Shenzhen International
深國際

Shenzhen International Holdings Limited
深圳國際控股有限公司

(Incorporated in Bermuda with limited liability)
Stock Code : 00152

2016 Annual Report

Building Value, Sharing Future

共同創造 共享價值

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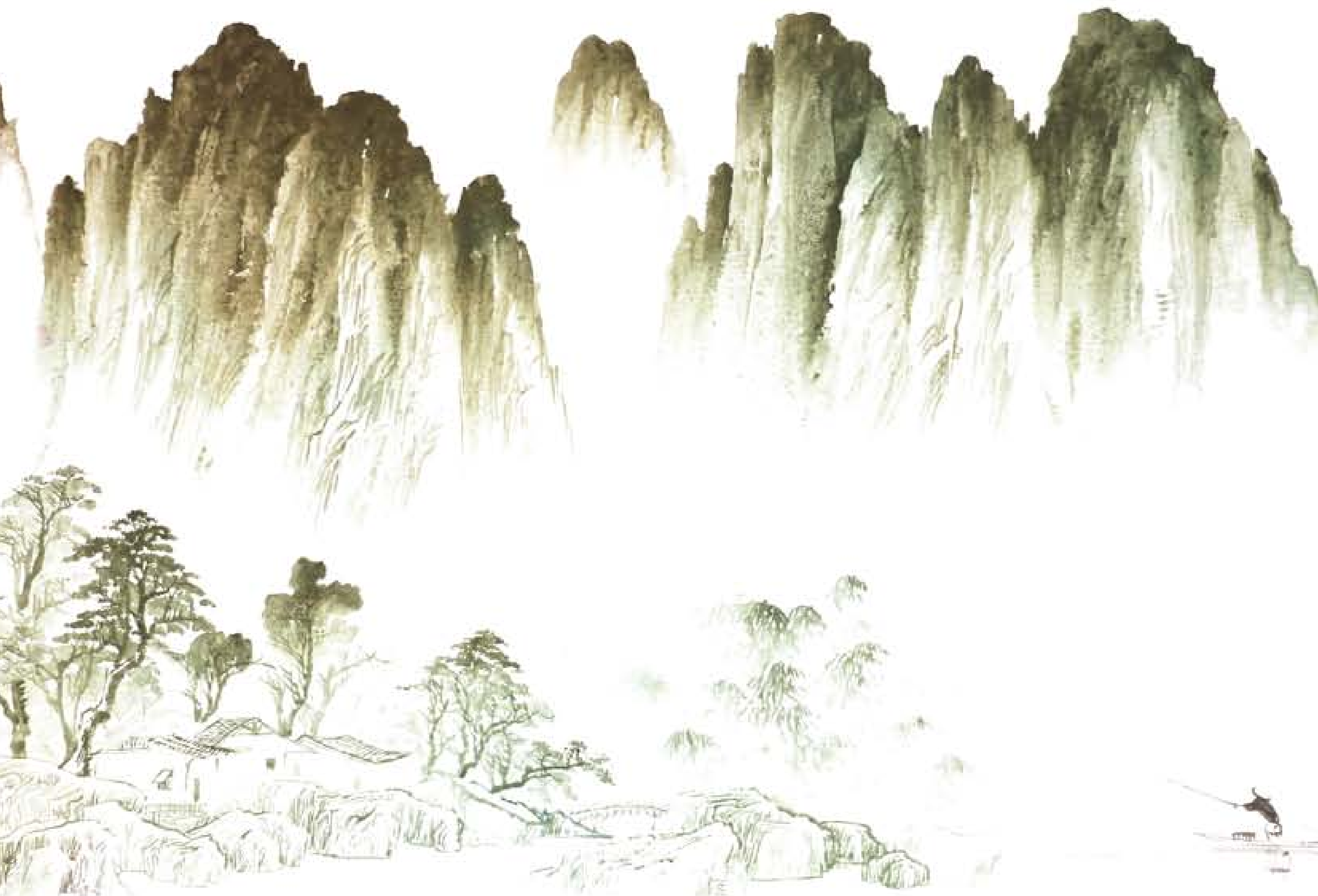
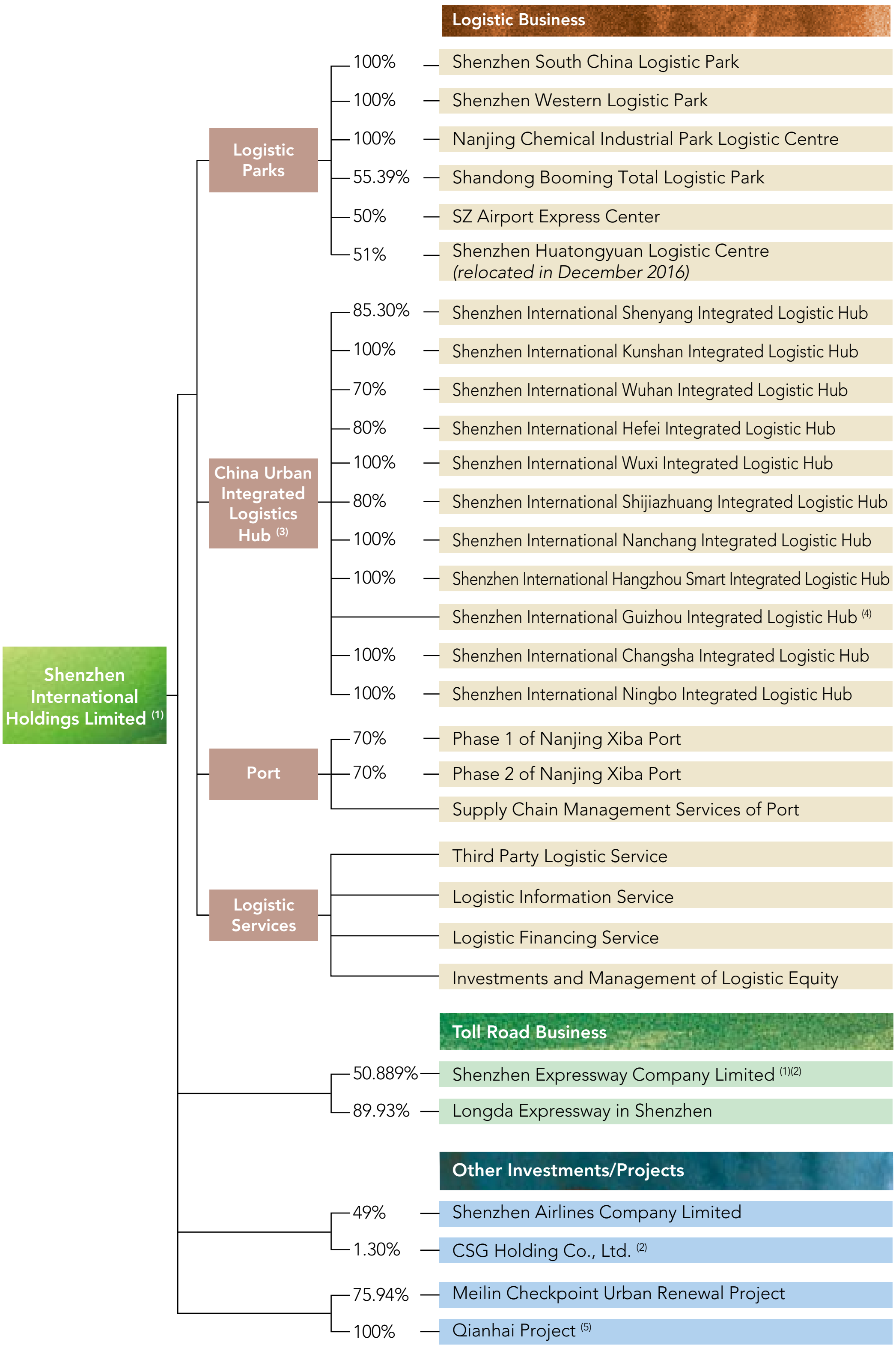
CORPORATE PROFILE

Shenzhen International Holdings Limited is a company incorporated in Bermuda with limited liability and is listed on the main board of the Stock Exchange of Hong Kong. The Group is principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities and information services platform.

Shenzhen Investment Holdings Company Limited, the controlling shareholder of the Company, is a corporation wholly-owned by Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission and, as at the date of this report, holds approximately 44.26% of the issued share capital of the Company.

The Group defines the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim in the PRC as strategic regions, through investment, mergers and acquisitions, restructuring and integration, the Group endeavours to design, construct and operate logistic infrastructure projects including China Urban Integrated Logistics Hub and toll roads and applies supply-chain management techniques and information technology to provide high-end and value-added logistic services to customers, creating greater value for its shareholders.





(1) Listed company in Hong Kong
(2) Listed company in the PRC
(3) Only projects with land use rights of project sites acquired are included
(4) The project was held jointly by two wholly-owned subsidiaries and a 68.45%-owned subsidiary of the Group
(5) Excluding a residential land use project held by an associate in which the Group held 50% interests

The above is a simplified corporate structure of the Group and does not include intermediate holding entities, and the percentages of interests shown represent the percentages for which the Group has acquired effective control.

In this report, the English names of the PRC entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:
Gao Lei *(Chairman)*
Li Hai Tao *(Chief Executive Officer)*
Zhong Shan Qun
Liu Jun *(Vice President)*
Li Lu Ning *(Vice President)*

Non-Executive Director:
Yim Fung

Independent Non-Executive Directors:
Leung Ming Yuen, Simon
Ding Xun
Nip Yun Wing

AUDIT COMMITTEE

Leung Ming Yuen, Simon *(Chairman)*
Ding Xun
Nip Yun Wing

NOMINATION COMMITTEE

Ding Xun *(Chairman)*
Leung Ming Yuen, Simon
Zhong Shan Qun

REMUNERATION AND APPRAISAL COMMITTEE

Ding Xun *(Chairman)*
Leung Ming Yuen, Simon
Gao Lei

COMPANY SECRETARY

Tam Mei Mei

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 2206-2208, 22nd Floor
Greenfield Tower, Concordia Plaza
No. 1 Science Museum Road
Tsimshatsui East
Kowloon, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

COMPANY WEBSITE

http://www.szihl.com

STOCK CODE

Shares : 00152
Senior Notes : 04542 (SZ INTL N1704)

AUDITOR

KPMG
Certified Public Accountants
Hong Kong

LEGAL ADVISERS

Reed Smith Richards Butler
(Hong Kong Legal Advisers)

PRINCIPAL BANKERS

Bank of China
Bank of Communications
The Bank of Tokyo-Mitsubishi UFJ, Hong Kong Branch
China Citic Bank *(PRC Domestic Bank)*
China Development Bank *(PRC Domestic Bank)*
China Everbright Bank *(PRC Domestic Bank)*
China Merchants Bank
DBS Bank
Hang Seng Bank
HSBC
Industrial Bank
ING Bank N.V.
Ping An Bank
Shanghai Pudong Development Bank *(PRC Domestic Bank)*
Standard Chartered Bank
Taipei Fubon Commercial Bank, Hong Kong Branch
Wing Lung Bank

PRINCIPAL SHARE REGISTRAR

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

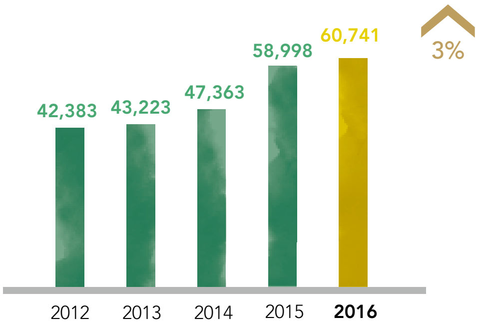
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

INVESTOR RELATIONS CONSULTANT

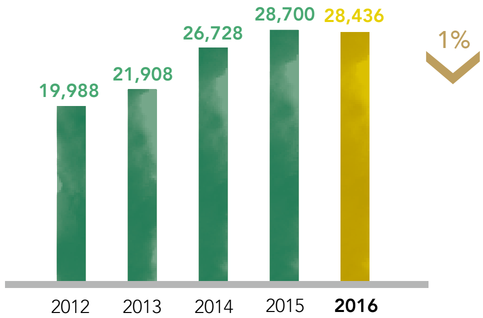
Wonderful Sky Financial Group
6/F, Nexxus Building
41 Connaught Road Central, Hong Kong

FINANCIAL HIGHLIGHTS

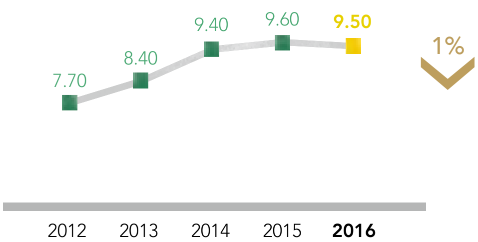
Total Assets Value
(HK$ million)



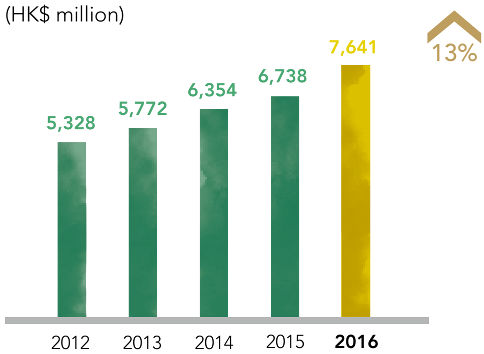
Total Equity
(HK$ million)



Net Asset Value per Share Attributable to Shareholders
(HK$ dollar)

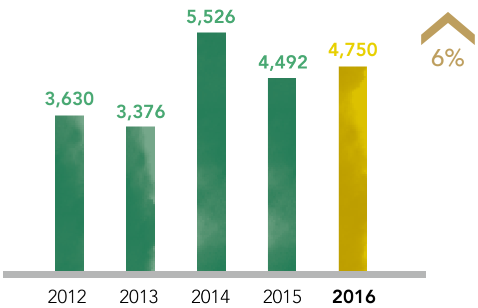


Revenue*
(HK$ million)

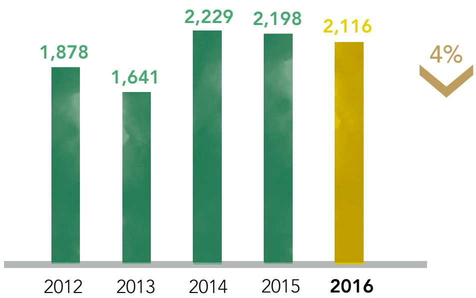


* *excluding construction service revenue from toll road*

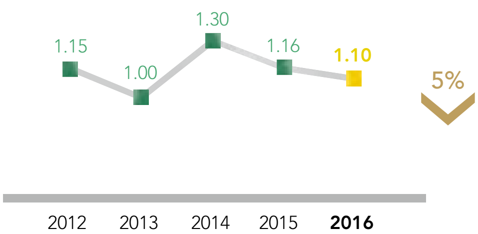
Profit before Finance Costs and Tax
(HK$ million)



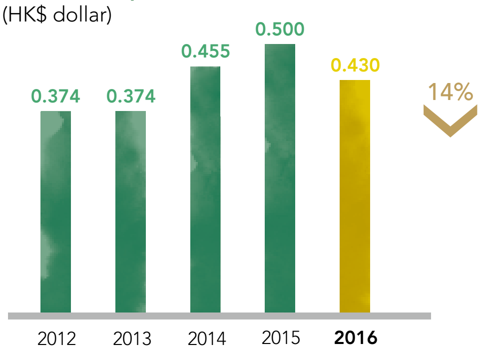
Profit Attributable to Shareholders
(HK$ million)



Earnings per Share (Basic)
(HK$ dollar)



Dividend per Share
(HK$ dollar)



ANALYSIS OF REVENUE AND PROFIT BEFORE FINANCE COSTS AND TAX BY PRINCIPAL ACTIVITIES

(HK$ million)

	Revenue	Operating profit	Share of profit of associates and joint ventures	Total
		2016		
Toll roads				
— Revenue	**5,910**	**2,549**	**328**	**2,877**
— Construction service revenue	**146**	**–**	**–**	**–**
Toll roads sub-total	**6,056**	**2,549**	**328**	**2,877**
Logistic business				
— Logistic parks	**572**	**165**	**16**	**181**
— Logistic services	**630**	**36**	**6**	**42**
— Port and related services*	**529**	**85**	**–**	**85**
Logistic business sub-total	**1,731**	**286**	**22**	**308**
Head office	**–**	**690**	**875**	**1,565**
Profit before finance costs and tax	**7,787**	**3,525**	**1,225**	**4,750**
Finance income				**195**
Finance costs				**(1,190)**
Finance costs — net				**(995)**
Profit before income tax				**3,755**
		2015		
Toll roads				
— Revenue	4,807	2,570	338	2,908
— Construction service revenue	–	–	–	–
Toll roads sub-total	4,807	2,570	338	2,908
Logistic business				
— Logistic parks	616	221	19	240
— Logistic services	1,129	17	5	22
— Port	186	70	–	70
Logistic business sub-total	1,931	308	24	332
Head office	–	825	427	1,252
Profit before finance costs and tax	6,738	3,703	789	4,492
Finance income				280
Finance costs				(973)
Finance costs — net				(693)
Profit before income tax				3,799

* *Port and related services in 2016 included operation and management of wharf and logistic centres at Xiba Port in Nanjing, and port related supply chain management services business.*

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is depicted below. The 2016 figures are extracted from the audited financial statements. The 2012 to 2015 figures are extracted from the comparatives in the 2013 to 2016 audited financial statements.

	Year ended 31 December				
	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
Results					
Revenue	**7,787,180**	6,738,397	6,370,230	5,962,765	5,739,514
Profit before income tax	**3,754,805**	3,798,508	4,755,804	2,637,192	2,774,979
Income tax expense	**(837,623)**	(736,318)	(1,068,622)	(530,894)	(479,409)
Profit before non-controlling interests	**2,917,182**	3,062,190	3,687,182	2,106,298	2,295,570
Non-controlling interests	**(801,487)**	(863,805)	(1,457,928)	(465,260)	(417,258)
Profit attributable to shareholders	**2,115,695**	2,198,385	2,229,254	1,641,038	1,878,312

	As at 31 December				
	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000
Assets and liabilities					
Fixed assets	**8,075,086**	5,708,636	5,566,388	5,179,736	4,879,285
Investment properties	**87,390**	81,450	81,240	77,700	72,000
Interests in associates	**7,490,060**	5,673,459	5,845,699	5,505,921	5,021,531
Interests in joint ventures	**260,234**	281,325	314,092	335,905	317,382
Available-for-sales financial assets	**104,353**	95,748	100,187	102,743	37,511
Intangible assets	**21,286,881**	23,833,564	21,066,291	23,617,718	24,188,532
Other non-current assets	**1,428,344**	1,662,889	2,030,095	389,388	177,986
Net current assets	**9,189,485**	13,601,948	6,845,582	3,459,050	1,193,165
Non-current liabilities	**(19,486,190)**	(22,239,552)	(15,121,329)	(16,760,056)	(15,899,252)
Net assets	**28,435,643**	28,699,467	26,728,245	21,908,105	19,988,140
Equity					
Issued capital	**1,957,689**	1,899,019	1,891,942	1,657,098	1,637,297
Reserves	**16,676,442**	16,261,024	15,810,153	12,332,641	11,007,909
Shareholders' equity	**18,634,131**	18,160,043	17,702,095	13,989,739	12,645,206
Non-controlling interests	**9,801,512**	10,539,424	9,026,150	7,918,366	7,342,934
Total equity	**28,435,643**	28,699,467	26,728,245	21,908,105	19,988,140

KEY EVENTS IN 2016

- In 2016, in relation to the "China Urban Integrated Logistics Hub" projects which the Group has placed a strong focus on, the Group entered into respective investment agreements for projects in Guizhou, Chongqing, Zhengzhou, Xi'an and Jurong and acquired the Kunshan project through merger and acquisition, while an aggregate land site area of 1.07 million square metres were acquired for the projects in Shijiazhuang, Changsha, Hefei, Hangzhou, Guizhou and Kunshan.

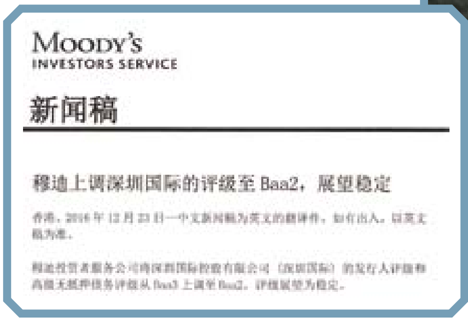
- Shenzhen International Wuhan Integrated Logistic Hub was officially commissioned in the fourth quarter of 2016 following the opening ceremony.

- In March 2016, the Group entered into an agreement with the Transport Commission of Shenzhen Municipality in relation to the concession rights for Shenzhen Outer Ring Expressway Section A and joint investment in the construction of the road section.

- In June 2016, the Company entered into a developmental financial cooperation agreement with China Development Bank, a significant move for the Group's further expansion of financing channels and control over capital cost in the future.

- In December 2016, the Company transferred its 45% interests in Wuhuang Expressway to Shenzhen Expressway Company Limited ("Shenzhen Expressway", a 50.889%-owned subsidiary of the Company), in a move to further consolidate Shenzhen Expressway's core strengths in its toll road business.

- The Group made a breakthrough in Qianhai Start-up Project as new land use right agreements were entered into with Qianhai Authority at the end of 2016 to ascertain the ownership of the site for the Group's Qianhai Start-up Project with an area of approximately 38,800 square metres. This was followed by the successful introduction of renowned property developer Shum Yip Land Company Limited as partner for the joint development of the residential land site of the project.


MOODY'S
INVESTORS SERVICE

新闻稿

穆迪上调深圳国际的评级至 Baa2，展望稳定

香港，2016年12月23日—中文新闻稿为英文的翻译件，如有出入，以英文稿为准。

穆迪投资者服务公司将深圳国际控股有限公司（深圳国际）的发行人评级和高级无抵押债务评级从 Baa3 上调至 Baa2，评级展望为稳定。


首届"一带一路"企业贡献排行榜评选公示

首届"一带一路"企业贡献排行榜"入选企业名单

- In December 2016, leading international credit rating agency Moody's upgraded the credit rating of the Company to Baa2 with a stable outlook.

  In addition, the credit rating agencies in the PRC, United Credit Ratings Co., Ltd. and Pengyuan Credit Rating Co., Ltd. have assigned an "AAA" rating, the highest credit rating in the PRC, to each of the Company and its proposed domestic corporate bond issue.

- In late December 2016, construction of phase 2 of South China Logistic Park officially commenced with a foundation stone laying ceremony.

- The 2015 Annual Report of the Company received the Silver Winner Award for the category of "Traditional Annual Report: Logistic Enterprises" in the 30th International ARC Awards Competition 2016.

- The Company was named among the "Top 100 PRC Enterprises for One Belt, One Road Contributions" in its 2016 debut version in recognition of the Company's market influence and brand value.

- The Company was awarded the "Best Investor Relations Award" in the "2016 *China Financial Market* Listed Companies Awards" hosted by *China Financial Market*, a renowned financial magazine.

CHAIRMAN'S STATEMENT

EMBRACING OPPORTUNITIES WITH STRATEGIC DEPLOYMENT NEW LEASE IN DEVELOPMENT DRIVEN BY INNOVATION

Dear Shareholders,

Year 2016 marked the beginning of the full roll-out of another five-year planning period. The Group completed its scheduled business plans for the year with stable growth in operating results, as it made vigorous efforts to drive reform and innovation in a gradual move to realign and improve its business mix.

For the year ended 31 December 2016, the Group's revenue increased by 16% to HK$7,787 million. Profit attributable to shareholders from core business amounted to HK$1,751 million, increased by 55% over 2015.

The board of directors recommended a final dividend of HK$0.43 per share for 2016 and total dividend for the year amounted to HK$842 million. The dividend payout ratio was 40%.

ROLLING OUT FOR THE FIVE-YEAR PLAN WITH A WELL-DEFINED POSITION FOR STRATEGIC DEVELOPMENT

The respective series of documents announced and implemented by the Central Government and the Shenzhen Municipal Government in relation to the reform of State-owned enterprises ("SOE(s)") in 2016 have stipulated the direction and requirements for the Group's reform and development. Such principles have been thoroughly embodied in our "13th Five-Year Strategic Plan", which have stated clearly our strategic positioning for development in the next 5 years: we will focus on the "China Urban Integrated Logistics Hub" projects and consolidate our internal and external resources through the combined operation of "Industry + Financing + Internet". Underpinned by our principal logistic and toll road operations, we will accrue premium assets with long-term profitability as we seek to build a specialised group with well-developed systems, distinctive characteristics, outstanding ability and superior profitability subject to controllable risk profiles and create an integrated national logistics business platform, seizing historic opportunities to achieve major strides in development during the planning period. In particular, Shenzhen Expressway Company Limited will remain our vehicle for the operation of our toll road business during the "13th Five-Year Strategic Plan" period, as we continue to consolidate and enhance this principal business segment while extending our reach to business relating to transport infrastructure and integrated urban development, as well as environmental business as a new direction for the transformation of our principal business with a view to sustainable development. In the meantime, the Group has formulated a supplementary "13th Five-Year Strategic Plan" in relation to the

"China Urban Integrated Logistics Hub" projects which remains committed to a business model featuring the core function of "logistic facilities development + logistic parks operation", as we look to expand the operation of the "China Urban Integrated Logistics Hub" projects with ongoing development and improvements in operating standards and fundamental enhancements in marketing ability and overall competitiveness, so that our "China Urban Integrated Logistics Hub" projects will continue to grow in specialisation, competitive strengths, quality and scale.

NETWORK OF LOGISTICS HUB PROJECTS COMING INTO SHAPE WHILE TRANSFORMATION AND UPGRADE OF EXISTING LOGISTIC PARKS SHOWED INITIAL SUCCESS

Directed by the Group's "13th Five-Year Strategic Plan", the "China Urban Integrated Logistics Hub" business aimed to form network hubs across the nation with a special focus on core cities or regional centres which provided a solid foundation for the development of the logistics industry and the advantage of a transport hub. As at the date of this report, the Group has completed a strategic network covering 17 important logistic gateway cities covering planned site area of approximately 4.90 million square metres in aggregate. Of the above, land parcels with an aggregate site area of approximately 2.17 million square metres has been acquired and 4 projects have commenced operation with a satisfactory overall occupancy rate.

