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

2023 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 2023 (the "Period") together with comparative figures of consolidated results for the corresponding period in 2023 and consolidated balance sheet as of the year end of 2023 as follows:

INTERIM CONSOLIDATED INCOME STATEMENT-UNAUDITED

		Six months ended 30 June	
		2023	2022
	Notes	***HK$'000***	*HK$'000*
Revenue	(4), (5)	**6,918,479**	7,486,998
Cost of sales		**(4,639,827)**	(5,124,446)
Gross profit		**2,278,652**	2,362,552
Other gains - net		**199,962**	3,138,406
Other income		**117,255**	75,293
Distribution costs		**(68,239)**	(54,718)
Administrative expenses		**(378,042)**	(505,484)
Impairment losses on trade receivables and contract assets		**(34,688)**	(7,851)
Operating profit	(6)	**2,114,900**	5,008,198
Share of profit of joint ventures		**95,930**	91,356
Share of profit (loss) of associates	(12)	**354,974**	(2,179,404)
Profit before finance costs and income tax		**2,565,804**	2,920,150
Finance income	(7)	**110,430**	175,262
Finance costs	(7)	**(1,556,714)**	(1,556,545)
Finance costs – net	(7)	**(1,446,284)**	(1,381,283)
Profit before income tax		**1,119,520**	1,538,867
Income tax expense	(8)	**(493,189)**	(357,365)
Profit for the period		**626,331**	1,181,502

INTERIM CONSOLIDATED INCOME STATEMENT-UNAUDITED (continued)

	Note	Six months ended 30 June 2023 HK$'000	2022 HK$'000
Profit for the period attributable to:			
Ordinary shareholders of the Company		**92,045**	581,575
Perpetual securities holders of the Company		**-**	46,518
Non-controlling interests		**534,286**	553,409
		626,331	1,181,502
Earnings per share attributable to ordinary shareholders of the Company			
(expressed in HK dollars per share)			
– Basic	(9(a))	**0.04**	0.26
– Diluted	(9(b))	**N/A**	0.26

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME-UNAUDITED

	Six months ended 30 June 2023 HK$'000	2022 HK$'000
Profit for the period	**626,331**	1,181,502
Other comprehensive income/(expenses):		
Items that may be reclassified to profit or loss:		
Share of other comprehensive income of associates and joint ventures	**1,707**	16,411
Items that will not be reclassified to profit or loss:		
Currency translation differences from functional currency to presentation currency	**(2,540,145)**	(2,881,627)
Fair value loss on equity instruments designated at fair value through other comprehensive income	**(279)**	(1,266)
Sub-total	**(2,540,424)**	(2,882,893)
Other comprehensive expenses for the period	**(2,538,717)**	(2,866,482)
Total comprehensive expenses for the period	**(1,912,386)**	(1,684,980)
Total comprehensive expenses attributable to:		
Ordinary shareholders of the Company	**(1,348,162)**	(1,535,225)
Perpetual securities holders of the Company	**-**	46,518
Non-controlling interests	**(564,224)**	(196,273)
	(1,912,386)	(1,684,980)

INTERIM CONSOLIDATED BALANCE SHEET - UNAUDITED

	Notes	As at 30 June 2023 HK$'000	As at 31 December 2022 HK$'000
ASSETS			
Non-current assets			
Investment properties		**10,859,845**	10,226,082
Property, plant and equipment		**16,881,794**	17,874,497
Land use rights		**4,251,338**	3,181,633
Construction in progress		**4,017,804**	3,436,227
Intangible assets	(11)	**28,197,571**	29,941,138
Goodwill		**530,677**	551,995
Interests in associates	(12)	**17,055,075**	17,542,041
Interests in joint ventures		**10,605,895**	10,947,559
Other financial assets	(13)	**1,103,587**	1,021,738
Deferred tax assets		**667,567**	755,954
Other non-current assets		**7,654,104**	7,539,064
		101,825,257	103,017,928
Current assets			
Inventories and other contract costs	(14)	**6,507,674**	6,295,136
Contract assets		**342,857**	424,599
Other financial assets	(13)	**655,159**	2,833,562
Trade and other receivables	(15)	**6,935,078**	6,661,838
Derivative financial instruments		**228,044**	237,205
Restricted bank deposits		**1,735,535**	2,804,834
Deposits in banks with original maturities over 3 months		**1,219,256**	389,950
Cash and cash equivalents		**7,699,657**	10,829,873
		25,323,260	30,476,997
Total assets		**127,148,517**	133,494,925
EQUITY AND LIABILITIES			
Equity attributable to ordinary shareholders of the Company			
Share capital and share premium		**13,254,155**	13,218,304
Other reserves and retained earnings		**16,059,234**	18,029,560
Equity attributable to ordinary shareholders of the Company		**29,313,389**	31,247,864
Non-controlling interests		**22,696,857**	23,951,310
Total equity		**52,010,246**	55,199,174

INTERIM CONSOLIDATED BALANCE SHEET – UNAUDITED (continued)

	Note	As at 30 June 2023 HK$'000	As at 31 December 2022 HK$'000
Liabilities			
Non-current liabilities			
Borrowings		**23,334,457**	24,426,242
Lease liabilities		**968,222**	990,268
Deferred tax liabilities		**2,677,768**	2,809,738
Other non-current liabilities		**1,397,501**	1,485,084
		28,377,948	29,711,332
Current liabilities			
Trade and other payables	(16)	**13,586,530**	12,771,467
Contract liabilities		**5,656,918**	5,609,785
Income tax payable		**590,378**	779,251
Borrowings		**26,848,112**	29,340,767
Lease liabilities		**78,385**	83,149
		46,760,323	48,584,419
Total liabilities		**75,138,271**	78,295,751
Total equity and liabilities		**127,148,517**	133,494,925

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 2023, Ultrarich International Limited ("Ultrarich") directly owned 1,058,717,983 ordinary shares of the Company, representing approximately 44.24% of the issued share capital of the Company. As Shenzhen Investment Holdings Company Limited ("SIHCL") held the 100% equity interest in Ultrarich, it had an indirect interest of 44.24% of the Company's equity held by Ultrarich. SIHCL directly owned 364,500 ordinary shares of the Company, representing approximately 0.01% of the issued share capital of the Company. SIHCL effectively held 44.25% of the issued share capital of the Company and is the largest shareholder of the Company. SIHCL is supervised and managed by Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission ("Shenzhen SASAC"). The directors of the Company regard 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 HKD21,437,063,000 as at 30 June 2023.

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").

(2) Basis of preparation

This interim financial information for the six months ended 30 June 2023 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 2022 ("2022 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:

• HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
• Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
• Amendments to HKAS 8	Definition of Accounting Estimates
• Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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 2023 and 2022 is set out below.

For the six months ended 30 June 2023 (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	**3,895,917**	**270,751**	**169,613**	**1,325,926**	**33,519**	**1,799,809**	**-**	**5,695,726**
- Over time	**737,738**	**-**	**-**	**-**	**-**	**-**	**-**	**737,738**
Subtotal	**4,633,655**	**270,751**	**169,613**	**1,325,926**	**33,519**	**1,799,809**	**-**	**6,433,464**
Revenue from other sources	**-**	**485,015**	**-**	**-**	**-**	**485,015**	**-**	**485,015**
Revenue	**4,633,655**	**755,766**	**169,613**	**1,325,926**	**33,519**	**2,284,824**	**-**	**6,918,479**
Operating profit/(loss)	**1,699,705**	**492,635**	**10,626**	**94,099**	**(25,615)**	**571,745**	**(156,550)**	**2,114,900**
Share of profit/(loss) of joint ventures	**84,012**	**13,265**	**-**	**-**	**-**	**13,265**	**(1,347)**	**95,930**
Share of profit/(loss) of associates	**299,461**	**(13)**	**1,123**	**-**	**-**	**1,110**	**54,403**	**354,974**
Finance income	**38,294**	**6,248**	**659**	**652**	**37**	**7,596**	**64,540**	**110,430**
Finance costs	**(775,847)**	**(27,393)**	**(406)**	**(3,988)**	**(6,716)**	**(38,503)**	**(742,364)**	**(1,556,714)**
Profit before income tax	**1,345,625**	**484,742**	**12,002**	**90,763**	**(32,294)**	**555,213**	**(781,318)**	**1,119,520**
Income tax expense	**(302,483)**	**(93,723)**	**(2,423)**	**(21,760)**	**817**	**(117,089)**	**(73,617)**	**(493,189)**
Profit for the period	**1,043,142**	**391,019**	**9,579**	**69,003**	**(31,477)**	**438,124**	**(854,935)**	**626,331**
Non-controlling interests	**(506,185)**	**(1,202)**	**(6,938)**	**(18,555)**	**271**	**(26,424)**	**(1,677)**	**(534,286)**
Profit attributable to ordinary shareholders of the Company	**536,957**	**389,817**	**2,641**	**50,448**	**(31,206)**	**411,700**	**(856,612)**	**92,045**
Depreciation and amortisation	**1,261,339**	**134,717**	**6,378**	**18,674**	**195**	**159,964**	**28,124**	**1,449,427**
Capital expenditure								
- Additions in investment properties, property, plant and equipment, construction in progress, land use rights and intangible assets	**497,150**	**1,942,693**	**249,099**	**6,160**	**147**	**2,198,099**	**1,213,944**	**3,909,193**

(4) Segment information (continued)

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

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	
	2023	*2022*
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Toll roads and general-environmental protection business		
- Toll revenue	**2,919,511**	2,895,429
- Entrusted construction management service and construction consulting service revenue	**207,600**	496,724
- Construction service revenue under service concession arrangements	**453,566**	300,461
- General-environmental protection service	**845,211**	1,004,577
- Others	**207,767**	221,231
	4,633,655	4,918,422
Logistics business		
- Logistics parks	**270,751**	120,962
- Logistics services	**169,613**	229,470
- Port and related services	**1,325,926**	1,579,745
- Logistics park transformation and upgrading service	**33,519**	19,448
	1,799,809	1,949,625
	6,433,464	6,868,047
Revenue from other sources		
Logistics business		
- Leases from logistics parks	**485,015**	618,951
	6,918,479	7,486,998

(6) Operating profit

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

	Six months ended 30 June	
	2023	*2022*
	HK$'000	*HK$'000*
Fair value changes on investment properties	**82,605**	(3,573)
Net change in fair value of other financial assets	**109,128**	168,415
Gain on disposal of a subsidiary	**-**	2,988,327
Dividend income	**38,967**	43,052
Government grants	**76,636**	30,981
Depreciation and amortisation	**1,449,427**	1,608,530

(7) Finance income and costs

	Six months ended 30 June	
	2023	*2022*
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**(97,883)**	(167,912)
Other interest income	**(12,547)**	(7,350)
Total finance income	**(110,430)**	(175,262)
Finance costs		
Interest expenses		
- Bank borrowings	**707,024**	469,128
- Medium-term notes	**163**	5,934
- Senior notes	**7,086**	14,641
- Corporate bonds	**173,620**	186,693
- Panda bonds	**89,742**	95,002
- Interest on contract liabilities	**-**	1,648
- Interest on lease liabilities	**22,758**	33,885
- Other interest costs	**32,266**	69,825
- Borrowings from finance lease companies	**49,204**	30,672
Net foreign exchange losses	**610,302**	755,137
Less: finance costs capitalised on qualified assets	**(135,451)**	(106,020)
Total finance costs	**1,556,714**	1,556,545
Net finance costs	**1,446,284**	1,381,283

(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 2022: 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	
	2023	*2022*
	HK$'000	*HK$'000*
Current income tax		
- PRC Corporate Income Tax	**392,230**	306,365
- Land appreciation tax	**-**	1,834
Deferred tax	**100,959**	49,166
	493,189	357,365

(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	
	2023	*2022*
Profit attributable to ordinary shareholders of the Company (HK$'000)	**92,045**	581,575
Weighted average number of ordinary shares in issue (thousands)	**2,387,810**	2,272,736
Basic earnings per share (HK dollars per share)	**0.04**	0.26

(b) Diluted

The company does not have any diluted potential ordinary shares outstanding during the six months ended 30 June 2023.

(10) Dividends

The Board has resolved not to declare any interim dividend in respect of the period (six months ended 30 June 2022: Nil). The 2022 final dividend of HKD613,667,000 in aggregate (consisting of HKD0.257 per ordinary share of final dividend) were settled in June 2023.

According to the scrip dividend scheme approved by shareholders in the annual general meeting held on 16 May 2023, 5,339,689 new shares were issued at a price of HKD6.714 per share, amounted to HKD35,851,000 and the remaining dividend of HKD577,816,000 was paid in cash in June 2023.

(11) Intangible assets

	Six months ended 30 June	
	2023	*2022*
	HK$'000	*HK$'000*
Opening net book amount	**29,941,138**	32,922,243
Additions	**388,566**	648,578
Disposals	**(28,330)**	-
Amortisation	**(970,047)**	(970,773)
Exchange difference	**(1,133,756)**	(1,473,249)
Closing net book value	**28,197,571**	31,126,799

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	
	2023	*2022*
	HK$'000	*HK$'000*
Beginning of the period	**17,542,041**	19,560,227
Additions	**-**	3,248,507
Share of profit/(loss) of associates	**354,974**	(2,179,404)
Share of other comprehensive income of associates	**-**	17,211
Dividends	**(148,656)**	(173,114)
Share of reserves' movement of associates	**(8,497)**	-
Exchange difference	**(684,787)**	(906,264)
End of the period	**17,055,075**	19,567,163

The ending balance comprises the following:

	As at	
	30 June 2023	*31 December 2022*
	HK$'000	*HK$'000*
Unlisted investments		
Share of net assets, other than goodwill	**14,586,039**	14,973,821
Goodwill on acquisition	**2,469,036**	2,568,220
	17,055,075	17,542,041

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 2023 (31 December 2022:Nil).

(13) Other financial assets

	As at	
	30 June 2023	*31 December 2022*
	HK$'000	*HK$'000*
Equity securities designated at fair value through other comprehensive income ("FVOCI")		
- Unlisted equity securities	**48,352**	73,078
Financial assets measured at fair value through profit or loss ("FVTPL")		
- Listed securities in the PRC (Note (a))	**315,616**	389,044
- Unlisted equity securities (Note (b))	**576,864**	489,230
- Unlisted fund investments (Note (c))	**817,914**	820,363
- Structured deposit (Note (d))	**-**	2,083,585
	1,758,746	3,855,300
Less: non-current portion	**(1,103,587)**	(1,021,738)
Current portion	**655,159**	2,833,562

(a) As at 30 June 2023, listed equity investments stated at market price represent 116,609,000 shares (31 December 2022: 112,000,000 shares) of listed real estate investment trust ("REITs") amounting to HKD315,616,000 (31 December 2022: HKD389,044,000).

