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

2022 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Shenzhen International Holdings Limited (the "Company") is pleased to announce the unaudited interim consolidated results and interim consolidated balance sheet of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2022 (the "Period") together with comparative figures of consolidated results for the corresponding period in 2021 and consolidated balance sheet as of the year end of 2021 as follows:

INTERIM CONSOLIDATED INCOME STATEMENT-UNAUDITED

	Notes	Six months ended 30 June **2022** ***HK$'000***	2021 *HK$'000* *(restated)*
Revenue	(4), (5)	**7,486,998**	7,287,183
Cost of sales		**(5,124,446)**	(4,696,598)
Gross profit		**2,362,552**	2,590,585
Other gains - net		**3,138,406**	270,262
Other income		**75,293**	119,274
Distribution costs		**(54,718)**	(94,908)
Administrative expenses		**(505,484)**	(457,785)
Impairment losses on trade receivables and contract assets		**(7,851)**	(147,640)
Operating profit	(6)	**5,008,198**	2,279,788
Share of profit of joint ventures		**91,356**	244,820
Share of (loss)/profit of associates	(12)	**(2,179,404)**	449,127
Profit before finance costs and income tax		**2,920,150**	2,973,735
Finance income	(7)	**175,262**	180,752
Finance costs	(7)	**(1,556,545)**	(683,614)
Finance costs – net	(7)	**(1,381,283)**	(502,862)
Profit before income tax		**1,538,867**	2,470,873
Income tax expense	(8)	**(357,365)**	(530,002)
Profit for the period		**1,181,502**	1,940,871

INTERIM CONSOLIDATED INCOME STATEMENT-UNAUDITED (continued)

	Note	Six months ended 30 June 2022 *HK$'000*	2021 *HK$'000* *(restated)*
Profit for the period attributable to:			
Ordinary shareholders of the Company		**581,575**	959,671
Perpetual securities holders of the Company		**46,518**	45,996
Non-controlling interests		**553,409**	935,204
		1,181,502	1,940,871
Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)			
– Basic	(9(a))	**0.26**	0.44
– Diluted	(9(b))	**0.26**	0.43

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME-UNAUDITED

	Six months ended 30 June 2022 *HK$'000*	2021 *HK$'000* *(restated)*
Profit for the period	**1,181,502**	1,940,871
Other comprehensive income/(expenses):		
Items that may be reclassified to profit or loss:		
Share of other comprehensive income of associates and joint ventures	**16,411**	64,850
Items that will not be reclassified to profit or loss:		
Currency translation differences from functional currency to presentation currency	**(2,881,627)**	1,110,834
Fair value loss on equity instruments designated at fair value through other comprehensive income	**(1,266)**	(13,827)
Sub-total	**(2,882,893)**	1,097,007
Other comprehensive (expenses)/income for the period	**(2,866,482)**	1,161,857
Total comprehensive (expenses)/income for the period	**(1,684,980)**	3,102,728
Total comprehensive (expenses)/income attributable to:		
Ordinary shareholders of the Company	**(1,535,225)**	1,809,573
Perpetual securities holders of the Company	**46,518**	45,996
Non-controlling interests	**(196,273)**	1,247,159
	(1,684,980)	3,102,728

INTERIM CONSOLIDATED BALANCE SHEET - UNAUDITED

	Notes	As at 30 June 2022 HK$'000	As at 31 December 2021 HK$'000 (restated)
ASSETS			
Non-current assets			
Investment properties		**9,329,968**	7,697,726
Property, plant and equipment		**19,639,536**	19,087,069
Land use rights		**3,364,555**	3,328,772
Construction in progress		**2,585,926**	3,927,282
Intangible assets	(11)	**31,126,799**	32,922,243
Goodwill		**709,445**	657,917
Interests in associates	(12)	**19,567,163**	19,560,227
Interests in joint ventures		**11,726,258**	12,185,056
Other financial assets	(13)	**1,044,104**	1,144,780
Deferred tax assets		**789,346**	859,835
Other non-current assets		**6,762,290**	6,760,114
		106,645,390	108,131,021
Current assets			
Inventories and other contract costs	(14)	**6,284,906**	9,562,059
Contract assets		**340,310**	484,529
Other financial assets	(13)	**979,225**	973,640
Trade and other receivables	(15)	**10,673,293**	6,654,253
Derivative financial instruments		**243,453**	260,713
Restricted bank deposits		**515,078**	930,741
Deposits in banks with original maturities over 3 months		**638,323**	1,023,786
Cash and cash equivalents		**10,789,639**	10,030,535
		30,464,227	29,920,256
Total assets		**137,109,617**	138,051,277
EQUITY AND LIABILITIES			
Equity attributable to ordinary shareholders of the Company			
Share capital and share premium		**13,218,304**	12,331,648
Other reserves and retained earnings		**21,795,881**	26,540,920
Equity attributable to ordinary shareholders of the Company		**35,014,185**	38,872,568
Perpetual securities		**2,330,939**	2,330,939
Non-controlling interests		**23,785,257**	26,468,668
Total equity		**61,130,381**	67,672,175

INTERIM CONSOLIDATED BALANCE SHEET – UNAUDITED (continued)

	Note	As at 30 June 2022 HK$'000	As at 31 December 2021 HK$'000 (restated)
Liabilities			
Non-current liabilities			
Borrowings		**28,614,147**	27,910,782
Lease liabilities		**1,342,837**	1,430,391
Deferred tax liabilities		**2,660,507**	2,782,820
Other non-current liabilities		**4,184,652**	4,103,911
		36,802,143	36,227,904
Current liabilities			
Trade and other payables	(16)	**12,631,589**	15,755,370
Contract liabilities		**258,690**	290,329
Income tax payable		**634,005**	1,760,252
Borrowings		**25,490,982**	16,247,986
Lease liabilities		**161,827**	97,261
		39,177,093	34,151,198
Total liabilities		**75,979,236**	70,379,102
Total equity and liabilities		**137,109,617**	138,051,277

Notes:

(1) General Information

The principal activities of the Group, its associates and joint ventures include the following businesses:

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

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

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

(1) General Information (continued)

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

As at 30 June 2022, Ultrarich International Limited ("Ultrarich") directly owned 1,059,082,483 ordinary shares of the Company, representing approximately 44.35% 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 44.35% 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.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Company's current liabilities exceeded its current assets by HKD8,712,866,000 as at 30 June 2022.

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

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

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

Merger accounting for business combination involving entities under common control

On 10 August 2021, Mei Wah Industrial (Hong Kong) Limited ("Mei Wah"), a wholly-owned subsidiary of Shenzhen Expressway, entered into a sale and purchase agreement with Shenzhen Investment International Capital Holdings Co., Ltd. ("Shenzhen Investment Capital"), a wholly-owned subsidiary of SIHCL, for the acquisition of 100% equity interest in Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. ("Shenzhen Investment Infrastructure"), at a consideration of approximately HKD2,450,035,000, and pursuant to which Mei Wah agreed to finance the repayment of loans owing by Shenzhen Investment Infrastructure to Shenzhen Investment Capital and certain bank loans. On 10 December 2021, such agreement was approved by the shareholders of the Company in a special general meeting of the Company. The acquisition subsequently completed on 11 January 2022, and Shenzhen Investment Infrastructure has since become a subsidiary of the Company. Shenzhen Investment Infrastructure holds 71.83% of the total issued shares of Shenzhen Investment Holdings Bay Area Development Company Limited ("Bay Area Development"), whose shares are listed on the Hong Kong Stock Exchange.

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

The interim financial report of the Group has been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the periods presented.

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

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

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

(2) Basis of preparation

This interim financial information for the six months ended 30 June 2022 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the “Listing Rules”) on the Hong Kong Stock Exchange, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, Interim financial reporting, issued by the HKICPA. This interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021 (“2021 Financial Statements”), which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

(3) Changes in accounting policies

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

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

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

(4) Segment information

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

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

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

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

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

Logistics business includes: (i) logistics parks which mainly include the construction, operation and management of logistics centres and integrated logistics hubs; (ii) logistics services which include the provision of third party logistics services, logistic 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 period.

(4) Segment information (continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group’s reportable segments as provided to the board of directors, the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance for the period ended 30 June 2022 and 2021 is set out below.

For the six months ended 30 June 2022 (unaudited)

	Toll roads and general-environmental protection business	*Logistics business*					*Head Office functions*	*Total*
		Logistics parks	*Logistics services*	*Port and related service*	*Logistics park transformation and upgrading services*	*Sub-total*		
	HK$’000	HK$’000	HK$’000	HK$’000	HK$’000	HK$’000	HK$’000	HK$’000
Revenue from contracts with customers within the scope of HKFRS 15								
- Point in time	**3,949,451**	**120,962**	**229,470**	**1,579,745**	**19,448**	**1,949,625**	**-**	**5,899,076**
- Over time	**968,971**	**-**	**-**	**-**	**-**	**-**	**-**	**968,971**
Subtotal	**4,918,422**	**120,962**	**229,470**	**1,579,745**	**19,448**	**1,949,625**	**-**	**6,868,047**
Revenue from other sources	**-**	**618,951**	**-**	**-**	**-**	**618,951**	**-**	**618,951**
Revenue	**4,918,422**	**739,913**	**229,470**	**1,579,745**	**19,448**	**2,568,576**	**-**	**7,486,998**
Operating profit/(loss)	**1,735,296**	**234,121**	**19,121**	**103,143**	**2,981,572**	**3,337,957**	**(65,055)**	**5,008,198**
Share of profit/(loss) of joint ventures	**84,202**	**6,798**	**4,982**	**-**	**-**	**11,780**	**(4,626)**	**91,356**
Share of profit/(loss) of associates	**311,894**	**43**	**-**	**-**	**(244)**	**(201)**	**(2,491,097)**	**(2,179,404)**
Finance income	**108,486**	**38,463**	**1,330**	**1,240**	**25**	**41,058**	**25,718**	**175,262**
Finance costs	**(952,804)**	**(61,098)**	**(9,202)**	**(4,004)**	**(787)**	**(75,091)**	**(528,650)**	**(1,556,545)**
Profit before income tax	**1,287,074**	**218,327**	**16,231**	**100,379**	**2,980,566**	**3,315,503**	**(3,063,710)**	**1,538,867**
Income tax expense	**(235,566)**	**(54,122)**	**(4,184)**	**(25,837)**	**(311)**	**(84,454)**	**(37,345)**	**(357,365)**
Profit for the period	**1,051,508**	**164,205**	**12,047**	**74,542**	**2,980,255**	**3,231,049**	**(3,101,055)**	**1,181,502**
Non-controlling interests	**(528,690)**	**4,102**	**(7,488)**	**(21,055)**	**-**	**(24,441)**	**(278)**	**(553,409)**
Sub-total	**522,818**	**168,307**	**4,559**	**53,487**	**2,980,255**	**3,206,608**	**(3,101,333)**	**628,093**
Profit attributable to perpetual securities holders of the Company	**-**	**-**	**-**	**-**	**-**	**-**	**(46,518)**	**(46,518)**
Profit attributable to ordinary shareholders of the Company	**522,818**	**168,307**	**4,559**	**53,487**	**2,980,255**	**3,206,608**	**(3,147,851)**	**581,575**
Depreciation and amortisation	**1,343,441**	**196,430**	**23,312**	**20,340**	**107**	**240,189**	**24,900**	**1,608,530**
Capital expenditure								
- Additions in investment properties, property, plant and equipment, construction in progress, land use rights and intangible assets	**829,306**	**1,145,708**	**20,935**	**374,199**	**143**	**1,540,985**	**953,554**	**3,323,845**
- Additions in property, plant and equipment, construction in progress, land use rights, and intangible assets arising from acquisition of subsidiaries	**5,414**	**-**	**-**	**-**	**-**	**-**	**21,588**	**27,002**
- Additions in interests in associates	**-**	**-**	**-**	**-**	**-**	**-**	**3,006,076**	**3,006,076**

(4) Segment information (continued)