In 2016, the Group was actively driving the implementation of land consolidation and preparation for the Qianhai Project. In December, we entered into land use right agreements for the Qianhai Start-up Project with the Qianhai Authority, followed by a capital increase agreement with Shum Yip Land Company Limited (深業置地有限公司) in respect of the residential sub-projects, providing a useful precedent for how the Group might realise in the future the value of the land parcels it owns in Qianhai District. Meanwhile, land consolidation and preparation for the Group's Meilin Checkpoint Urban Renewal Project was also making steady progress, as we investigated possible options to realise the value of the land parcels of the project, with a view to maximising the commercial value of these land parcels.

Meanwhile, South China Logistic Park made a strong effort to develop general bonded logistics services, smart e-commerce cloud storage and other innovative business. The cross-border e-commerce trade and exhibition centre was completed and 100% leased with relevant contracts signed. Phase 2 project of South China Logistic Park also commenced construction in late December 2016.

THE INTEGRATED APPROACH OF "INDUSTRY + FINANCE + INTERNET" AND THE DUAL EMPHASIS ON ASSET-LIGHT AND ASSET-HEAVY MODELS

Year 2016 was also a crucial year for the Group's attempt to commence logistic financing on an experimental basis. Based on the concept of the integrated development of "industry + finance + Internet", the Group was actively exploring a variety of approaches for its financial business, such as microfinancing, industrial equity funds and finance leasing. Specifically, the Group was keen to identify sustainable, innovative business models for logistic financing characterised by resource-sharing, cooperation and mutual benefits, as it commenced business in red wine supply-chain and cold-chain storage security, as well as financing backed by parallel-import vehicle orders. Elsewhere, the Group continued to optimise its management and operation at all segments and stages, seeking to enhance the physical network of logistics through the virtual network of the Internet, so as to create new opportunities for value-added services and build an Internet-based supply chain regime.

In the meantime, the Group has further confirmed its intention to shift from an asset-heavy business model to an asset-light one during the "13th Five-Year Strategic Plan" period. The "China Urban Integrated Logistics Hub" business will seek a greater role in the operational level of the logistic business on the back of its logistic infrastructure, looking to build an integrated logistics service platform on a sole investment basis or by consolidating (through stake-holding or acquisition) external resources and to develop a complete chain for the logistics hub business where asset-light and asset-heavy models operate on a complementary basis to provide mutual support. Moreover, the Group will leverage the advantage afforded by Nanjing Xiba Port to develop innovative supply-chain business, such as the foreign trade of petroleum coke trays, in an attempt to optimise its cargo mix with diversified sources, thereby enhancing the scale and efficiency of its cargo terminal business.

OUTLOOK

In the foreseeable future, profound correction and volatility in the global economy is expected under the trend of globalisation. In China, under the supply-side structural reforms, domestic economic restructuring will proceed with greater magnitude with a faster pace in industrial transformation and upgrade. Given the progress of SOE reforms and innovation, the mechanisms and systems for a market-based economy will be improving, and the force of resource consolidations and industrial mergers will grow stronger. Under increasingly intense competition, the current status of the logistic sector as a foundational, composite business is characterised in general by technological changes, capital influx, burgeoning business formats and an imbalanced structure. These conditions will give rise to new opportunities for the Group's future development, although they will also present new challenges and requirements.

Year 2017 is a year of comprehensive implementation for the Group's "13th Five-Year Strategic Plan". It is also a crucial year for enhancing our reforms and innovative efforts. The Group will pursue business development under the following guiding principles: "aiming for economic efficiency in all operations; underpinned by the drive for reform and innovation; seeking progress through investments, acquisitions and reorganisations; providing assurance through quality enhancement and risk aversion measures." In compliance with rules governing how the market operates, we will enhance consolidation of our essential resources and step up with the development of both asset-light and asset-heavy operations, as we move to seize the window of opportunity for the full deployment and market development of the "China Urban Integrated Logistics Hub" projects. We will continue to expedite the Qianhai Project, Meilin Checkpoint Urban Renewal Project and other major projects, as well as the transformation and upgrade of existing logistic parks, such as South China Logistic Park. Further efforts will be made to drive the integrated operation of industry, financing and the Internet, strengthen treasury operations and optimise our incentive mechanism, in order to facilitate growth by leaps and bounds.

SOCIAL RESPONSIBILITIES

In 2016, the Group endeavoured to bring together the fulfillment of social responsibility and the conduct of business operations in a mutually complementary fashion. In addition to the pursuit of economic benefits and safeguarding of shareholders' interests, we were also actively committed to the protection of the legal rights of our creditors and employees, striving to assure benefits for shareholders, development for employees, satisfaction for customers and approval by the Government through our corporate development. Meanwhile, we were engaged in community welfare campaigns such as financial donations, environmental protection, defined poverty and voluntary services, in a bid to make contributions to economic development and social harmony to the best of our ability.

In closing, allow me to quote from Chairman Mao: "Heed not barricades though they be strong as steel, but persevere with courage to overcome." (雄關漫道真如鐵，而今邁步從頭越). Reform and innovation represent a long and winding path for the Group pointing to an important task. On behalf of the board of directors and management of the Company, I would like to take this opportunity to express sincere gratitude to all shareholders, investors and business partners for their care and support for the Group, as well as to all employees for their hard work and contributions to the Group's development over the past year.

Gao Lei
Chairman

Hong Kong, 28 March 2017

OVERALL REVIEW

Operating Results	2016 HK$'000	2015 HK$'000	Increase/ (Decrease)
Revenue	7,787,180	6,738,397	16%
Operating profit	3,525,267	3,702,557	(5%)
of which: Core Business	2,657,626	2,376,461	12%
Profit before finance costs and tax	4,750,416	4,491,768	6%
of which: Core Business	3,882,775	3,165,672	23%
Profit attributable to shareholders	2,115,695	2,198,385	(4%)
of which: Core Business	1,750,557	1,126,415	55%
Basic earnings per share (HK dollars)	1.10	1.16	(5%)
Final dividend per share (HK dollar)	0.43	0.50	(14%)

The Group faced a challenging business environment in 2016 amidst sustained global economic weakness, economic transformation of China and increasing volatility in Renminbi exchange rate. As the Chinese economy has been relatively stable and the growing demand for logistic infrastructure facilities and quality logistic services, affording extensive opportunities for the development of the Group. The Group acted vigorously in response to seize opportunities arising, while continuing to focus on the transformation and upgrading of existing business and accelerating the building of a network of "China Urban Integrated Logistics Hub" for achieving sustainable development.

Despite a challenging macroeconomic environment, the Group delivered steady performance for the year 2016. During the year ended 31 December 2016 (the "Year"), the Group recorded a total revenue of HK$7,787 million, representing an increase of 16%, while profit before finance costs and tax amounted to HK$4,750 million, representing an increase of 6%, as compared to the corresponding period of the previous year. The Group sustained satisfactory growth in profit attributable to shareholders from its core business, which amounted to HK$1,751 million (2015: HK$1,126 million), representing an increase of 55%, as compared to the corresponding period of the previous year. However, due to non-recurring items recognised in 2015 and in accordance with the toll adjustment and compensation agreements relating to Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the 23.8 km section of Longda Expressway from the starting point of Longda Expressway to the Nanguang Expressway ramp (the "Longda Shenzhen Section") entered into on 30 November 2015 between the Group and relevant Shenzhen government authorities (the "Toll Adjustment and Compensation Agreements") and relevant accounting standard, the Group was required to make a provision of approximately HK$532 million for interest costs (although such interests will not affect the cash flow of the Group) for the Year, this resulted in a significant increase in finance costs of the Group and reduced the profit attributable to shareholders by approximately HK$253 million. In addition, a net exchange loss of HK$180 million was recorded during the Year due to depreciation of Renminbi. The above factors have led to a decrease of 4% in profit attributable to shareholders of the Group which amounted to HK$2,116 million, when compared to the corresponding period of the previous year.

During the Year, most of the toll road projects of the Group maintained growth in traffic volume and toll revenue and completion of the acquisition of certain projects in 2015 brought in new revenue to the Group. Toll road business recorded a total revenue of HK$5,910 million, representing an increase of 23% as compared to the corresponding period of the previous year, and profit before finance costs and tax of HK$2,877 million (2015: HK$2,909 million), maintained at a similar level to that of 2015. Net profit of the toll road business in 2016 decreased by 34% as compared to that of the corresponding period of the previous year. Excluding the provision of interest costs in respect of the toll adjustment for the four toll roads for the Year and the non-recurring items for 2015, net profit of the toll road business increased by 16%, year-on-year.

As several transformation and upgrading projects of the Group's existing logistic parks were undergoing an incubation stage or the early phases of construction, revenue and profit growth of the Group's logistic business was under pressure. Nevertheless, with the transformation and upgrade of logistic parks progressing steadily and with more integrated logistics hubs commencing operations, the growth of logistic business will be further enhanced.

In 2016, the Group continued to focus on the strategic deployment of "China Urban Integrated Logistics Hub". The Group entered into investment agreements for "China Urban Integrated Logistics Hub" projects with local government authorities of Guizhou, Chongqing, Zhengzhou, Xi'an and Jurong while acquiring a new project in Kunshan through merger and acquisition. During the Year, new land parcels for the "China Urban Integrated Logistics Hub" projects with an aggregate site area of 1.07 million square metres were acquired in Shijiazhuang, Changsha, Hefei, Hangzhou, Guizhou and Kunshan. As at the date of this report, the Group has established its presence in 17 major logistic gateway cities with the execution of relevant investment agreements, involving a planned site area of approximately 4.90 million square metres. With the benefit of strong market demand for modernised premium logistic facilities, the overall occupancy rate for Shenyang project, Kunshan project, Wuhan project and Hefei project which commenced operation in 2016 reached 60%, brought in total revenue of HK$31.65 million, underpinning the initial success of the "China Urban Integrated Logistics Hub" projects.

Excluding the impact of the suspension of operation of Huatongyuan Logistic Centre owing to relocation, total revenue from the logistic business for the Year decreased by 5% (excluding the impact of exchange rate, maintained at a similar level with that in 2015) to HK$1,731 million as compared to the corresponding period of the previous year. The Group's existing logistic park business sustained stable operation during the Year, while revenue from the logistic service business decreased following adjustments to the customer mix. Profit attributable to shareholders increased by 10% to HK$232 million, year-on-year, driven mainly by satisfactory growth in the port business and the newly commenced logistic financing business with higher gross margin.

During the Year, driven by the continuing growth in passenger volume and the reduction in aviation fuel cost, Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate in which the Group holds 49% equity interest, reported sound results with a total revenue of RMB25,970 million (HK$30,194 million) for the Year, representing an increase of 9% as compared to the corresponding period of the previous year. Shenzhen Airlines recorded prominent growth in net profit and contributed a profit of approximately HK$834 million (2015: HK$381 million) to the Group, representing an increase of 119% as compared to the corresponding period of the previous year, which in turn contributed to the increase in the Group's profit attributable to shareholders from the core business by 55% to HK$1,751 million, as compared to the corresponding period of the previous year.

The Group made significant breakthroughs in its Qianhai Project in 2016. Subsequent to the execution of the land use right agreements for the first phase of the Qianhai project (the "Qianhai Start-up Project") with Authority of Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone of Shenzhen (深圳市前海深港現代服務業合作區管理局, "Qianhai Authority"), the Group has also entered into a capital increase agreement with a leading property developer for the joint development of the residential project of Qianhai Start-up Project to partially lock in the value and profit of the project, enabling the Group to record a profit before tax of approximately HK$648 million. Moreover, completion of the relocation of Huatongyuan Logistic Centre towards the end of 2016 has laid a solid foundation for enhancing the land value of the Meilin Checkpoint Urban Renewal Project (the "Meilin Checkpoint Project"). The Group will focus on conducting relevant tasks and strive to commence the construction in 2017.

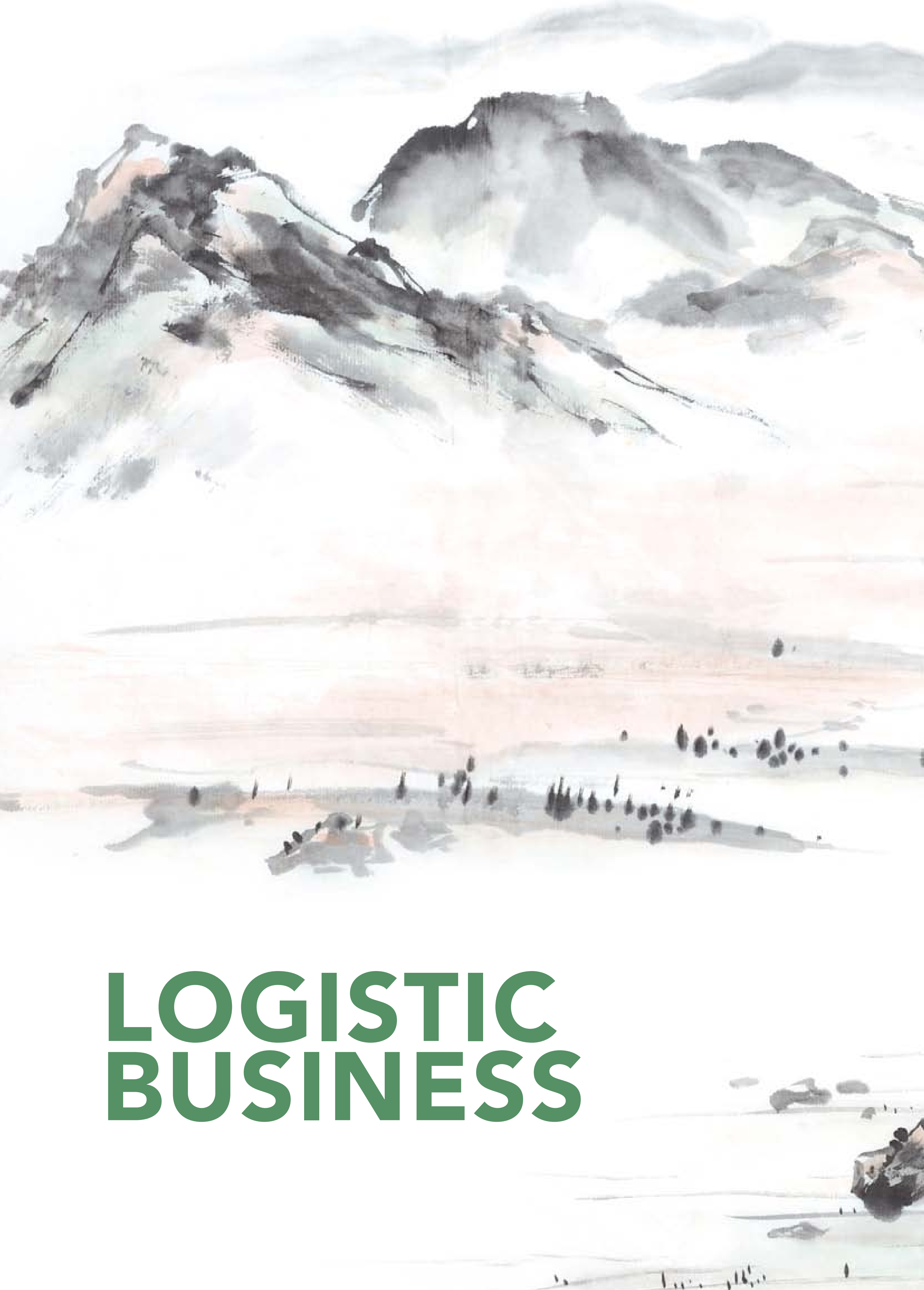
During the Year, notwithstanding that the A shares market in China was sluggish, the Group grasped the rare opportunities in the market to dispose of approximately 24.57 million (2015: 64.50 million) A shares of CSG Holdings Co., Ltd. ("CSG") at an average selling price of RMB13.55 (HK$15.75) per share to realise a gain after tax of approximately HK$255 million (2015: HK$729 million). Meanwhile, the Group has made a business tax payment of approximately HK$123 million during the Year for the disposal of CSG A shares in the previous years.

Due to the high volatility in Renminbi exchange rate during the Year, the Group's reported results in Hong Kong dollars were also adversely affected by currency translation. Excluding the impact of exchange rate volatility, the Group's revenue in Renminbi increased by 22% year-on-year to RMB6,698 million (2015: RMB5,482 million), profit before finance costs and tax and profit attributable to shareholders increased by 12% and 2% to RMB4,086 million (2015: RMB3,655 million) and RMB1,820 million (2015: RMB1,789 million), respectively.

DIVIDEND

The board of directors of the Company (the "Board") is committed to maintaining a stable dividend policy to ensure sustainable and steady returns for shareholders. After considering the composition of the profit and cash flows of the Group, the Board recommended a final dividend of HK$0.43 (2015: HK$0.50) per share, representing a dividend payout ratio of 40%. Total dividend for the Year amounted to HK$842 million (2015: HK$950 million).

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



LOGISTIC BUSINESS

Revenue decreased by
10% to
HK$1,731million

Profit before finance costs and tax decreased by
7% to
HK$308 million

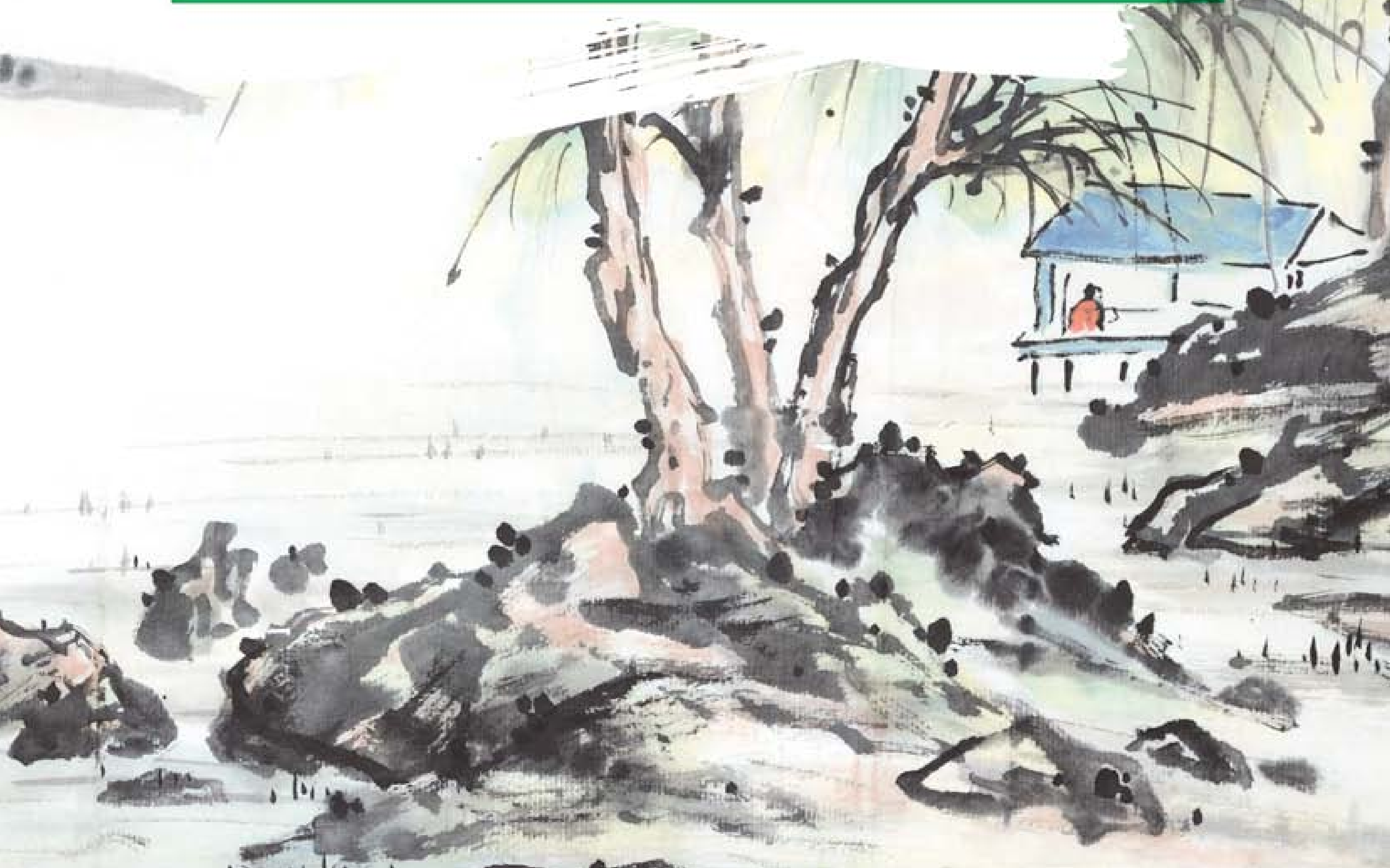
Net profit decreased by
1% to
HK$232 million

Revenue Contribution By Logistic Business Unit

	Logistic Parks	Port	Logistic Services
2016	**33%**	**31%**	**36%**
2015	32%	10%	58%

Net Profit Contribution By Logistic Business Unit

	Logistic Parks	Port	Logistic Services
2016	**62%**	**21%**	**17%**
2015	77%	17%	6%



OVERVIEW

The Group owns various well-equipped logistic parks in major cities of China, including Shenzhen, Nanjing and Yantai. The Group has also signed investment agreements in relation to the "China Urban Integrated Logistics Hub" projects which spread across 17 major logistic gateway cities, namely Shenyang, Wuxi, Wuhan, Tianjin, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Chengdu, Guizhou, Kunshan, Chongqing, Zhengzhou, Xi'an and Jurong. The site area for the above projects is 6.08 million square metres in aggregate (3.36 million square metres of which are currently owned by the Group), and the operating area is approximately 0.87 million square metres.

The Group's port business comprises one general bulk cargo terminal with a 50,000-tonnage capacity, four general bulk cargo terminals each with a 70,000-tonnage capacity and depots with a site area of 0.83 million square metres in Nanjing Xiba Port. The port has the capability of providing various services such as loading and unloading, lightering, train loading and automobile loading, with a planned annual throughput of over 25 million tonnes. With phase 2 commencing operation, Nanjing Xiba Port has become one of the largest and most influential general bulk cargo terminals along the middle and lower reaches of Yangtze River.

ANALYSIS OF OPERATING PERFORMANCE

In recent years, the Group has been focusing on expanding the network and scale of its operations through the investment in and construction of logistics infrastructure in key cities across the nation, with a view to assuring sustainable development in the long-term and providing growth drivers for future income growth. The Group's logistics business faced a challenging business environment in 2016 given the slowdown in domestic economic growth. In response, the Group strengthened its relationships with existing customers and attracted more new customers by enhancing the standard of its business operation and management, while stepping up with efforts in marketing services, transformation and upgrade and ongoing service optimisation.

Logistic Parks

During the Year, the Group maintained a stable average occupancy rate of 96% for its logistic parks. In order to accommodate the Meilin Checkpoint Project, the leasing activities of Huatongyuan Logistic Centre had been suspended since commencement of the relocation process in 2015. The relocation and clearance of Huatongyuan Logistic Centre was fully completed at the end of 2016.

Operating Performance of Major Logistic Parks
For the year ended 31 December

Logistic Park	Principal Business	Occupancy Rate of Logistic Centre	
		2016	2015
South China Logistic Park	Provision of logistic centres, empty container depots, value-added logistics services, operation of commercial and trade business and cross-border e-commerce trade and exhibition centre	**97%**	96%
Western Logistic Park	Provision of logistic centres, loading and unloading, customs declaration and value added services	**98%**	93%
Nanjing Chemical Industrial Park Logistic Centre	Provision of warehousing, customs declaration and transport services for hazardous and non-hazardous chemical products	**100%**	100%
Shandong Booming Total Logistic Park	Provision of logistic centres, transport, distribution and other services	**80%**	83%

The robust development of new business forms, such as cross-border e-commerce and Internet Finance, and the rapid upgrades of IT in recent years have provided opportunities as well as challenges to the modern logistic business. Western Logistic Park has been granted, as the second batch, the status of a "National Exemplary e-Commerce Base", while South China Logistic Park has been listed as a pilot enterprise in cross-border e-commerce business in Shenzhen, by the Ministry of Commerce. The construction of the South China Logistic Cross-border E-commerce Exhibition Centre was completed in December 2016 and marketing was progressing well. During the Year, Western Logistic Park successfully lined up the Post Office of the Shenzhen Qianhai Free Trade Port Zone (深圳市前海保稅區郵政局) for the joint development of a new model in cross-border e-commerce services. The innovative ventures of Western Logistic Park and South China Logistic Park in cross-border e-commerce have provided a solid foundation for the upgrade and transformation of the Group's logistic parks. In addition, phase 2 of South China Logistic Park, with a site area of 77,000 square metres, achieved important breakthroughs as construction was commenced in late 2016. The phase 2 project has been planned for development into an integrated high-end modern logistic service hub bringing together supply chain management and logistics headquarters, logistic information centre, e-commerce industrial base, e-commerce network storage centre and integrated ancillary service platforms.

China Urban Integrated Logistics Hub

The Group has been focusing on the development of "China Urban Integrated Logistics Hub", which are essentially inter-city highway transport logistic centres with a full spectrum of functions including warehousing, transfer, distribution, e-commerce, trade exhibition and logistic information centre, providing commercial and financial value-added services. As a logistic information platform established on the basis of logistic infrastructure facilities, these integrated logistics hubs deliver a highly efficient, multi-functional and one-stop service platform to customers and business partners, as well as quality and efficient services to numerous logistic companies, producers and manufacturers.

In 2016, the Group formulated a strategic blueprint for "China Urban Integrated Logistics Hub" to map out the direction of the development, market positioning and approach of implementation for integrated logistics hubs, aiming to ensure faster and more stable development in the future.

During the Year, the Group entered into investment agreements for the "China Urban Integrated Logistics Hub" projects with relevant local government authorities of Guizhou, Chongqing, Zhengzhou, Xi'an and Jurong, while acquiring the Kunshan project by way of merger and acquisition. Such projects have expanded the network coverage of the Group. While continuing with its efforts in developing new projects, the Group has also advanced its projects under construction or planning in a steady pace to ensure compliance with work schedules and preparation for marketing are actively underway.

During the Year, new land parcels for the "China Urban Integrated Logistics Hub" projects with an aggregate site area of 1.07 million square metres were acquired in Shijiazhuang, Changsha, Hefei, Hangzhou, Guizhou and Kunshan. Moreover, project construction has commenced according to plans for the projects in Wuxi, Shijiazhuang, Nanchang, Hangzhou and Guizhou, which are scheduled for completion and commencement of operation in 2017.

