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

2021 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Shenzhen International Holdings Limited (the "Company") is pleased to announce the unaudited interim consolidated results and interim consolidated balance sheet of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2021 (the "Period") together with comparative figures of consolidated results for the corresponding period in 2020 and consolidated balance sheet as of the year end of 2020 as follows:

INTERIM CONSOLIDATED INCOME STATEMENT-UNAUDITED

		Six months ended 30 June	
		2021	2020
	Note	***HK$'000***	*HK$'000*
Revenue	(4), (5)	**7,287,183**	4,402,036
Cost of sales		**(4,696,598)**	(3,835,327)
Gross profit		**2,590,585**	566,709
Other gains and losses		**270,262**	3,930,775
Other income		**117,973**	73,387
Distribution costs		**(94,908)**	(51,234)
Administrative expenses		**(432,655)**	(320,470)
Impairment losses on trade receivables and contract assets		**(147,640)**	(12,552)
Operating profit	(6)	**2,303,617**	4,186,615
Share of profit of joint ventures		**22,574**	6,123
Share of profit/(loss) of associates	(12)	**449,127**	(1,068,474)
Profit before finance costs and income tax		**2,775,318**	3,124,264
Finance income	(7)	**136,917**	120,514
Finance costs	(7)	**(555,097)**	(484,560)
Finance costs – net	(7)	**(418,180)**	(364,046)
Profit before income tax		**2,357,138**	2,760,218
Income tax expense	(8)	**(468,320)**	(1,014,819)
Profit for the period		**1,888,818**	1,745,399

INTERIM CONSOLIDATED INCOME STATEMENT-UNAUDITED (continued)

		Six months ended 30 June	
		2021	2020
	Note	***HK$'000***	*HK$'000*
Attributable to:			
Ordinary shareholders of the Company		**960,781**	1,713,233
Perpetual securities holders of the Company		**45,996**	45,931
Non-controlling interests		**882,041**	(13,765)
		1,888,818	1,745,399
Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)			
– Basic	(9(a))	**0.44**	0.79
– Diluted	(9(b))	**0.44**	0.79

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME-UNAUDITED

	Six months ended 30 June	
	2021	2020
	HK$'000	*HK$'000*
Profit for the period	**1,888,818**	1,745,399
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Share of other comprehensive income of associates	**63,882**	78,370
Items that will not be reclassified to profit or loss:		
Currency translation differences	**1,009,972**	(953,985)
Net movement in fair value reserve on other financial assets	**-**	(134)
Sub-total	**1,009,972**	(954,119)
Other comprehensive income/(expenses) for the period, net of tax	**1,073,854**	(875,749)
Total comprehensive income for the period	**2,962,672**	869,650
Total comprehensive income/(expenses) attributable to:		
Ordinary shareholders of the Company	**1,770,237**	1,073,668
Perpetual securities holders of the Company	**45,996**	45,931
Non-controlling interests	**1,146,439**	(249,949)
	2,962,672	869,650

INTERIM CONSOLIDATED BALANCE SHEET - UNAUDITED

		As at	
		30 June 2021	31 December 2020
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Investment properties		**592,003**	611,305
Property, plant and equipment		**16,515,031**	12,742,544
Land use rights		**3,835,951**	3,802,321
Construction in progress		**4,601,433**	3,099,947
Intangible assets	(11)	**31,595,042**	31,645,704
Goodwill		**290,408**	279,035
Interests in associates	(12)	**15,340,659**	14,431,233
Interests in joint ventures		**229,744**	90,022
Other financial assets	(13)	**1,233,194**	2,345,483
Deferred tax assets		**1,645,318**	1,688,335
Other non-current assets		**4,158,552**	3,471,528
		80,037,335	74,207,457
Current assets			
Inventories and other contract costs	(14)	**15,851,471**	14,721,654
Contract assets		**455,807**	408,532
Other financial assets	(13)	**575,623**	936,949
Trade and other receivables	(15)	**9,171,085**	7,221,519
Restricted bank deposits		**1,054,598**	2,521,504
Deposits in banks with original maturities over 3 months		**2,532,788**	3,508,668
Cash and cash equivalents		**11,212,661**	9,073,474
Disposal group held for sale		**-**	587,346
		40,854,033	38,979,646
Total assets		**120,891,368**	113,187,103
EQUITY AND LIABILITIES			
Equity attributable to ordinary shareholders of the Company			
Share capital and share premium		**12,336,789**	11,529,380
Other reserves and retained earnings		**22,515,110**	22,857,273
Equity attributable to ordinary shareholders of the Company		**34,851,899**	34,386,653
Perpetual securities		**2,330,939**	2,330,939
Non-controlling interests		**22,339,296**	21,761,340
Total equity		**59,522,134**	58,478,932

INTERIM CONSOLIDATED BALANCE SHEET – UNAUDITED (continued)

	Note	As at 30 June 2021 HK$'000	As at 31 December 2020 HK$'000
Liabilities			
Non-current liabilities			
Borrowings		**18,867,318**	16,175,771
Lease liabilities		**707,786**	737,751
Deferred tax liabilities		**1,626,891**	2,253,391
Other non-current liabilities		**1,665,032**	1,565,424
		22,867,027	20,732,337
Current liabilities			
Trade and other payables	(16)	**12,960,587**	12,884,246
Derivative financial instruments		**150,840**	99,356
Contract liabilities		**6,369,799**	2,816,549
Income tax payable		**647,645**	2,185,511
Borrowings		**18,291,447**	15,872,334
Lease liabilities		**81,889**	117,838
		38,502,207	33,975,834
Total liabilities		**61,369,234**	54,708,171
Total equity and liabilities		**120,891,368**	113,187,103

Notes:

(1) General Information

The principal activities of the Group, its associates and joint ventures 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 (the "PRC").

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

(1) General Information (continued)

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

As at 30 June 2021, Ultrarich International Limited ("Ultrarich") directly owned 985,635,960 ordinary shares of the Company, representing approximately 43.49% of the issued share capital of the Company. As Shenzhen Investment Holdings Company Limited ("SIHCL") held 100% equity interest in Ultrarich, it had a deemed interest in 43.49% of the equity in the Company held by Ultrarich and was the largest shareholder of the Company. SIHCL is supervised and managed by Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission ("Shenzhen SASAC"). The directors of the Company regard Shenzhen SASAC as having control of the Company's relevant activities and is the de facto controller of the Company due to the voting power it held in the Company.

This unaudited interim financial information has been reviewed by Deloitte Touche Tohmatsu in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute Certified Public Accountants ("HKICPA").

(2) Basis of preparation

This interim financial information for the six months ended 30 June 2021 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the HKICPA. This interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2020 ("2020 Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

(3) Changes in accounting policies

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

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

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

(4) 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 of directors. The board of directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

Toll roads 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 period.

(4) Segment information (continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the board of directors, the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance for the period ended 30 June 2021 and 2020 is set out below.

For the six months ended 30 June 2021

	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	**4,251,238**	**173,719**	**553,135**	**1,059,502**	**-**	**1,786,356**	**-**	**6,037,594**
- Over time	**812,052**	**-**	**-**	**-**	**-**	**-**	**-**	**812,052**
Subtotal	**5,063,290**	**173,719**	**553,135**	**1,059,502**	**-**	**1,786,356**	**-**	**6,849,646**
Revenue from other sources	**-**	**437,537**	**-**	**-**	**-**	**437,537**	**-**	**437,537**
Revenue	**5,063,290**	**611,256**	**553,135**	**1,059,502**	**-**	**2,223,893**	**-**	**7,287,183**
Operating profit/(loss)	**1,967,156**	**376,363**	**29,195**	**105,700**	**(38,306)**	**472,952**	**(136,491)**	**2,303,617**
Share of profit of joint ventures	**-**	**21,809**	**-**	**-**	**-**	**21,809**	**765**	**22,574**
Share of profit/(loss) of associates	**404,034**	**929**	**-**	**-**	**860,186**	**861,115**	**(816,022)**	**449,127**
Finance income	**52,288**	**4,731**	**860**	**360**	**38,150**	**44,101**	**40,528**	**136,917**
Finance costs	**(450,617)**	**(46,111)**	**(9,028)**	**(3,014)**	**-**	**(58,153)**	**(46,327)**	**(555,097)**
Profit before income tax	**1,972,861**	**357,721**	**21,027**	**103,046**	**860,030**	**1,341,824**	**(957,547)**	**2,357,138**
Income tax expense	**(378,251)**	**(39,729)**	**(6,414)**	**(26,205)**	**(2,159)**	**(74,507)**	**(15,562)**	**(468,320)**
Profit for the period	**1,594,610**	**317,992**	**14,613**	**76,841**	**857,871**	**1,267,317**	**(973,109)**	**1,888,818**
Non-controlling interests	**(845,819)**	**(1,735)**	**(10,459)**	**(21,390)**	**(4,095)**	**(37,679)**	**1,457**	**(882,041)**
Subtotal	**748,791**	**316,257**	**4,154**	**55,451**	**853,776**	**1,229,638**	**(971,652)**	**1,006,777**
Profit attributable to perpetual securities holders	**-**	**-**	**-**	**-**	**-**	**-**	**(45,996)**	**(45,996)**
Profit attributable to ordinary shareholders of the Company	**748,791**	**316,257**	**4,154**	**55,451**	**853,776**	**1,229,638**	**(1,017,648)**	**960,781**
Depreciation and amortisation	**1,371,162**	**179,975**	**10,265**	**18,870**	**37**	**209,147**	**29,690**	**1,609,999**
Capital expenditure								
- Additions in investment properties, property, plant and equipment, construction in progress, land use rights and intangible assets	**2,620,494**	**1,049,996**	**9,985**	**11,607**	**176**	**1,071,764**	**312,041**	**4,004,299**
- Additions in property, plant and equipment, construction in progress, land use rights, and intangible assets arising from acquisition of subsidiaries	**1,122,985**	**-**	**-**	**-**	**-**	**-**	**-**	**1,122,985**
- Additions in interests in associates	**190,423**	**-**	**-**	**-**	**-**	**-**	**216,424**	**406,847**

