Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

2021 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Shenzhen International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group"), and its joint ventures and associates for the year ended 31 December 2021 (the "Year") together with comparative figures for the year ended 31 December 2020 as follows:

Consolidated Income Statement:

	Notes	Year ended 31 December 2021 HK$'000	2020 HK$'000
Revenue	(3), (4)	**18,541,926**	19,452,409
Cost of sales		**(12,975,001)**	(12,990,147)
Gross profit		**5,566,925**	6,462,262
Other income		**60,362**	141,603
Other gains - net	(5)	**5,626,309**	4,963,245
Distribution costs		**(185,367)**	(166,450)
Administrative expenses		**(1,352,522)**	(971,782)
Impairment losses on trade receivables and contract assets		**(111,869)**	(159,037)
Operating profit		**9,603,838**	10,269,841
Share of profit of joint ventures		**18,158**	13,778
Share of loss of associates		**(158,051)**	(571,420)
Profit before finance costs and income tax		**9,463,945**	9,712,199
Finance income	(6)	**288,991**	317,255
Finance costs	(6)	**(1,034,811)**	(918,855)
Finance costs - net	(6)	**(745,820)**	(601,600)
Profit before income tax		**8,718,125**	9,110,599
Income tax expense	(7)	**(2,628,092)**	(3,071,972)
Profit for the year	(8)	**6,090,033**	6,038,627

Consolidated Income Statement (continued):

	Notes	Year ended 31 December 2021 HK$'000	2020 HK$'000
Attributable to:			
Ordinary shareholders of the Company		**3,562,676**	4,006,970
Perpetual securities holders of the Company		**92,075**	91,866
Non-controlling interests		**2,435,282**	1,939,791
		6,090,033	6,038,627
Earnings per share attributable to ordinary shareholders of the Company during the Year (expressed in HK dollars per share)			
- Basic	(9(a))	**1.60**	1.84
- Diluted	(9(b))	**1.59**	1.83

Consolidated Statement of Comprehensive Income:

	Year ended 31 December 2021 HK$'000	2020 HK$'000
Profit for the year	**6,090,033**	6,038,627
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Share of other comprehensive income of associates	**16,268**	(52,285)
Items that will not be reclassified to profit or loss:		
Currency translation differences	**1,812,164**	2,774,649
Gain on revaluation of properties previously occupied by the Group	**34,085**	-
Deferred taxation relating to revaluation of properties	**(8,521)**	-
Fair value gain/(loss) on equity security designated at fair value through other comprehensive income	**(1,432)**	(716)
Sub-total	**1,836,296**	2,773,933
Other comprehensive income for the year , net of tax	**1,852,564**	2,721,648
Total comprehensive income for the year	**7,942,597**	8,760,275

Consolidated Statement of Comprehensive Income (continued):

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Total comprehensive income attributable to:		
Ordinary shareholders of the Company	**4,653,113**	5,956,373
Perpetual securities holders of the Company	**92,075**	91,866
Non-controlling interests	**3,197,409**	2,712,036
Total comprehensive income for the year	**7,942,597**	8,760,275

Consolidated Balance Sheet:

		As at 31 December	
		2021	2020
	Notes	**HK$'000**	HK$'000
ASSETS			
Non-current assets			
Investment properties		**7,697,726**	611,305
Property, plant and equipment		**19,078,772**	12,742,544
Land use rights		**3,328,772**	3,802,321
Construction in progress		**3,927,282**	3,099,947
Intangible assets	(11)	**32,922,243**	31,645,704
Goodwill		**409,152**	279,035
Interests in associates		**19,560,227**	14,431,233
Interests in joint ventures		**237,351**	90,022
Other financial assets		**1,120,136**	2,345,483
Deferred tax assets		**859,835**	1,688,335
Other non-current assets		**7,549,927**	3,471,528
		96,691,423	74,207,457
Current assets			
Inventories and other contract costs		**9,562,059**	14,721,654
Contract assets		**484,529**	408,532
Other financial assets		**542,815**	936,949
Trade and other receivables	(12)	**6,329,180**	7,221,519
Derivative financial instruments		**260,713**	-
Restricted bank deposits		**930,741**	2,521,504
Deposits in banks with original maturities over 3 months		**1,023,786**	3,508,668
Cash and cash equivalents		**7,882,525**	9,073,474
Disposal group held for sale		**-**	587,346
		27,016,348	38,979,646
Total assets		**123,707,771**	113,187,103

Consolidated Balance Sheet (continued):

	Note	As at 31 December 2021 HK$'000	2020 HK$'000
EQUITY AND LIABILITIES			
Share capital and share premium		**12,331,648**	11,529,380
Other reserves and retained earnings		**25,540,098**	22,857,273
Equity attributable to ordinary shareholders of the Company		**37,871,746**	34,386,653
Perpetual securities		**2,330,939**	2,330,939
Non-controlling interests		**22,849,674**	21,761,340
Total equity		**63,052,359**	58,478,932
Liabilities			
Non-current liabilities			
Borrowings		**25,876,966**	16,175,771
Lease liabilities		**1,426,302**	737,751
Deferred tax liabilities		**2,622,514**	2,253,391
Other non-current liabilities		**1,758,774**	1,565,424
		31,684,556	20,732,337
Current liabilities			
Trade and other payables	(13)	**12,458,217**	12,884,246
Derivative financial instruments		**-**	99,356
Contract liabilities		**290,329**	2,816,549
Income tax payable		**1,747,538**	2,185,511
Borrowings		**14,379,564**	15,872,334
Lease liabilities		**95,208**	117,838
		28,970,856	33,975,834
Total liabilities		**60,655,412**	54,708,171
Total equity and liabilities		**123,707,771**	113,187,103