Phase 1 of the "Shenzhen International Shenyang Integrated Logistic Hub", the Group's first "China Urban Integrated Logistics Hub" project, commenced operation in April 2016; construction of the Wuhan and Hefei projects were also completed according to schedules during the second half of 2016 and commenced operations successively. During the Year, the "China Urban Integrated Logistics Hub" projects in operation had an aggregate gross floor area of 330,000 square metres. Thanks to effective marketing, the "China Urban Integrated Logistics Hub" projects in operation reported an overall occupancy rate of 60% as at 31 December 2016, delivering sound performance and generating new revenue contribution to the Group.

As at the date of this report, the Group extended its "China Urban Integrated Logistics Hub" network to cover 17 major logistic gateway cities, namely, Shenyang, Wuxi, Wuhan, Tianjin, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Chengdu, Guizhou, Kunshan, Chongqing, Zhengzhou, Xi'an and Jurong, covering a planned site area of approximately 4.90 million square metres. Relevant investment agreements have been entered into with respective government authorities. Among these cities, the Group has acquired land parcels with an aggregate site area of approximately 2.17 million square metres for 11 projects in Shenyang, Wuxi, Wuhan, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Guizhou and Kunshan.

Details of the "China Urban Integrated Logistics Hub" projects as at the date of this report are listed below:

Project Name	Location	Planned Site Area (Approximate square metres)	Acquired Site Area (Approximate square metres)	Commencement Date/Expected Commencement Date of Operation Note
Shenzhen International Shenyang Integrated Logistic Hub	Yuhong District of Shenyang	700,000	240,000	4.2016
Shenzhen International Kunshan Integrated Logistic Hub	Lujiazhen, Kunshan, Jiangsu	117,000	117,000	6.2016
Shenzhen International Wuhan Integrated Logistic Hub	Dongxihu District of Wuhan	126,000	126,000	10.2016
Shenzhen International Hefei Integrated Logistic Hub	Anhui Hefei Commercial and Logistic Development Zone of Feidong County, Hefei City	138,000	135,000	10.2016
Shenzhen International Wuxi Integrated Logistic Hub	Huishan District of Wuxi	347,000	246,000	6.2017
Shenzhen International Shijiazhuang Integrated Logistic Hub	Zhengding County of Shijiazhuang	467,000	335,000	7.2017
Shenzhen International Nanchang Integrated Logistic Hub	Nanchang Economic and Technological Development Zone	267,000	156,000	7.2017
Shenzhen International Hangzhou Smart Integrated Logistic Hub	Hangzhou Dajiangdong Industrial Cluster, Hangzhou City	432,000	239,000	11.2017
Shenzhen International Guizhou Integrated Logistic Hub	Guizhou Shuanglong Modern Service Industrial Cluster	348,000	337,000	11.2017
Shenzhen International Changsha Integrated Logistic Hub	Changsha Jinxia Economic Development Zone	347,000	146,000	3.2018
Shenzhen International Ningbo Integrated Logistic Hub	Ningnan Trade and Logistic Zone, Ningbo City	194,000	92,000	6.2018
Shenzhen International Chengdu Integrated Logistic Hub	Xinjin Logistic Park in Tianfu New Area, Sichuan Province	173,000	–	6.2018
Shenzhen International Tianjin Integrated Logistic Hub	Tianjin Binhai New Area	295,000	–	12.2018
Shenzhen International Chongqing Integrated Logistic Hub	Shuangfu New District, Jiangjin District, Chongqing	157,000	–	12.2018
Shenzhen International Zhengzhou Smart Integrated Logistic Hub	Zhengzhou International Logistic Park, Zhengzhou Economic Development Zone	267,000	–	12.2018
Shenzhen International Xi'an Smart Integrated Logistic Hub	Xi'an Civil Aerospace Industry Base	120,000	–	12.2018
Shenzhen International Jurong Integrated Logistic Hub	New City District, Northern Jurong, Jiangsu	400,000	–	12.2018
Total site area		**4,895,000**	**2,169,000**	

Note: The expected commencement date represents estimations only and will be updated according to future progress.

The "China Urban Integrated Logistics Hub" projects will grow into a cornerstone of the Group's sustainable development, as a comprehensive nationwide network comes into shape with increasing brand influence and stronger marketing ability.

Port Business

In 2016, despite the challenging economic and business conditions, commencement of operation of phase 2 of Nanjing Xiba Port enhanced the growth momentum of the port business. Meanwhile, leveraging the advantage of port resources, the Group actively commenced the port-related supply chain management service business, which optimised the composition of cargo sources and drove the increase in business volume of the port business. In 2016, a total of 298 vessels berthed at Nanjing Xiba Port and total throughput of Nanjing Xiba Port reached 18.97 million tonnes, representing an increase of 8% as compared to the corresponding period of the previous year.

Logistic Service Business

Relying on its existing logistic infrastructure facilities and strengths in resources and capital, the Group has orchestrated a gradual transformation of its traditional logistic business and actively explored supply chain management, value chain integration and logistic finance services. In addition, during the Year, the Group continued to commit more resources on information service business and introduced innovative products such as paperless application for container operations at the Shenzhen port. At the same time, the Group will actively pursue the expansion of information services business in Shenzhen and the Pearl River Delta region in order to assure ongoing growth in market shares.

During the Year, the logistic service business was subject to intense market competition and the challenge of slower domestic economic growth. In response, the Group sought to enhance the overall competitiveness of its logistic service business by actively developing new business, introducing marketing initiatives and optimising its operations on an ongoing basis. During the Year, to enhance its overall profitability, the Group optimised its customer mix by signing up with customers on a more selective basis and reducing business with certain customers which commanded lower profit margins.

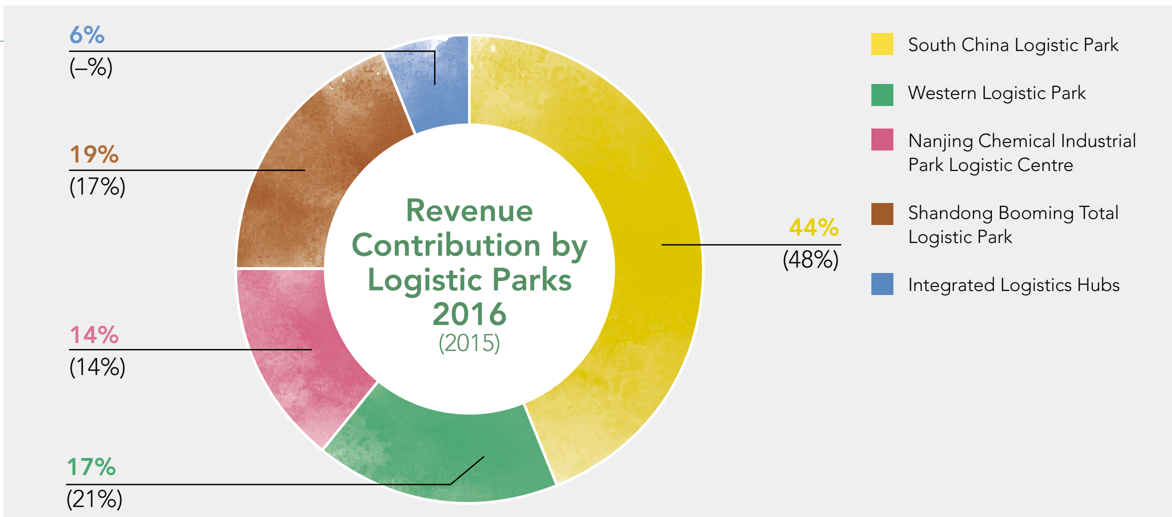
FINANCIAL ANALYSIS

Excluding the impact of the suspension of operation of Huatongyuan Logistic Centre owing to relocation, total revenue from the logistic business for the Year decreased by 5% (excluding the impact of exchange rate, maintained at a similar level with that in 2015) to HK$1,731 million as compared to the corresponding period of the previous year, while profit attributable to shareholders increased by 10% to HK$232 million, year-on-year.

Revenue of Each Logistic Business Unit

For the year ended 31 December

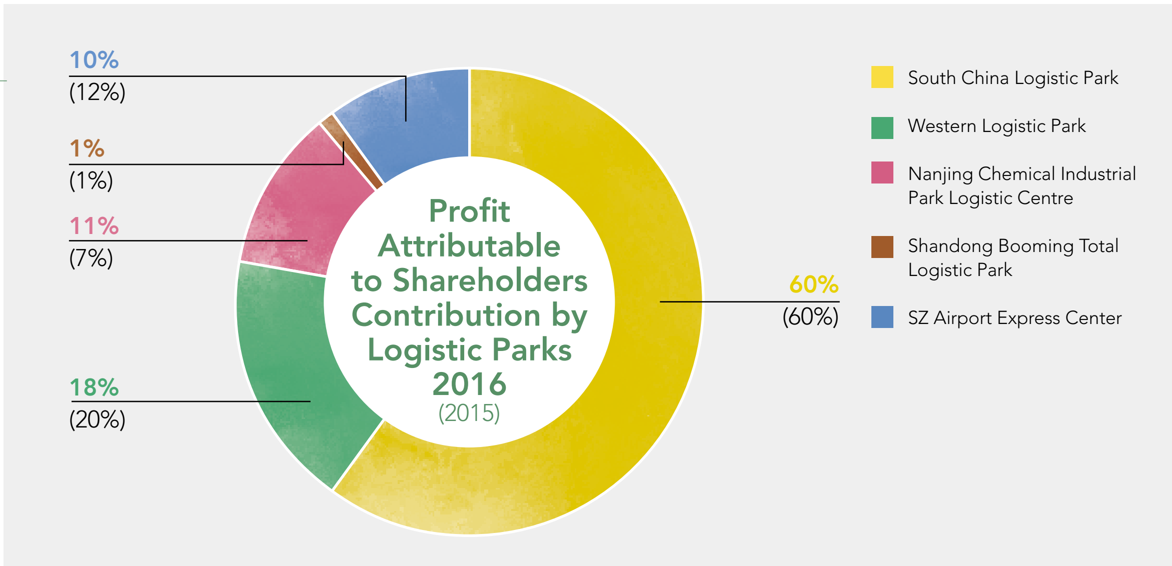
	2016 HK$'000	2015 HK$'000	Increase/ (Decrease)
Logistic Park Business			
South China Logistic Park	251,474	246,111	2%
Western Logistic Park	98,568	110,868	(11%)
Nanjing Chemical Industrial Park Logistic Centre	78,540	72,589	8%
Shandong Booming Total Logistic Park	111,652	87,213	28%
Integrated Logistics Hubs	31,646	–	N/A
Sub-total	571,880	516,781	11%
Huatongyuan Logistic Centre#	N/A	99,354	N/A
Sub-total	571,880	616,135	(7%)
Port Business	529,095	185,853	185%
Logistic Service Business	629,701	1,128,757	(44%)
Total	1,730,676	1,930,745	(10%)



Profit Attributable to Shareholders of Each Logistic Business Unit

For the year ended 31 December

	2016 HK$'000	2015 HK$'000	Increase/ (Decrease)
Logistic Park Business			
South China Logistic Park	89,257	94,574	(6%)
Western Logistic Park	26,953	30,607	(12%)
Nanjing Chemical Industrial Park Logistic Centre	16,310	11,428	43%
Shandong Booming Total Logistic Park	1,209	1,646	(27%)
Integrated Logistics Hubs	(4,074)	–	N/A
SZ Airport Express Center*	14,721	18,177	(19%)
Sub-total	144,376	156,432	(8%)
Huatongyuan Logistic Centre#	N/A	23,840	N/A
Sub-total	144,376	180,272	(20%)
Port Business	49,843	40,307	24%
Logistic Service Business	38,272	15,176	152%
Total	232,491	235,755	(1%)



Huatongyuan Logistic Centre has suspended operations owing to its relocation since 2015.

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

As several transformation and upgrading projects of the Group's existing logistic parks were undergoing an incubation stage or the early phases of construction, revenue and profit growth of the Group's logistic park business was under pressure. Excluding the impact of the suspension of operation of Huatongyuan Logistic Centre owing to relocation, revenue from the Group's logistic park business amounted to HK$572 million for the Year, representing an increase of 11% as compared to the corresponding period of the previous year; while profit attributable to shareholders amounted to HK$144 million, representing a decrease of 8% as compared to the corresponding period of the previous year. In connection with the Group's integrated logistics hub business, new revenue contributions amounting to approximately HK$31.65 million were recorded following the commencement of operation of integrated logistics hubs in Shenyang, Kunshan, Wuhan and Hefei in 2016. As these projects were still in their incubation stage, profit contribution to the Group was relatively low.

Driven by the supply chain management service business, the port business recorded a revenue of HK$529 million, representing an increase of 185%, while profit contribution of the port business amounted to approximately HK$49.84 million, representing an increase of 24%, as compared to the corresponding period of the previous year. Approximately HK$8.41 million of profit was attributable to the supply chain management service business.

Revenue from the logistic service business decreased by 44% to HK$630 million as compared to the corresponding period of the previous year, which was mainly attributable to improvements in overall profitability following efforts to optimise the customer mix through customer screening of low profit margin. Profit attributable to shareholders increased by 152% to HK$38.27 million as compared to the corresponding period of the previous year, which was mainly attributable to the new profit contributions from the new logistic financing business.

Updates on the Qianhai Project and Meilin Checkpoint Project

Qianhai Project

In 2015, the Group and Qianhai Authority entered into a framework agreement in respect of the land consolidation and preparation of land parcels for the Qianhai project by way of land swap, monetary compensation and profit sharing. Pursuant to the agreement, Qianhai Authority agreed to arrange a profit-oriented land site with an area of approximately 38,800 square metres at Block 6, Unit 19 of Qianhai Shenzhen-Hong Kong Cooperation Zone as the land site for the start-up phase of the Group's "Shenzhen International Qianhai Intelligent Hub" project.

The Group entered into new land use right agreements with Qianhai Authority in respect of Qianhai Start-up Project in December 2016 to ascertain its ownership of the site for Qianhai Start-up Project, which is an integrated land site primarily comprising office buildings complemented by high-end commercial and residential space with a gross floor area of approximately 100,000 square metres. The signing of the new land use right agreements signified major progress in land consolidation and preparation for the Group's Qianhai project, laid a solid foundation for the land resources and valuation of other land sites which the Group may obtain through land consolidation.

In December 2016, the Group also entered into a capital increase agreement with Shum Yip Land Company Limited (深業置地有限公司), a well-known property developer, for the joint development of the residential land site of Qianhai Start-up Project. The introduction of a leading property developer as partner will enable the Group to partially lock in the current value and profit of the land parcel. The alliance with a top-tier property developer would lower the Group's investment risk while increasing the overall quality and income of the residential project to deliver greater returns to the shareholders of the Company. The above mentioned land parcel is one of the land parcels in the first part (i.e. the Qianhai Start-up Project) of the consolidation and preparation work to be conducted by Shenzhen Municipality Government on the five land parcels in Qianhai owned by the Group. The realisation of value through the capital increase agreement would serve as an example for the realisation of the value of the land parcels owned by the Group in Qianhai in the future.

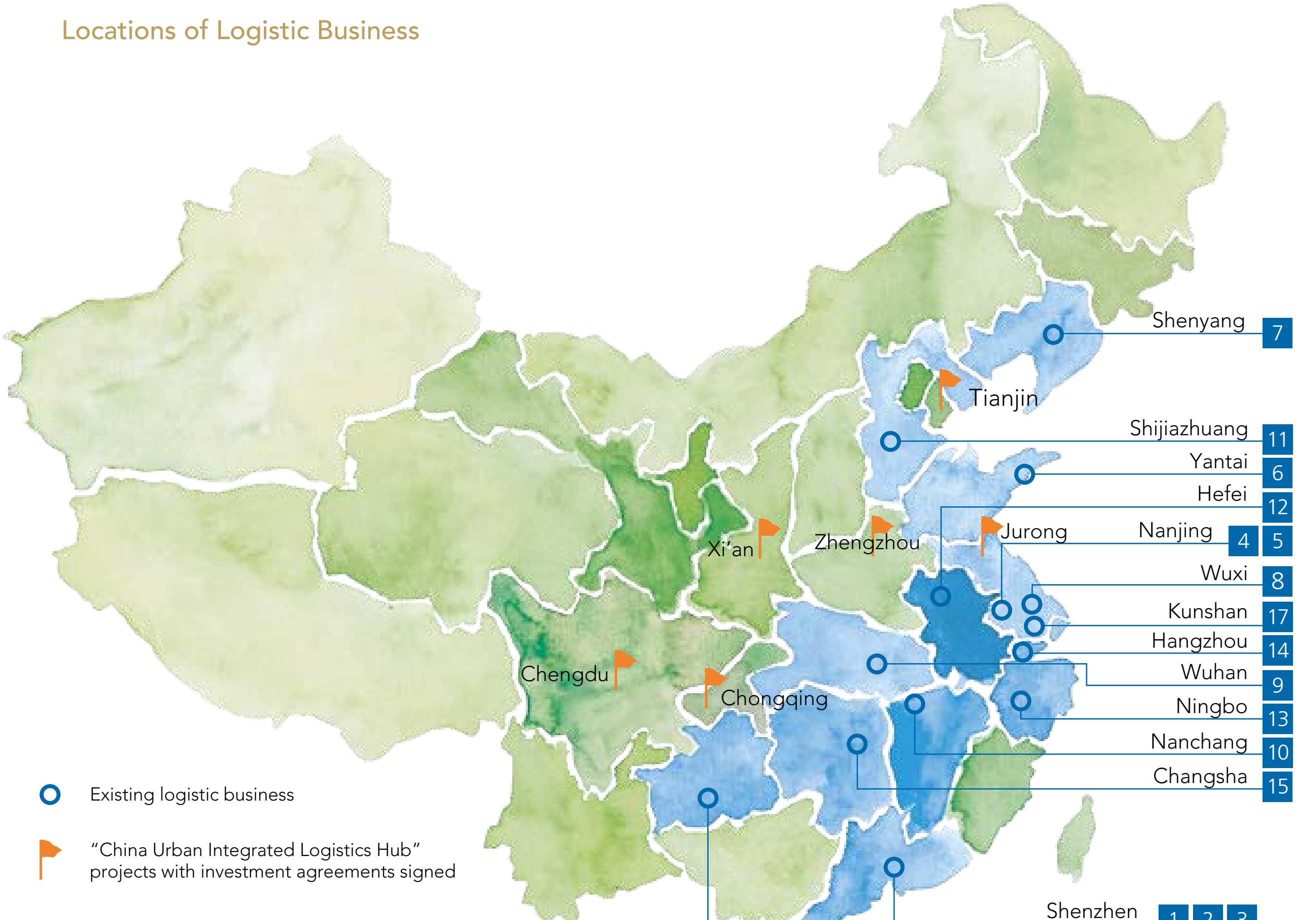
In 2017, the Group has prioritised the land consolidation and preparation of all five land parcels with an aggregate site area of approximately 380,000 square metres in Qianhai, including the time of assessment and value of the land under the previous and new land use arrangements, the commencement date of the term in respect of the land swap, the party which owns the value of land under the previous land use arrangements and the ratio of profit sharing in respect of the increase in the value of land under the new land use arrangements. Currently, active negotiations with the Qianhai Authority and relevant government authorities are underway.

Meilin Checkpoint Urban Renewal Project

The Group entered into land transfer agreements with Longhua Management Bureau under Urban Planning Land and Resources Commission of the Shenzhen Municipal (深圳市規劃和國土資源委員會龍華管理局) in respect of the land parcels of the Meilin Checkpoint Project in late June of 2015. Land premium for the land parcels was settled in full following the payment of the balance of RMB2,497 million in June 2016 in accordance with the agreements. Following completion of the clearance of the land site, preparatory work for the project is currently in progress and construction is scheduled to commence within 2017.

The Meilin Checkpoint Project is adjacent to the Futian District in downtown Shenzhen, located at a site where Huatongyuan Logistic Centre was previously situated, and is a functional development area in the city centre and a key development zone of the city. It is situated at a geographically advantageous location with good investment value and potential for appreciation. The Meilin Checkpoint land parcels have been re-designated as a comprehensive development project with a total gross floor area of approximately 486,000 square metres, comprising properties for residential, commercial, office, business apartment and public and ancillary uses. Benefitting from the surge of residential property prices in Shenzhen in recent years, the land parcels of Meilin Checkpoint Project are set to enjoy further growth in value.

Locations of Logistic Business



1. **South China Logistic Park**
   Located in Shenzhen Longhua Logistic Park
   Land area: 611,000 square metres
   Gross floor area: 399,000 square metres
   Operating area: 322,000 square metres

2. **Western Logistic Park**
   Located in Shenzhen Qianhaiwan Logistics Park
   Land area: 380,000 square metres
   Gross floor area: 420,000 square metres
   Operating area: 111,000 square metres

3. **SZ Airport Express Center**
   Located in Shenzhen Baoan International Airport
   Land area: 32,000 square metres
   Gross floor area: 28,000 square metres
   Operating area: 28,000 square metres

4. **Nanjing Chemical Industrial Park Logistic Centre**
   Located in Nanjing Chemical Industrial Park
   Land area: 95,000 square metres
   Gross floor area: 48,000 square metres
   Operating area: 48,000 square metres

5. **Nanjing Xiba Port**
   Located in Nanjing Chemical Industrial Park
   Land area: 400,000 square metres
   Operating area: 220,000 square metres

6. **Shandong Booming Total Logistic Park**
   Located in the Economic and Technology Development Zone in Yantai City
   Land area: 70,000 square metres
   Gross floor area: 50,000 square metres
   Operating area: 26,000 square metres

7. **Shenzhen International Shenyang Integrated Logistic Hub**
   Located in Shenyang International Logistic Park in Yuhong District of Shenyang City
   Acquired site area: 240,000 square metres
   Operating area: 144,000 square metres

8. **Shenzhen International Wuxi Integrated Logistic Hub**
   Located in Huishan District of Wuxi City
   Acquired site area: 246,000 square metres

9. **Shenzhen International Wuhan Integrated Logistic Hub**
   Located in Dongxihu District of Wuhan City
   Land area: 126,000 square metres
   Operating area: 52,600 square metres

10. **Shenzhen International Nanchang Integrated Logistic Hub**
    Located in Nanchang Economic and Technological Development Zone
    Acquired site area: 156,000 square metres

11. **Shenzhen International Shijiazhuang Integrated Logistic Hub**
    Located in Zhengding County of Shijiazhuang
    Acquired site area: 335,000 square metres

12. **Shenzhen International Hefei Integrated Logistic Hub**
    Located in Anhui Hefei Commercial and Logistic Development Zone of Feidong County of Hefei City
    Acquired site area: 135,000 square metres
    Operating area: 38,000 square metres

13. **Shenzhen International Ningbo Integrated Logistic Hub**
    Located in Ningnan Trade and Logistic Zone of Ningbo City
    Acquired site area: 92,000 square metres

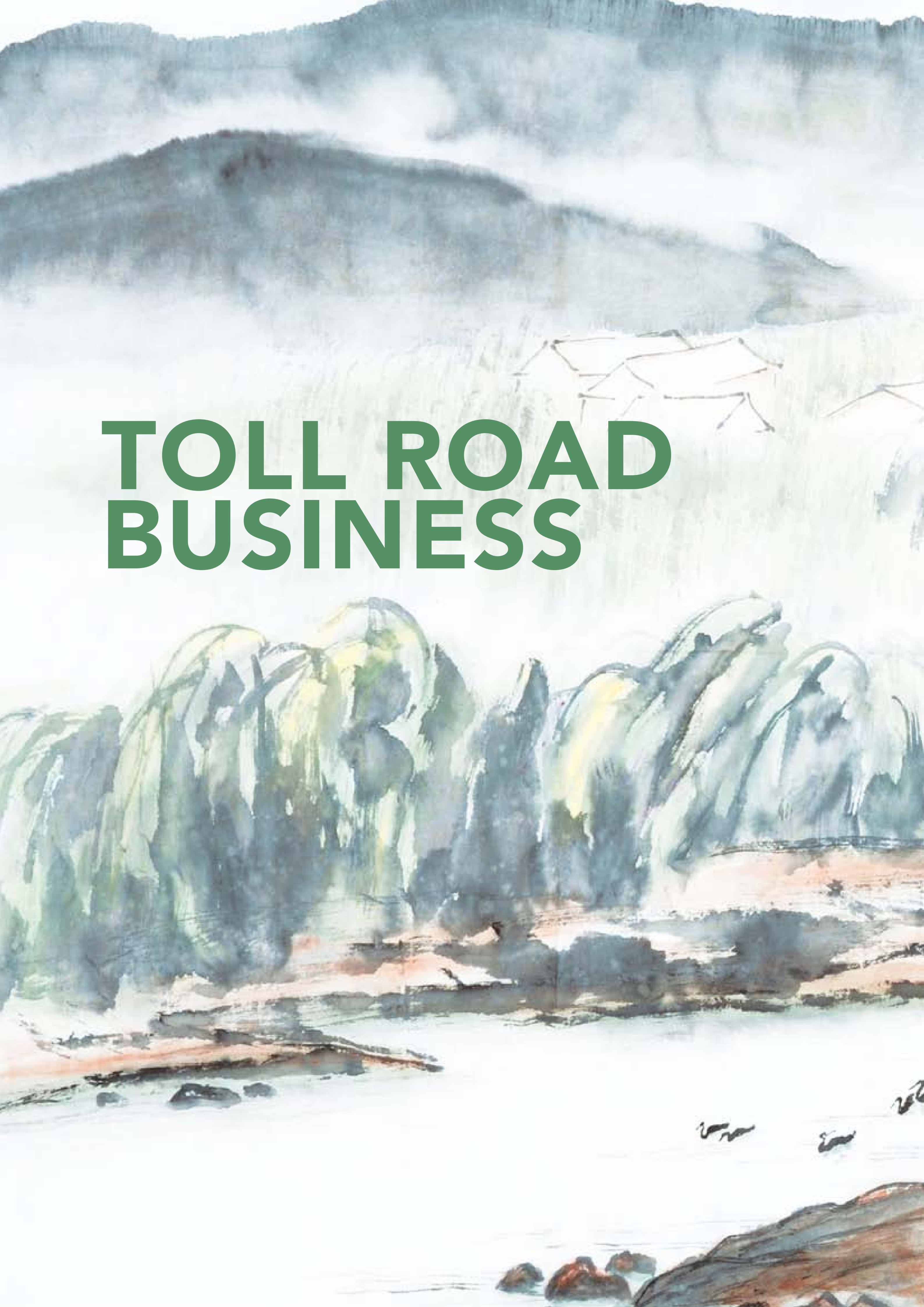
14. **Shenzhen International Hangzhou Smart Integrated Logistic Hub**
    Located in Hangzhou Dajiangdong Industrial Cluster of Hangzhou City
    Acquired site area: 239,000 square metres

15. **Shenzhen International Changsha Integrated Logistic Hub**
    Located in Changsha Jinxia Economic Development Zone
    Acquired site area: 146,000 square metres

16. **Shenzhen International Guizhou Integrated Logistic Hub**
    Located in Guizhou Shuanglong Modern Service Industrial Cluster
    Acquired site area: 337,000 square metres

17. **Shenzhen International Kunshan Integrated Logistic Hub**
    Located in Lujiazhen, Kunshan, Jiangsu
    Acquired site area: 117,000 square metres
    Operating area: 96,000 square metres

TOLL ROAD BUSINESS



Total Revenue increased by

23% to

HK$5,910 million

Profit before finance costs & tax maintained at a similar level, amounted to

HK$2,877 million

Net Profit decreased by

34% to

HK$846 million;

increased by

16%

after excluding non-recurring items

Total Revenue Contribution (Note)

	Shenzhen Expressway	Longda Expressway	Wuhuang Expressway
2016	**82%**	**11%**	**7%**
2015	79%	13%	8%

Net Profit Contribution

	Shenzhen Expressway	Longda Expressway	Wuhuang Expressway*
2016	**71%**	**23%**	**6%**
2015	75%	21%	4%

Note: *Total revenue generated from Nanguang Expressway, Yanpai Expressway and Yanba Expressway out of the total revenue of Shenzhen Expressway, and total revenue of the 23.8 km section of Longda Expressway from the starting point of Longda Expressway to the Nanguang Expressway ramp, are calculated on the basis of revenue calculated and recognised in accordance with the mechanism set out in the toll adjustment and compensation agreements. Total revenue contribution of Shenzhen Expressway, Longda Expressway and Wuhuang Expressway for the Year as percentages of total revenue are presented for the purposes of financial comparison only.*

* *Included only net profit attributable to the 45% equity interest in Wuhuang Expressway directly held by the Company.*

OVERVIEW

The Group's toll road operations span across the Shenzhen region, other regions in Guangdong Province and other provinces in China. The Group holds or controls a total of 17 expressway projects with total mileage of toll roads by toll amounting to approximately 177 kilometres, 268 kilometres and 92 kilometres in the Shenzhen region, other regions in Guangdong Province and other provinces in China, respectively as at the date of this report. The Group operates the toll road business mainly through Shenzhen Expressway Company Limited ("Shenzhen Expressway"), in which the Group holds a 50.889% equity interest. Shenzhen Expressway's H shares and A shares are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively. In addition, the Group directly holds a 89.93% equity interest in Longda Expressway.