(4) Segment information (continued)

For the six months ended 30 June 2020

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

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

(5) Revenue

	Six months ended 30 June	
	2021	*2020*
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Toll roads and environmental protection business		
- Toll revenue	**3,344,984**	1,182,944
- Entrusted construction management service and construction consulting service revenue	**233,988**	135,031
- Construction service revenue under service concession arrangements	**225,069**	867,680
- Environmental protection service	**778,474**	465,476
- Others	**480,775**	121,888
	5,063,290	2,773,019
Logistic Business		
- Logistic parks	**173,719**	98,459
- Logistic services	**553,135**	598,681
- Port and related services	**1,059,502**	640,881
	1,786,356	1,338,021
	6,849,646	4,111,040
Revenue from other sources		
Logistic Business		
- Leases from logistic parks	**437,537**	290,996
	7,287,183	4,402,036

(6) Operating profit

The Group's operating profit is mainly arrived after (charging) / crediting the following:

	Six months ended 30 June	
	2021	*2020*
	HK$'000	*HK$'000*
Fair value changes on investment properties	**(25,962)**	(13,071)
Net change in fair value of other financial assets	**25,611**	30,754
Gain on disposal of other financial assets	**70,174**	-
Gain on disposal of a subsidiary	**175,390**	-
Others	**25,049**	7,506
Gain on replacement of land	**-**	3,905,586

(7) Finance income and costs

	Six months ended 30 June	
	2021	*2020*
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**(86,103)**	(115,273)
Other interest income	**(50,814)**	(5,241)
Total finance income	**(136,917)**	(120,514)
Finance costs		
Interest expenses		
- Bank borrowings	**300,021**	359,576
- Medium-term notes	**47,477**	43,392
- Corporate bonds	**130,296**	82,473
- Panda bonds	**117,424**	115,213
- Senior notes	**14,421**	14,593
- Interest on contract liabilities	**731**	19,105
- Interest on lease liabilities	**12,901**	17,830
- Interest costs for other financial liabilities	**25,515**	24,287
- Borrowings from financial institutions	**36,774**	45,263
Net foreign exchange (gains)/losses	**(11,103)**	25,519
Gains on derivative financial instruments directly attributable to borrowings	**-**	(33,885)
Less: finance costs capitalised on qualified assets	**(119,360)**	(228,806)
Total finance costs	**555,097**	484,560
Net finance costs	**418,180**	364,046

(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 period.

The PRC Corporate Income Tax charged to the consolidated income statement was calculated based on the assessable profits of the Group's subsidiaries located in the PRC for the period at a rate of 25% (six months ended 30 June 2020: 25%) applicable to the respective companies.

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

	Six months ended 30 June	
	2021	*2020*
	HK$'000	*HK$'000*
Current income tax		
- PRC Corporate Income Tax	**1,057,009**	1,345,898
- Land appreciation tax	**1,941**	-
Deferred tax	**(590,630)**	(331,079)
	468,320	1,014,819

(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 period.

	Six months ended 30 June	
	2021	*2020*
Profit attributable to ordinary shareholders of the Company (HK$'000)	**960,781**	1,713,233
Weighted average number of ordinary shares in issue (thousands)	**2,199,849**	2,164,118
Basic earnings per share (HK dollars per share)	**0.44**	0.79

(b) Diluted

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

	Six months ended 30 June	
	2021	*2021*
Profit attributable to ordinary shareholders of the Company (HK$'000)	**960,781**	1,713,233
Profit used in the calculation of diluted earnings per share (HK$'000)	**960,781**	1,713,233
Weighted average number of ordinary shares in issue (thousands)	**2,199,849**	2,164,118
Adjustments - share options (thousands)	**6,607**	7,860
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,206,456**	2,171,978
Diluted earnings per share (HK dollars per share)	**0.44**	0.79

(10) Dividends

The board of directors has resolved not to declare any interim dividend in respect of the period (six months ended 30 June 2021: Nil). The 2020 final dividend and special dividend HKD2,112,400,000 in aggregate (HKD0.122 per ordinary share of final dividend and HKD0.838 per ordinary share of special dividend respectively) were settled in June 2021. According to the scrip dividend scheme approved by shareholders in the annual general meeting held on 18 May 2021, 65,929,500 new shares were issued at a price of approximately HKD11.3582 per share, totaling HKD748,841,000. The remaining dividend totaling HKD1,363,559,000 was paid in cash in June 2021.

(11) Intangible assets

	Six months ended 30 June	
	2021	*2020*
	HK$'000	*HK$'000*
Opening net book amount	**31,645,704**	26,260,742
Acquisition of a subsidiary	**-**	2,050,783
Additions	**696,068**	1,053,841
Disposals	**(284)**	(713)
Amortisation	**(1,092,930)**	(696,104)
Exchange difference	**346,484**	(554,809)
Closing net book value	**31,595,042**	28,113,740

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 2 to 25 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any consideration payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

(12) Interests in associates

	Six months ended 30 June	
	2021	*2020*
	HK$'000	*HK$'000*
Beginning of the period	**14,431,233**	14,527,280
Additions	**406,847**	195,502
Share of profit/(loss) of associates	**449,126**	(1,068,474)
Share of other comprehensive income of associates	**63,882**	78,370
Dividends	**(166,516)**	(206,170)
Exchange difference	**156,087**	(267,027)
End of the period	**15,340,659**	13,259,481

The ending balance comprises the following:

	As at	
	30 June	*31 December*
	2021	*2020*
	HK$'000	*HK$'000*
Unlisted investments		
Share of net assets, other than goodwill	**12,598,405**	11,721,214
Goodwill on acquisition	**2,742,254**	2,710,019
	15,340,659	14,431,233

Based on the assessment made by the directors of the Company, there were no impairment losses for the interests in associates as at 30 June 2021 (31 December 2020:Nil).

(13) Other financial assets

	As at	
	30 June 2021 HK$'000	*31 December 2020 HK$'000*
Financial assets measured at amortised cost		
- Debt security (Note (a))	**-**	593,684
Equity securities designated at fair value through other comprehensive income ("FVOCI")		
- Unlisted equity securities	**56,742**	56,075
Financial assets measured at fair value through profit or loss ("FVTPL")		
- Listed securities in the PRC (Note (b))	**575,623**	343,265
- Unlisted equity securities (Note (c))	**909,423**	2,025,518
- Unlisted fund investments (Note (d))	**267,029**	263,890
	1,808,817	3,282,432
Less: non-current portion	**(1,233,194)**	(2,345,483)
Current portion	**575,623**	936,949

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

(b) As at 30 June 2021, listed equity investments stated at market price represent 21,629,946 shares (31 December 2020: 39,173,196 shares) of CSG Holding Co., Ltd. ("CSG") held by the Group and investments in listed real estate investment trust ("REITs") (31 December 2020: Nil). During the period ended 30 June 2021, the Group disposed of 17,543,250 shares in CSG in amount of HKD217.3 million and acquired REITs amounting to RMB257.6 million.

(c) As at 30 June 2021, unlisted equity investments mainly represent the Group's interest in Shenzhen SASAC Cooperative Development Private Investment Fund ("Kunpeng Fund") (31 December 2020: Kunpeng Fund and Wanhe Securities Co., Ltd.). During the period, investments in Wanhe Securities Co., Ltd. was redeemed.

(d) As at 30 June 2021 and 31 December 2020, the amount represents the Group's share in Shenzhen Capital Lingxiu Logistics Facility Phase I Private Investment Fund.

(14) Inventories and other contract costs

	As at	
	30 June 2021	*31 December 2020*
	HK$'000	*HK$'000*
Land held for future development	**4,161,302**	7,197,229
Land and properties under development for sale	**10,719,821**	6,405,424
Completed properties for sale	**628,617**	802,095
Others	**599,334**	571,483
Impairment	**(257,603)**	(254,577)
	15,851,471	14,721,654

(15) 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 other than toll revenue generally due within 120 days from the date of billing. The ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

	As at	
	30 June 2021	*31 December 2020*
	HK$'000	*HK$'000*
0 - 90 days	**1,071,868**	1,882,969
91 - 180 days	**268,643**	326,387
181 - 365 days	**567,033**	95,828
Over 365 days	**349,347**	362,000
	2,256,891	2,667,184

(16) Trade and other payables

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

	As at	
	30 June 2021	*31 December 2020*
	HK$'000	*HK$'000*
0 - 90 days	**574,140**	805,595
91 - 180 days	**150,384**	157,811
181 - 365 days	**54,884**	30,814
Over 365 days	**199,759**	183,605
	979,167	1,177,825

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Operating Results	For the six months ended 30 June **2021** ***HK$'000***	 2020 *HK$'000*	 Increase/ (Decrease)
Revenue (excluding construction service revenue from toll roads)	**7,062,114**	3,534,356	100%
Construction service revenue from toll roads	**225,069**	867,680	(74%)
Total revenue	**7,287,183**	4,402,036	66%
Operating profit	**2,303,617**	4,186,615	(45%)
Profit before tax and finance costs	**2,775,318**	3,124,264	(11%)
Profit attributable to shareholders	**960,781**	1,713,233	(44%)
Basic earnings per share (HK dollars)	**0.44**	0.79	(44%)

In the first half of 2021, notwithstanding the resurgence of the novel coronavirus pandemic (the "Pandemic") in certain regions, the Pandemic was under effective control in the PRC and the overall situation was stable. The Group actively responded to the changes in internal and external environment, seized market opportunities and actively explored investment, acquisition and merger opportunities with an aim to expand its business scale. Meanwhile, it has continued to optimise its operation management capacity and actively promoted the development of its short closed-loop "investment, construction, financing and operation" integrated logistics hub business model to enhance efficiency and secure steady income. The operating results from the Group's core business segments have basically returned to pre-pandemic levels and demonstrated a growing momentum. For the six months ended 30 June 2021 (the "Period"), the revenue of the Group increased by 100% as compared to the corresponding period of the previous year to HK$7,062 million.

