HKD402,789,000); (iii) receivables of electricity subsidy of HKD1,308,269,000 (2021: HKD900,906,000); (iv) prepayment for non-current assets of HKD663,395,000 (2021: HKD3,863,000); and (v) contract assets that is expected to be recovered after more than one year of HKD2,971,443,000 (2021: HKD2,646,125,000). As at 31 December 2021, other non-current assets also includes: (i) receivables from agent construction business of HKD1,612,409,000; and (ii) deposit paid for acquisition of Shenzhen Investment Infrastructure of HKD749,109,000.

16. INVENTORIES AND OTHER CONTRACT COSTS

	2022 HKD'000	*2021 HKD'000*
Land held for future development	**391,093**	220,262
Land and properties under development for sale	**2,469,454**	8,288,445
Completed properties for sale	**2,873,020**	386,402
Others	**684,858**	679,890
Write-down	**(123,289)**	(12,940)
	6,295,136	9,562,059

16. INVENTORIES AND OTHER CONTRACT COSTS *(continued)*

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

	2022 **HKD'000**	2021 HKD'000
Carrying amount of inventories sold	**2,300,317**	2,372,085
Write-down of inventories	**113,821**	12,618
Total	**2,414,138**	2,384,703

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

	2022 **HKD'000**	2021 HKD'000
In the PRC, with remaining lease term of:		
between 10 and 50 years	**1,683,597**	4,938,138
50 years or more	**506,561**	521,592
	2,190,158	5,459,730

The amount of properties expected to be recovered after more than one year is HKD2,660,091,000 (2021: HKD3,057,544,000). All the other inventories are expected to be recovered within one year.

17. CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2022 **HKD'000**	2021 HKD'000
Arising from performance under construction contracts	**440,668**	524,275
Less: Loss allowance	**(16,069)**	(39,746)
Contract assets, net of loss allowance	**424,599**	484,529

As at 1 January 2021, the amount of contract assets, net of loss allowance is HKD408,532,000.

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, included in other non-current assets, is HKD2,971,443,000 (2021: HKD2,646,125,000).

17. CONTRACT ASSETS AND CONTRACT LIABILITIES *(continued)*

(b) Contract liabilities

	2022 HKD'000	2021 HKD'000
Property development pre-sale proceeds (Note)	**5,592,406**	119,326
Sales and maintenance fees received in advance	**6,744**	107,113
Others sales and services fee received in advance	**10,635**	63,890
	5,609,785	290,329

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.

As at 1 January 2021, contract liabilities amounted to HKD2,816,549,000.

Movements in contract liabilities

	2022 HKD'000	2021 HKD'000
Beginning of the year	**290,329**	2,816,549
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	**(272,206)**	(319,552)
Increase in contract liabilities as a result of receiving deposits and instalments in advance during the year	**6,072,138**	5,608,102
Decrease as a result of recognition of revenue due to the decrease of contracts liabilities recognised during the year	**(247,343)**	–
Decrease in contract liabilities as a result of disposal of a subsidiary	**(93,773)**	(7,818,349)
Increase in contract liabilities as a result of accruing interest expense on advances	**–**	3,579
Exchange difference	**(139,360)**	–
End of the year	**5,609,785**	290,329

All property development pre-sale proceeds are expected to be recognised as revenue within one year.

18. TRADE AND OTHER RECEIVABLES

	2022 HKD'000	2021 HKD'000 (restated)
Trade receivables and bill receivables (Note (a))	**2,399,265**	2,210,657
Less: Loss allowance	**(253,732)**	(327,202)
Trade receivable, net of loss allowance	**2,145,533**	1,883,455
Lease receivables (Note (b))	**114,858**	74,013
Dividend receivable from associates	**324,217**	119,587
Amounts due from associates	**1,062,226**	1,577,488
Amount due from a joint venture	**236,733**	323,242
Other debtors	**1,529,408**	1,549,263
	5,412,975	5,527,048
Deposits and prepayments	**1,248,863**	1,127,205
	6,661,838	6,654,253

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 36(a)(iv).*

As at 1 January 2021, the amount of trade receivable, net of loss allowance is HKD2,454,288,000.

As at 31 December 2022, the ageing analysis of trade receivables based on revenue recognition date was as follows:

	2022 HKD'000	2021 HKD'000
0 – 90 days	**1,323,344**	1,231,482
91 – 180 days	**334,552**	187,771
181 – 365 days	**332,598**	240,506
Over 365 days	**408,771**	550,898
	2,399,265	2,210,657

(b) *Lease receivables*

	2022 HKD'000	2021 HKD'000
Lease receivables	**1,333,511**	476,802
Less: non-current portion	**(1,218,653)**	(402,789)
	114,858	74,013

19. CASH AND CASH EQUIVALENTS

	2022 HKD'000	2021 HKD'000 (restated)
Cash at bank and on hand (Note (a))	**14,024,657**	11,985,062
Less: Restricted bank deposits (Note (b))	**(2,804,834)**	(930,741)
Less: Deposits in banks with original maturities over three months (Note (c))	**(389,950)**	(1,023,786)
Cash and cash equivalents	**10,829,873**	10,030,535

Notes:

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

	2022 HKD'000	2021 HKD'000 (restated)
RMB	**12,890,343**	11,483,971
HKD	**188,290**	313,662
USD	**945,904**	171,454
Other currencies	**120**	15,975
	14,024,657	11,985,062

(b) *As at 31 December 2022 and 2021, the restricted bank deposits mainly represented restricted project funds.*

(c) *As at 31 December 2022 and 2021, the deposits in banks with original maturities over 3 months mainly represented time deposits carry interest at market rates at 5.35% (2021: 1.90% to 3.86%).*

20. SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares	Ordinary share capital HKD'000	Share premium HKD'000	Total HKD'000
At 1 January 2021	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 31)	–	–	3,977	3,977
– forfeited options	–	–	(9,502)	(9,502)
Issue of scrip shares as dividend (note 35)	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
Issue of scrip shares as dividend (note 35)	121,094,761	121,095	765,561	886,656
At 31 December 2022	**2,387,809,199**	**2,387,810**	**10,830,494**	**13,218,304**

(a) Authorised and issued shares

As at 31 December 2022, the total authorised number of shares was 3,000 million (2021: 3,000 million) with par value of HKD1.00 per share (2021: HKD1.00 per share). All issued shares are fully paid.

20. 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:

	2022		2021	
	Average Exercise price HKD	**Number of share options '000**	*Average Exercise price HKD*	*Number of share options '000*
Beginning of the year	**10.016**	**27,610**	10.677	34,330
Exercised	**–**	**–**	10.172	(5,794)
Forfeited	**–**	**–**	9.730	(3,191)
Adjusted	**–**	**–**	–	2,265
Lapsed	**–**	**(27,610)**	–	–
End of the year	**–**	**–**	10.016	27,610

The related weighted-average share price at the time of exercise was HKD13.85 per share for the year ended 31 December 2021.

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

		Number of share options	
Date of expiry	Exercise price HKD	**2022 '000**	*2021 '000*
25 May 2022 (Note (i))	9.472	–	23,204
25 May 2022 (Note (ii))	12.892	–	4,406
		–	27,610

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 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.*

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. During the year, nil (2021: 3,038,000) of the 2017 Share Options were forfeited and nil (2021: 5,794,000) of the 2017 Share Options were exercised. All 2017 Share Options were lapsed on 25 May 2022.

(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.*

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.

During the year, nil (2021: 153,000) of the 2020 Share Options were forfeited. All 2020 Share Options were lapsed on 25 May 2022.

21. 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 reserve 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 2022 (restated)	6,249	4,875,300	59,723	(159,583)	1,306,624	532,780	2,241,651	556,979	13,005	9,432,728	17,108,192	26,540,920
Profit attributable to ordinary shareholders of the Company	–	–	–	–	–	–	–	–	–	–	1,253,919	1,253,919
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	(494,647)	–	(494,647)	–	(494,647)
Fair value loss on equity securities designated at fair value through other comprehensive income	(690)	–	–	–	–	–	–	–	–	(690)	–	(690)
Share of other comprehensive expenses of associates	–	–	–	–	–	–	(13,790)	–	–	(13,790)	–	(13,790)
Gain on revaluation of properties previously occupied by the Group	–	–	–	–	–	12,918	–	–	–	12,918	–	12,918
Deferred taxation relating to revaluation of properties	–	–	–	–	–	(3,230)	–	–	–	(3,230)	–	(3,230)
Exchange differences arising from translation of functional currency to presentation currency	(30)	–	–	–	–	–	–	(5,376,459)	–	(5,376,489)	–	(5,376,489)
Total comprehensive expenses	(720)	–	–	–	–	9,688	(13,790)	(5,871,106)	–	(5,875,928)	1,253,919	(4,622,009)
Transfer to reserve	–	206,694	–	–	–	–	–	–	–	206,694	(206,694)	–
Share of associates' reserve's movement	–	–	–	–	–	–	28,560	–	–	28,560	–	28,560
Dividend relating to 2021 (note 35)	–	–	–	–	–	–	–	–	–	–	(1,876,840)	(1,876,840)
Transfer of exchange reserve upon derecognition of subsidiaries	–	–	–	–	–	–	–	(56,034)	–	(56,034)	56,034	–
Business combination under common control	–	–	–	–	(2,041,071)	–	–	–	–	(2,041,071)	–	(2,041,071)
At 31 December 2022	5,529	5,081,994	59,723	(159,583)	(734,447)	542,468	2,256,421	(5,370,161)	13,005	1,694,949	16,334,611	18,029,560

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

	Fair value reserve HKD'000 (Note (a))	Reserve funds HKD'000 (Note (b))	Capital reserve HKD'000	Goodwill reserve HKD'000	Merger reserve 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 (as previously reported)	(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
Business combination under common control	–	–	–	–	3,189,506	–	–	(797,053)	–	2,392,453	(1,152,250)	1,240,203
At 1 January 2021 (restated)	(2,470)	4,302,859	59,723	(159,583)	1,040,667	507,216	2,107,160	474,710	13,005	8,343,287	15,754,189	24,097,476
Profit attributable to ordinary shareholders of the Company	–	–	–	–	–	–	–	–	–	–	3,573,011	3,573,011
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	–	132,217	–	132,217	–	132,217
Fair value gain on equity securities designated at fair value through other comprehensive income	8,809	–	–	–	–	–	–	–	–	8,809	–	8,809
Share of other comprehensive expense 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)
Exchange differences arising from translation of functional currency to presentation currency	(90)	–	–	–	–	–	–	681,842	–	681,752	–	681,752
Total comprehensive income (restated)	8,719	–	–	–	–	25,564	(7,621)	814,059	–	840,721	3,573,011	4,413,732
Transfer to reserve	–	572,441	–	–	–	–	–	–	–	572,441	(572,441)	–
Share of associates' reserve's movement	–	–	–	–	–	–	142,112	–	–	142,112	–	142,112
Dividend relating to 2020 (note 35)	–	–	–	–	–	–	–	–	–	–	(2,112,400)	(2,112,400)
Transfer of exchange reserve upon derecognition of a subsidiary	–	–	–	–	–	–	–	(731,790)	–	(731,790)	731,790	–
Business combination under common control	–	–	–	–	265,957	–	–	–	–	265,957	(265,957)	–
At 31 December 2021 (restated)	6,249	4,875,300	59,723	(159,583)	1,306,624	532,780	2,241,651	556,979	13,005	9,432,728	17,108,192	26,540,920

Notes:

(a) *The fair value reserve comprises the cumulative net change in the fair value of equity securities designated 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.*

22. 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.