ANALYSIS OF OPERATING PERFORMANCE

The operating performance of the Group's toll roads during the Year was set out as follows:

				Average Daily Traffic Volume *(Note 1)*		Average Daily Toll Revenue	
Toll roads	Interest held by the Group	Concession period	Length by toll (approximate km)	2016 (Vehicle/ Thousands)	Increase as compared to 2015	2016 (RMB'000)	Increase as compared to 2015
Shenzhen Region *(Note 2)*:							
Meiguan Expressway	100%	1995.05–2027.03	5.4	83	11%	311	10%
Jihe East	100%	1997.10–2027.03	23.7	250	14%	1,767	1%
Jihe West	100%	1999.05–2027.03	21.8	202	15%	1,642	10%
Shuiguan Expressway *(Note 3)*	50%	2002.02–2025.12	20	227	19%	1,693	10%
Shuiguan Extension	40%	2005.10–2025.12	6.3	98	30%	300	18%
Other regions in Guangdong Province:							
Qinglian Expressway	76.37%	2009.07–2034.07	216	37	10%	1,835	5%
Yangmao Expressway	25%	2004.11–2027.07	79.8	46	13%	1,800	6%
Guangwu Project	30%	2004.12–2027.11	37.9	40	15%	1,025	15%
Jiangzhong Project	25%	2005.11–2027.08	39.6	120	12%	1,133	6%
Guangzhou Western Second Ring	25%	2006.12–2030.12	40.2	59	17%	1,074	8%
Other provinces in China:							
Wuhuang Expressway	100%	1997.09–2022.09	70.3	44	8%	939	3%
Changsha Ring Road	51%	1999.11–2029.10	34.7	26	33%	312	40%
Nanjing Third Bridge	25%	2005.10–2030.10	15.6	27	2%	1,098	6%

Notes:

(1) *Average daily traffic volume excludes traffic volume which is toll-free during holidays.*

(2) *According to the toll adjustment and compensation agreements entered into between the Group and the relevant government department of Shenzhen on 30 November 2015 in relation to the toll adjustments of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the 23.8 km section of Longda Expressway from the starting point of Longda Expressway to the Nanguang Expressway ramp, these road sections have implemented toll-free since 0:00 on 7 February 2016. The Group calculated and recognised revenue of these road sections in accordance with the mechanism set out in the agreements. Toll of the remaining section of Longda Expressway with a mileage of 4.4 km remains unchanged but it is not comparable with the length by toll of approximately 28 km for the corresponding period of the previous year. Accordingly, the operating performance of each of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway is not disclosed in the above table.*

(3) *The Group completed the acquisition of an additional 10% equity interest in the project company of Shuiguan Expressway and obtained its effective control in 2015. As a result, the Group's equity interest in Shuiguan Expressway increased from 40% to 50% on 30 October 2015. The project company was the Group's associate before but has then become a subsidiary of the Company; and the revenue from the project company of Shuiguan Expressway was not consolidated into the Group's results before but has then been fully consolidated.*

During the Year, traffic volume and toll revenue of most of the Group's expressway projects reported growth. Nonetheless, the operating performance of each expressway project of the Group was influenced in varying degrees by continuous improvements in transportation network, renovation works of surrounding road network and conditions of each individual project:

- in accordance with the Toll Adjustment and Compensation Agreements, toll adjustments of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Shenzhen Section are implemented in two phases. During Phase 1 (from 00:00 on 7 February 2016 to 24:00 on 31 December 2018), toll-free passage for these road sections would be implemented and revenue of the Group would be calculated and recognised in accordance with the mechanism set out in the agreements. During Phase 2 (from 00:00 on 1 January 2019), the relevant government department will elect to either continue the implementation of toll-free passage as in Phase 1, or have the fee entitlement rights of these road sections returned to it at an earlier stage in exchange for the compensation payment accordingly.

  Since the implementation of toll-free policy at 00:00 on 7 February 2016 for the above mentioned road sections, these toll-free road sections had experienced faster growth in traffic volume and had driven traffic volume of Jihe Expressway and Shuiguan Expressway to increase;

- toll revenue of Jihe East was adversely affected by the closure of the westbound direction of Pinghu Bianzuzhan Bridge of Jihe East for maintenance and reinforcement works during mid-May to mid-July 2016. However, future operating performance of Jihe East is expected to be boosted by the improved traffic conditions following the completion of such maintenance and reinforcement works; and

- active promotion of routes and marketing strategies implemented by Qinglian Expressway were starting to show effect and the impact of diversion from Guangle Expressway as well as Erguang Expressway had stabilised. The expansion works of Guangqing Expressway (which connects to Qinglian Expressway) were completed and commenced operation in late September 2016, while construction works of the connecting lanes between these two expressways are scheduled for completion by the end of 2017. In addition, the connecting lanes between Erguang Expressway and Qinglian Expressway are under construction. Such project works, when completed, are expected to enable the passage as a whole to function fully as the artery of Hunan-Guangdong traffic, thereby enhancing the competitiveness and operating performance of Qinglian Expressway.

During the Year, the Group reached a new milestone in the investment and operation of its toll road business. The Group, through Shenzhen Expressway, entered into a concession agreement with the Shenzhen Government, in respect of the investment, construction and management of the Shenzhen Section of Shenzhen Outer Ring Expressway (Coastal Expressway – Shenshan Expressway Section) ("Outer Ring Section A") according to the PPP model, for the acquisition of the concession rights of Outer Ring Section A (the "Outer Ring Project"). Outer Ring Section A starts in Bao'an District, Shenzhen connecting Guangshen Coastal Expressway and runs through Guangming New Area, Longhua New Area, Dongguan City (the Dongguan Section not being covered by this project), Longgang District and Pingshan New District, connecting with the planned Julong Road after the inter-connection with Shenzhen-Shantou Expressway. It provides 6 lanes in two directions with a length of approximately 60 km. The operation of the Outer Ring Project according to the PPP model can effectively achieve a balance between public interests of infrastructure facilities and reasonable return for commercial investments, so that the society, the government and the enterprises can all reap benefits. Moreover, the Outer Ring Project expands the scope of future development for the principal business of Shenzhen Expressway, consolidates the Group's market share in the expressway network of Shenzhen, and enhances the core advantages of the Group's toll road business. As at the date of this report, the Outer Ring Project is under construction and contract works at various sections are in good progress.

In addition, to meet the needs of the Group's overall strategic development, a wholly-owned subsidiary of the Company entered into a share transfer agreement in early December 2016 to transfer 45% interests in Wuhuang Expressway to a wholly-owned subsidiary of Shenzhen Expressway. Following the transfer, Shenzhen Expressway held 100% interests in Wuhuang Expressway. The transaction has also further enhanced the core strengths of Shenzhen Expressway in its principal toll road business and is therefore mutually beneficial for both the Company and Shenzhen Expressway.

FINANCIAL ANALYSIS

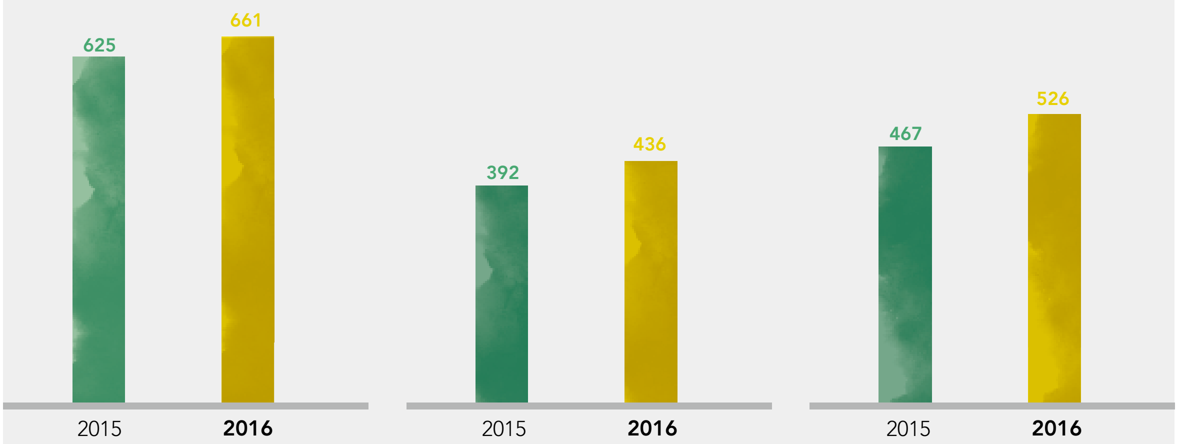
Total revenue of the Group's toll road business amounted to HK$5,910 million (2015: HK$4,807 million) for the Year, representing an increase of 23% as compared to the corresponding period of the previous year. This was driven by sound toll revenue contribution to the Group from the project company of Shuiguan Expressway which had become a subsidiary of the Group since 30 October 2015, as well as satisfactory growth in toll revenue recorded by Longda Expressway and Jihe West during the Year. Profit before finance costs and tax amounted to HK$2,877 million (2015: HK$2,909 million), maintained at a similar level as compared to the corresponding period of the previous year. However, according to the Toll Adjustment and Compensation Agreements and the relevant accounting standard, the Group was required to make a provision for interest costs amounting to approximately HK$532 million for the Year (which would not have any impact on the Group's cash flow) on the receipt of the first compensation payment totalling RMB9,713 million from the relevant government department of Shenzhen in December 2015. This resulted in a significant increase in the finance costs of the Group for the Year and reduced the net profit by approximately HK$253 million. Net profit of the Group's toll road business amounted to HK$846 million (2015: HK$1,289 million) for the Year, representing a decrease of 34% as compared to the corresponding period of the previous year. Excluding the impact of the provision of interest costs as mentioned above for the Year and the provision for impairment of concession rights of Qinglian Expressway as well as the fair value gain on equity interests held by the Group recognised as a result of acquisitions of effective control of two companies last year, net profit of the Group's toll road business for the Year increased by 16% as compared to the corresponding period of the previous year.

Longda Expressway

Longda Expressway reported satisfactory growth in toll revenue for the Year, which was attributable to the substantial increase in traffic flow following the implementation of toll-free policy with effect from 00:00 on 7 February 2016 for Longda Shenzhen Section and Nanguang Expressway.

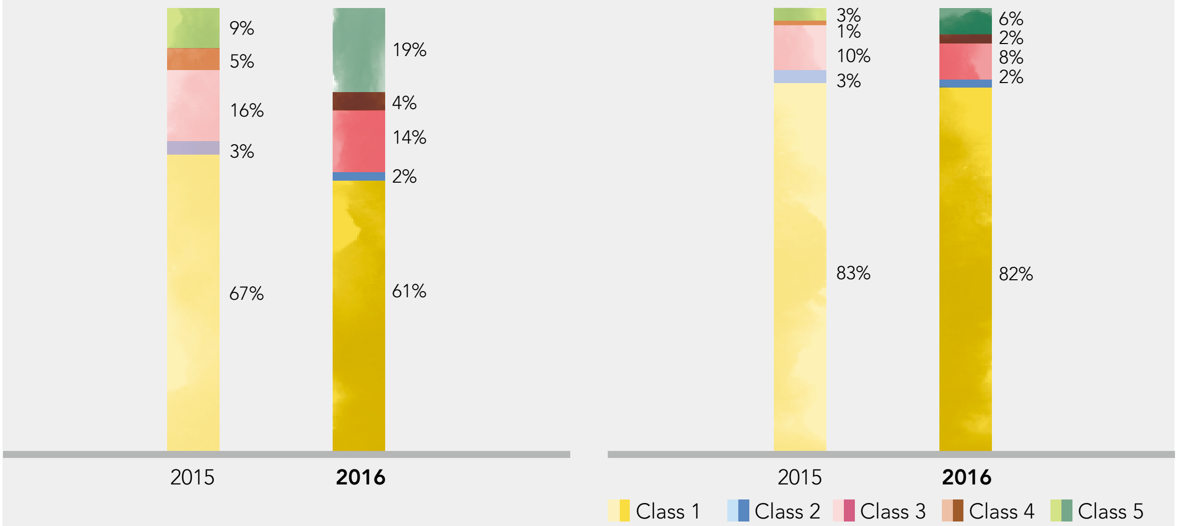
Toll revenue(Note) increased by 6% to HK$661 million	Profit before finance costs and tax increased by 11% to HK$436 million	EBITDA increased by 13% to HK$526 million

For the year ended 31 December
(HK$ million)



Toll revenue(Note) distribution
(For the year ended 31 December)

Traffic volume distribution
(For the year ended 31 December)



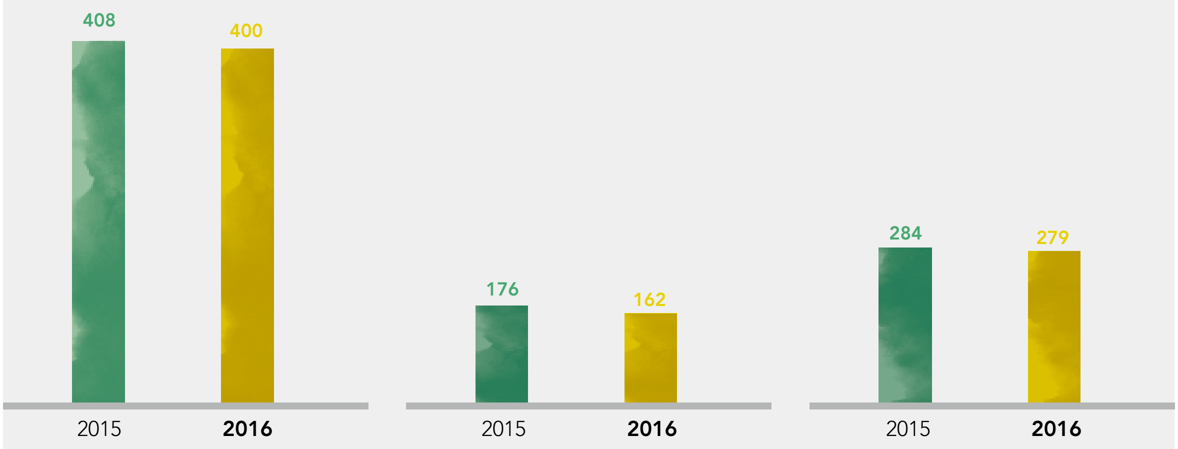
Note: Toll revenue and the relevant percentages of distribution are calculated on the basis of toll revenue calculated and recognised in accordance with the mechanism set out in the Toll Adjustment and Compensation Agreement and the actual toll revenue generated from the remaining toll section of Longda Expressway, and are presented for the purposes of financial comparison only.

Wuhuang Expressway

Excluding the impact of exchange rate, toll revenue of Wuhuang Expressway for the Year recorded an increase of 3% as compared to the corresponding period of the previous year. However, with an increase in amortisation as a result of growing traffic volume, profit before finance costs and tax of Wuhuang Expressway for the Year recorded a decrease of 3% as compared to the corresponding period of the previous year.

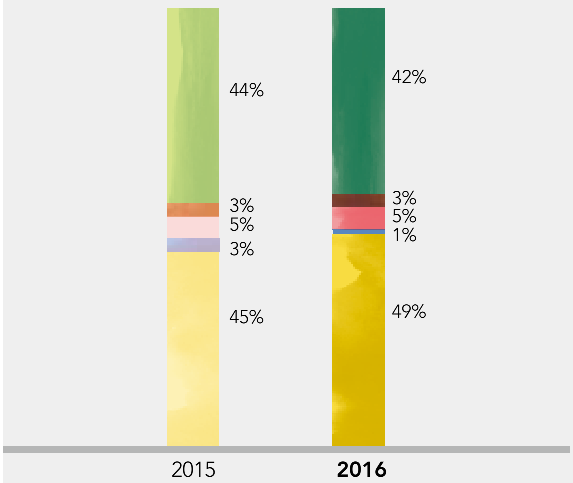
Toll revenue decreased by 2% to HK$400 million	Profit before finance costs and tax decreased by 8% to HK$162 million	EBITDA decreased by 2% to HK$279 million

For the year ended 31 December
(HK$ million)



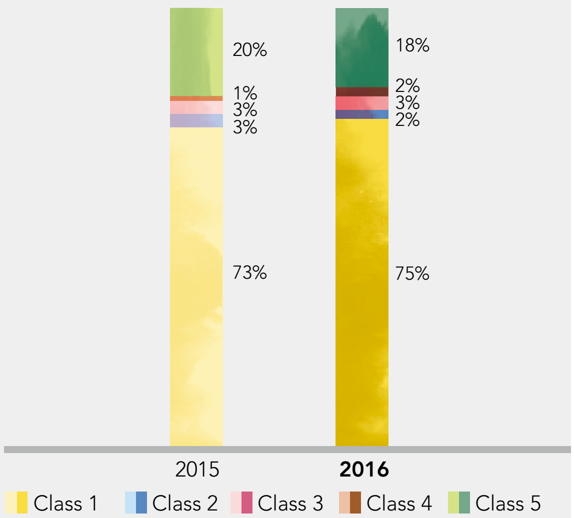
Toll revenue distribution

(For the year ended 31 December)



Traffic volume distribution

(For the year ended 31 December)



Shenzhen Expressway and its expressway projects

Total revenue of Shenzhen Expressway for the Year increased by 28% to HK$4,849 million (2015: HK$3,774 million) as compared to the corresponding period of the previous year. This was mainly attributable to the increase in its toll revenue for the Year by 10% to HK$4,045 million (2015: HK$3,680 million) year-on-year due to the new toll revenue contributed by the project company of Shuiguan Expressway which has become a subsidiary of the Group since 30 October 2015 as well as new revenue of approximately HK$295 million which brought in from other business. Profit before finance costs and tax decreased by 3% to approximately HK$2,279 million (2015: HK$2,341 million) as compared to the corresponding period of the previous year. Due to the impact of the provision for interest costs for the Year in accordance with the Toll Adjustment and Compensation Agreement in respect of Nanguang Expressway, Yanpai Expressway and Yanba Expressway, the Group's share of profit from Shenzhen Expressway decreased by 38% to HK$599 million (2015: HK$963 million) as compared to the corresponding period of the previous year. Excluding the impact of the provision of interest costs as mentioned above for the Year and the provision for impairment of concession rights of Qinglian Expressway as well as the fair value gain on equity interests held by the Group recognised as a result of acquisitions of effective control of two companies in 2015, the Group's share of profit from Shenzhen Expressway increased by 19% as compared to the corresponding period of the previous year.

Estimated capital expenditure for 2017

The capital expenditure of the toll road business of the Group for 2017 is expected to amount to approximately RMB2,383 million, which will mainly be used in the Hunan Yichang Expressway Project and Outer Ring Project.

OTHER INVESTMENTS

SHENZHEN AIRLINES

During the Year, passenger transport volume of Shenzhen Airlines continued to grow, with passenger traffic reached 42,756 million passenger-km (2015: 39,034 million passenger-km) and its airlines carried 27.50 million passenger rides (2015: 25.50 million passenger rides), representing an increase of 10% and 8%, respectively, as compared to the corresponding period of the previous year. Total revenue of Shenzhen Airlines for the Year increased by 9% to RMB25,970 million (HK$30,194 million) (2015: RMB23,863 million (HK$29,330 million)) as compared to the corresponding period of the previous year, of which passenger revenue increased by 8% to RMB22,072 million (2015: RMB20,417 million).

In addition, benefitting from the considerable decrease in aviation fuel cost as a result of the continuing reduction in aviation fuel price during the Year, operating profit of Shenzhen Airlines increased by 39% to RMB4,035 million (HK$4,691 million), as compared to the corresponding period of the previous year. Net profit of Shenzhen Airlines for the Year amounted to RMB1,573 million (HK$1,829 million) (2015: RMB744 million (HK$914 million)), up 111% over the corresponding period of the previous year, notwithstanding that it recorded an exchange loss of RMB1,095 million (HK$1,273 million) (2015: RMB1,146 million (HK$1,409 million)) as affected by the fluctuation of Renminbi exchange rate. Shenzhen Airlines contributed a profit of approximately HK$834 million (2015: HK$381 million) to the Group during the Year, representing an increase of 119% as compared to the corresponding period of the previous year.

As at 31 December 2016, Shenzhen Airlines operated a total of 171 passenger aircraft (2015: 164 passenger aircraft). Currently, Shenzhen Airlines operates 191 domestic and international routes, comprising 162 domestic routes, 19 international routes and 10 routes serving the Hong Kong, Macau and Taiwan regions.

A possible hike in international crude oil prices is expected following the implementation of production cuts by OPEC nations with effect from 1 January 2017. Shenzhen Airlines will continue to closely monitor the changes in oil prices and the impact of oil prices on costs. Measures will be adopted to optimise its mix of aircraft models and air routes, as well as to strengthen cost management and management of social and economic benefits, with a view to enhancing overall operating efficiency.

CSG

According to the Group's business development, capital needs and internal resource coordination, coupled with capital market conditions, the Group adjusts the volume of the shares of CSG to be disposed of as and when necessary and appropriate so as to maximise the profits of the Company and its shareholders.

During the Year, the Group disposed of approximately 24.57 million A shares of CSG at an average selling price of RMB13.55 (HK$15.75) per share and realised a gain after tax of approximately HK$255 million (2015: HK$729 million). As at the date of this report, the Group beneficially owned a total of approximately 26.93 million A shares of CSG, representing approximately 1.30% of the total issued share capital of CSG.

	31 December 2016 HK$ million	31 December 2015 HK$ million	Increase/ (Decrease)
Total Assets	**60,741**	58,998	3%
Total Liabilities	**32,305**	30,298	7%
Total Equity	**28,436**	28,700	(1%)
Net Asset Value attributable to shareholders	**18,634**	18,160	3%
Net Asset Value per share attributable to shareholders (HK dollar)	**9.5**	9.6	(1%)
Cash	**11,424**	15,635	(27%)
Bank borrowings	**4,746**	5,112	(7%)
Notes and bonds	**7,637**	7,925	(4%)
Total Borrowings	**12,383**	13,037	(5%)
Net Borrowings/(Cash)	**959**	(2,598)	N/A
Debt-asset Ratio (Total Liabilities/Total Assets)	**53%**	51%	2#
Ratio of Total Borrowings to Total Assets	**20%**	22%	(2)#
Ratio of Net Borrowings/(Cash) to Total Equity	**3%**	(9%)	N/A
Ratio of Total Borrowings to Total Equity	**44%**	45%	(1)#

Change in percentage points

KEY FINANCIAL INDICATORS

As at 31 December 2016, the net asset value attributable to shareholders increased by 3% to HK$18,634 million, while net asset value per share amounted to HK$9.5, representing a slight decrease by 1% as compared to the corresponding period of the previous year. The ratio of total borrowings to total assets was 20%, which was 2 percentage points lower than that at the end of last year, underpinning a healthy and stable financial position.