In respect of the logistics business, the total revenue of the logistics business for the Period increased by 37% as compared to the corresponding period of the previous year to HK$2,224 million, mainly due to the outbreak of the Pandemic and rent relief program implemented by the Group during the same period of the previous year. In 2021, revenue rebounded to the pre-pandemic level driven by the continuous recovery in demand for logistics facilities due to the effective implementation of the pandemic prevention and control policy. In addition, profit attributable to shareholders increased by 766% as compared to the corresponding period of the previous year to HK$1,230 million, attributable to successful injection of the Nanchang Integrated Logistics Hub project into the fund and completion and delivery of the residential project of the first phase of the Qianhai Project during the Period.

In order to develop new competitive advantages, the Group progressively promoted the construction and operation of logistics projects in an orderly manner. The Group has established footholds in a total of 30 key logistics gateway cities across the country as at 30 June 2021. The number of projects in operation increased to 26 while the total operating floor area reached 2.78 million square meters and the overall occupancy rate exceeded 92%.

During the Period, the Group achieved a breakthrough in its closed-loop “investment, construction, financing and operation” integrated logistics hub business model. In June 2021, the Group successfully injected Nanchang Integrated Logistics Hub project into a logistics real estate private equity fund established jointly by the Group and Goldstone Investment Co., Ltd., which resulted in recognition of a profit attributable to shareholders of HK$175 million to the Group with an asset appreciation rate of 64%. The said securitisation of assets was a monumental attempt under the development model for integrated logistics hubs, as it established sources of equity financing, lowered finance cost, increased asset efficiency, and facilitated the continuous sustainable development and further accelerated the expansion of the integrated logistics hub business. In the second half of 2021, the Group will actively progress the injection of the Hefei and Hangzhou projects into a fund and prepare for the public offering of Real Estate Investment Trusts (“REITs”) of target assets under the policy framework.

During the Period, the total revenue and net profit of Shenzhen Expressway Company Limited (“Shenzhen Expressway”), a subsidiary held as to approximately 52% by the Company, increased by 154% and 4,421%, respectively, as compared to the corresponding period of the previous year to HK$4,838 million (2020: HK$1,905 million) and HK$1,595 million (2020: HK$35.28 million), respectively, which was mainly due to the outbreak of the Pandemic and the toll-free policy implemented during part of the corresponding period of the previous year. Moreover, the opening of first phase of the Shenzhen Outer Ring Project at the end of 2020 and the satisfactory development of the environmental protection business during the Period both boosted growth on revenue of Shenzhen Expressway.

During the Period, the Pandemic permeated globally and dealt a heavy blow to the passenger air transport industry, resulting in a plunge in demand for air travel, and it affected the operation of Shenzhen Airlines Company Limited (“Shenzhen Airlines”), an associate in which the Group holds a 49% equity interest. Nevertheless, as the PRC government has adopted tight and effective Pandemic control measures, the passenger traffic of Shenzhen Airlines recovered gradually during the Period. Both passenger rides and passenger transport volume recorded increase as compared to the corresponding period of the previous year. Total revenue grew by 46% as compared to the corresponding period of the previous year to RMB9,681 million (equivalent to HK$11,639 million). Shenzhen Airlines’s net loss in the Period amounted to approximately RMB1,366 million (equivalent to HK$1,643 million), representing a loss decrease of 39% as compared to the corresponding period of the previous year. The Group's share of losses incurred by Shenzhen Airlines amounted to approximately HK$811 million (2020: loss of HK$1,223 million) during the Period. In the second half of 2021, the Pandemic is expected to gradually subside as vaccination rate increases, the domestic and foreign air transportation demand will recover steadily. Shenzhen Airlines will bolster its competitiveness by keeping abreast of market dynamics, converting passenger flights into cargo flights, strengthening cost control, rationalizing its capacity allocation and improving its key market network.

In the first half of 2020, 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 Qianhai Project and recognised a one-off gain before taxation of approximately HK$3,906 million . Due to the absence of such one-off gain during the Period, the operating profit and profit attributable to the shareholders decreased as compared to the corresponding period of the previous year. Taking into account the ongoing control policies over China's real estate industry and the risks it entails, the Group is actively considering bringing forward means of unlocking value of the residential, commercial, office buildings and relevant assets in Shenzhen held by the Group.

In recent years, the Group has continued to increase its investments and pursued a number of merger and acquisition and investment projects in order to step up the scale of its core logistics business. On 29 June 2021, the Group entered into the sale and purchase agreement for its first acquisition of logistics park assets including high-standard logistics warehouse projects located in the three core cities of Shanghai, Tianjin and Chongqing. The acquisition will contribute approximately 297,000 square meters of site area and approximately 246,000 square meters of gross floor area to the Group's portfolio and promote the implementation of the Group's strategy of "multiple logistics parks within one city", enlarging its asset portfolio and enhancing its market position. At the same time, securitisation of assets is becoming more straightforward as public offerings of the pilot schemes for PRC infrastructure REITs are successfully completed. In the future, the Group may consider participating in such schemes to securitise its assets to accelerate implementation of its "investment, construction, financing and operation" business model.

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

During the Period, Shenzhen Longhua District People's Government formally announced the preparation and redevelopment of its six key industrial land plots in order to comprehensively upgrade the district's urban infrastructure and build a high standard urban core area. The Group's South China Logistics Park is also included in one of the six key redevelopment and preparation projects in Longhua District. The Group will actively promote the transformation and upgrade of South China Logistics Park and strive to achieve the goal of maximising the value of the relevant assets for the shareholders of the Company.

On 10 August 2021, the Group entered into a sale and purchase agreement with a wholly owned subsidiary of Shenzhen Investment Holdings Company Limited ("SIHCL"), the indirect controlling shareholder of the Company, to acquire 100% equity interest in Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. ("Shenzhen Investment Infrastructure") at an estimated total consideration of no more than HK$10,479 million. Upon completion, the Company will indirectly own 71.83% equity interests in Shenzhen Investment Holdings Bay Area Development Company Limited (stock code of the Stock Exchange: 00737) ("Bay Area Development"). The completion of transaction is subject to the fulfilment or waiver of certain conditions precedent. Completion of the transaction will further consolidate the Group's core advantage in toll road investment, construction and operation, as well as its regional market share, future profitability and cash flow, which would allow the Group to achieve sustainable long-term development through increasing its growth potential and market value.

LOGISTICS BUSINESS

Analysis of Operating Performance

Logistics Park Business

The Group focuses on the investment and construction of logistics infrastructure in major cities across the country and strives for the development and expansion of its logistics business so as to expand the network and scale of its operation and maintain long-term sustainable development. As at 30 June 2021, the Group managed and operated a total of 26 logistics projects in a total of 30 key logistics gateway cities across the country with an aggregate owned and planned land area of approximately 7.50 million square meters, among which approximately 5.07 million square meters have been acquired and approximately 2.78 million square meters were put in operation. Attributable to the market demand for quality modern logistics facilities and effective marketing, these projects recorded satisfactory leasing performance with an overall occupancy rate of 92%.

I. Integrated Logistics Hubs Business

The Group has many years of experience in the development, operation and management of logistics parks. Since 2013, the Group has fully adopted the "Integrated Logistics Hubs" development strategy with a view to building a modern intelligent logistics platform with "large-scale logistics park network + integrated logistics services" as its core competitive edge.

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

The Group continued to increase its efforts to develop its logistics business and to enlarge the scale, efficiency and competitiveness of its core logistics operations. On 29 June 2021, the Group acquired several high-standard logistics warehouse projects in the three core cities of Shanghai, Tianjin and Chongqing at an aggregate amount of approximately RMB1,600 million. The acquisition of these projects will contribute approximately 297,000 square meters of site area and approximately 246,000 square meters of gross floor area to the Group's portfolio, rapidly expanded its nationwide logistics operating area and accelerated the implementation of "multiple logistics parks within one city" strategy in core cities. On the other hand, the Group will also identify logistics park investment opportunities in various regions across the country to expand its logistics park network and enlarge the total reserve of its mature logistics assets, thereby laying the foundation for potential future assets securitization.

While exploring new integrated logistics hub projects for development, the Group is also making steady progress with the construction or planned construction of projects to ensure meeting the work schedules. In the first half of 2021, the integrated logistics hub projects in Nantong and Xuzhou were completed and put into operation, resulting in an increase of approximately 200,000 square meters in the operating area of integrated logistics hubs. In addition, the construction works of the second phase of the Hangzhou Project, the Qingbaijiang Project in Chengdu, the Caidian Project in Wuhan, the Erqi Project in Zhengzhou, the Jiangyin Project in Wuxi and the second phase of the Yiwu Project have begun as planned. Several projects are expected to be completed and put into operation in the second half of 2021 and 2022.

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

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

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

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

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

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

In the first half of 2021, the development of the closed-loop "investment, construction, financing and operation" business model achieved substantial progress. The Group successfully issued its first logistics real estate private equity fund jointly with Goldstone Investment Co., Ltd. and other investors and injected the Nanchang Project into this fund, thereby implementing the securitization of the assets of the first logistics park project. The injection of the Nanchang Project into the fund under the "investment, construction, financing and operation" model has gradually unlocked the value of the integrated logistics hub and laid the foundation for long-term sustainable development by realizing a profit attributable to shareholders of approximately HK$175 million and an asset appreciation rate of 64%. On the other hand, the Group will continue to earn service fees by providing professional services, such as operational, maintenance, marketing, etc., to the logistics parks held by the fund. It is anticipated that the Group can generate cash return and related service fees in aggregate of approximately RMB7.5 million for the first year.

In the second half of 2021, the Group will continue to progress the injection of the Hefei Project and the first phase of the Hangzhou Project into a fund. Meanwhile, the Group will rigorously plan the issuance of publicly traded REITs and inject mature integrated logistics hubs into it. Through various channels, the Group seeks to improve the development of closed-loop "investment, construction, financing and operation" business model, accelerate the return of capital, optimize its industry model, enlarge its scale of operation and enhance its profitability.