(b) As at 30 June 2023 and 31 December 2022, 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 2023 and 31 December 2022, 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 2023, the Group does not hold any structured deposit. As at 31 December 2022, the Group's structured deposit represented financial products issued by a bank, which have been matured and redeemed during the six months ended 30 June 2023.

(14) Inventories and other contract costs

	As at	
	30 June 2023 HK$'000	*31 December 2022 HK$'000*
Land held for future development	**378,039**	391,093
Land and properties under development for sale	**250,080**	2,469,454
Completed properties for sale	**5,188,992**	2,873,020
Others	**853,700**	684,858
Impairment	**(163,137)**	(123,289)
	6,507,674	6,295,136

(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 2023 HK$'000	*31 December 2022 HK$'000*
0 - 90 days	**805,784**	1,323,344
91 - 180 days	**53,300**	334,552
181 - 365 days	**418,267**	332,598
Over 365 days	**862,653**	408,771
	2,140,004	2,399,265

(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 2023 HK$'000	*31 December 2022 HK$'000*
0 - 90 days	**520,775**	1,907,078
91 - 180 days	**222,069**	445,216
181 - 365 days	**1,145,459**	440,223
Over 365 days	**1,691,266**	1,415,980
	3,579,569	4,208,497

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Operating Results	For the six months ended 30 June *2023* *HK$'000*	*2022* *HK$'000*	Increase/ (Decrease)
Revenue (excluding construction service revenue from toll roads)	**6,464,913**	7,186,537	(10%)
Construction service revenue from toll roads	**453,566**	300,461	51%
Total revenue	**6,918,479**	7,486,998	(8%)
Operating profit	**2,114,900**	5,008,198	(58%)
Profit before tax and finance costs	**2,565,804**	2,920,150	(12%)
Profit attributable to shareholders	**92,045**	581,575	(84%)
Basic earnings per share (HK dollars)	**0.04**	0.26	(85%)

During the first half of 2023, recovery of the overall economy of the PRC continued, yet its foundation remained unstable and it will take time for social demand to fully recover. In addition, various segments in which the Group operates are under pressure due to factors such as the continued interest rate hikes by the U.S. Federal Reserve and significant fluctuations in foreign exchange rates. To confront the changing circumstances, the Group remained steadfast in its strategic determination and continued to focus on its core logistics business in strict adherence to its "14th Five-Year" development strategy, actively perfecting its all-round "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" logistics ecosystem. The Group has been persistently developing the core competitiveness and sustainability of its logistics business, and pursuing high-quality long-term sustainable growth. Furthermore, adapting to changes in both the economic environment and industrial development trends, the Group has remained vigilant and adjusted its strategies flexibly in response to the prevailing circumstances in order to continue to pursue high-quality long-term sustainable growth.

For the six months ended 30 June 2023 (the "Period"), the Group recorded a total revenue of approximately HK$6,918 million, representing a decrease of 8% as compared to the corresponding period of the previous year (revenue maintained at a similar level when excluding the impact of exchange rate). Profit attributable to shareholders was approximately HK$92.05 million, representing a decrease of 84% as compared to the corresponding period of the previous year, which was mainly due to the absence of the one-off gain from the capital contribution of Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd ("Qianhai Business"), which was recognized during the corresponding period of the previous year, as well as other factors including the depreciation of Renminbi ("RMB") and the increase in finance costs.

During the Period, total revenue from the logistics business decreased by 5% as compared to the corresponding period of the previous year to approximately HK$925 million (total revenue increased by 2% when excluding the impact of exchange rate). Profit attributable to shareholders of the logistics business increased by 127% as compared to the corresponding period of the previous year to approximately HK$392 million, which was mainly attributable to the revaluation of properties and the commencement of operations of newly built logistics parks and newly acquired logistics park projects.

In expanding its core logistics business, the Group continuously focused on deploying quality projects in key regions such as the Greater Bay Area, the Yangtze River Delta and the Beijing-Tianjin-Hebei region, further optimizing its nationwide network layout and expanding its market share. In addition, taking into account of customer needs and industry development trends, the Group is actively exploring extended services such as supply chain and cold chain logistics services to bolster itself for long-term success. The Group demonstrated its relatively strong competitiveness in the acquisition of land resources by obtaining premium warehousing land plots in Gaoming District of Foshan, Taiyuan City of Shanxi and Wenjiang District of Chengdu, as well as logistics land plot of approximately 334,000 square meters for its SZ Pinghunan Project.

In the first half of 2023, the Group's logistics business witnessed a sustained growth, with approximately 220,000 square meters of newly developed area put into operation. As at 30 June 2023, the Group has established a foothold in approximately 40 key logistics gateway cities nationwide, managing and operating a total of 34 logistics projects with an operating area of more than 4.5 million square meters in aggregate. In addition, the Group has implemented its strategic configuration of "One City, Multiple Logistics Parks" in 14 gateway cities, which not only enables it to realize economies of scale and reduce operating costs, but also enhances its competitiveness by establishing a service network in the same city to meet diverse customer needs.

During the Period, the Group continued to enhance its dual closed-loop business models of "Investment, Construction, Financing and Operation" and "Investment, Construction, Operation and Transformation", with the development of both closed-loop business models accelerating steadily. The long closed-loop model of "Investment, Construction, Operation and Transformation" has been developing in an orderly manner, with SZI South China Logistics Park has been included in the Shenzhen Urban Renewal and Land Reconditioning Plan, and its transformative vision has been included in the spatial planning of Longhua District. Significant progress has been made in the transformation and upgrading of the park. The development and construction of the Qianhai Project has also been processing steadily, and the Yicheng Qiwanli (頤城栖灣里), a project solely developed and operated by the Group, is expected to be completed and delivered by the end of 2023.

In respect of "Investment, Construction, Financing and Operation" closed-loop business model, the Group has actively promoted various channels for logistics assets securitization to further enhance the closed-loop business model by capturing industry development trends and seizing domestic policy opportunities. During the Period, the Group made significant efforts in promoting the issuance of publicly traded REITs with mature logistics hub projects in Hangzhou and Guizhou as underlying assets, and has made progress in the current stage.

During the Period, revenue from the port and related services business decreased by 16% to HK$1,326 million as compared to the corresponding period of the previous year, primarily due to the varying degrees of production load reduction by end-users such as power and cement corporates, resulting in relatively weak market demand. Profit attributable to shareholders decreased by 6% as compared to the corresponding period of the previous year (profit attributable to shareholders maintained at a similar level when excluding the impact of exchange rate).

The port business is an important segment in the Group's "Four Growth Engines" layout strategy. In recent years, the Group has actively sped up the implementation of the "Port Connection Action", while expediting the operational capabilities of projects newly put into operation. The first phase of the Shenqiu Port Project and Fengcheng Port Project commenced operations in March 2023 and July 2023, respectively. The completion acceptance procedures for the main port structures of the Jingjiang Port Project have been completed, and it is expected to commence operations within this year. With the successive operation of the Jingjiang Port, Shenqiu Port and Fengcheng Port projects, it will establish good business synergies with Nanjing Xiba Port in the future, jointly build a network of transit ports along the inland river basins, further enhance transportation efficiency and improve customer service capabilities, thereby increasing market share and reducing operational risks.

The Group's toll road business and general-environmental protection business is managed and operated through a listed subsidiary of the Company, namely Shenzhen Expressway Corporation Limited ("Shenzhen Expressway"). During the Period, Shenzhen Expressway recorded a total revenue of HK$4,633 million, representing a decrease of 6% as compared to the corresponding period of the previous year (it remained at a similar level when excluding the impact of exchange rate). Due to the rebound of traffic volume on toll roads operated or invested in by Shenzhen Expressway, coupled with stringent cost control, Shenzhen Expressway recorded a net profit of HK$1,043 million, which maintained at a similar level with that of the corresponding period of the previous year (the net profit increased by 6% when excluding the impact of exchange rate). The profit of Shenzhen Expressway attributable to the Group for the Period increased by 3% as compared to the corresponding period of the previous year to HK$ 537 million.

Owing to the significant depreciation of RMB against other currencies during the Period, the Group recorded a net foreign exchange loss of approximately HK$610 million. To minimize the impact of exchange rate, reduce interest expenses, as well as to cut overall funding costs, the Group has been actively pursuing the optimization of its domestic and foreign currency structure. This includes issuing onshore bonds in the PRC in replacement of offshore debt in Hong Kong dollar ("HKD"). In July 2023, the Group issued corporate bonds to professional investors in the PRC. The bonds, listed on the Shenzhen Stock Exchange, were in the principal amount of RMB1,500 million with a coupon rate of 2.88% and RMB1,600 million with a coupon rate of 2.99%, respectively. The Group has made use of its internal funds and proceeds from such onshore bond issuance to repay and replace offshore foreign currency loans, optimize debt maturity and currency structure, further reduce the amount of foreign currency loans, secure long-term low-cost funding, and reduce financial costs. To further mitigate funding risks, the Group will continue to closely monitor the volatility of the RMB exchange rate and dynamics of domestic and international capital markets, adjust its funding plans in a timely manner, and optimize its foreign currency debt structures and short and long-term capital structures.

LOGISTICS BUSINESS

Analysis of Operating Environment

During the first half of 2023, responding to complex and interwoven global political and economic circumstances, the PRC government formulated a series of policies to promote economic recovery. The domestic economy showed some signs of recovery, but laying solid foundations for sustained growth was proved to be challenging. Thanks to coordinated macroeconomic and logistics policy initiatives, logistics demand rebounded slightly. At the same time, the business environment of logistics industry improved, such that the overall industry where the Group's main business operates showed signs of restoration in general. However, given the overall impact of upstream supply and downstream demand on the areas in which the Group operates, the rebound in demand for warehouses fell short of expectations and the industry faced both challenges and opportunities.

To better adapt to the new situation, the Group promptly adjusted its development strategies in response to the changes in the external environment and the impact of relevant policies. Building on its foothold in the Shenzhen Pilot Demonstration Zone and the Guangdong-Hong Kong-Macao Greater Bay Area, the Group is seizing opportunities for upgrading the national logistics infrastructure to build up a modern logistics system. On the one hand, the Group captures market opportunities and focuses on strategically positioning itself in first-tier cities, the Guangdong-Hong Kong-Macao Greater Bay Area and the core node cities in the Yangtze River Delta region, seeking investment and acquisition opportunities. On the other hand, it continues to enhance its operational and management capabilities and optimize its customer structure, further honing its dual closed-loop business models of "Investment, Construction, Financing and Operation" and "Investment, Construction, Operation and Transformation" The Group is committed to pursue stable, high-quality and sustainable development.

Analysis of Operating Performance

Logistics Park Business

1. 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 in addition to Shenzhen, in order to gradually expand its business network in the Greater Bay Area and realize its strategic vision of integrating with the region. In addition to continuing to increase its investment in the Greater Bay Area, the Group has proactively pursued opportunities arising from the development of "Multi-storey Factories" and created a new series of offerings, such as the "Shenzhen International Intelligent Logistics Hub", in line with the industry's trend towards smart and intelligent development and the local government's initiative on intensive land use.

As at 30 June 2023, the Group has established 13 logistics projects across the Greater Bay Area, among which 4 projects (including 3 projects in Shenzhen) are in operation/under management, while 6 projects (including 4 projects in Shenzhen) are under construction.

Logistics Hub Projects in Shenzhen

<u>Projects in Operation</u>

SZI South China Logistics Park is located in Longhua District of Shenzhen, and has a site area of approximately 578,000 square meters. The project is developed in two phases. The first phase is a comprehensive industrial park focusing on bonded logistics and commercial functions, which has maintained stable operation during the Period. The first phase is currently undergoing transformation into a digital economic park under the overall planning of the Shenzhen Municipal Government.

SZI Western Logistics Park is located in Nanshan District of Shenzhen, and has a total operating area of approximately 122,000 square meters. It provides mainly bonded logistics, warehousing and storage, loading, unloading, distribution and on-site value adding services. The project was listed by the Ministry of Commerce of the PRC in the second batch of Exemplary E-Commerce Bases, designated as a pilot project in the Shenzhen Cross-border E-commerce Center and recognized as an advanced certified enterprise under the Authorized Economic Operator (AEO) Program. As at 30 June 2023, the overall occupancy rate of the park reached 100%.

SZI Kanghuai E-commerce Center is located in Longhua District of Shenzhen, and has an operating area of approximately 143,000 square meters. It is the first asset-light management project operated by the Group. The SZI 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 Shenzhen's demonstration projects for the Green Freight Distribution City. Currently, the center provides a range of services, including warehouse logistics, large data centers, office buildings, dormitories and restaurants, etc. This project also supports interactive sharing and intelligent interchange of data across the park with an intelligent park information management system. The center has achieved stable operations, and has successfully attracted several branded logistics enterprises, resulting in satisfactory leasing progress. As at 30 June 2023, the project achieved an overall occupancy rate of 93.8%.

SZI Intelligent Logistics Hub (SZ Pingshan East) is a quality logistics park project acquired by the Group in July 2023 for a total consideration of approximately RMB749 million. The project is located in Pingshan District of Shenzhen, and has a total site area of approximately 267,000 square meters and a gross floor area of approximately 94,000 square meters. It currently accommodates prime customers such as Walmart and Xuefeng Cold Chain. The Group intends to develop it as one of the first pilot projects for "Multi-storey Warehouses + Multi-storey Factories" in Shenzhen, demonstrating of high-quality logistics warehousing and industrial production space for Shenzhen. The acquisition is expected to increase the Group's revenue and asset scale, thereby providing positive economic benefits. In addition, the project is adjacent to a number of the Group's other logistics projects, providing an opportunity for coordinated development in the area and is conducive to further expand the Group's market influence in Shenzhen and the Greater Bay Area.

Projects in Construction

The Group continues to expand its investment in Shenzhen and expedite the progress of its ongoing and planned projects, with the goal of contributing to the development of Shenzhen as a national logistics center.

SZI Railway Freight Logistics Hub (SZ Pinghunan) is located in Longgang District of Shenzhen, and has a total site area of approximately 900,000 square meters and an estimated logistics warehouse gross floor area of approximately 850,000 square meters. In September 2019, SZ Pinghunan Project was selected by the National Development and Reform Commission of the PRC and the Ministry of Transport of the PRC as one of the first batch of 23 national logistics hub projects, and is set to play a pivotal role in elevating the Group's stature in the logistics industry going forward.