CASH FLOW AND FINANCIAL RATIOS

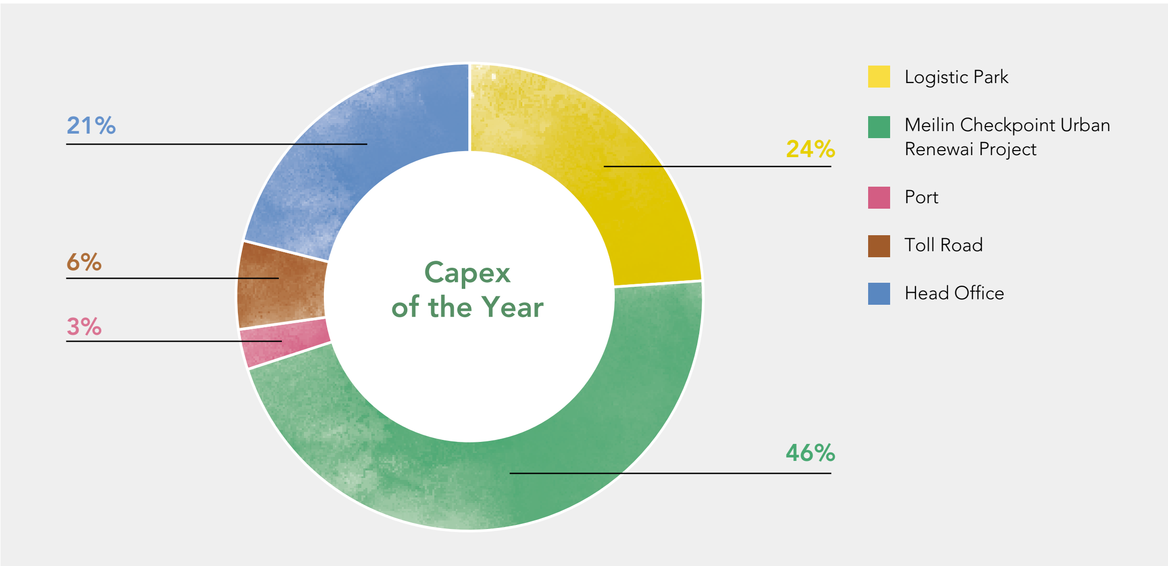
During the Year, the Group's cash flow generated from operations remained stable. Net cash inflow generated from operating activities amounted to HK$1,915 million; net cash outflow spent on investment activities amounted to HK$5,689 million; and net cash outflow spent on financing activities amounted to HK$1,197 million. The Group's core businesses maintained a stable cash inflow, while the Group closely monitored changes in total borrowings with a view to maintaining its financial ratios at a healthy level. During the Year, the Group reduced its total borrowings by 5% in an ongoing effort to optimise its borrowing structure, resulting in the lowering of its ratio of total borrowings to total equity by 1 percentage point to 44% and a more solid financial conditions for the Group.

CASH BALANCE

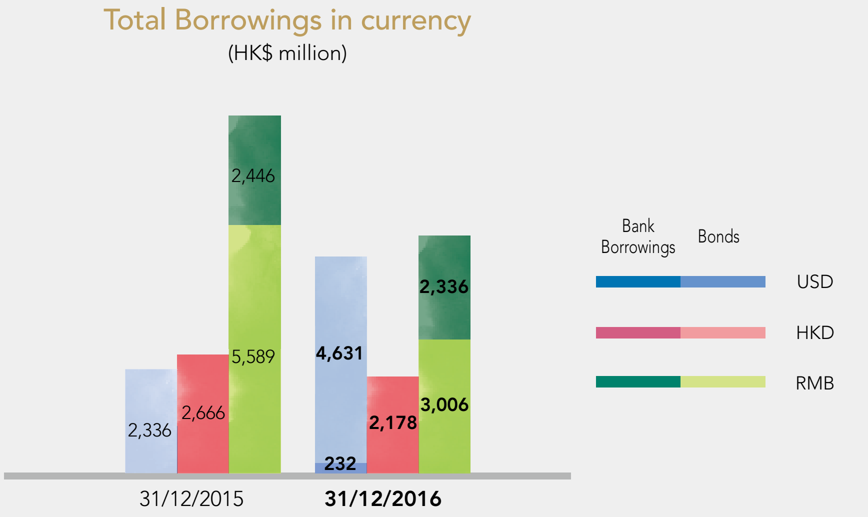
As at 31 December 2016, the cash balance held by the Group amounted to HK$11,424 million (31 December 2015: HK$15,635 million), representing a decrease of 27% as compared to the corresponding period of the previous year, attributable mainly to capital expenditure amounting to RMB5,500 million incurred for the Year. Cash held by the Group is primarily denominated in Renminbi, with a view to facilitating the Group's operation and development in China. The Group will further strengthen its capital management subject to a prudent treasury policy, aiming at a higher return on its cash portfolio which would provide support for the development of the urban integrated logistic hub business.

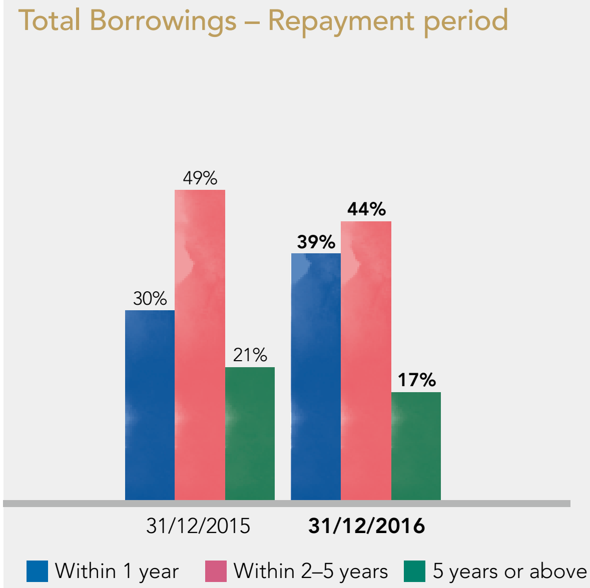
CAPITAL EXPENDITURES

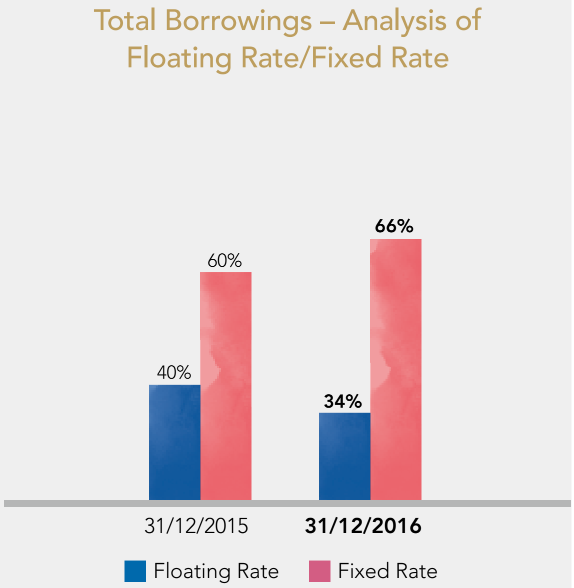
During the Year, the Group's capital expenditure amounted to RMB5,500 million (HK$6,200 million), of which RMB2,500 million was utilised for the payment of 70% of the land premium for the land parcels of the Meilin Checkpoint Urban Renewal Project, RMB1,280 million was utilised for construction works and land acquisition in respect of the China Urban Integrated Logistics Hub, and RMB1,160 million was utilised for the purchase of an office building as our head office. The Group expects the capital expenditure for the year 2017 to be approximately RMB4,800 million (HK$5,300 million), of which RMB1,400 million will be utilised for China Urban Integrated Logistics Hub projects, approximately RMB1,270 million will be utilised for the Hunan Yichang Expressway Project and RMB830 million will be utilised for the Outer Ring Expressway Project.



BORROWINGS







As at 31 December 2016, the Group's total borrowings amounted to HK$12,383 million, representing a decrease of 5% as compared to the corresponding period of the previous year. Out of the total borrowings, amounts due within 1 year, 2-5 years and 5 years or above accounted for 39%, 44% and 17%, respectively. The fixed-interest borrowing ratio of the Group increased by 6 percentage points to 66%, as compared to the end of the previous year.

THE GROUP'S FINANCIAL POLICY

Interest Rate Risk Management

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

Exchange Rate Risk

Cash flows, cash on hand and assets for business operated by the Group are primarily denominated in Renminbi, whereas borrowings are mainly denominated in Renminbi, Hong Kong Dollar and US Dollar. The management of the Group has been closely monitoring the fluctuation and movements of the Renminbi exchange rate. While the People's Bank of China maintained a prudent monetary policy during the Year, the RMB to USD exchange rate suffered a temporary setback following the Brexit referendum in June which voted for an exit by the United Kingdom from the European Union and the sworn-in of the new U.S. President. The RMB exchange rate during the year was relatively volatile thus conceding approximately 7% in value against the US Dollar, resulting in net foreign exchange loss for the Group amounting to HK$180 million. The Group strives to mitigate the impact of exchange rate fluctuations on its overall financial performance and to minimise financial risks and the management has conducted a detailed analysis and study into the movement of Renminbi exchange rate. Increasing volatility in the Renminbi exchange rate is expected in 2017. The Group will adjust the currency structure of its borrowings and utilising appropriate hedging instruments to reduce the impact of fluctuation in the exchange rate of Renminbi.

Liquidity Risk Management

The Group currently has cash on hand and standby banking facilities of approximately HK$45,600 million. The Group has signed agreements with major banks in Hong Kong and Mainland China to secure credit facilities for the Group. We regularly monitor cash flow forecasts on a rolling basis and, taking into consideration our current asset level and funding needs, we may enter into new financing arrangements to meet future cash flow requirements and ensure our capability of ongoing operation and business expansion.

The Group continues to strengthen its financial positions by expanding its financing channels through bank loans and bond issues. The Group takes advantage of onshore and offshore markets to enhance its financial flexibility and efficiency of capital utilisation. In February 2017, the Company obtained the approval from the China Securities Regulatory Commission ("CSRC") for the issuance of corporate bonds in an aggregate principal amount not exceeding RMB5,000 million in The People Republic of China. The Company may issue the Panda Bonds in several tranches within 24 months from the date of CSRC approval in order to meet the capital expenditure requirements of its future logistics projects.

Credit Ratings

During the Year, leading international credit rating agency Moody's upgraded the rating of the Company from Baa3 to Baa2, while Standard & Poor's and Fitch Ratings maintained their respective BBB investment grade credit rating for the Company. Moreover, domestic credit rating agencies United Credit Ratings Co., Ltd and Pengyuan Credit Rating Co., Ltd assigned a "AAA" rating to the Company and its Panda Bonds, being the highest credit rating in the PRC. These ratings reflect the quality of the Company's assets and its stable financial position, adequate cash flow and strong credit standing. The recognition from these five credit rating agencies will facilitate further expansion of the Group's financing channels, which will enable the Group to optimise its capital structure and seek financing at lower costs.

PLEDGE OF ASSETS, GUARANTEES AND CONTINGENT LIABILITIES

For details of the Group's pledge of assets, guarantees and contingent liabilities as at 31 December 2016, please refer to notes 22 and 38 respectively of the consolidated financial statements.

Outlook for 2017

Looking to 2017, the business environment will become more challenging, as growing uncertainties are expected in the global economic developments and landscape. Nonetheless, new policies announced by the Chinese Government, including measures relating to urbanisation, "Internet plus" and "One Belt, One Road", are set to fuel the long-term growth of the Chinese economy and present favourable opportunities for the Group. With a positive outlook for the future and in persistent implementation of our strategies, the Group will vigorously advance the investment in and construction and operation of the "China Urban Integrated Logistics Hub" projects as well as the transformation, upgrade and resource integration of existing logistic parks, while actively identifying opportunities for acquisition of well-developed assets in logistics to further expand the Group's logistic business.

In 2017, the Group will drive the investment in and construction of the "China Urban Integrated Logistics Hub" projects in the Pearl River Delta region, Yangtze River Delta region and Beijing region, as well as in logistic gateway cities where the Group has yet to establish its presence, such as Kunming. In addition, construction of the projects in Wuxi, Shijiazhuang, Nanchang, Hangzhou and Guizhou have commenced according to schedule, which are expected to be completed and put into operation in 2017. At the same time, the Group will strive to acquire the land use rights for the Liguang land parcels in Longhua New Area in Shenzhen and commence preparatory work for construction of the project. Offering a total gross floor area of 250,000 square metres, the Liguang land parcels will be developed into the Shenzhen gateway for "China Urban Integrated Logistics Hub", which will further strengthen the Group's market share in the logistics market of Shenzhen.

Benefitting from surging land prices in Shenzhen in recent years, the land parcels of the Meilin Checkpoint Project are set to enjoy further growth in value. In the meantime, the Group is studying ways to realise the value of the land parcels of the Meilin Checkpoint Project, so as to maximise the commercial value of these land parcels and will strive to commence the construction works in 2017.

In connection with the Qianhai Project, the Group will continue to drive the implementation of land consolidation and preparation of all five land parcels with an aggregate site area of approximately 380,000 square metres in Qianhai owned by the Group, including the time of assessment and value of the land under the previous and new land use arrangements, the commencement date of the term in respect of the land swap, the party which owns the value of land under the previous land use arrangements and the ratio of profit sharing in respect of the increase in the value of land under the new land use arrangements, in order to generate a higher economic value from the land parcels of Qianhai Project owned by the Group.

In connection with our toll road business, new urbanisation will generate great demand for construction or upgrades of infrastructure facilities and demand for maintenance and management once such infrastructure facilities are put in use, thereby creating further business opportunities for the Group. The Group will continue to consolidate and enhance the performance of its principal toll road business by further strengthening cost management and adopting target-specific promotion and marketing strategies for its road network, while actively identifying investment projects relating to its principal toll road business with a view to increasing toll revenue. In January 2017, Shenzhen Expressway entered into a transfer agreement with an independent third party to acquire 100% interests in Yichang Expressway in Hunan, further enhancing the core advantage of the Group's toll road business.

In early 2017, the Company received approval to issue corporate bonds with an amount of not exceeding RMB5 billion in the PRC (the "Panda Bonds"). The Company will issue the Panda Bonds at an opportune time depending on market conditions. The Company believes that the issue of the Panda Bonds will further diversify the Group's funding channels and facilitate its future business expansion.

HUMAN RESOURCES PHILOSOPHY

The Group's human resources management is always regarded as a core component of the Group's overall strategy, striving to establish a scientific management platform for human resources with an aim to promote a fair and equitable work environment for employees and thus provide sustainable support of talents for the development of the Group.

STAFF AND POLICY ON REMUNERATION AND BENEFITS

For the year ended 31 December 2016, the Company and its subsidiaries employed a total of 7,232 employees. The employee benefit expenses for the Year, inclusive of directors' emolument, was approximately HK$942 million (2015: approximately HK$821 million).

A comprehensive management system of remuneration, motivation and performance appraisal of the Group has been in place and constantly optimised. Salary is commensurate with employees' position value, competence and performance and with reference to the prevailing market conditions. Staff performance is assessed on a regular basis and the outcome of which will be reflected in remuneration and promotion. Besides, to accommodate the Group's long-term development, the Group has established a long-term incentive mechanism under which the management, senior management of subsidiaries and key staff members of the Group will be granted options pursuant to a share option scheme. The Group plans to enhance its existing long-term incentive mechanism in future by fully supporting and promoting a launch of practicable long-term incentive solutions in which individual features of its subsidiaries will be incorporated. In addition, the Group will unceasingly evaluate and finely adjust the incentive model and procedures, attempting to build a long-term incentive mechanism applicable to the Group. Other benefits includes mandatory provident fund, medical insurance and education allowances.

STAFF DEVELOPMENT AND TRAINING PROGRAMME

The Group puts a strong emphasis on the recruitment and nurturing of talents, and constantly strengthens its talent recruitment and selection mechanism to expand talent acquisition streams. In 2016, the Group continually stepped up the recruitment of management personnel and professionals in the logistic sector based on its development strategies and business development requirements through market-oriented recruitment and graduate recruitment, in a bid to strengthen its management and professional teams and optimise its staff mix. The Group also places a strong emphasis on the training and promotion of existing staff, whereby crucial employees who deliver outstanding performance at work and show potential for development are promoted to key positions of the Group.

The Group places a strong emphasis on staff training, and endeavours to improve its all-round training system. The Group drew up annual training programme at the beginning of the Year. Up to 31 December 2016, there were a number of internal thematic training courses held with 4,783 participants in total, covering subjects such as logistics internet plus, big data management, dealing with stress at work, taxation in relation to replacing business tax with VAT, financial and human resources systems as well as new staff orientation. In addition, a "Staff Forum" has been set up to encourage staff members to express themselves, share working experience and develop co-working relationship. Besides, we strongly encourage our staff to participate in training courses organised by external institutions, so as to enhance their knowledge, abilities and to maintain themselves in good physical and mental health through continuous training.

HEALTH AND SAFETY

The Group is always committed to providing a safe, efficient and comfortable workplace for its staff. In 2016, a number of training courses and guideline briefings on work safety were organised by the Group for enhancing employees' awareness of health and safety risks and protection. Through the provision of physical check-ups and education on occupational health, the Group strives to ensure good health of its staff and provide a good working environment.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

From left to right (back row): *Mr. Tse Yat Hong, Mr. Hu Wei, Mr. Nip Yun Wing, Mr. Leung Ming Yuen, Simon, Mr. Li Lu Ning, Mr. Zhong Shan Qun, Mr. Liu Jun, Dr. Yim Fung, Mr. Ding Xun, Mr. Zhao Jun Rong and Ms. Lin Na*
From left to right (front row): *Mr. Gao Lei and Mr. Li Hai Tao*

MEMBERS OF THE BOARD

Executive Directors

Mr. Gao Lei
Chairman, Member of the Remuneration and Appraisal Committee

Mr. Gao Lei, aged 57, was appointed in September 2012 as the Chairman of the board of directors of the Company. Mr. Gao is responsible for devising the Group's overall development strategy and important systems, as well as supervising the implementation of resolutions of the general meetings and the board. Mr. Gao holds a master degree in money and banking from Xi'an Jiaotong University and is a senior economist. Mr. Gao had worked at the Shenzhen Branch of Bank of China, the Finance Office of Shenzhen Municipal People's Government and the General Office of Shenzhen Municipal People's Government. He had successively worked as the branch manager of Guangzhou Branch of Shenzhen Development Bank, the chief economist of Shenzhen Investment Holding Corporation as well as the chief economist and deputy director of Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission. During the period from 2001 to 2012, Mr. Gao also worked concurrently as a director of Guosen Securities Co., Ltd., Guotai Junan Securities Co., Ltd. and the chairman of Shenzhen Tagen Group Co., Ltd. (shares of which are listed on the Shenzhen Stock Exchange). Mr. Gao is currently a director of Ultrarich International Limited. Mr. Gao has extensive experience in finance, investment, corporate management and administration.

Mr. Li Hai Tao
Chief Executive Officer

Mr. Li Hai Tao, aged 50, was appointed in June 2016 as an executive director and the Chief Executive Officer of the Company. Mr. Li is responsible for the overall daily operations of the Group and the implementation of the Group's development strategies and the resolutions of the general meetings and the board. Mr. Li studied at Peking University HSBC Business School and previously held positions in Government departments in relation to administration for industry and commerce, personnel and labor as well as public works. Mr. Li is currently a director of Ultrarich International Limited. Mr. Li has comprehensive and in-depth understanding of Chinese social governance and practices in governmental operations after having served government departments at township, county, district and municipal levels and undertaken leadership positions with various specialised authorities over a span of more than 30 years. Mr. Li has hands-on knowledge in economic management, land development, construction works, industrial and commercial administration, foreign trade and personnel management, as well as extensive exposures to various social sectors and experiences in economic management.

Mr. Zhong Shan Qun
Member of the Nomination Committee

Mr. Zhong Shan Qun, aged 52, was appointed in January 2015 as an Executive Director of the Company. Mr. Zhong joined 新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Co., Ltd.) (formerly 深圳市高速公路開發有限公司 (Shenzhen Freeway Development Company Limited) which became a subsidiary of the Group in October 2001) in January 1994. From June 2007 and until his appointment as an executive director of the Company, Mr. Zhong was the Vice President of the Company. Mr. Zhong is currently a director of certain subsidiaries of the Company and is also the chairman of the supervisory committee of Shenzhen Expressway Company Limited. Mr. Zhong was a director of Shenzhen Expressway Company Limited. Mr. Zhong holds a bachelor's degree in highway engineering and a bachelor's degree in communications and transportation management from Changsha Communications University and also a master's degree in management science and engineering from Hunan University. Mr. Zhong has extensive experience in construction project management, logistic management and corporate management.

Mr. Liu Jun
Vice President

Mr. Liu Jun, aged 53, joined the Group as a Vice President in April 2000 and was appointed in May 2004 as an Executive Director of the Company. Mr. Liu is currently a director of Shenzhen Airlines Company Limited. Mr. Liu graduated from Nanjing University of Science and Technology with a bachelor's degree in computer software and a master's degree in management system engineering. Mr. Liu was a director of CSG Holding Co., Ltd. and Shenzhen Expressway Company Limited and is currently a director of Ultrarich International Limited. Mr. Liu has over 20 years of experience in corporate development, financial management and foreign enterprise investment and management.

Mr. Li Lu Ning
Vice President

Mr. Li Lu Ning, aged 57, was appointed in September 2012 as an Executive Director of the Company. He is also a Vice President of the Company. Mr. Li holds a bachelor's degree in law from Nankai University and is a senior economist. Mr. Li had successively worked as the deputy general manager of Shenzhen Dachanwan Investment & Development Co., Ltd. (深圳市大鏟灣投資發展有限公司) and a director of Shenzhen Metro Group Co., Ltd. Mr. Li is currently the vice chairman of Shenzhen Airlines Company Limited and a director of Ultrarich International Limited. Mr. Li has extensive experience in corporate management.

Non-Executive Director

Dr. Yim Fung, *JP*

Dr. Yim Fung, aged 53, was appointed in May 2014 as a Non-Executive Director of the Company. Dr. Yim holds a doctorate in Economics from the Graduate School of the Chinese Academy of Social Sciences（中國社會科學院研究生院）and a bachelor degree in Environmental Engineering from the Tsinghua University（清華大學）, and is a senior economist. Dr. Yim is currently the chairman and an executive director and the chief executive officer of Guotai Junan International Holdings Limited and an independent non-executive director of Beijing Urban Construction Design & Development Group Co., Limited. Dr. Yim has over 25 years of experience in the securities industry.

Independent Non-Executive Directors

Mr. Leung Ming Yuen, Simon
Chairman of the Audit Committee, Member of the Nomination Committee and Remuneration and Appraisal Committee

Mr. Leung Ming Yuen, Simon, aged 68, was appointed in March 2000 as an Independent Non-Executive Director of the Company. Mr. Leung is an associate member of The Chartered Institute of Bankers and has over 30 years of experience in the banking sector including worked as the head of Credit Risk Management of Greater China at Deutsche Bank AG.

Mr. Ding Xun
Chairman of the Nomination Committee and Remuneration and Appraisal Committee, Member of the Audit Committee

Mr. Ding Xun, aged 57, was appointed in October 2001 as an Independent Non-Executive Director of the Company. Mr. Ding graduated from Maritime Transportation University of Shanghai. He had worked in the Ministry of Communications of the PRC and Guangdong Enterprises (Holdings) Limited. He was also a director of Guangdong Investment Limited, the vice-chairman of Guangdong Brewery Holdings Limited and an independent non-executive director of Dragonite International Limited (formerly known as Ruyan Group (Holdings) Limited). Mr. Ding has extensive experience in corporate development and management.

Mr. Nip Yun Wing
Member of the Audit Committee

Mr. Nip Yun Wing, aged 63, was appointed in August 2004 as an Independent Non-Executive Director of the Company. Mr. Nip is currently an executive director and the financial controller of China Overseas Land & Investment Limited. He is a Fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Nip graduated from the Department of Accountancy of The Hong Kong Polytechnic (now renamed as The Hong Kong Polytechnic University) and holds a Master of Business Administration degree from The Chinese University of Hong Kong. He has extensive experience in corporate finance, investment and management and had served as an executive director for several listed companies in Hong Kong.

Senior Management

Mr. Zhao Jun Rong
Vice President

Mr. Zhao Jun Rong, aged 52, joined the Group as legal consultant, assistant to the Chief Executive Officer and manager of the Strategic Development Department in October 2001 and was appointed as a Vice President of the Company in June 2007. Mr. Zhao graduated from Xiamen University with a master's degree in international economic law and was a lawyer. Mr. Zhao worked successively at China Ping An Insurance Co. and Shenzhen Investment Holding Corporation. Mr. Zhao has extensive experience in corporate management and the legal profession. Mr. Zhao is currently a non-executive director of Shenzhen Expressway Company Limited.

Mr. Hu Wei
Vice President

Mr. Hu Wei, aged 54, was appointed as a Vice President of the Company in August 2011. Mr. Hu graduated from Changsha Railway University (now known as Central South University) with a bachelor's degree in foreign languages (English). He also obtained a master's degree in risk management from University of South Australia and is a senior economist. He worked in a number of organisations including Changsha Railway University, Henan Provincial Commission for Foreign Economic Relations and Trade, Henan Hongkong (Holdings) Limited (the window corporate of Henan Province in Hong Kong) and China Everbright Bank. Mr. Hu has extensive experience in corporate management including investment, financing, capital operations, auditing and risk management. As nominated by the Company, Mr. Hu is currently an executive director and the chairman of the board of directors of Shenzhen Expressway Company Limited.

Mr. Tse Yat Hong
Chief Financial Officer

Mr. Tse Yat Hong, aged 47, joined the Group as Chief Financial Officer in June 2000. Mr. Tse is responsible for the Group's financial management and planning and coordinating the Group's major transactions. Mr. Tse graduated from Monash University in Australia with a bachelor's degree in accounting and computer science. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and a FCPA of CPA Australia. Mr. Tse is currently a non-executive director of Shenzhen Expressway Company Limited and an independent non-executive director of China Huirong Financial Holdings Limited. Prior to joining the Company, Mr. Tse worked in the audit profession in one of the international accounting firms for years. Mr. Tse has extensive experience in accounting, finance and corporate governance matters of listed companies and has broad knowledge in accounting and financial rules and regulations in Hong Kong and China.

Ms. Lin Na
Vice President

Ms. Lin Na, aged 50, was appointed as a Vice President of the Company in February 2017. Ms. Lin graduated from College of Economics Jinan University majoring in International Economics and is a senior economist. Prior to joining the Company, Ms. Lin had successively worked as the vice general manager and general manager of various business units of the headquarter and president of Offshore Banking Department for Ping An Bank Co., Ltd. (formerly Shenzhen Development Bank Co., Ltd.). Ms. Lin has extensive experience in the finance industry and corporate management.

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2016 (the "Year").

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group is principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities and information services platform. Particulars of the principal activities of the Company's principal subsidiaries are set out in note 41 to the consolidated financial statements.

Particulars of a discussion and analysis on the activities specified in Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the Group's business, a discussion on the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, are set out in this report with the rest setting out in the sections headed "**CHAIRMAN'S STATEMENT", "MANAGEMENT DISCUSSION AND ANALYSIS**"and "**CORPORATE GOVERNANCE REPORT**" in this annual report. The above sections form an integral part of this annual report.