II. Shenzhen Logistics Parks Business

As at 30 June 2021, 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 620,000 square meters, of which approximately 540,000 square meters was in operation with an overall occupancy rate of approximately 98%.

In the first half of 2021, South China Logistics Park actively explored the potential for increasing its revenue and profits with its existing resources. It actively expanded the high value-added customs bonded business by conducting intelligent upgrade at its existing warehouses and establishing an intelligent warehouse that allows players in the customs bonded trade between Hong Kong and Shenzhen to pack bulk goods into containers. It also put effort into the recovery and leasing of assets subject to expiring leases, thereby significantly increasing rental amount per unit for new leases.

Meanwhile, capitalizing on the Group's brand influence and operating ability, South China Logistics Park was engaged in a new logistics park management project, namely Yueyang Intelligent Commercial and Trading Park (岳陽智慧商貿物流園). With a gross floor area of approximately 250,000 square meters, this project will become the first integrated intelligent commercial and trading logistics park featuring commercial and trading, storage and e-commerce showroom functions in Yueyang. The first phase of the project will comprise storage facilities, of which approximately 50,000 square meters of high-standard warehouse and sorting and distribution center have been completed. The second phase will offer commercial auxiliary facilities. In the first half of 2021, Yueyang Intelligent Commercial and Trading Park achieved full occupancy.

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. This park is one of the Green Freight Distribution Pilot Projects (綠色貨運配送示範工程) in Shenzhen. Business services provided in the park include warehouse logistics services, large data center, office buildings, dormitories, restaurants and supermarkets, etc. The park also supports interactive sharing and intelligent interchange of data across the park with an intelligent park information management system. The operations of the project have stabilized and achieved satisfactory marketing results after successfully attracting a number of branded logistics enterprises. As at 30 June 2021, it attained an overall occupancy rate of 96%.

The Group has been actively driving the reform and upgrade of its logistics parks in Shenzhen in accordance with industrial and urban development trends. During the Period, it continued to progress the development and construction of the second phase of South China Logistics Park and the Liguang Project. Taking advantage of the positioning of Shenzhen where the park is located, and in order to seize the significant development opportunities in the industry, the second phase of South China Logistics Park will be developed into a combination of a global procurement and supply chain management platform, corporate headquarters as well as e-commerce and logistics financing platform. With a site area of approximately 62,000 square meters and a gross floor area of approximately 182,000 square meters, the second phase of the park will be developed and constructed in two stages. Completion and delivery of the first stage is expected to take place in 2021. On the other hand, with a site area of approximately 45,000 square meters, the Liguang Project is planned to be a logistics park with six levels above ground and two levels underground, comprising a total gross floor area of 265,000 square meters. The Liguang Project will be built as a modern, high-standard, intelligent and eco-friendly benchmark logistics park. Once completed, it will further consolidate the Group's market share in the Shenzhen area. Piling and foundation work was completed during the Period while the construction of the main structures started in early May. It is anticipated that this project will be put into operation in 2023.

Pinghunan Integrated Logistics Hub Project

In 2020, the Group and China Railway Guangzhou Group Co., Ltd. entered into a cooperation agreement, pursuant to which the parties agreed to establish a joint venture to invest in and develop the Pinghunan Integrated Logistics Hub Project (平湖南綜合物流樞紐項目) (the "Pinghunan Project"). The joint venture company was incorporated in August 2021. In September 2019, the Pinghunan Project was selected as one of the first batch of 23 national integrated logistics hub projects to be developed as a national logistics hub for business by the National Development and Reform Commission of the PRC and the Ministry of Transport of the PRC. The Pinghunan Project is positioned to meet the demand for distribution services for international, domestic and regional commercial and trading activities as well as demand for distribution services from large-scale customers by providing logistics and related value-added services, such as commodity warehousing, intermodal delivery and distribution services, so as to play a major role and become an important platform and backbone hub in the national logistics network.

Being the first logistics park to be jointly developed by the Group and a railway enterprise, the Pinghunan Project has a site area of approximately 900,000 square meters and an expected gross floor area of approximately 800,000 square meters (the final gross floor area is subject to the approval by the relevant governmental authorities of Shenzhen). The first phase of this project will be dedicated to operations for provision of warehouse logistics, port container depot and rail container transportation services. The second phase of the project involves the construction of a modern logistics park over the railway freight station. The Group plans to develop this project into a leading intermodal logistics hub in the country so as to diversify the logistics business of the Group. Building on the unique rail freight transportation terminal in Shenzhen as well as the nearby infrastructure of high-quality ancillary expressways and ports, the project is expected to generate stable income from the leasing of logistics facilities, in addition to instigating e-commerce express, urban distribution, cold chain, rail freight and other supply chain services. It can also coordinate and interact with the Group's integrated logistics hub network in cities across the nation in order to derive better synergies and generate considerable income for the Group.

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

Being one of the major cities in the Guangdong-Hong Kong-Macao Greater Bay Area, the supply of logistics and warehousing land in Shenzhen has become scarce whilst demand grows rapidly. The Group's Pinghunan Project pioneered the model of "obtaining ownership rights in multi-story logistics facilities to be constructed over the railway freight station", integrating development of "rail transportation and modern logistics". It will become a national constructive demonstration of the concentrated use of land resources for the whole nation. The implementation of the Pinghunan Project will allow the Group to accumulate high-quality long-term efficient assets for its future development, enlarge the scale and network coverage of its logistics operations, and strengthen its market position in the Guangdong-Hong Kong-Macao Greater Bay Area as well as the rest of the country. Thus, the development of the Pinghunan Project is in line with the Group's business development strategy and planning.

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

The Group is in strategic cooperation with, among others, the logistics hub of the Shenzhen airport, which is one of the second batch of national logistics hubs. In addition to the road and railway intermodal transportation of Pinghunan Project, air cargo services will also be added to the logistics network of the Group in order to establish a logistics network covering "road, railway and air" for the Shenzhen region, facilitate the integration of multiple transportation modes, provide comprehensive logistics services, realise network synergy and enhance operating efficiency.

Logistics Service Business

With the technologies relating to artificial intelligence, big data and 5G mature, the combination of new application scenarios such as automatic sorting, precise delivery and contactless distribution facilitates the logistics industry to undergo high technology and intelligent upgrade and move away from being a traditional labor-intensive industry. Emerging industries such as intelligent logistics and cold chain logistics have become major trends of the future development of the logistics industry. Furthermore, as the PRC consumer market upgrades and expands, new e-commerce segments such as raw and fresh food and pharmaceutical products are rapidly growing, resulting in surging demand for the storage of refrigerated and pharmaceutical products. As such, accelerating the development of intelligent warehouses and cold chain projects will present both new opportunities and challenges for the logistics industry.

The Group actively explored the intelligent warehouse business and formulated the strategy for the development of intelligent warehouses at the end of 2019 to strive for logistics business innovation. It currently has approximately 110,000 square meters of intelligent warehouses under construction and in operation. In particular, Hangzhou Integrated Logistics Hub project successfully invited Ruhnn Holding to apply Whalehouse's Picking Spider System (PSS), which has enhanced the utilization rate of its storage space by 6 times. On the other hand, South China Logistics Park upgraded and revamped the intelligent warehouse of an existing customer, Pedder Logistics. Following this upgrade, the same volume of service can be delivered within 10,000 square meters instead of 20,000 square meters. The Shijiazhuang Project reached an agreement with Shanghai Pharma to develop an intelligent medical warehouse, of which approximately 11,000 square meters have officially been put into operation while approximately 14,000 square meters were under construction. Meanwhile, the Group also accelerated the development of its industry portfolio to capture market demand and foster the cold chain business. It is currently constructing approximately 120,000 square meters of cold storage, of which approximately 100,000 square meters are located in the Shenzhen area.

Following the completion of the strategic investment in Hubei Prolog Technologies Co., Ltd. (a logistics technology company) at the end of 2020, the Group achieved another breakthrough during the Period by entering into a capital injection agreement to invest in, and will become the third largest shareholder of China Comservice, which is the unique integrated logistics enterprise in the telecommunications industry with a "5A" qualification in the PRC. Under this cooperation, the Group can synchronize and connect its logistics warehouse network with that of China Comservice. On the other hand, both parties may also complement each other in different aspects and realize a win-win situation by jointly developing high-end logistics value-added services in emerging sectors, such as information and communications, data center, etc.

On 9 November 2020, the Group entered into a capital increase agreement with Air China Cargo Co., Ltd. ("Air China Cargo") to acquire a 10% equity interest in Air China Cargo by way of capital contribution of approximately RMB1,565 million. This transaction is being reviewed by regulatory authorities. At the moment, the Pandemic is still wreaking havoc across the world. As air transportation is the most time-effective way to deliver emergency supplies and maintain supply chain, air cargo will have a rapidly growing demand. Through the strategic equity investment in Air China Cargo, the Group will be able to quickly enter the air cargo industry, which has high entry barrier and is highly monopolistic, in order to extend its integrated logistics service capability and achieve a new profit stream.

In 2020, the Group set up a joint venture with Sinotrans Limited to operate the Bay Area Express (灣區號) in Shenzhen, a train running between China and Europe. The launch of the Bay Area Express established a new trade route linking Shenzhen and countries along the "Belt and Road Initiative" and facilitates the stable flow of foreign investment and trade. It also represents a key action of the Shenzhen Municipal Government to integrate itself into the "Belt and Road Initiative" and promote the "Building of the Guangdong-Hong Kong-Macao Greater Bay Area and the Pilot Demonstration Zone of Socialism with Chinese Characteristics" (also called the "development of two regions"). Spanning across 13,438 kilometers, the Bay Area Express sets off from Shenzhen to Duisburg, Germany via Dzungarian Gate in Xinjiang, serving one of the longest train routes of the PRC between China and Europe. Three trains run this route every week. In the first half of 2021, this train between China and Europe operated smoothly and its volume of rail traffic demonstrated growth momentum. Leveraging the Bay Area Express which runs between China and Europe, the logistics parks of the Group have commenced one-stop services such as cargo consolidation and packaging, agent booking service, loading and unloading, warehousing and transportation. In particular, the fast-growing bulk cargo consolidation and packaging operation can increase the utilization rate of warehouses, create synergy among logistics parks of the Group and generate new value-adding income. Furthermore, it will benefit the freight volume of the Pinghunan integrated logistics hub and the development of its various value-added services by using the Pinghunan Railway Station as the terminal of the train between China and Europe. This will in turn provide a solid foundation for the long-term stable growth of the Group's logistics business.

