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

2020 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Shenzhen International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group"), and its joint ventures and associates for the year ended 31 December 2020 (the "Year") together with comparative figures for the year ended 31 December 2019 as follows:

Consolidated Income Statement:

		Year ended 31 December	
		2020	2019
	Note	**HK$'000**	HK$'000
Revenue	(3), (4)	**19,452,409**	16,820,326
Cost of sales	(6)	**(12,990,147)**	(10,121,072)
Gross profit		**6,462,262**	6,699,254
Other income		**141,603**	86,393
Other gains - net	(5)	**4,963,245**	2,891,058
Distribution costs	(6)	**(166,450)**	(150,949)
Administrative expenses	(6)	**(971,782)**	(869,504)
Impairment losses on trade receivables and contract assets		**(159,037)**	(31,505)
Operating profit		**10,269,841**	8,624,747
Share of profit of joint ventures		**13,778**	13,513
Share of (loss)/profit of associates	(12)	**(571,420)**	1,246,797
Profit before finance costs and income tax		**9,712,199**	9,885,057
Finance income	(7)	**317,255**	278,094
Finance costs	(7)	**(918,855)**	(1,015,645)
Finance costs - net	(7)	**(601,600)**	(737,551)
Profit before income tax		**9,110,599**	9,147,506
Income tax expense	(8)	**(3,071,972)**	(2,037,965)
Profit for the year		**6,038,627**	7,109,541

Consolidated Income Statement (continued):

	Note	Year ended 31 December 2020 HK$'000	2019 HK$'000
Attributable to:			
Ordinary shareholders of the Company		**4,006,970**	5,020,594
Perpetual securities holders of the Company		**91,866**	92,951
Non-controlling interests		**1,939,791**	1,995,996
		6,038,627	7,109,541
Earnings per share attributable to ordinary shareholders of the Company during the Year (expressed in HK dollars per share)			
- Basic	(9(a))	**1.84**	2.34
- Diluted	(9(b))	**1.83**	2.33

Consolidated Statement of Comprehensive Income:

	Year ended 31 December 2020 HK$'000	2019 HK$'000
Profit for the year	**6,038,627**	7,109,541
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Share of other comprehensive income of associates	**(52,285)**	38,527
Items that will not be reclassified to profit or loss:		
Currency translation differences	**2,774,649**	(961,937)
Net movement in the fair value reserve on other financial assets (Non-recycling)	**(716)**	(1,505)
Sub-total	**2,773,933**	(963,442)
Other comprehensive income for the year , net of tax	**2,721,648**	(924,915)
Total comprehensive income for the year	**8,760,275**	6,184,626

Consolidated Statement of Comprehensive Income (continued):

	Note	Year ended 31 December 2020 HK$'000	2019 HK$'000
Total comprehensive income attributable to:			
Ordinary shareholders of the Company		**5,956,373**	4,404,564
Perpetual securities holders of the Company		**91,866**	92,951
Non-controlling interests		**2,712,036**	1,687,111
Total comprehensive income for the year		**8,760,275**	6,184,626

Consolidated Balance Sheet:

	Note	As at 31 December 2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Investment properties		**611,305**	576,796
Property, plant and equipment		**12,742,544**	10,029,717
Land use rights		**3,802,321**	3,393,684
Construction in progress		**3,099,947**	1,846,436
Intangible assets	(11)	**31,645,704**	26,260,742
Goodwill		**279,035**	262,427
Interests in associates	(12)	**14,431,233**	14,527,280
Interests in joint ventures		**90,022**	64,074
Other financial assets	(13)	**2,345,483**	538,016
Deferred tax assets		**1,688,335**	1,247,740
Other non-current assets	(14)	**3,471,528**	1,035,957
		74,207,457	59,782,869
Current assets			
Inventories and other contract costs	(15)	**14,721,654**	10,111,605
Contract assets		**408,532**	503,509
Other financial assets	(13)	**936,949**	219,160
Trade and other receivables	(16)	**7,221,519**	5,662,296
Derivative financial instruments		**-**	70,005
Restricted bank deposits		**2,521,504**	2,056,827
Deposits in banks with original maturities over 3 months		**3,508,668**	791,378
Cash and cash equivalents		**9,073,474**	11,931,764
Disposal group held for sale	(18)	**587,346**	279,315
		38,979,646	31,625,859
Total assets		**113,187,103**	91,408,728

Consolidated Balance Sheet (continued):

	Note	As at 31 December 2020 HK$'000	2019 HK$'000
EQUITY AND LIABILITIES			
Share capital and share premium		**11,529,380**	11,098,877
Other reserves and retained earnings		**22,857,273**	19,186,158
Equity attributable to ordinary shareholders of the Company		**34,386,653**	30,285,035
Perpetual securities		**2,330,939**	2,330,939
Non-controlling interests		**21,761,340**	14,725,298
Total equity		**58,478,932**	47,341,272
Liabilities			
Non-current liabilities			
Borrowings		**16,175,771**	25,179,181
Lease liabilities		**737,751**	722,274
Deferred tax liabilities		**2,253,391**	1,773,633
Other non-current liabilities		**1,565,424**	1,272,743
		20,732,337	28,947,831
Current liabilities			
Trade and other payables	(17)	**12,884,246**	7,432,917
Derivative financial instruments		**99,356**	-
Contract liabilities		**2,816,549**	4,612,724
Income tax payable		**2,185,511**	1,659,449
Borrowings		**15,872,334**	1,314,083
Lease liabilities		**117,838**	100,452
		33,975,834	15,119,625
Total liabilities		**54,708,171**	44,067,456
Total equity and liabilities		**113,187,103**	91,408,728

Notes:

(1) General and major development

(a) General information

The principal activities of the Group include the following businesses:
- Toll roads and environmental protection business; and
- Logistic business.

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

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

(1) General and major development (continued)

(a) General information (continued)

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

As at 31 December 2020, Ultrarich International Limited ("Ultrarich") directly owned 952,010,090 ordinary shares of the Company, representing approximately 43.37% of the issued share capital of the Company. As Shenzhen Investment Holdings Company Limited ("SIHCL") held 100% equity interest in Ultrarich, it had a deemed interest in the 43.37% of the equity in the Company held by Ultrarich and was the largest shareholder of the Company. SIHCL is supervised and managed by Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission ("Shenzhen SASAC"). The directors of the Company regard 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.

(b) Statement of compliance and basis of preparation

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

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

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

(c) The Group's land development in Qianhai, Shenzhen

During the year ended 31 December 2020, two wholly-owned subsidiaries of the Group entered into three separate land use right transfer agreements (collectively defined as the "Land Transfer Agreements") with the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen (the "Qianhai Authority") in respect of total land area of approximately 41,200 square meters, with plot ratio-based gross floor area of approximately 172,500 square meters. The total price for the land use right transfer is approximately RMB3,651,745,000 (equivalent to HKD4,335,959,000).

The above three land use rights (the "Third Phase of Qianhai Project") represent the land use right swap contemplated in the Land Consolidation and Preparation Agreement entered into in September 2019 among the Group, the Urban Planning Land and Natural Resources Bureau of the Shenzhen Municipality and the Qianhai Authority.