For the six months ended 30 June 2021 *(unaudited and restated)*

	Toll roads and general-environmental protection business	*Logistics business*					*Head Office functions*	*Total*
		Logistics parks	*Logistics services*	*Port and related service*	*Logistics park transformation and upgrading services*	*Sub-total*		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15								
- Point in time	4,251,238	173,719	553,135	1,059,502	-	1,786,356	-	6,037,594
- Over time	812,052	-	-	-	-	-	-	812,052
Sub-total	5,063,290	173,719	553,135	1,059,502	-	1,786,356	-	6,849,646
Revenue from other sources	-	437,537	-	-	-	437,537	-	437,537
Revenue	5,063,290	611,256	553,135	1,059,502	-	2,223,893	-	7,287,183
Operating profit/(loss)	1,967,156	376,363	29,195	105,700	(38,306)	472,952	(160,320)	2,279,788
Share of profit of joint ventures	222,246	21,809	-	-	-	21,809	765	244,820
Share of profit/(loss) of associates	404,034	929	-	-	860,186	861,115	(816,022)	449,127
Finance income	96,123	4,731	860	360	38,150	44,101	40,528	180,752
Finance costs	(579,134)	(46,111)	(9,028)	(3,014)	-	(58,153)	(46,327)	(683,614)
Profit before income tax	2,110,425	357,721	21,027	103,046	860,030	1,341,824	(981,376)	2,470,873
Income tax expense	(439,933)	(39,729)	(6,414)	(26,205)	(2,159)	(74,507)	(15,562)	(530,002)
Profit for the period	1,670,492	317,992	14,613	76,841	857,871	1,267,317	(996,938)	1,940,871
Non-controlling interests	(898,982)	(1,735)	(10,459)	(21,390)	(4,095)	(37,679)	1,457	(935,204)
Sub-total	771,510	316,257	4,154	55,451	853,776	1,229,638	(995,481)	1,005,667
Profit attributable to perpetual securities holders of the Company	-	-	-	-	-	-	(45,996)	(45,996)
Profit attributable to ordinary shareholders of the Company	771,510	316,257	4,154	55,451	853,776	1,229,638	(1,041,477)	959,671
Depreciation and amortisation	1,371,577	179,975	10,265	18,870	37	209,147	29,690	1,610,414
Capital expenditure								
- Additions in investment properties, property, plant and equipment, construction in progress, land use rights and intangible assets	2,620,582	1,049,996	9,985	11,607	176	1,071,764	312,041	4,004,387
- Additions in property, plant and equipment, construction in progress, land use rights, and intangible assets arising from acquisition of subsidiaries	2,607,721	-	-	-	-	-	-	2,607,721
- Additions in interests in associates	190,423	-	-	-	-	-	216,424	406,847

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

(5) Revenue

	Six months ended 30 June	
	2022	*2021*
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Toll roads and general-environmental protection business		
- Toll revenue	**2,895,429**	3,344,984
- Entrusted construction management service and construction consulting service revenue	**496,724**	233,988
- Construction service revenue under service concession arrangements	**300,461**	225,069
- General-environmental protection service	**1,004,577**	778,474
- Others	**221,231**	480,775
	4,918,422	5,063,290
Logistics business		
- Logistics parks	**120,962**	173,719
- Logistics services	**229,470**	553,135
- Port and related services	**1,579,745**	1,059,502
- Logistics park transformation and upgrading service	**19,448**	-
	1,949,625	1,786,356
	6,868,047	6,849,646
Revenue from other sources		
Logistics business		
- Leases from logistics parks	**618,951**	437,537
	7,486,998	7,287,183

(6) Operating profit

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

	Six months ended 30 June	
	2022	*2021*
	HK$'000	*HK$'000*
Fair value changes on investment properties	**(3,573)**	(25,962)
Net change in fair value of other financial assets	**168,415**	25,611
Gain on disposal of other financial assets	**-**	70,174
Gain on disposal of a subsidiary	**2,988,327**	175,390
Others	**(14,763)**	25,049

(7) Finance income and costs

	Six months ended 30 June	
	2022	2021
	HK$'000	*HK$'000*
		(restated)
Finance income		
Interest income from bank deposits	**(167,912)**	(129,938)
Other interest income	**(7,350)**	(50,814)
Total finance income	**(175,262)**	(180,752)
Finance costs		
Interest expenses		
- Bank borrowings	**469,128**	436,051
- Medium-term notes	**5,934**	47,477
- Senior notes	**14,641**	14,421
- Corporate bonds	**186,693**	130,296
- Panda bonds	**95,002**	117,424
- Interest on contract liabilities	**1,648**	731
- Interest on lease liabilities	**33,885**	12,901
- Other interest costs	**69,825**	25,515
- Borrowings from finance lease companies	**30,672**	36,774
Net foreign exchange losses/(gains)	**755,137**	(18,616)
Less: finance costs capitalised on qualified assets	**(106,020)**	(119,360)
Total finance costs	**1,556,545**	683,614
Net finance costs	**1,381,283**	502,862

(8) Income tax expense

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the period.

The PRC Corporate Income Tax charged to the consolidated income statement was calculated based on the assessable profits of the Company's subsidiaries located in the PRC for the period at a rate of 25% (six months ended 30 June 2021: 25%) applicable to the respective companies.

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

	Six months ended 30 June	
	2022	*2021*
	HK$'000	*HK$'000*
		(restated)
Current income tax		
- PRC Corporate Income Tax	**306,365**	1,060,493
- Land appreciation tax	**1,834**	1,941
Deferred tax	**49,166**	(532,432)
	357,365	530,002

(9) Earnings per share

(a) Basic

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

	Six months ended 30 June	
	2022	*2021* *(restated)*
Profit attributable to ordinary shareholders of the Company (HK$'000)	**581,575**	959,671
Weighted average number of ordinary shares in issue (thousands)	**2,272,736**	2,199,849
Basic earnings per share (HK dollars per share)	**0.26**	0.44

(b) Diluted

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

	Six months ended 30 June	
	2022	*2021* *(restated)*
Profit attributable to ordinary shareholders of the Company (HK$'000)	**581,575**	959,671
Profit used in the calculation of diluted earnings per share (HK$'000)	**581,575**	959,671
Weighted average number of ordinary shares in issue (thousands)	**2,272,736**	2,199,849
Adjustments - share options (thousands)	**-**	6,607
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,272,736**	2,206,456
Diluted earnings per share (HK dollars per share)	**0.26**	0.43

(10) Dividends

The Board has resolved not to declare any interim dividend in respect of the period (six months ended 30 June 2021: Nil). The 2021 final dividend and special dividend of HKD1,876,840,000 in aggregate (consisting of HKD0.125 per ordinary share of final dividend and HKD0.703 per ordinary share of special dividend respectively) were settled in June 2022.

According to the scrip dividend scheme approved by shareholders in the annual general meeting held on 13 May 2022, 121,094,761 new shares were issued at a price of approximately HKD7.322 per share, totalling HKD886,656,000. The remaining dividend totaling HKD990,184,000 was paid in cash in June 2022.

(11) Intangible assets

	Six months ended 30 June	
	2022	*2021*
	HK$'000	*HK$'000*
Opening net book amount	**32,922,243**	31,645,704
Additions	**648,578**	696,068
Disposals	**-**	(284)
Amortisation	**(970,773)**	(1,092,930)
Exchange difference	**(1,473,249)**	346,484
Closing net book value	**31,126,799**	31,595,042

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 1 to 25 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any consideration payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

(12) Interests in associates

	Six months ended 30 June	
	2022	*2021*
	HK$'000	*HK$'000*
Beginning of the period	**19,560,227**	14,431,233
Additions	**3,248,507**	406,847
Share of (loss)/profit of associates	**(2,179,404)**	449,127
Share of other comprehensive income of associates	**17,211**	63,882
Dividends	**(173,114)**	(166,516)
Exchange difference	**(906,264)**	156,086
End of the period	**19,567,163**	15,340,659

The ending balance comprises the following:

	As at	
	30 June	*31 December*
	2022	*2021*
	HK$'000	*HK$'000*
Unlisted investments		
Share of net assets, other than goodwill	**16,893,963**	16,761,823
Goodwill on acquisition	**2,673,200**	2,798,404
	19,567,163	19,560,227

Based on the assessment made by the directors of the Company, there were no impairment losses for the interests in associates as at 30 June 2022 (31 December 2021:Nil).

(13) Other financial assets

	As at	
	30 June 2022 HK$'000	*31 December 2021 HK$'000 (restated)*
Equity securities designated at fair value through other comprehensive income ("FVOCI")		
- Unlisted equity securities	**75,822**	80,610
Financial assets measured at fair value through profit or loss ("FVTPL")		
- Listed securities in the PRC (Note (a))	**439,841**	420,205
- Unlisted equity securities (Note (b))	**1,085,405**	1,003,860
- Unlisted fund investments (Note (c))	**117,124**	182,920
- Structured deposit (Note (d))	**305,137**	430,825
	2,023,329	2,118,420
Less: non-current portion	**(1,044,104)**	(1,144,780)
Current portion	**979,225**	973,640

(a) As at 30 June 2022, listed equity investments stated at market price represent 112,000,000 shares (31 December 2021: 112,000,000 shares) of listed real estate investment trust ("REITs") amounting to HKD439,841,000 (31 December 2021: HKD420,205,000).

(b) As at 30 June 2022 and 31 December 2021, unlisted equity investments mainly represent the Group's interest in Shenzhen SASAC Cooperative Development Private Investment Fund, Shenzhen Water Planning and Design Institute Co., Ltd. and Guangdong United Electronic Services Co., Ltd..

(c) As at 30 June 2022 and 31 December 2021, the amount represents investments in the Yuanzhi Credit Suisse Smart Airport Logistics Industry Private Equity Fund and the Group's share in Shenzhen Capital Lingxiu Logistics Facility Phase I Private Investment Fund.

(d) As at 30 June 2022, the Group's structured deposit represent financial products issued by a bank, with maturity of 60 days on 12 July 2022 (31 December 2021: 90 days on 24 February 2022) and an expected return at 4.42% (31 December 2021: 4%) per annum. The investment in financial product is classified as financial assets at FVTPL at initial recognition and measured at fair value at the end of the reporting period. The directors of the Company consider the fair value of the financial products approximate to the carrying amount as at 30 June 2022 and 31 December 2021 because of the short maturity.

(14) Inventories and other contract costs

	As at	
	30 June	*31 December*
	2022	*2021*
	HK$'000	*HK$'000*
Land held for future development	**395,564**	220,262
Land and properties under development for sale	**4,884,846**	8,288,445
Completed properties for sale	**350,979**	386,402
Others	**671,055**	679,890
Impairment	**(17,538)**	(12,940)
	6,284,906	9,562,059

(15) Trade and other receivables

The settlement period of the toll revenue from toll road operations is normally within a month due to the implementation of unified toll collection policy on expressways of the Group in the PRC. Trade receivables other than toll revenue generally due within 120 days from the date of billing. The ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

	As at	
	30 June	*31 December*
	2022	*2021*
	HK$'000	*HK$'000*
0 - 90 days	**628,568**	1,231,482
91 - 180 days	**174,368**	187,771
181 - 365 days	**609,497**	240,506
Over 365 days	**618,223**	550,898
	2,030,656	2,210,657

(16) Trade and other payables

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

	As at	
	30 June	*31 December*
	2022	*2021*
	HK$'000	*HK$'000*
0 - 90 days	**792,954**	1,819,439
91 - 180 days	**1,377,676**	493,793
181 - 365 days	**569,412**	1,002,740
Over 365 days	**1,024,196**	556,383
	3,764,238	3,872,355

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Operating Results	For the six months ended 30 June **2022** ***HK$'000***	 2021 *HK$'000* *(Restated)*	Increase/ (Decrease)
Revenue (excluding construction service revenue from toll roads)	**7,186,537**	7,062,114	2%
Construction service revenue from toll roads	**300,461**	225,069	33%
Total revenue	**7,486,998**	7,287,183	3%
Operating profit	**5,008,198**	2,279,788	120%
Profit before tax and finance costs	**2,920,150**	2,973,735	(2%)
Profit attributable to shareholders	**581,575**	959,671	(39%)
Basic earnings per share (HK dollars)	**0.26**	0.44	(41%)

The economic development of the PRC faced tremendous challenges such as falling demand and supply chain disruptions due to frequent pandemic outbreaks across the PRC and geopolitical crisis in the first half of 2022. While diligently preventing and controlling the pandemic, the Group made concerted efforts to proactively establish the all-round logistics ecosystem of "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" and to persistently develop the competitiveness and sustainability of its main logistics business in strict adherence to its "14^{th} Five-Year" development strategy.