Notes:

(1) General

The principal activities of the Group include the following businesses:

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

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

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

(1) General (continued)

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

As at 31 December 2021, Ultrarich International Limited (“Ultrarich”) directly owned 985,635,960 ordinary shares of the Company, representing approximately 43.48% of the issued share capital of the Company. As Shenzhen Investment Holdings Company Limited (“SIHCL”) held 100% equity interest in Ultrarich, it had a deemed interest in the 43.48% of the equity in the Company held by Ultrarich and was the largest shareholder of the Company. SIHCL is supervised and managed by Shenzhen Municipal People’s Government State-owned Assets Supervision and Administration Commission (“Shenzhen SASAC”). The directors of the Company regard Shenzhen SASAC as having control of the Company's relevant activities and is the de facto controller of the Company due to the voting power it held in the Company.

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

(2) Changes in accounting policies and disclosures

The accounting policies applied are consistent with those of the 2020 Financial Statements as described therein, except for the accounting policy that is first effective for the current accounting period of the Group.

New and amended standards adopted by the Group

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

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

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

(3) Segment information

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

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

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

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

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

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

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

(3) Segment information (continued)

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

For the year ended 31 December 2021

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

(3) Segment information (continued)

For the year ended 31 December 2020

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

(a) The revenue from toll roads included construction service revenue under service concession arrangements in amount of HKD1,861,703,000 for the year (2020: HKD2,253,140,000).

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

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

(4) Revenue

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

	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	**7,123,724**	5,057,851
- Entrusted construction management service and construction consulting service revenue	**1,249,551**	583,985
- Construction service revenue under Service Concession	**1,861,703**	2,255,140
- Environmental protection service	**2,169,520**	2,906,285
- Others	**738,544**	701,830
	13,143,042	11,505,091
Logistics Business		
- Logistics parks	**169,733**	72,248
- Logistics services	**988,199**	952,225
- Port and related services	**2,711,535**	1,411,195
- Logistics park transformation and upgrading service	**319,552**	4,696,950
	4,189,019	7,132,618
	17,332,061	18,637,709
Revenue from other sources		
Logistics Business		
- Leases from logistics parks	**1,209,865**	814,700
	18,541,926	19,452,409

(5) Other gains - net

	2021	*2020*
	HK$'000	HK$'000
Gain on replacement of land	**-**	4,094,268
Gain on disposal assets of Nanjing Xiba Port Co., Ltd.	**-**	514,798
Gain on losing control on United Land Company (note 14)	**4,771,027**	-
Gain on derecognition of a subsidiaries (note 14)	**164,105**	-
Gain on adjustment of contingent consideration of Shuiguan Expressway	**-**	46,120
Change in fair value of performance guarantee	**358,215**	-
Change in fair value of other financial assets	**209,446**	250,549
Change in fair value of investment properties	**212,503**	20,387
Gain on disposal of derivative financial instruments	**(152,249)**	20,702
Gain on disposal of other financial assets	**179,322**	-
Others	**(116,060)**	16,421
	5,626,309	4,963,245

(6) Finance income and costs

	2021 HK$'000	2020 HK$'000
Finance income		
Interest income from bank deposits	**(188,637)**	(246,918)
Other interest income	**(100,354)**	(70,337)
Total finance income	**(288,991)**	(317,255)
Finance costs		
Interest expense		
- Bank borrowings	**570,691**	776,034
- Medium-term notes	**43,425**	91,011
- Senior notes	**29,752**	30,199
- Corporate bonds	**332,783**	210,563
- Panda bonds	**233,380**	242,964
- Borrowings from finance leasing Companies	**49,571**	60,980
- Interest on contract liabilities	**3,579**	40,336
- Interest on lease liabilities	**65,314**	38,086
- Other interest costs	**58,318**	52,186
Net foreign exchange gains	**(99,282)**	(260,711)
Loss on derivative financial instruments directly attributable to borrowings	**-**	168,762
Less: finance costs capitalised on qualified assets	**(252,720)**	(531,555)
Total finance costs	**1,034,811**	918,855
Net finance costs	**745,820**	601,600

(7) Income tax expense

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

The PRC Corporate Income Tax charged to the consolidated income statement was calculated based on the assessable profits of the Company's subsidiaries located in the PRC of the year at a rate of 25% (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 amortisation of land use rights, borrowing costs and all property development expenditures.