On 29 November 2022, the Company redeemed in full the Perpetual Securities. Upon the completion of the redemption, there are no outstanding Perpetual Securities in issue in the Group.

During the year ended 31 December 2022, the profit attributable to the holders of perpetual securities, based on the applicable interest rate, amounted to HKD92,999,000 (2021: HKD92,075,000) and such amount was distributed to the holders of perpetual securities.

23. BORROWINGS

	Notes	*2022* *HKD'000*	*2021* *HKD'000* *(restated)*
Secured bank borrowings	(a)	**16,038,487**	10,824,370
Unsecured bank borrowings		**18,822,386**	14,785,132
Medium-term notes	(b)	**916,583**	997,845
Senior notes	(c)	**774,883**	774,883
Corporate bonds	(d)	**8,947,593**	8,833,808
Panda bonds	(e)	**5,684,040**	4,932,215
Borrowings from finance lease companies	(f)	**313,974**	534,030
Super short-term commercial paper	(g)	**2,269,063**	2,476,485
		53,767,009	44,158,768
Less: Amount due within one year		**(29,340,767)**	(16,247,986)
Amount shown under non-current liabilities		**24,426,242**	27,910,782
Analysis of borrowings due within one year:			
Secured bank borrowings	(a)	**9,191,156**	2,044,580
Unsecured bank borrowings		**13,648,739**	10,478,197
Medium-term notes	(b)	**916,583**	–
Senior notes	(c)	**774,883**	–
Corporate bonds	(d)	**2,455,506**	1,142,511
Borrowings from finance lease companies	(f)	**84,837**	106,213
Super short-term commercial paper	(g)	**2,269,063**	2,476,485
		29,340,767	16,247,986

23. BORROWINGS *(continued)*

Notes:

(a) *Secured bank borrowings are as follows:*

	2022 HKD'000	2021 HKD'000	Security
Qinglian Syndicated Loan	2,970,613	2,441,591	Secured by a pledge of the operating rights of Qinglian Expressway
Coastal Syndicated Loan	1,699,043	3,121,350	Secured by a pledge of the operating rights of Coastal Expressway
Qinglong Pledge Loan	392,427	519,556	Secured by a pledge of the operating rights of Shuiguan Expressway
Yongcheng Syndicated Loan	200,293	–	Secured by a pledge of Yongcheng project rent receivable right
Mulei County Syndicated Loan	112,254	–	Secured by a pledge of shareholding of Mulei County Qianxin Energy Development Co., Ltd. ("Qianxin Energy"),Mulei County Qianzhi Energy Development Co., Ltd. ("Qianzhi Energy") and Mulei County Qianhui Energy Development Co., Ltd. ("Qianhui Energy")
Huangshi Environmental Investment Bioland Renewable Energy Co., Ltd. ("Huangshi Bioland") Pledge Loan	49,698	59,665	Guaranteed by Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental") and secured by a pledge of the expected income rights of government payment, the accounts receivable formed by the future operating income of Huangshi Bioland and the equity interest of Huangshi Bioland
Longyou Bioland Environmental Technologies Co., Ltd. ("Longyou Bioland") Pledge Loan	12,940	17,165	Guaranteed by Bioland Environmental and secured by a pledge of Longyou Bioland's franchise rights
Guangxi Bioland Environmental Technologies Co., Ltd. ("Guangxi Bioland") Pledge Loan	–	11,280	Guaranteed by Bioland Environmental and Shi Junying, and secured by a pledge of the machinery and equipment of Guangxi Bioland, and the equity interest of Guangxi Bioland
Guiyang Beier Bioland Environmental Technologies Co., Ltd. ("Guiyang Beier Bioland") Pledge Loan	42,196	61,305	Guaranteed by Bioland Environmental and Shi Junying, and secured by a pledge of the machinery and equipment of Guiyang Beier Bioland, Guiyang Beier Bioland's franchise rights and the equity interest of Guiyang Beier Bioland
Guangxi Bioland Pledge Loan	44,109	59,833	Guaranteed by Bioland Environmental and Shi Junying, and secured by a pledge of the machinery and equipment of Guangxi Bioland, and the equity interest of Guangxi Bioland
Mulei County Qianxin New Energy Development Company Limited ("Qianxin Energy") Pledge Loan	109,148	121,511	Secured by a pledge of the right to charge the electricity fee of the wind farm
Mulei County Qianzhi New Energy Development Company Limited ("Qianzhi Energy") Pledge Loan	899,629	984,978	Secured by a pledge of the right to charge the electricity fee of the wind farm
Mulei County Qianhui New Energy Development Company Limited ("Qianhui Energy") Pledge Loan	577,810	633,944	Secured by a pledge of the right to charge the electricity fee of the wind farm

23. BORROWINGS *(continued)*

Notes: (continued)

(a) Secured bank borrowings are as follows: (continued)

	2022 HKD'000	*2021 HKD'000*	*Security*
Baotou Lingxiang Pledge Loan	255,429	–	Secured by a pledge of the right to charge the electricity fee of the wind farm
Qiantai Technology Co., Ltd ("Qiantai ") Pledge Loan	58,071	–	Secured by a pledge of receivable from sales of goods and services of Qiantai
Qiantai Pledge Loan	112,524	–	Secured by a pledge of land use rights held by Qiantai
Fuzhou Lande Environmental Protection Technology Co., Ltd. ("Fuzhou Lande") Pledge Loan	67,514	73,565	Guaranteed by Bioland Environmental and secured by a pledge of Fuzhou Lande's franchise right
Beihai Zhonglan Environmental Technology Co., Ltd. ("Beihai Zhonglan") Pledge Loan	67,514	73,688	Guaranteed by Bioland Environmental and secured by a pledge of Beihai Zhonglan's project franchise right
Zhuji Environmental Investment Bioland Renewable Energy Co., Ltd. ("Zhuji") Pledge Loan	35,596	–	Guaranteed by Bioland Environmental and secured by a pledge of Zhuji's project franchise right
Guilin Environmental Investment Bioland Renewable Energy Co., Ltd. ("Guilin") Pledge Loan	101,272	–	Guaranteed by Bioland Environmental and secured by a pledge of Guilin's project franchise right
Pledge loan of financial leasing company	32,069	–	Secured by a pledge of Shaoguan project rent receivable right
Pledge loan of financial leasing company	6,307	–	Secured by a pledge of Shanxi project rent receivable right
Pledge loan of financial leasing company	8,426	–	Secured by a pledge of Guangzhou Folangsi project rent receivable right
Shenzhen Lisai Environmental Technology Co., Ltd ("Lisai Environmental") Pledge Loan	50,208	–	Secured by a pledge of the operating rights and income of Qinglian Expressway
Pledge loan of financial leasing company	106,616	85,826	Secured by a pledge of Yongcheng project rent receivable right
Shenzhen Guangming High-speed Technology Co., Ltd ("Guangming")	5,626	–	Secured by a pledge of receivable from Guangming Technology Park's PPP concession operation
Shenzhen Expressway Headquarter Pledge Loan	–	885,238	Secured by a pledge of certain office premises of the Group
Short-term Pledge Loan	7,872,580	1,519,257	Secured by a pledge of the 80.2666% equity interests of Shenzhen Investment Infrastructure
Short-term Pledge Loan	74,666	17,981	Secured by a pledge of the right to collect trade receivables for financial leasing projects
Short-term Pledge Loan	61,509	136,637	Secured by a pledge of the 45% equity interests of Jade Emperor Limited, an indirectly wholly-owned subsidiary of the Company
Short-term Pledge Loan	12,400	–	Secured by bills receivable

23. BORROWINGS *(continued)*

Notes: (continued)

(b) On 15 August 2018, Shenzhen Expressway completed the issue of the RMB800 million (equivalent to HKD900 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-year Hong Kong dollar senior notes in an amount of HKD780,000,000 at a discount rate of 99.344% of the principal, with a coupon rate of 3.75%. The senior notes interest should be paid on 26 March, 26 June, 26 September, and 26 December of each year.

(d) Shenzhen Expressway issued a long-term corporate bond of RMB800 million (equivalent to HKD900 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 100% equity interest in Shenzhen Meiguan Expressway Company Limited held by Shenzhen Expressway.

On 8 July 2021, Shenzhen Expressway issued a long-term corporate bond of USD300 million (equivalent to HKD2,340 million) for a term of 5 years. The issuing price was equal to 99.13% of principal, bearing interest at 1.75% per annum. Interest is payable semi-annually and the bonds will mature on 8 July 2026.

On 20 March 2020, Shenzhen Expressway issued the first phase of 2020 Corporate Bonds (epidemic prevention and control bonds) of RMB1,400 million (equivalent to HKD1,575 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 (equivalent to HKD900 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 (equivalent to HKD1,350 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 of RMB1,000 million (equivalent to HKD1,125 million) for a term of 5 years, with a coupon rate of 3.35% per annum. The interest of corporate bonds is payable annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal).