In the first half of 2022, the Group seized market opportunities and maintained stable growth in its core businesses. Revenue for the six months ended 30 June 2022 (the "Period") amounted to approximately HK$7,187 million, representing an increase of 2% as compared to the corresponding period of the previous year. Profit attributable to shareholders decreased by 39% as compared to the corresponding period of the previous year to HK$582 million, mainly due to the significant decline in financial performance of Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate of the Group, which enlarged its net loss to approximately RMB4,594 million during the Period due to the impact of the persisting pandemic and rising fuel costs.

During the Period, revenue from the logistics business decreased by 17% as compared to the corresponding period of the previous year to HK$969 million, mainly due to the proactive adjustment and optimization by the Group of its logistics service business mix and divestment from businesses with lower gross profit margin and/or those with relatively higher risks. Profit of the logistics business attributable to shareholders decreased by 46% as compared to the corresponding period of the previous year, mainly due to the absence of a one-off gain of HK$175 million from the disposal of the Nanchang Integrated Logistics Hub project (the "Nanchang Project") recorded in the corresponding period of the previous year. Excluding such one-off gain from the previous year, profit attributable to shareholders would have increased by 19% as compared to the corresponding period of the previous year.

Guided by its strategy to establish a foothold in Shenzhen, to penetrate the Greater Bay Area and to expand across the country, the Group focused further on its main logistics business and refined its core competitive strength by pushing through the construction of logistics projects and putting them into operation in an orderly manner. As at 30 June 2022, the Group has established footholds in nearly 40 key logistics gateway cities across the country, managed and operated a total of 33 logistics projects, with a total operation area of approximately 4 million square meters. It ranked ninth in the industry in terms of market share in the high-standard warehouse sector.

During the Period, the Group achieved a breakthrough in its land acquisitions in the Greater Bay Area by successfully winning its bid for two warehouse construction sites in Nanhai District and Shunde District, Foshan, respectively, adding approximately 280,000 square meters to the Group's land reserve in the Greater Bay Area. In addition, the Group successfully acquired two high-quality logistics warehouse projects with an aggregate site area of approximately 918,000 square meters and a total gross floor area of approximately 406,000 square meters in the two core gateway cities of Zhengzhou and Hefei for approximately RMB1,710 million. This acquisition was instrumental in the Group's realization of its "One City, Multiple Logistics Parks" strategy, expansion of its asset size and strengthening of its market position. The acquisition will also enlarge the Group's total reserve of logistical assets, laying the foundation for potential asset securitization in the future.

As for logistics park transformation and upgrading business, the Group is steadily advancing the development and construction of the Qianhai Project. This project has achieved remarkable profits and provided strong support to the Group's performance improvements. In February and June 2022, Shenzhen Vanke Development Company Limited ("Shenzhen Vanke") injected approximately RMB915 million and RMB1,480 million, respectively, into Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd ("Qianhai Business"). Upon the completion of the second batch of capital contribution, the Group's shareholding in Qianhai Business was diluted to 50%. As a result, Qianhai Business ceased to be a subsidiary of the Company, and the Group ceased to consolidate the financial results of Qianhai Business. The capital contribution contributed a gain before tax of approximately RMB2,487 million to the Group.

During the Period, revenue from the port and related services business increased by 49% as compared to the corresponding period of the previous year to HK$1,580 million, which was mainly attributable to the Group's active expansion into new businesses. However, profit attributable to shareholders slipped moderately due to a number of factors such as the rise in transportation costs and other operating costs. As the port business is an important segment in the Group's "Four Growth Engines" layout strategy, the Group has carried on the "Port Connection Action" strategy during the Period by actively exploring and constantly acquiring quality port projects, and exploring new businesses in order to improve the Group's revenue. The Group successfully acquired the Fengcheng Shangzhuang Project, the Jingjiang Port Project and the Shenqiu Port Project in 2020. As the construction of these projects proceeds in an orderly manner and they are expected to commence operation successively by the end of 2022, a multi-point port network is taking shape.

The Group's toll road and general-environmental protection businesses are managed and operated by Shenzhen Expressway Corporation Limited ("Shenzhen Expressway"), a subsidiary held as to approximately 52% by the Company. Affected by the pandemic in the first half of 2022, toll revenue of the toll roads operated and invested by the Group decreased as compared to the corresponding period of the previous year. Overall revenue and net profit of Shenzhen Expressway for the Period decreased by 3% and 36% as compared to the corresponding period of the previous year to HK$4,918 million and HK$1,052 million, respectively. Profit of Shenzhen Expressway attributable to the Group for the Period decreased by 30% as compared to the corresponding period of the previous year to HK$523 million.

On 11 January 2022, the Group completed the acquisition of 71.83% equity interest in Shenzhen Investment Holdings Bay Area Development Company Limited ("Bay Area Development", the shares of which are listed on the Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange") (Stock Code: 00737)) and consolidated its results in the Group's financial statements on the basis of business combination under common control. Pursuant to the requirement of the relevant accounting standards, the Company made retrospective adjustments to the figures in the consolidated financial statements for the previous year. Through the successful acquisition of Bay Area Development, Shenzhen Expressway acquired the interests of two premium and mature expressway assets (being Guangzhou-Shenzhen section of G4 Beijing-Hong Kong-Macao Expressway ("Guangshen Expressway") and Guangzhou-Zhuhai West Expressway ("GZ West Expressway")) in the core area of the Greater Bay Area and a major project in relation to the transformation and expansion of Guangshen Expressway. This acquisition further consolidated the Group's core advantages in the investment, construction and operation of toll roads, regional market share in the toll road industry, future profitability and cash flow, thereby laying the foundation for realizing long-term sustainable development.

Shenzhen Airlines, an associate held as to 49% by the Group, recorded a net loss for the Period of RMB4,594 million (equivalent to HK$5,519 million) due to the decline in demand for air passenger transportation resulting from the ongoing pandemic in the PRC, the continual rise in fuel costs, and the exchange rate fluctuations. Loss of Shenzhen Airlines attributable to the Group amounted to approximately RMB2,256 million (equivalent to HK$2,710 million). In face of tough challenges in the market, the economy of the PRC is remarkably resilient and the fundamentals of the passenger segment of the domestic aviation industry is expected to remain positive in the long run. The rising vaccination rate and rollout of therapeutic drugs for COVID-19 will help boost the recovery of the tourism segment of the aviation industry. Shenzhen Airlines will prepare itself for future recovery in the industry by refining its route layout, rationalizing its capacity allocation and strengthening overall cost control.

LOGISTICS BUSINESS

Analysis of Operating Environment

In the first half of 2022, first-tier cities such as Beijing, Shanghai and Shenzhen were hit by the pandemic and faced enormous economic pressure due to frequent COVID-19 outbreaks across the PRC. In light of the economic impact of the pandemic, the PRC government rolled out several rounds of economic stimulus policies, thereby gradually reviving the economy since the second quarter of 2022. The logistics industry, in which the main business of the Group operates, demonstrated its stabilizing role in fighting against the pandemic, maintaining people's livelihood and promoting economic recovery. Nevertheless, as the growth in the overall demand of the society for logistics services slowed down despite continuous expansion driven by the comprehensive domestic industrial sectors, it still faces both challenges and opportunities.

To seize opportunities and rise to the challenges, the Group responded proactively to such changes in the external environment and the impacts of the relevant policies. Building on its footholds in the Shenzhen Pioneering Demonstration Zone and the Guangdong-Hong Kong-Macao Greater Bay Area, it is seizing opportunities to construct a modern logistics system to upgrade its logistics infrastructure across the country. Apart from seizing market opportunities to speed up its construction of regional networks in the Greater Bay Area and across the country while expanding its business scale by actively exploring investment and merger and acquisition opportunities, it is also steadfastly pursuing stable, high-quality and sustainable development by constantly improving its operating and management capability, optimizing its customer mix and perfecting both the "Investment, Construction, Financing and Operation" and "Investment, Construction, Operation and Transformation" closed-loop business models.

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, the Group has established its presence in cities such as Zhongshan, Zhaoqing and Foshan among the cities in the Greater Bay Area in addition to Shenzhen. The strategic vision of entering into the Greater Bay Area is materialising. The Group strives to strengthen its investment layout in the Greater Bay Area and has developed a series of new products, namely the "Shenzhen International Digital Logistics Hubs" in response to the smart and intelligent development trend in the industry and the local government's initiative on intensive land use.

As at 30 June 2022, the Group has established 11 logistics projects across the Greater Bay Area, of which 4 were already in operation/under management, including 3 projects in Shenzhen and 1 project in Zhongshan. Projects under construction included the SZ Pinghunan Project, the SZ Liguang Project, the SZ Yantian Comprehensive Bonded Project as well as the Foshan Nanhai Integrated Logistics Hub Project and the Foshan Shunde Integrated Logistics Hub Project. The Group is actively driving the construction of the SZ Pingshan Project.

Logistic Hub Projects in Shenzhen

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.

<u>Projects in Operation</u>

The first phase of **Shenzhen (Longhua) South China Logistics Park** ("SZ South China Logistics Park") operated smoothly during the Period. With a site area of approximately 62,000 square meters and a gross floor area of approximately 200,000 square meters, the second phase of this project will be developed and constructed in two stages. The completion acceptance filing of the first stage was completed in November 2021. Focusing on the urban and industrial development of Shenzhen and aligning with the "Digital Longhua" development strategy of Longhua District, this project will be developed into "South China Digital Valley" that will tap into the development of the digital industry and concentrate on attracting enterprises in three major fields, namely artificial intelligence, 5G technologies and industrial Internet, with the aim of promoting the integration of regional industries and cities, and empowering regional development with digital industry.

Shenzhen (Qianhai) Western Logistics Park ("SZ Western Logistics Park") is located in Shenzhen Qianhaiwan Comprehensive Bonded Port Area (深圳前海灣綜合保稅港區) with a total operating area of approximately 122,000 square meters. It provides bonded logistics, on-site value adding, loading, unloading, distribution and other logistics services. It was awarded by the Ministry of Commerce of the PRC as the second batch of National Exemplary E-Commerce Bases, listed as a pilot project of Shenzhen Cross-border E-commerce Center (深圳市跨境電商展示中心) and recognized as an advanced certified enterprise under the Authorized Economic Operator Program. As at 30 June 2022, the overall occupancy rate of the project was 100%.

Shenzhen (Longhua) Kanghuai E-commerce Center ("SZ Kanghuai E-commerce Center") is the Group's first project operated by entrusted management and has an operating area of approximately 143,000 square meters. SZ Kanghuai E-commerce Center actively explores the development model of green freight distribution, and has built an "Intensive, Efficient, Green and Intelligent" urban freight distribution service system. This project is one of the Green Freight Distribution Pilot Projects (綠色貨運配送示範工程) in Shenzhen. Business services provided in the project include warehouse logistics services, large data centers, office buildings, dormitories, restaurants, supermarkets, etc. The project also supports interactive sharing and intelligent interchange of data across the park with an intelligent park information management system. The operations of the project have stabilized and achieved satisfactory marketing results after successfully attracting a number of branded logistics enterprises. As at 30 June 2022, it attained an overall occupancy rate of 96%.

Projects in Construction

Shenzhen (Longgang) Pinghunan Integrated Logistics Center ("SZ Pinghunan Project")

In August 2021, a joint venture was set up to invest in and develop the SZ Pinghunan Project in accordance with the cooperation agreement entered into between the Group and China Railway Guangzhou Group Co., Ltd. In September 2019, the SZ Pinghunan Project was selected by the National Development and Reform Commission of the PRC and the Ministry of Transport of the PRC as one of the first batch of 23 national integrated logistics hub projects to be developed as a national logistics hub to provide logistics services. The SZ Pinghunan Project will be designed with an aim to enable seamless connection between road and railway logistics facilities. The use of expressways and railways for freight consolidation and distribution can greatly enhance railway freight consolidation capacity and service efficiency, transfer throughput from roads to railways and reduce the traffic of roads connecting ports and pollutant emissions, thereby optimizing regional transportation system, which are important for improving logistics efficiency and reducing logistics costs and are in line with green urban development concepts.

Being the first logistics park jointly developed by the Group and a railway enterprise, the SZ Pinghunan Project has a site area of approximately 900,000 square meters and an estimated gross floor area for logistics warehouse of approximately 850,000 square meters (the final gross floor area is subject to the approval by the relevant governmental authorities of Shenzhen), among which the operating area for railway, toll and logistics sites amounts to approximately 700,000 square meters. The Group pioneered the model of "obtaining strata titles in multi-level logistics construction to be constructed over the railway freight station" in the SZ Pinghunan Project, thereby achieving integrated "rail transportation and modern logistics" development. It will become a benchmark for intensive use of land resources.