	2021 HK$'000	2020 HK$'000
Current income tax		
- PRC Corporate Income Tax	**2,096,405**	2,537,046
- Land appreciation tax	**31,671**	661,425
Withholding income tax on dividends	**17,016**	24,214
Deferred tax	**483,000**	(150,713)
	2,628,092	3,071,972

(8) Expenses by nature

Profit for the year has been arrived at after charging:

	2021	*2020*
	HK$'000	HK$'000
Depreciation and amortisation	**3,232,470**	2,531,704
Employee benefit expenses	**1,888,685**	1,398,502
Cost of inventory sold	**2,384,703**	4,662,426
Auditors' remuneration		
- Audit services	**8,951**	7,045
- Non-audit services	**11,166**	4,840
Legal and consultancy fees	**174,087**	89,225

(9) Earnings per share

(a) Basic

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

	2021	*2020*
	HK$'000	HK$'000
Profit attributable to ordinary shareholders of the Company	**3,562,676**	4,006,970
Weighted average number of ordinary shares in issue (thousands)	**2,233,481**	2,179,419
Basic earnings per share (HKD per share)	**1.60**	1.84

(b) Diluted

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

(9) Earnings per share (continued)

(b) Diluted (continued)

	2021 HK$'000	*2020* HK$'000
Profit attributable to ordinary shareholders of the Company	**3,562,676**	4,006,970
Weighted average number of ordinary shares in issue (thousands)	**2,233,481**	2,179,419
Adjustments - share options (thousands)	**3,222**	6,239
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,236,703**	2,185,658
Diluted earnings per share (HKD per share)	**1.59**	1.83

(10) Dividends

At the board meeting on 30 March 2022, the board recommended the payment of final dividend and special dividend for the year of 2021 of HKD0.125 per ordinary share and HKD0.703 per ordinary share respectively. Such dividends are to be approved by the shareholders at the forthcoming annual general meeting of the Company in 2022 ("Annual General Meeting"). These consolidated financial statements do not reflect this as dividend payable.

.

	2021 HK$'000	*2020* HK$'000
Proposed final and total dividend of HKD0.125 (2020: HKD0.122) per ordinary share	**283,339**	267,789
Proposed special dividend of HKD0.703 (2020: HKD0.838) per ordinary share	**1,593,500**	1,839,402
	1,876,839	2,107,191

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

(11) Intangible assets

Concession intangible assets

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

(11) Intangible assets (continued)

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

Toll roads

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local governmental authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 1 to 25 years. According to the relevant government approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectable during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any considerations payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options. Amortisation of concession intangible assets has all been charged in the consolidated income statement within "Cost of sales".

Kitchen waste disposal project

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

(12) Trade and other receivables

The settlement period of the toll revenue from toll road operations is normally within a month due to the implementation of unified toll collection policy on expressways of the Group in the PRC. Trade receivables are due within 120 days from the date of billing. As at 31 December 2021 and 2020, the ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

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

(13) Trade and other payables

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

	2021	*2020*
	HK$'000	HK$'000
0-90 days	**1,819,439**	805,595
91-180 days	**493,793**	157,811
181-365 days	**1,002,740**	30,814
Over 365 days	**556,383**	183,605
	3,872,355	1,177,825

(14) Business combination and derecognition

Disposal of interest in United Land Company

As disclosed in the Company's announcements dated 21 October 2021 and 21 December 2021, the Group proposed disposal of 35.7% equity interest in Shenzhen International United Land Co., Ltd.("United Land Company") by way of equity transfer through public tender at the Shenzhen United Property and Equity Exchange and subsequently entered into an asset transfer agreement with the successful bidder, Shenzhen Vanke Development Company Limited ("Vanke Development"), a wholly owned subsidiary of China Vanke Co., Ltd ("China Vanke") which is the non-controlling interest of United Land Company, pursuant to which the Group agreed to sell its 35.7% equity interest in United Land Company at a consideration of RMB2,788 million (approximately HKD3,400 million) ("Disposal").

Upon the completion of Disposal on 29 December 2021, the shareholding interest of the Company in United Land Company decreased from 70% to 34.3%. Accordingly, United Land Company ceased to be a subsidiary of the Company and became an associate of the Company.

The fair value of the interests in United Land Company held by the Company of approximately HKD3,283,760,000 as at 29 December 2021, determined based on consideration of the 35.7% interests of United Land Company in the Disposal, has been regarded as cost of interests in an associate from the date on which the Group ceased to have control, and accounted for in the consolidated financial statements using the equity method of accounting. The net assets of United Land Company at the date of losing control were as follows:

	HKD'000
Property, plant and equipment	160
Deferred tax assets	390,266
Inventories	4,751,425
Trade and other receivables	42,842
Advance to a subsidiary of the Company	2,613,354
Advance to China Vanke	7,181,720
Cash and cash equivalents	110,911
Trade and other payables	(570,323)
Contract liabilities	(7,818,349)
Amount due to subsidiaries of the Company	(1,157,430)
Income tax payable	(447,018)
Borrowings	(1,851,594)
Net assets derecognised	3,245,964
Net assets derecognised	(3,245,964)
Non-controlling interest derecognised	1,396,673
Consideration received	3,417,791
Reclassified as interests in associates at fair value	3,283,760
Share of profits in transition period not entitled to the Group	(81,233)
Gain on losing control	4,771,027
Total consideration received	3,417,791
Cash and cash equivalent derecognised	(110,911)
Net cash inflow in the acquisition including in the investing activities	3,306,880

(14) Business combination and derecognition (continued)

Acquisition of Vailog Hong Kong DC11 Limited, Vailog HK SPV 3 Limited and Glory Honor Limited

On 29 June 2021, the Group entered into acquisition agreements with independent third parties, Christo Investments Limited, Gaw-Vailong Logistics (Holdings) Tianjin 1 Limited and Winpine Limited, pursuant to which the Group would acquire the entire equity interests of Vailog Hong Kong DC11 Limited, Vailog HK SPV 3 Limited and Glory Honor Limited (collectively the "Vailong Companies") at a consideration of RMB746,313,000 (equivalent to HKD897,108,000) and settled the shareholders loan amounting to RMB250,275,000 (equivalent to HKD300,844,000) in aggregate. The acquisition was completed on 9 September 2021 and since then Vailong Companies became subsidiaries of the Company.