On 20 January 2022, Shenzhen Expressway issued the first phase of 2022 Corporate Bonds (Green bonds) of RMB1,500 million (equivalent to HKD1,688 million) for a term of 7 years, with a coupon rate of 3.18% per annum. The interest of corporate bonds is payable annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal).

(e) On 29 October 2021, the Company issued 6-years Panda Bond-Phase I with par value of RMB4,000 million (equivalent to HKD4,501 million) carrying a coupon rate of 3.29% per annum. The interest of Panda Bonds should be paid annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, the issuer shall be entitled to adjust the coupon rate of corporate bonds and investors shall be entitled to sell back the bonds to the issuer.

On 10 January 2022, the Company issued 6-year Panda Bond-Phase I with par value of RMB1,000 million (equivalent to HKD1,125 million) carrying a coupon rate of 2.95% per annum. The interest of Panda Bonds should be paid annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, the issuer shall be entitled to adjust the coupon rate of corporate bonds and investors shall be entitled to sell back the bonds to the issuer.

(f) As at 31 December 2022, the franchise rights, the land use rights and the equity interest of subsidiaries of Bioland Environmental, with the total net book value of HKD2,490,154,000 (31 December 2021: HKD2,483,188,000), were pledged for secured borrowings from finance lease companies of HKD271,255,000 (31 December 2021: HKD534,030,000). These borrowings will be mature in years range from 2024 to 2032 and carry interest rates ranging from 4.5% to 4.9% per annum.

(g) On 9 March 2022, Shenzhen Expressway issued the first phase of super short-term commercial paper of RMB1,000 million (equivalent to HKD1,125 million) for a term of 180 days bearing interest at 2.12% per annum, which was fully repaid during the year. On 2 June 2022, Shenzhen Expressway issued the second phase of super short-term commercial paper of RMB1,000 million (equivalent to HKD1,125 million) for a term of 270 days bearing interest at 2.00% per annum. On 1 September 2022, Shenzhen Expressway issued the third phase of super short-term commercial paper of RMB1,000 million (equivalent to HKD1,125 million) for a term of 240 days bearing interest at 1.72% per annum. As at 31 December 2021, the amount represented the third phase of super short-term commercial paper of RMB1,000 million (equivalent to HKD1,125 million) bearing interest at 2.65% per annum and the fourth phase of super short-term commercial paper of RMB1,000 million (equivalent to HKD1,125 million) bearing interest at 2.36% per annum, which were fully repaid during the year.

23. BORROWINGS *(continued)*

At 31 December 2022, the borrowings were repayable as follows:

	2022 HKD'000	2021 HKD'000 (restated)
Within 1 year	**29,340,767**	16,247,986
Between 1 and 2 years	**2,807,434**	4,770,277
Between 2 and 5 years	**13,631,762**	15,628,431
Over 5 years	**7,987,046**	7,512,074
	53,767,009	44,158,768

The carrying amounts of the borrowings are denominated in the following currencies:

	2022 HKD'000	2021 HKD'000 (restated)
HKD	**9,777,235**	10,331,672
RMB	**39,741,729**	29,649,156
USD	**4,248,045**	4,177,940
	53,767,009	44,158,768

The ranges of interest rates of bank borrowings at the balance sheet date were as follows:

	2022	2021
HKD	**0.83% to 5.59%**	0.75% to 1.57%
RMB	**2% to 5.88%**	1.30% to 6.00%
USD	**1.10% to 5.26%**	1.08% to 1.10%

The Group has unutilised banking facilities as follows:

	2022 HKD'000	2021 HKD'000
Floating rate		
– Expiring within one year	**28,365,535**	27,481,299
– Expiring after one year	**50,981,985**	47,973,828
	79,347,520	75,455,127

24. 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 investment properties HKD'000	Revaluation reserve HKD'000	Others HKD'000	Total HKD'000
At 1 January 2021 (restated)	(1,096,560)	(76,957)	151,064	135,927	138,378	244,986	(285,376)	(87,693)	398,628	105,867	(204,180)	–	–	(79,410)	(655,326)
Change of fair value reserve on other financial assets credited to equity	–	(2,936)	–	–	–	–	–	–	–	–	–	–	–	–	(2,936)
Revaluation of properties credited to other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–	(8,521)	–	(8,521)
Credited (charged) to the profit or loss	128,941	(52,361)	935	(66,471)	(14,513)	(227,648)	290,551	(465,515)	(23,753)	–	–	(53,126)	–	(91,902)	(574,862)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	(276,458)	–	(4,773)	(281,231)
Derecognition of subsidiaries	–	–	–	–	–	–	–	–	(390,266)	–	–	–	–	(5,401)	(395,667)
Exchange differences	(29,292)	(3,460)	4,940	608	8,150	4,753	(5,175)	(5,671)	36,754	3,453	(6,659)	(4,687)	(121)	(8,035)	(4,442)
At 31 December 2021 (restated)	(996,911)	(135,714)	156,939	70,064	132,015	22,091	–	(558,879)	21,363	109,320	(210,839)	(334,271)	(8,642)	(189,521)	(1,922,985)
At 1 January 2022 (restated)	(996,911)	(135,714)	156,939	70,064	132,015	22,091	–	(558,879)	21,363	109,320	(210,839)	(334,271)	(8,642)	(189,521)	(1,922,985)
Change of fair value reserve on other financial assets credited to equity	–	231	–	–	–	–	–	–	–	–	–	–	–	–	231
Revaluation of properties credited to other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	–	(3,230)	–	(3,230)
Credited (charged) to the profit or loss (note 33)	111,838	(8,149)	(12,328)	(30,153)	(20,554)	(138)	–	(306,572)	2,607	–	–	(69,154)	–	1,511	(331,092)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	6,974	6,974
Exchange differences	82,001	4,552	(12,909)	(5,764)	(10,859)	(1,817)	–	71,040	(1,333)	(8,992)	17,343	28,958	710	33,388	196,318
At 31 December 2022	(803,072)	(139,080)	131,702	34,147	100,602	20,136	–	(794,411)	22,637	100,328	(193,496)	(374,467)	(11,162)	(147,648)	(2,053,784)

24. DEFERRED TAX *(continued)*

	2022 HKD'000	2021 HKD'000 (restated)
Deferred tax assets	**755,954**	859,835
Deferred tax liabilities	**(2,809,738)**	(2,782,820)
	(2,053,784)	(1,922,985)

Deferred tax assets are recognised for tax loss carry-forward 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 HKD2,761,383,000 (2021: HKD1,968,746,000) 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 2022 is as follows:

	2022 HKD'000	2021 HKD'000 (restated)
Year		
2022	**–**	155,338
2023	**67,503**	75,597
2024	**83,576**	97,645
2025	**135,329**	156,418
2026	**1,283,179**	1,483,748
2027	**1,191,796**	–
	2,761,383	1,968,746

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.

25. OTHER NON-CURRENT LIABILITIES

	2022 HKD'000	2021 HKD'000 (restated)
Compensations from government regarding operation of toll station (Note (a))	**474,236**	588,711
Other deferred income (Note (b))	**650,995**	730,231
Long-term employee bonus	**130,209**	230,464
Operating costs in the extended period for toll road compensation	**164,729**	171,109
Loan from a related party	**–**	2,345,137
Others	**64,915**	38,259
	1,485,084	4,103,911

Notes:

(a) *The amount mainly represents government compensations amounting to HKD436,450,000 (2021: HKD550,346,000) for the operation subsidy of toll stations and ramp.*

(b) *Other deferred income mainly includes government grants amounting to HKD592,480,000 (2021: HKD675,090,000) which was received from the government for the purpose of subsidising the Group's development, operation and setting up certain integrated logistics hubs.*

26. TRADE AND OTHER PAYABLES

	2022 HKD'000	2021 HKD'000 (restated)
Trade payables (Note (a))	**4,208,497**	3,872,355
Construction payables (Note (b))	**1,419,821**	1,748,692
Dividend payable	**66,434**	6,908
Other payables and accrued expenses	**2,876,798**	3,176,055
Amount due to associates (Note (c))	**1,705,459**	3,811,725
Loan from a related party (Note (d))	**2,368,676**	3,126,849
Provisions	**108,871**	–
	12,754,556	15,742,584
Deferred income	**16,911**	12,786
	12,771,467	15,755,370

26. TRADE AND OTHER PAYABLES *(continued)*

Notes:

(a) As at 31 December 2022, the ageing analysis of trade payables based on the date of invoices was as follows:

	2022 HKD'000	2021 HKD'000
0 – 90 days	**1,907,078**	1,819,439
91 – 180 days	**445,216**	493,793
181 – 365 days	**440,223**	1,002,740
Over 365 days	**1,415,980**	556,383
	4,208,497	3,872,355

(b) Construction payables mainly includes: (i) advances from government relating to construction projects in an amount of HKD128,755,000 (2021: HKD412,073,000); and (ii) payable for projects of logistics parks and entrusted management and construction of highways in an amount of HKD1,291,066,000 (2021: HKD1,336,619,000).

(c) The amount mainly comprised of loan advances from Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd. ("Qianhai Real Estate") and United Land Company, the associates of the Group.

As at 31 December 2022, RMB415,786,000 (equivalent to HKD467,859,000) (2021: RMB977,391,000 (equivalent to HKD1,198,371,000)) and RMB944,647,000 (equivalent to HKD1,062,954,000) (2021: RMB2,131,452,000 (equivalent to HKD2,613,354,000)) was advance to the Group by Qianhai Real Estate and United Land Company, respectively. The amount due to Qianhai Real Estate is an unsecured loan that bears interest at 3.5% per annum and repayable within 2023 (2021: 2022). The amount due to United Land Company is unsecured, interest-free and expected to be repaid within one year. The remaining amount due to another associate of RMB155,208,000 (equivalent to HKD174,646,000) (2021: nil) is unsecured, interest-free and repayable on demand.

(d) The amount is an unsecured loan that bears interest at 2.85% per annum and repayable within 2023.

27. LEASE LIABILITIES

The lease liabilities were repayable as follows:

	2022 HKD'000	2021 HKD'000 (restated)
Within 1 year	**83,149**	97,261
After 1 year but within 2 years	**53,278**	283,203
After 2 years but within 5 years	**91,007**	268,301
After 5 years	**845,983**	878,887
	1,073,417	1,527,652

Lease liabilities carry weighted-average interest rate at 4.5% (2021: 4.42%).