(1) General and major development (continued)

(c) The Group's land development in Qianhai, Shenzhen (continued)

According to the Land Consolidation and Preparation Agreement, no contractual land prices (including land use right assignment fees, land development funds and municipal ancillary facility funds) were charged for the above three land use rights which were transferred in 2020 upon signing of the Land Transfer Agreements. As a result, the Group has completed the Third Phase of Qianhai Project land consolidation and preparation and recognised other net gain of RMB3,550,958,000 (equivalent to HKD4,094,268,000) in the consolidated income statement for the year ended 31 December 2020 (See note 5).

(2) Changes in accounting policies and disclosures

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

New and amended standards adopted by the Group

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

- Amendments to HKFRS 3, Definition of a Business

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

None of the developments have had a material effect on the financial statements of the Group. Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(3) Segment information

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

- Toll roads and environmental protection business; and
- Logistic business.

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

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

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

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

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

(3) Segment information (continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the board of directors, the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 are set out below:

For the year ended 31 December 2020

	Toll roads and environmental protection business	*Logistic business*					*Head Office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related service*	*Logistic park transformation and upgrading services*	*Sub-total*		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15								
- Point in time	**7,551,232**	**72,248**	**952,225**	**1,411,195**	**4,696,950**	**7,132,618**	**-**	**14,683,850**
- Over time	**3,953,859**	**-**	**-**	**-**	**-**	**-**	**-**	**3,953,859**
Subtotal	**11,505,091**	**72,248**	**952,225**	**1,411,195**	**4,696,950**	**7,132,618**	**-**	**18,637,709**
Revenue from other sources	**-**	**814,700**	**-**	**-**	**-**	**814,700**	**-**	**814,700**
Revenue	**11,505,091**	**886,948**	**952,225**	**1,411,195**	**4,696,950**	**7,947,318**	**-**	**19,452,409**
Operating profit	**2,816,206**	**191,260**	**46,554**	**171,500**	**2,598,905**	**3,008,219**	**4,445,416**	**10,269,841**
Share of profit of joint ventures	**-**	**13,367**	**-**	**-**	**-**	**13,367**	**411**	**13,778**
Share of profit/(loss) of associates	**596,551**	**(417)**	**-**	**(91)**	**-**	**(508)**	**(1,167,463)**	**(571,420)**
Finance income	**71,458**	**14,346**	**729**	**127**	**69,252**	**84,454**	**161,343**	**317,255**
Finance costs	**(728,621)**	**(16,239)**	**(5,794)**	**(118)**	**(17,752)**	**(39,903)**	**(150,331)**	**(918,855)**
Profit before income tax	**2,755,594**	**202,317**	**41,489**	**171,418**	**2,650,405**	**3,065,629**	**3,289,376**	**9,110,599**
Income tax expense	**(595,530)**	**(50,213)**	**(11,284)**	**(42,335)**	**(1,166,978)**	**(1,270,810)**	**(1,205,632)**	**(3,071,972)**
Profit for the year	**2,160,064**	**152,104**	**30,205**	**129,083**	**1,483,427**	**1,794,819**	**2,083,744**	**6,038,627**
Non-controlling interests	**(1,221,567)**	**77**	**(12,696)**	**(38,265)**	**(564,608)**	**(615,492)**	**(102,732)**	**(1,939,791)**
Subtotal	**938,497**	**152,181**	**17,509**	**90,818**	**918,819**	**1,179,327**	**1,981,012**	**4,098,836**
Profit attributable to perpetual securities holders	**-**	**-**	**-**	**-**	**-**	**-**	**(91,866)**	**(91,866)**
Profit attributable to ordinary shareholders of the Company	**938,497**	**152,181**	**17,509**	**90,818**	**918,819**	**1,179,327**	**1,889,146**	**4,006,970**
Depreciation and amortisation	**2,042,704**	**320,238**	**42,761**	**41,800**	**3,852**	**408,651**	**80,349**	**2,531,704**
Capital expenditure								
- Additions in investment properties, property, plant and equipment, construction in progress, land use rights and intangible assets	**4,039,463**	**1,477,323**	**42,097**	**102,709**	**200**	**1,622,329**	**1,286,515**	**6,948,307**
- Additions in property, plant and equipment, construction in progress, land use rights, and intangible assets arising from acquisition of subsidiaries	**2,669,993**	**-**	**-**	**-**	**-**	**-**	**-**	**2,669,993**
- Additions in interests in associates	**344,528**	**-**	**-**	**-**	**-**	**-**	**138,326**	**482,854**

(3) Segment information (continued)

For the year ended 31 December 2019

	Toll roads	*Logistic business*					*Head Office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related service*	*Logistic park transformation and upgrading services*	*Sub-total*		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15								
- Point in time	6,567,874	72,777	878,422	1,564,412	4,569,316	7,084,927	-	13,652,801
- Over time	2,407,676	-	-	-	-	-	-	2,407,676
Subtotal	8,975,550	72,777	878,422	1,564,412	4,569,316	7,084,927	-	16,060,477
Revenue from other sources	-	759,849	-	-	-	759,849	-	759,849
Revenue	8,975,550	832,626	878,422	1,564,412	4,569,316	7,844,776	-	16,820,326
Operating profit	2,500,521	194,682	53,425	192,679	2,820,291	3,261,077	2,863,149	8,624,747
Share of profit/(loss) of joint ventures	-	13,857	-	-	-	13,857	(344)	13,513
Share of profit/(loss) of associates	616,099	(182)	-	(491)	-	(673)	631,371	1,246,797
Finance income	57,189	5,856	12,051	172	36,979	55,058	165,847	278,094
Finance costs	(678,980)	(13,493)	(3,658)	(559)	(26,028)	(43,738)	(292,927)	(1,015,645)
Profit before income tax	2,494,829	200,720	61,818	191,801	2,831,242	3,285,581	3,367,096	9,147,506
Income tax benefit/(expense)	50,319	(28,133)	(13,892)	(34,698)	(974,761)	(1,051,484)	(1,036,800)	(2,037,965)
Profit for the year	2,545,148	172,587	47,926	157,103	1,856,481	2,234,097	2,330,296	7,109,541
Non-controlling interests	(1,253,879)	(6,665)	(22,397)	(40,804)	(542,072)	(611,938)	(130,179)	(1,995,996)
Subtotal	1,291,269	165,922	25,529	116,299	1,314,409	1,622,159	2,200,117	5,113,545
Profit attributable to perpetual securities holders	-	-	-	-	-	-	(92,951)	(92,951)
Profit attributable to ordinary shareholders of the Company	1,291,269	165,922	25,529	116,299	1,314,409	1,622,159	2,107,166	5,020,594
Depreciation and amortisation	1,722,143	243,619	37,123	58,696	3,820	343,258	48,493	2,113,894
Capital expenditure								
- Additions in investment properties, property, plant and equipment, construction in progress, land use rights and intangible assets	2,520,849	1,485,458	120,442	38,365	7,968	1,652,233	1,171,749	5,344,831
- Additions in property, plant and equipment, construction in progress, land use rights, and intangible assets arising from acquisition of subsidiaries	2,034,948	387,641	-	-	-	387,641	-	2,422,589
- Additions in interests in associates	314,340	-	-	-	-	-	-	314,340

(a) The revenue from toll roads included construction service revenue under service concession arrangements in amount of HKD2,253,140,000 for the year (2019: HKD1,834,102,000).