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

	HKD'000
Recognised amounts of identifiable assets acquired and liabilities assumed at the date of acquisition	
Investment properties	1,916,193
Trade and other receivables	32,912
Cash and cash equivalents	100,572
Trade and other payables	(30,777)
Income tax payable	(5,041)
Bank borrowings	(782,261)
Deferred tax liabilities	(276,458)
Net assets acquired attributable to the Group	955,140
Consideration transferred	1,197,952
Less: recognised amounts of net assets acquired	(955,140)
Goodwill arising on acquisition	242,812
Total consideration paid	1,040,815
Cash and cash equivalent acquired	(100,572)
Net cash outflow in the acquisition including in the investing activities	940,243

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

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

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

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

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

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

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

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

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

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

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

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

In February 2022, the Group introduced Shenzhen Vanke Development Company Limited ("Shenzhen Vanke") as the strategic investor to Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd ("Qianhai Business") by way of capital increase through Shenzhen Vanke's capital contribution of RMB915 million into Qianhai Business ("Capital Increase"). Upon completion of the Capital Increase, Shenzhen Vanke holds 28% equity interest in Qianhai Business. The Capital Increase is beneficial to the Group as it reduces the potential operation risk brought about by ongoing control policies over China's real estate industry and to lock in value and profits of project land in advance, and is also beneficial to optimizing the allocation of the Group's resources. Based on the above reasons, the Group intends to further reduce its equity interest held in Qianhai Business, and introduce strategic investors by means of capital increase through the public tender at Shenzhen United Property and Equity Exchange Co., Ltd. (深圳聯合產權交易所股份有限公司), which was announced on 3 March 2022, with an initial bidding price of not less than RMB1,480 million (the "Potential Capital Increase"). If the Potential Capital Increase can be materialised, new strategic investors will own approximately 30.6% equity interest in Qianhai Business, while the Group's equity interest in Qianhai Business will be diluted to 50%. If the Potential Capital Increase and the transactions contemplated thereunder constitute a disclosable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company will make a separate announcement as and when appropriate in accordance with applicable Listing Rules.

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

Successful issuance of domestic corporate bonds in the PRC

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

Social responsibilities

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

Dividend

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

The Board recommended that the final dividend and special dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend and special dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to: (1) the approval of the proposed final dividend and special dividend at the forthcoming annual general meeting of the Company ("2022 Annual General Meeting"); and (2) the Stock Exchange granting the listing of and permission to deal in the scrip shares to be issued pursuant thereto.

LOGISTICS BUSINESS

Analysis of Operating Performance

I. Logistics Parks in the Greater Bay Area

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

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

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

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

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

Pinghunan Integrated Logistics Hub Project

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

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

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

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

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

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

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

II. Logistics Parks in Other Regions of China

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

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

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

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

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

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

Management Projects

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

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

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

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

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

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

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

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

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

III. Logistics Service Business

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

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

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

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

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

On 9 November 2020, the Group entered into a capital increase agreement with Air China Cargo Co., Ltd. ("Air China Cargo") to acquire 10% equity interest in Air China Cargo by way of capital contribution of approximately RMB1,565 million. In September 2021, the Group completed the regulatory registration procedures and became the fourth largest shareholder of Air China Cargo. Grasping this opportunity, the Group entered the air logistics industry which is highly monopolistic with high entry barrier, at a relatively higher starting level. Meanwhile, the Group established good relationship with strategic cooperation with Air China Cargo, and will explore business cooperation opportunities in various aspects in the area of air logistics and air cargo stations in the future. Currently, both parties are actively promoting related cooperation of air logistics projects and jointly obtaining rare resources, trying to construct a comprehensive logistics system integrating air logistics, high-standard warehouses and cold chain logistics, etc.

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

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

Financial Analysis

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

For the year ended 31 December

	Revenue		Profit attributable to shareholders		
	2021 ***HK$'000***	Change over Year 2020 Increase	**2021** ***HK$'000***		Change over Year 2020 Increase/ (decrease)
Logistics Parks in Greater Bay Area	**576,945**	43%	**147,222**	*	96%
Logistics Parks in Other Region of China	**802,653**	66%	**352,794**		359%
Sub-total of Logistics Parks Business	**1,379,598**	56%	**500,016**		229%
Logistics Service Business	**988,199**	4%	**7,427**		(58%)
Total	**2,367,797**	29%	**507,443**		199%

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

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

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

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

LOGISTICS PARK TRANSFORMATION AND UPGRADING BUSINESS

Analysis of Operating Performance

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

I. Qianhai Project

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

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

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

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

The second phase of the Qianhai Project has a plot ratio-based gross floor area of approximately 110,000 square meters, comprising residential area of approximately 91,000 square meters. The construction of the second phase of the Qianhai Project Yicheng Qiwanli (頤城棲灣里) officially commenced in March 2021. Considering the overall planning of and the shortage of pure residential projects in the Qianhai area, it is expected that with the construction and sale of the second phase of the Qianhai Project, the value of the Group's resources in the Qianhai area will be fully reflected.