28. REVENUE

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2022 HKD'000	2021 HKD'000
Revenue from contracts with customers within the scope of HKFRS 15		
Toll roads and general-environmental protection business		
– Toll revenue	5,722,889	7,123,724
– Entrusted construction management service and construction consulting service revenue	1,020,572	1,249,551
– Construction service revenue under service concession arrangements	1,444,105	1,861,703
– General-environmental protection services	2,020,025	2,169,520
– Others	566,731	738,544
	10,774,322	13,143,042
Logistics business		
– Logistics parks	576,113	169,733
– Logistics services	389,619	988,199
– Port and related services	2,761,767	2,711,535
– Logistics park transformation and upgrading services	30,202	319,552
	3,757,701	4,189,019
	14,532,023	17,332,061
Revenue from other sources		
Logistics business		
– Leases from logistics parks	997,278	1,209,865
	15,529,301	18,541,926

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets are disclosed in note 5.

28. 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 2022, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts are HKD5,771,218,000 (2021: HKD269,699,000) and HKD34,132,000 (2021: HKD479,183,000) 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 sales of properties 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 and sales of properties 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.

29. OTHER GAINS – NET

	2022 **HKD'000**	2021 HKD'000 (restated)
Gain on losing control on United Land Company	**–**	4,771,027
Gain on losing control on Qianhai Business (note 40)	**2,988,327**	–
Gain on disposal of subsidiaries (note 40)	**740,023**	164,105
Change in fair value of derivative financial instruments	**81,340**	358,215
Change in fair value of other financial assets	**32,595**	209,446
Change in fair value of investment properties	**276,617**	212,503
Loss on disposal of derivative financial instruments	**–**	(152,249)
Gain on disposal of other financial assets	**–**	179,322
Gain (loss) on disposal of property, plant and equipment	**8,850**	(102,395)
Impairment loss recognised on goodwill	**(52,925)**	(132,979)
Others	**(76,081)**	119,314
	3,998,746	5,626,309

30. PROFIT FOR THE YEAR

	2022 HKD'000	2021 HKD'000 (restated)
Profit for the year has been arrived at after charging:		
Construction services cost under service concession arrangements	**1,444,105**	1,861,703
Kitchen waste disposal project costs	**613,595**	1,023,552
Depreciation and amortisation	**2,680,503**	3,232,470
Employee benefit expenses (note 31)	**1,762,231**	1,910,920
Cost of inventories sold (note 16)	**2,414,138**	2,384,703
Other tax expenses	**181,191**	246,407
Commission, management fee and maintenance expenses for toll roads	**390,490**	406,647
Entrusted construction management service costs	**793,563**	991,578
Auditors' remuneration		
– Audit services	**8,257**	10,891
– Non-audit services	**15,512**	11,771
Legal and consultancy fees	**77,753**	174,087

31. EMPLOYEE BENEFIT EXPENSES

	2022 HKD'000	2021 HKD'000 (restated)
Wages and salaries	**1,300,288**	1,497,417
Pension costs-defined contribution plans	**177,244**	74,110
Share-based payment expenses (note 20)	**–**	3,977
Others	**284,699**	335,416
	1,762,231	1,910,920

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 (2021: nil) were utilised during the year and none is available at the year-end to reduce future contribution.

31. EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2022 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		–	345	747	61	173	–	1,326
Liu Zhengyu	(i)	–	276	813	61	173	–	1,323
Wang Peihang		–	648	409	61	170	–	1,288
Dai Jingming		–	575	–	–	–	–	575
Non-executive directors								
Hu Wei	(vi)	–	746	423	56	170	–	1,395
Zhou Zhiwei		–	648	373	61	168	–	1,250
Independent Non-executive directors								
Cheng Tai Chiu, Edwin	(iv)	233	–	–	–	–	–	233
Chan King Chung	(iii)	29	–	–	–	–	–	29
Pan Chaojin		350	–	–	–	–	–	350
Wang Guowen	(v)	117	–	–	–	–	–	117
Zeng Zi	(ii)	321	–	–	–	–	–	321
		1,050	3,238	2,765	300	854	–	8,207

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		–	334	814	348	192	–	1,688
Liu Zhengyu	(i)	–	73	222	26	38	–	359
Wang Peihang		–	682	410	85	164	–	1,341
Dai Jingming		–	604	–	27	–	–	631
Non-executive directors								
Hu Wei	(vi)	–	856	293	293	178	–	1,620
Zhou Zhiwei		–	682	372	85	178	–	1,317
Independent Non-executive directors								
Cheng Tai Chiu, Edwin	(iv)	350	–	–	–	–	–	350
Chan King Chung	(iii)	350	–	–	–	–	–	350
Pan Chaojin		350	–	–	–	–	–	350
		1,050	3,231	2,111	864	750	–	8,006

31. EMPLOYEE BENEFIT EXPENSES *(continued)*

(a) Directors' emoluments *(continued)*

Notes:

(i) Appointed as Executive Director and Chief Executive Officer of the Company on 14 September 2021

(ii) Appointed on 1 February 2022

(iii) Resigned on 1 February 2022

(iv) Resigned on 1 September 2022

(v) Appointed on 1 September 2022

(vi) Resigned on 7 December 2022

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 2022 and 2021, 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 2022 (2021: nil), and the respective fair value of the share-based payments recognised for the year ended 31 December 2022 was nil (2021: HKD263,000).

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 was vested in 2022 (2021: nil), and the respective fair value of the share-based payments recognised for the year ended 31 December 2022 was nil (2021: nil).

Hu Wei was granted options in respect of 1,050,000 shares on 29 January 2014 and 950,000 shares on 26 May 2017, of which no option was vested in 2022 (2021: nil), and the respective fair value of the share-based payments recognised for the year ended 31 December 2022 was nil (2021: HKD206,000).

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 no option was vested in 2022 (2021: nil), and the respective fair value of the share-based payments recognised for the year ended 31 December 2022 was nil (2021: nil).

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 2022 (2021: nil), and the respective fair value of the share-based payments recognised for the year ended 31 December 2022 was nil (2021: nil).

31. EMPLOYEE BENEFIT EXPENSES *(continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one director (2021: two directors). The emoluments payable to the remaining four (2021: three) individuals during the year is as follows:

	2022 HKD'000	*2021 HKD'000*
Basic salaries and allowances	**3,506**	2,436
Year-end bonuses	**2,392**	1,684
Contributions to the retirement scheme	**759**	575
Share-based payment expenses	**–**	–
Other benefits	**123**	81
	6,780	4,776

The emoluments fell within the following bands:

	2022	*2021*
HKD1,500,001 – HKD2,000,000	**4**	3

32. FINANCE INCOME AND COSTS

	2022 HKD'000	*2021 HKD'000 (restated)*
Finance income		
Interest income from bank deposits	**(274,119)**	(229,467)
Other interest income	**(30,092)**	(168,331)
Total finance income	**(304,211)**	(397,798)
Finance costs		
Interest expense		
– Bank borrowings	**1,159,858**	873,501
– Medium-term notes	**15,077**	43,425
– Senior notes	**29,268**	29,752
– Corporate bonds	**340,653**	332,783
– Panda bonds	**184,265**	233,380
– Borrowings from finance lease companies	**52,088**	49,571
– Interest on contract liabilities	**2,930**	3,579
– Interest on lease liabilities	**64,694**	65,314
– Other interest costs	**97,797**	58,318
Net foreign exchange losses (gains)	**1,160,804**	(108,279)
Less: finance costs capitalised on qualified assets	**(234,630)**	(252,720)
Total finance costs	**2,872,804**	1,328,624
Net finance costs	**2,568,593**	930,826

Finance costs of HKD234,630,000 (2021: HKD252,720,000) 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 3.9% (2021: 3.82%) per annum.

33. INCOME TAX EXPENSE

	2022 HKD'000	2021 HKD'000 (restated)
Current income tax		
PRC Corporate Income Tax	661,922	2,103,104
PRC Land Appreciation Tax	1,755	31,671
Withholding income tax on dividends	–	17,016
Deferred tax (note 24)	331,092	574,862
	994,769	2,726,653

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% (2021: 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:

	2022 HKD'000	2021 HKD'000 (restated)
Profit before income tax	2,930,926	8,956,258
Tax calculated at a tax rate of 25%	732,732	2,239,065
Tax impact of:		
– Different tax rates in other jurisdiction	(44,406)	(34,131)
– Non-taxable income	(324,044)	(34,154)
– Non-deductible expenses	71,134	78,817
– Unrecognised tax losses	442,257	546,438
– Share of results of joint ventures and associates	396,037	(83,111)
– Withholding income tax on dividends (Note)	–	17,016
– Use of unrecognised deductible tax losses and temporary difference in respect of prior years	(256,780)	(11,745)
– Adjustment in respect of prior years	(24,768)	(15,295)
– LAT and LAT deductible for PRC CIT purpose	2,607	23,753
Income tax expense	994,769	2,726,653

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.

34. 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.

	2022 HKD'000	2021 HKD'000 (restated)
Earnings		
Profit attributable to ordinary shareholders of the Company	**1,253,919**	3,573,011
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue	**2,330,745**	2,233,481
Basic earnings per share (HKD per share)	**0.54**	1.60

(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.

	2022 HKD'000	2021 HKD'000 (restated)
Earnings		
Profit attributable to ordinary shareholders of the Company	**1,253,919**	3,573,011
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue	**2,330,745**	2,233,481
Adjustments – share options	**–**	3,222
Weighted average number of ordinary shares for diluted earnings per share	**2,330,745**	2,236,703
Diluted earnings per share (HKD per share)	**0.54**	1.60

35. DIVIDENDS

According to the scrip dividend scheme approved by shareholders in the annual general meeting held on 13 May 2022 (2021: 18 May 2021), 121,094,761 (2021: 65,929,527) new shares were issued at a price of HKD7.322 (2021: HKD11.3582) per share, amounted to HKD886,656,000 (2021: HKD748,840,000) and the remaining dividend of HKD990,184,000 (2021: HKD1,363,559,000) was paid in cash in June 2022 (2021: June 2021).