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

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

(4) Revenue

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

	2020	*2019*
	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Toll roads and environmental protection business		
- Toll revenue	**5,057,851**	5,305,292
- Entrusted construction management service and construction consulting service revenue	**583,985**	403,748
- Construction service revenue under Service Concession	**2,255,140**	1,834,102
- Environmental protection service	**2,906,285**	672,922
- Others	**701,830**	759,486
	11,505,091	8,975,550
Logistic Business		
- Logistic parks	**72,248**	72,777
- Logistic services	**952,225**	878,422
- Port and related services	**1,411,195**	1,564,412
- Logistic park transformation and upgrading service	**4,696,950**	4,569,316
	7,132,618	7,084,927
	18,637,709	16,060,477
Revenue from other sources		
Logistic Business		
- Gross rentals from logistic parks		
- Lease payments that are fixed or depend on an index or a rate	**814,700**	759,849
	19,452,409	16,820,326

(5) Other gains - net

	2020	*2019*
	HK$'000	HK$'000
Gain on replacement of land (Note 1 (c))	**4,094,268**	2,457,559
Gain on disposal assets of Nanjing Xiba Port Co., Ltd. (Note 18)	**514,798**	578,624
Gain on adjustment of contingent consideration of Shuiguan Expressway	**46,120**	29,210
Change in fair value of other financial assets	**250,549**	86,851
Gain on disposal of derivative financial instruments	**20,702**	30,176
Loss on impairment of finance lease receivables	**(2,286)**	(4,145)
Gain on disposal of other financial assets	**-**	1,620
Loss on impairment of concession intangible assets	**-**	(620,155)
Gain on disposal of subsidiaries	**-**	294,582
Others	**39,094**	36,736
	4,963,245	2,891,058

(6) Expenses by nature

Expenses included in cost of sales, distribution costs and administrative expenses are analysed as follows:

	2020	*2019*
	HK$'000	HK$'000
Construction services cost under Service Concession	**2,255,140**	1,834,102
Kitchen waste disposal project	**802,904**	-
Depreciation and amortisation	**2,531,704**	2,113,894
Employee benefit expenses	**1,398,502**	1,408,480
Transportation expenses and contractors' costs	**667,845**	572,624
Rental charges	**150,536**	122,526
Other tax expenses	**134,972**	122,130
Commission, management fee and maintenance expenses for toll roads	**540,861**	420,638
Entrusted construction management service costs	**320,416**	264,255
Auditors' remuneration		
- Audit services	**7,045**	6,547
- Non-audit services	**4,840**	4,337
Legal and consultancy fees	**89,225**	64,259
Cost of inventory sold	**4,662,426**	3,505,654
Others	**561,963**	702,079
	14,128,379	11,141,525

(7) Finance income and costs

	2020	*2019*
	HK$'000	HK$'000
Finance income		
Interest income from bank deposits	**(317,255)**	(273,087)
Other interest income	**-**	(5,007)
Total finance income	**(317,255)**	(278,094)
Finance costs		
Interest expense		
- Bank borrowings	**776,034**	628,602
- Medium-term notes	**91,011**	88,606
- Senior notes	**30,199**	28,627
- Corporate bonds	**210,563**	125,751
- Panda bonds	**242,964**	235,083
- Borrowings from finance leasing Companies	**60,980**	14,662
- Interest on contract liabilities	**40,336**	41,259
- Interest on lease liabilities	**38,086**	45,678
- Other interest costs	**52,186**	38,999
Net foreign exchange (gains)/losses	**(260,711)**	35,955
Loss/(gains) on derivative financial instruments directly attributable to borrowings	**168,762**	(19,758)
Less: finance costs capitalised on qualified assets	**(531,555)**	(247,819)
Total finance costs	**918,855**	1,015,645
Net finance costs	**601,600**	737,551

(8) Income tax expense

Hong Kong Profits Tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year.

The PRC Corporate Income Tax charged to the consolidated income statement was calculated based on the assessable profits of the Company's subsidiaries located in the PRC of the year at a rate of 25% (2019: 25%) applicable to the respective companies.

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

	2020	*2019*
	HK$'000	HK$'000
Current income tax		
- PRC Corporate Income Tax	**2,537,046**	1,983,298
- Land appreciation tax	**661,425**	397,157
Withholding income tax on dividends	**24,214**	226,548
Deferred tax	**(150,713)**	(569,038)
	3,071,972	2,037,965

(9) Earnings per share

(a) Basic

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

	2020	*2019*
	HK$'000	HK$'000
Profit attributable to ordinary shareholders of the Company	**4,006,970**	5,020,594
Weighted average number of ordinary shares in issue (thousands)	**2,179,419**	2,141,500
Basic earnings per share (HKD per share)	**1.84**	2.34

(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.

(9) Earnings per share (continued)

(b) Diluted (continued)

	2020	*2019*
	HK$'000	HK$'000
Profit attributable to ordinary shareholders of the Company	**4,006,970**	5,020,594
Weighted average number of ordinary shares in issue (thousands)	**2,179,419**	2,141,500
Adjustments - share options (thousands)	**6,239**	9,285
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,185,658**	2,150,785
Diluted earnings per share (HKD per share)	**1.83**	2.33

(10) Dividends

At the board meeting on 26 March 2021, the board recommended the payment of final dividend and special dividend for the year of 2020 of HKD0.122 per ordinary share and HKD0.838 per ordinary share respectively. Such dividends are to be approved by the shareholders at the forthcoming annual general meeting of the Company in 2021 ("Annual General Meeting"). These consolidated financial statements do not reflect this as dividend payable.

	2020	*2019*
	HK$'000	HK$'000
Proposed final and total dividend of HKD0.122 (2019: HKD0.53) per ordinary share	**267,789**	1,145,776
Proposed special dividend of HKD0.838 (2019: HKD0.64) per ordinary share	**1,839,402**	1,383,579
	2,107,191	2,529,355

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

(11) Intangible assets

Concession intangible assets

	2020	*2019*
	HK$'000	HK$'000
Cost	**46,090,008**	38,120,004
Accumulated amortisation and impairment	**(14,444,304)**	(11,859,262)
Net book value as at 31 December	**31,645,704**	26,260,742

(11) Intangible assets (continued)

	2020 HK$'000	*2019* HK$'000
Net book value as at 1 January	**26,260,742**	27,020,690
Acquisition of subsidiaries	**2,207,551**	93,225
Additions	**3,024,228**	1,871,444
Amortisation	**(1,654,926)**	(1,510,517)
Impairment	**-**	(620,155)
Exchange difference	**1,808,109**	(593,945)
Net book value as at 31 December	**31,645,704**	26,260,742

Toll roads

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local governmental authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 2 to 25 years. According to the relevant government 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 collectable during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any considerations payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options. Amortisation of concession intangible assets has all been charged in the consolidated income statement within "Cost of sales".