In August 2021, a joint venture company, Shenzhen Municipal Shenzhen International Railway Logistics Development Company Limited (深圳市深國鐵路物流發展有限公司) ("Shenzhen International Railway"), was established by the Group and China Railway Guangzhou Group Co., Ltd. to invest in and develop the SZ Pinghunan Project. The Group pioneered the model of "obtaining strata titles in multi-level logistics and warehousing development to be constructed over a railway" in SZ Pinghunan Project, optimizing the utilization of railway yard space by vertically expanding and developing modern logistics facilities, thereby achieving an integrated "Rail Transportation + Modern Logistics" development. This project will become a benchmark for the intensive use of land resources, serving as a demonstration. The Group intends to develop it as a benchmark and showcase it as a "Road, Railway and Water" multimodal transportation center and national-level integrated logistics hub. It aims to meet market demand by integrating urban logistics, commercial and trade services, international and domestic railway freight services and emergency logistics support. This integration will facilitate the transformation of the single-function railway yard into a "Railway Yard + Urban Integrated Logistics Hub".

Various services including warehousing, port container yard and rail transportation commenced at the first phase of SZ Pinghunan Project. The operational railway yard/freight yard, covering an area of approximately 170,000 square meters, has been delivered in phases during the first half of 2022. In addition, the Group successfully rolled out the "Pinghunan, Shenzhen – Minhang, Shanghai Rail" and "Pinghunan, Shenzhen – Changsha Rail" freight express lines through the use of the railway yard of the first phase of SZ Pinghunan Project, thereby materializing a breakthrough in terms of multimodal transportation.

The second phase of SZ Pinghunan Project aims to establish a modern logistics hub over the existing railway yard. On the premise of retaining all the planning functions of the railway yard, an 11-meter overhead floor will be built. The logistics land above the overhead floor will be used to build 850,000 square meters of logistics storage facilities. Shenzhen International Railway will own the titles and operation rights of the properties erected over the railway yard.

On 25 June 2023, the Group successfully acquired the land use rights for the construction of the warehouse project through a public bidding process, for the consideration of RMB1,187 million. It represents the first industrial space development built on a railway yard within the PRC, and is a relatively rare land resources in Shenzhen for construction of large-scale logistics facilities. This project is also the first project in Shenzhen for a 11-meter high-rise logistics building designed with a single-level capacity. The Group is currently fully committed to advancing the design and other related work of the construction plan, aiming to begin full-scale construction work by the end of 2023 or the beginning of 2024 for completion in 2026.

SZI Intelligent Logistics Hub (SZ Liguang) is located in Longhua District of Shenzhen, and has a site area of approximately 45,000 square meters. It will be built as a logistics park with a high plot ratio, comprising six above-ground floors and two underground floors with a planned gross floor area of 265,000 square meters. With intelligent hardware as its foundation and digital platform as its carrier, the project will leverage cutting-edge information technology such as 5G to become an “ecological, intelligent and innovative” modern benchmark logistics park that integrates multiple industries. It will also serve as a benchmark project as part of the Group’s “Multi-storey Warehouses” strategy. The project is designed to comprise various facilities, including cold storage warehouses, temperature-controlled warehouses, automated stereoscopic warehouses, along with e-commerce incubation and operation centers and ancillary service centers providing comprehensive logistics services encompassing warehousing and storage, transaction demonstration, distribution and consolidation, urban distribution and circulation processing. It is anticipated to further solidify the Group’s share in the regional logistics market of Shenzhen. Engineering planning acceptance procedures were completed in May 2023, and the project is due to commence operations in phases during the second half of 2023.

SZI Intelligent Logistics Hub (SZ Yantian) is located in Yantian District of Shenzhen, and has a site area of approximately 32,000 square meters and a planned gross floor area of approximately 127,000 square meters. The Group plans to construct a six-storey stereoscopic warehouse that will serve as another demonstration project for modern and premium-standard “Multi-storey Warehouses” and as a demonstration project for “Bonded Logistics+”. Leveraging the policy advantages of Yantian Port, an international hub port, and Yantian Comprehensive Bonded Zone, the project will focus on the development of new forms of bonded business, and offering comprehensive logistics services with high added value such as international distribution, cross-border e-commerce, cold chain logistics and bonded showcase services. The aim is to build as a world’s leading intelligent bonded logistics complex, featuring digitalization, intelligence and greenization. The project has been selected as one of Shenzhen’s key projects for 2023. The roofing of the project’s main structure was completed in April 2023, and structural acceptance was competed in late June 2023. It is expected to be completed and commence operation by the end of 2023.

SZI Intelligent Logistics Hub (SZ Pingshan) is located in Pingshan District of Shenzhen, and has a site area of approximately 120,000 square meters and a planned gross floor area of approximately 450,000 square meters. The Group completed the acquisition of 70% equity interest in this project in April 2022. Benefiting from its unique locational advantage, the project is surrounded by enterprises in sectors with huge demand for logistics services, such as information technology, biopharmaceutical and new energy vehicle industries. The project is positioned as a “demonstration base for deep integration of manufacturing and logistics industries” within Shenzhen’s “20+8” strategic emerging industry clusters, while it also acts as an “shared intelligent logistics service center” for “9+2” strategic emerging industries in Pingshan District. Its primary objective is to provide advanced manufacturing industries with efficient and comprehensive intelligent logistics services. Upon completion, it will help address the shortage of high-standard logistics facilities in Pingshan District, significantly lower the logistics costs of manufacturing enterprises, and effectively promote the deep integration of manufacturing and logistics industries in Pingshan District. A groundbreaking ceremony for the project was held on 30 May 2023, and it is scheduled to be completed and in operation by 2025.

Projects under Planning

SZI Highway Freight Logistics Hub (SZ Bao'an), located in Bao'an District of Shenzhen, is one of the seven first-class highway freight hubs planned by the Shenzhen Municipal Government. It occupies a prime location and has a site area of approximately 75,000 square meters. The project aims at establishing a cluster of comprehensive, environmentally friendly, and intelligent high-standard logistics facilities in an intensive and stereoscopic manner, leveraging Bao'an's well-established advanced manufacturing industry and its prime location on domestic and international transportation routes. This will facilitate the integration of high-end manufacturing and logistics industries. In July 2023, Shenzhen Production Service National Logistics Hub, with this project as its core, was named in the "2023 National Logistics Hub Construction List". This marks another national-level logistics hub project led, developed and operated by the Group. In the second half of 2022, the Group entered into an investment agreement relating to the project with the relevant government department, and it is currently actively seeking to obtain the land for the project.

Other Logistics Hub Projects in the Greater Bay Area

While building a solid foundation in Shenzhen, the Group is also accelerating its development in other regions within the Greater Bay Area, focusing on high-quality projects. Among them, Foshan has become another focus of the Group's business in the Greater Bay Area.

SZI Intelligent Logistics Hub (Zhongshan Torch) is the Group's first project in the Greater Bay area (excluding Shenzhen), and has a total operating area of approximately 66,000 square meters. It aims to facilitate the integrated development of logistics on both sides of the Pearl River. Subsequent to its acquisition in 2019, the project has undergone years of refined management, leading to significant improvement in operation and service quality. As at 30 June 2023, the occupancy rate has reached almost 100%.

SZI Intelligent Logistics Hub (Foshan Nanhai) and SZI Intelligent Logistics Hub (Foshan Shunde), located in Nanhai District and Shunde District of Foshan respectively, are the two warehouse construction sites that the Group successfully obtained at the beginning of 2022. Foshan Nanhai Project has a gross floor area of approximately 93,000 square meters, while Foshan Shunde Project has a gross floor area of approximately 337,000 square meters. With an emphasis on intensification and intelligence in the overall planning, the Group aims to develop these two warehouse projects into modern high-standard logistics parks that integrate warehousing, distribution, freight forwarding, trading, aftersales services, and e-commerce seamlessly. Foshan Nanhai Project and Foshan Shunde Project are currently undergoing full-scale construction and are expected to commence operations in 2024 and 2025, respectively.

SZI Intelligent Logistics Hub (Foshan Gaoming) is a warehouse site successfully acquired by the Group in early 2023. Located in Gaoming District of Foshan, it has a site area of approximately 157,000 square meters. It is the third logistics park invested in by the Group in Foshan, thereby marking another breakthrough of the "One City, Multiple Logistics Parks" strategy. The project intends to create a high-standard, informatization, modern smart logistics industrial base that integrates functions such as e-commerce cloud warehousing, urban distribution, intelligent cold chains and aviation supply chains. The construction of the project is expected to commence within 2023.

In addition, the Group is actively pursuing the acquisition of land for Zhaoqing Project, aiming to secure the project site during the second half of 2023.

2. Logistics Parks in Other Regions of the PRC

While focusing on the Greater Bay Area, the Group has optimized the strategic configuration of its nationwide network through its "prioritizing excellence" strategy. It also stepped up its investment in key cities of economically affluent regions such as the Yangtze River Delta and the Beijing-Tianjin-Hebei Region, in order to increase its market share, enhance penetration rate and project density in key cities, consolidate the foundation of its high-standard warehouse network, and create synergies on a national level.

As at 30 June 2023, the Group has extended its network of logistics hubs to more than 34 logistics gateway cities in other regions across China (excluding the Greater Bay Area), among which a total of 30 logistics hub projects with a total operating area of approximately 3.89 million square meters were in operation, having achieved satisfactory occupancy rates.

During the first half of 2023, the Group obtained warehouse land parcels for Taiyuan Project and Chengdu Wenjiang Project respectively. Located in Xiaodian District of Taiyuan, Taiyuan Project has a total site area of approximately 127,000 square meters. The implementation of the project marks an important step in the Group's efforts to further deepen its strategy of expanding in logistics gateway cities. Located in Wenjiang District of Chengdu, Chengdu Wenjiang Project has a total site area of approximately 67,000 square meters. The acquisition of the project marks the successful execution of the Group's "One City, Multiple Logistics Park" strategy in Chengdu, achieving a more concentrated strategic configuration for the "Chengdu-Chongqing Dual City Economic Circle" and further bolstering economies of scale in the Group's logistics hub network.

Furthermore, the Group is actively promoting its national strategic configuration and enhancing penetration rate and project density in key cities, solidifying the foundations for its high-standard warehouse network. As at 30 June 2023, Jinhua Yiwu Project (E-commerce Industrial Park) and stage A under the second phase of Changsha Project were successively completed and commenced operations, contributing over 220,000 square meters of operating area.

While continuing to expand new logistics hubs projects, the Group has also been steadily advancing its ongoing and planned projects to ensure that the construction progress aligns with its expectations. As at 30 June 2023, the Group has commenced a total of four new construction projects with an aggregate gross floor area of approximately 520,000 square meters, including Xiangtan Project, Wenzhou Project, Nanchang Changbei Project and Hefei Feixi Project (newly constructed part). The Group is also engaged in four ongoing construction projects with an aggregate gross floor area of approximately 430,000 square meters, including Wuxi Jiangyin Project, Hainan Chengmai Project, Zhanjiang Project and Guiyang Xiuwen Project. The aforementioned projects have all commenced construction as scheduled, while Wuxi Jiangyin Project is expected to be completed and commence operations within 2023. Hainan Chengmai Project, Zhanjiang Project and Xiangtan Project are expected to be completed and commence operations gradually in 2024.

SZI Logistics Hub (Shijiazhuang Zhengding), invested in and constructed by the Group, is the first industrial-city complex in the PRC that integrates the two major industries of logistics and commerce. It has a site area of approximately 310,000 square meters and a total gross floor area of more than 500,000 square meters, among which the logistics park has a site area of approximately 200,000 square meters and is dedicated to becoming an intelligent pharmaceutical cold chain logistics base. Through the integration of storage and logistics, the intention is that it establishes a logistics operation system of “channel + hub + grid”, creating a new “Pharmaceutical Industrial Park + Backbone Cold Chain Base” business model and contributing to the high-quality development and industrial upgrading of the “Northern China Pharmaceutical Capital”. As at 30 June 2023, the operating area of the park has reached approximately 64,000 square meters, with the pharmaceutical industrial park covering approximately 40,000 square meters. It has become the main regional warehouse in Hebei for Shanghai Pharmaceuticals and China Resources Pharmaceuticals, both being Fortune 500 enterprises.

The park is currently promoting the construction of a high-standard backbone cold chain logistics base with a gross floor area of more than 100,000 square meters and joining forces with the China Good Agri-Products Development & Service Association to promote the branding of products stationed in the park, actively supporting “Internet + Agricultural Products” movement from rural areas to urban markets. The A5 and A7 warehouses in the park have been recognized as “Green Warehouses” by the China Warehousing and Distribution Association and have obtained first-level certification of Green Warehouses. In addition, the park has successfully deployed a new generation of intelligent technology and supporting automated equipment, achieving fully intelligent and visualized management throughout processes, which has significantly improved logistics efficiency.

SZI Logistics Hub (Zhengzhou Xinzheng) and SZI Logistics Hub (Hefei Feixi) are high-quality logistics warehouse projects acquired by the Group in the first half of 2022, at a total consideration of approximately RMB1,710 million. With an aggregate site area of approximately 919,000 square meters and an operating area of approximately 406,000 square meters, the projects 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 intends to construct high-standard warehouses on the vacant land of these two projects. The total operating area will exceed 700,000 square meters upon completion, and these projects are expected to become significant logistics hubs in Zhengzhou and Hefei. Construction on the vacant land at Hefei Feixi Project commenced in the first half of 2023.

In addition, leveraging its strong brand influence and capability in mature parks operation, the Group has undertaken a number of management projects across the PRC. **SZI Intelligent Logistics Hub (Yueyang)** is the Group’s first management project outside Shenzhen. With warehouse facilities spanning an area of approximately 52,000 square meters, the project has been operating well since it commenced operations. Furthermore, the Group has been actively advancing the development of various management projects, including: **SZI Intelligent Logistics Hub (Hainan Yangpu)** with a gross floor area of approximately 94,000 square meters, the construction of which has commenced in November 2021 and is expected to put into operation within 2023; and **SZI Intelligent Logistics Hub (Guangdong Huiyang)** with a gross floor area of approximately 100,000 square meters, which is expected to commence construction in September 2023 and put into operation in 2024.