The 2021 final dividend and special dividend of HKD1,876,840,000 in aggregate (HKD0.125 per ordinary share of final dividend and HKD0.703 per ordinary share of special dividend) were settled in June 2022.

	2022 HKD'000	*2021 HKD'000*
2021 final dividend of HKD0.125 (2020 final dividend of HKD0.122) per ordinary share	**283,340**	268,451
2021 special dividend of HKD0.703 (2020 special dividend of HKD0.838) per ordinary share	**1,593,500**	1,843,949
	1,876,840	2,112,400

At the board meeting on 28 March 2023, the board recommended the payment of final dividend for the year of 2022 of HKD0.257 per ordinary share. Such dividends are to be approved by the shareholders at the forthcoming annual general meeting of the Company in 2023. These consolidated financial statements do not reflect this as dividend payable.

36. 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.

36. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(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:

	2022 **HKD'000**	2021 HKD'000 (restated)
Assets		
HKD	**188,290**	313,662
United States dollars ("USD")	**945,904**	171,454
	1,134,194	485,116
Liabilities		
HKD	**9,777,234**	6,429,432
USD	**4,248,045**	4,177,941
	14,025,279	10,607,373

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 2022, 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)	
	2022 **HKD'000**	2021 HKD'000 (restated)
HKD against RMB		
– Weakened by 5%	**359,585**	238,557
– Strengthened by 5%	**(359,585)**	(238,557)
USD against RMB		
– Weakened by 5%	**(124,164)**	(150,243)
– Strengthened by 5%	**124,164**	150,243

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 2022 was loss of HKD66,229,000 (2021: gain of HKD99,356,000) recognised as derivative financial liability.

36. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(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 2022 and 2021, 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 2022, borrowings of the Group which were issued at floating rates amounted to approximately HKD34,785,932,000 (2021: HKD21,681,918,000). As at 31 December 2022, 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 HKD130,447,000 (2021: HKD81,307,000).

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.

36. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(iii) Price risk

The Group is exposed to equity securities price risk in respect of investments in REITs (2021: investments in REITs). The Group is not exposed to significant commodity price risk.

The table below summarises the impact of increase/decrease of share price of REITs. The analysis is based on the assumptions that the share price of REITs 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)	
	2022	2021
	HKD'000	HKD'000
Share price		
– Increased by 5%	**14,870**	15,758
– Decreased by 5%	**(14,870)**	(15,758)

(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 with gross carrying amount of HKD64,940,000 (2021: HKD172,474,000) and debtors with balances larger than 5% of total trade receivables with gross carrying amount of HKD174,528,000 (2021: nil) (which the ECL is assessed to be insignificant) that are assessed individually, the Group measures loss allowances for other trade receivables and contract assets at an amount equal to other 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.

36. 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 2022			
Current (not past due)	**0.48**	**2,211,670**	**10,670**
1 - 90 days past due	**7.87**	**182,250**	**14,346**
91 - 180 days past due	**25.75**	**23,062**	**5,938**
181 - 270 days past due	**45.34**	**12,104**	**5,488**
271 - 365 days past due	**64.25**	**8,279**	**5,319**
More than 1 year past due	**100.00**	**163,100**	**163,100**
		2,600,465	**204,861**
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

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:

	2022		*2021*	
	Credit-impaired HKD'000	***Not credit-impaired HKD'000***	*Credit-impaired HKD'000*	*Not credit-impaired HKD'000*
Balance at 1 January	**172,474**	**194,474**	–	259,080
Amounts written off	**–**	**–**	–	(10,116)
Transferred to credit-impaired	**–**	**–**	98,205	(98,205)
Transferred to not credit-impaired	**(95,365)**	**95,365**	–	–
(Net reversal of impairment loss) impairment losses recognised	**–**	**(55,693)**	71,850	40,019
Exchange difference	**(12,169)**	**(29,285)**	2,419	3,696
Balance at 31 December	**64,940**	**204,861**	172,474	194,474

36. 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, amounts due from associates and joint venture, 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.

36. 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 2022						
Bank borrowings	22,925,098	1,615,197	4,548,800	6,303,179	35,392,274	34,860,873
Borrowings from finance lease companies	84,837	95,108	145,108	–	325,053	313,974
Corporate bonds	3,045,158	1,927,288	3,107,143	1,541,637	9,621,226	8,947,593
Panda bonds	181,276	181,276	5,543,828	–	5,906,380	5,684,040
Senior notes	29,250	809,250	–	–	838,500	774,883
Medium-term notes	940,610	–	–	–	940,610	916,583
Trade and other payables (excluding other taxes payable, deferred income and staff welfare benefit payable)	11,724,973	–	–	–	11,724,973	11,724,973
Super short-term commercial paper	2,308,091	–	–	–	2,308,091	2,269,063
Lease liabilities	87,306	59,300	112,207	1,160,949	1,419,762	1,073,417
	41,326,599	4,687,419	13,457,086	9,005,765	68,476,869	66,565,399

36. FINANCIAL RISK MANAGEMENT *(continued)*

(a) Financial risk factors *(continued)*

(v) Liquidity risk *(continued)*

	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 (restated)						
Bank borrowings	10,146,177	2,506,341	4,173,929	9,713,687	26,540,134	25,609,502
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, deferred income 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	1,527,652
	25,756,587	5,030,112	18,489,831	10,735,207	60,011,737	56,998,563

(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.

36. FINANCIAL RISK MANAGEMENT *(continued)*

(b) Capital management *(continued)*

The Group maintained a consistent strategy to keep the gearing ratio at a reasonable level. The gearing ratios at 31 December 2022 and 2021 were as follows:

	2022 HKD'000	2021 HKD'000 (restated)
Total borrowings	**53,767,009**	44,158,768
Less: cash and bank balances	**(14,024,657)**	(11,985,062)
Net debt	**39,742,352**	32,173,706
Total equity	**55,199,174**	67,672,175
Gearing ratio	**72%**	48%

(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).

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

	As at 31 December 2022			
	Level 1 HKD'000	Level 2 HKD'000	Level 3 HKD'000	Total HKD'000
Assets				
Equity securities designated at FVTOCI				
– Unlisted equity securities	–	–	73,078	73,078
Financial assets measured at FVTPL				
– Listed securities in the PRC	389,044	–	–	389,044
– Unlisted equity securities	–	–	489,230	489,230
– Unlisted fund investments	–	–	820,363	820,363
– Structured deposits	–	–	2,083,585	2,083,585
Derivative financial instruments	–	–	237,205	237,205

36. FINANCIAL RISK MANAGEMENT *(continued)*

(c) Fair value estimation *(continued)*

	As at 31 December 2021 (restated)			
	Level 1 *HKD'000*	*Level 2* *HKD'000*	*Level 3* *HKD'000*	*Total* *HKD'000*
Assets				
Equity securities designated at FVTOCI				
– Unlisted equity securities	–	–	80,610	80,610
Financial assets measured at FVTPL				
– Listed securities in the PRC	420,205	–	–	420,205
– Unlisted equity securities	–	–	503,017	503,017
– Unlisted fund investments	–	–	683,763	683,763
– Structured deposit	–	–	430,825	430,825
Derivative financial instruments	–	–	260,713	260,713

During the year ended 31 December 2022, 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 2022, 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 2022. 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 2022.

36. 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 2022			
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	6.5%
		Market monthly 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 measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2022, 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.

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

	2022 ***HKD'000***	*2021* *HKD'000* *(restated)*
Unlisted equity securities, fund investments and structured deposits:		
Beginning of the year	**1,698,215**	3,333,969
Additions	**2,381,240**	545,673
Changes in fair value recognised in profit or loss during the year	**29,118**	75,986
Net unrealised (losses) gains recognised in other comprehensive (expense) income during the year	**(921)**	11,745
Redemptions	**(460,480)**	(2,353,428)
Exchange difference	**(180,916)**	84,270
End of the year	**3,466,256**	1,698,215

37. 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	2022 HKD'000	2021 HKD'000 (restated)
Profit before income tax		**2,930,926**	8,956,258
Adjustments for:			
Depreciation	7	**1,218,004**	984,023
Amortisation of land use rights	8	**124,448**	72,043
Amortisation of intangible assets	10	**1,967,892**	2,177,653
(Net reversal of impairment loss) impairment loss of trade receivables and contract assets	36(a)	**(55,693)**	111,869
Loss on adjustment of cost of concession intangible assets	10	**56,733**	97,667
Impairment loss recognised on intangible assets	10	**21,899**	–
Impairment loss recognised on goodwill	11	**52,925**	132,979
Write-down of inventories	16	**113,821**	12,618
Gain on losing control on United Land Company	29	**-**	(4,771,027)
Gain on losing control on Qianhai Business	29	**(2,988,327)**	–
Gain on disposal of subsidiaries	29	**(740,023)**	(164,105)
Change in fair value of derivative financial instruments	29	**(81,340)**	(358,215)
Gain on disposal of other financial assets		**–**	(179,322)
Share-based payment expenses	32	**–**	(5,525)
(Gain) loss on disposal of property, plant and equipment	29	**(8,850)**	102,395
Change in fair value of other financial assets	29	**(32,595)**	(209,446)
Change in fair value of investment properties	6	**(276,617)**	(212,503)
Interest income	32	**(304,211)**	(397,798)
Finance costs	32	**2,872,804**	1,328,624
Share of results of associates and joint ventures	12 & 13	**1,584,148**	(332,444)
Dividend income		**(72,214)**	(12,089)
Operating cash flow before movements in working capital		**6,383,730**	7,333,655
Changes in working capital:			
Inventories and other contract costs		**(635,476)**	(1,638,111)
Trade and other receivables		**(909,285)**	1,029,706
Trade and other payables		**5,537,943**	(4,901,412)
Contract assets		**41,358**	(61,794)
Contract liabilities		**5,341,303**	5,036,025
Other non-current assets		**(2,076,396)**	(1,850,892)
Deferred income		**(14,296)**	(22,477)
Restricted bank deposits		**(1,992,808)**	1,940,780
Cash generated from operations		**11,676,073**	6,865,480

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Reconciliation of liabilities arising from financing activities