Kitchen waste disposal project

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

(12) Interests in associates

	2020 HK$'000	*2019* HK$'000
Beginning of the year	**14,527,280**	13,811,104
Additions	**482,854**	314,340
Deduction	**(15,613)**	-
Transfer to disposal group held for sale	**(570,348)**	-
Share of (loss)/profit of associates	**(571,420)**	1,246,797
Share of other comprehensive income of associates	**(52,285)**	38,527
Share of associates' reserves movement	**175,184**	-
Dividends	**(434,415)**	(575,023)
Exchange difference	**889,996**	(308,465)
End of the year	**14,431,233**	14,527,280

(13) Other financial assets

	2020	*2019*
	HK$'000	HK$'000
Financial assets measured at amortised cost		
- Debt securities (Note (a))	**593,684**	-
Equity securities designated at FVOCI (non-recycling)		
- Unlisted equity securities	**56,075**	53,662
Financial assets measured at FVPL		
- Listed securities in the PRC (Note (b))	**343,265**	219,160
- Unlisted equity securities (Note (c))	**2,025,518**	243,371
- Unlisted fund investment (Note (d))	**263,890**	240,983
	3,282,432	757,176
Less: non-current portion	**(2,345,483)**	(538,016)
Current portion	**936,949**	219,160

(a) As at 31 December 2020, debt securities of RMB500,000,000 held by the Group was issued by Wanhe Securities Co., Ltd. (an indirect subsidiary of Shenzhen SASAC) and guaranteed by Shenzhen Capital Holdings Co., Ltd. (a direct subsidiary of Shenzhen SASAC). The debt securities were interest bearing at 4.3% per annum and will be matured on 7 April 2021.

(b) As at 31 December 2020, listed equity investments stated at market price represent 39,173,196 shares (2019: 39,173,196 shares) of CSG Holding Co., Ltd ("CSG") held by the Group.

(c) As at 31 December 2020, unlisted equity investments mainly represent the Group's interest in Shenzhen SASAC Cooperative Development Private Investment Fund ("Kunpeng Fund") and Wanhe Securities Co.,Ltd, both of which were subscribed or acquired during the year.

(d) As at 31 December 2020, the amount represents the Group's share in Shenzhen Capital Lingxiu Logistics Facility Phase I Private Investment Fund.

(14) Other non-current assets

As at 31 December 2020, other non-current assets mainly includes: (i) Contract asset of HKD954,051,000 in relation to extension of toll period according to the compensation plan issued by the Department of Transportation of Guangdong; (ii) receivables of financing leases of HKD647,082,000 (2019: HKD114,303,000); (iii) prepaid construction cost of HKD376,159,000 (2019: HKD397,501,000); (iv) receivables of electricity subsidy of HKD363,650,000 (2019: HKD205,741,000); and (v) receivables of construction business HKD741,197,000 (2019: nil).

(15) Inventories and other contract costs

	2020	*2019*
	HK$'000	HK$'000
Land held for future development	**7,197,229**	2,760,347
Land and properties under development for sale	**6,405,424**	6,707,856
Completed properties for sale	**802,095**	342,505
Others	**571,483**	541,352
Impairment	**(254,577)**	(240,455)
	14,721,654	10,111,605

(16) Trade and other receivables

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 are due within 120 days from the date of billing. As at 31 December 2020 and 2019, the ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

	2020	*2019*
	HK$'000	HK$'000
0 - 90 days	**1,882,969**	1,249,205
91 - 180 days	**326,387**	110,368
181 - 365 days	**95,828**	74,341
Over 365 days	**362,000**	154,434
	2,667,184	1,588,348

(17) Trade and other payables

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

	2020	*2019*
	HK$'000	HK$'000
0-90 days	**805,595**	264,972
91-180 days	**157,811**	29,448
181-365 days	**30,814**	25,230
Over 365 days	**183,605**	177,482
	1,177,825	497,132

(18) Disposal group held for sale

On 9 August 2019, Nanjing Xiba Port Co., Ltd. ("Nanjing Xiba Port", a subsidiary of the Group) and the Management Committee of Nanjing Jiangbei District entered into an agreement on compensation for Nanjing Xiba Port assets expropriation with total consideration of RMB1,500,000,000. Pursuant to the agreement, Nanjing Xiba Port completed the first phase of assets transfer in the year ended 31 December 2019.

The second phase of assets transfer was completed on 31 July 2020, the net book value and consideration of the second phase of assets were amounted to RMB 250,127,000 (equivalent to HKD296,992,000) and RMB 696,815,000 (equivalent to HKD827,375,000) respectively. As a result, the Group recognised other net gain of RMB446,484,000 (equivalent to HKD514,798,000) in the consolidated income statement for the year ended 31 December 2020.

On 20 November 2020, the Group planned to dispose all its investment in two assoicates, Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company") and Yunfu Guangyun Expressway Company Limited ("Guangyun Company"). On 28 December 2020, the buyer paid a deposit of RMB156,010,000 (equivalent to HKD185,241,000). Since the share transfer has been approved by the Board of Directors of Shenzhen Expressway on 10 November 2020, and the transfer is expected to be completed within one year, the Group's interests in these two associates are reclassified as disposal group held for sale in the Group's financial statement as at 31 December 2020.

(19) Business combination

Acquisition of Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental")

In January 2020, Shenzhen Expressway Environmental Company Limited ("Environmental Company"), a wholly-owned subsidiary of Shenzhen Expressway, entered into a capital increase and share transfer agreement with Bioland Environmental and its original shareholders. According to the agreement, the transaction took place in two stages. In the first phase, Environmental Company acquired a total of 125,000,000 shares (53.21% of the total share capital of the Bioland Environmental after the issuance of additional shares) by acquiring 40,000,000 shares from the original shareholders of Bioland Environmental and subscribing for newly issued 85,000,000 shares of Bioland Environmental. In the second phase, Environmental Company acquired additional 31,150,000 shares of Bioland Environmental from the original shareholders of Bioland Environmental. Consequently, Environmental Company owned 156,150,000 shares of Bioland Environmental which represents 67.14% equity interest in Bioland Environmental at a total consideration of RMB798,137,000 (equivalent to HKD902,972,000).

(19) Business combination (continued)

Acquisition of Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental") (continued)

The following table summarises the consideration paid, the fair value of assets acquired and liabilities assumed and the non-controlling interest at the acquisition date:

Recognised amounts of identifiable assets acquired and liabilities assumed at the date of acquisition

Cash and cash equivalents	478,044
Restricted bank deposits	38,487
Trade and other receivables	191,954
Inventories and other contract costs	26,024
Contract assets	159,769
Property, plant and equipment	13,887
Land use rights	25,644
Construction in progress	35,202
Intangibles assets	2,125,868
Other financial assets	2,538
Deferred tax assets	17,080
Other non-current assets	41,349
Trade and other payables	(829,409)
Contract liabilities	(4,784)
Borrowings	(295,976)
Lease liabilities	(41)
Other non-current liabilities	(483,087)
Deferred tax liabilities	(146,428)
Non-controlling interest	(493,149)
Net assets acquired attributable to the Group	902,972
Total consideration	902,972
Less: consideration payables	(41,638)
Cash paid	861,334
Cash and cash equivalent acquired	(478,044)
Net cash outflow in the acquisition including in the investing activities	383,290

The revenue included in the consolidated income statement since the acquisition date contributed by Bioland Environmental was HKD977,459,000. Bioland Environmental also contributed profit of HKD31,539,000 over the same period.