Port and Related Services Business

In the first half of 2021, Nanjing Xiba Port continued to optimize its customer portfolio industry layout. It has made a huge effort in reaching out to customers with business growth potential while maintaining existing customers. In the first half of 2021, a total of 251 seagoing vessels (including 29 foreign vessels) berthed at Nanjing Xiba Port with a total throughput of 19.91 million tonnes, representing a year-on-year increase of 14.4%, of which 2.70 million tonnes was shipped by train, representing a year-on-year increase of 7.6%. By taking advantage of the port's large-scale assets, the supply chain business for thermal coal, petroleum coke and foundry coke were established and are operating in an orderly manner. In addition, the Group is actively exploring new businesses such as "ship-to-rail transfer" business, and optimizing its port business portfolio in order to capitalize on its function as a distribution and consolidation hub for ships and railway.

The Group also made further effort in searching for quality port project. The Group successfully acquired the Fengcheng Shangzhuang Project, the Jingjiang Port Project and the Shenqiu Port Project in 2020. The construction of the Fengcheng Shangzhuang Project, which is owned by the Group as to 20%, commenced at the end of December 2020 and is currently proceeding as planned. The Jingjiang Port Project is also progressing in an orderly manner. The approval procedures are currently underway and it is expected that construction will begin in 2022. The Jingjiang Port Project will effectively take up the functions and customer base of the second phase, while creating good synergies with the first phase of the Nanjing Xiba Port. This project will play an important role in widening and adjusting, among other things, the types and sources of goods processed by the port segment. Furthermore, in the first half of 2021, the Group and Shenqiu County Government entered into a strategic cooperation agreement to step up their cooperation in the development of ancillary urban infrastructure, especially in planning and construction of logistics parks, the provision of port processing and its value-added services as well as integrated water and rail transportation.

Logistics Park Transformation and Upgrading Business

The Group has actively pushed through the adjustment, transformation and upgrading of the land use rights of its logistics parks, vigorously built up the long closed-loop "investment, construction, operation and transformation" development model of its traditional logistics parks and effectively revitalized its assets and resources in reserve, in order to provide long-term support to the Group's business development and financial performance, and maximize the value of the relevant assets and in turn value for the shareholders of the Company.

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

The first phase of the Qianhai Project has a total gross floor area of approximately 110,000 square meters, comprising approximately 51,000 square meters of residential project, approximately 35,000 square meters of office project and approximately 25,000 square meters of commercial project. In the first phase of the Qianhai Project, the residential project jointly developed by the Group and Shum Yip Land Co., Ltd., namely PARKVIEW BAY, was completed and delivered in June 2021. The office project, which was positioned as the information port for the "Belt and Road Initiative" in Qianhai 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"), 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 zone position and policy advantage in the Guangdong-Hong Kong-Macao Greater Bay Area, this project will benefit from the Group's extensive supply chain management experience and CCID's strong information technology service capacity and will focus on the development of supply chain services, intelligent manufacturing services as well as promoting the deep integration of the digital and real economies across the Guangdong-Hong Kong-Macao Greater Bay Area and countries/regions along the "Belt and Road Initiative". The registration of completion for this project was completed on 27 July 2021 and its marketing and operating works were proceeding in an orderly manner. As at early August 2021, contracted leases of this project reached 8,000 square meters. As for the commercial project, the Group and SCPG (印力集團) will capitalize on the strengths of each other and turn the Mawan area in Qianhai into a unique boutique commercial project. Roadshows have been held to promote this project under the brand "Qianhai Yinli" (前海·印里) to the public. As at early August 2021, several potential lessees have expressed their intentions to lease an aggregate of 45% of the commercial area available for lease. This project will be put into operation in 2022.

The second phase of the Qianhai Project has a plot ratio-based gross floor area of approximately 110,000 square meters, comprising residential area of approximately 91,000 square meters. The construction of the second phase of the Qianhai Project officially commenced in March 2021. 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 Qianhai area.

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

II. 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 will provide residential properties with a saleable area of approximately 68,000 square meters, and the third phase will provide residential properties with a saleable area of approximately 63,000 square meters and office and business apartment complexes of approximately 190,000 square meters. The overall planning of this project includes the commercial ancillary properties of approximately 34,500 square meters.

All residential units of the first phase of the Meilin Checkpoint Project, namely He Feng Xuan (和風軒), have been sold out and delivered to their owners for use. The inspection and acceptance of He Ya Xuan (和雅軒), which is the second phase of the Meilin Checkpoint Project, have been completed in 2020 while its renovation are currently proceeding in batches. The third phase of the project, namely He Song Xuan (和頌軒), has commenced construction and presales in December 2020, and all of its residential units have been sold out.

III. Transformation and upgrading of South China Logistics Park

As economic growth in the PRC speeds up and the "two-region national development" strategy rolls out, the Guangdong-Hong Kong-Macao Greater Bay Area will become one of the most open and vibrant economic zones in the country. However, land supply in the Greater Bay Area is limited and land resources in the core areas are particularly scarce. Being the Group's biggest traditional logistics park in Shenzhen, South China Logistics Park has a site area of approximately 580,000 square meters, occupying a convenient prime location with ample development potential. It is expected that the successful transformation of this park will materialize the long closed-loop "investment, construction, operation and transformation" development model, unlock its intrinsic value gradually, and bring substantial economic return for the Group in the next few years.

The transformation and upgrading of South China Logistics Park made significant progress in the first half of 2021. It was endorsed in the "Shenzhen General Land and Space Plan (2020-2035) (Draft)" (《深圳市國土空間總體規劃(2020-2035 年)》(草案)) and the land parcels within the park was included in the "urban core zone" with higher strategic position. In addition, South China Logistics Park is now part of the key industrial zones of Longhua District and its upgrade and transformation has been incorporated in the "Outline of the 14th Five-year Plan for National Economic and Social Development and the Long-Range Objectives Through the Year 2035 of Longhua District, Shenzhen" (《深圳市龍華區國民經濟和社會發展第十四個五年規劃和二〇三五年遠景目標綱要》) and the "Proposal for the Promotion of the Renewal and Development of Key Industrial Zones of Longhua District" (《龍華區關於推進重點產業片區更新整備工作方案》).

Financial Analysis

During the Period, revenue from the Group's logistics business amounted to HK$2,224 million, representing an increase of 37% as compared to the corresponding period of the previous year, while profit attributable to shareholders from the logistics business rose by 766% as compared to the corresponding period of the previous year to HK$1,230 million, mainly attributable to the continuous recovery in demand for logistics facilities and the rebound in revenue to basically the pre-pandemic level due to the effective control of the Pandemic in the PRC, as well as completion and delivery of and hence the recognition of an investment gain of HK$860 million from the residential project of the first phase of the Qianhai Project during the Period, which contributed to the revenue and profit of the Group.

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

For the six months ended 30 June

	Revenue		Profit attributable to shareholders		
	2021 ***HK$'000***	Change over Year 2020 Increase/ (decrease)	**2021** ***HK$'000***		Change over Year 2020 Increase/ (decrease)
Logistics Park Business	**611,256**	57%	**316,257**	*	296%
Logistics Service Business	**553,135**	(8%)	**4,154**		(66%)
Port and Related Service Business	**1,059,502**	65%	**55,451**		11%
Logistics Park Transformation and Upgrading Business	**-**	-	**853,776**		N/A
Total	**2,223,893**	37%	**1,229,638**		766%

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

During the Period, revenue from the logistics park business increased by 57% as compared to the corresponding period of the previous year to HK$611 million, which was mainly due to the outbreak of the Pandemic and rent relief program implemented by the Group during the same period of previous year. In 2021, revenue rebounded to the pre-pandemic level driven by the continuous recovery in demand for logistics facilities due to the effective implementation of the pandemic prevention and control policy. Profit attributable to shareholders increased by 296% as compared to the corresponding period of the previous year to HK$316 million, which was mainly attributable to the successful injection of the Nanchang Integrated Logistics Hub Project into the fund during the Period, resulting in a profit attributable to shareholders of HK$175 million.

During the Period, revenue from the logistics service business decreased by 8% as compared to the corresponding period of the previous year to HK$553 million whilst operating costs increased due to the changes to international shipping rates. As a result, profit attributable to shareholders decreased by 66% as compared to the corresponding period of the previous year to HK$4.15 million.

During the Period, revenue and profit attributable to shareholders from the port and related service business increased by 65% and 11% as compared to the corresponding period of the previous year to HK$1,060 million and HK$55.45 million, respectively, mainly attributable to the Group's effective efforts on developing new customers and maintaining existing customers, as well as the successful launch of new business operations, which boosted the revenue growth of the port and related service business.

During the Period, the logistics park transformation and upgrading business contributed profit of HK$854 million to the Group, which mainly comprised the investment gain resulted from the delivery of the residential project, PARKVIEW BAY, jointly developed by the Group and Shum Yip Land Co., Ltd., being the first phase of the Qianhai Project in June 2021.

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

- The Shenzhen Coastal Project is an important gateway for diverting port traffic from Shenzhen's western port area. During the Period, benefiting from the economic development and construction work in Qianhai and the western port area in Shenzhen as well as the synergies between road networks brought by the opening of westbound section of Shahe West Connection Road of the Dongbin Tunnel, the Shenzhen Coastal Project recorded a satisfactory growth in terms of average daily traffic volume.