	Borrowings HKD'000 (Note 23)	*Lease liabilities HKD'000 (Note 27)*	*Total HKD'000*
For the year ended 31 December 2022			
At 1 January 2022	44,158,768	1,527,652	45,686,420
Changes from financing cash flows:			
Proceeds from borrowings	14,009,260	–	14,009,260
Repayment of borrowings	(3,396,131)	–	(3,396,131)
Capital element of lease rentals paid	–	(335,679)	(335,679)
Interest element of lease rentals paid	–	(64,694)	(64,694)
Total changes from financing cash flows	10,613,129	(400,373)	10,212,756
Exchange adjustments	(3,824,927)	(118,556)	(3,943,483)
Changes in fair value			
Other change:			
Acquisition of a subsidiaries	11,929	–	11,929
Derecognition of subsidiaries	–	–	–
Decrease in lease liabilities	–	(53,862)	(53,862)
Interest expenses	2,808,110	64,694	2,872,804
Total other change	(1,004,888)	(107,724)	(1,112,612)
At 31 December 2022	53,767,009	1,019,555	54,786,564

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Reconciliation of liabilities arising from financing activities *(continued)*

	Borrowings HKD'000 (Note 23)	*Lease liabilities HKD'000 (Note 27)*	*Derivative financial instruments held to corporate bonds HKD'000*	*Total HKD'000*
For the year ended 31 December 2021 (restated)				
At 1 January 2021	34,850,259	855,589	99,356	35,805,204
Changes from financing cash flows:				
Proceeds from borrowings	30,302,652	–	–	30,302,652
Repayment of borrowings	(21,254,590)	–	–	(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	9,048,062	(1,821,508)	–	7,226,554
Exchange adjustments	1,201,633	36,851	–	1,238,484
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	49,571	65,314	–	114,885
Total other change	260,447	2,487,429	(99,356)	2,648,520
At 31 December 2021	44,158,768	1,521,510	–	45,680,278

38. GUARANTEES AND CONTINGENCIES

(a) As at 31 December 2022, the Group has given collateral liability guarantees by phases of approximately HKD514 million (2021: HKD555 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 19 October 2020, Yonker Environmental changed the amounts of claims to a total of RMB51,758,000. As of 31 December 2022, 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.

39. COMMITMENTS

	2022 ***HKD'000***	*2021* *HKD'000*
Capital commitments – expenditure of property, plant and equipment, concession intangible assets and land premium – Contracted but not provided for	**17,127,681**	8,898,336

40. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2022

Acquisition of assets through acquisition of subsidiaries

On 31 March 2022, Shenzhen International China Logistics Development Limited, wholly-owned subsidiary of the Group, entered into a sale and purchase agreement with an independent third party, Stanwick Holdings Limited (sole shareholder of Season Hero Holdings Limited ("Season Hero")), pursuant to which the Group would acquire the entire equity interests of Season Hero at a total consideration of RMB1,710,296,000 (equivalent to HKD2,034,855,000). Season Hero indirectly holds and operates the Hefei Qianlong Logistics Park and Zhengzhou Qianlong Logistics Park through Shenzhen Qianlong Yunying Guanli Co., Ltd, Qianlong Logistics Co., Ltd., Hefei Qianlong Wuliu Co., Ltd., Zhengzhou Qianlong Yunying Jituan Co., Ltd. and Zhengzhou Qianlong Wuliu Co., Ltd. The acquisition was completed on 13 May 2022, and since then Season Hero became a wholly-owned subsidiary of the Group.

The directors of the Company considered that the acquisition is not a business combination and is accounted for as an asset acquisition, as the Group had not acquired an integrated set of activities and assets. The Group had not acquired the skilled labour of the logistics parks, which is a substantive process in creating output.

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
Investment properties	1,953,904
Trade and other receivables	241,430
Cash and cash equivalents	108,230
Trade and other payables	(123,799)
Income tax payable	(9,204)
Contract liabilities	(2,034)
Provisions	(121,743)
Bank borrowing	(11,929)
Net assets acquired attributable to the Group	2,034,855
Total consideration satisfied by:	
Total consideration paid	1,704,064
Unsettled consideration	330,791
Net cash outflow in the acquisition included in the investing activities:	
Cash consideration paid	(1,704,064)
Cash and cash equivalents acquired	108,230
	(1,595,834)

Apart from the aforementioned acquisition, the net cash outflow arising from another acquisition of other subsidiary during the year ended 31 December 2022 amounted to HK$76,639,000.

40. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2022 *(continued)*

Deemed disposal of interest in Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd. ("Qianhai Business")

As disclosed in the Company's announcement on 18 February 2022, the Group proposed a capital increase ("First Capital Increase") in Qianhai Business, a wholly-owned subsidiary of the Group, through public tender at the Shenzhen United Property and Equity Exchange ("SUPX"), and subsequently entered into the capital increase agreement with the successful bidder, Shenzhen Vanke Development Company Limited ("Vanke Development"). Upon the completion of the First Capital Increase on 18 February 2022, the shareholding interest of the Group in Qianhai Business was diluted from 100% to 72%.

As further disclosed in the Company's announcement on 2 May 2022, the Group proposed a further capital increase ("Second Capital Increase") in Qianhai Business through public tender at the SUPX, and subsequently entered into the capital increase agreement with the successful bidder, Vanke Development. Upon the fulfilment of completion criteria stated in capital increase agreement for Second Capital Increase on 29 June 2022, the shareholding interest of the Group in Qianhai Business was further decreased from 72% to 50%. Accordingly, Qianhai Business ceased to be a subsidiary of the Group and became an associate of the Group, as the Group has no sufficiently dominant voting rights to direct the relevant activities of Qianhai Business unilaterally, and the other shareholder of Qianhai Business has the power to appoint five out of nine directors of Qianhai Business as stated in the capital increase agreement. The Directors of the Company therefore conclude that the Group has only significant influence over Qianhai Business and classified Qianhai Business as an associate of the Group.

The fair value of the interests in Qianhai Business held by the Group of approximately HKD2,912,194,000 as at 29 June 2022, determined based on consideration of the 50% interests of Qianhai Business at the date of disposal, has been regarded as costs of interest in an associate from the date on which the Group ceased to have control, and is accounted for in the condensed consolidated financial statements using the equity method of accounting.

The net assets of Qianhai Business at the date of losing control were as follows:

	HKD'000
Property, plant and equipment	237
Investment properties	1,247,721
Inventories	3,261,145
Trade and other receivables	362,263
Cash and cash equivalents	352,349
Tax recoverable	13,993
Trade and other payables	(5,313,841)
Net liabilities derecognised	**(76,133)**
Net liabilities derecognised	76,133
Reclassified as interest in an associate at fair value	2,912,194
Gain on losing control	2,988,327
Cash and cash equivalents derecognised and net cash outflow in the disposal included in the investing activities	(352,349)

40. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2022 *(continued)*

Disposal of interest in Hefei Shenzhen International Integrated Logistics Hub Co., Ltd. ("Hefei Logistics")

On 22 November 2022, the Group and Hefei Shenhe Warehousing Co., Ltd ("Hefei Shenhe"), a subsidiary of a joint venture, Shenshi (Shenzhen) Smart Logistics Infrastructure Private Fund Partnership (Limited Partnership) ("Shenshi Fund"), entered into the transfer agreement in selling its entire 90% equity interests in Hefei Logistics at a consideration of approximately RMB218,192,000 (equivalent to HKD245,519,000). The disposal was completed on 13 December 2022.

The following table summarises the amount of assets and liabilities at derecognition date:

	HKD'000
Property, plant and equipment	213,530
Construction in progress	8,443
Land use rights	27,333
Other non-current assets	10,192
Trade and other receivables	3,090
Other current assets	503
Cash and cash equivalents	6,511
Trade and other payables	(181,537)
Income tax payable	(514)
Net assets derecognised	**87,551**
Net assets derecognised	(87,551)
Total cash consideration	245,519
Non-controlling interest	9,125
Gain on disposal of a subsidiary	167,093
Total consideration received	245,519
Cash and cash equivalents derecognised	(6,511)
Net cash inflow in the disposal including in the investing activities	239,008

40. ACQUISITION AND DISPOSAL OF SUBSIDIARIES *(continued)*

For the year ended 31 December 2022 *(continued)*

Disposal of interest in Hangzhou Shenzhen International Supply Chain Management Co., Ltd. ("Hangzhou Supply Chain")

On 13 December 2022, the Group and Hangzhou Shenhang Warehousing Co., Ltd ("Hangzhou Shenhang"), a subsidiary of a joint venture, Shenshi Fund, entered into the transfer agreement in selling its 100% entire equity interests in Hangzhou Supply Chain at a consideration of approximately RMB1,012,610,000 (equivalent to HKD1,139,428,000). The disposal was completed on 26 December 2022.

The following table summarises the amount of assets and liabilities at derecognition date:

	HKD'000
Property, plant and equipment	594,943
Construction in progress	4,621
Land use rights	105,701
Trade and other receivables	2,292
Cash and cash equivalents	48,019
Trade and other payables	(187,042)
Income tax payable	(2,036)
Net assets derecognised	566,498
Net assets derecognised	(566,498)
Total cash consideration	1,139,428
Gain on disposal of a subsidiary	572,930
Total consideration received	1,139,428
Cash and cash equivalents derecognised	(48,019)
Net cash inflow in the disposal including in the investing activities	1,091,409

41. 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 2022, Shenzhen Expressway paid service fee to Yunji Smart amounting to RMB37,156,000 (equivalent to HKD42,713,000) (2021: RMB43,842,000 (equivalent to HKD53,001,000)).

(b) As at 31 December 2022, the Group's investment commitments to related parties was RMB315,000,000 (equivalent to HKD354,450,000) (2021: RMB519,426,000 (equivalent to HKD636,864,000)), which included the capital increase commitment of Shenzhen Expressway in an associate of RMBnil (2021: RMB2,976,000 (equivalent to HKD3,649,000)), in a joint venture of RMBnil (2021: RMB201,450,000 (equivalent to HKD246,996,000)) and its capital contribution commitment of RMB315,000,000 (equivalent to HKD354,450,000) (2021: RMB315,000,000 (equivalent to HKD386,219,000)) for the establishment of a buyout fund.