Had Bioland Environmental been consolidated from 1 January 2020, the consolidated income statement for the year would show pro-forma revenue of HKD19,501,123,000 and a profit for the year of HKD6,032,454,000.

(19) Business combination (continued)

Acquisition of Guangdong Boyuan Construction Engineering Co., Ltd and Shenzhen-Shanwei Special Cooperation Zone Qiantai Technology Co., Ltd

During the year, the Group has acquired certain subsidiaries which enable the Group to expand its environmental business.

The following table summarises the consideration paid and the fair value of assets acquired, liabilities assumed at the acquisition date:

Recognised amounts of identifiable assets acquired and liabilities assumed at the date of acquisition

Cash and cash equivalents	40,027
Trade and other receivables	96,886
Property, plant and equipment	224,370
Inventories and other contract liabilities	3,751
Construction in progress	56,320
Intangibles assets	81,683
Land use rights	107,019
Contract assets	6,136
Trade and other payables	(60,106)
Deferred tax liabilities	(26,456)
Non-controlling interest	(263,514)
Net assets acquired attributable to the Group	266,116
Total consideration	266,116
Less: consideration payables	(90,229)
Cash paid	175,887
Cash and cash equivalent acquired	(40,027)
Net cash outflow in the acquisition including in the investing activities	135,860

The revenue included in the consolidated income statement since the acquisition date contributed by the above subsidiaries was HKD20,490,000. The above subsidiaries contributed net loss of HKD651,000 over the period.

Had the above subsidiaries been consolidated from 1 January 2020, the consolidated income statement for the year would show pro-forma revenue of HKD19,475,733,000 and a profit for the year of HKD6,032,844,000.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

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

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

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

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

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

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

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

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

Dividend

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

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

LOGISTICS BUSINESS

Analysis of Operating Performance

Logistics Park Business

I. Integrated Logistics Hubs Business

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

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

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

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

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

II.　Shenzhen Logistics Park Business

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

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

The Group has been actively driving the planning and construction of the second phase of South China Logistics Park. With a site area of 77,000 square meters, the second phase of the park will be developed and constructed in two stages. The construction schedule of part of the phase was adjusted as a result of the Pandemic. The design has been optimized taking into account terrain and cost control considerations. The facade has been completed while landscaping and installation of digital equipment are in progress. Delivery is expected in 2021. Taking advantage of the positioning of Shenzhen where the park is located, and in order to seize the significant opportunities in the industry, the second phase of South China Logistics Park will be developed into a global procurement and supply chain management platform, corporate headquarters as well as e-commerce and logistics financing platform. The second phase of South China Logistics Park will be developed into a comprehensive cluster zone for the modern logistics and supply chain service industries.

Shenzhen International Kanghuai E-commerce Center is the Group's first asset-light project operated by way of leasing and it has an operating area of approximately 138,000 square meters. At present, business services provided in the park include warehouse logistics services, large data center, office buildings, dormitories, restaurants and supermarkets, etc. The park has supported interactive sharing and smart interchange of data across the park since the establishment of a smart park information management system in 2019. It has also achieved satisfactory operating results and successfully attracted a number of branded logistics enterprises. In 2020, the park was certified as a "National AAA-level Logistics Enterprise" (國家3A級物流企業) and "Shenzhen Public Innovation Space" (深圳市眾創空間), and attained an overall occupancy rate of 90%.

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

During the Year, the Group and China Railway Guangzhou Group entered into a cooperation agreement, pursuant to which, the parties agreed to jointly invest in and establish a joint venture to upgrade and transform the Pinghunan Railway Freight Yard into the largest comprehensive logistics hub in the country that supports road, rail and sea multimodal transportation. This hub has a site area of 900,000 square meters and an expected gross floor area of approximately 800,000 square meters. The first phase of this project will engage in warehouse storage, port container depot and rail container depot services. The second phase of the project involves the construction of a modern logistics park over the railway freight yard. The implementation of the project will allow the Group to accumulate high-quality long-term assets, enlarge the scale of the Group's logistics operations and network coverage, and enhance its market position in the Guangdong-Hong Kong-Macao Greater Bay Area, which is in line with the Group's business development strategy and plan. The Group is actively procuring the establishment of the joint venture.

Logistics Service Business

Through investment in quality asset-light projects and innovation in business model, the Group conducted business development that embraces both asset-light and asset-heavy business models and actively explored value-added logistics services, including setting up a joint venture with Evergrande Agri-Husbandry Group Co., Ltd (恒大農牧集團有限公司) to provide the latter with comprehensive supply chain management services, partnering with DHL to provide intelligent warehouse construction and operation services for Huawei, establishing drop and pull connection services for the Yantai-Dalian shipping line, developing a paperless shipping service across the ports of Shenzhen, and expanding seaport business in Nansha of Guangzhou and Tianjin.

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

Port and Related Service Business

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

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

To facilitate the implementation of a key municipal construction plan of Nanjing City, namely Xianxin Road Cross-river Channel Development Plan (仙新路過江通道), the Group completed stage two of the property transfer and successfully concluded a leaseback agreement for the second phase of Nanjing Xiba Port in 2020.

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

Logistics Park Transformation and Upgrading Business

The Group has actively seized the opportunities brought about by land function adjustment of logistics parks arising from the urbanization process and progressed the transformation and upgrade of logistics parks in Shenzhen, in hope of maximizing the value of the Group's assets and in turn value for its shareholders. Through the transformation and upgrade of logistics parks, the Group can enhance its capital strength and lay a solid foundation for the development of its logistics parks and logistics business.

I. Qianhai Project

The Group has maintained amicable coordination and communication with the Qianhai Authority and relevant government authorities for the land consolidation and preparation work of the Qianhai Project. On 30 June 2020, the Group entered into three land use right transfer agreements with the Qianhai Authority in respect of three land parcels with a total area of approximately 41,200 square meters under the third phase of the Qianhai Project in relation to the compensation for the remaining land consolidation and preparation work in Qianhai. As the land parcels for the third phase of Qianhai Project are acquired under the land swap contemplated under the Land Consolidation and Preparation Agreement, the Group was not required to pay contractual land prices of approximately RMB3,652 million to the Qianhai Authority. As a result, the Group recognized gain before taxation of approximately RMB3,551 million (equivalent to approximately HK$4,094 million).

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

The first phase of the Qianhai Project has a total gross floor area of approximately 110,000 square meters, comprising 51,000 square meters of residential project, 35,000 square meters of office project and 25,000 square meters of commercial project. Project design, application and construction are being carried out in an orderly manner. As at 31 December 2020, the first phase of the Qianhai Project is preparing for inspection and acceptance procedures. The residential project which was jointly developed by the Group and Shum Yip Land Company Limited was launched for pre-sale in October 2019. The pre-sale of this project went beyond expectations with all 367 units sold out in the first half of 2020. The units are expected to be delivered in 2021, at which time the Group will record significant investment gain. For the office project, which was positioned as the information port for the "Belt and Road Initiative" in Qianhai, it was jointly constructed and developed by the Group and China Center for Information Industry Development (中國電子信息產業發展研究院)("CCID") and is included in the "3-Year Action Plan of Shenzhen to Participate in the Construction of the Belt and Road (2019-2021) (深圳市參與「一帶一路」建設三年行動方案 (2019年－2021年))". Capitalizing on Qianhai's special position and policy advantage in the Guangdong-Hong Kong-Macao Greater Bay Area, the project will benefit from the Group's extensive supply chain management experience and CCID's strong information technology service capacity and will focus on the development of supply chain services, smart manufacturing services as well as promoting the integration of the digital and real economies across the Guangdong-Hong Kong-Macao Greater Bay Area and countries/regions along the Belt and Road. Furthermore, the Group is conducting in-depth study to devise a development and operation plan with SCPG (印力集團) for the commercial project with the aim of capitalizing the strength of each party and turning the Mawan area in Qianhai into a unique boutique commercial project.