RESULTS OF THE GROUP

The Group's results for the year ended 31 December 2016 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 77 to 152.

DIVIDENDS

The Board recommended a final dividend of HK$0.43 per share for the Year (2015: a final dividend of HK$0.50 per share). The total dividend for the Year amounted to approximately HK$842 million (2015: HK$950 million).

The Board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Share Scheme"). The Scrip Share Scheme is subject to: (1) the approval of the proposed final dividend at the forthcoming annual general meeting; and (2) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the scrip shares to be issued pursuant thereto. Details of the Scrip Share Scheme and the election form will be sent to shareholders of the Company on or about 26 May 2017. It is expected that the dividend warrants and certificates for scrip shares allotted under the Scrip Share Scheme will be despatched to shareholders on or about 23 June 2017.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on pages 5 to 7 of this annual report.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during the Year are set out in note 7 to the consolidated financial statements.

SHARES AND SHARE OPTIONS

Details of the movements in the issued shares and share options of the Company during the Year, together with the reasons thereof, are set out in note 20 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company (the "Bye-Laws") or the Companies Act of Bermuda which would oblige the Company to offer new shares on a pro rata basis to its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

DISTRIBUTABLE RESERVES

As at 31 December 2016, the Company's reserves available for distribution to shareholders, comprising contributed surplus, retained earnings and other distributable reserves, amounted to approximately HK$1,214,705,000 (2015: HK$1,502,418,000). The share premium of the Company may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

Both the revenue attributable to the largest five customers combined and the purchases attributable to the largest five suppliers combined of the Group accounted for less than 30% of the Group's total revenue and purchases respectively for the Year.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group emphasizes on thinking from the customers' perspective, actively responding to the customers' major concerns, establishing a smooth and regulated mechanism for customer communication and expanding channels for customers to provide feedback, so as to offer quality services throughout the entire customer service process to strive for joint development, harmony and mutual benefits with its customers.

The Group maintains harmonious, mutually trusting and mutually beneficial partnerships with its suppliers. In its logistic park, port and toll road business, the Group adheres to fairness, justice and open procurement, honors the contracts in accordance with law and establishes strategic partnerships with its partners to jointly improve work quality and efficiency and achieve common goals.

DIRECTORS

The directors of the Company (the "Directors") during the Year and up to the date of this report were:

Executive Directors:
Mr. Gao Lei *(Chairman)*
Mr. Li Hai Tao (appointed on 8 June 2016)
Mr. Li Jing Qi (resigned on 8 June 2016)
Mr. Zhong Shan Qun
Mr. Liu Jun
Mr. Li Lu Ning

Non-Executive Director:
Dr. Yim Fung

Independent Non-Executive Directors:
Mr. Leung Ming Yuen, Simon
Mr. Ding Xun
Mr. Nip Yun Wing

In accordance with the Company's Bye-Law 100 (supplemented by By-Law 189(v)), Mr. Li Hai Tao will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election as a Director.

In accordance with the Company's Bye-Law 109(A), Messrs. Zhong Shan Qun, Yim Fung and Ding Xun will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election as Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

None of the Directors or their respective connected entity (within the meaning of Companies (Directors' Report) Regulation (Cap. 622D)) had a material interest, whether directly or indirectly, in any transaction, arrangement and contract of significance to the business of the Group to which the Company, any of its subsidiaries, the holding company of the Company or any of its subsidiaries was a party subsisting during or at the end of the Year.

DIRECTORS' INTERESTS IN SECURITIES

The interests in securities of the Directors are separately disclosed in the section headed "**DISCLOSURE OF INTERESTS**" on pages 69 to 70 of this annual report. In addition, the interests of the Directors in the share options of the Company are disclosed in the section headed "**SHARE OPTION SCHEME**" below.

Save as disclosed in the sub-section headed "**DIRECTORS' INTERESTS IN SECURITIES**" under the section headed "**DISCLOSURE OF INTERESTS**" on pages 69 to 70 of this annual report and the section headed "**SHARE OPTION SCHEME**" as set out below, at no time during the year ended 31 December 2016 was the Company, any of its subsidiaries, the holding company of the Company or any of its subsidiaries a party to any arrangement to enable the Directors, chief executives, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company had operated a share option scheme (the "Expired Scheme") for 10 years from 30 April 2004 to 29 April 2014. Upon the expiration of the Expired Scheme, the Company approved and adopted a new share option scheme (the "New Scheme") for 10 years with effect from 16 May 2014 at the annual general meeting held on 16 May 2014.

Both the Expired Scheme and the New Scheme aimed to reward, encourage and motivate the eligible participants who made contributions to the Group. Eligible participants of such schemes who are determined by the Board include (a) any full-time employee of the Group, (b) any director (including executive, non-executive or independent non-executive directors) of the Group, associates and joint ventures of the Group or (c) any substantial shareholder of the Company.

The following table lists the details of the outstanding share options which were granted under the Expired Scheme and the New Scheme and their movements during the Year (Note 1):

Name and category of participants	Date of grant of share options	Exercise period of share options	Exercise price of share options *(Note 6)* HK$	Number of unlisted share options (physically settled equity derivatives)					Share price of the Company *(Note 7)*	
				As at 1 January 2016	Granted during the Year	Exercised during the Year	Cancelled/ lapsed during the Year	As at 31 December 2016	As at the date of grant of share options HK$	As at the date of exercise of share options HK$
Directors										
Mr. Gao Lei	*29 January 2014 (Notes 2,8)*	29 January 2016 to 28 January 2019	10.40	1,400,000	–	–	–	1,400,000	9.700	N/A
Mr. Li Hai Tao *(Note 3)*	22 June 2016 *(Notes 4,9)*	22 June 2016 to 28 January 2019	11.592	–	410,000	–	–	410,000	11.660	N/A
Mr. Li Jing Qi *(Note 5)*	29 January 2014 *(Notes 2,8)*	29 January 2016 to 28 January 2019	10.40	1,330,000	–	–	–	1,330,000	9.700	N/A
Mr. Zhong Shan Qun	29 January 2014 *(Notes 2,8)*	29 January 2016 to 28 January 2019	10.40	1,050,000	–	–	–	1,050,000	9.700	N/A
Mr. Liu Jun	29 January 2014 *(Notes 2,8)*	29 January 2016 to 28 January 2019	10.40	1,050,000	–	–	–	1,050,000	9.700	N/A
Mr. Li Lu Ning	29 January 2014 *(Notes 2,8)*	29 January 2016 to 28 January 2019	10.40	1,050,000	–	–	–	1,050,000	9.700	N/A
				5,880,000	410,000	–	–	6,290,000		
Other employees										
In aggregate	29 January 2014 *(Notes 2,8)*	29 January 2016 to 28 January 2019	10.40	25,900,000	–	1,152,000	1,450,000	23,298,000	9.700	12.08
	22 June 2016 *(Notes 4,9)*	22 June 2016 to 28 January 2019	11.592	–	7,010,000	–	–	7,010,000	11.660	N/A
				25,900,000	7,010,000	1,152,000	1,450,000	30,308,000		
				31,780,000	7,420,000	1,152,000	1,450,000	36,598,000		

Notes:

(1) *As the consolidation of every 10 shares of the Company with a nominal value of HK$0.10 each into 1 consolidated share of the Company with a nominal value of HK$1.00 each (the "Share Consolidation") became effective on 13 February 2014, the information regarding the share options granted under the Expired Scheme (including exercise price, number and share price of the Company) was disclosed on the basis of the information after the Share Consolidation became effective.*
(2) *40% of these share options granted have been vested on 29 January 2016; another 30% of these share options granted have been vested on 29 January 2017; and the remaining 30% of these share options will be vested on 29 January 2018. Vesting of these share options in 2018 is conditional upon the achievement of certain performance targets by the individual grantees and the Group.*
(3) *Mr. Li Hai Tao was appointed as an executive director and the Chief Executive Officer of the Company on 8 June 2016.*
(4) *40% of these share options granted have been vested immediately on 22 June 2016; another 30% of these share options granted have been vested on 29 January 2017; and the remaining 30% of these share options will be vested on 29 January 2018. Vesting of these share options in 2018 is conditional upon the achievement of certain performance targets by the individual grantees and the Group.*
(5) *Mr. Li Jing Qi has resigned as an executive director and the Chief Executive Officer of the Company on 8 June 2016.*
(6) *The exercise price of the share options was subject to adjustment in the event of rights or bonus issues or other similar changes in the Company's share capital.*
(7) *The share price of the Company disclosed as at the date of the grant of the share options was the closing price as quoted on the Stock Exchange of the trading day immediately prior to the date of the grant of the share options. The share price of the Company disclosed as at the date of exercise of the share options was the weighted average closing price of the shares immediately before the date(s) on which the share options with the disclosure category were exercised.*
(8) *Granted under the Expired Scheme.*
(9) *Granted under the New Scheme.*

The Group is in compliance with the requirements as stipulated in Hong Kong Financial Reporting Standard 2 "Share-based Payment". During the Year, provisions amounting to HK$23,942,000 were made for the cost of share options granted by the Company, and was already recognised in the consolidated income statement. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which lapse or are cancelled prior to the expiration of their exercise date are deleted from the register of outstanding share options.

Details of the model and significant assumptions used to estimate the fair value of the share options granted by the Company to eligible participants during the Year are set out in note 20 to the consolidated financial statements. Such option pricing model requires input of subjective assumptions. Any changes in the subjective input assumptions may materially affect the estimation of the fair value of the share options.

The total number of shares of the Company available for issue under the New Scheme is 165,905,769 shares which represent approximately 8% of the issued shares of the Company as at the date of this annual report.

Under both the Expired Scheme and the New Scheme, the total number of shares of the Company issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding share options) in any 12-month period must not exceed 1% of the shares of the Company in issue. Further, where any further grant of share options to an eligible participant would result in the shares of the Company issued and to be issued upon exercise of all share options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares of the Company in issue, such further grant must be separately approved by the shareholders of the Company in general meeting.

Under both the Expired Scheme and the New Scheme, an offer of a grant of share options may be accepted within 7 days from the respective date of the offer with a cash consideration of HK$1 payable by the grantee to the Company. The period for the exercise of a share option granted under both schemes is determined by the Board, but in any event such period shall not go beyond 5 years from the date of offer.

Under both the Expired Scheme and the New Scheme, the subscription price is solely determined by the Board and shall be at least the higher of: (i) the closing price of the shares of the Company as stated in the daily quotations sheet of the Stock Exchange on the date of offer; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES

The interests in shares of the Company held by substantial shareholders of the Company and other persons are separately disclosed in the section headed "**DISCLOSURE OF INTERESTS**" on pages 69 to 70 of this annual report.

PERMITTED INDEMNITY PROVISIONS

During the Year and up to the date of this annual report, the Company has in force permitted indemnity provisions which are provided for in the Company's Bye-Laws and in the directors and officers liability insurance maintained for the Group in respect of potential liability and costs associated with legal proceedings that may be brought against the Directors and the directors of the Group respectively.

RELATED PARTY TRANSACTIONS, CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

(1) Related party transactions

Details of significant related party transactions of the Group (which do not constitute connected transactions and continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) are set out in note 40 to the consolidated financial statements.

(2) Continuing connected transactions

On 16 June 2016, Shenzhen Expressway Company Limited ("Shenzhen Expressway", a 50.889%-owned subsidiary of the Company) and 深圳市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited, the "Project Company", a wholly-owned subsidiary of Shenzhen Investment Holdings Company Limited ("SIHCL", the controlling shareholder of the Company)) entered into an entrustment agreement, pursuant to which the Project Company shall entrust the management and maintenance of the highway assets and related ancillary facilities and the operation of toll collection of the phase I project of 廣深沿江高速公路深圳段 (Guangshen Coastal Expressway Shenzhen Section, "Coastal Expressway Phase I") to Shenzhen Expressway during the period from 1 January 2014 to 31 December 2016, whereby Shenzhen Expressway shall exercise and perform on behalf of the Project Company such rights and obligations as are relevant to the operation and management of Coastal Expressway Phase I for service fees of RMB18 million per annum.

As SIHCL and the Project Company are connected persons of the Company and Shenzhen Expressway, the aforesaid transaction constitutes a continuing connected transaction of the Group under Chapter 14A of the Listing Rules. For further details of the aforesaid transaction, please refer to the joint announcement of the Company and Shenzhen Expressway dated 16 June 2016.

The independent non-executive directors of the Company conducted an annual review on this continuing connected transaction, and confirmed that the transaction has been carried out on normal commercial terms in the ordinary and usual course of business of the Group for the years ended 31 December 2014, 31 December 2015 and the Year, and has been proceeded during the reporting period in accordance with the entrustment agreement, the terms of which are fair and reasonable and in the interests of the Company and its shareholders as a whole. The Company's auditor have conducted an annual review on this continuing connected transaction under the requirements of the Listing Rules and have issued a letter regarding the matters described in rule 14A.56 of the Listing Rules.

(3) Connected transactions

On 9 September 2011, Shenzhen Expressway and the Project Company entered into an entrusted construction management agreement (the "Entrusted Construction Management Agreement"), pursuant to which Shenzhen Expressway was entrusted to manage the construction of the phase II project of 廣深沿江高速公路深圳段 (Guangshen Coastal Expressway Shenzhen Section, "Coastal Expressway Phase II"), whereby the Project Company was responsible for timely payment of construction cost and entrusted construction service fee for the project. To further clarify the rights and obligations, Shenzhen Expressway and the Project Company entered into a supplemental agreement to the Entrusted Construction Management Agreement (the "Supplemental Agreement") on 1 June 2016, which sets out further provisions in respect of the scope of the entrusted construction, project management objectives, provisional amount of the entrusted construction service fee and the amount of performance guarantee of Coastal Expressway Phase II.

Having taken into account of, among others, the terms of the Entrusted Construction Management Agreement and the Supplemental Agreement and the construction workload of Coastal Expressway Phase II, the total entrusted construction service fee for Coastal Expressway Phase II will not exceed RMB160 million, subject to final audit by the Audit Bureau. If the total entrusted construction service fee for Coastal Expressway Phase II is expected to exceed RMB160 million, the Group shall comply with the requirements of the Listing Rules as and when appropriate. In addition, Shenzhen Expressway has provided a guarantee of contractual performance amounting to RMB100 million in the form of letter of guarantee of contractual performance issued by a bank upon signing of the Supplemental Agreement.

As SIHCL and the Project Company are connected persons of the Company and Shenzhen Expressway, the entering into of the Supplemental Agreement constitutes a connected transaction of the Group under Chapter 14A of the Listing Rules. For further details of the entering into of the Entrusted Construction Management Agreement and the Supplemental Agreement, please refer to the joint announcements of the Company and Shenzhen Expressway dated 9 September 2011 and 1 June 2016 respectively.

(4) Others

The Company confirms that it has complied with the disclosure requirements under Chapter 14A of the Listing Rules in relation to the connected transactions and continuing connected transactions carried out during the Year and the period ended the date of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group regularly monitors and gathers information about changes in laws, regulations and rules relevant to the Group's business, strengthens the legal trainings and the exchange of legal knowledge of the staff, further deepens the mechanisms for the prevention of legal risks and promotes an in-depth integration of legal management and operational management to ensure the Group's observance of those applicable laws, rules and regulations which may have material impact on the Group and to prevent and control legal risks.

The Group commences various business projects in strict accordance with laws and regulations. The Group's logistic business and toll road business are commenced in compliance with《土地管理法》(Land Administration Law),《城鄉規劃法》(Urban and Rural Planning Law),《深圳市城市更新辦法》(Measures on Urban Renewal of Shenzhen City) and《收費公路管理條例》(Regulations on Administration of Toll Roads). The Group's logistic financing business also obtained the licence granted by the government and its daily operation also strictly complies with the government's financial regulations such as《中國銀行業監督管理委員會、中國人民銀行關於小額貸款公司試點的指導意見》(Guiding Opinions on the Pilot Operation of Microfinance Companies by the China Banking Regulatory Commission and People's Bank of China) and《深圳市小額貸款公司試點管理暫行辦法》(Interim Measures for the Pilot Management of Microfinance Companies of Shenzhen City).

POST BALANCE SHEET EVENTS

Details of events after the balance sheet date of the Group are set out in note 43 to the consolidated financial statements.

DONATIONS

During the Year, the Group made charitable and other donations amounted to approximately HK$5,372,000.

ENVIRONMENTAL PROTECTION

The Group has always put a great emphasis on environmental protection and adhered to concepts such as low-carbon and sustainable development in the course of corporate development and operation. Through improving technology and management including photovoltaic power generation, shore power supply, facilities upgrading and strengthening monitoring and appraisal, the Group strives to build green logistic parks, green ports and green expressways. Meanwhile, the Group focuses on promoting the meaning, laws and the regulations as well as policies and measures of environmental protection and calls on all the employees to action, thereby constantly raising awareness of corporate environmental protection.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the "**CORPORATE GOVERNANCE REPORT**" on pages 53 to 68 of this annual report.

AUDITOR

The financial statements for the Year have been audited by KPMG, and the financial statements for the two years ended 31 December 2014 and 2015 were audited by PricewaterhouseCoopers.

In early 2016, the Company, with the consent of its audit committee, adopted a policy in respect of change of auditor, under which the Company shall consider whether to change its auditor who have undertaken audit services continuously for over five years in order to further enhance the Company's standards of corporate governance. Accordingly, PricewaterhouseCoopers retired at the conclusion of the annual general meeting of the Company held on 13 May 2016, and KPMG were appointed as the auditor of the Company at the special general meeting of the Company held on the same day, until the conclusion of the next annual general meeting.

KPMG will retire and a resolution for their re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Gao Lei
Chairman

Hong Kong, 28 March 2017

The Company believes that sound corporate governance goes beyond merely meeting the basic requirements of the regulatory authorities for listed companies' operation. More importantly, sound corporate governance fulfills the Company's internal development needs. Several governance guidelines and procedures have been established over the years, including "Constitution of the Board of Directors", "Terms of reference of Executive Board Committee" and "Rules Governing Information Disclosure". These rules aim at clearly defining the duties, scope of authority and standards of conduct, thereby enhancing corporate governance standards which are continually reviewed and improved through practice. In 2016, the Group further clarified the reporting channels and investigation procedures to report misconduct for the staff of the Group by implementing "Whistleblowing Policy", thereby committing to high standards of professional and ethical conduct of the Group. In addition, "The Rules on Performing Duties by the Chief Executive Officer" was formulated during the year to specify the scope of authority and the decision-making process of the Chief Executive Officer and the management of the Company, which further improves the corporate governance structure of the Company for regulatory requirements.

Throughout the year ended 31 December 2016 (the "Year"), the Company has complied with the code provisions set out in "Corporate Governance Code and Corporate Governance Report", Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), save that a non-executive director of the Company who had a prior-committed meeting at that time, was unable to attend the Company's special general meeting ("SGM") held on 28 January 2016.

The Company aims to continually enhance its corporate governance practices, thereby laying a good foundation for promoting the Company's sustainability and enhancing value for the shareholders (the "Shareholders"). Below are the corporate governance practices adopted by the Group:

THE BOARD

Composition of the Board

As at the date of this report, the board of directors of the Company (the "Board") consists of nine directors, including five executive directors: Messrs. Gao Lei, Li Hai Tao (appointed on 8 June 2016), Zhong Shan Qun, Liu Jun and Li Lu Ning; one non-executive director: Dr. Yim Fung; and three independent non-executive directors: Messrs. Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing. The independent non-executive directors represented at least one-third of the Board throughout the Year as required under the Listing Rules.

The Company comprises directors with professional background and/or extensive expertise in the Group's business and experience in corporate management. They complement each other with regard to their expertise.

Biographical details of the directors of the Company are set out in the section headed "Biographies of Directors and Senior Management" on pages 42 to 45 of this annual report.

The Chairman and the Chief Executive Officer

The Chairman and the Chief Executive Officer of the Company are two distinct and separate positions, which are held by Mr. Gao Lei and Mr. Li Hai Tao respectively, and they are both executive directors of the Company. The Chairman is responsible for the effective running of the Board whereas the Chief Executive Officer is responsible for day-to-day operation of the Group's business. The respective responsibilities of the Chairman and Chief Executive Officer have been clearly established and set out in written form as "The Roles of the Chairman and Chief Executive Officer" of the Company.

Independent non-executive directors

The independent non-executive directors of the Company are all professionals with extensive experience in finance, financial affairs and corporate management. They can evaluate the holistic development of the Group more objectively when making decisions and perform monitoring functions.

The Board has received from each independent non-executive director a written annual confirmation of their independence and the Company considers that all independent non-executive directors are independent pursuant to the requirements as set out in the Listing Rules.

Change in Board member during the Year

On 8 June 2016, Mr. Li Jing Qi resigned as the Chief Executive Officer and an executive director of the Company and Mr. Li Hai Tao was appointed as the Chief Executive Officer and an executive director of the Company.

Appointment of directors

Each director of the Company (including the non-executive director) entered into a service contract with the Company for a term of three years and is subject to retirement by rotation but is eligible for re-election at the annual general meeting in accordance with the bye-laws of the Company. None of the directors of the Company proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Company's bye-laws have specified that all new directors of the Company appointed during the year to fill a casual vacancy or as an addition to the Board are subject to re-election by Shareholders at the first annual general meeting after appointments. Each director shall be subject to retirement by rotation at least once every three years pursuant to the Company's bye-laws. Mr. Li Hai Tao has been appointed as an executive director of the Company after the annual general meeting of the Company (the "AGM") held in 2016, and he will stand for election by the Shareholders at the AGM to be held on 17 May 2017.

The Board considers that its diversity is a vital asset to the business. The Board adopted a Board Diversity Policy in 2013 for better transparency and governance.

Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

Role and responsibilities of the Board

The Board is responsible for leading the Group's development, establishing the Group's strategic goals, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives. The principal duties of the Board are to manage and decide on the Group's strategic plans, management structures, investment and funding, financial control, human resources, and so forth. Significant matters of the Group are required to be approved by the Board, including (but not limited to) the following:

- formulating corporate development plans;
- formulating the Company's operational and management strategies;
- approving financial statements;
- approving notifiable transactions and connected transactions of the Group as required under the Listing Rules;
- formulating and approving internal control and risk management systems; and
- distributing dividends.

BOARD MEETINGS AND PROCEDURES

The Board meets regularly and holds at least four meetings a year at approximately quarterly interval. The Company will convene Board meetings to discuss and consider all contemplated significant transactions, connected transactions or notifiable transactions as required under the Listing Rules so as to give all directors of the Company an opportunity to attend in person and provide their comments before the Group proceeds with the same. If a substantial shareholder or a director has a conflict of interest in a material matter, a Board meeting shall be held and the interested director shall abstain from voting.

In 2016, a total of six Board meetings were held. Notice of at least 14 days were given for regular Board meetings and notice of at least seven days were given for meetings other than regular meetings. To ensure all directors of the Company are given opportunities to make suggestions on agenda items to be discussed at Board meetings, all draft agendas for Board meetings are provided to all directors for their comment prior to the meetings. The Chairman and non-executive directors (including the independent non-executive directors) meet at least once every year without the presence of executive directors and the management and such meeting was held in December 2016.

The following major issues were addressed at the Board meetings held in 2016:

(1) approving and considering the 2015 annual results and the payment of dividends;

(2) reviewing the results and business operations of the first and third quarters of 2016;

(3) approving the acquisition of a property situated in Shenzhen as the office premises of the Group;

(4) considering a major transaction in relation to the investment in and construction of the Shenzhen Section of Shenzhen Outer Ring Expressway (Coastal Expressway — Shenshan Expressway Section) by the Group;

(5) considering the appointment of the new auditor for 2016;

(6) approving a continuing connected transaction in relation to provision of the entrusted operational management service to Phase I of Guangshen Coastal Expressway Shenzhen Section by the Group;

(7) approving a connected transaction in relation to the execution of a supplemental agreement by the Group in relation to entrusted construction of Phase II of Guangshen Coastal Expressway Shenzhen Section;

(8) approving the appointment of Mr. Li Hai Tao as an executive director and the Chief Executive Officer of the Company;

(9) approving the amendment to the terms of reference of the Audit Committee; and

(10) approving the entering into of a capital increase agreement in relation to the introducing a cooperative partner for the joint development of residential project of the Qianhai start-up project.

TRAINING AND DEVELOPMENT OF DIRECTORS

The Company has prepared the materials "An Induction for Newly Appointed Directors" to provide every newly appointed director with related materials and documents to ensure his/her proper understanding of director's duties and responsibilities and operations of the Company. The Company Secretary is responsible for keeping all directors updated on the Listing Rules and other statutory requirements.

During the Year, all directors of the Company have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company Secretary.

	Topics on training covered		
Directors	**corporate governance**	**regulatory**	**industry-specific**
Mr. Gao Lei	✓	✓	✓
Mr. Li Hai Tao	✓	✓	✓
Mr. Zhong Shan Qun	✓	✓	✓
Mr. Liu Jun		✓	✓
Mr. Li Lu Ning			✓
Dr. Yim Fung	✓	✓	
Mr. Leung Ming Yuen, Simon	✓	✓	
Mr. Ding Xun	✓	✓	✓
Mr. Nip Yun Wing	✓	✓	

Specialised Committees of the Board

In order to assist the Board in discharging its duties in a more efficient manner, the Board has established three specialised committees, namely the Audit Committee, Nomination Committee and Remuneration and Appraisal Committee with separate terms of reference which clearly define their respective duties. They are required to review and monitor matters in specific areas of the Company and make recommendations to the Board while the right to make decision for all matters rests with the Board. Each Board committee has its terms of reference and such terms of reference have been approved by the Board.

The written terms of reference of all specialised committees specify that upon reasonable requests, the Board Committees may seek independent professional advice so that the Board Committees can properly discharge their responsibilities to the Company. The costs for engaging professional advice shall be borne by the Company.

The responsibilities of and the work performed by each Board committee during 2016 are set out below:

Audit Committee (established in 1995)

The Audit Committee consists of three independent non-executive directors of the Company, namely Mr. Leung Ming Yuen, Simon (Chairman), Mr. Ding Xun and Mr. Nip Yun Wing.