(c) As at 31 December 2022, Qianhai Real Estate, an associate of the Group, provided RMB415,786,000 (equivalent to HKD467,859,000) (2021: RMB977,391,000 (equivalent to HKD1,198,371,000)) cash advanced to the Group.

(d) 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"). Details of the transaction has been disclosed in note 2.

(e) As at 31 December 2022, amount due from United Land Company of HKD1,062,226,000 (2021: HKD1,577,488,000) was unsecured, interest-free and expected to be repayable within one year.

42. 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 anc1llary services	RMB31,372,549	51	49
Xin Tong Chan Development (Shenzhen) Co., Ltd.[Δ]	Investment holding	RMB200,000,000	100	–
Shenzhen International South-China Logistics Co., Ltd.[@]	Development, construction, operation and management of South China Logistic Park	RMB350,000,000	100	–
Shenzhen International Supply Chain Management Nanjing Co., Ltd[@]	Supply chain management services	RMB10,000,000	100	–
Shenzhen International Holdings (SZ) Limited[Δ]	Investment holding	HKD2,180,000,000	100	–
Shenzhen EDI Co., Ltd.[@]	Provision of electronic information exchange, transmission and value-added informat1on sharing services	RMB22,760,000	79.87	20.13
Shenzhen International West Logistics Co., Ltd.[@]	Development, construction, operation and management of Western Logistic Park	RMB450,000,000	100	–
Shenzhen Bao Tong Highway Construction and Development Limited[@]	Development, construction, investment, operation and management of toll highway	RMB1,533,800,000	100	–
Shenzhen Longda Expressway Company Limited[@]	Operation and management of Longda Expressway	RMB200,000,000	89.93	10.07
Shenzhen Expressway Company Limited[^]	Investment, construction, operation and management of toll highways and roads	RMB2,180,770,326	51.56	48.44
Hubei Magerk Expressway Management Private Limited[Δ]	Operation and management of highways and expressways	USD28,000,000	100	–

42. 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 Booming Total Logistics Co., Ltd.@	Logistic services and related warehouse facilities	RMB90,000,000	55.39	44.61
Shenzhen Shen Guang Hui Highway Development Company@	Investment holding	RMB105,600,000	100	–
Nanjing Xiba Wharf Co. Ltd.◊*	Construction, operation and management of Wharf and Logistics Centres at Xiba Port of Nanjing	RMB455,000,000	70	30
Guangdong 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.@*	Logistic services and related warehouse facilities	RMB60,000,000	51	49
Nanjing Xiba Port Co., Ltd.◊*	Construction, operation and management of Wharf and logistics centres at Xiba Port in Phase 2 of Nanjing	RMB420,000,000	70	30
Shenzhen International Logistics Development Co., Ltd.@*	Investment holding	RMB1,250,000,000	100	–
Shenyang Shenzhen International Integrated Logistics Properties Co., Ltd.@*	Construction, operation and management of Shenyang International Logistics Integrated Logistics Park at Shenyang Yuhong District	RMB250,000,000	100	–
Wuxi Shenzhen International Integrated Logistics Hub Co., Ltd.△	Construction, operation and management of urban integrated logistics hub at Wuxi Huishan District	USD50,000,000	100	–

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name	*Principal activities*	*Issued and fully paid share capital/ paid-in capital*	*Interest held by Group %*	*Non-controlling interests %*
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.[Δ]	Supply chain management services	USD30,000,000	100	–
Shijiazhuang Shenzhen International Integrated Logistics Hub Development Co., Ltd.[@]	Construction, operation and management of urban integrated logistics hub at Shijiazhuang Zhengding County	RMB100,000,000	25	75
Shenzhen International Modern Urban Logistics Hub Co., Ltd.[@]	Construction, operation and management of logistics hub at Shenzhen Longhua	RMB200,000,000	100	–
Tianjin Shenzhen International Integrated Logistics Hub Development Co., Lid.[@]	Construction, operation and management of urban integrated logistics hub at T1anj1n Binha1 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	–
Xi'an Shenzhen International Integrated Logistics Hub Development Co., Ltd.[Δ]	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.[Δ]	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	–

42. 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 Properties and Management (Shenzhen) Co., Ltd.[△]	Project investment and enterprise management consulting services	RMB50,000,000	100	–
Shenzhen International Supply Chain Management Co., Ltd.[@*]	Logistics service and construction of warehousing facilities	RMB30,000,000	100	–
Shenzhen International Finance Leasing Co., Ltd.[◊*]	Monetary and financial services and financial leasing business	RMB300,000,000	48[□]	52
Shandong Shenzhen International Bohai Logistics Technology Development Co., Ltd.[@*]	Domestic and international freight forwarders	RMB15,500,000	77.42	22.58
Shenzhen International Business Co., Ltd.[@*]	Property leasing and management	RMB10,000,000	100	–
Shenzhen Southern Electronic Port Co., Ltd.[@*]	Technical development, sales, maintenance, and technology service of computer hardware, software and network system	RMB10,000,000	70	30
Tianjin Zhonglong Paper Co., Ltd [@*]	Production of all kinds of paper processing produces and leasing of its own plant	RMB116,880,000	100	–
Jurong Shenzhen International Integrated Logistics Hub Development Co., Ltd.[@]	Construct1on, 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	–
Ningbo Shenzhen International Integrated Logistics Hub Development Co., Ltd.[△*]	Construction, operation and management of urban integrated logistics hub Ningnan Trade and Logistics Zone 1n 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	–

42. 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 Shenzhen International Integrated Logistics Hub Development Co., Ltd. (formerly known as "Guizhou Pengbo Investment Company Limited")[@]	Construction, operation and management of urban integrated logistics hub at Shuanglong modern service cluster, Guizhou	RMB122,920,000	100	–
Guizhou Hengtongli Property Company Limited[@]	Construction, operation and management of urban integrated logistics hub at Shuanglong modern service cluster, Guizhou	RMB52,229,945	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[v□]	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	HKD1	100	–
Shenzhen International Qianhai Asset Management (Shenzhen) Co., Lid.[@]	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

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

Name	*Principal activities*	*Issued and fully paid share capital/ paid-in capital*	*Interest held by Group %*	*Non-controlling interests %*
Hunan Yichang Expressway Development Co., Ltd.@	Construction, operation and management of an expressway	RMB345,000,000	100	–
Shenzhen Outer Ring Expressway Investment Co., Ltd.@	Construction, operation and management of an expressway	RMB100,000,000	100	–
Nanjing Wind Power@	Research and development, production, sales of wind power generation system; investment and operation of wind farms	RMB357,142,900	51	49
Baotou Nanfeng Wind Power Technology Co., Ltd.@	Investment, development and operation of wind power projects	RMB6,000,000	67	33
Shanghai Taipeng Electronic Co., Ltd.	Operation and management of logistic park at Shanghai Qingpu District	RMB10,000,000	100	–
Zhongshan Shenju Integrated Logistics Hub Development Co., Ltd.@	Operation and management of logistic park at Zhongshan Huoju Development Zone	RMB41,152,952	100	–
Flywheel Investments Limited	Investment holding	USD1	100	–
Zhengzhou Shenzhen International Supply Chain Management Co., Ltd.∆	Construction, operation and management of urban integrated logistics hub at Erqing Zone	RMB110,000,000	67	33
China Total Logistics Co., Limited	Provision of logistic related services	HKD2	100	–
Shenzhen International China Logistics Development Limited	Investment holding	HKD1	100	–
Bioland Environmental Technologies Corp., Ltd.@	Ecological protection and environmental management industry	RMB149,933,000	67.14	32.86

∆ *Foreign-owned enterprise*

◊ *Sino-foreign Joint Venture*

@ *Domestic enterprise incorporated in the PRC*

^ *Foreign invested joint stock limited company*

* *For identification purpose only*

▽ *These subsidiaries are held through Shenzhen Expressway and the related interests indirectly held by the Group disclosed above represent the interests held by Shenzhen Expressway.*

□ *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*

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES *(continued)*

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.

Material non-controlling interests

The total non-controlling interests as at 31 December 2022 were HKD23,951,310,000 (2021: HKD26,468,668,000), of which HKD18,403,018,000 (2021: HKD22,503,107,000) 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.

	2022 HKD'000	2021 HKD'000 (restated)
Current assets	**10,461,485**	13,833,083
Non-current assets	**67,406,714**	74,819,363
Current liabilities	**26,154,327**	20,463,830
Non-current liabilities	**20,926,308**	29,526,805
Net assets	**30,787,564**	38,661,811
Non-controlling interests	**6,767,886**	7,322,197
Revenue	**10,774,322**	13,164,387
Profit for the year	**2,244,920**	3,392,111
Total comprehensive income	**1,224,985**	3,664,508
Total comprehensive (expense) income allocated to non-controlling interests	**(131,011)**	249,082
Dividends paid to non-controlling interests	**(372,229)**	(382,716)
Net cash generated from operating activities	**3,873,422**	4,542,210
Net cash used in investing activities	**(3,953,397)**	(4,243,123)
Net cash (used in) generated from financing activities	**(2,686,748)**	1,403,216

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.