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

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

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

II. Meilin Checkpoint Project

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

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

III. Transformation and upgrading of South China Logistics Park

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

Financial Analysis

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

Revenue and Profit attributable to shareholders of each business unit of the logistics business

For the year ended 31 December

	Revenue		Profit attributable to shareholders	
	2020 *HK$'000*	Change over Year 2019 Increase/ (decrease)	**2020** *HK$'000*	Change over Year 2019 Increase/ (decrease)
Logistics Park Business	**886,948**	7%	**152,181** *	(8%)
Logistics Service Business	**952,225**	8%	**17,509**	(31%)
Port and Related Service Business	**1,411,195**	(10%)	**90,818**	(22%)
Logistics Park Transformation and Upgrading Business	**4,696,950**	3%	**918,819**	(30%)
Total	**7,947,318**	1%	**1,179,327**	(27%)

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

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

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

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

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

TOLL ROAD BUSINESS

Analysis of Operating Performance

Toll Road Operations

As at the date of this announcement, the Group has invested in or operated a total of 17 expressway projects through its subsidiary Shenzhen Expressway. During the Year, the operating performance of each of the Group's expressway projects is affected to various degrees by factors including changes in policy as well as changes in competitive (or complementary) nearby road network. Furthermore, construction or renovation of the expressway project itself may also affect its own operating performance during the period in which the construction or renovation is conducted. In particular:

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

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

- Xuguang Expressway, an expressway between Xuchang in Henan and Guangzhou in Guangdong, comprising Guangqing, Qinglian, Yuelin, Suiyue, Lintong and Lannan expressways, has been fully connected and significantly increased the traffic volume of Qinglian Expressway. The Qingyun section of Shanzhan Expressway, which was formally open to traffic on 1 January 2020, also stimulated the traffic volume of Qinglian Expressway. In addition, Qingyuan Bridge re-opened in mid-June 2020. Since part of its traffic accesses the bridge via Qinglian Expressway, the re-opening has boosted the operating results of Qinglian Expressway. As economic activities in the region along the expressway resumed and public demand for road trips surged during peak travel seasons, Qinglian Expressway recorded year-on-year growth in operating results after resuming tolls.

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

Key Construction Project

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

Development of the Environmental Protection Business

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

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

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

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

In addition, Shenzhen Expressway holds a 67% equity interest in Baotou Nanfeng Wind Power Technology Co., Ltd. ("Baotou Nanfeng Company"), which is principally engaged in the investment, operation and management of five wind power generation farms in Inner Mongolia Autonomous Region of China. Baotou Nanfeng Company has abundant wind power resources and enjoys synergies with Nanjing Wind Power Company along the industry chain. During the Year, Baotou Nanfeng Company fed an aggregate of 644,131 megawatt-hours of electricity to the grid.

During the Year, Shenzhen Expressway completed the acquisition of approximately 67.14% equity interest in Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental Company"), which is one of the key providers of comprehensive organic waste treatment, construction and operation services in China. This acquisition is conducive to Shenzhen Expressway's rapid expansion in the sub-industry of organic waste treatment, generates synergies in the entire industrial chain of organic waste treatment, and facilitate the development of the scale of the organic waste treatment business. Although Bioland Environmental Company a relatively large reduction in kitchen waste shipment due to the Pandemic in the first half of 2020, the volume processed by the kitchen waste treatment business basically returned to normal after the Pandemic became under control. The engineering, procurement and construction (EPC) business of Bioland Environmental Company recorded substantial year-on-year growth in 2020. With 9 new patents, Bioland Environmental Company has also achieved significant progress in the development of innovative technologies such as high-efficiency kitchen waste sorting and pulping equipment. As at the date of this announcement, it has a total of 17 organic waste treatment BOT/PPP projects with an aggregate designed daily kitchen waste treatment capacity of over 4,000 tonnes in 14 counties and cities in 10 provinces across the country.

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

Financial Analysis

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

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

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

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

OTHER INVESTMENTS

Shenzhen Airlines

In 2020, the Pandemic spread across the world and the passenger air transport market suffered a heavy blow from a plunge in demand for air travel. It caused total revenue of Shenzhen Airlines during the Year dropped by 46% as compared to the corresponding period of the previous year to RMB17,394 million (equivalent to HK$20,056 million) (2019: RMB31,955 million (equivalent to HK$35,900 million)). In particular, passenger revenue decreased by 45% as compared to the corresponding period of the previous year to RMB14,903 million (2019: RMB27,329 million). As a result, net loss amounted to RMB2,063 million (equivalent to HK$2,379 million) (2019: net profit of RMB1,194 million (equivalent to HK$1,341 million)) after taking into account an exchange gain of RMB1,030 million (2019: an exchange loss of RMB264 million) due to changes in exchange rates. Shenzhen Airlines brought a loss of approximately HK$1,179 million (2019: profit of HK$593 million) to the Group during the Year.

Air China Cargo

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

Sinotrans Shenzhen International Logistics Co., Ltd. ("Sinotrans Shenzhen International")

On 18 August 2020, the Bay Area Express in Shenzhen, a train running from China to Europe, set off for the first time from the Shenzhen Pinghunan Railway Station to Duisburg, Germany. Travelling 13,438 km, it serves one of the longest train routes between China and Europe. Following the development of the route initiated by the Shenzhen Municipal Government, the Bay Area Express is operated and managed by a joint venture, Sinotrans Shenzhen International, set up by the Group and Sinotrans Limited. The Group owns a 40% equity interest in Sinotrans Shenzhen International. The launch of this train helped to establish a new international land transportation route linking the Guangdong – Hong Kong – Macao Greater Bay Area, Central Asia, Eastern Europe and Western Europe. It offers a safer, greener and more stable means of transport to businesses in Shenzhen and the surrounding areas, which in turn benefits the freight volume of the Pinghunan integrated logistics hub and the development of various value-added services. As of late February 2021, the Bay Area Express had run 38 times and transported an aggregate of 20,000 tonnes of goods with a value exceeding RMB1,000 million.

OUTLOOK FOR 2021

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

The management of the Group believes that with each challenge comes an opportunity. As such, the Company will remain vigilant and regularly review the Group's development strategies and risk control systems in order to respond flexibly to market dynamics. Capitalizing on the edge of its nationwide network, the Group will improve its performance through exploring potentials, controlling costs, expanding production, increasing revenue and speeding up its investment, merger and acquisition projects. Despite the complex and ever-changing business environment, the Group strives to work on different aspects of its operations in the hope of achieving stable performance.