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

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

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

The transformation and upgrading of South China Logistics Park made significant progress in 2021. According to the Shenzhen General Land and Space Plan (2020-2035) (Draft) (《深圳市國土空間總體規劃（2020-2035年）》（草案）) issued by the Shenzhen Municipal Government, the land parcels within the Park were included in the "urban core zone" and its strategic position and value have been greatly enhanced. In addition, the Work Plan for Promoting the Renewal and Land Development of Key Industrial Areas in Longhua District (《龍華區關於推進重點產業片區更新整備工作方案》) also designated the South China Logistics Park as one of the six key industrial areas for renewal and land development in the Longhua District. Meanwhile, the Group has maintained good communication with the relevant authorities of Longhua District. The transformation strategy of the South China Logistics Park has been widely recognized including being included in the Decision Regarding the Development of Digital Longhua to Build the Regional Development Pattern of "One Circle, One District and Three Corridors" (《關於建設數字龍華打造「一圈一區三廊」區域發展格局的決定》) issued by the district committee and district government of Longhua District.

III. Meilin Checkpoint Project

The Meilin Checkpoint Project is located at the previous site of Huatongyuan Logistics Centre. Having seized the opportunity of the Shenzhen Municipal Government's adjustment of the urban planning in respect of Meilin Checkpoint in the past, the Group successfully obtained the land parcel under the new land planning conditions and transformed and upgraded it into a comprehensive development project.

All residential units of the first phase of the Meilin Checkpoint Project, namely He Feng Xuan (和風軒), have been sold out and delivered to their owners for use in October 2020. He Ya Xuan (和雅軒), which is the second phase of the Meilin Checkpoint Project, have completed the inspection and acceptance procedures in 2020 and was delivered to their owners in October 2021. The third phase of the project, namely He Song Xuan (和頌軒), has commenced construction and pre-sales in December 2020, and all of its residential units are sold out.

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

Financial Analysis

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

PORT AND RELATED SERVICES BUSINESS

Analysis of Operating Performance

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

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

Rapid Progress of Investment and Construction Projects

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

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

In addition, in early 2021, the Group entered into a cooperation agreement with, among other parties, the government of Shenqiu County and Henan Angang Zhoukou Steel Co., Ltd. (河南安鋼周口鋼鐵有限責任公司) in relation to the port project at Shenqiu Port Logistics Park, and set up of a joint venture, in which the Group holds 40% equity interest. The Shenqiu Port Project is located in the Shaying River in Shenqiu County. The plan is to build 23 berths with tonnage capacity of 1,000 tonnes, which will be constructed in three phases. It is expected that the annual capacity of the port will be increased by 28 million tonnes after being put into full operation. Furthermore, in the first half of 2021, the Group and the government of Shenqiu County further entered into a strategic cooperation agreement to step up their cooperation in the development of ancillary urban infrastructure, especially in the planning and construction of logistics parks, the provision of port processing and its value-added services as well as integrated water and rail transportation, striving to achieve win-win cooperation.

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

Financial Analysis

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

TOLL ROAD BUSINESS

Analysis of Operating Performance

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

- The Shenzhen Coastal Project is an important gateway for diverting port traffic from Shenzhen's western port area. During the Year, benefiting from the continued implementation of the preferential policy under the toll adjustment agreement, the progress of several large-scale construction projects in Qianhai and the western port area in Shenzhen, the recovery of economic activities along the road as well as the synergies between road networks brought by the opening of westbound section of Shahe West Connection Road of the Dongbin Tunnel, the Shenzhen Coastal Project recorded a growth in terms of average daily traffic volume.

- The Shenzhen Outer Ring Project is the first expressway in the PRC with full 5G network coverage enabled by adopting multifunctional smart lamp posts as carrier. The first phase, with a total length of approximately 50.74 kilometers, officially opened to traffic at the end of December 2020. The second phrase, with a total length of approximately 9.35 kilometers, officially opened to traffic on 1 January 2022. During the Year, the first phase of the Shenzhen Outer Ring Project performed well in operation and increased traffic flow of Meiguan Expressway and the Shenzhen Coastal Project whilst diverted some of the traffic flow away from Jihe Expressway.

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

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

Key Construction Project

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

In respect of Shenzhen Coastal Project Phase II, the Shenzhen World Exhibition & Convention Center interchange has opened to traffic and been connected to the exhibition and convention center since 2019. The toll station of Coastal Expressway at the Shenzhen World Exhibition & Convention Center interchange has also commenced operation and has become a major transportation hub that facilitates modern logistics, business, trade, exhibitions and conventions as well as regional economic co-operation and the development of nearby urban areas. During the Year, Shenzhen Expressway allocated more resources, clearly defined the tasks, and made concerted efforts to ensure the annual targets and tasks being completed as scheduled. As at the date of this report, about 69% of the overall construction of Shenzhen Coastal Project Phase II has been completed. In particular, about 77%, 69% and 10% of the construction of the road bed, bridges and road surface, respectively, have been completed.