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	2022		2021	
	HKD'000	HKD'000	HKD'000	HKD'000
Non-current assets				
Investments in subsidiaries		642,953		3,020,978
Amounts due from subsidiaries		10,777,341		8,561,622
		11,420,294		11,582,600
Current assets				
Other receivables	3,886		3,635	
Dividends due from subsidiaries	20,053,779		18,462,995	
Cash and cash equivalents	88,819		67,167	
	20,146,484		18,533,797	
Current liabilities				
Other payables	12,181		6,187	
Borrowings	10,913,115		5,892,228	
Senior Notes	774,883		–	
Amount due to a subsidiary	705,534		767,394	
	12,405,713		6,665,809	
Net current assets		7,740,771		11,867,988
Total assets less current liabilities		19,161,065		23,450,588
Non-current liabilities				
Senior Notes	–		774,883	
Panda Bond	5,684,039		4,932,215	
	5,684,039		5,707,098	
		5,684,039		5,707,098
NET ASSETS		13,477,026		17,743,490
CAPITAL AND RESERVES				
Share capital and share premium		13,218,304		12,331,648
Other reserves and retained earnings		258,722		3,080,903
Perpetual securities		–		2,330,939
TOTAL EQUITY		13,477,026		17,743,490

43. 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 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

	Other reserves				
	Contributed surplus HKD'000	***Currency translation reserve HKD'000***	***Total HKD'000***	***Retained earnings HKD'000***	***Total HKD'000***
At 1 January 2022	**58,515**	**1,002,176**	**1,060,691**	**2,020,212**	**3,080,903**
Comprehensive income					
Profit for the year	**–**	**–**	**–**	**703,545**	**703,545**
Other comprehensive income					
Currency translation differences	**–**	**(1,648,886)**	**(1,648,886)**	**–**	**(1,648,886)**
Total other comprehensive income	**–**	**(1,648,886)**	**(1,648,886)**	**–**	**(1,648,886)**
Total comprehensive income	**–**	**(1,648,886)**	**(1,648,886)**	**703,545**	**(945,341)**
Transactions with owners in their capacity as owners					
Dividends relating to 2021	**–**	**–**	**–**	**(1,876,840)**	**(1,876,840)**
Total transactions with owners in their capacity as owners	**–**	**–**	**–**	**(1,876,840)**	**(1,876,840)**
At 31 December 2022	**58,515**	**(646,710)**	**(588,195)**	**846,917**	**258,722**

REFERENCE TABLE FOR PROJECT NAME

During the Year, the Group has made a comprehensive analysis and upgraded its brand system and structure, and therefore made corresponding adjustments to the names of each project that it refers to in its certain external publications. The list below sets out the general description of these projects as referred to by the Group from time to time in its publications, against their corresponding alternative project names.

General Description of Projects	Project Name adopted by the Group
SZ Pinghunan Project/Shenzhen (Longgang) Pinghunan Railway Integrated Logistics Center	SZI Pinghunan Intelligent Logistics Hub
Western Highway Logistics Hub Project	Western Highway Logistics Hub
SZ South China Logistics Park/Shenzhen (Longhua) South China Logistics Park	South China Logistics Park
SZ Western Logistics Park/Shenzhen (Qianhai) Western Logistics Park	Western Logistics Park
SZ Kanghuai E-commerce Center/Shenzhen (Longhua) Kanghuai E-commerce Center	Shenzhen Kanghuai E-commerce Center
SZ Liguang Project/Shenzhen (Longhua) Liguang Digital Logistics Hub	SZI Intelligent Logistics Hub (Shenzhen Liguang)
SZ Pingshan Project/Shenzhen (Pingshan) Digital Logistics Hub	SZI Intelligent Logistics Hub (Shenzhen Pingshan)
SZ Yantian Comprehensive Bonded Project/Shenzhen (Yantian) Comprehensive Bonded Digital Logistics Hub	SZI Intelligent Logistics Hub (Shenzhen Yantian)
Zhongshan Torch Project/Zhongshan Torch Integrated Logistics Hub	SZI Intelligent Logistics Hub (Zhongshan Torch)
Zhaoqing Gaoyao Project/Zaoqing Gaoyao Integrated Logistics Hub	SZI Intelligent Logistics Hub (Zhaoqing)
Foshan Nanhai Project/Foshan Nanhai Integrated Logistics Hub	SZI Intelligent Logistics Hub (Foshan Nanhai)
Foshan Shunde Project/Foshan Shunde Integrated Logistics Hub	SZI Intelligent Logistics Hub (Foshan Shunde)
Foshan Gaoming Project/Foshan Gaoming Integrated Logistics Hub	SZI Intelligent Logistics Hub (Foshan Gaoming)
Hangzhou Project/Hangzhou Integrated Logistics Hub	SZI Logistics Hub (Hangzhou)
Ningbo Project/Ningbo Integrated Logistics Hub	SZI Logistics Hub (Ningbo)
Jinhua Yiwu Project/Jinhua Yiwu Integrated Logistics Hub	SZI Logistics Hub (Jinhua Yiwu)
Jinhua Economic Development Project/Jinhua Economic Development Integrated Logistics Hub	SZI Logistics Hub (Jinhua Economic Development)
Wenzhou Longgang Project/Wenzhou Longgang Integrated Logistics Hub	SZI Logistics Hub (Wenzhou)
Wuxi Huishan Project/Wuxi Huishan Integrated Logistics Hub	SZI Logistics Hub (Wuxi Huishan)
Wuxi Jiangyin Project/Wuxi Jiangyin Integrated Logistics Hub	SZI Logistics Hub (Wuxi Jiangyin)
Suzhou Kunshan Project/Suzhou Kunshan Integrated Logistics Hub	SZI Logistics Hub (Suzhou Kunshan)
Suzhou Xiangcheng Project/Suzhou Xiangcheng Integrated Logistics Hub	SZI Logistics Hub (Suzhou Xiangcheng)
Hefei Feidong Project/Hefei Feidong Integrated Logistics Hub	SZI Logistics Hub (Hefei Feidong)
Hefei Feixi Project/Hefei Feixi Integrated Logistics Hub	SZI Logistics Hub (Hefei Feixi)
Jurong Project/Jurong Integrated Logistics Hub	SZI Logistics Hub (Jurong)
Xuzhou Project/Xuzhou Integrated Logistics Hub	SZI Logistics Hub (Xuzhou)
Nantong Project/Nantong Integrated Logistics Hub	SZI Logistics Hub (Nantong)
Shanghai Qingpu Project/Shanghai Qingpu Integrated Logistics Hub	SZI Logistics Hub (Shanghai Qingpu)
Shanghai Minhang Project/Shanghai Minhang Integrated Logistics Hub	SZI Logistics Hub (Shanghai Minhang)
Huai'an Project/Huai'an Integrated Logistics Hub	SZI Logistics Hub (Huai'an)
Taizhou Gaogang Project/Taizhou Gaogang Integrated Logistics Hub	SZI Logistics Hub (Taizhou)
Tianjin Binhai Project/Tianjin Binhai Integrated Logistics Hub	SZI Logistics Hub (Tianjin Binhai)

REFERENCE TABLE FOR PROJECT NAME

General Description of Projects	Project Name adopted by the Group
Tianjin Xiqing Project/Tianjin Xiqing Integrated Logistics Hub	SZI Logistics Hub (Tianjin Xiqing)
Shijiazhuang Zhengding Project/Shijiazhuang Zhengding Smart Hub	SZI P&M (Shijiazhuang Zhenyuetiandi) and/or SZI Logistics Hub (Shijiazhuang Zhengding)
Shijiazhuang Yuanshi Project/Shijiazhuang Yuanshi Integrated Logistics Hub	SZI Logistics Hub (Shijiazhuang Yuanshi)
Wuhan Dongxihu Project/Wuhan Dongxihu Integrated Logistics Hub	SZI Logistics Hub (Wuhan Dongxihu)
Wuhan Caidian Project/Wuhan Caidian Integrated Logistics Hub	SZI Logistics Hub (Wuhan Caidian)
Wuhan Huangpi Project/Wuhan Huangpi Integrated Logistics Hub	SZI Logistics Hub (Wuhan Huangpi)
Nanchang Project/Nanchang Integrated Logistics Hub	SZI Logistics Hub (Nanchang)
Nanchang Changbei Project/Nanchang Changbei Integrated Logistics Hub	SZI Logistics Hub (Nanchang Changbei)
Changsha Project/Changsha Integrated Logistics Hub	SZI Logistics Hub (Changsha)
Xiangtan Yuetang Project/Xiangtan Yuetang Integrated Logistics Hub	SZI Logistics Hub (Xiangtan)
Yueyang Smart Commercial and Trading Logistics Park	SZI Intelligent Logistics Hub (Yueyang)
Guizhou Longli Project/Guizhou Longli Integrated Logistics Hub	SZI Logistics Hub (Guizhou Longli)
Guiyang Xiuwen Project/Guiyang Xiuwen Integrated Logistics Hub	SZI Logistics Hub (Guiyang Xiuwen)
Chongqing Shuangfu Project/Chongqing Shuangfu Integrated Logistics Hub	SZI Logistics Hub (Chongqing Shuangfu)
Chongqing Shapingba Project/Chongqing Shapingba Integrated Logistics Hub	SZI Logistics Hub (Chongqing Shapingba)
Kunming Project/Kunming Integrated Logistics Hub	SZI Logistics Hub (Kunming)
Chengdu Qingbaijiang Project/Chengdu Qingbaijiang Integrated Logistics Hub	SZI Logistics Hub (Chengdu Qingbaijiang)
Zhanjiang Project/Zhanjiang Integrated Logistics Hub	SZI Logistics Hub (Zhanjiang)
Hainan Chengmai Project/Hainan Chengmai Integrated Logistics Hub	SZI Logistics Hub (Hainan Chengmai)
Haikou Gaoxin Project/Haikou Gaoxin Integrated Logistics Hub	SZI Logistics Hub (Haikou Gaoxin)
Zhengzhou Erqi Project/Zhengzhou Erqi Integrated Logistics Hub	SZI Logistics Hub (Zhengzhou Erqi)
Zhengzhou Xinzheng Project/Zhengzhou Xinzheng Integrated Logistics Hub	SZI Logistics Hub (Zhengzhou Xinzheng)
Yantai Project/Yantai Beiming Logistics Park	SZI Logistics Hub (Yantai)
Xi'an Project/Xi'an Integrated Logistics Hub	SZI Logistics Hub (Xi'an)
Taiyuan Zonggai Project/Taiyuan Zonggai Integrated Logistics Hub	SZI Logistics Hub (Taiyuan)
Shenyang Project/Shenyang Integrated Logistics Hub	SZI Logistics Hub (Shenyang)
Hainan Yangpu Project	SZI Logistics Hub (Hainan Heli)
Guangdong Huiyang Project	SZI Logistics Hub (Guangdong Huiyang)
Nanjing Xiba Port	SZI Port (Nanjing Xiba)
Fengcheng Shangzhuang Project	SZI Port (Jiangxi Fengcheng)
Jingjiang Port Project	SZI Port (Jiangsu Jingjiang)
Shenqiu Port Project	SZI Port (Henan Shenqiu)
Yicheng Qiwanli	SZI P&M (Qianhai Yicheng Qiwanli)
Shenzhen International Yidu Building	SZI P&M (Qianhai Yidu Building)
Qianhai Yinli	SZI P&M (Qianhai Yinli)

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