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

The Group will continue to seize the strategic opportunities brought about by, among other things, the Belt and Road Initiative, the Guangdong-Hong Kong-Macao Greater Bay Area and the Shenzhen demonstration pilot zone, and strengthen its presence in logistics infrastructure and related industries. Meanwhile, the Group will expand its integrated logistics hub network across the country, particularly in prosperous regions such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, the Pan-Bohai Rim and the Beijing-Tianjin-Hebei integration zone through a two-pronged approach, which includes construction as well as mergers and acquisitions. It will also seize the opportunity to build multiple logistics parks within one or more of the logistics gateway cities to enlarge its asset portfolio and realize economies of scale. Furthermore, building on the core Nanjing Xiba Port, the Group will establish its planned port network and consolidate its leading position (in terms of number of ports) in both upstream and downstream Yangtze River by stepping up its investments in key hubs along the Yangtze River and major river trade routes.

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

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

In 2021, the Group will seize opportunities arising from urban development and renewal, and accelerate the transformation and upgrade of South China Logistics Park. Situated in the core region of Longhua with a site area of approximately 600,000 square meters, South China Logistics Park is located at a prime location with an excellent transportation network. It is expected that upon successful transformation, South China Logistics Park will contribute considerable economic returns to the Group.

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

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

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

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

FINANCIAL POSITION

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

\# *Change in percentage points*

Key Financial Indicators

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

Cash Flow and Financial Ratios

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

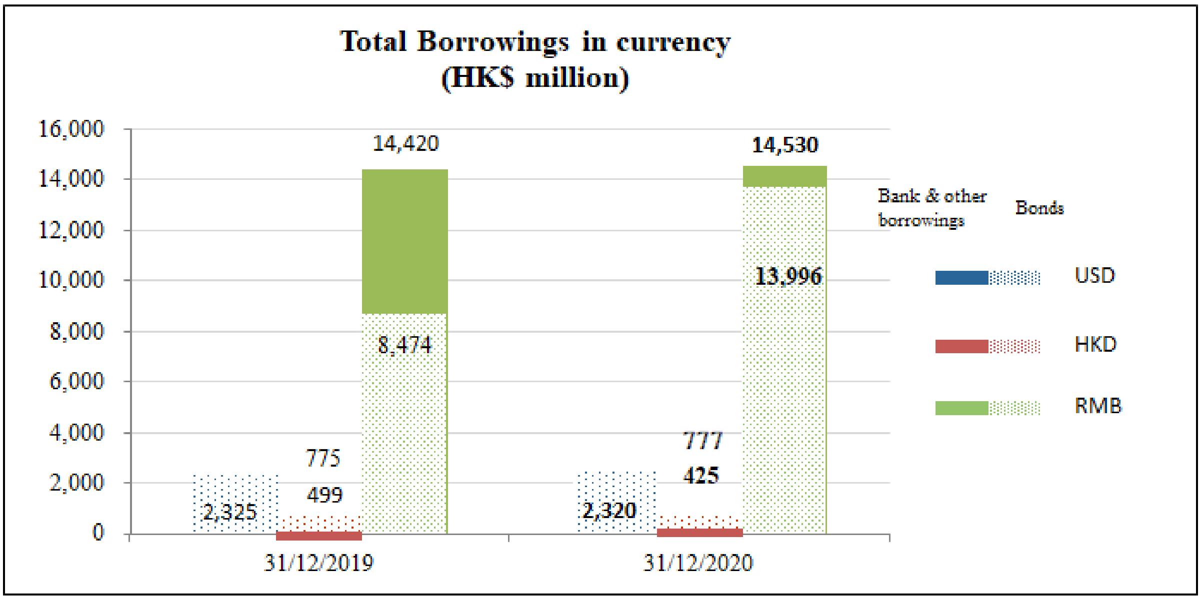
Cash Balance

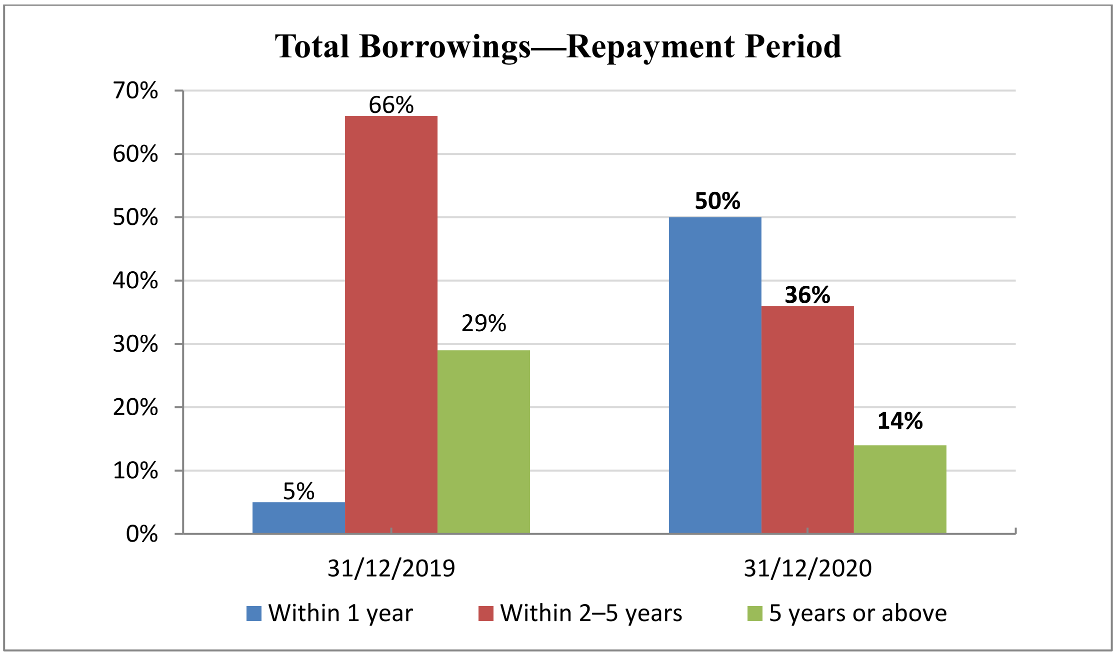
As at 31 December 2020, cash held by the Group amounted to approximately HK$15,104 million (31 December 2019: HK$14,780 million), representing an increase of 2% as compared to the end of last year. To facilitate the Group's operation and development in the PRC, cash held by the Group is primarily denominated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