Responsibilities and work performed in 2016

Under the terms of reference of the Audit Committee, the main duties of the Audit Committee include the following:

- to make recommendation to the Board on the appointment and removal of the auditor of the Company, and to approve the remuneration and terms of engagement of the auditor, and to deal with any matters in connection with the resignation or dismissal of the auditor;
- to monitor the completeness of financial statements of the Company and to review significant opinions in respect of the financial information contained therein;
- to review the Group's financial control, internal control and risk management systems and to review the Group's representations on internal control systems contained in the annual report;
- to discuss with the management on the internal control system and to ensure that the management has discharged its duty to establish an effective internal control system, including reviewing the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions; and
- to review arrangements by which employees, in confidence, can raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee is to ensure proper arrangements are in place for the fair and independent investigation into such concerns and appropriate follow up actions.

The Audit Committee held 4 meetings during 2016 and the following major issues were reviewed and discussed at the meetings:

- reviewing the annual results for 2015 and the interim results for 2016, and confirmed the related disclosures in the financial statements were complete, accurate and fair and recommended the same to the Board for approval;
- approving the auditor's fees for the audit of 2015 annual financial statements and fees for the review of 2016 interim financial statements;
- considering the appointment of the new auditor for 2016 and made recommendation to the Board;
- reviewing the amendment to the terms of reference of the Audit Committee and presented it to the Board for approval;
- reviewing the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting functions and their training programme and related budget; and
- reviewing the relevant procedures of internal control and risk management.

During the Year, the Audit Committee met the auditor of the Company twice in the absence of the management.

Nomination Committee (established in December 2003)

The Nomination Committee consists of two independent non-executive directors and one executive director of the Company, namely Mr. Ding Xun (Chairman), Mr. Leung Ming Yuen, Simon and Mr. Zhong Shan Qun.

Responsibilities and work performed in 2016
Under the terms of reference of the Nomination Committee, the main duties of the Nomination Committee include the following:

- to identify and recommend to the Board individuals eligible for the appointment of a director of the Company;
- to assess the qualification and experience of candidates for directors and the independence of independent non-executive directors of the Company and advise the Board thereon;
- to assess qualification and experience of the directors who are subject to retirement by rotation and re-election at each annual general meeting and advise the Board thereon;
- to review the structure, size and composition (including the skills, knowledge and experience) of the Board; and
- to review the Board Diversity Policy, as appropriate, including any measurable objectives that it has set for implementing the Board Diversity Policy and the progress on achieving these objectives.

The Nomination Committee held 2 meetings during 2016, the following major issues were reviewed and discussed during the Year:

- making recommendation to the Board on the appointment of Mr. Li Hai Tao as an executive director and the Chief Executive Officer of the Company;
- reviewing and confirming the independence of the 3 independent non-executive directors;
- reviewing the structure, composition and diversity of the Board; and
- evaluating and making recommendation as to the performance of the directors of the Company who were subject to retirement by rotation and re-election at the 2016 AGM.

Regarding the nomination of candidates as directors of the Company, the Nomination Committee would consider a number of factors including gender, age, length of service, professional qualification and experience. The Nomination Committee will also assess the merits and contribution of any candidate nominated to be a director and against the objective criteria, with due regard for the benefits of diversity on the Board that would complement the existing Board.

Remuneration and Appraisal Committee (established in December 2003)

The Remuneration and Appraisal Committee consists of two independent non-executive directors and one executive director of the Company, namely Mr. Ding Xun (Chairman), Mr. Leung Ming Yuen, Simon and Mr. Gao Lei.

Responsibilities and work performed in 2016

Under the terms of reference of the Remuneration and Appraisal Committee, the main duties of the Remuneration and Appraisal Committee include the following:

- to determine the level, policy and structure of remuneration of directors and senior management of the Company, and to establish a formal and transparent procedure for developing policy on such remuneration;
- to review and approve performance-based remuneration by reference to corporate goals and objects resolved by the Board from time to time;
- to review and make recommendations to the Board in respect of the remuneration level of individual directors and senior management, and to ensure that no director or management or any of their associates is involved in the decision of his/her own remuneration; and
- to determine the remuneration packages of all executive directors and senior management of the Company, including benefits in kind, pension fund and compensation payments (including any compensation payable for loss or termination of their office or appointment).

The emoluments payable to executive directors of the Company are determined by reference to their experience and duties with the Company and the fees payable to non-executive directors are determined by reference to the estimated amount of time spent by them on the Company's matters. The Remuneration and Appraisal Committee determines the remuneration packages of each individual executive director and senior management, including benefits in kind, pension entitlements and compensation payments. The Remuneration and Appraisal Committee consulted the Chief Executive Officer about proposals relating to the remuneration packages of executive directors and senior management.

The Remuneration and Appraisal Committee held 2 meetings during 2016, the following major issues were reviewed and discussed during the Year:

- evaluating the performance of executive directors and senior management;
- approving bonus payments for 2015 to the senior management;
- approving the entering into of the service contract with Mr. Li Hai Tao, a newly-appointed executive director of the Company;
- approving the entering into of new service contracts with two executive directors of the Company; and
- considering the granting of share options of the Company to executive directors.

Pursuant to paragraph B.1.5 of the Corporate Governance Code, the remuneration of the members of the senior management for the Year by band is set out below:

Remuneration band	**Number of individuals**
HK$1,000,000–HK$2,000,000	2
HK$3,000,000–HK$4,000,000	1

Details of the directors' fee and other emoluments of the directors of the Company are set out in note 32 to the consolidated financial statements.

The attendance records of the Board meetings, Committee meetings and general meetings of the Company held in 2016

Details of the directors' attendance at the Board meetings, Committee meetings and general meetings of the Company held in 2016 are set out in the following table:

	Number of Meetings Attended/Number of Meetings Held						
Directors	Board	Audit Committee	Nomination Committee	Remuneration and Appraisal Committee	Executive Board Committee	2016 AGM	SGM
Executive directors							
Mr. Gao Lei *(Chairman)*	6/6	N/A	N/A	2/2	19/19	✓	2/2
Mr. Li Hai Tao *Note 1*	3/3	N/A	N/A	N/A	8/8	N/A	N/A
Mr. Li Jing Qi *Note 2*	4/4	N/A	N/A	N/A	11/11	✓	2/2
Mr. Zhong Shan Qun	5/6	N/A	2/2	N/A	17/19	✓	2/2
Mr. Liu Jun	6/6	N/A	N/A	N/A	12/19	✓	1/2
Mr. Li Lu Ning	5/6	N/A	N/A	N/A	19/19	✓	2/2
Non-executive director							
Dr. Yim Fung	5/6	N/A	N/A	N/A	N/A	✓	1/2
Independent Non-executive directors							
Mr. Leung Ming Yuen, Simon	6/6	4/4	2/2	2/2	N/A	✓	2/2
Mr. Ding Xun	6/6	4/4	2/2	2/2	N/A	✓	2/2
Mr. Nip Yun Wing	4/6	4/4	N/A	N/A	N/A	✓	2/2

Notes:

(1) Mr. Li Hai Tao was appointed as an executive director and the Chief Executive Officer of the Company on 8 June 2016

(2) Mr. Li Jing Qi resigned as executive director and the Chief Executive Officer of the Company on 8 June 2016

Directors are expected to devote sufficient time and attention to performing their duties and discharging their responsibilities towards the Group. The high attendance rate of the Board and its committee meetings demonstrates the directors' strong commitment to the Company.

SUPPLY OF AND ACCESS TO INFORMATION

Agendas of all Board meetings and the accompanying Board papers are sent to all directors in a timely manner and at least seven days before the intended date of the meetings.

The management of the Company supplies the Board and its specialised committees with adequate, complete and reliable information in a timely manner to enable directors of the Company to make informed decisions. The Board and each director of the Company have separate and independent access to the Company's senior management.

To enhance communication, the Company has established an online intranet system for the directors of the Company and the members of all specialised committees under the Board to have access to meeting materials and documents of the Board and related committees.

The Board is provided with the Group's monthly management report which gives a balanced and understandable assessment of the Group's performance, position and prospects in sufficient details to keep the Board abreast of the Group's affairs and facilitate directors to discharge their duties under the Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Board adopted a code of conduct (the "Code of Conduct") in respect of securities transactions of the Company by directors and relevant employees of the Group on terms more stringent than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Listing Rules. Relevant employees include any employees of the Company or directors or employees of subsidiaries of the Company who, as a result of their office or employment, are likely to be in possession of inside information in relation to the Group.

The Company, having made specific enquiry to all directors of the Company, confirms that all directors of the Company have complied with the standards set out in the Model Code and the Code of Conduct at all times throughout the Year.

INSURANCE ON DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for liability insurance cover to indemnify the Board, directors and certain members of the senior management of the Company. Purchase of liability insurance for the directors of the Company can enhance the Company's ability to reduce exposure to risks. The insurance coverage is reviewed on an annual basis.

DIVISION OF AUTHORITY BETWEEN THE BOARD AND THE MANAGEMENT

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Group and the Board delegates its management and administration functions to the management, and established the Executive Board Committee to manage and monitor, on behalf of the Board, the day-to-day operations of the Group and to implement all decisions made by the Board as well as to oversee corporate governance matters of the Group.

Executive Board Committee

Members of the Executive Board Committee are appointed by the Board. The Committee consists of five executive directors, namely Mr. Gao Lei, Mr. Li Hai Tao, Mr. Zhong Shan Qun, Mr. Liu Jun and Mr. Li Lu Ning.

Responsibilities and works performed in 2016

The duties and authorities of the Executive Board Committee are set out in its written terms of reference, which mainly include:

(1) to monitor all business operations of the Group;

(2) to prepare and approve the Group's business plans and annual budget;

(3) to deal with the ordinary business of the Group and to authorise the Chief Executive Officer to lead the management for the day-to-day operations of the Group, and to authorise individual executive directors of the Company to deal with the daily operation of various businesses of the Group;

(4) to consider and review notifiable transactions of the Group as required under the Listing Rules and advise the Board thereon;

(5) to provide information and reports of the Group upon requests by the Audit Committee, to attend and to procure the management staff of the Group and professional advisors to attend the Audit Committee meetings, and to answer questions raised by the Audit Committee at such meetings;

(6) to arrange appointment of professional advisors and institutions to provide assistance and advices for specialised committees under the Board;

(7) to develop and review the Company's policies and practices on corporate governance;

(8) to develop, review and monitor the code of conduct and compliance manual applicable to employees and directors;

(9) to review and monitor the training and continuous professional development of the directors and senior management of the Company;

(10) to review the Company's compliance with the Corporate Governance Code and its disclosure in the Corporate Governance Report contained in the Company's annual report; and

(11) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.

The Executive Board Committee reports its decisions and recommendations to the Board in a timely manner, and the minutes of the Committee meetings in relation to material matters and decisions are circulated to members of the Board within reasonable time after the meetings.

In 2016, the Executive Board Committee considered and discussed major matters including: discussing and considering the Company's 2015 annual and 2016 interim results, business development, discussing granting share options to the eligible participants, considering acquiring a property situated in Shenzhen as the office premises of the Group, considering the investment in and construction of the Shenzhen Section of Shenzhen Outer Ring Expressway, considering signing a supplemental agreement in relation to entrusted construction of Phase II of Guangshen Coastal Expressway Shenzhen Section, considering the budgets for year 2016 and the bank loan financing plan, approving the entering into of the new land use right agreements for the Qianhai start-up project and considering the entering into of a capital increase agreement for the residential project of the Qianhai start-up project. The Executive Board Committee also discussed the business development plans of the Group's subsidiaries, capital expenditure and loans and the personnel changes in senior management.

FINANCIAL REPORTING

The directors of the Company acknowledge their responsibility for preparing financial statements that give a true and fair view of the financial position, results and cash flow of the Group. In preparing the financial statements for the year ended 31 December 2016, the Board has selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable and has prepared the financial statements on a going concern basis. For details of the basis of preparation of the financial statements, please refer to Note 2.1 to the consolidated financial statements in this report.

The Board and the Audit Committee conducted an annual review on the adequacy of resources, qualifications and experience of staff for the Group's accounting, internal audit and financial reporting functions, their training programmes and related budget.

The reporting responsibilities of the directors and the external auditor are further set out in the Independent Auditor's Report in this annual report.

INTERNAL CONTROL AND RISK MANAGEMENT

By working out an overall strategy on corporate development, the Group leads and supports its subsidiaries to achieve corporate development in accordance with the Group's strategic plans. The Group achieves sustainable development through good and regulated management by adjusting, improving and enhancing its subsidiaries' mode of internal management.

As a holding company, the Company has been implementing effective management over its subsidiaries. In order to further establish the management and control procedures in relation to the strategic compilation and implementation, operational planning, budgeting, performance assessment, investment and its management as well as changes in equity of the subsidiaries, the Company formulated the "Guidelines for Group Management" in 2012. In 2013, the Company improved the control models over its subsidiaries, and adopted the control models, including "strategic design", "strategic management", and "strategic control with some functions focused on strategic design" for listed toll road company, logistics (other than logistics development) and logistics development businesses, respectively, subject to their level of decentralisation. In addition, the Company improved the corporate governance structure for its subsidiaries.

According to the Group's development strategy, the Group focused on developing its logistic and toll road business. In 2012, the Group sets the direction for the strategic development of "China Urban Integrated Logistics Hub", and organised its implementation. As the construction of the "China Urban Integrated Logistics Hub" project commenced, the Group in 2016 enhanced the management and control of the construction work, effectively controlled the construction costs, and ensured the construction quality. From 2017, the Group will conduct an audit along the entire construction process, whereby it will audit and monitor, analyse and evaluate consistently, comprehensively and systematically the entire process of the economic activities, from a feasibility study to project establishment and decision-making, investigation and design, tender, construction, completion and inspection, settlement and final accounts and ex-post evaluation of the construction project as well as the authenticity, legality and effectiveness of the financial balance based on laws, regulations, standards and policies, so as to further enhance management and control of the construction work to ensure effective control of the construction costs and compliance with the laws and regulations of project construction and management, thereby enhancing the overall investment performance.

Corporate Internal Management and Control Model

Function Positioning of Headquarters of the Group

Based on the respective industry characteristics, maturity levels of business and corporate development stages of its subsidiaries, the Group confirmed the headquarters' core functions as investment, financing, decision making and back-office support.

Management Control

Based on the needs of its strategic management control model, the Group has ensured that its subsidiaries' material operating activities are conducted in accordance with the Group's strategic plans and objectives by controlling, supporting and guiding important economic activities of its subsidiaries such as budget management, performance appraisal, investment management, capital management, construction management, remuneration management, assets and equity structure, human resources and information management, thereby ensuring an effective implementation of the Group's strategic plans.

Systems Build-up

Based on the contents of the management control model, the Group has reviewed and improved its control procedures and established clearly defined policies and procedures. With such policies, the Group has set up a strict authorisation system and a rationalised operation workflow to ensure that various operating activities are properly authorised; to safeguard the Company's assets and the interests of Shareholders; and to continuously enhance implementation efficiency through a regime on system amendment and improvement.

Risk Management

The Company continues to review its risk management framework and system of internal control based on the control environment, financial control, operational control, compliance control, and risk management functions. The Company's risk management system focuses on risk identification, risk assessment and risk prevention. The organisation structure of the Company's risk management comprises the Board, the Audit Committee, the management of the Company, risk management department and risk coordinators at other departments.

The Company performs risk assessment and risk reporting quarterly and annually in accordance with the "Comprehensive Risk Management Regulations" adopted by the Company. To address the potential risks, procedures for major risk management are in place through thorough identification as well as careful evaluation of the risks and the determination of a corresponding strategy. The risk management department oversees material risks of the Group on an ongoing basis.

The Board requires the management to review the implementation of internal control and risk management at the end of each year. Through a comprehensive assessment of the Company and its subsidiaries conducted by the risk management department on an ongoing basis, the management will determine whether the internal control and risk management systems are able to meet the expected objectives, and will make recommendations for improving any control deficiency in the systems.

The Company believes that the implementation of such internal control and risk management measures can effectively manage any material risks the Group may face and mitigate the impact of risky incidents on the Group, thereby protecting Shareholders' interests and the Company's assets and attaining the long-term strategic objectives of the Company.

The Board has comprehensively reviewed the Group's internal control and risk management systems and their effectiveness for the Year and found that the implementation thereof progressed well and that there were no significant control failures or weaknesses. The Board considers that the relevant systems are effective and sufficient to enable the Group to achieve its operation and governance objectives. The Board will continue to urge the management of the Company to enhance the internal control and risk management systems in order to ensure an effective operation of the systems.

Functions of Risk Management Department

The risk management department of the Company has the following main functions:

- internal control and risk management
- internal audit
- performing financial due diligence in respect of investment projects
- oversight of asset valuation
- conducting comprehensive review of the investment projects
- oversight of legal affairs

To further strengthen monitoring function of internal audit and enhance internal audit independence, in early 2017, the Company separated the internal audit function and post-investment evaluation tracking of investment projects from the risk management department to set up the internal audit department. The main functions of the internal audit department include establishing a comprehensive internal audit system, formulating the Company's annual internal audit plan as well as organising the implementation.

To enhance their professional knowledge, both in theory and practice, staff of the risk management department participate in various training courses every year according to the stated schedule and the Company's needs. Such training courses include training for registered accountants (non-practicing), professional training on legal matters, continuing education in internal control, etc.

The risk management department completed a review and analysis over the Group's potential risks and formulated the corresponding measures.

Risk	Description	Response
Policy risk	The amendment to the "Regulations on Administration of Toll Roads《收費公路管理條例》" is yet to be finalised, the Group's toll revenue may be affected by the adjustment.	• Keep monitoring the amendment to the "Regulations on Administration of Toll Roads 《收費公路管理條例》".
Capital and financial risk	As investment projects require substantial amount of capital and contribution from the projects during the initial construction period and the preliminary stage of its operation period is limited, the Group will face risks relating to investment and financing.	• Formulate well-devised capital planning and design options and plans for raising capital and financing. • Get a better understanding of the financial market and credit policy to figure out new financial products and methods. • Enhance management of credit facilities by maintaining close cooperation and communication with banks and good credit standing of the Company.

Risk	Description	Response
Investment risks	• The scale and number of integrated logistics hub projects which have a long development period keep growing. • Loss and disputes may arise as a result of unfounded analysis and ill-informed due diligence. • The huge scale of integrated logistics hub projects increases the complexities of construction management and cost control.	• Include the integrated logistics hub projects into the Company's sub-strategic plans and further strengthen thorough study and market research. • Strengthen initial analysis on the project, examine the implementation of measures such as provision for risks of investment projects, an award system and separating the appointment of the agency conducting a feasibility study from the project unit so as to enhance the independence of the agency, improve the quality of the feasibility study and prevent investment risks.
Risks relating to real estate policies	In view of greater adjustment and control for the real estate, real estate tax is likely to be implemented earlier. China's real estate market continues to tighten, which may result in a slump in property price and difficult sales.	• Closely monitor changes in policies, conduct an in-depth study into the policies and adjust the land development model based on the policies and market changes. • Introduce strategic investors to capitalise on their brand and experience, participate in project planning and development to reduce risks relating to the project.
Legal risks	• Placing reasonableness of the terms of the lease agreements. • Disputes may arise in the course of operation of the investment projects.	• Commence examinations of major lease agreements. • Establish the ties with law firms and professional legal advisors and build up an in-house legal team. • Improve the mechanism for the prevention of legal risks to ensure the Company's business to be operated in compliance with legal and regulatory requirements.
Exchange rate risk	RMB exchange rate has been dropping, which results in the rising finance costs of the Company.	• Consider using exchange rate hedging instrument, closely monitor the movements of RMB exchange rate and conduct sensitivity analysis. • Adopt precautionary measures by rationalising the structure of loans denominated in foreign currencies and RMB.
Interest rate risk	As the US enters the interest-hike cycle, the Group's borrowing costs denominated in US dollar may rise, which in turn increases the overall borrowing costs.	• Enter into interest rate swap and consider other interest-rate hedging measures. • Reduce capital cost by timely adjusting the size of borrowings denominated in foreign currencies subject to the interest-rate movement of foreign currencies.

Risk	Description	Response
Risks relating to recovering receivables of projects	• The undesirable financial positions of the local government of where the project is located generate risks of recovering the remaining receivables. • Receivables may only be recovered after two years upon completion of the projects due to huge project investment.	• Strive for land quota, repay the BT payment through the recovery of land premium; strive to procure that the price of the land premium is fixed around the Company's expected target. • Arrange construction progress according to the receipt of funds so as to avoid advanced payments of the Company.
Risks relating to innovative business	• Experience in the management and control of risks relating to commencing innovative business is lacking. • Relevant professionals are lacking.	• Relevant subsidiaries establish risk management department to manage and control the risks. • Enhance the risk awareness of the professionals.

EXTERNAL AUDITOR

During the Year, the fees payable to the Company's auditor KPMG for audit services and non-audit services were approximately HK$3,050,000 and HK$1,029,000 respectively. The non-audit services include professional services such as professional tax advisory, review of interim results and due diligence work for acquisition projects.

The Audit Committee has reviewed the audit fees, procedures and effectiveness, independence and objectivity of KPMG, and recommended the Board to re-appoint KPMG to be the Company's auditor for the year of 2017 at the forthcoming AGM.

COMPANY SECRETARY

The Company has appointed the company secretary who is responsible for providing secretarial services to the Board and ensuring the operation of the Company is in compliance with Hong Kong listed companies' regulatory requirements as well as enhancing its corporate governance standards.

Directors of the Company have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Minutes of Board meetings and meetings of all specialised committees under the Board are kept by the Company Secretary and are available for inspection by the directors of the Company at all times.

Minutes of Board meetings and meetings of all specialised committees under the Board are kept by the Company Secretary (who is also the secretary of each of the specialised committees) in sufficient details on the matters considered by all directors and decisions reached, including any concerns raised by directors of the Company or dissenting views expressed. Draft minutes of Board meetings and meetings of all specialised committees under the Board are provided to relevant directors for their comments and the final version of the same are given to relevant directors for their records within a reasonable time.

During the Year, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

GENERAL MEETINGS

Each annual or special general meeting provides a channel of direct communication between the Board and the Shareholders. Therefore, the Company has high regard for general meetings and all directors and senior management are requested to make their best effort to attend. In respect of each matter (including re-election of directors) at general meetings of the Company, separate resolutions are proposed by the Chairman of that meeting. At general meetings, all Shareholders are entitled to provide recommendations or conduct inquiries to directors and senior management of the Company regarding issues about the Group's business and operating activities. Directors and senior management of the Company shall explain and elaborate in response to Shareholders' inquiries and recommendations.

The chairman of the Board and the chairmen of the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee attended the AGM held in 2016 to answer questions raised by the Shareholders.

During the Year, the Company held 3 general meetings. Set out below is a summary of the matters resolved at the general meeting:

Date	Matters resolved at the general meetings
2016	
28 January	• entering into of an agreement in relation to the toll adjustment and compensation arrangement regarding Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway (namely, the 23.8 km section of Longda Expressway from the starting point of Longda Expressway to the Nanguang ramp)
13 May (AGM)	• receipt of the audited financial statements and the reports of the directors and of the auditors for the year ended 31 December 2015; • payment of the final dividend for the year ended 31 December 2015; • re-election of the retiring directors and authorisation of the Board to fix the directors' remuneration; • granting of a repurchase mandate to the Board to repurchase shares in the Company; • granting of a general mandate to the Board to allot, issue and otherwise deal with the shares in the Company; and • extending the general mandate granted to the Board to allot, issue and otherwise deal with the shares in the Company
13 May	• entering into of the Concession Agreement and the Joint Investment and Construction Agreement relating to Shenzhen Outer Ring Expressway Section A; and • appointment of KPMG as auditor of the Company for the year of 2016 and authorisation of the Board to determine their remuneration

Voting by poll on shareholders' resolutions

All resolutions at the general meetings of the Company shall be decided by poll so as to allow Shareholders to have one vote for every share held.

Before commencement of the general meetings, the chairman of the general meetings explains clearly to Shareholders present the detailed procedures for conducting a poll and answers questions from Shareholders regarding the poll. The Company shall post the poll results on the websites of the Stock Exchange and the Company on the date of the general meetings.

SHAREHOLDERS' RIGHTS

Convening of SGM on requisition of shareholders

In accordance with the Companies Act 1981 of Bermuda (the "Companies Act"), registered Shareholder(s) holding not less than one-tenth (10%) of the paid-up capital of the Company as at the date of the deposit of the requisition shall have the right to submit a written requisition requiring a SGM to be convened by the Board.

The written requisition (i) must state the purposes(s) of the meeting, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for the attention of Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified by the Company's share registrar and upon its confirmation that the requisition is proper and in order, the Company Secretary will make arrangements in accordance with the relevant laws and regulations for the Board to convene a SGM by serving sufficient notice to all Shareholders.

Procedures for putting forward proposals at general meetings

In accordance with Sections 79 and 80 of the Companies Act, the registered Shareholders are entitled to putting forward a proposal at a general meeting if:

(a) they represent not less than one-twentieth (5%) of the total voting rights of the Company as at the date of the deposit of the requisition; or

(b) there are not less than 100 registered Shareholders.

The written requisition stating the resolutions is duly signed by the registered Shareholder(s) concerned, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with must be deposited at the registered office of the Company. Upon receipt of a valid written requisition, the Company shall take appropriate actions and make necessary arrangements, and the Shareholders concerned shall be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act.

The Board is grateful to Shareholders for their views, and welcomes their questions and concerns raised in relation to the management and governance of the Group. Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary at Rooms 2206–2208, 22nd Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong.

Procedures for proposing a person for election as a director of the Company

As regards the procedures for proposing a person for election as a director of the Company, please refer to the procedures made available under the "Corporate Governance" section of the Company's website (www.szihl.com).

Information Disclosure

Information disclosure is not merely an ongoing responsibility and obligation that a listed company must fulfill. Credible information disclosure can effectively build a bridge of communication and understanding between the Company and investors, regulatory authorities and the general public. This can facilitate a broader and more thorough understanding of the Company's values. To regulate information disclosure of the Company and protect the legal interests of the Company and its Shareholders, creditors and other stakeholders, the Company adopted the "Rules Governing Information Disclosure" by reference to the Listing Rules and the circumstances of the Company.

INVESTOR RELATIONS

The Company values the support of its investors over the years and is committed to maintaining and developing close relations with them. The Company is pleased to share its corporate strategy, business development and prospects with investors and welcomes potential investors to obtain information about the Group, as well as to engage in various forms of communications with the Company.

The Company is active in building an effective communication platform with the capital market through meetings with institutional investors, road shows and investor conferences arranged by securities dealers. The Company places great emphasis on the investment community and strives to increase analysts' coverage in order to widen publicity of the Company. Up to 2016, 32 highly reputable international and local securities dealers have issued investment research reports on the Company. Through these interactive communication channels, investors' understanding of the Group's business is enhanced. During the Year, the Company has communicated regularly with investors and analysts through on-site visits, one-on-one meetings or teleconferences, with a total of about 400 batches of domestic and overseas attendances.