Acquisition

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

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

Financial Analysis

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

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

GENERAL-ENVIRONMENTAL PROTECTION BUSINESS

Analysis of Operating Performance

I. Clean Energy

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

Baotou Nanfeng Wind Power Technology Co., Ltd. ("Baotou Nanfeng Company"), a wholly-owned subsidiary of Shenzhen Expressway, is principally engaged in the investment, operation and management of 5 wind power generation farms in Inner Mongolia Autonomous Region of the PRC. Baotou Nanfeng Company has abundant wind power resources and enjoys synergies with Nanjing Wind Power Company along the industry chain. During the Year, Baotou Nanfeng Company fed an aggregate of 705,485 MWh of electricity to the grid.

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

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

II. Reutilization and Management of Solid Waste

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

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

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

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

III. Water Environment Remediation and Other Environmental Protection Businesses

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

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

Financial Analysis

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

OTHER INVESTMENTS

Shenzhen Airlines

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

OUTLOOK

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL POSITION

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

Change in percentage points

Key Financial Indicators

As at 31 December 2021, the Group's total assets and total equity amounted to approximately HK$123,708 million and HK$63,053 million, respectively, while the net asset value attributable to shareholders was approximately HK$37,872 million. Net asset value per share was HK$16.7, representing an increase of 6% as compared to the end of last year. The debt-asset ratio was 49%, representing an increase of 1 percentage point as compared to the end of last year. The ratio of total borrowings to total equity was 64%, representing an increase of 9 percentage points as compared with the end of last year. The financial position of the Group remained healthy and stable.

Cash Flow and Financial Ratios

During the Year, net cash generated from operating activities amounted to approximately HK$3,321 million. Net cash used in investing activities amounted to approximately HK$7,898 million. Net cash generated from financing activities amounted to approximately HK$3,142 million. The Group's cash flow generated from operations declined mainly due to the waiver of toll charges on the Group's toll road projects during the Year in connection with the Pandemic. The Group closely monitors changes in total borrowings with a view to maintaining its financial ratios at a stable and healthy level.