The Group intends to turn this project into an exemplary multimodal transportation hub for the whole country as well as Asia. While preserving the functions of the original rail yard, the construction of the modern large-scale intelligent logistics complex will upgrade the rail yard into an exemplary integrated logistics hub that incorporates multimodal road, railway and water transportation, regional distribution and delivery, public warehousing and logistics information services. On the one hand, the SZ Pinghunan Project will effectively meet the huge demand for high-end logistics infrastructure arising from the operation of Shenzhen Municipality, perfect the city's multimodal transportation system, consolidate and relieve surrounding scattered, low-efficiency and low-performance logistics facilities, and become a modern public logistics service platform serving Shenzhen, the Guangdong-Hong Kong-Macao Greater Bay Area as well as the whole Southern China so as to boost the position of Shenzhen as an important city and entrepot trade hub under the Belt and Road Initiative. On the other hand, it will enable the Group to accumulate high-quality assets with long-term performance for its future development, enlarge the scale and network coverage of its logistics operations, and strengthen its market position in the Greater Bay Area as well as the rest of the country. Thus, the development of the SZ Pinghunan Project is in line with the Group's business development strategy and planning.

The rail yard at the first phase of the SZ Pinghunan Project was handed over as planned in early 2022 and has been operating smoothly, and the area in operation for the first phase is approximately 170,000 square meters. Meanwhile, land acquisition, building design and other tasks for the second phase of facilities constructed over the railway freight station are progressing in full swing. The Group aims at putting it into operation by the end of 2025.

Shenzhen (Longhua) Liguang Digital Logistics Hub ("SZ Liguang Project") is located in Longhua District, Shenzhen, with a site area of approximately 45,000 square meters in a prime geographical location. It will be built into a logistics park with a high plot ratio comprising six levels above ground and two levels underground, with a planned gross floor area of 265,000 square meters. The SZ Liguang Project will become a modern, high-standard, intelligent and eco-friendly exemplary logistics park. Once completed, it will further consolidate the Group's share in Shenzhen's logistics market. The construction of the main structures was completed in 2021. Meanwhile, the leasing work of the project is progressing well and preliminary understanding on cooperation has been reached with several renowned logistics enterprises. The Group has been speeding up the construction of this project and aims at putting it into operation in the first half of 2023.

Shenzhen (Pingshan) Digital Logistics Hub ("SZ Pingshan Project") is located in Pingshan District, Shenzhen, an advantageous location surrounded by enterprises in new generation industries such as information technology, biopharmaceutical and new energy vehicles with huge demand for logistics services. In October 2021, the Group entered into a transfer agreement to acquire 70% equity interest in the project company and completed the acquisition of this project in April 2022.

On 26 May 2022, the Group and the People's Government of Pingshan District, Shenzhen, entered into a strategic cooperation agreement to commence the comprehensive "Industry + Logistics" strategic cooperation, deepen collaboration in the fields of intelligent logistics, industrial parks and the development and operation of integrated urban complexes, and turn the SZ Pingshan Project into an innovative demonstration base for in-depth integration and coordinated development of "High-end Manufacturing + Intelligent Logistics".

At the end of 2021, the Group successfully won the bid for the land parcels of **Shenzhen (Yantian) Comprehensive Bonded Digital Logistics Hub** ("SZ Yantian Comprehensive Bonded Project") with a site area of approximately 32,000 square meters and a planned gross floor area of approximately 127,000 square meters. Building on an international hub port comprising Yantian Port and Yantian Comprehensive Bonded Zone, this project will be built into a world-leading digital, intelligent and green-bonded investment and operation complex with the main aims of developing a new bonded business model and setting a premium brand and innovative benchmark for the operation and management of bonded logistics parks. The construction of this project commenced on 26 June 2022. The Group will make every effort to accelerate the progress of this project with a goal of putting it into operation by the end of 2023.

II. Other Projects in the Greater Bay Area

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

With a gross floor area of 66,000 square meters, the **Zhongshan Torch Integrated Logistics Hub Project** is the first project of the Group in the Greater Bay Area (excluding Shenzhen) to help the integrated development of logistics on both sides of the Pearl River. With nearly three years of refined management following the project's acquisition in 2019, operation and service quality has greatly improved, and the occupancy rate has reached nearly 100%.

At the beginning of 2022, the Group successfully won its bid for two warehouse construction sites in Nanhai District, Foshan and Shunde District, Foshan, respectively, for the development of **Foshan Nanhai Integrated Logistics Hub Project** and **Foshan Shunde Integrated Logistics Hub Project**. They added approximately 280,000 square meters to the Group's land reserve and represented a major breakthrough in the Group's logistics project planning in the Greater Bay Area. To emphasize the dedication and sophistication in their overall planning, the Group intends to build these two warehouse facility projects into modern high-standard logistics parks that integrate warehousing, distribution, freight forwarding, trading, after-sales services and e-commerce.

Furthermore, the Group will actively procure the acquisition of land for the integrated logistics hub project in Gaoyao, Zhaoqing, for which an investment proposal has been devised during the Period.

III. Logistics Parks in Other Regions of PRC

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

As of 30 June 2022, the Group established the layout of integrated logistics hubs in more than 30 logistics gateway cities in other regions across the country (excluding the Greater Bay Area and logistics park management projects). The Group had in aggregate 28 operating integrated logistics hub projects with a total operating area of over 3.3 million square meters, and the hubs in operation achieved satisfactory occupancy rate.

During the Period, the Group indirectly acquired two high-quality logistics warehouse projects in the two core cities of Zhengzhou and Hefei at a total amount of approximately RMB1,710 million. With an aggregate site area of approximately 918,000 square meters and an operating area of approximately 406,000 square meters, these two projects, namely Zhengzhou Xinzheng Integrated Logistics Hub and Hefei Feixi Integrated Logistics Hub, mainly provide services to local industries, with customers including those in the express delivery industry, third-party logistics industry and customized logistics industry. The Group plans to use the vacant land of these two projects to build high-standard warehouses. After completion of the two projects in the next two years, their total operating area will exceed 700,000 square meters, rendering them the more influential comprehensive logistics parks in Zhengzhou and Hefei. Through the above acquisitions, the Group can further accelerate its strategy of " One City, Multiple Logistics Parks" in core cities and enhance its market share and influence among core logistics gateway cities and across the country.

In addition, 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 Period, the Company completed investment plans for a number of integrated logistics hub projects, such as Wuhan Huangpi Integrated Logistics Hub and Wenzhou Longgang Integrated Logistics Hub, with an additional planned site area of over 200,000 square meters, and successfully acquired land use rights for Xiangtan Yuetang Integrated Logistics Hub with an area of 100,000 square meters during the Period.

While continuing to explore new integrated logistics hub projects, the Group has also been steadily working on projects under construction and preparation to ensure that the progress of such projects is in line with expectations. In the first half of 2022, Wuhan Caidian Integrated Logistics Hub and stage B of the first phase of Changsha Integrated Logistics Hub were successively completed and put into operation, providing an additional operating area of over 170,000 square meters. In addition, the Zhengzhou Erqi Integrated Logistics Hub, Wuxi Jiangyin Integrated Logistics Hub and the E-commerce Industrial Park in Yiwu have commenced construction work as planned, and they are expected to be completed and put into operation gradually in 2022 and 2023.

The Shijiazhuang Zhengding Smart Hub Project (the "Shijiazhuang Project") invested and constructed by the Group in Shijiazhuang is the first industrial-city complex in the PRC that integrates the two major industries of logistics and commerce. With a gross floor area of approximately 500,000 square meters, the project will be an industrial-city complex integrating backbone cold chain base, quality agricultural product display base and medicine logistics. The project is expected to be substantively completed and put into operation in 2025.

In addition, capitalizing on its strong brand influence and ability to operate mature parks, the Group has undertaken a number of management projects across the PRC. Yueyang Smart Commercial and Trading Park (岳陽智慧商貿物流園) is the first management project outside Shenzhen. It became the first integrated smart commercial and trading logistics park featuring commercial and trading, storage and e-commerce showroom functions in Yueyang City. With a completed area of approximately 52,000 square meters, the storage facilities of the first phase of the project have been operating well since it was put into operation. Furthermore, the Group has been vigorously pushing through the development and operation of several other management projects, such as the Hainan Yangpu Project, the Guangdong Huiyang Project and the Jiangxi Fengcheng Project.

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

As the logistics and warehousing industry proliferates and rental surges continuously, the value of integrated logistics hubs is expected to rise steadily. The Group is actively exploring possible channels to securitize the assets of its integrated logistics hubs and implement the closed-loop "investment, construction, financing and operation" business development model. Under this model, the offering of logistics real estate investment funds will not only accelerate the Group's capital recovery, shorten its project turnover time, lower its gearing ratio and ensure adequate cash flows, but also enable the Group to realize asset appreciation from the development, construction, incubation and operation of the integrated logistics hubs in advance, 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 the aim of increasing the scale of investment.*
Construction –	*Project construction. High-standard and multipurpose logistics and warehousing products that are widely accepted by the market will be constructed at reasonable costs. Emphasis will be placed on the liquidity of these assets and enhancement of project construction and management standards.*
Financing –	*Integration of assets and financing. Through securitization of assets through public offering of REITs, capital recovery will be accelerated, gearing ratio will be lowered, adequate cash flows will be ensured and asset value appreciation will be crystalized.*
Operation –	*Operation and management. To enhance core competitiveness and grasp customer resources, overall control over the operation and management of the integrated logistics hub projects will be retained and value-added park services will be added.*

Following the successful injection of Nanchang Project into a fund in 2021, the Group will continue to procure the injection of, among other projects, the Hefei Feidong Integrated Logistics Hub and the second phase of the Hangzhou Integrated Logistics Hub into private equity funds. At the same time, the Group will actively plan to issue publicly traded REITs with mature integrated logistics hub projects as their underlying assets. Through multiple channels, the Group seeks to improve the closed-loop "investment, construction, financing and operation" business development model, accelerate its capital recovery, optimize its industry model, enlarge its scale of operation and enhance its profitability while maintaining the Group's operation rights to its projects.

IV. Logistics Service Business

With technologies relating to artificial intelligence, big data and 5G maturing gradually, the combination of new applications such as automatic sorting, precise delivery and contactless distribution has facilitated the migration of the logistics industry from being traditional labor-intensive to high technology and digitalization. Emerging industries such as intelligent logistics and cold chain logistics have become major trends for the future development of the logistics industry. In recent years, the Group has sped up its exploration into intelligent and cold chain businesses in order to diversify its revenue streams.

Under an initiative to build new intelligent warehousing and cold chain logistics growth engines, the Group accelerated the development of its intelligent and cold chain warehousing business by planning and constructing cold chain logistics, intelligent warehousing and other emerging strategic and ancillary projects in the first half of 2022. As at June 2022, the Group has a total of 370,000 square meters of completed, under-construction and planned intelligent and cold chain logistics projects.

In respect of the cold chain business, the Group has planned and constructed cold warehouses in logistics hub projects such as the SZ Liguang Project, the SZ Pinghunan Project, the Shijiazhuang Project, and the logistics hub projects in Qingbaijiang of Chengdu, Minhang of Shanghai, Tianjin and Zhengzhou. In particular, the cold warehouse with an area of approximately 20,000 square meters in the Shijiazhuang Project has been put into operation, while those in the Chengdu Qingbaijiang Integrated Logistics Hub and the SZ Liguang Project with areas of approximately 17,000 square meters and 50,000 square meters, respectively, are expected to be ready for operation within one year. In addition, a cold chain warehouse project jointly developed by the Group and VX Logistics Properties in Jiangning of Nanjing, with an area of approximately 30,000 square meters, is expected to be put into operation in 2024.

For the development of intelligent warehouses, the Group has finished the intelligent transformation and commenced the operation of 15,000 square meters of warehouses, thereby increasing the utilization rates of the storage space of its clients, such as Pedder Logistics and Ruhnn Holding. During the Period, the Group continued to push through the intelligent transformation of several projects in order to meet the needs of its clients to further enhance their inventory turnover efficiency and the utilization rates of their storage space.