- The first phase of the Shenzhen Outer Ring Project, with a total length of approximately 50.74 kilometers , was officially opened to traffic at the end of December 2020. It is the first expressway in the PRC with full 5G network coverage enabled by adopting multifunctional smart lamp posts as carrier. During the Period, the first phase of the Shenzhen Outer Ring Project performed well in operation and increased traffic flow of Meiguan Expressway and the Shenzhen Coastal Project whilst diverted some of the traffic flow away from Jihe Expressway.

- Xuguang Expressway, an expressway between Xuchang in Henan and Guangzhou in Guangdong, comprising Guangqing, Qinglian, Yuelin, Suiyue, Lintong and Lannan expressways, has been fully connected and enhanced the role of Qinglian Expressway as the main artery connecting southern China and the norther hinterland in central China. In addition, the continuous improvement in the road network of the nearby Qingyun section of Shanzhan Expressway. Therefore, the operating performance of Qinglian Expressway maintained stable.

- Attributable to the rapid resumption and growth of economic activities in the nearby regions, Wuhuang Expressway recorded outstanding operating performance during the Period.

- As a result of the ongoing positive impact of the rebound of neighboring economic regions and the launch of nearby road systems such as the Changyi North-Line Expressway (Changsha-Yiyang), the operating performance of Changsha Ring Road improved significantly.

Key Construction Project

Invested by the Group under the public-private-partnership (PPP) model, the Shenzhen Outer Ring Project, which will be developed in three phases, is by far the longest toll road in Shenzhen’s expressway network and will link up with 10 expressways and 8 first tier highways in the Shenzhen region upon completion. During the Period, the Group put additional resources and efforts into the construction of the second phase of the Shenzhen Outer Ring Project. The section of the Shenzhen Outer Ring Project from Huiyan Expressway to the north of Shenshan Expressway has been linked up. As at the date of this announcement, around 83% of the first and second phase of the Shenzhen Outer Ring Project as a whole has been completed. At the same time, the Group is actively carrying out the surveying, design and other preliminary preparation work of the third phase of the Shenzhen Outer Ring Project.

In respect of Shenzhen Coastal Phase II, the Shenzhen World Exhibition & Convention Center interchange has been opened 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 became 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. The construction design and plan of Shenzhen Coastal Phase II were adjusted to take into account of the construction of the eastern man-made island of the Shenzhen-Zhongshan Bridge. As at the date of this announcement, according to the adjusted construction plan, about 52.6% of the overall construction of Shenzhen Coastal Phase II has been completed. In particular, about 67%, 65% and 10% of the construction of the road bed, bridges and road surface, respectively, have been completed.

Acquisition

On 15 March 2021, Shenzhen Expressway and SIHCL entered into a memorandum of understanding for the intended acquisition of the 71.83% equity interest in Bay Area Development. On 10 August 2021, a wholly owned subsidiary of Shenzhen Expressway and a wholly owned subsidiary of SIHCL entered into a sale and purchase agreement for the acquisition of the 100% equity interest in Shenzhen Infrastructure at the estimated total consideration of no more than HK$10,479 million. The Company will indirectly own as to 71.83% equity interest in Bay Area Development upon completion. The completion of this acquisition is subject to the satisfaction or waiver of certain conditions precedent, including the approval to be obtained at the general meetings of the Company and Shenzhen Expressway. For details, please refer to the announcement of the Company dated 10 August 2021.

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

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, as well as clean energy during the Period.

During the Period, Chongqing Derun Environment Company Limited, in which Shenzhen Expressway owns 20% equity interest, continued to focus on markets in Chongqing and its surrounding region and maintained 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 Period, Shenzhen Water Planning & Design Institute Company Limited ("Water Planning & Design Institute"), in which Shenzhen Expressway owns 11.25% equity interest, achieved a continual increase in market share with a year-on-year increase of 42% in newly secured contracts. Water Planning & Design Institute was listed on ChiNext Board of the Shenzhen Stock Exchange (stock code: 301038) in August 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 improving its operations and management in different respects. Nanjing Wind Power Company zealously delivered and commissioned its wind turbines and received sale proceeds of approximately RMB160 million and signed wind farm project orders amounting to nearly 100 megawatt-hours during the Period. Nanjing Wind Power Company will work towards its annual targets and pave the way for its future business development by, among other things, stepping up its technology research and development efforts and diversifying its supply chain.

In addition, Shenzhen Expressway holds the 100% 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 Period, Baotou Nanfeng Company fed an aggregate of 382,436 megawatt-hours of electricity to the grid, representing a year-on-year increase of 19.06%.

During the Period, Shenzhen Expressway completed the acquisition of the entire equity interest in Mulei County Qianzhi Energy Development Co., Ltd., Mulei County Qianhui Energy Development Co., Ltd. and Mulei County Qianxin Energy Development Co., Ltd. (the "Mulei Wind Power Project"), which operate in Changji Hui Autonomous Prefecture in Xinjiang Uygur Autonomous Region, through a combination of equity transfer and capital injection. After being consolidated by the Group, the Mulei Wind Power Project fed an aggregate of 339,412 megawatt-hours of electricity to the grid during the Period. The Mulei Wind Power Project has ample wind power resources and has wind farm developments with high values. It also enjoys a certain degree of guaranteed electricity sales for being one of the ancillary projects of the Zhundong-Southern Anhui ultra high voltage direct current transmission line in the PRC.

Shenzhen Expressway holds 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 the PRC. During the Period, Shenzhen Expressway vigorously improved the construction and operation of Bioland Environmental Company's projects, thereby boosting the year-on-year growth in revenue from its waste treatment operations business. The engineering, procurement and construction (EPC) business also recorded a year-on-year increase, while the equipment manufacturing business achieved significant progress in market expansion. As at the date of this announcement, it has a total of 18 organic waste treatment build-operate-transfer (BOT)/PPP projects with an aggregate designed daily kitchen waste treatment capacity of over 4,000 tonnes in 14 counties and cities in 10 provinces across the country.

Furthermore, in late 2020, Shenzhen Expressway completed the acquisition of 50% equity interest in Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Limited ("Qiantai Company"). With more than 10 proprietary intellectual property rights related to key technologies for recycling electric-vehicle battery and dismantling new energy vehicles. During the Period, Qiantai Company recycled nearly 1,500 end-of-life vehicles by cooperating with relevant companies in the industry to participate in the industry chain. Leveraging its advantageous qualifications, Qiantai Company will engage in different types of collaborations and expand into the upstreams and downstreams decommissioned high power battery markets in the future.

Financial Analysis

Toll roads operated and invested by the Group have resumed full toll collection in the second half of 2020. Coupled with the launch of the first phase of the Shenzhen Outer Ring Project, toll revenue collected by Shenzhen Expressway during the Period was HK$3,345 million (2020: HK$1,183 million), representing an increase of 183% as compared to the corresponding period of the previous year. At the same time, the environmental protection business attained satisfactory expansion and increased investment returns, which have in turn boosted the growth on revenue of Shenzhen Expressway.

Total revenue of Shenzhen Expressway for the Period was HK$4,838 million (2020: HK$1,905 million), representing an increase of 154% as compared to the corresponding period of the previous year. Profit before taxation and finance cost amounted to HK$2,371 million (2020: HK$330 million), representing an increase of 618% as compared to the corresponding period of the previous year. Net profit was HK$1,595 million (2020: HK$35.28 million), representing an increase of 4,417% as compared to the corresponding period of the previous year. Profit of Shenzhen Expressway attributable to the Group for the Period increased by 1,167% as compared to the corresponding period of the previous year to HK$749 million (2020: HK$59.11 million).

OTHER INVESTMENTS

Shenzhen Airlines

During the Period, the Pandemic permeated across the world and dealt a heavy blow to the passenger air transport industry resulting in a plunge in demand for air travel. Nevertheless, the tight and effective control of the Pandemic in the PRC allowed the domestic air travel market to gradually recover. It drove passenger revenue to increase by 48% to RMB8,531 million (2020: RMB5,773 million). During the Period, total revenue of Shenzhen Airlines grew by 46% as compared to the corresponding period of the previous year to RMB9,681 million (equivalent to HK$11,639 million) (2020: RMB6,641 million (equivalent to HK$7,304 million)). However, the resurgence of the Pandemic in the Guangzhou and Shenzhen regions in June 2021 and other external factors offset part of the revenue growth which had a certain impact on the profitability of Shenzhen Airlines. Shenzhen Airlines brought a loss of approximately HK$811 million (2020: loss of HK$1,223 million) to the Group during the Period.

CSG Holding Co., Ltd. ("CSG")

During the Period, the Group disposed of approximately 17.54 million A shares of CSG (2020: nil) at an average selling price of approximately RMB10.35 (equivalent to HK$12.44) per share, recording a profit after tax of approximately HK$46.98 million.

As at 30 June 2021, the Group held a total of approximately 21.63 million A shares of CSG, representing approximately 0.7% of the total issued share capital of CSG. The A shares of CSG held by the Group are classified as financial assets measured at fair value through profit or loss. As the share price of the A shares of CSG as at the end of June 2021 was higher than that as at the end of December 2020, profit after tax of approximately HK$55.78 million was recorded therefrom for the Period.

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

OUTLOOK FOR THE SECOND HALF OF 2021

Looking forward to the second half of 2021, the Pandemic will remain as the largest uncertainty and challenge faced by the global economies. Nevertheless, macro-economy is growing steadily in the PRC and the country's long-term economic development and fundamentals stay positive under its current "Dual Circulation" national development framework. Meanwhile, the continuance of the Pandemic has turned online shopping into the norm. Demand for contactless delivery will bring business opportunities for intelligent 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 to pave the way for its high-quality development in the future.