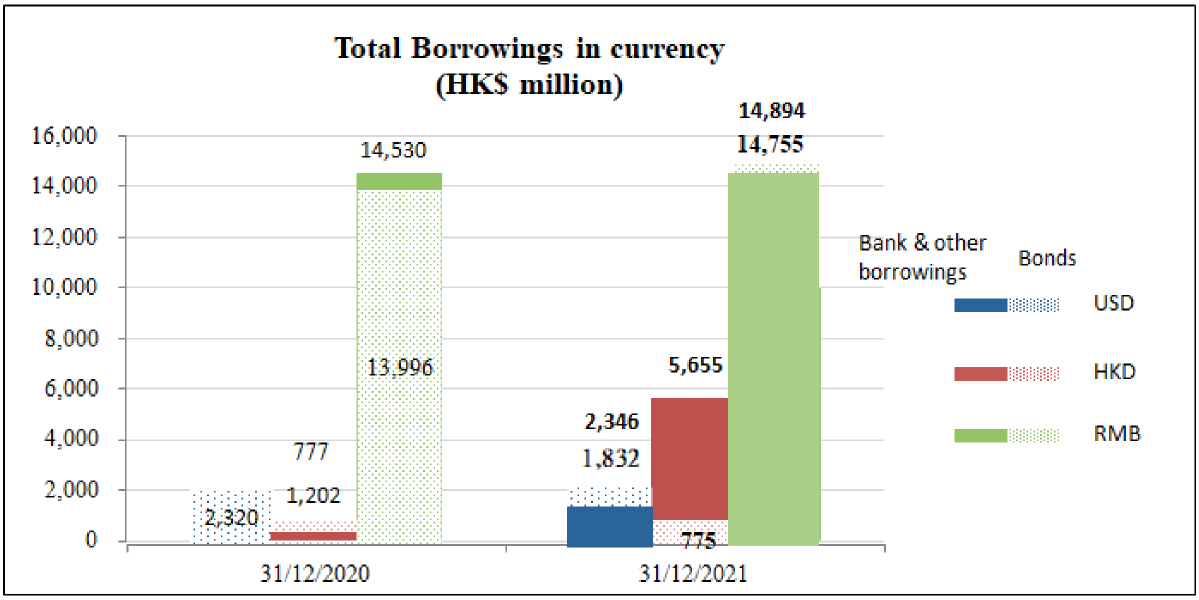
Cash Balance

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

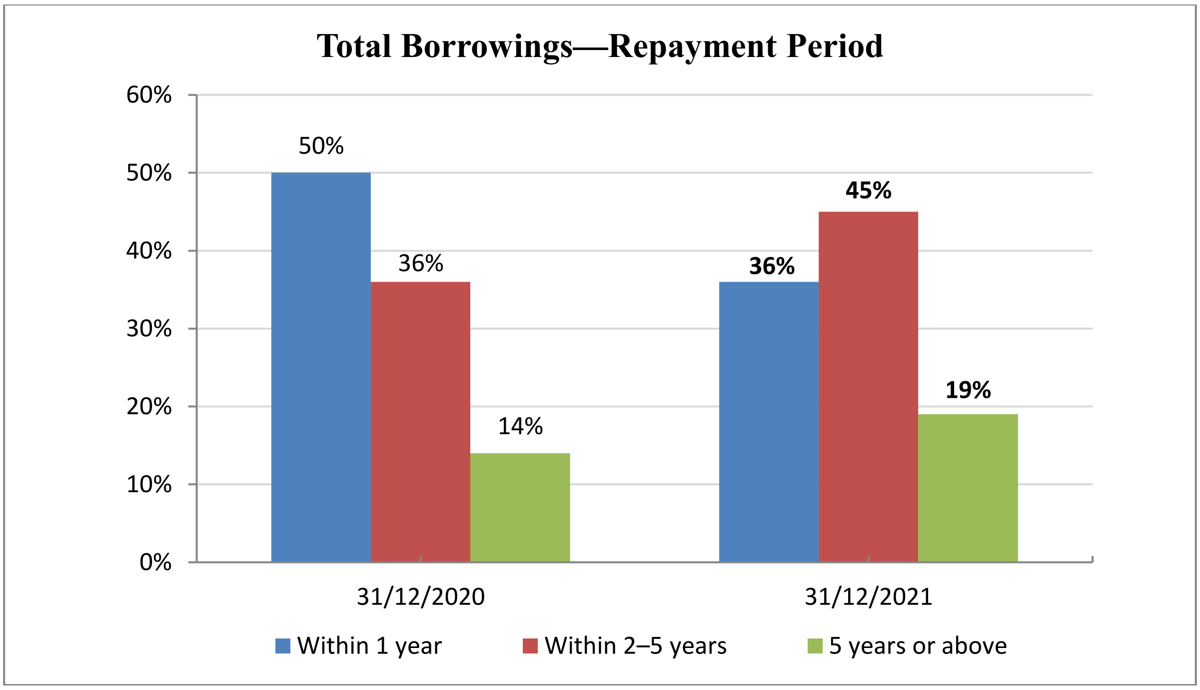
Capital Expenditures

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

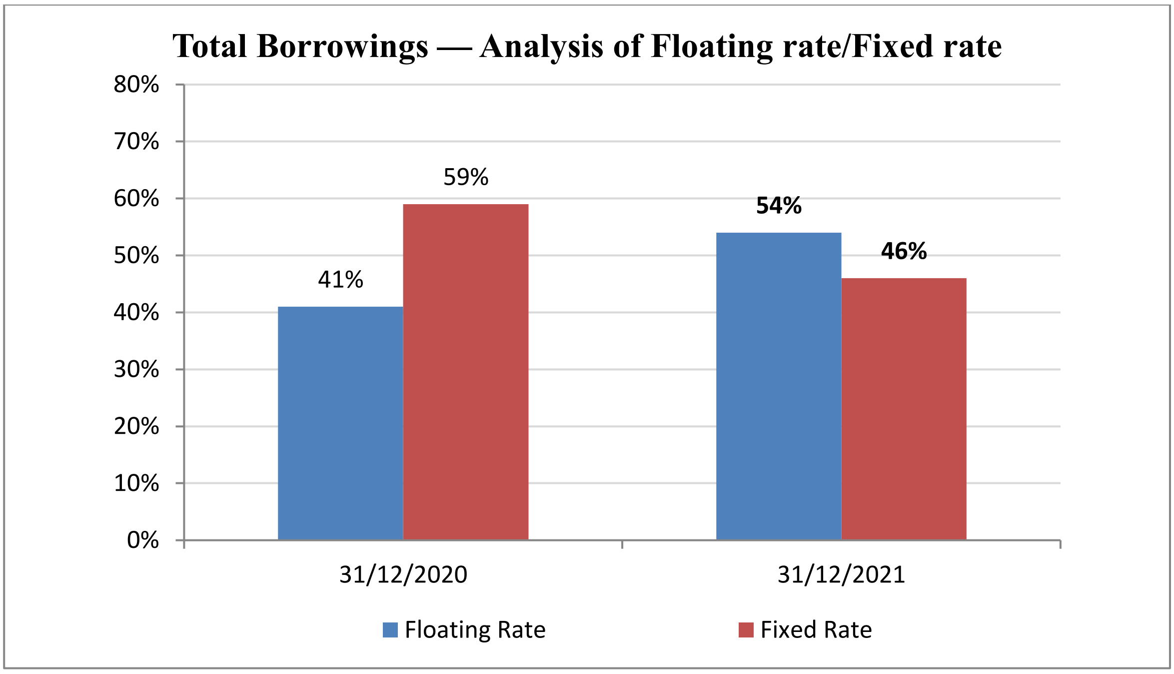
Borrowings



Total Borrowings in currency
(HK$ million)
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
14,530
13,996
777
1,202
2,320
14,894
14,755
5,655
2,346
1,832
775
31/12/2020
31/12/2021
Bank & other borrowings
Bonds
USD
HKD
RMB



Total Borrowings—Repayment Period
60%
50%
40%
30%
20%
10%
0%
50%
36%
14%
36%
45%
19%
31/12/2020
31/12/2021
Within 1 year
Within 2–5 years
5 years or above



As at 31 December 2021, the Group's total borrowings amounted to approximately HK$40,257 million, representing an increase of 26% as compared with the end of last year. During the Year, the Company issued Panda Bonds of RMB4,000 million, and Shenzhen Expressway, a subsidiary of the Group, issued each of the USD bonds of US$300 million, the green corporate bonds (first batch) of RMB1,200 million and the corporate bonds (first batch) of RMB1,000 million. 36%, 45% and 19% of the Group's total borrowings were due for repayment within 1 year, within 2 to 5 years and after 5 years, respectively.