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

Shenzhen EDI Co., Ltd., ("EDI Co"), a subsidiary of the Company, operates the largest digitally-enabled public service platform for container transport in Southern China. It also constructs and operates the 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 for key hub ports in Southern China and barge terminals in the west bank of the Pearl River. 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 China (Shenzhen) International Trade Single Window(中國（深圳）國際貿易單一窗口), creating a "one-stop" international trade service platform for Shenzhen to provide local foreign trade enterprises with convenient and efficient online import and export customs clearance services. During the Period, EDI Co carried on the marketing for its existing products, upgraded shipping-related solutions, launched mobile smart application (APP) products, and attracted strategic investors that can achieve business synergies in an orderly manner.

V. Other Logistics Strategic Investments

The Group is also actively exploring upstream and downstream companies along the logistics industry chain that can diversify all-round logistics ecosystem combining "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics", and seize the opportunity of emerging industries in logistics field and policy layout, capture the potential investment opportunities of multimodal transportation, air and sea freight forwarding and integrated logistics services enterprises, selecting quality logistics asset projects and accumulating underlying resources to give full effort to the synergy of the projects while obtaining a good return on investment.

The Group has set up a joint venture with Sinotrans Limited ("Sinotrans") to operate the Bay Area Express (灣區號) in Shenzhen as well as other principal businesses such as international cargo agency and international train operation. The China-Europe Railway Express sets off from Shenzhen to Duisburg, Germany via Dzungarian Gate in Xinjiang, serving one of the longest train routes of the PRC between China and Europe with a total length of 13,438 kilometers. As of 30 June 2022, the China-Europe Railway Express has made a total of 201 trips with a trading amount of approximately USD850 million, thereby greatly benefiting the economy and society. On 3 December 2021, the Bay Area Express set off on a brand new international train route running between China and Laos, and the China-Laos-Thailand International Railway Channel opened in March 2022. On 21 April 2022, the first cold-chain-only train running among China, Laos and Thailand set off from Pinghunan. This train marked the first end-to-end experimental cold chain service among China, Laos and Thailand as well as the first two-way cold chain train service among China, Laos and Thailand for Southern China. Capitalizing on the numerous routes of the Bay Area Express, the Group's logistics parks have also rolled out one-stop services covering goods consolidation, freight forwarding and booking, loading and unloading, warehousing and transportation, thereby improving the utilization rate of warehouses and coordination between logistics parks, and generating new revenue from the value-adding process. As all the routes of the Bay Area Express begin from the Pinghunan freight terminal, the Bay Area Express will help the Pinghunan Integrated Logistics Hub boost its throughput and develop all sorts of value-added services, thereby providing solid support to the long-term stable growth of the Group's logistics business.

In 2020, the Group completed a strategic investment in Hubei Prolog Technology Stock Company Limited (湖北普羅格科技股份有限公司) ("Prolog"), a leading integrated intelligent warehouse system company. The Group actively promoted post-investment synergy and completed the intelligent transformation of some warehouses in the Shijiazhuang Project together with Prolog. In the future, the Group and Prolog will further cooperate to actively explore further application of intelligent logistics technologies in the park ecology and jointly explore new value brought about by technology to warehouses and logistics parks.

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

The Group also formally became the fourth largest shareholder of Air China Cargo Co., Ltd. ("Air China Cargo") in 2021, and the Group's annualized rate of return from the investment in Air China Cargo exceeded 40% for that year. Grasping this opportunity, the Group entered the air logistics industry, which is highly monopolistic with a high entry barrier, from a relatively advantageous starting point. Meanwhile, the Group established good relationship and strategic cooperation with Air China Cargo, and will explore business cooperation opportunities in various aspects in the area of air logistics and air cargo terminals in the future. During the Period, the parties are actively promoting cooperation in air logistics projects in Shenzhen, Hangzhou and Beijing, and are jointly building up a comprehensive logistics system integrating air logistics, high-standard warehouses, cold chain logistics and others.

In May 2021, as a strategic investor, the Group participated in one of the national pilot projects of public REITs, the Hongtu Innovation Yantian Port Warehousing and Logistics Closed-end Infrastructure Securities Investment Fund (紅土創新鹽田港倉儲物流封閉式基礎設施證券投資基金), with an annualized rate of return exceeding 50% for that year. The project strengthened the synergy between the Group and other state-owned enterprises, and accumulated valuable experience for the Group's subsequent issuance of domestic public REITs and other capital operations.

To implement the intelligent logistics development strategy, the Group, Shenzhen Airport Co., Ltd. (深圳市機場股份有限公司) and Shenzhen Capital Holdings Co., Ltd (深圳市資本運營集團有限公司) jointly established the "Intelligent Airport Logistics Industry Fund" (智慧空港物流產業基金) in 2021. During the Period, the Group has completed a strategic investment in CIMC Transportation Technology Co., Ltd. through this fund.

Furthermore, the Group invested in the Comprehensive Reform Experiment (Shenzhen) Fund (綜合改革試驗（深圳）基金) as a limited partner during the Period. This investment will help the Group strengthen the operation, management and planning of its fund business as well as revitalize underlying assets.

FINANCIAL ANALYSIS

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

For the six months ended 30 June

	Revenue		Profit attributable to shareholders	
	2022 ***HK$'000***	Change over 2021 Increase/ (decrease)	**2022** ***HK$'000***	Change over 2021 Increase/ (decrease)
Logistics Parks in Greater Bay Area	**218,975**	(18%)	**73,339***	(27%)
Logistics Parks in Other Regions of China	**520,938**	52%	**94,968**	(56%)
Sub-total of Logistics Parks Business	**739,913**	21%	**168,307**	(47%)
Logistics Service Business	**229,470**	(59%)	**4,559**	10%
Total	**969,383**	(17%)	**172,866**	(46%)

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

During the Period, the revenue from the logistics business decreased by 17% as compared to the corresponding period of the previous year to HK$969 million, mainly due to the Group's proactive business restructuring, consolidation of the logistics service business and divestment from business with relatively low gross profit margin and/or relatively high risk by the Group during the Period. Profit of the logistics business attributable to shareholders decreased by 46% as compared to the corresponding period of the previous year, mainly due to the absence of a one-off gain of HK$175 million from the disposal of the Nanchang Project recorded in the corresponding period of the previous year. Excluding such one-off gain, profit attributable to shareholders would increase by 19% as compared to the corresponding period of the previous year.

During the Period, revenue from the logistics park business increased by 21% as compared to the corresponding period of the previous year to HK$740 million, mainly attributable to new revenue contributed by new logistics parks completed and commenced operation as well as new logistics park projects acquired during the Period. Profit attributable to shareholders decreased by 47% as compared to the corresponding period of the previous year to HK$168 million, mainly due to the absence of one-off gain from the disposal of the Nanchang Project recorded in the corresponding period of the previous year.

During the Period, revenue from the logistics service business decreased by 59% as compared to the corresponding period of the previous year to HK$229 million, mainly due to business restructuring. Profit attributable to shareholders for the Period increased by 10% as compared to the corresponding period of the previous year to HK$4.56 million.

LOGISTICS PARK TRANSFORMATION AND UPGRADING BUSINESS

Analysis of Operating Performance

I. Qianhai Project

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

The Qianhai Project will be developed in three phases. The first phase of the Qianhai Project has a total gross floor area of approximately 110,000 square meters, comprising residential area of approximately 51,000 square meters, office area of approximately 35,000 square meters and commercial area of approximately 25,000 square meters.

The residential project in the first phase of the Qianhai Project, namely the PARKVIEW BAY (頤灣府), which was jointly developed by the Group and Shum Yip Land Co., Ltd. ("Shum Yip Land"), was delivered in June 2021.

The office project in the first phase of the Qianhai Project is "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 position as a special zone and policy advantage in the Greater Bay Area, this project will benefit from the Group's extensive supply chain management experience and CCID's strong information technology service capacity, focus on the development of supply chain service and intelligent manufacturing service businesses, and promote deeper 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), completed the inspection and acceptance procedures in July 2021 and has been put into operation. Positioned as AIOT + ecological courtyard with industrial operation services, it continues to attract enterprises in the digital industry as tenants for the workspace. In the first half of 2022, Shenzhen International Yidu Building successfully obtained LEED-CS Platinum certification awarded by U.S. Green Building Council, which is a testament to the project's status as one of the world renowned environmentally-friendly office buildings. As at 30 June 2022, the occupancy rate of the office project reached 62%. All the contracted tenants are highly promising enterprises in the digital industry. As for the 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 named "Qianhai Yinli" (前海·印里). This project has commenced trial operation on 30 June 2022 and is scheduled to officially commence operation in September 2022. At present the leasing of Qianhai Yinli is actively underway.

To optimize the allocation of the Group's resources by focusing its resources on the development of its main logistics business so as to generate higher return for its shareholders, the Group introduced Shenzhen Vanke as a strategic investor of Qianhai Business by ways of capital contribution and capital increase in February and June 2022, respectively. Shenzhen Vanke injected RMB915 million and RMB1,480 million in two batches to Qianhai Business. Upon the completion of the second batch of capital contribution, the Group's shareholding in Qianhai Business was diluted to 50%, and Qianhai Business ceased to be a subsidiary of the Company. The capital contribution contributed a gain before tax of approximately RMB2,487 million to the Group. The Group and Shenzhen Vanke will jointly develop part of the residential land in the second and third phases of the Qianhai Project held by Qianhai Business.

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. This phase will be developed in two parts. In particular, the construction of Yicheng Qiwanli (颐城栖湾里), which is developed and operated solely by the Group and has a plot ratio-based gross floor area of approximately 64,900 square meters (comprising residential area of approximately 51,000 square meters and commercial area of approximately 6,000 square meters), officially commenced in March 2021 and is scheduled to commence the pre-sale in September 2022. As for the residential units of the second phase of the Qianhai Project developed jointly with Shenzhen Vanke comprising residential area of approximately 40,000 square meters and commercial area of approximately 3,400 square meters, the construction has officially commenced in February 2022 with pre-sale scheduled to commence within 2022. Considering the overall planning and the shortage of residential projects in the Qianhai area, it is expected that the value of the Group's resources in the Qianhai area will be fully reflected with the construction and sale of the second phase of the Qianhai Project.

The third phase of the Qianhai Project has a plot ratio-based gross floor area of approximately 172,000 square meters in aggregate. The residential project of the third phase of the Qianhai Project developed jointly with Shenzhen Vanke has a plot ratio-based gross floor area of approximately 80,000 square meters, comprising residential area of approximately 50,000 square meters, apartment area of approximately 25,000 square meters and commercial area of approximately 5,000 square meters. The Group has officially commenced the construction of this residential project in February 2022 and is striving to commence pre-sale within 2022. The Group will also individually develop and operate a piece of office land and a piece of commercial land with an aggregate plot ratio-based gross floor area of approximately 92,500 square meters (comprising office area of approximately 79,500 square meters, commercial area of approximately 12,000 square meters and community and health centers of 1,000 square meters) in the third phase of the Qianhai Project.

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

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

The transformation of SZ South China Logistics Park was supported by various policies during the first half of 2022. The Shenzhen Land and Space Plan, Protection and Development Plan for the 14th Five-Year Plan (《深圳市國土空間規劃保護與發展「十四五」規劃》) issued by the Shenzhen Municipal Government in early March signified the enforcement and implementation of the strategic plans and planning principles under the General Land and Space Plan (2020-2035) (《國土空間總體規劃 (2020-2035)》) ahead of schedule. The key "non-logistics" role of SZ South China Logistics Park has been exemplified. Afterwards, the Shenzhen Municipal Government issued the Measures for Coordinating Interests in Land Consolidation and Preparation in Shenzhen (Draft for Comments) (《深圳市土地整備利益統籌辦法（徵求意見稿）》), pursuant to which SZ South China Logistics Park has been included in the new policy on coordinating interests in land consolidation and preparation as a transferred state-owned land for the first time. Meanwhile, SZ South China Logistics Park was incorporated in the "one axis, one ring road, three centers and multiple parts" spatial plan under the Spatial Planning for the District Hub of Meilin Checkpoint in Shenzhen (《深圳市梅林關樞紐片區空間規劃》). Furthermore, speeding up the implementation of spatial and industrial planning of SZ South China Logistics Park has been included in the 2022 Report of the Work of the Government of

Longhua District 2022 (《龍華區政府 2022 年工作報告》), while promoting the transformation of the first phase of SZ South China Logistics Park has also been listed as one of the key tasks of the local government. These developments indicated that the assumption for the inclusion of SZ South China Logistic Park in the planning and design of southern Longhua has been officially recognized by the government of Longhua District.