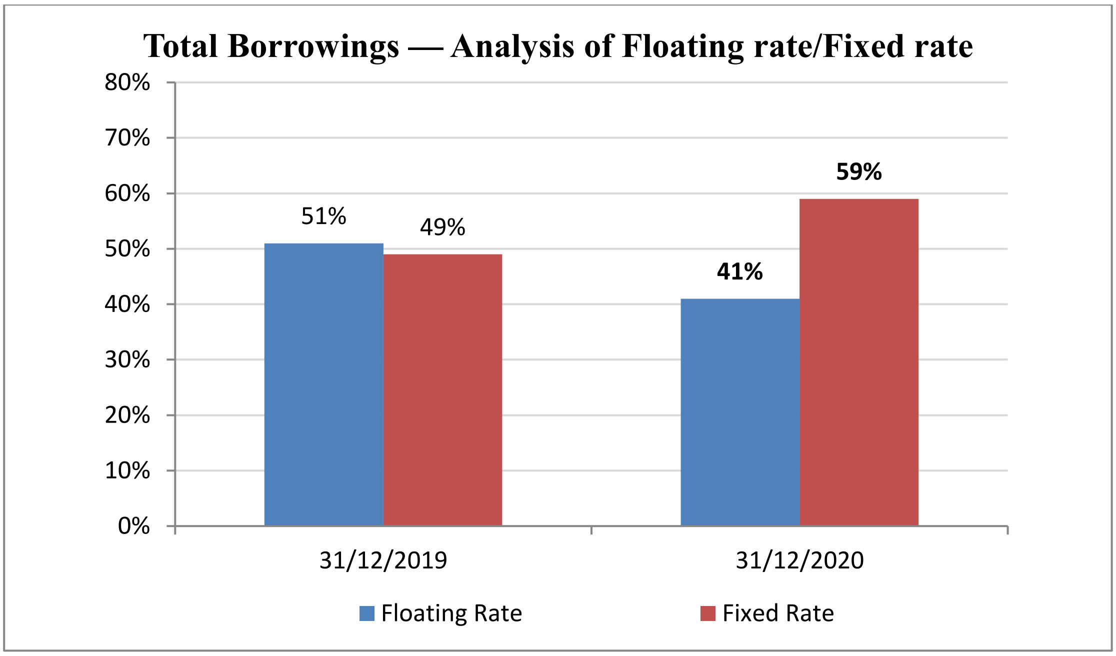
Capital Expenditures

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

Borrowings


Total Borrowings in currency
(HK$ million)
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
14,420
8,474
775
499
2,325
14,530
13,996
777
425
2,320
31/12/2019
31/12/2020
Bank & other borrowings
Bonds
USD
HKD
RMB


Total Borrowings—Repayment Period
70%
60%
50%
40%
30%
20%
10%
0%
5%
66%
29%
50%
36%
14%
31/12/2019
31/12/2020
Within 1 year
Within 2–5 years
5 years or above



As at 31 December 2020, the Group's total borrowings amounted to approximately HK$32,048 million, representing an increase of 21% as compared with the end of last year. During the Year, Shenzhen Expressway, a subsidiary of the Group, issued 5-year corporate bonds (epidemic prevention and control bonds) of RMB1,400 million, 5-year corporate bonds (green bonds) of RMB800 million and 270-day short-term bonds of RMB2,000 million. 50%, 36% and 14% of the Group's total borrowings were due for repayment within 1 year, within 2 to 5 years and after 5 years, respectively.

The Group constantly improves its financial management. It has conducted several onshore and offshore financing activities with the aim of using different financial instruments in a flexible manner so as to capitalize on the differences in costs. The Group seized favorable market conditions and issued 3 batches of ultra-short-term bonds and repaid some borrowings with high interest rates, thereby effectively lowering its finance costs. The Group closely monitors its overall borrowing structure, continuously optimizes its debt portfolio, strikes a balance between its interest rate and foreign exchange risks, and effectively maintains funds with high cost efficiency in order to meet its overall capital needs.

The Group's Financial Policy

Interest Rate Risk Management

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

Exchange Rate Risk

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

Liquidity Risk Management

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

Credit Ratings

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

EVENTS AFTER THE BALANCE SHEET DATE

(a) Possible Acquisition of Suning.com

On 28 February 2021, Shenzhen International Holdings (SZ) Limited ("Shenzhen International (SZ)"), the Company's wholly-owned subsidiary, and Shenzhen Kunpeng Equity Investment Management Co., Ltd, as purchasers, and Mr. Zhang Jindong, Suning Holdings Group Co., Ltd., Suning Appliance Group Co., Ltd., Xizang Trust Co., Ltd., as vendors, entered into the Framework Agreement, pursuant to which, Shenzhen International (SZ) proposes to acquire 744,803,173 shares of Suning.com at a price of RMB6.92 per share. The Possible Acquisition is subject to execution of definitive agreement(s), and if the parties fail to enter into definitive agreement(s) within six months after the date of the Framework Agreement, the Possible Acquisition will automatically lapse.

(b) Acquisition of office property

On 8 March 2021, Shenzhen Expressway entered into a property acquisition agreement with Shenzhen Luo Lan Si Bao Property Development Co., Ltd. ("LLSB"), an independent third party, pursuant to which, Shenzhen Expressway agreed to acquire an office property from LLSB at the consideration of RMB1,558,648,480. The office property will be used as office of Shenzhen Expressway in future.

(c) The Potential Transaction of Shenzhen Expressway

On 15 March 2021, Shenzhen Expressway and the Company's controlling shareholder, Shenzhen Investment Holdings Company Ltd. ("Shenzhen Investment Holdings") entered into a memorandum of understanding, pursuant to which, Shenzhen Investment Holdings intends to transfer its 71.83% equity interest in Shenzhen Investment Holdings Bay Area Development Company Limited (Stock Code: 00737) to Shenzhen Expressway.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

During the Year, the Company has complied with the code provisions set out in "Corporate Governance Code and Corporate Governance Report" of Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company aims to continually enhance its corporate governance practices, thereby laying a good foundation for promoting the Company's sustainability and enhancing value for its shareholders.

CLOSURE OF REGISTER OF MEMBERS

To ensure the eligibility to attend and vote at the 2021 Annual General Meeting and the entitlement to the proposed final dividend and special dividend, the register of members of the Company will be closed on the following dates:

For ascertaining shareholders' right to attend and vote at the 2021 Annual General Meeting:

Latest time to lodge transfers	4:30 p.m. on Wednesday, 12 May 2021
Book closure dates	Thursday, 13 May 2021 to Tuesday, 18 May 2021 (both days inclusive)
Record date	Tuesday, 18 May 2021

For ascertaining shareholders' entitlement to the proposed final dividend and special dividend:

Latest time to lodge transfers	4:30 p.m. on Monday, 24 May 2021
Book closure dates	Tuesday, 25 May 2021 to Wednesday, 26 May 2021 (both days inclusive)
Record date	Wednesday, 26 May 2021
Payment date of the final dividend and special dividend	on or about Wednesday, 23 June 2021

To be eligible to attend and vote at the 2021 Annual General Meeting and qualify for the final dividend and special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

OTHER INFORMATION

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2020. A meeting of the Audit Committee of the Company has also been held with the Company's auditor in connection with the review of the annual results of the Group for the year ended 31 December 2020.

The figures in respect of the announcement of the Group's results for the year ended 31 December 2020 have been agreed with KPMG. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on this announcement.

This announcement and other information including those of the Company's 2020 annual results will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.szihl.com).

By Order of the Board
Shenzhen International Holdings Limited
Li Haitao
Chairman

26 March 2021

As at the date of this announcement, the board of directors of the Company consists of Messrs. Li Haitao, Wang Peihang and Dai Jingming as executive directors, Messrs. Hu Wei and Zhou Zhiwei as non-executive directors and Professor Cheng Tai Chiu, Edwin, Messrs. Pan Chaojin and Chan King Chung as independent non-executive directors.