Despite the complex and ever-changing business environment in the future, the management of the Group believes that with each challenge comes an opportunity. As such, the Group will remain vigilant about market dynamics and regularly review the Group's development strategies and risk control systems. On the other hand, the Group will capitalize on its distinct competitive edge in terms of urban auxiliary infrastructure and ample cash flows from the core toll road and logistics businesses to promote the development of the intelligent warehouse and cold chain businesses, as well as expand its scale by speeding up its investment, merger and acquisition projects to ultimately achieve sustainable development.

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

In the second half of 2021, the Group will continue to seize the opportunities arising from urban development and renewal under its long closed-loop "investment, construction, operation and transformation". The Group will actively promote the development and sale of the Meilin Checkpoint Project and the Qianhai Project. Meanwhile, the Group is actively considering bringing forward means of unlocking value of relevant assets in Shenzhen held by the Group after taking into account the ongoing control policies over real estate market in the PRC and the risks it entails. On the other hand, the Group will vigorously speed up the transformation and upgrade of South China Logistics Park and engage in the urban planning of the southern Longhua District in accordance with the new round of urban development planning. South China Logistics Park with a site area of approximately 580,000 square meters, situated in the core region of Longhua, is the largest single logistics park of the Group. Taking into account its prime location and convenient access to transportation, the park is expected to contribute considerable economic returns to the Group upon successful transformation.

Meanwhile, the Group will build up the short closed-loop "investment, construction, financing and operation" business model in multiple ways, aiming to speed up asset securitization, push integration of industry and finance, expand its nationwide presence, diversify its income streams and accelerate the sustainable rolling development of logistics parks. In the second half of 2021, it will rigorously advance the injection of integrated logistics hub projects into a fund, such as the Hefei Project and the first phase of the Hangzhou Project while proactively exploring the possible launch of publicly traded REITs of infrastructure in PRC.

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

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

The Group is establishing a comprehensive logistics ecosystem combining “Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics” in accordance with its 14th Five-year Strategic Development Plan. This ecosystem covers logistics parks along land routes, inland ports, air cargo terminals and railroad freight stations. To be an intelligent storage service provider, the Group will nurture the operational and integrated programming capabilities of intelligent warehouses. Moreover, a cold chain logistics operation will be developed as a new core competence by leveraging the strengths of the Group’s well-established network of logistics parks.

In the second half of 2021, the Group will continue to seize the strategic opportunities brought about by, among other things, the Belt and Road Initiative, the Guangdong-Hong Kong-Macao Greater Bay Area, the Shenzhen demonstration pilot zone and the Yangtze River Economic Belt, and strengthen its presence in logistics infrastructure and related industries. It will expand its integrated logistics hub network across the country through a two-pronged approach, which includes construction as well as mergers and acquisitions. It will put extra effort into expanding in regions with competitive edge, such as the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta, the Beijing-Tianjin-Hebei integration zone and the Hainan Free Trade Port. It will also implement the strategy of “multiple logistics parks within one city” across key logistics hubs so as to further enlarge its market share. Meanwhile, the Group will also continue to strengthen the market position of its operating logistics parks, push forward their intelligent transformation and improve the capability of its marketing, operational and integrated services. In addition, the Group will speed up the planning of logistics parks and hubs in Shenzhen, accelerate the development and construction of key projects in the Shenzhen region, such as the Liguang Project and Pinghunan Integrated Logistics Hub Project, increase the density of high-quality logistics assets in Shenzhen and its surrounding cities and promote interactions with the logistics hub of the Shenzhen airport and other air cargo terminals in order to establish a logistics network covering road, railway and air, enhance logistics efficiency and reduce logistics costs. Going forward, the Group will make the most out of its logistics parks along land routes and enhance its scale of operation as a whole by fully combining both the long closed-loop “investment, construction, operation and transformation” and the short closed-loop “investment, construction, financing and operation”.

Building on Nanjing Xiba Port, the Group will continuously establish its planned port network and strengthen its leading position in upstream and downstream Yangtze River by stepping up its investments in quality port projects and expending its network. It will enable more cooperation based on its urban ancillary infrastructure projects and enhance its overall competitiveness.

In 2020, the Group engaged in various collaboration in terms of the development of a logistics park, air cargo business and rail transport routes between China and Europe with central enterprises including China Railway Guangzhou Group Co., Ltd., China National Aviation Capital Holding Co., Ltd and Sinotrans Limited. It will fully leverage the competitive edge of each party's resources to derive synergies. In the second half of 2021, the Group will continue to cooperate with state-owned enterprises and strive to make substantive progress in investments such as investing in air cargo terminals and railway freight stations, with the aim of realizing mutual benefits.

In the second half of 2021, the Group will continue to promote the development of intelligent and cold chain logistics businesses based on its owned warehouse facilities. Firstly, it will nurture the operational and integrated programming capabilities of its intelligent warehouses. Secondly, it will expedite the development of the cold chain logistics business by leveraging the strengths of its well-established network of logistics parks with a view to drive its future business growth.

In the second half of 2021, the Group will continue to consolidate and boost the strength of toll road business by accelerating equity investments in the Bay Area Development, refining the operating and management models of existing toll road projects, improving coordination among different projects and enhancing its competitiveness and synergies in core areas, and in turn enhancing its overall operating performance. For the environmental protection business, the Group will continue to focus on management of recycling solid waste, clean energy generation and other segments in order to enlarge its market share and influence in the organic waste disposal segments. At the same time, the Group will seek more suitable investment opportunities in order to seize the opportunities brought by the latest state support of the new energy market, achieve consolidation and synergies between its existing businesses and other resources of the Group, and promote the Group's high-quality sustainable growth.

2021 marks the beginning of the Group's 14th Five-year Strategic Development Plan. The Group will capitalize on the golden strategic opportunities brought by the development of two regions, namely the Guangdong-Hong Kong Macau Greater Bay Area and Shenzhen Pilot Demonstration Zone, to attain its owned development goals and create greater value and returns for all shareholders. The Group is working on growing into a unique and top industrial group with a corporate value of hundreds of billions.

FINANCIAL POSITION

	30 June 2021 *HK$ million*	31 December 2020 *HK$ million*	**Increase/ (Decrease)**
Total Assets	**120,891**	113,187	**7%**
Total Liabilities	**61,369**	54,708	**12%**
Total Equity	**59,522**	58,479	**2%**
Net Asset Value attributable to shareholders	**34,852**	34,387	**1%**
Net Asset Value per share attributable to shareholders (HK dollar)	**15.4**	15.7	**(2%)**
Cash	**14,800**	15,104	**(2%)**
Bank borrowings	**18,241**	14,466	**26%**
Other borrowings	**569**	489	**16%**
Notes and bonds	**18,349**	17,093	**7%**
Total Borrowings	**37,159**	32,048	**16%**
Net Borrowings	**22,359**	16,944	**32%**
Debt-asset Ratio (Total Liabilities/Total Assets)	**51%**	48%	**3** #
Ratio of Total Borrowings to Total Assets	**31%**	28%	**3** #
Ratio of Net Borrowings to Total Equity	**38%**	29%	**9** #
Ratio of Total Borrowings to Total Equity	**62%**	55%	**7** #

Change in percentage points

Key Financial Indicators

As at 30 June 2021, the Group's total assets and total equity amounted to approximately HK$120,891 million and HK$59,522 million, respectively, while the net asset value attributable to shareholders was approximately HK$34,852 million. Net asset value per share was HK$15.4, representing a decrease of 2% as compared to the end of last year. The debt-asset ratio was 51%, which was 3 percentage points higher than that at the end of last year. The ratio of total borrowings to total equity was 62%, representing an increase of 7 percentage points as compared to the end of last year. The financial position of the Group remained healthy and stable.

Cash Flow and Financial Ratios

During the Period, net cash generated from operating activities amounted to approximately HK$3,124 million. Net cash used in investing activities amounted to approximately HK$2,851 million. Net cash generated from financing activities amounted to approximately HK$1,703 million. The core businesses of the Group have basically returned to pre-pandemic level and contributed stable cash inflow to the Group. The Group closely monitors changes in total borrowings with a view to maintaining its financial ratios at a healthy level.

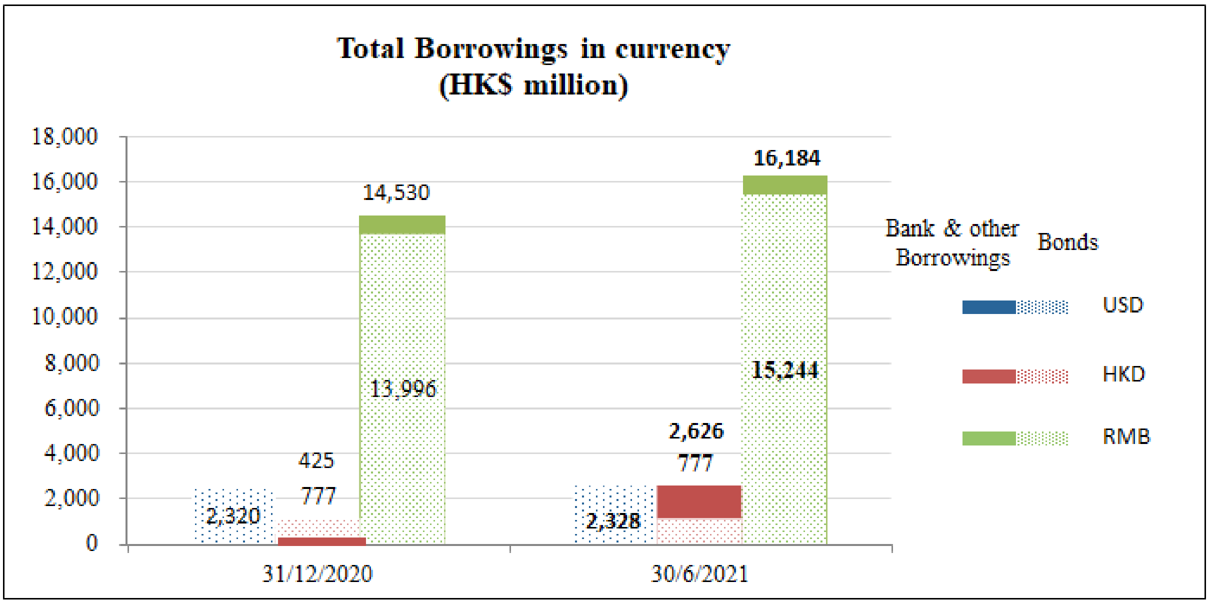
Cash Balance

As at 30 June 2021, cash held by the Group amounted to approximately HK$14,800 million (31 December 2020: HK$15,104 million), representing a decrease 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.