These new policies issued by governmental authorities in Shenzhen will facilitate the transformation and upgrading of SZ South China Logistics Park. The Group will make every effort to seize the opportunities brought by the comprehensive redevelopment of Shenzhen, enhance the positioning of its transformation projects in such plans, seek a mutually beneficial solution for all parties involved, promote the government's pilot schemes and implementation, and achieve substantive progress as soon as possible.

Financial Analysis

During the Period, revenue from logistics park transformation and upgrading business increased to HK$19.45 million. This is mainly attributable to the new rental income of Shenzhen International Yidu Building, the office project in the first phase of the Qianhai Project, which was newly put into operation. Profit attributable to shareholders increased by 250% as compared to the corresponding period in the previous year to HK$2,980 million, mainly because the Company introduced a strategic investor which made two batches of capital contribution and capital increase during the Period and unlocked the profit in advance.

PORT AND RELATED SERVICES BUSINESS

Analysis of Operating Performance

In the first half of 2022, Nanjing Xiba Port overcame the impact of various unfavorable factors and improved its quality and efficiency by exploiting the potential of its major customers and reaching out to new customers so as to increase business volume. At the same time, it has continued to optimize its business structure by consolidating its integrated "rail-to-ship transfer" business while developing the container-to-bulk business. In the first half of 2022, its business volume continued to rank first amongst 11 ports of its type along the Yangtze River as a total of 242 seagoing vessels berthed at Nanjing Xiba Port with a total throughput of 19.3 million tonnes, of which 2.36 million tonnes were shipped by train.

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

Rapid Progress of Investment and Construction Projects

Branching out from Nanjing Xiba Port, the Group will put additional efforts into the search of quality port projects, speed up the construction of the Jingjiang Port Project and the Shenqiu Port Project, explore premium shoreline assets, complete the "1 + N" multi-point port network, and transform and upgrade its ports into green, intelligent, safe, efficient and modern ports by making full use of advanced technologies.

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 project is expected to commence operation in October 2022.

In relation to the Jingjiang Port Project, the Group and the Jingjiang Municipal Government entered into a cooperation agreement in 2020 to jointly construct and operate the project. Located in the Economic Development Zone of Jingjiang City, the Jingjiang Port Project is planned to have two new main berths with a tonnage of 100,000 tonnes for vessels (with hydraulic structure with a tonnage of 150,000 tonnes) along the Yangtze River and five reconstructed lakeside inland berths with a tonnage of 1,000 tonnes for vessels (with hydraulic structure with a tonnage of 3,000 tonnes). Upon completion, it will effectively take up the functions and customer resources upon the expropriation of the second phase of the Nanjing Xiba Port Project. This project was listed as a key project in the service industry of Jiangsu Province in 2021 and 2022, and the construction is pivotal for the increase of the market share of the Group's port segment. The Group will strive to upgrade this project into a model integrated river-sea transportation hub port, a national energy base in Jingjiang, a modern coal distribution and consolidation logistic hub and an integrated coal trading center. This shoreline project was approved by the Ministry of Transport in December 2021, and the construction thereof has been approved and officially commenced in the first half of 2022. The project is expected to be put into operation by the second half of 2023.

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. A joint venture has been set up pursuant to such cooperation agreement, the equity interest of which is held as to 40% by the Group. The Shenqiu Port Project is located along the Shaying River in Shenqiu County. It is planned to build 23 berths for vessels with a tonnage of 1,000 tonnes in three phases. It is expected that the annual capacity of the port will increase by 28 million tonnes after all these berths are put into full operation. Furthermore, in the first half of 2021, the Group and the government of Shenqiu County entered into a strategic cooperation agreement to step up their cooperation in the development of ancillary urban infrastructure business, especially in the planning and construction of logistics parks, the provision of port processing and value-added services, as well as integrated water-rail transportation, in order to achieve a mutually successful cooperation. The Group will expedite the construction of this project with the aim of establishing an integrated port, industry and urbanisation project, utilizing its strengths in port development, and transforming this project into an efficient, environmentally friendly and advanced bulk cargo terminal.

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

Financial Analysis

During the Period, revenue from the port and related services business increased by 49% as compared to the corresponding period of the previous year to HK$1,580 million, mainly attributable to the Group's effective efforts on developing new businesses. However, the profit attributable to shareholders decreased 4% as compared to the corresponding period of the previous year to HK$53.49 million due to factors such as increased transportation costs and leasing costs.

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 across the country through Shenzhen Expressway. During the Period, 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 nearby competitive (or complementary) road network. Furthermore, the construction or renovation of the expressway projects may also affect their own operating performances during the Period in which the construction or renovation is conducted. In particular:

- Being an important gateway to divert port traffic from Shenzhen's western port area, the Shenzhen Coastal Project recorded a year-on-year decrease in average daily traffic volume during the Period due to the pandemic, despite the continual implementation of the preferential policy under the toll adjustment agreement.

- Being the first expressway in the PRC with full 5G network coverage enabled by adopting multifunctional smart lamp posts as carrier, the Shenzhen Outer Ring Project recorded year-on-year increases in both traffic volume and toll revenue attributable to the synergies between the first phase and the second phase, which was opened to traffic on 1 January 2022. As the most convenient highway artery connecting East and West Shenzhen, the Shenzhen Outer Ring Project achieved synergies in terms of traffic volume with Meiguan Expressway, the Shenzhen Coastal Project and Longda Expressway while diverting some of the traffic along the whole Jihe Expressway.

- Traffic of Qinglian Expressway has been diverted to some extent as Guanglian Expressway (Guangzhou to Lianzhou), which runs mostly parallel to Qinglian Expressway, was opened to traffic at the end of 2021. Culminated with the impact of the pandemic, Qinglian Expressway recorded a relatively substantial year-on-year decrease in toll revenue for the Period. Nevertheless, the project company of Qinglian Expressway is actively attracting traffic by promoting through different channels the advantages of Qinglian Expressway, which passes through numerous economic centers with many industrial parks and tourist attractions, in providing a relatively convenient and fast route for traffic in neighboring areas. In addition, the opening of, among other networks, the connection line connecting Lianzhou to nearby Erguang Expressway (Erenhot to Guangzhou) has in general benefited the operating performance of Qinglian Expressway.

- The average daily traffic volume of Guangshen Expressway, which is an important express route between Guangzhou and Shenzhen, and GZ West Expressway and is an integral part of the ring road in the Pearl River Delta, has recovered since May 2022 as production and business activities along these highways rebounded.

- Affected by several occasions of freezing rain, cold snaps and the pandemic, the Yichang Project and Changsha Ring Road in Hunan recorded year-on-year decreases in both average daily traffic volumes and toll revenues.

Key Construction Projects

Invested in under the public-private-partnership (PPP) model, the Shenzhen Outer Ring Project, which will be developed in three phases, is by far the longest toll road in Shenzhen's expressway network and will link up with 10 expressways and 8 first-tier highways in Shenzhen upon completion. While the second phase of the Shenzhen Outer Ring Project opened to traffic on 1 January 2022, Shenzhen Expressway has been actively implementing the preliminary processes, such as refining the design, conducting environmental impact assessments and preparing other special reports, for every part of the third phase of the Shenzhen Outer Ring Project during the Period.

In respect of the second phase of the Shenzhen Coastal Project, the Shenzhen World Exhibition & Convention Center interchange has been opened to traffic and connected to the exhibition and convention center since 2019. The toll station of Coastal Expressway at the Shenzhen World Exhibition & Convention Center interchange has also commenced operation and 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 Period, Shenzhen Expressway industriously carried out road bed, bridge and ancillary works with a special focus on the piling and other construction works on the eastern artificial island. As at the date of this announcement, about 74% of the overall construction of the second phase of the Shenzhen Coastal Project has been completed. In particular, about 78%, 78% and 10% of the construction of the road bed, bridges and road surface, respectively, have been completed.

During the Period, Shenzhen Expressway actively negotiated the form of collaboration and commercial terms of the transformation and expansion of Jihe Expressway with an aim of carrying out the approval process in a timely manner when the final proposal is confirmed.

Acquisition

On 11 January 2022, Shenzhen Expressway completed the acquisition of the entire equity interest in Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. ("Shenzhen Investment Infrastructure"). For details, please refer to the announcements of the Company dated 10 August 2021 and 11 January 2022.

Shenzhen Investment Infrastructure indirectly held 71.83% equity interest in Bay Area Development, which in turn owns 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 major project in relation to the transformation and expansion of Guangshen Expressway. This acquisition is in line with the development strategy of the Group and is in the Group's interest as a whole as it further consolidated the Group's core advantages in the investment in and operation of toll roads, regional market share in the toll road industry, and improved future profitability and cash flow, thereby expanding the Group's development potential and market value for the purpose of realizing long-term sustainable development.

Financial Analysis

During the Period, toll revenue and net profits of Shenzhen Expressway decreased by 13% and 11% as compared to the corresponding period of the previous year to HK$2,895 million (2021: HK$3,345 million) and HK$1,112 million (2021: HK$1,243 million), respectively, due to the pandemic's impact on the Pearl River Delta (especially in Shenzhen) and the diversion of traffic as a result of the opening of the Guanglian Expressway.

GENERAL-ENVIRONMENTAL PROTECTION BUSINESS

I. Clean Energy

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

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

Nanjing Wind Power Technology Co., Ltd. ("Nanjing Wind Power Company"), a subsidiary in which Shenzhen Expressway holds 51% equity interest, proceeded with its projects under construction, pushed through the implementation of its planned projects, strengthened management integration and cost control, and provided the subsequent operation and maintenance service for, among other projects, Huaian Zhongheng New Energy Co., Ltd., Zhongwei Gantang Project and Yongcheng Zhuneng Project in a diligent manner. Due to factors such as the impact of pandemic in its operating regions, delay in the implementation of its backlog order of projects and slowing down of construction progress, the production and operation of Nanjing Wind Power Company were hampered.

Baotou Nanfeng Wind Power Technology Co., Ltd. ("Baotou Nanfeng Company"), a wholly-owned subsidiary of Shenzhen Expressway, is principally engaged in the investment in, 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 Period, Baotou Nanfeng Company maintained stable operation and fed an aggregate of 337,725 MWh of electricity to the grid.

In recent years, Shenzhen Expressway actively undertook on-site visits and research on new energy industry chain projects, and devoted more efforts to the investment in, and mergers and acquisitions of, high-quality wind power projects. Shenzhen Expressway has successively acquired the entire 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 installed capacity of 299 MW. During the Period, the Mulei Wind Power Project supplied an aggregate of 409,904 MWh of electricity to the grid. In addition, Shenzhen Expressway New Energy Holdings Co., Ltd, a wholly-owned subsidiary of Shenzhen Expressway, established a joint venture with State Power Investment Corporation Fujian Electric Power Co., Ltd. in 2021 and completed the acquisition of a 51% equity interest in Nanjing Avis Transmission Technology Company Ltd. ("Nanjing Avis") during the Period. Nanjing Avis is a leading enterprise in the wind turbine gearbox operation and maintenance industry in the PRC, having high-quality customer resources and core technical strength. Through the acquisition of Nanjing Avis, the Group may, on one hand, cooperate with a leading company in the industry to jointly expand in the after-sales operation and maintenance service market in the clean energy business; and, on the other hand, help to expand the Group's integrated wind power industry chain and enlarge the Group's profit base.

II. Reutilization and Management of Solid Waste

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

Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental Company") is one of the key providers of comprehensive organic waste treatment, construction and operation services in the PRC and provides customers with systematical and comprehensive solutions regarding municipal organic wastes such as kitchen waste and waste leachate. During the Period, Shenzhen Expressway agreed to subscribe for approximately 270,000,000 shares issued by Bioland Environmental Company at a price not exceeding RMB1,550 million in aggregate. Upon the completion of this transaction, the equity interest held by Shenzhen Expressway in Bioland Environmental Company will increase from 67.14% to 85.17%. As at the date of this announcement, Bioland Environmental Company had a total of 19 organic waste treatment projects under PPP model (including Build-Operate-Transfer (BOT) projects) with a designed kitchen waste treatment capacities of over 4,000 tons per day, of which 11 projects spanning across 11 provinces and regions and 16 prefecture-level cities in the country have commenced commercial operation. Most of these projects are located in cities with relatively good economic development and have longer concession periods for the Group to obtain relatively stable returns.