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

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

Investment *– Investment and expansion. Leveraging 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, multipurpose logistics and warehousing facilities that gain high levels of market recognition and which will be constructed at reasonable costs. An emphasis will be placed on the liquidity of these assets and the enhancement of project construction and management standards.*

Financing *– Integration of assets and financing. Through securitization of assets through public offerings of real estate investment trusts (REITs), capital recovery will be accelerated and gearing ratio will be lowered, securing adequate cash flows and realizing asset value appreciation.*

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

The Group will continue to optimize its short closed-loop "Investment, Construction, Financing and Operation" business model through various means of logistics asset securitization. On the one hand, the Group will speed up the application and issuance of publicly traded infrastructure REITs with mature integrated logistics hub projects as their underlying assets. On the other hand, the Group will proactively conduct research and seek to establish new logistics real estate private equity funds to revitalize its quality logistics assets, accelerating capital recovery and fostering prime and effective investments while retaining the operating rights to the parks as a prerequisite.

In 2021, the Group established Shenshi (Shenzhen) Smart Logistics Infrastructure Private Fund Partnership (Limited Partnership) ("Shenshi Fund") with Goldstone Investment Limited, a subsidiary of CITIC Securities Co., Ltd. (中信證券股份有限公司). Shenshi Fund, as the main entity, has acquired logistics hub projects located in Nanchang, Hefei and Hangzhou through public tenders. The Group completed the injection of these three projects into Shenshi Fund in 2021 and 2022, and the projects have been running smoothly, delivering a stable operational performance. Given that the Group continues to provide professional services such as operational and maintenance functions to the logistics hubs injected into the fund, and receives service fees accordingly, the injection of the assets into the fund enables the Group to accelerate capital recovery and facilitate effective investment under the prerequisite that it retains its rights to operate the parks, demonstrating the effective implementation of its "Investment, Construction, Financing and Operation" business model. The Group will continue to establish new logistics industry funds based on market dynamics and its needs, strengthening its collaboration with peers and financial institutions in order to promote the development of its "Investment, Construction, Financing and Operation" business model.

2023 marks the second anniversary of the listing of the first batch of publicly traded infrastructure REITs in the PRC. Amid the comprehensive implementation of the expanded fundraising mechanism of publicly traded infrastructure REITs, the launch of pilot projects for consumer-oriented infrastructure, and the optimization of regulations, the PRC's publicly traded REITs market is maturing towards normalized issuance. To establish its first platform of publicly traded REITs, the Group is actively planning for the issuance of publicly traded REITs, with the first batch intended to include mature logistics hub projects in Hangzhou and Guizhou as underlying assets. The issuance of publicly traded REITs is aimed at revitalizing the Group's premium logistics assets, further accelerating capital recovery and optimizing its investment portfolio, thus creating a positive cycle with the prerequisite of retaining the rights to operate the parks. Currently, the Group is in the preparation stage of applying to issue publicly traded REITs. The Group has submitted the application in accordance with Practice Note 15 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and has made phased progress. Other preparatory work is also proceeding in an orderly manner. The Group will seek timely approvals from relevant regulatory bodies (including but not limited to the National Development and Reform Commission, the China Securities Regulatory Commission and the Shenzhen Stock Exchange) regarding the issuance.

Logistics Service Business

As technologies relating to artificial intelligence, big data and 5G gradually mature, alongside the combined implementation of new applications including automatic sorting, precise delivery and contactless distribution, the logistics industry has been transforming from a traditional, labor-intensive model into one emphasizing advanced technology and high intelligence. Emerging sectors such as intelligent logistics and cold chain logistics have become important trends for the future development of the industry. In recent years, the Group has expedited the exploration of intelligent and cold chain businesses, striving to create a new business growth engine.

The Group's intelligent and cold storage warehouses are located at multiple logistics hubs in cities such as Shenzhen, Shijiazhuang and Chengdu, serving customers such as pharmaceuticals, computer, communication and consumer (3C) electronics, footwear and apparel. As at 30 June 2023, the Group had a total of 57,000 square meters of intelligent and cold storage warehouse space in operation, and approximately 287,000 square meters are currently under construction, proposed for construction or in the planning process. It is expected that 73,000 square meters of intelligent warehouse space and 60,000 square meters of cold storage warehouse space will be put into operation in the second half of 2023.

In respect of the cold chain business, the Group has continued to make encouraging progress in the planning and construction of cold storage warehouses at its logistics hubs. It has jointly established a cold chain joint venture operation with cold chain logistics company "VX Logistics" (萬緯物流) to accelerate the development of its cold chain business, guided by the "Self-exploration of asset-heavy project + Joint operation of asset-light project" strategic model. As the first part of this, the jointly developed cold storage warehouse of SZ Liguang Project, with an area of approximately 39,000 square meters, is intended to be developed as an ecological, intelligent, innovative benchmark demonstration project. As at 30 June 2023, the construction of approximately 24,000 square meters of cold storage warehouse space had been completed, and the Group aims to complete the construction works of the cold storage warehouse in this project by the end of 2023. The Group has also been expediting the development of the cold chain project at the airport of Nanjing, which includes a planned cold storage warehouse area of approximately 33,000 square meters. Since the signing of a land transfer contract in June 2023, the Group has been proactively preparing for pre-construction work. In addition, the Group commenced the transformation of Shanghai Minhang Project from a dry warehouse into a cold storage warehouse in the first half of 2023. Once transformed, the cold storage warehouse, which has an area of approximately 52,000 square meters, is expected to commence operations in 2024.

In its development of intelligent warehouses, the Group continued to carry out intelligent transformations of existing projects. A total of 37,000 square meters of area have undergone intelligent transformation and commenced operations, enhancing customers' storage space utilization rates and inventory turnover efficiency while significantly reducing labor costs. Meanwhile, Shijiazhuang Zhengding Project's intelligent pharmaceutical warehouse has achieved real-time visualized control of temperature and humidity, developing as a leading shared intelligent warehouse for the pharmaceutical industry.

To create a new growth engine for its logistics business, the Group will continue to explore development trends relating to the intelligent warehouse and cold chain industries, seeking premium benchmark projects of the industry to facilitate the expansion of new business and foster quality development of the industry chain and supply chain.

Shenzhen EDI Co., Ltd. (深圳市鵬海運電子數據交換有限公司) ("EDI Co."), a subsidiary of the Company, focuses on empowering the container transportation industry with digital technologies, has become a cross-border logistics supply chain digital service platform with the functions of "cargo operation platform + logistics transaction platform + container operation platform". EDI Co. has created the largest container transport SAAS public service platform in Southern China, and has also developed and is operating EDI's network information exchange platform for Shenzhen Port. During the Period, EDI Co. accelerated the incubation of its cargo owner strategic products, not only completing the launch of an export tax refund collaborative service product named "Customs Ticket Tax Financing (version 1.0)", but also expediting the preliminary establishment of its cross-border trade logistics digitalization platform, "Kunpeng Intelligent Transportation". "Pengyao Project", jointly developed by the Group and Shanghai Flying Fish Supply Chain Technology Co., Ltd. (上海文鰩供應鏈科技有限公司), an investor under Cainiao AI (菜鳥), achieved its first order placement. Meanwhile, EDI Co. continues to undertake the operation and maintenance of the China (Shenzhen) International Trade Single Window to provide foreign trade enterprises in Shenzhen with convenient, efficient online import and export customs clearance services. EDI Co.'s professional services have gained recognition in the industry. Positioned as a benchmark for digital smart development in the sector, EDI Co. was not only selected as one of the "Top 10 Intelligent Port Forces" in the "Annual Top 100 in China Shipping Industry" by the China Shipping Gazette (《中國航務周刊》), but also garnered the "National Second-class Award" in the first State-Owned Enterprises Digital Scene ChangXin Professional Competition, organized by the State-owned Assets Supervision and Administration Commission of the State Council.

Other Strategic Logistics Investments

The Group has also been actively exploring upstream and downstream projects along the industry chain that can diversify its all-round logistics ecosystem, combining "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" and which seizes opportunities arising from emerging logistics industries and policy developments, captures potential investment opportunities in the multimodal transportation, intelligent and cold chain logistics and air freight segments, identifies quality logistics asset projects, and accumulates underlying resources in order to fully unlock synergies among its projects while delivering an optimal return on investment.

Bay Area Express (灣區號) in Shenzhen, operated by a joint venture established by the Group and Sinotrans Limited, is principally engaged in the international cargo agency and international train operation businesses, protecting the stability of international industry chains and supply chains and contributing to the high-quality development of the "Belt and Road Initiative". As a vital link connecting Shenzhen with the international economic development, it is one of the longest train routes running between the PRC and Europe, beginning in Shenzhen and traversing a total length of 13,438 kilometers. With 18 routes serving 40 countries, it provides stable, reliable international logistics services to more than 4,000 enterprises in Shenzhen and neighboring cities. During the first half of 2023, 117 trips were made, representing growth of 95% year-on-year. Since its launch, it has made a total of 505 trips with a trading amount of approximately USD2,950 million. In addition, international train routes of the Bay Area Express running between the PRC and Laos, among the PRC, Laos and Thailand, and premium train routes between the PRC and Europe were opened afterwards. As all routes of Bay Area Express begin from Pinghunan's railway yard, Bay Area Express helps boost the cargo volume of the Pinghunan's railway yard and the efficiency of warehouse usage, strengthening the synergies between the Group's logistics hubs and creating opportunities for the development of value-added services in its logistics business.

In 2021, the Group became the third-largest shareholder of China Comservice Supply Chain Management Company Ltd. ("China Comservice"), a subsidiary of China Communications Services Corporation Limited, which ranks first in the domestic telecommunication logistics industry by market share. China Comservice is the only integrated logistics enterprise with a "5A" qualification in China's telecommunications industry. The Group can synchronize and connect its logistics warehouse network with that of China Comservice. The parties have conducted preliminary studies and researched the feasibility of cooperating on projects in different cities. Looking forward, the companies will complement one another in various respects to achieve win-win results by jointly developing high-end logistics value-added services in emerging industries such as information technology, communications and data centers. In the first half of 2023, the Group signed a comprehensive cooperation agreement with China Telecom Corporation Limited, the parent company of China Comservice. With the aim of working towards developing complementary advantages and win-win cooperation, the companies will leverage their respective core competitive advantages and actively seek collaboration in areas such as telecommunications, logistics supply chains, dual-carbon goal and new energy.

Besides, the Group became the fourth-largest shareholder of Air China Cargo Co., Ltd. ("Air China Cargo") by way of a capital injection and a share subscription with an investment of approximately RMB1,565 million in 2021, holding a 10% equity interest. The Group has continued to record continuous satisfactory returns from this investment so far. Air China Cargo is in the process of listing on the main board of the Shenzhen Stock Exchange. Meanwhile, the Group is strengthening its strategic cooperation with Air China Cargo to proactively drive the deployment of projects in cities including Shenzhen and Beijing, with the aims of jointly obtaining scarce resources and building up a comprehensive logistics system integrating air logistics, high-standard warehouses, cold chain logistics and other services.

To implement its intelligent logistics development strategy, the Group joined hands with Shenzhen Airport Co., Ltd. (深圳市機場股份有限公司) and Shenzhen Capital Holdings Co., Ltd. (深圳市資本運營集團有限公司) to establish the Intelligent Airport Logistics Industry Fund (智慧空港物流產業基金) in 2021. As at the end of June 2023, the Group had received an accumulated dividend income of approximately RMB12.02 million from the fund. As one of the founders of the investment fund, the Group actively promotes its operation and seeks potential high-quality targets in sectors such as cold chain logistics and new energy vehicle logistics while continuously staying abreast of their relevant developments following its investment.

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**	
	2023 ***HK$'000***	Change over 2022 Increase/ (decrease)	**2023** ***HK$'000***	Change over 2022 Increase/ (decrease)
Logistics Parks in Greater Bay Area	**270,751**	24%	**121,755**	66%
Logistics Parks in Other Regions of China	**485,015**	(7%)	**268,063**	182%
Sub-total of Logistics Parks Business	**755,766**	2%	**389,818**	132%
Logistics Service Business	**169,612**	(26%)	**2,642**	(42%)
Total	**925,378**	(5%)	**392,460**	127%

During the Period, total revenue from the logistics business amounted to HK$925 million, representing a decrease of 5% as compared to the corresponding period of the previous year (total revenue increased by 2% when excluding the impact of exchange rate); while profit attributable to shareholders increased by 127% as compared to the corresponding period of the previous year to HK$392 million. In particular, revenue from the logistics parks business increased by 2% to HK$756 million as compared to the corresponding period of the previous year and profit attributable to shareholders increased by 132% to HK$390 million as compared to the corresponding period of the previous year, mainly attributable to the profit contribution from the newly built and operational logistics parks and newly acquired logistics park projects, as well as revaluation gains on properties of approximately HK$94.42 million during the Period.

During the Period, revenue from the logistics services business decreased by 26% to HK$170 million as compared to the corresponding period of the previous year. Profit attributable to shareholders decreased by 42% as compared to the corresponding period of the previous year to HK$2.64 million. The decrease was mainly due to the continuous adjustment of the relevant business structure to adapt to the changing economic environment and to reduce risks.

LOGISTICS PARK TRANSFORMATION AND UPGRADING BUSINESS

Analysis of Operating Performance

Qianhai Project

The Qianhai Project represents the first project in which the Group has successfully implemented its long closed-loop "Investment, Construction, Operation and Transformation" development model. By way of land consolidation and preparation in Qianhai, the Group received compensation amounting to approximately RMB8,373 million through the land swap with a total site area of approximately 120,000 square meters and a total gross floor area of around 390,000 square meters (comprising saleable residential area of approximately 190,000 square meters and saleable apartment area of approximately 25,000 square meters) under new land use arrangement. The appreciation of the land value represents the initial benefit derived from the land consolidation and preparation in Qianhai. As the swapped land parcels are being developed gradually and following the release of completed properties into the market, the project continues to unlock value from its development in a few years, which in turn is expected to provide a steady support in the growth of the Group's financial performance.

The Qianhai Project is being developed into the Shenzhen International Qianhai Industrial-City Complex, integrating an industrial digital economy town with modern commercial and complementary residential amenities that will facilitate the development of Qianhai through the promotion of industrial upgrading, resource aggregation and functional integration, ultimately fostering resource integration in industrial and urban areas. In December 2022, the Group was named "Shenzhen Real Estate Brand of the Year for Promoting the Healthy Development of Industry" at the 10th Annual Industry Summit for Best Habitat in the Greater Bay Area. The Shenzhen International Qianhai Industrial-City Complex was also honored with the "Greater Bay Area Annual Value Benchmark Award for Integrated Industrial-City Complex".