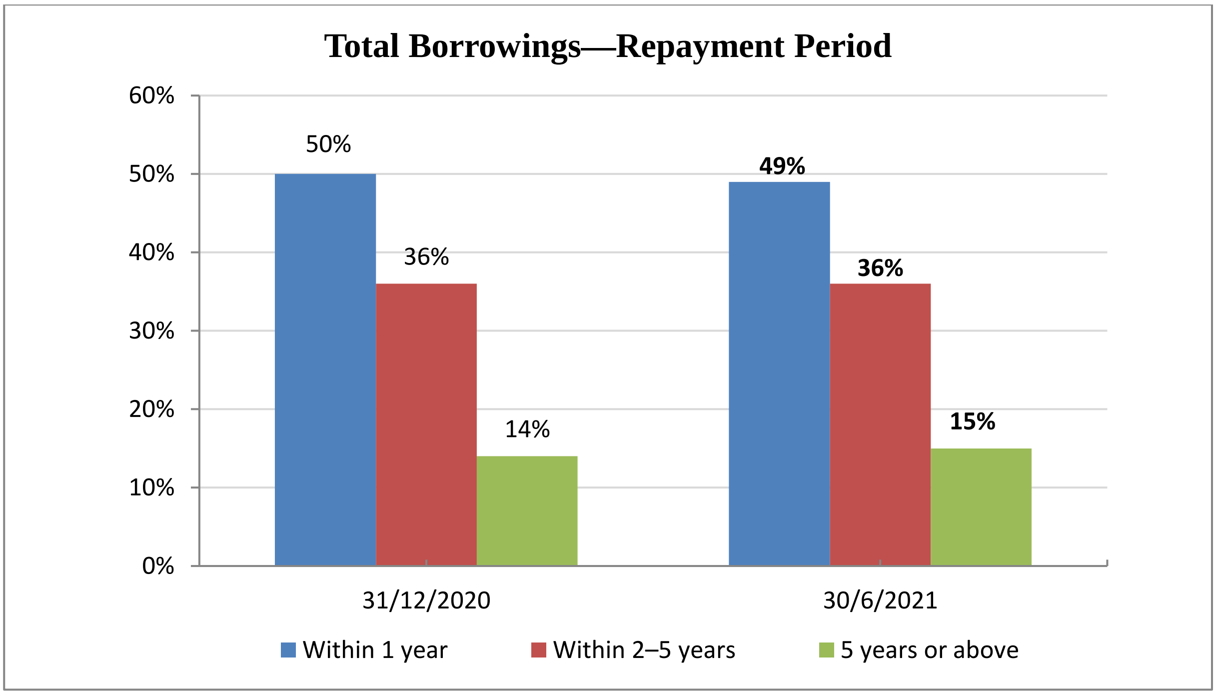
Capital Expenditures

The Group's capital expenditures for the Period amounted to approximately RMB3,930 million (equivalent to HK$4,730 million), primarily comprising investments in the construction of "Integrated Logistics Hub" projects of approximately RMB1,070 million and investments in Shenzhen Expressway's projects of approximately RMB2,130 million. The Group expects the capital expenditures for the second half of 2021 to be approximately RMB5,100 million (equivalent to HK$6,200 million), including approximately RMB1,880 million for the "Integrated Logistics Hub" projects, approximately RMB1,200 million for Shenzhen Expressway's projects and approximately RMB800 million for United Land Company's projects.

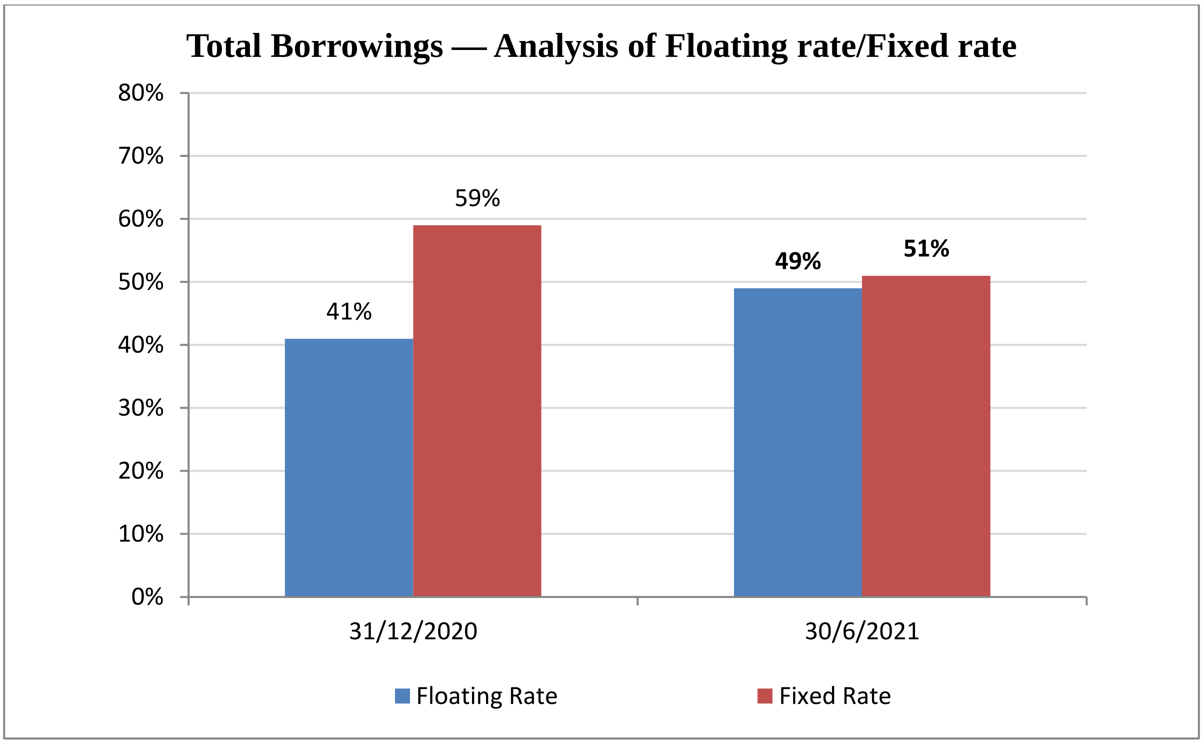
Borrowings



Total Borrowings in currency
(HK$ million)
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
14,530
13,996
425
777
2,320
16,184
15,244
2,626
777
2,328
31/12/2020
30/6/2021
Bank & other Borrowings
Bonds
USD
HKD
RMB



Total Borrowings—Repayment Period
60%
50%
40%
30%
20%
10%
0%
50%
36%
14%
49%
36%
15%
31/12/2020
30/6/2021
Within 1 year
Within 2–5 years
5 years or above



As at 30 June 2021, the Group's total borrowings amounted to approximately HK$37,159 million, representing an increase of 16% as compared with the end of last year. During the Period, Shenzhen Expressway, a subsidiary of the Group, issued green corporate bonds of RMB1,200 million. 49%, 36% and 15% of the Group's total borrowings were due for repayment within 1 year, within 2 to 5 years and in 5 years or above, 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 effectively lowered 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

Except for the updates as stated below, the Group's financial policies were in line with those disclosed in its annual report for 2020 and set out in those statements.

Exchange Rate Risk

The cash flows, cash on hand and assets of the businesses operated by the Group are mainly denominated in RMB, whereas loans are mainly denominated in RMB, HK$ and US$. Due to a number of factors such as fluctuations in the Pandemic, the global economy and the China-US trade conflicts, RMB to US$ exchange rates continued to exhibit fluctuations. During the Period, the Group recorded an exchange gain of approximately HK$11.1 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 30 June 2021, the ratio between the Group's borrowings in RMB and other currencies was around 85%:15%.

Liquidity Risk Management

The Group currently has cash on hand and standby banking facilities of approximately HK$72,900 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.

EVENTS AFTER THE REPORTING PERIOD

On 15 March 2021, Shenzhen Expressway and SIHCL, the controlling shareholder of the Company, entered into a memorandum of understanding for the possible acquisition of a 71.83% equity interest in Bay Area Development (Stock code: 00737). On 10 August 2021, the Group entered into a sale and purchase agreement with the wholly owned subsidiary of SIHCL to acquire 100% equity interest in Shenzhen Investment Infrastructure at an estimated total consideration of no more than HK$10,479 million. Upon completion, the Company shall indirectly own 71.83% equity interest in Bay Area Development. The completion of this acquisition is subject to the satisfaction or waiver of certain conditions precedent, including the approval to be obtained at the general meetings of the Company and Shenzhen Expressway.

As at the date of this announcement, the acquisition has not been completed.

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 Period.

CORPORATE GOVERNANCE

The Board is committed to maintaining a high standard of corporate governance in the best interests of shareholders. The corporate governance principles adopted by the Company emphasize a highly efficient Board, sound internal control and transparency and accountability to all shareholders.

During the Period, 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.

OTHER INFORMATION

The Company has engaged Deloitte Touche Tohmatsu, the Auditor of the Company, to review the unaudited Interim Financial Report of the Group for the six months ended 30 June 2021.

A meeting of the Audit Committee has been held with the Auditor of the Company to review the unaudited interim financial report of the Group for the six months ended 30 June 2021. The review report will be included in the interim report to be despatched to the shareholders of the Company.

This announcement and other related information of the Company's 2021 interim 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

Hong Kong, 27 August 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.