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

In February 2021, Shenzhen Expressway officially entered into an agreement with the Urban Management and Comprehensive Law Enforcement Bureau of Guangming District, Shenzhen in respect of the Guangming Environmental Park Project, pursuant to which Shenzhen Expressway shall incorporate a project company, which shall in turn be responsible for the investment, financing, design, construction, transformation, operation, maintenance and handover procedures of the project. Located in Guangming District, Shenzhen, the Guangming Environmental Park Project will be developed into a large-scale treatment plant with a processing capacity of 1,000 tons per day for organic waste, 100 tons per day for bulky waste (discarded furniture) and 100 tons per day for garden waste, and will be implemented under the BOT model. During the Period, Shenzhen Expressway overcame the adverse impact of the pandemic and actively conducted the construction of the main structure and the procurement and installation of major equipment of the Guangming Environmental Park Project.

In April 2022, Shenzhen Expressway completed the acquisition of 70% equity interest in Shenzhen Lisai Environmental Technology Limited (“Lisai Environmental”), which has been consolidated into Shenzhen Expressway’s financial statements since the first half of 2022. Through this acquisition, Shenzhen Expressway will obtain the concession to handle kitchen waste in Longhua District, Shenzhen, thereby boosting Shenzhen Expressway’s share in Shenzhen’s kitchen waste treatment market.

III. Water Environmental Remediation and Others

Chongqing Derun Environment Company Limited, in which Shenzhen Expressway holds 20% equity interest, holds two subsidiaries listed on the Shanghai Stock Exchange, namely Chongqing Water Group Co., Ltd (stock code: 601158) and Chongqing Sanfeng Environment Group Corp., Ltd. (stock code: 601827), which are principally engaged in, among other things, water supply and sewage treatment; investment in, construction of, turnkey equipment for, and operation and management of waste incineration power generation projects; and environmental restoration. Shenzhen Water Planning & Design Institute Company Limited, 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 Period, revenue from the general-environmental protection business increased by 28% as compared to the corresponding period of the previous year to HK$1,005 million. In particular, revenue from the clean energy business and the reutilization of solid waste business increased by 10% and 46%, respectively, mainly attributable to increase in revenue from newly acquired wind power generation projects and Lisai Environmental, as well as the commencement of commercial operation of some projects of Bioland Environmental Company. Net profit of the general-environmental protection business for the Period amounted to HK$194 million, representing an increase of 16% as compared to the corresponding period of the previous year.

OTHER INVESTMENTS

SHENZHEN AIRLINES

In the first half of 2022, the number of passenger flights plunged due to travel restrictions and quarantine measures implemented in Shenzhen and various regions. During the Period, Shenzhen Airlines carried 6.54 million passengers and recorded a passenger traffic of 9,924 million passenger-kilometer, representing a decrease of 50% and 49%, respectively, as compared with the corresponding period of the previous year.

Shenzhen Airlines' total revenue for the Period decreased by 45% to RMB5,308 million (equivalent to HK$6,377 million) (2021: RMB9,681 million (equivalent to HK$11,639 million)) as compared with the corresponding period last year. In particular, passenger revenue decreased by 46% to RMB4,632 million (2021: RMB8,531 million). At the same time, factors such as skyrocketing fuel costs and exchange rate fluctuations have put further burden on the operation of airlines. As a result, net loss of Shenzhen Airlines for the Period amounted to RMB4,594 million (equivalent to HK$5,519 million) (2021: net loss of RMB1,366 million (equivalent to HK$1,643 million)), of which the Group's share of losses incurred by Shenzhen Airlines amounted to approximately HK$2,710 million (2021: loss of HK$811 million).

OUTLOOK FOR THE SECOND HALF OF 2022

Looking forward to the second half of 2022, infrastructure investment will surge at a relatively high rate under the policies of the PRC to stabilize growth. To revitalize the logistics industry, the central government has issued a series of policies to support the transportation and logistics industry, including expediting the layout and the construction planning of the logistics hub network, building a backbone cold chain logistics system, accelerating the development of smart logistics, enhancing rail, express and air freight transportation capacity, and supporting the pilot schemes for infrastructure Real Estate Investment Trusts (REITs). The Group will stay abreast of PRC's development policies, seize growth opportunities across the industry, adhere to its core operating philosophy of "seeking steady growth in an ever-changing environment", achieve strategic breakthroughs in terms of business scale and industrial structure, and promote higher quality, more efficient and sustainable development.

Diversifying All-round "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" System by Speeding up Merger, Acquisition, Consolidation and Development

Driven by a series of government policies in favor of the industry, consolidation and development in the logistics industry will speed up in the second half of 2022 despite uncertainty as to the external environment. The Group will carry on its two-pronged approach that comprises both new construction and mergers and acquisitions in order to extend its "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure Network" around strategic logistics and warehousing centers, realize economies of scale between its logistics hubs, expedite the development of multi-modal transportation, and prepare for the launch of investment funds for the logistics industry chain so as to tap into the capital market. In respect of logistics parks, while focusing on rapidly enlarging the scale of its business in the Greater Bay Area and forming an industrial network in the Greater Bay Area with the cities of Shenzhen and Foshan as the core supporting points, the Group will also vigorously promote the implementation of its “One City, Multiple Logistics Parks” strategy in Shenzhen, diligently complete the construction of the digital logistics hubs projects including Longhua Liguang and the Yantian Comprehensive Bonded Zone, and promptly begin the construction of the Pingshan Digital Logistics Hub Project. In addition, Shenzhen has recently issued the "Shenzhen Modern Logistics Station Layout Plan (2021-2035)", which proposes to build a three-tier "7+30+N" logistics station layout. As a major participant in the plan, the Group will undertake most of the project development and will continue to seize the opportunities arising from the planning of Shenzhen's three-tier logistics yards to build a high quality, highly efficient and strongly connected green and intelligent logistics hub benchmark project, so as to seize the first opportunity in the layout of Shenzhen.

At the same time, it will widely and rapidly acquire quality assets in affluent regions and key gateway cities across the country while ensuring the on-schedule operation of its projects under construction, and continue to actively promote the implementation of the "One City, Multiple Logistics Parks" strategy in accordance with the principle of selecting the best among the best and going one step further in order to raise its market position. At this stage, more than two parks have been set up in key cities such as Shanghai, Wuhan, Chongqing, Wuxi, Suzhou, Zhengzhou, Hefei, Tianjin, Shijiazhuang and Jinhua.

As to the port and related services business, the Group will further accelerate the development of its port network by selecting additional sites along the Pearl River while strengthening coordination with the main logistics business in terms of planning, and closely monitoring the construction progress of the new projects in Jingjiang Port and Shenqiu Port according to its long-term strategic plan to develop multi-modal transportation.

As for aviation logistics business, the Group will actively promote the implementation of air cargo terminal projects. At present, the Shenzhen air cargo terminal has reached an agreement with Air China Cargo and Shenzhen Airlines on the mode of cooperation and the project has entered the substantive approval stage. The Beijing Capital Airport cargo terminal project has completed the evaluation of customer requirements and is actively communicating with the Provisional Airport Management Committee on the path of implementation of the project.

In respect of railway logistics business, the Group will bolster its strategic cooperation with state-owned enterprises such as China Railway Guangzhou Group Co., Ltd. and actively promote projects such as Danzao in Foshan, Datian in Guangzhou and the operation of domestic shuttle trains to fully utilize the advantages of each party and the business synergy to achieve mutually beneficial outcomes.

In the second half of 2022, the Group will focus on promoting professionalism and efficiency in the logistics industry. The current “Dual Circulation” development strategy of the PRC is fueling demand for high-standard, cold chain and intelligent warehouses. Building on its own logistics hub network, the Group will speed up the formation of a new “intelligent + cold chain” business engine by rapidly assembling underlying assets, such as vigorously accelerating the construction of intelligent and cold chain projects including the Longhua Liguang Project, the Qingbaijiang Project in Chengdu, the Minhang Project in Shanghai, the Xiqing Project in Tianjin, the A8 Project in Shijiazhuang, the Longzhuo Project in Western Logistics Park and the Bofeng Project in SZ South China Logistics Park. Also, the Group will broaden its search for quality investment and merger and acquisition opportunities in addition to its strategic investments in Prolog and China Comservice in order to seize the momentum of development in the intelligent warehousing and cold chain segments in a proactive manner.

The Group will take advantage of the size of the roof of the logistics park to explore the application of distributed photovoltaic, combining photovoltaic, storage, charging and battery testing functions, helping to create a new "light, storage, charging and inspection" integrated solution in the future, and ultimately realizing a "zero carbon park".

Unleashing Asset Value and Coordinating Development of Dual Closed-Loop Business Models

In the second half of 2022, the Group will make steady progress on projects under the long closed-loop “investment, construction, operation and transformation” business model. On one hand, it will exploit existing assets by launching the pre-sale of residential units in the second phase of the Qianhai Project according to its schedule, carry on investment promotion of the first phase of the Qianhai Project and the first part of the second phase of SZ South China Logistics Park, and speed up the construction of the second phase of the Qianhai Project and the commercial project in Shijiazhuang. On the other hand, it will increase the value of its assets such as pushing through the transformation and upgrading of SZ South China Logistics Park. Following the approval by governmental authorities of the Longhua District for the inclusion of SZ South China Logistics Park in southern Longhua District, the Group will keep an eye on the statutory planning process in order to maximize the value of this asset.

The Group will also optimise the short closed-loop “investment, construction, financing and operation” business model in various ways. It will speed up asset securitization by means of flexible allocation of REITs-like funding to be generated mainly from publicly traded REITs and supplemented by private funds so as to expand its financing channels and enhance its capital efficiency. In particular, the Group will speed up the injection of integrated logistics hub projects, such as the Hefei Project and the second phase of the Hangzhou Project, into funds in the second half of 2022. It will also speed up the offering of the first batch of its publicly traded REITs to take advantage of policies promulgated by the government to ficilitate asset securitization.

Through the dual closed-loop business development models of “investment, construction, operation and transformation” and “investment, construction, financing and operation”, the Group will be able to speed up cash recovery, optimize its capital structure, improve revolving development planning and acquire more logistics resources in order to accumulate long-term high-quality assets and achieve rapid development of its main logistics business.

Supporting Long-term Sustainable Development with both Conventional and Emerging Businesses

While the Group develops and consolidates its main logistics business, Shenzhen Expressway has been reinforcing its core toll road business, maintaining its competitiveness in the industry and generating stable revenue. At the same time, the Group has been investing in and improving the general-environmental protection business, gathering future development momentum and grasping important sustainable business development opportunities in the short, medium and long run.

In the second half of 2022, the Group will continue to improve the refined operation level of toll roads, consolidate the operation of the newly opened second phase of the Shenzhen Outer Ring Project, build the third phase of the Shenzhen Outer Ring Project and the second phase of the Shenzhen Coastal Project, carry out the follow-up work for the development in the Bay Area, acquire more quality assets, and enlarge its business scale and profits. With respect to the development of the general environmental protection business, the Group will proactively seize market opportunities brought by the "carbon peak and carbon neutrality" policies implemented by the central government, step up its investment and expansion in the reutilization and management of solid waste and clean energy segments, and speed up the negotiation and implementation of potential projects. To broaden its revenue streams and foster high-quality sustainable development, the Group will also actively explore organic waste treatment, comprehensive kitchen waste utilization, wind power and photovoltaic projects under its dual business model that comprises both investment and new construction.

Looking forward to the second half of 2022, the Group will continue to focus on growing its core businesses, unleash its potential, increase overall proficiency, improve lean management, optimize its strategic plans and enhance its operational efficiency in order to create greater value and return for all shareholders of the Company.

FINANCIAL POSITION

	30 June 2022 *HK$ million*	31 December 2021 *HK$ million* (restated)	**Increase/ (Decrease)**
Total Assets	**137,110**	138,051	**(1%)**
Total Liabilities	**75,980**	70,379	**8%**
Total Equity	**61,130**	67,672	**(10%)**
Net Asset Value attributable to shareholders	**35,014**	38,873	**(10%)**
Net Asset Value per share attributable to shareholders (HK dollar)	**14.7**	17.1	**(14%)**
Cash	**11,943**	11,985	**-**
Bank borrowings	**33,427**	25,569	**31%**
Other borrowings	**476**	575	**(17%)**
Notes and bonds	**20,202**	18,015	**12%**
Total Borrowings	**54,105**	44,159	**23%**
Net Borrowings	**42,162**	32,174	**31%**
Debt-asset Ratio (Total Liabilities/Total Assets)	**55%**	51%	**4** #
Ratio of Total Borrowings to Total Assets	**39%**	32%	**7** #
Ratio of Net Borrowings to Total Equity	**69%**	48%	**21** #
Ratio of Total Borrowings to Total Equity	**89%**	65%	**24** #

Change in percentage points

Key Financial Indicators

As at 30 June 2022, the Group's total assets and total equity amounted to approximately HK$137,110 million and HK$61,130 million, respectively, while the net asset value attributable to shareholders was approximately HK$35,014 million. Net asset value per share was HK$14.7, representing a decrease of 14% as compared to the end of last year, mainly due to, among other things, fluctuations in RMB exchange rates, the issuance of scrip dividend and the distribution of dividends. The debt-to-asset ratio was 55%, representing an increase of 4 percentage points as compared to the end of last year. The gearing ratio (calculated on the basis of net borrowings to total equity) was 69%, representing an increase of 21 percentage points as compared with that for the end of last year. Such increase was primarily due to the additional borrowings incurred as a result of increased investment activities during the Period. The financial position of the Group remained healthy and stable.