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 (PARKVIEW BAY, which was jointly developed by the Group and Shum Yip Land Company Limited), office area of approximately 35,000 square meters (Yidu Building), and commercial area of approximately 25,000 square meters (Qianhai Yinli), all of which have been put into operation and delivered for use.

The office project, namely "SZI Properties (Shenzhen Yidu Building)" ("Yidu Building"), is jointly managed and operated by the Group and China Center for Information Industry Development ("CCID"), an enterprise directly controlled by the Ministry of Industry and Information Technology. In May 2022, Yidu Building obtained the LEED-CS Platinum certification from the U.S. Green Building Council, signifying the project's status as one of the world's top green office buildings. Capitalizing on the unique geographical location and policy advantages of Qianhai in the Greater Bay Area, the project fully leverages the Group's wealth of expertise in supply chain management and the CCID'S formidable information technology service capabilities. It focuses on the development of supply chain services and intelligent manufacturing services, with the goal of fostering in-depth integration of the digital and real economies in the Greater Bay Area and countries/regions that are part of Belt and Road Initiative. Since its launch in July 2021, the project has positioned itself as an artificial intelligence of things+ (AIoT+) ecological courtyard with industrial operation services, successfully attracting a variety of digital economy enterprises as tenants. As at 30 June 2023, the project had an occupancy rate of 80%, with all contracted customers being high-potential digital economy enterprises. The self-operated premium shared office space Qianhai Tuding Camp (前海圖釘 Camp) served as the Group's first industrial incubator product, focusing on fostering the development of an "AIoT+" deep-tech innovation ecosystem in the Shenzhen-Hong Kong region. As at 30 June 2023, the project achieved an incubation rate of 58.9%. Among them, Hong Kong entrepreneurial teams accounted for about one-quarter, and the project has also attracted outstanding entrepreneurial teams with overseas returnees from prestigious international institutions, such as the University of Edinburgh in the United Kingdom and the University of California, Los Angeles in the United States. A prototype industrial innovation ecosystem platform has been developed to facilitate the seamless promotion of diverse industrial activities and industry-supporting services.

As for the commercial part, the Group and SCPG (印力集團) have harnessed their respective strengths to jointly create a unique boutique commercial project known as "Qianhai Yinli" in Qianhai's Mawan area. As a slow-paced, leafy neighborhood of a type rarely found in Qianhai and Shenzhen, the project integrates a digitalized lifestyle with a superior quality of life, culture and arts, and social interactions. The project officially commenced operation in September 2022 and was honored with a "Business Innovation Award" and the "Marketing Innovation Award" at the China Shopping Center & Chain Brand Development Summit in June 2023. As at 30 June 2023, the project had attained an overall occupancy rate of 76.3%.

The second phase of the Qianhai Project has a plot ratio-based gross floor area of approximately 110,000 square meters in aggregate, and comprises residential area of approximately 91,000 square meters. The development of this phase will be carried out in two parts. The first part, which is the "SZI Properties (Shenzhen Yicheng Qiwanli)" ("Yicheng Qiwanli") component developed and operated solely by the Group, has a total gross floor area of approximately 65,000 square meters, comprising a residential gross floor area of approximately 51,000 square meters and a commercial gross floor area of approximately 6,000 square meters. "Yicheng Qiwanli" commenced pre-sales on 28 September 2022 and achieved a sales rate of approximately 98.5% on its launch day. As at 30 June 2023, the Group received payments of approximately RMB510 million and "Yicheng Qiwanli" is expected to be completed and delivered by the end of 2023.

Another residential component of the second phase of the Qianhai Project, developed jointly with Shenzhen Vanke Development Company Limited ("Shenzhen Vanke"), comprises residential area of approximately 40,000 square meters and commercial area of approximately 3,400 square meters. Pre-sales of the residential units began in 2022, and the construction of the main structure is currently in steady progress. Roofing is expected to be completed by the end of 2023.

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. Pre-sales of the residential project began on 1 April 2023 and it achieved a sales rate of approximately 87% as at 30 June 2023. The construction of the main structure is currently in steady progress.

The Group owns two separate land parcels in the third phase of the Qianhai Project, which are designated for office and commercial uses. This land parcels have an aggregate plot ratio-based gross floor area of approximately 92,000 square meters, comprising office gross floor area of approximately 79,000 square meters, commercial gross floor area of approximately 12,000 square meters and community service center with a gross floor area of approximately 1,000 square meters. The Group is currently in discussions with government departments regarding related development matters.

When the Group introduced Shenzhen Vanke as a strategic investor in Qianhai Business in 2022, the Group's shareholding in Qianhai Business was diluted to 50%, and Qianhai Business ceased to be a subsidiary of the Group. Qianhai Business possesses the development rights of the plots T102-0266, T102-0337 and T102-0338 in the Qianhai Project, which includes "Qianhai Yinli" and the projects in the second and third phases of the Qianhai Project being developed in collaboration with Shenzhen Vanke.

SZI South China Logistics Park

With the increased implementation of national "Two-region Engines" strategy, the Greater Bay Area is set to become one of the most open and economically vibrant regions in the PRC. However, the supply of new land in Greater Bay Area is limited, particularly in core areas, where land resources are especially precious. The Group's SZI South China Logistics Park is located in the central axis and core node of Shenzhen. With a site area of approximately 580,000 square meters, it is the largest traditional warehousing and logistics park the Group owns in Shenzhen. Promoting the transformation of the first phase of SZI South China Logistics Park into a south China digital economy super headquarters base is a crucial task for the Group in exploring the long closed-loop "Investment, Construction, Operation and Transformation" development model, following the Qianhai Project.

The transformation and upgrading of the first phase of SZI South China Logistics Park is currently underway. According to the public reading of "Longhua District National Land and Space Plan (2021-2035) (draft)" (《龍華區國土空間分區規劃(2021-2035)》(草案)) released by the Longhua District government, SZI South China Logistics Park is included in the spatial scope of the "North Railway Station Hub Urban Function Node" and "Strategically Reserved Area". It has been written into the spatial blueprint for the medium- to long-term development of the Longhua District for the next 15 years.

The second phase of SZI South China Logistics Park, namely "SZI South China Digital Valley", covers a site area of approximately 62,000 square meters and a gross floor area of approximately 200,000 square meters. It aligns with Longhua District's "Digital Longhua" development strategy. With a focus on the digital economy, the second phase targets enterprises in the areas of artificial intelligence, 5G technologies and industrial internet, with the aim of promoting the integration of regional industries and the city, empowering regional development with the digital industry and injecting new momentum into regional economic development. SZI South China Digital Valley commenced construction at the end of 2016 and will be developed and constructed in two stages. The first stage has been put into operation in December 2021 while the second stage is scheduled to commence operation in the second half of 2023.

In the coming years, the Group will actively develop the project in alignment with government planning and proactively advance its work process, aiming to achieve mutually beneficial outcomes for all parties, and expeditiously unlock the project's intrinsic value.

SZI Logistics Hub (Shijiazhuang Zhengding)

The Shijiazhuang Zhengding Project is the Group's pre-eminent project in the Beijing-Tianjin-Hebei integrated development region. Covering a site area of 310,000 square meters, the project adheres to the principles of smart technology, green and low-carbon best practices. It is also underpinned by the principle of integration and collaboration, with the objective of establishing a modern industrial city complex that integrates pharmaceutical logistics, e-commerce and cold chain, ice and snow sports, cultural tourism, innovation and entrepreneurship platform, as well as quality agricultural product display.

While constructing and operating an intelligent logistics park within the project, the Group has accelerated the development of its commercial component, "SZI Properties (Shijiazhuang Zhenyue Tiandi)", covering a gross floor area of 330,000 square meters. Construction of the innovative, entrepreneurship-focused office and themed street commenced in March 2022, while the main structural elements are expected to be completed in the second half of 2023. Construction of a large-scale indoor skiing facility commenced in the first half of 2023. An international business hotel and commercial center have obtained project planning permits and construction is due to commence in the second half of 2023. The Group aims to actively explore the application of integrated energy solutions during the construction and operation of the project, which is expected to be fully operational by the end of 2025.

Benefiting from a favorable local business environment and the sophisticated positioning of the project itself in recent years, the project has prioritized leasing liaison and has attracted a number of renowned domestic and international brands, including Sunac Culture & Tourism, Hampton by Hilton, Shenzhen SEZ Construction Group, PH Alpha and The Jerde Partnership. Through harnessing their individual strengths and collective contribution, the Group aims to create a distinctive, modern, integrated cultural tourism complex and micro-vacation destination in the Beijing-Tianjin-Hebei Capital Economic Circle. Going forward, the project is positioned to become the first modern urban facility in the PRC that achieves a high level of integration between the logistics and commercial industries.

Financial Analysis

During the Period, revenue from the logistics park transformation and upgrading business increased by 72% to HK$33.52 million as compared to the corresponding period of the previous year. The increase was primarily due to the additional rental income and property management fee income from the increased occupancy rate of the office and commercial projects in the first phase of the Qianhai Project. However, there was a loss attributable to shareholders of approximately HK$31.21 million, which was mainly due to the significant increase in depreciation and amortization expenses following the commencement of operation of the new projects and the absence of one-off gain from the capital contribution of the Qianhai Business which was recorded in the corresponding period of the previous year.

PORT AND RELATED SERVICES BUSINESS

Analysis of Operating Performance

SZI Port (Nanjing Xiba)

Nanjing Xiba Port Project, in which the Group holds a 70% equity interest, is located in the New Materials Industrial Park in Jiangbei New District in Nanjing and has commenced operation in 2010. It is a key port in Nanjing designed and built for sea-river intermodal transportation and rail-water multimodal transportation. It is also the only general bulk cargo terminal in the northern Yangtze River at Nanjing Port for vessels with a tonnage capacity over 10,000 tonnes. With the capability of providing various services such as unloading, loading, lightering, train loading and unloading, and warehousing, the Nanjing Xiba Port comprises a general bulk cargo terminal with a tonnage capacity of 50,000 tonnes, two general bulk cargo terminals each with a tonnage capacity of 70,000 tonnes, and two general bulk cargo terminals each with a tonnage capacity of 100,000 tonnes. It also has depots with an area of approximately 400,000 square meters that are connected to the port area by a rail link, and possesses unique regional advantages and suitability for integrated river-sea, rail-water and road-water transportation.

During the first half of 2023, amid a sluggish market environment with low supply and demand, operation of the Nanjing Xiba Port faced significant challenges. However, thanks to its advanced on-site management capabilities, the port catered to the demand of its existing customers while aggressively expanding its customer base to capture new business opportunities. During the first half of 2023, the business volume of the Nanjing Xiba Port continued to rank first among 11 comparable ports along the Yangtze River. A total of 232 seagoing vessels berthed at Nanjing Xiba Port, with a total throughput of approximately 17.38 million tonnes, of which approximately 2.12 million tonnes were transported onwards by train.

Port Supply Chain Business

As for the port supply chain business, the Group capitalized on the resources of several major ports to promote business development and transformation, attract new customers, explore new types of services, improve logistics transportation methods, and continuously strengthen risk control, with the aim of providing customers with one-stop bulk cargo logistics and supply services. During the Period, in addition to providing premium coal and petroleum coke supply chain management services to its customers, the Group actively engaged in integrating port supply chain resources, and effectively attracted information, logistics and business flows. Meanwhile, by actively expanding both the upstream and downstream industry chains, the

Group has secured premium upstream and downstream customers for other asset-heavy port projects under construction. The development of supply chain has not only facilitated the upgrading and transformation of the Group's port assets from conventional freight loading, unloading and transshipment ports into large-scale, integrated port services platforms, but also strengthened business collaboration among asset-heavy ports.

Investment and Construction Projects

In recent years, the Group has stepped up its efforts in developing quality port projects, accelerating the construction of Jingjiang Port, Shenqiu Port and Fengcheng Port projects, exploring premium shoreline resources, identifying quality port projects, expediting the establishment of the "1 + N" multi-point port network, and applying advanced technologies comprehensively to promote the transformation and upgrading of its ports into green, intelligent, safe and efficient modern ports. During the first half of 2023, the Group accelerated the development of its port network, and a number of projects are expected to be rolled out progressively within the year.

SZI Port (Jiangsu Jingjiang): The Group holds a 70% equity interest in the Jingjiang Port Project. Located in the Economic Development Zone of Jingjiang City, the Jingjiang Port Project is planned to construct two new main berths for vessels with a tonnage of 100,000 tonnes each (with hydraulic structure for vessels with a tonnage of 150,000 tonnes) along the Yangtze River and five reconstructed lakeside inland berths for vessels with a tonnage of 1,000 tonnes each (with hydraulic structure for vessels with a tonnage of 3,000 tonnes). The project, designated as a "key project in the service industry of Jiangsu Province" in 2021 and 2022 and a "major project of Jiangsu Province in 2022", is positioned to become a top-notch green, smart, and efficient sea-river intermodal hub port and to serve as an energy storage and distribution center and a comprehensive trading center in the PRC, supporting the realization of the functions of the Jingjiang National Coal Reserve Base. Its construction is pivotal to increasing the Group's market share in the port segment and developing its "Port Connection Action" strategy in high quality. The completion acceptance procedures for the main port structures has been completed and it is scheduled to commence operation by the end of 2023.

SZI Port (Henan Shenqiu): The Group holds a 40% equity interest in the Shenqiu Port project, which is located along the Shaying River in Shenqiu County and serves as a demonstration project for port-industry-city integration that radiates regions of Henan and Anhui provinces. It is planned to construct 26 berths for vessels with a tonnage of 1,000 tonnes each and will be built in three phases. The port's annual capacity is expected to increase by 30 million tonnes after all berths are put into full operation. The aim of the project is to create an efficient, environmentally friendly, advanced bulk cargo terminal. Four general-purpose berths in the first phase of the project have commenced operations in March 2023, representing a major milestone in the advancement of the Group's "Port Connection Action" strategy. Phases two and three of the project involve the construction of 22 berths and supporting land-based stacking yards, as well as the introduction of dedicated railway lines, enabling multimodal transportation by rail, road, and water.

SZI Port (Jiangxi Fengcheng): The Fengcheng Port Project, in which the Group holds a 20% equity interest, passed inspection and acceptance procedures in February 2023, and officially commenced operation in July 2023. It is an important distribution node along the Gan River, primarily serving sizeable power plants in the region.