The Group constantly improves its financial management. It has conducted several onshore and offshore financing activities during the year, aiming to use various financial instruments in a flexible manner to capitalize on the differences in costs. The Group seized favorable market conditions, and issued USD bonds and corporate bonds on overseas and domestic platforms, respectively, which further optimized its debt portfolio and striked a balance between its interest rate and foreign exchange risks. The Group closely monitored its overall borrowing structure, and effectively maintained the funds with high cost efficiency in order to meet its overall capital needs.

The Group's Financial Policy

Interest Rate Risk Management

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

Exchange Rate Risk

The cash flows, cash on hand and assets of the businesses operated by the Group are mainly denominated in RMB, whereas loans are mainly denominated in RMB, HK$ and US$. In 2021, China's economy recovered steadily with the RMB/USD exchange rate fluctuated within a reasonable range. Despite the RMB exchange rate went through three stages of depreciation, appreciation and fluctuation, it will stay within a reasonable range. The Group will continue to monitor the foreign exchange market, adjust the currency structure of its borrowings and utilize hedging instruments as appropriate to manage its exchange rate risk. As at 31 December 2021, the ratio between the Group's borrowings in RMB and other currencies was around 74%:26%.

Liquidity Risk Management

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

Credit Ratings

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

EVENTS AFTER THE BALANCE SHEET DATE

(a) Acquisition of Bay Area Development

References are made to the joint announcements of the Company and Shenzhen Expressway dated 10 August 2021 and 11 January 2022 and the circular of the Company dated 24 November 2021, the Group and a wholly owned subsidiary of SIHCL (an indirect controlling shareholder of the Company) entered into a sale and purchase agreement (the "Sale and Purchase Agreement"), pursuant to which the Group agreed to acquire the entire interests in Shenzhen Investment Infrastructure, which holds 71.83% of the total issued shares of Bay Area Development (the "Acquisition"). The Acquisition was not completed as at 31 December 2021.

On 11 January 2022, the Company announced that all conditions of the Sale and Purchase Agreement were satisfied and the Acquisition was completed on the same date. Upon the completion of the Acquisition, the Group has become the indirect sole shareholder of Shenzhen Investment Infrastructure, which in turn owns approximately 71.83% of the total issued shares of Bay Area Development. Accordingly, Bay Area Development has become a non wholly-owned subsidiary of the Company and Shenzhen Expressway.

(b) Capital contribution from Shenzhen Vanke

On 18 February 2022, the Company's indirect wholly-owned subsidiaries, Qianhai Business and Shenzhen International Qianhai Investment Management (Shenzhen) Co., Ltd ("Qianhai Investment"), entered into a capital increase agreement with Shenzhen Vanke, pursuant to which Shenzhen Vanke agreed to make a capital contribution of approximately RMB915,104,000 (approximately HKD1,129,758,000) to Qianhai Business. Upon completion of the Capital Increase, Qianhai Investment and Shenzhen Vanke will hold 72% and 28% equity interest in Qianhai Business, respectively, and Qianhai Business will remain a subsidiary of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

CLOSURE OF REGISTER OF MEMBERS

To ensure the eligibility to attend and vote at the 2022 Annual General Meeting and the entitlement to the proposed final dividend and special dividend, the register of members of the Company will be closed on the following dates:

For ascertaining shareholders' right to attend and vote at the 2022 Annual General Meeting:

Latest time to lodge transfers	4:30 p.m. on Friday, 6 May 2022
Book closure dates	Tuesday, 10 May 2022 to Friday, 13 May 2022 (both days inclusive)
Record date	Friday, 13 May 2022

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

Latest time to lodge transfers	4:30 p.m. on Wednesday, 18 May 2022
Book closure dates	Thursday, 19 May 2022 to Friday, 20 May 2022 (both days inclusive)
Record date	Friday, 20 May 2022
Payment date of the final dividend and special dividend	on or about Wednesday, 22 June 2022

To be eligible to attend and vote at the 2022 Annual General Meeting and qualify for the final dividend and special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

OTHER INFORMATION

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2021. A meeting of the Audit Committee of the Company has also been held with the Company's auditor in connection with the review of the annual results of the Group for the year ended 31 December 2021.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated balance sheet, the consolidated income statement and the consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

This announcement and other information including those of the Company's 2021 annual results will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.szihl.com).

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

30 March 2022

As at the date of this announcement, the Board consists of Messrs. Li Haitao, Liu Zhengyu, Wang Peihang and Dr. Dai Jingming as executive directors, Mr. Hu Wei and Dr. Zhou Zhiwei as non-executive directors and Professor Cheng Tai Chiu, Edwin, Mr. Pan Chaojin and Dr. Zeng Zhi as independent non-executive directors.