Cash Flow and Financial Ratios

During the Period, net cash generated from operating activities amounted to approximately HK$4,211 million. Net cash used in investing activities amounted to approximately HK$6,495 million. Net cash generated from financing activities amounted to approximately HK$3,523 million. The Group's core businesses maintained a stable cash inflow. The Group closely monitors changes in total borrowings with a view to maintaining its financial ratios at a stable and healthy level.

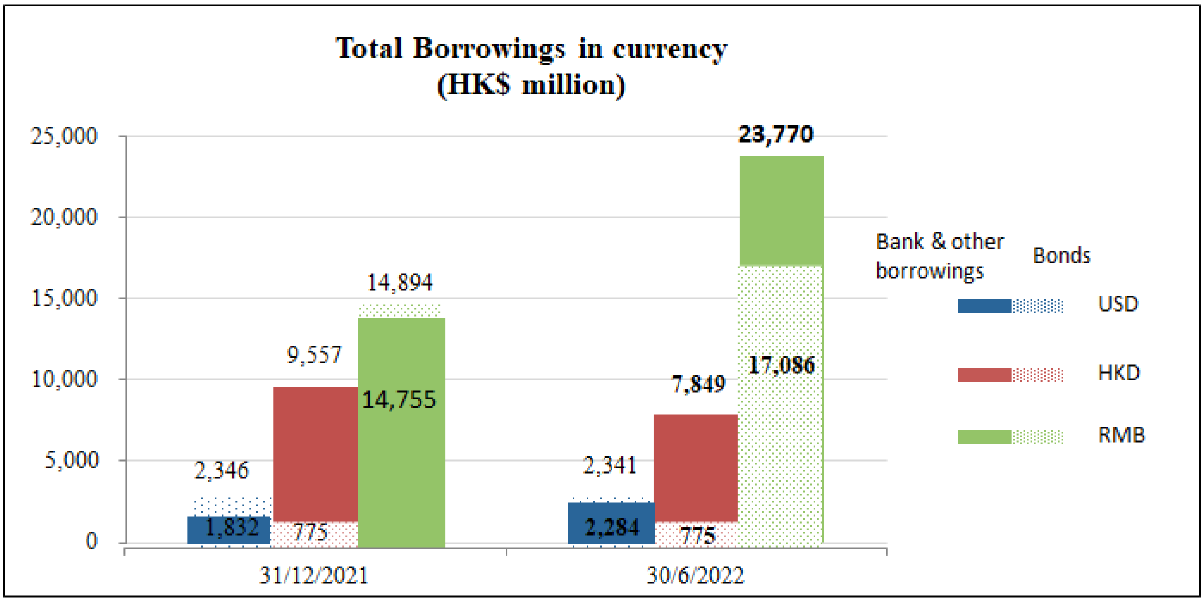
Cash Balance

As at 30 June 2022, cash held by the Group amounted to approximately HK$11,943 million (31 December 2021 (restated): HK$11,985 million), which was similar to that at the end of last year. To facilitate the Group's operation and development in the PRC, cash held by the Group is primarily denominated in RMB. The Group maintains an effective treasury policy to manage its cash on hand that centralizes the allocation of funds with the aim of reducing idle funds and achieving higher return on its cash portfolio in order to provide strong support for the development of its business.

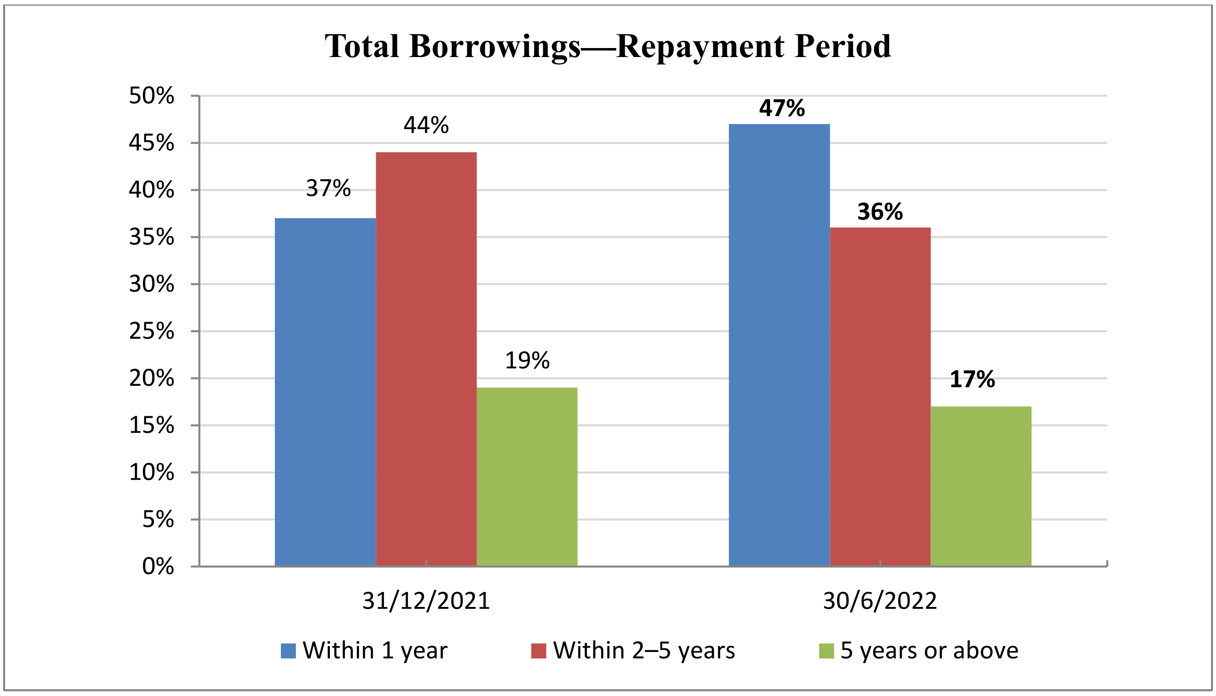
Capital Expenditures

The Group's capital expenditures for the Period amounted to approximately RMB3,100 million (equivalent to HK$3,700 million), primarily comprising investments of approximately RMB1,490 million in the construction of "Integrated Logistics Hub" projects and investments of approximately RMB1,060 million in Shenzhen Expressway's projects. The Group expects that the capital expenditures for the second half of 2022 will amount to approximately RMB4,800 million (equivalent to HK$5,600 million), including approximately RMB2,500 million for "Integrated Logistics Hub" projects, approximately RMB1,360 million for Shenzhen Expressway's projects and approximately RMB650 million for port projects.

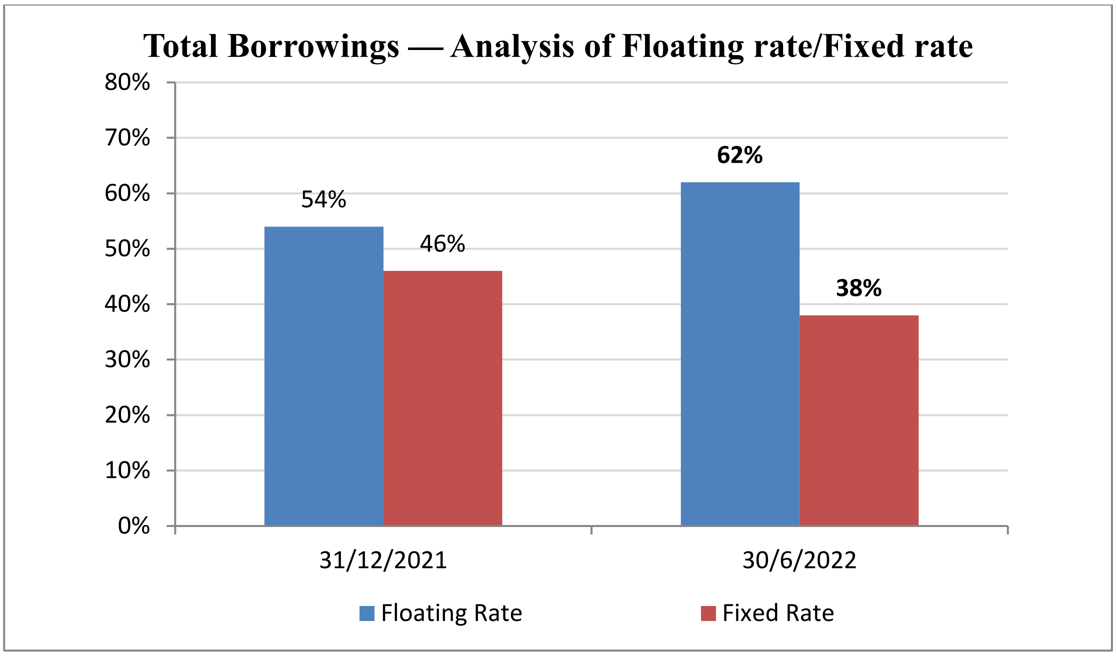
Borrowings



Total Borrowings in currency
(HK$ million)
25,000
20,000
15,000
10,000
5,000
0
2,346
1,832
775
9,557
14,894
14,755
2,341
2,284
775
7,849
17,086
23,770
31/12/2021
30/6/2022
Bank & other borrowings
Bonds
USD
HKD
RMB



Total Borrowings—Repayment Period
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
37%
44%
19%
47%
36%
17%
31/12/2021
30/6/2022
Within 1 year
Within 2–5 years
5 years or above



As at 30 June 2022, the Group's total borrowings amounted to approximately HK$54,105 million, representing an increase of 23% as compared with the end of last year. During the Period, the Company issued Panda Bonds of RMB1,000 million, and Shenzhen Expressway, a subsidiary of the Group, issued corporate bonds (first batch) of RMB1,500 million. 47%, 36% and 17% 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 maintained close business relationships with financial institutions in Hong Kong and the PRC. It seized favorable opportunities in both the Hong Kong and PRC markets by conducting several financing activities to capitalize on the differences in costs. It further optimized its debt portfolio and struck a balance between its interest rate and foreign exchange risks. The Group closely monitored its overall borrowing structure, and effectively maintained funds with high cost efficiency in order to meet its overall capital needs.

The Group's Financial Policy

Except for the updates as stated below, the Group's financial policies were in line with those disclosed in its annual report for 2021 and set out in those statements.

Exchange Rate Risk

The cash flows, cash on hand and assets of the businesses operated by the Group are mainly denominated in RMB, whereas loans are mainly denominated in RMB, HK$ and US$. During the Period, as the ongoing COVID-19 and geopolitical crisis affected global economic and trade development, economic growth was subject to a great deal of uncertainty, and RMB/US$ exchange rates fluctuated relatively wildly in the second quarter. The Group will continue to monitor the foreign exchange market, adjust the currency structure of its borrowings and utilize hedging instruments as appropriate to manage its exchange rate risk. As at 30 June 2022, the ratio between the Group's borrowings in RMB and other currencies was around 76%:24%.

Liquidity Risk Management

As of 30 June 2022, the Group had cash on hand and standby banking facilities of approximately HK$92,900 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

During the Period, 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 Hong Kong Stock Exchange.

OTHER INFORMATION

The Company has engaged Deloitte Touche Tohmatsu, the Auditor of the Company, to review the unaudited Interim Financial Report of the Group for the six months ended 30 June 2022.

A meeting of the Audit Committee has been held with the Auditor of the Company to review the unaudited interim financial report of the Group for the six months ended 30 June 2022. The review report will be included in the interim report to be despatched to the shareholders of the Company.

This announcement and other related information of the Company's 2022 interim results will be published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (www.szihl.com).

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

30 August 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.