After years of dedicated efforts, the Group's multi-point port network has gradually taken shape, thanks to its active exploration of quality port projects along the midstream and downstream of the Yangtze River and on major inland waterways in recent years. With the successive commencement of operations at Jingjiang Port, Shenqiu Port and Fengcheng Port projects, strong business synergies with the Nanjing Xiba Port will be realized and a port transshipment network will be jointly built in the inland river basin. This network not only further enhances the Group's transportation efficiency and improves its customer servicing capabilities, but also expands its market share and reduces operational risks. With the aim of becoming an influential "port multimodal transportation + end-to-end logistics service provider", the Group will continue to focus on main businesses related to energy and bulk commodities in the ports, and extend its business along the industry and logistics chains towards the resource end, further optimizing its port network system.

Financial Analysis

During the Period, the revenue from the port and related service business decreased by 16% to HK$1,326 million as compared to the corresponding period of the previous year, primarily due to the varying degrees of production load reduction by end-users such as power and cement corporates, resulting in relatively weak market demand. Profit attributable to shareholders decreased by 6% to HK$50.45 million as compared to the corresponding period of the previous year (profit attributable to shareholders maintained at a similar level when excluding the impact of exchange rate).

TOLL ROAD BUSINESS

The Group's toll road and general-environmental protection businesses are managed and operated by Shenzhen Expressway, a subsidiary in which the Company holds an approximately 52% equity interest and whose H shares and A shares are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively.

Analysis of Operating Performance

As at the date of this announcement, Shenzhen Expressway has invested in and operates a total of 16 expressway projects across the PRC, spanning Shenzhen, the Guangdong-Hong Kong-Macao Greater Bay Area, and other economically developed regions.

During the Period, as the domestic economy and society of the PRC returned to normal, the road traffic demand rebounded rapidly. However, affected by the global economic downturn and weakening of external demand, the overall domestic economic activities were put under pressure, leading to relatively sluggish growth in road freight traffic demand. On the other hand, the full resumption of social order encouraged members of the public to take road trips, leading to a steady rebound in number of passenger vehicle journeys. In addition, the expiration of the concession period for Wuhuang Expressway in December 2022 had discernible impact on the toll revenue of Shenzhen Expressway during the Period. Due to the low comparison base for the corresponding period of the previous year, both the traffic volume and toll revenue of the toll roads invested in and operated by Shenzhen Expressway increased substantially compared to the corresponding period of previous year.

In addition, the operating performance of toll road projects may have been influenced by factors such as changes in peripheral competitive or coordinated road networks, and by construction on or maintenance of the toll roads themselves, in particular：

- Phase II of Shenzhen Outer Ring Project was officially opened to traffic on 1 January 2022, creating synergies with Phase I of the project. As the most convenient west-to-east highway artery in Shenzhen, Shenzhen Outer Ring Project delivered a satisfactory operating performance. During the Period, the average daily traffic volume and average daily toll revenue of Shenzhen Outer Ring Project recorded growth as compared to the corresponding period of previous year. In addition, the Group was granted approval for the construction of Phase III of Shenzhen Outer Ring Project as it aims to further amplify the project's cumulative benefits.

- Guanglian Expressway (Guangzhou to Lianzhou), which is parallel to Qinglian Expressway, commenced operations at the end of 2021, diverting a certain volume of traffic from Qinglian Expressway. To actively attract traffic and optimize flows of Qinglian Expressway, the Group beefed up the promotion of its advantages through various channels and reinforced its service offerings. Furthermore, the gradual restoration of work and life along the route led to a resilient recovery in the operating performance of Qinglian Expressway during the Period.

- Guangshen Expressway is an important express route between Guangzhou and Shenzhen, while GZ West Expressway is an integral part of the ring road within the Pearl River Delta, linking Guangzhou and Zhuhai. During the Period, notable growth was seen in both traffic volume and toll revenue of the corresponding road segments due to the restoration of production and operation activities in neighboring cities.

- Since the completion of the reconstruction and expansion of Yangmao Expressway at the end of 2021, the two-way and eight-lane expressway has been in full operation, significantly enhancing its capacity to accommodate traffic. Benefiting from the synergistic interconnection effect of neighboring highways that have commenced operations and the effectiveness of policies implemented by the government at all levels to boost tourism and the economy, Yangmao Expressway recorded notable growth in passenger vehicle traffic volume during the Period, achieving a robust operating performance.

- The operating performances of Yichang Expressway, Changsha Ring Road and Nanjing Third Bridge resumed normally and recorded growth amid the recovery of social activities. Their positive performance was also resulted from a series of policies implemented by the government at all levels aimed at fostering stable economic growth.

Key Project Development

Shenzhen Outer Ring Project, comprising three phases of construction, is an integral component of transportation infrastructure in the Guangdong-Hong Kong-Macao Greater Bay Area. Shenzhen Outer Ring Project will establish vital connectivity with 10 expressways and 8 first-class highways in the Shenzhen region, serving as a crucial conduit for east-west interconnectivity in the northern region of the city. Phase I of Shenzhen Outer Ring Project was completed and commenced operations on 29 December 2020, followed by Phase II on 1 January 2022, achieving a commendable operating performance with notable growth in both traffic volume and toll revenue. Furthermore, an investment of approximately RMB8,447 million was approved by the Group for the construction of Phase III of Shenzhen Outer Ring Project. Upon its completion, this phase is expected to enhance the Group's core highway assets and maximize the economic and social benefits of Shenzhen Outer Ring Project as a whole. It can also bring traffic flows to other toll roads operated or invested in by Shenzhen Expressway by optimizing the configuration of the road network.

Phase II of Shenzhen Coastal Project mainly includes the construction of the International Convention and Exhibition Center interchange and the connecting line on the Shenzhen side of the Shenzhen-Zhongshan Bridge, of which the interchange of the International Convention and Exhibition Center commenced operations in 2019. Furthermore, the connecting line on the Shenzhen side of Shenzhen-Zhongshan Bridge comprises two connections at the airport and Hezhou. Upon completion, the connecting line will be linked to the Phase I of Shenzhen Coastal Project, Jihe Expressway, Guangshen Expressway, Shenzhen-Zhongshan Bridge and Bao'an International Airport. During the Period, Shenzhen Expressway actively carried out the construction of roadbeds, bridges and ancillary works, with a special focus on the construction of the bridge structure of the airport interchange and its merged section. As at the end of June 2023, approximately 85% of the overall construction of Phase II of Shenzhen Coastal Project had been completed, of which approximately 83%, 92% and 45% of the construction of the roadbeds, bridges and road surfaces had been completed respectively.

On 30 September 2022, Shenzhen Expressway entered into a contract with the Transport Bureau of Shenzhen Municipality relating to a public-private-partnership (PPP) reconstruction and expansion project of Jihe Expressway ("Jihe Expressway R&E Project"). It has also entered into two joint construction agreements with Shenzhen SEZ Construction and Development of Transportation and Investment Co., Ltd. in respect of the project. However, due to the subsequent intention of the Shenzhen City to adjust the construction plan for Jihe Expressway R&E Project and a corresponding adjustment to the investment and financing proposal, the aforementioned PPP contract was terminated on 31 March 2023, in accordance with the agreed termination clauses. The construction agreements between Shenzhen Expressway and Shenzhen SEZ Construction and Development of Transportation and Investment Co., Ltd. is also temporarily unenforceable, and the Group will proceed with the corresponding approval procedures after the finalization of the proposal.

Shenzhen Investment Holdings Bay Area Development Limited ("Bay Area Development"), in which Shenzhen Expressway holds approximately 71.83% equity interest, is entitled to the rights to share 45% and 50% of the profits of Guangshen Expressway and GZ West Expressway, respectively. Given that the traffic flow of Guangshen Expressway continues to approach saturation, Guangshenzhu Expressway Co., Ltd ("Guangshenzhu Company") has formulated plans to reconstruct and expand Guangshen Expressway to optimize its traffic capacity. In December 2019, Guangshenzhu Company became the qualified owner of Guangshen Expressway reconstruction and expansion project. Subsequent to the pre-approval of the feasibility study for the above-mentioned project by the transport authority of Guangdong Province in January 2021, preliminary procedures such as project approval are being processed at the moment. Among which, the Guangzhou-Dongguan phase of the project received pre-approval for land use and site selection proposals in May 2023. The project has completed the pre-approval public announcement process and entered the project approval stage. Bay Area Development has worked with partnering shareholders to conduct an in-depth study of the land adjacent to Guangshen Expressway, with the aim of exploring feasible business models for its revitalization, development and utilization.

In addition, the Group intends to carry out the pilot application for the REITs in the infrastructure field with its wholly-owned Yichang Expressway as the underlying infrastructure project. The issuance of the publicly traded REITs will effectively revitalize the existing highway infrastructure assets, recover the operating investment and realize returns in advance, improve the asset turnover efficiency and enhance the rolling investment capability of Shenzhen Expressway. The Group is currently in the preparatory stage of the Public REITs application. For details, please refer to the joint announcement of the Company and Shenzhen Expressway dated 18 August 2023.

Based on the financial position and investment plan of Shenzhen Expressway, Shenzhen Expressway proposed to issue no more than 654,231,097 A Shares (the "Issuance") to no more than 35 (inclusive) specific targets, which meet the criteria required by the China Securities Regulatory Commission including Xin Tong Chan Development (Shenzhen) Co., Ltd. ("XTC Company"), a wholly-owned subsidiary of the Company. The expected proceeds to be raised from the Issuance will be no more than RMB6.5 billion. After deducting relevant issuance expenses, all net proceeds to be raised are intended to be used in investment and construction of Shenzhen Outer Ring Project and repayment of Shenzhen Expressway's interest-bearing liabilities. The Company will subscribe for part of the shares in the Issuance through XTC Company, with a subscription amount of no more than RMB1.51 billion. Upon completion of the Issuance, the Company will indirectly hold no less than 45% of the total issued shares of Shenzhen Expressway. The Issuance is subject to the approval at the general meeting of the Company and the relevant shareholders' meetings of Shenzhen Expressway, and can only be implemented after obtaining the consent of the relevant regulatory authorities for registration. The Issuance will be beneficial to the Group in further enhancing its capital strength, optimizing its capital structure, reducing its financial costs, strengthening its anti-risk capability and competitiveness, thereby further expanding its future investment and financing scope and supporting its future business development, which is in the best interests of the Group and all shareholders. For details, please refer to the joint announcement of the Company and Shenzhen Expressway dated 14 July 2023 and the circular of the Company dated 25 August 2023.

Financial Analysis

During the Period, with the domestic economy and society returned to normal, the traffic volume on toll roads continued to grow. However, the expiration of the concession period of Wuhuang Expressway in December 2022 partially offset the growth of toll revenue. During the Period, the toll road business recorded the total revenue of HK$2,920 million, which maintained at a similar level with that of the corresponding period of the previous year (the revenue increased by 8% when excluding the impact of exchange rate). Net profit from the toll road business increased by 11% as compared to the corresponding period of the previous year to HK$1,238 million.

GENERAL-ENVIRONMENTAL PROTECTION BUSINESS

Analysis of Operating Performance

1. Clean Energy

As at the end of June 2023, wind power projects invested in and operated by the Group had an accumulated installed capacity of 648 megawatt (MW) and were all completed and grid-connected wind farms located in areas with relatively abundant wind resources and stable electricity demands.

During the Period, Shenzhen Expressway jointly established Shenzhen Jinshen New Energy Company Limited with State Power Investment Corporation Guizhou Jinyuan Weining Energy Company Limited, a subsidiary of State Power Investment Corporation Limited, and Shenzhen Expressway holds 65% equity interest in the joint venture. The joint venture engages in the investment and development of wind power and photovoltaic projects in the field of new energy, and complements Shenzhen Expressway in terms of project resource development, as well as operation and management of infrastructure, in order to achieve sustainable business development.

Leveraging the "integrated" clean energy system of Shenzhen Expressway, Nanjing Wind Power Technology Co., Ltd. ("Nanjing Wind Power Company"), a subsidiary in which Shenzhen Expressway holds 51% equity interest, provides subsequent operation, maintenance services and delivery of sales equipment for, among other projects, the Huaian Zhongheng Project, the Zhongwei Gantang Project and the Yongcheng Zhuneng Project, in a proactive manner. At the same time, it cooperates with the New Energy Company to expand into the markets of wind power and photovoltaic projects and implement projects in the pipeline. As the operating performance of Nanjing Wind Power Company was sub-optimal during the Period, Shenzhen Expressway will step up its efforts to carry out business integration in Nanjing Wind Power Company, and strive to rationalize property rights and management relationships, in order to accelerate the revitalization of assets and capital recovery, further driving the development of its business and operations.

Shenzhen Fenghe Energy Investment Limited, a joint venture established by Shenzhen Expressway in 2021, completed the acquisition of 51% equity interest in Nanjing Avis Transmission Technology Company Limited ("Nanjing Avis") in 2022. Nanjing Avis is a leading enterprise engaged in the operation and maintenance of gearbox equipment in the PRC. It has a large market share in the gearbox equipment maintenance market. During the Period, the cumulative sales orders of Nanjing Avis amounted to approximately RMB142 million, mainly comprising spare machine sales, repair of returned machines, spare part sales, as well as maintenance services.

2. Solid waste treatment

Supported by the national environmental protection policy, the organic waste treatment industry has much room for development. The Group regards organic waste treatment as a significant segment of the general-environmental protection industry, and actively builds itself into a segment leader with industry-leading technology and scale advantages, while earnestly identifying suitable investment opportunities in other solid waste treatment segments.

Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd. ("Bioland Environmental Company"), a subsidiary of the Company, is one of the key providers of comprehensive organic waste treatment, construction and operation services in the PRC with comprehensive capability to provide full industry chain services of organic waste treatment. As at the date of this announcement, Bioland Environmental Company had a total of 20 organic waste treatment investment and operation projects under public-private partnership (PPP) model (including the projects under Build-Operate-Transfer (BOT) model) with a designed kitchen waste treatment capacities of over 4,800 tonnes per day, amongst which 13 projects have commenced commercial operations. During the first half of 2023, owing to the resumption of social activities and the rebound of the food and beverage consumption market, the amount of food waste recorded a year-on-year increase, contributing to the growth in the operating revenue of Bioland Environmental Company. Yet, overall operating performance of Bioland Environmental Company was not satisfactory during the Period, as it was negatively affected by factors such as continuous decline in the selling price of grease, as well as a productivity slump from insufficient amount of garbage collected and transported in certain projects. To enhance the profitability of Bioland Environmental Company, the Group will actively assist in its market development, further strengthening cost management and control so as to reduce costs and improve efficiency.

Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Co., Ltd. ("Qiantai Company"), a subsidiary in which Shenzhen Expressway indirectly holds 63.33% equity interest, qualifies for scrapping retired new energy vehicles and providing "integrated" comprehensive utilization of retired new energy vehicles and their power batteries while also scrapping and recycling petrol-powered vehicles. It is also the only whitelist enterprise qualified under the "Industry Standards and Conditions for the Comprehensive Utilisation of Waste Power Batteries for New Energy Vehicles" (新能源汽車廢舊動力蓄電池綜合利用行業規範條件) in Shenzhen. During the Period, the business development of Qiantai Company did not meet expectations, primarily due to the continuous decline in lithium battery material price, as well as the slowdown in the demand of the power battery market. Moreover, the profitability of scrap car dismantling decreased, and the overall volume of recycling and processing in the recycling business was affected. As a result of these factors, the performance of Qiantai Company fell short of expectations.

Guangming Environmental Park Project is the Shenzhen Guangming Environmental Park PPP Project (the investment and operation of an organic waste treatment project) invested in and constructed by the Group under the BOT (Build-Operate-Transfer) model. It will be developed into a large-scale treatment plant with a processing capacity of 1,000 tonnes per day for organic waste, 100 tonnes per day for bulky waste (discarded furniture) and 100 tonnes per day for garden waste in Guangming District, Shenzhen City. During the Period, the construction of main structure and pre-processing equipment debugging work of Guangming Environmental Park Project was basically completed, and the Group has been actively expediting the procurement and installation of major equipment, as well as preparation work prior to commencement of production and operation. The project is expected to be completed within 2023.

Shenzhen Lisai Environmental Technology Limited ("Lisai Environmental"), a subsidiary in which Shenzhen Expressway indirectly holds 70% equity interest, has the franchise rights of a biomass waste disposal BOT project in certain urban areas of Shenzhen City. During the Period, Lisai Environmental has basically completed the technical renovation of its production line, after which full-capacity operation has been achieved, with processing capacity of kitchen waste and additional processing capacity of grease increasing to 650 tonnes and 30 tonnes per day, respectively, while the amount of kitchen waste collected and transported increased to over 600 tonnes per day. During the Period, through outsourcing the collection and transportation of waste, Lisai Environmental processed organic waste of approximately 84,300 tonnes and sold 3,783.15 tonnes of grease.

The Shaoyang Project, in which Shenzhen Expressway indirectly holds 100% equity interest, possesses the franchise rights of kitchen waste collection and treatment in Shaoyang City, Hunan Province. With a designed kitchen waste treatment capacity of 200 tonnes per day. The Shaoyang Project, which commenced trial operation in February 2023, will be operated under the Transfer-Operate-Transfer (TOT) model during the concession period of 30 years.

3. Other Environmental Protection Businesses

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

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

Financial Analysis

During the Period, revenue from the general-environmental protection business decreased by 16% as compared to the corresponding period of the previous year to HK$845 million, mainly due to the decrease in sales of wind turbines and kitchen equipment, as well as the decrease in revenue from wind power generation due to reduced wind resources. Net profit from general-environmental protection business decreased by 89% as compared to the corresponding period of the previous year to HK$21.81 million, it is mainly due to the decrease in share of profits of associates and impairment of assets.

OTHER INVESTMENTS

Shenzhen Airlines

In the first half of 2023, civil aviation industry experienced a noticeable revival. During the Period, Shenzhen Airlines Company Limited ("Shenzhen Airlines") carried 15.81 million passenger trips and recorded a passenger traffic of 24,395 million passenger-km, representing an increase of 142% and 146%, respectively, as compared to the corresponding period of the previous year.

Shenzhen Airlines' total revenue for the Period increased by 164% to RMB14,023 million (equivalent to HK$15,753 million) as compared to the corresponding period of the previous year (2022: RMB5,308 million (equivalent to HK$6,377 million)). Passenger revenue increased by 184% to RMB13,166 million (equivalent to HK$14,790 million) (2022: RMB4,632 million). However, due to the steep fuel costs and fluctuations in exchange rates and interest rates, changes in the willingness and mode of passenger travels, market dynamics and intensified competition, Shenzhen Airlines continues to experience considerable operational pressures. During the Period, Shenzhen Airlines recorded a net loss of RMB1,420 million (equivalent to HK$1,596 million) (2022: net loss of RMB4,594 million (equivalent to HK$5,519 million)). Based on equity method accounting, when the Group's share of accumulated losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses. As the Group's interest in Shenzhen Airlines was reduced to nil, it did not recognize any further losses relating to the carrier during the Period (2022: loss of HK$2,710 million).

OUTLOOK FOR THE SECOND HALF OF 2023

In the first half of 2023, with the economy and society generally returning to normal, alongside the effective implementation of macroeconomic policies, the national economy of the PRC rebounded and progressed steadily towards high-quality development. However, the complex and interwoven global political and economic circumstances added new challenges and difficulties to the recovery of domestic economy. Certain enterprises are experiencing difficulties in operations due to insufficient domestic demand, resulting in more hidden risks in key sectors. Overall, the PRC's economy still enjoys strong resilience and potential, with its long-term fundamentals remaining strong. Having achieved a smooth transition of the pandemic prevention and control work, the pace of economic recovery illustrates signs of fluctuation.

The transportation and logistics infrastructure industry in which the Group operates has played a crucial role in expanding domestic demand, stabilizing the economy and ensuring its steady growth. With policy support, it possesses inherent advantages in terms of business competence. In the second half of the year, the Group will continue to adhere to the principle of "seeking progress while maintaining stability and advancing with determination". The Group will place greater emphasis on "stability" by ensuring the stability of funds, investments and safety circumstances. It will, at the same time, actively seek progress in terms of operational efficiency, project construction, capacity building, fundamental system establishment, closed-loop development, high-quality mergers and acquisitions, market capitalization management, and state-owned enterprise responsibilities. Furthermore, the Group will continue to pursue its strategic goals of its "14th Five-Year" development plan in a steadfast manner, striving to build itself into a first-class industrial corporation. It will continue to strengthen its position in the logistics industry, increase its market share, and enhance its profitability.

Stabilizing and Strengthening the Quality of Core Logistics Business while Gradually Establishing Comprehensive Logistics Ecosystem

In the second half of 2023, the PRC's domestic logistics infrastructure industry is expected to face various complexities and uncertainties. On the one hand, driven by favorable policies, a notable upsurge in fixed-asset investment in logistics and real estate industries has taken place in recent years, although the logistics industry has seen lower growth and entered an inventory phase due to insufficient domestic demand. On the other hand, the PRC's sluggish domestic economic recovery and consumption in the post-pandemic era have led to an overall decline in logistics warehouse rents nationwide, increased vacancy rates, and a notable slowdown in inventory turnover. At the same time, the PRC has attached higher degree of importance to transportation and logistics, circulation system and a unified national market. It is expected that additional relevant policies will be introduced with more resources to be invested in these areas. The pandemic has also boosted structural logistics demand in areas such as community group-purchases, fresh food e-commerce, and emergency support, while continuous improvement in the overall development of the logistics industry in the mid- to long-term remains unchanged. In light of this complex, evolving environment, the Group is committed to maintaining strategic stability and making continued progress, remaining responsive to the underlying dynamics of industry development and flexibly adapting its strategies to align with the prevailing circumstances. The Group will also continue to optimize the configuration of its facilities network, centered on strategic panoramic logistics and warehousing hubs through a full "Inland Port Networking, Logistics Parks, Air Cargo and Railway Freight Logistics Infrastructure + Intelligent and Cold Chain Logistics" ecosystem in order to advance rapidly in its high-quality development.

In the logistics park business, the Group will continue to invest in selected projects while pursuing the strategic objectives set forth in the “14th Five-Year” development plan. Keeping a focus on the Guangdong-Hong Kong-Macao Greater Bay Area, the Yangtze River Delta and major manufacturing towns, the Group will actively promote the implementation of its “One City, Multiple Parks” strategy, placing a strong emphasis on optimizing project configuration in subsequent investments. The Group will take the lead in advancing the construction of a business-oriented national logistics hub in Pinghunan, Longgang District, Shenzhen. At the same time, it will take the initiative in developing and operating the production- and service-oriented national logistics hub and begin construction of a highway hub logistics port project in the Bao’an District, within the “One Eco-corridor, Two Parks” region, facilitating the establishment of a high-capacity logistics hub system in China. The Group will drive the implementation of Beijing Project, Zhongshan Project, Shenzhen Three-tiered Logistics Station and “Multi-storey Warehouses”, and explore suitable investment opportunities in Hong Kong's logistics market to improve its access to scarce resources. The Group is already advancing green park development, expediting the construction and upgrading zero-carbon green parks, achieving energy savings and emission reductions in projects, and contributing to the PRC’s dual-carbon objectives through the three key initiatives: green planning and design, green construction, and green operation. On the other hand, the Group has made enhanced operational efficiency the highest priority. By placing a greater emphasis on “retaining clients, retaining rents, and retaining occupancy rates”, the Group will adopt effective measures to strengthen its core competencies in investment promotion and operation to enhance its operational efficiency and maintain relatively high occupancy rates in parks that have been in operation for more than a year. The Group will, under the premise of sound risk management, explore more businesses integrating asset-heavy and asset-light operations and value-added services, to improve its profitability of asset-heavy operations before interest and taxes and average net operating profit margin of its mature parks.

In the port business, the Group aims to stabilize and improve the performance of Nanjing Xiba Port and supply chain business while proactively overcoming the impact of the market downturn. The Group will also accelerate the development of the operational capabilities of newly commissioned projects, with the objective of bolstering the core competitiveness and market position of its port segment through integrating operations. Targeting to spin off its port segment, the Group will expedite project investment and operations, with strong emphasis on boosting its efficiency, while strategically allocating project investment funds in line with its objectives outlined in the “14th Five-Year” development plan.

In the railway freight logistics business, the Group will commence the construction of the second phase of Shenzhen Pinghunan Project within 2023 after conducting a promotion research to identify key customers, guided by the plan of project completion and commencement of operations by 2026. The Group will engage in the strategic planning for the operation of railway yards and proactively expand its asset-light businesses, including domestic freight train services, high-speed rail freight, freight consolidation and multimodal transportation. Capitalizing on its partnership with China State Railway Group Co., Ltd., the Group will undertake a collaborative study with it on the expansion of railway line projects, including projects in Shenzhen and in other cities across China.

In the air cargo logistics business, the Group will actively collaborate with Air China Cargo and Shenzhen Airlines to carry out the preliminary work of Shenzhen Project, while promoting the preliminary work of Capital Airport Air Cargo Terminal Project.

In the intelligent and cold chain logistics businesses, the Group will actively advance its intelligent warehousing and cold chain logistics operations by leveraging its existing logistics park network, aiming to realize more diversified income and returns, and serving as an enabler for the upgrading of the pharmaceuticals, high-end manufacturing and consumer industries. The Group will drive the implementation of new projects and initiate upgrades of cold chain park projects, including Shanghai Minhang Project, with the objective of expediting the construction of a nationwide cold chain network. In addition, capitalizing on its strategic investments in Hubei Prolog Technology Co., Ltd. and China Comservice, the Group will pursue high-quality investment and merger and acquisition opportunities, and seize development opportunities in the intelligent warehousing and cold chain sub-segments.

Unlocking Asset Value, Accelerating the Promotion of the Dual Closed-Loop Business Models

In the second half of 2023, the Group will optimize its short closed-loop “Investment, Construction, Financing and Operation” business model through a range of channels, further accelerating asset securitization, expanding financing channels, and enhancing the efficiency of its capital utilization. First, the Group will expedite the issuance of publicly-traded REITs by facilitating communication and coordination, and target to complete the initial issuance of the first tranche of publicly-traded REITs within 2023. Second, the Group will steadily push forward the setting up of a private equity fund and finalizing the proposal for a new logistics warehousing and storage infrastructure fund.

The Group will steadily advance the progress of its long closed-loop “Investment, Construction, Operation, and Transformation” business model, with the objective of unlocking its asset value. On the one hand, the Group will closely monitor inventory and ensure the timely delivery of “presold homes” at Yicheng Qiwanli, a residential project in the second phase of Qianhai Project. In addition, the Group will actively maintain close communications with Qianhai Authority to make solid progress on the land swap initiative for the third phase of Qianhai Project. On the other hand, the Group will explore incremental growth opportunities and drive the transformation and upgrading of SZ South China Logistics Park. The Group will also accelerate the implementation of its “Multi-storey Factories + Multi-storey Warehouses” strategic plan in Pingshan District in Shenzhen, advancing the development of SZ Pingshan Project and driving the transformation and upgrading of SZ Pingshan East Project, alongside other equity mergers and acquisitions, in order to achieve synergies through the joint development of the three projects in a timely manner.

Enhancing Core Competence of Toll Road Business while Strengthening Quality and Efficiency of Core General-Environmental Protection Business

In the second half of 2023, the Group will continue to further advance the development of the toll road and general-environmental protection businesses through Shenzhen Expressway. In the toll road business, the Group will implement a refined approach to operational management, focusing on cost reduction and efficiency enhancement to bolster the profitability of operating projects. The Group will also explore investment opportunities in high-quality highway projects. In order to ensure the expeditious and high-quality completion of major construction projects, the Group will ensure timely realization of the road network interface by steadily progressing the construction of the second phase of Coastal Project. Preparatory work for the third phase of Shenzhen Outer Ring Expressway will also be accelerated, with the aim of commencing construction within 2023. The Group is fully committed to optimizing the construction plan and investment and financing scheme for Jihe Reconstruction and Expansion Project with the aim of commencing the construction at the earliest.

In the general-environmental protection business, the Group will focus on the fields of solid waste treatment and clean energy to further enhance its capacity to develop market-oriented projects. Leveraging collaborative relationships with industry-leading enterprises, the Group will intensify its efforts to engage in mergers and acquisitions and new construction projects in premium regions, consolidating and strengthening its existing competitive edge. By bolstering its construction and management capabilities, the Group will ensure the timely completion and operation of projects currently in progress, including Guangming Environmental Park Project and Bioland Environmental Project. The Group will also optimize cost control while actively fostering a business model that highlights the integration of assets and financing, and internal collaboration. These efforts aim to enhance the profitability of organic waste treatment projects and further drive cost reduction and efficiency improvement at wind farm operations, ultimately enabling the Group to achieve high-quality sustainable development.

Strengthening the Development Foundation through Capacity Building

In the second half of 2023, the Group will further implement the “Double-Hundred Action” and a new round of in-depth enhanced reforms to state-owned enterprises, and expedite the establishment of its value proposition as a world-class enterprise. By implementing “Brand Establishment and Enhancement Initiative”, strengthening financial management capacities with comprehensive fortification of risk control and management, the Group will continue to deepen its reforms, enhance its management and hone its skills to further build up its core competence. To achieve long-term stable development, the Group will persistently enhance its operational and managerial capabilities through diligent execution of all tasks.

In the second half of 2023, the Group will further cement its targets, step up its efforts to ensure the high-quality completion of development tasks, thereby enhancing its operational efficiency and creating greater value and returns for all shareholders.

FINANCIAL POSITION

	30 June 2023 *HK$ million*	31 December 2022 *HK$ million*	**Increase/ (Decrease)**	
Total Assets	**127,148**	133,495	**(5%)**	
Total Liabilities	**75,138**	78,296	**(4%)**	
Total Equity	**52,010**	55,199	**(6%)**	
Net Asset Value attributable to shareholders	**29,313**	31,248	**(6%)**	
Net Asset Value per share attributable to shareholders (HK dollar)	**12.2**	13.1	**(7%)**	
Cash	**10,654**	14,025	**(24%)**	
Bank borrowings	**33,077**	34,861	**(5%)**	
Other borrowings	**137**	314	**(56%)**	
Notes and bonds	**16,969**	18,592	**(9%)**	
Total Borrowings	**50,183**	53,767	**(7%)**	
Net Borrowings	**39,529**	39,742	**(1%)**	
Debt-asset Ratio (Total Liabilities/Total Assets)	**59%**	59%	**-**	
Ratio of Total Borrowings to Total Assets	**39%**	40%	**(1)**	#
Ratio of Net Borrowings to Total Equity	**76%**	72%	**4**	#
Ratio of Total Borrowings to Total Equity	**96%**	97%	**(1)**	#

\# *Change in percentage points*

Key Financial Indicators

As at 30 June 2023, the Group's total assets and total equity amounted to approximately HK$127,148 million and HK$52,010 million, respectively, while net asset value attributable to shareholders was approximately HK$29,313 million. Net asset value per share was HK$12.2, representing a decrease of 7% as compared to the end of last year, which was mainly due to, among other things, fluctuations in RMB exchange rates. The debt-to-asset ratio was 59%, similar to that at the end of last year. The gearing ratio (calculated on the basis of net borrowings to total equity) was 76%, representing an increase of 4 percentage points as compared with that at the end of last year. Such increase was primarily due to the borrowings incurred as a result of increased investment activities during the Period.

Cash Flow and Financial Ratios

During the Period, net cash generated from operating activities amounted to approximately HK$1,628 million. Net cash used in investing activities amounted to approximately HK$1,870 million. Net cash used in financing activities amounted to approximately HK$2,486 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.

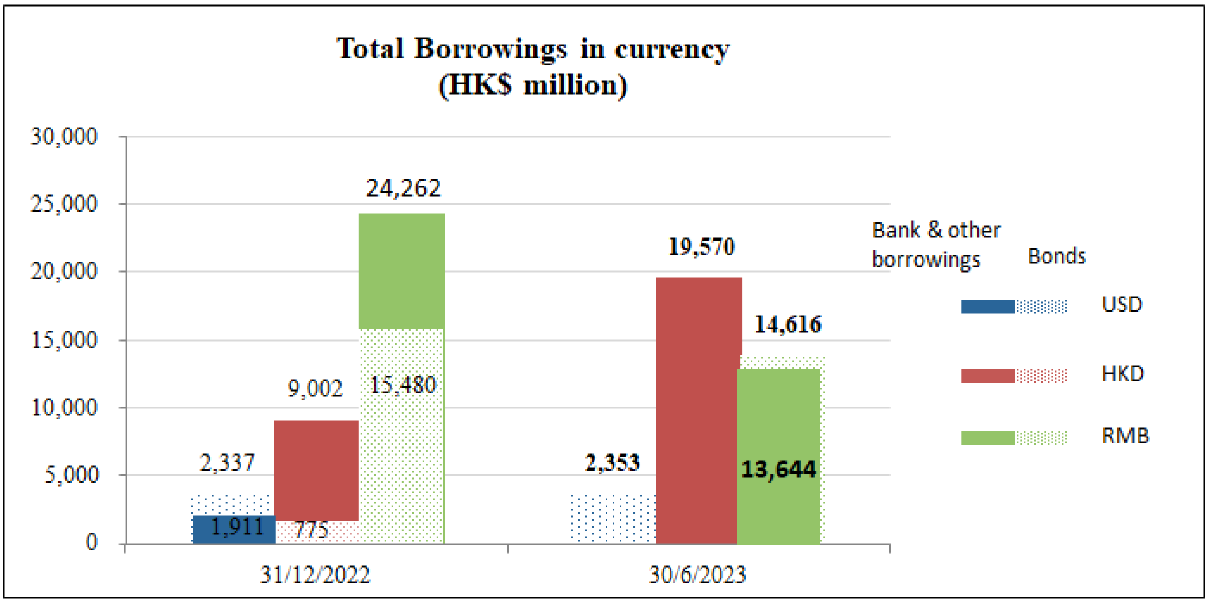
Cash Balance

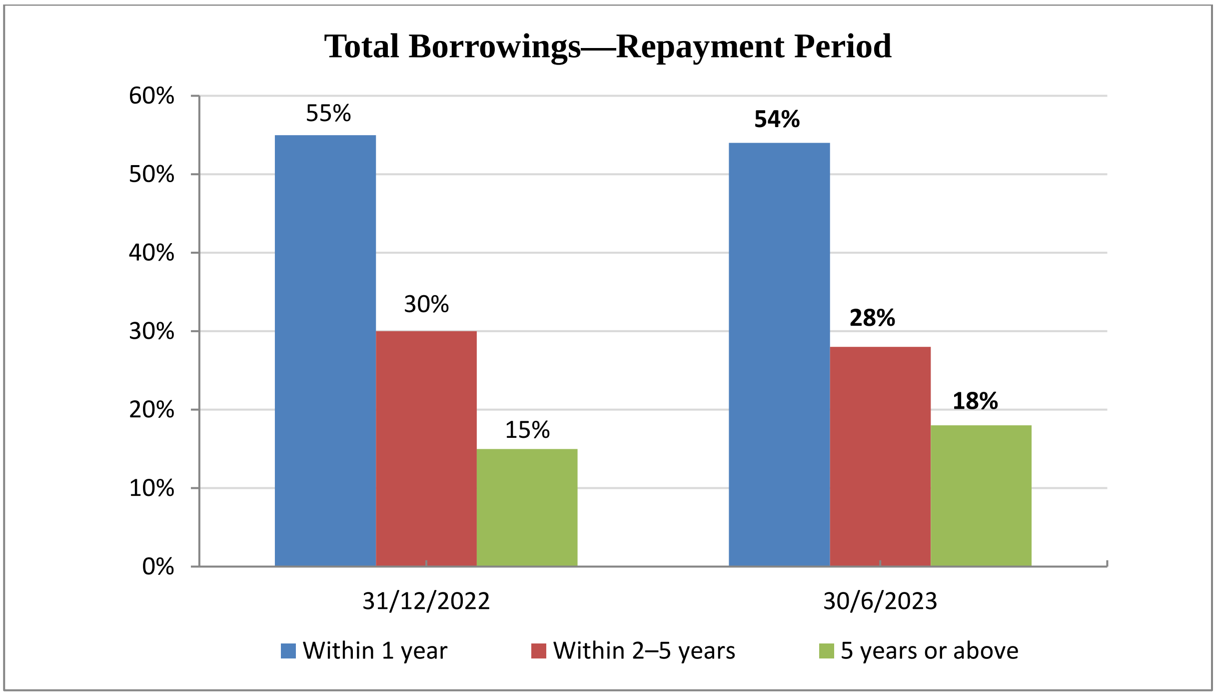
As at 30 June 2023, cash held by the Group amounted to approximately HK$10,654 million (31 December 2022: HK$14,025 million), representing a decrease of 24% as compared to the end of last year. Such decrease was primarily to repay loans with higher interest rates. To facilitate the Group's operation 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.

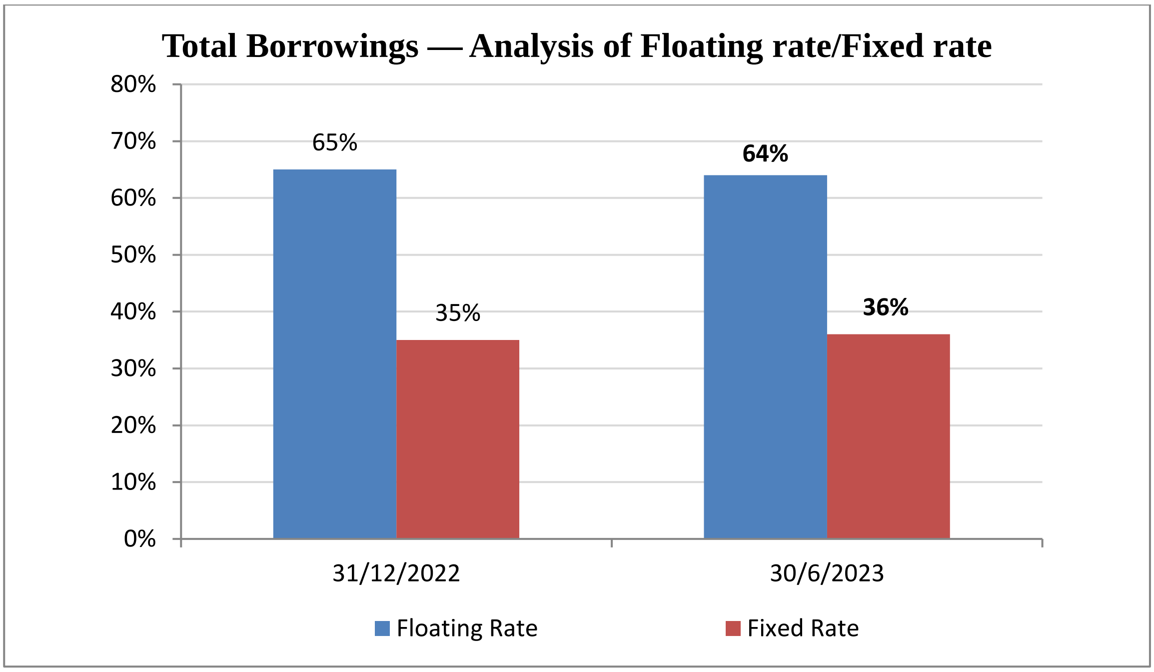
Capital Expenditures

The Group's capital expenditures for the Period amounted to approximately RMB3,700 million (equivalent to HK$4,000 million), primarily comprising investments of approximately RMB2,600 million in the logistics parks projects and investments of approximately RMB607 million in Shenzhen Expressway's projects. The Group expects that the capital expenditures for the second half of 2023 will amount to approximately RMB5,600 million (equivalent to HK$6,100 million), including approximately RMB2,800 million for logistics parks projects, approximately RMB2,100 million for Shenzhen Expressway's projects and approximately RMB390 million for port projects.

Borrowings


Total Borrowings in currency
(HK$ million)
30,000
25,000
20,000
15,000
10,000
5,000
0
24,262
9,002
15,480
2,337
1,911
775
19,570
14,616
2,353
13,644
31/12/2022
30/6/2023
Bank & other borrowings
Bonds
USD
HKD
RMB


Total Borrowings—Repayment Period
60%
50%
40%
30%
20%
10%
0%
55%
30%
15%
54%
28%
18%
31/12/2022
30/6/2023
Within 1 year
Within 2–5 years
5 years or above



As at 30 June 2023, the Group's total borrowings amounted to approximately HK$50,183 million, representing a decrease of 7% as compared with the end of last year. During the Period, Shenzhen Expressway, a subsidiary of the Group, issued 3-year medium term notes of RMB1,000 million. 54%, 28% and 18% 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 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 2022 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$. During the Period, as affected by the US interest rate hike and the geopolitical crisis, economic growth was subject to a great deal of uncertainty, and RMB/US$ exchange rates fluctuated relatively wildly. The Group will continue to monitor the foreign exchange market, adjust the currency structure of its borrowings and utilize hedging instruments as appropriate to manage its exchange rate risk. As at 30 June 2023, the ratio between the Group's borrowings in RMB and other currencies was around 56%:44%.

Liquidity Risk Management

As at 30 June 2023, the Group had cash on hand and standby banking facilities of approximately HK$88,400 million. The Group maintained adequate funds and credit facilities and optimized its capital structure continuously to ensure that it is capable of operating as a going concern while expanding its business, and to mitigate liquidity risk.

EVENTS AFTER THE REPORTING PERIOD

Entering into the A share subscription agreement and deemed disposal of equity interests in Shenzhen Expressway

On 14 July 2023, the board of directors of Shenzhen Expressway approved the Issuance of A Shares to specific investors, pursuant to which Shenzhen Expressway proposed to issue to no more than 35 (inclusive) Specific Targets (including XTC Company, a wholly-owned subsidiary of the Company) with expected proceeds of no more than RMB6.5 billion. XTC Company conditionally agreed to subscribe for A Shares in the amount of not more than RMB1.51 billion. Upon completion of the Issuance, the Company will hold no less than 45% of the total issued shares of Shenzhen Expressway through its wholly-owned subsidiaries, and the Company is expected to continue to have control over Shenzhen Expressway. Shenzhen Expressway will continue to be accounted for as a subsidiary in the accounts of the Company and its financial results will continue to be consolidated into the financial statements of the Company.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

The Board is committed to maintaining a high standard of corporate governance in the best interests of shareholders 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 Listing Rules.

OTHER INFORMATION

The Company has engaged Messrs. Deloitte Touché Tohmatsu, the Auditor of the Company, to review the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2023.

A meeting of the Audit Committee has been held with the Auditor of the Company to review the unaudited interim consolidated financial statements of the Group for the six months ended 30 June 2023. The review report of Auditor of the Company 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 2023 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

29 August 2023

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, Dr. Zhou Zhiwei as non-executive director and Mr. Pan Chaojin, Dr. Zeng Zhi and Dr. Wang Guowen as independent non-executive directors.