Besides organising presentations on the annual and interim results of the Company, in 2016, the management has also participated in presentations or seminars organised by securities dealers. Details on all promotional activities for the Year are as follows:

2016	Major events
January	• Participated in BNP Paribas's "BNP Paribas Asia Pacific Financials, Property & Logistics Conference" held in Hong Kong
March	• Presented the Company's 2015 annual results to investors • Conducted roadshows in Hong Kong on the Company's annual results
April	• Conducted roadshows in Switzerland and the Netherlands on the Company's annual results
May	• Participated in Morgan Stanley's "China Summit" held in Beijing
June	• Participated in Bank of America Merrill Lynch's "China Logistics and Transportation Corporate Day 2016" held in Hong Kong • Participated in "Daiwa Auto & Industrial Leaders Conference 2016" held in Hong Kong • Participated in "CICC Investment Strategy Conference 2H16" held in Shanghai
August	• Presented the Company's 2016 interim results to investors • Held the Analysts Group Meeting for the Company's 2016 interim results • Conducted roadshows in Hong Kong on the Company's interim results
September	• Participated in Essence Securities' Summit of "Market Prospect for Shenzhen-Hong Kong Stock Connect" held in Shanghai
October	• Participated in Nomura's "HK China Transportation and Logistics Corporate Day" held in Hong Kong • Participated in Guosen Securities' "Shenzhen-Hong Kong Stock Connect Strategy Conference" held in Shenzhen
November	• Conducted roadshows in Germany and Switzerland on the Company's interim results

In order to enhance transparency and enable investors' understanding of the Company's business operations, the Company provides investors with information of the Group through (among others) special general meetings, annual general meetings, annual reports, interim reports and the Company's website.

The Company's website (www.szihl.com) is the most direct access to the latest information on the Company. Public notices, circulars, press releases, results announcements and other announcements are uploaded to the website on a regular basis. Investors can also access general information, biographies of the directors and senior management, as well as business, financial and other information on the website. All information is available in both Chinese and English.

Through active and regular investor relations activities, the Company has enhanced corporate transparency and two-way communications, deepened its investors' understanding of and trusts in the Company's business, established confidence in the Company's future development, as well as won recognition and support from the market. As a result, the Company has been able to fully demonstrate the potential of its business development and its intrinsic value. In addition, the Company also collects extensive feedback from the market through these activities in order to improve corporate governance and the operational and management standards of the Company.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2016, the interests and short positions of the directors (the "Directors") and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of The Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in The Rules Governing the Listing of Securities on the Stock Exchange were set out as follows and in the section headed "**SHARE OPTION SCHEME**" in the Report of the Directors on pages 48 to 50 of this annual report:

Long positions in ordinary shares of the Company

Name of Directors	Number of ordinary shares held	Capacity	Nature of interest	Approximate % of issued shares of the Company
Gao Lei	185,646	beneficial owner	personal	0.01%
Liu Jun	900,000	beneficial owner	personal	0.05%
Li Lu Ning	135,646	beneficial owner	personal	0.01%

Save as disclosed above and in the section headed "**SHARE OPTION SCHEME**" in the Report of the Directors on pages 48 to 50 of this annual report, as at 31 December 2016, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

ARRANGEMENT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "**DIRECTORS' INTERESTS IN SECURITIES**" above and the section headed "**SHARE OPTION SCHEME**" as set out in the Report of the Directors on pages 48 to 50 of this annual report, at no time during the year ended 31 December 2016 was the Company, any of its subsidiaries, the holding company of the Company or any of its subsidiaries a party to any arrangement to enable the Directors, chief executives, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2016, the interests and short positions of the substantial shareholders of the Company, other than the Directors or chief executives, holding 10% or more of the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO are set out below:

Long positions in ordinary shares of the Company

Name of shareholders	Number of ordinary shares held	Capacity	Approximate % of issued shares of the Company
Shenzhen Investment Holdings Company Limited ("SIHCL") — *Note (1)*	866,476,843	interest of controlled corporation	44.26%
Ultrarich International Limited ("Ultrarich") — *Note (2)*	866,476,843	beneficial owner	44.26%
Chan See Ting	3,854,962	beneficial owner	0.19%
	289,961,510 *Note (3)*	interest of controlled corporations	14.81%
Lai Hoi Man	3,854,962	family interests	0.19%
	289,961,510 *Note (3)*	interest of controlled corporations	14.81%
Horoy Enterprise Holdings Limited	204,021,747	beneficial owner	10.42%
Horoy International Holdings Limited	85,939,763	beneficial owner	4.39%

Notes:

(1) *Ultrarich holds an aggregate of 866,476,843 shares of the Company and is a wholly-owned subsidiary of SIHCL. Accordingly, SIHCL is deemed to be interested in the 866,476,843 shares of the Company held by Ultrarich.*

(2) *Messrs. Gao Lei, Liu Jun and Li Lu Ning are the directors of Ultrarich which has an interest in the shares of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO.*

(3) *Each of Chan See Ting and Lai Hoi Man holds 40% and 60% of the equity interest in Horoy Enterprise Holdings Limited respectively and also holds 40% and 60% of the equity interest in Horoy International Holdings Limited respectively. Accordingly, they are deemed to be interested in the aggregate holdings of 289,961,510 shares in the Company held by these companies as disclosed above.*

Save as disclosed above, as at 31 December 2016, the Company had not been notified by any substantial shareholders of the Company other than the Directors or chief executives, who had interests or short positions in 10% or more of the shares and underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO.

OTHER PERSONS' INTERESTS IN SECURITIES

As at 31 December 2016, save as disclosed above in the section headed "**SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES**", the interests and short positions of other persons in the shares and underlying shares of the Company, which are required to be recorded in the register kept by the Company under section 336 of Part XV of the SFO, are set out below:

Name of shareholders	Number of ordinary shares held *Note (1)*	Capacity	Approximate % of issued shares of the Company
UBS Group AG	22,825,753(L)	person having a security interest in shares	1.166%
	86,370,947(L) *Note (2)*	interest of controlled corporations	4.412%
	1,873,394(S) *Note (2)*	interest of controlled corporations	0.096%
UBS AG	2,344,759(L)	beneficial owner	0.120%
	1,873,394(S)	beneficial owner	0.096%
UBS Asset Management (Hong Kong) Ltd	14,232,789(L)	beneficial owner	0.727%
UBS Asset Management (Japan) Ltd	568,500(L)	beneficial owner	0.029%
UBS Asset Management (Singapore) Ltd	2,722,990(L)	beneficial owner	0.139%
UBS Asset Management Trust Company	46,000(L)	beneficial owner	0.0023%
UBS Asset Management (UK) Limited	4,200,000(L)	beneficial owner	0.215%
UBS Fund Management (Luxembourg) S.A.	62,222,909(L)	beneficial owner	3.178%
UBS Fund Management (Switzerland) AG	23,000(L)	beneficial owner	0.0012%
UBS Financial Services Inc.	10,000(L)	beneficial owner	0.0005%

Notes:

(1) *Letter "L" represents other persons' long positions in the shares and underlying shares while letter "S" represents other persons' short positions in the shares and underlying shares.*

(2) *UBS AG, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Japan) Ltd, UBS Asset Management (Singapore) Ltd, UBS Asset Management Trust Company, UBS Asset Management (UK) Limited, UBS Fund Management (Luxembourg) S.A., UBS Fund Management (Switzerland) AG and UBS Financial Services Inc. are the wholly-owned subsidiaries of UBS Group AG. Accordingly, UBS Group AG is deemed to be interested in the long positions of 86,370,947 shares in the Company and the short positions of 1,873,394 shares in the Company held by these companies as disclosed above.*

Save as disclosed in the above table and otherwise disclosed in the section headed "**SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES**", as at 31 December 2016, the Company had not been notified by any other persons who had interests or short positions in the shares and underlying shares of the Company which are as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

KPMG

Independent auditor's report to the shareholders of Shenzhen International Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Shenzhen International Holdings Limited and its subsidiaries ("the Group") set out on pages 77 to 152, which comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment and amortisation of concession intangible assets

Refer to Note 10 to the consolidated financial statements and the accounting policies in Note 2.11.

The key audit matter	How the matter was addressed in our audit
Concession intangible assets represent the Group's rights to operate certain toll roads in the People's Republic of China and receive toll fees therefrom. The Group's toll road operations are sensitive to changes in government policies relating to all aspects of the transportation sector, including but not limited to policies relating to provincial and municipal transportation networks and traffic regulations. A concession intangible asset associated with one of the toll roads operated by the Group was considered to be impaired as at 31 December 2015 due to the unfavourable business performance resulting from competition from a new toll road and the delayed construction of new connections to the toll road. Any changes in assumptions adopted to assess the recoverable amount of the asset (including the factors referred to above) could lead to further impairment charges in the current or future years. When indicators of impairment of a concession intangible asset are determined to exist management engages an external traffic consultant to prepare projected traffic and revenue data for the toll road for the remaining period of the concession. Based on the projected traffic and revenue data, management engages an external valuer to perform an impairment assessment of the cash generating unit (the "CGU") containing the toll road in question to assess as to whether any impairment is required. The impairment assessment is undertaken by preparing a discounted cash flow forecast which involves the exercise of significant judgement, particularly in determining the projected traffic flow by vehicle type based on the traffic network development in the region, economic development, usage of the toll roads and the corresponding growth rate.	Our audit procedures to assess potential impairment and amortisation of concession intangible assets included the following: • discussing indicators of possible impairment and changes in projected traffic volumes of the concession intangible assets with management and, where such indicators were identified, enquiring of management as to whether they had engaged an external traffic consultant and external valuer to perform impairment testing in accordance with the requirements of the prevailing accounting standards; • meeting the external traffic consultant and the external valuer engaged by the Group and assessing their experience, competence and independence; • evaluating whether the discounted cash flow forecasts were prepared using the most recent approved budgets and comparing data in the discounted cash flow forecasts with the relevant figures in the approved budgets; • comparing the cash flows for the year ended 31 December 2016 previously projected by management in 2015 with the actual results for the current year to assess the historical accuracy of management's forecasting process; • critically assessing the key assumptions adopted in the discounted cash flows forecasts (including the toll revenue growth rate over the concession period and the discount rate applied) and total projected traffic volume as follows: — assessing the toll revenue growth rate and total projected traffic volume over the concession period with reference to external data and forecasts together with traffic flow and toll revenue forecast reports prepared by the external traffic consultant; and — involving our internal valuation specialists to assist us in evaluating the discount rates adopted by comparisons with similar companies in the same industry.

Impairment and amortisation of concession intangible assets (continued)

Refer to Note 10 to the consolidated financial statements and the accounting policies in Note 2.11.

The key audit matter	How the matter was addressed in our audit
Amortisation of a concession intangible asset is calculated to write off the cost on a units-of-usage basis, whereby amortisation is provided based on the proportion of actual traffic volume for a particular period over the total projected traffic volume throughout the period for which the Group has been granted the right to operate the toll road (the "Traffic Flow Amortisation Method"). Management regularly reviews the total projected traffic volumes throughout the operating periods of the respective toll roads. Material adjustments may need to be made to the carrying amounts of concession intangible assets should there be a material difference between the total projected traffic volumes and the actual results. The directors appoint independent professional traffic consultants to perform independent professional traffic studies if there is a material difference between the total projected traffic volume and the actual results and, based on these studies, the directors will make the appropriate accounting adjustments, if necessary. We identified assessing potential impairment and amortisation of the concession intangible assets as a key audit matter because of the inherent uncertainty involved in estimating the total traffic volumes and forecasting and discounting future cash flows which are used determine the recoverable amounts of the concession intangible assets and the amortisation charge for the year in the Traffic Flow Amortisation Method.	• assessing the sensitivity of key assumptions in the discounted cash flow forecasts to changes and considering whether there was any evidence of potential management bias in the selection of these assumptions; • evaluating management's assessment of the unit amortisation charges derived from the Traffic Flow Amortisation Method, which included comparing projected traffic volumes with actual results and assessing whether there were material differences between the total projected traffic volumes and actual results. Where material differences were identified, we evaluated management's adjustments to the unit amortisation charges which were prepared based on the external traffic consultant's total projected traffic volumes for toll roads through independent re-calculation of the unit amortisation charges using the revised total projected traffic volumes; and • considering the disclosures in the consolidated financial statements in respect of the impairment assessments of concession intangible assets and changes in estimates of the projected traffic volumes used in the Traffic Flow Amortisation Method and whether the disclosures of the sensitivity of the outcome of the impairment assessments to changes in the key assumptions reflected the risks inherent in the impairment assessments with reference to the requirements of the prevailing accounting standards.

Accounting for the interest in Shenzhen Airlines

Refer to Note 12 to the consolidated financial statements and the accounting policies in Note 2.3.

The key audit matter	How the matter was addressed in our audit
The Group's 49% interest in Shenzhen Airlines Company Limited ("Shenzhen Airlines") is accounted for under the equity method. The Group's share of the profit after tax from Shenzhen Airlines for the year ended 31 December 2016 was HKD877,373,000 and the Group's share of Shenzhen Airlines' net assets was HKD4,556,835,000 as at 31 December 2016. This represented approximately 41% and 8% of the Group's profit attributable to equity holders of the Company for the year ended 31 December 2016 and total assets as at 31 December 2016 respectively. The complexity of the Shenzhen Airlines' revenue recognition, which involves complicated IT systems and an estimation of the unit fair value of Shenzhen Airlines' customer loyalty programme, and the significant degree of judgement exercised by management of Shenzhen Airlines in relation to the assessment of the carrying values of aircraft and flight equipment and provisions for major overhauls give rise to the risk of potential material misstatements in the Group's interest in Shenzhen Airlines in the consolidated financial statements. We identified the accounting for the interest in Shenzhen Airlines as a key audit matter because the complexity and management judgement involved in the preparation of the financial information of Shenzhen Airlines increases the risk of material misstatement in the consolidated financial statements.	Our audit procedures to assess accounting for the interest in Shenzhen Airlines included the following: • obtaining an understanding of the group-wide controls and the consolidation process, including the issuance of accounting instructions by Group management to Shenzhen Airlines; • evaluating the consolidation adjustments prepared by management to account for the Group's interest in Shenzhen Airlines based on the audited financial information of Shenzhen Airlines; • re-calculating the Group's interest in Shenzhen Airlines and the Group's share of profit of Shenzhen Airlines for the year based on the audited financial information of Shenzhen Airlines; • instructing the auditors of Shenzhen Airlines ("the component auditors") to perform a full scope audit of the financial information of Shenzhen Airlines in accordance with the group audit instructions issued by us; • participating in the component auditors' risk assessment and planning process to identify significant risks of material misstatement of Shenzhen Airlines' financial information and evaluating the audit procedures planned to be performed to respond to the identified significant risks of material misstatement of Shenzhen Airlines' financial information; and • discussing with the component auditors their audit findings and conclusions with regard to their audit and evaluating the sufficiency and appropriateness of the audit evidence for purpose of our audit of the consolidated financial statements by reviewing the component auditors' reporting deliverables.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Chun Pong.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
28 March 2017

CONSOLIDATED BALANCE SHEET

(All amounts in HKD thousands unless otherwise stated)

(For reference only) As at 31 December 2016 RMB'000 (Note 2.6(d))		Note	As at 31 December 2016 HK$'000	2015 HK$'000
	ASSETS			
	Non-current assets			
3,793,442	Property, plant and equipment	6	4,234,225	3,962,495
78,293	Investment properties	7	87,390	81,450
1,598,746	Land use rights	8	1,784,514	977,827
1,842,281	Construction in progress	9	2,056,347	768,314
19,070,917	Intangible assets	10	21,286,881	23,833,564
6,710,345	Interests in associates	12	7,490,060	5,673,459
233,144	Interests in joint ventures	13	260,234	281,325
93,490	Available-for-sale financial assets	14	104,353	95,748
129,179	Deferred tax assets	25	144,189	89,618
1,150,474	Other non-current assets	15	1,284,155	1,573,271
34,700,311			38,732,348	37,337,071
	Current assets			
2,615,564	Inventories	16	2,919,482	1,398,527
855,361	Available-for-sale financial assets	14	954,751	1,119,702
101,445	Derivative financial instruments	23	113,233	–
2,009,260	Trade and other receivables	18	2,242,728	1,879,161
1,460,141	Restricted bank deposits	19	1,629,804	288,291
1,379,861	Deposits in banks with original maturities over 3 months	19	1,540,195	2,092,911
7,394,702	Cash and cash equivalents	19	8,253,937	13,253,721
15,816,334			17,654,130	20,032,313
3,901,121	Assets of disposal group classified as held for sale	17	4,354,416	1,628,469
19,717,455			22,008,546	21,660,782
54,417,766	**Total assets**		60,740,894	58,997,853
	EQUITY AND LIABILITIES			
	Equity attributable to equity holders of the Company			
7,405,047	Share capital and share premium	20	8,323,602	7,625,528
9,289,271	Other reserves and retained earnings	21	10,310,529	10,534,515
16,694,318			18,634,131	18,160,043
8,781,175	**Non-controlling interests**		9,801,512	10,539,424
25,475,493	**Total equity**		28,435,643	28,699,467

CONSOLIDATED BALANCE SHEET

(All amounts in HKD thousands unless otherwise stated)

(For reference only) As at 31 December 2016 RMB'000 (Note 2.6(d))		Note	As at 31 December 2016 HK$'000	2015 HK$'000
	Liabilities			
	Non-current liabilities			
6,786,346	Borrowings	22	7,574,893	9,161,033
127,474	Provision for maintenance/resurfacing obligations	24	142,286	149,577
1,576,134	Deferred tax liabilities	25	1,759,275	1,998,819
8,967,722	Other non-current liabilities	26	10,009,736	10,930,123
17,457,676			19,486,190	22,239,552
	Current liabilities			
6,672,439	Trade and other payables	27	7,447,749	3,613,211
471,140	Income tax payable		525,885	477,299
32,970	Provision for maintenance/resurfacing obligations	24	36,801	90,264
4,308,048	Borrowings	22	4,808,626	3,876,162
–	Derivative financial instruments	23	–	1,898
11,484,597			12,819,061	8,058,834
28,942,273	**Total liabilities**		32,305,251	30,298,386
54,417,766	**Total equity and liabilities**		60,740,894	58,997,853

The notes on pages 84 to 152 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 77 to 152 were approved by the Board of Directors on 28 March 2017 and were signed on its behalf.

Li Hai Tao
Director

Zhong Shan Qun
Director

CONSOLIDATED INCOME STATEMENT

(All amounts in HKD thousands unless otherwise stated)

(For reference only) Year ended 31 December 2016 RMB'000 (Note 2.6(d))		Note	Year ended 31 December 2016 HK$'000	2015 HK$'000
6,697,752	**Revenue**	5, 28	7,787,180	6,738,397
(4,005,254)	Cost of sales	31	(4,656,733)	(3,873,487)
2,692,498	**Gross profit**		3,130,447	2,864,910
95,317	Other income	29	110,821	77,886
745,413	Other gains — net	30	866,660	1,328,237
(62,874)	Distribution costs	31	(73,101)	(73,165)
(438,273)	Administrative expenses	31	(509,560)	(495,311)
3,032,081	**Operating profit**		3,525,267	3,702,557
36,716	Share of profit of joint ventures	13	42,688	36,616
1,017,035	Share of profit of associates	12	1,182,461	752,595
4,085,832	**Profit before finance costs and income tax**		4,750,416	4,491,768
167,785	Finance income	33	195,076	280,481
(1,024,110)	Finance costs	33	(1,190,687)	(973,741)
(856,325)	Finance costs — net	33	(995,611)	(693,260)
3,229,507	**Profit before income tax**		3,754,805	3,798,508
(720,440)	Income tax expense	34	(837,623)	(736,318)
2,509,067	**Profit for the year**		2,917,182	3,062,190
	Profit attributable to:			
1,819,708	Equity holders of the Company		2,115,695	2,198,385
689,359	Non-controlling interests		801,487	863,805
2,509,067			2,917,182	3,062,190
	Earnings per share attributable to equity holders of the Company during the year (expressed in HK dollars per share)			
	— Basic	35(a)	1.10	1.16
	— Diluted	35(b)	1.09	1.16

The notes on pages 84 to 152 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HKD thousands unless otherwise stated)

	Note	Year ended 31 December 2016	2015
Profit for the year		**2,917,182**	3,062,190
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Fair value (losses)/gains on available-for-sale financial assets, net of tax	21	**(47,196)**	205,481
Reclassification of fair value gains to consolidated income statement upon disposal of available-for-sale financial assets, net of tax	21	**(261,317)**	(442,049)
Fair value gains on derivative financial instruments, net of tax	21, 23	**1,483**	2,922
Share of other comprehensive (loss)/income of an associate	12	**(8,267)**	31,190
Share of other comprehensive loss of a joint venture	21	**–**	(1,762)
Currency translation differences		**(1,832,200)**	(1,236,209)
Other comprehensive loss for the year, net of tax	25	**(2,147,497)**	(1,440,427)
Total comprehensive income for the year		**769,685**	1,621,763
Total comprehensive income attributable to:			
Equity holders of the Company		**656,758**	1,216,234
Non-controlling interests		**112,927**	405,529
Total comprehensive income for the year		**769,685**	1,621,763

The notes on pages 84 to 152 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in HKD thousands unless otherwise stated)

	Attributable to equity holders of the Company					
	Share capital and share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2015	7,522,535	792,092	9,387,468	17,702,095	9,026,150	26,728,245
Comprehensive income						
Profit for the year	–	–	2,198,385	2,198,385	863,805	3,062,190
Other comprehensive income						
Fair value gains on available-for-sale financial assets, net of tax	–	205,481	–	205,481	–	205,481
Reclassification of fair value gains to consolidated income statement upon disposal of available-for-sale financial assets, net of tax	–	(442,049)	–	(442,049)	–	(442,049)
Fair value gains on derivative financial instruments, net of tax	–	2,922	–	2,922	–	2,922
Share of other comprehensive income of an associate	–	31,190	–	31,190	–	31,190
Share of other comprehensive loss of a joint venture	–	(1,762)	–	(1,762)	–	(1,762)
Currency translation differences	–	(777,933)	–	(777,933)	(458,276)	(1,236,209)
Total other comprehensive loss	–	(982,151)	–	(982,151)	(458,276)	(1,440,427)
Total comprehensive (loss)/income	–	(982,151)	2,198,385	1,216,234	405,529	1,621,763
Transactions with owners in their capacity as owners						
Employee share options						
— proceeds from shares issued	19,297	–	–	19,297	–	19,297
— value of employee services	29,787	–	–	29,787	–	29,787
Transfer to reserves	–	71,838	(71,838)	–	–	–
Dividend relating to 2014	–	–	(861,325)	(861,325)	–	(861,325)
Issue of scrip shares as dividend	53,909	–	–	53,909	–	53,909
Forfeiture of unclaimed dividends	–	–	46	46	–	46
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	(670,142)	(670,142)
Non-controlling interests arising on business combinations	–	–	–	–	1,746,611	1,746,611
Capital injections by non-controlling interests	–	–	–	–	31,276	31,276
Total transactions with owners in their capacity as owners	102,993	71,838	(933,117)	(758,286)	1,107,745	349,459
Balance at 31 December 2015	7,625,528	(118,221)	10,652,736	18,160,043	10,539,424	28,699,467

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in HKD thousands unless otherwise stated)

	Attributable to equity holders of the Company					
	Share capital and share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2016	7,625,528	(118,221)	10,652,736	18,160,043	10,539,424	28,699,467
Comprehensive income						
Profit for the year	–	–	2,115,695	2,115,695	801,487	2,917,182
Other comprehensive income						
Fair value losses on available-for-sale financial assets, net of tax	–	(47,196)	–	(47,196)	–	(47,196)
Reclassification of fair value gains to consolidated income statement upon disposal of available-for-sale financial assets, net of tax	–	(261,317)	–	(261,317)	–	(261,317)
Fair value gains on derivative financial instruments, net of tax	–	1,483	–	1,483	–	1,483
Share of other comprehensive loss of an associate	–	(6,965)	–	(6,965)	(1,302)	(8,267)
Currency translation differences	–	(1,144,942)	–	(1,144,942)	(687,258)	(1,832,200)
Total other comprehensive loss	–	(1,458,937)	–	(1,458,937)	(688,560)	(2,147,497)
Total comprehensive (loss)/income	–	(1,458,937)	2,115,695	656,758	112,927	769,685
Transactions with owners in their capacity as owners						
Employee share options						
— proceeds from shares issued	11,980	–	–	11,980	–	11,980
— value of employee services	23,942	–	–	23,942	–	23,942
Transfer to reserves	–	221,920	(221,920)	–	–	–
Dividend relating to 2015 (Note 36)	–	–	(949,860)	(949,860)	–	(949,860)
Issue of scrip shares as dividend (Note 36)	662,152	–	–	662,152	–	662,152
Forfeiture of unclaimed dividends	–	–	69	69	–	69
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	(662,645)	(662,645)
Transactions with non-controlling interests	–	69,047	–	69,047	(207,378)	(138,331)
Capital injections by non-controlling interests	–	–	–	–	19,184	19,184
Total transactions with owners in their capacity as owners	698,074	290,967	(1,171,711)	(182,670)	(850,839)	(1,033,509)
Balance at 31 December 2016	8,323,602	(1,286,191)	11,596,720	18,634,131	9,801,512	28,435,643

The notes on pages 84 to 152 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in HKD thousands unless otherwise stated)

	Note	Year ended 31 December 2016	2015
Cash flows from operating activities			
Cash generated from operations	37	**3,097,360**	3,398,574
Interest paid		**(450,498)**	(704,010)
Income tax paid		**(731,439)**	(564,263)
Net cash generated from operating activities		**1,915,423**	2,130,301
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**–**	(123,106)
Purchases of property, plant and equipment, land use rights, construction in progress, intangible assets and other non-current assets		**(3,494,257)**	(2,358,016)
Prepayment for land use rights included in assets of disposal group classified as held for sale		**(2,902,790)**	(1,277,929)
Increase in interests in associates and joint ventures		**(79,805)**	(11,947)
Net proceeds from disposal of Meiguan Expressway's toll free section related assets		**–**	1,950,207
Proceeds from disposal of property, plant and equipment	37	**2,034**	10,353
Payment for disposal of intangible assets		**–**	(362)
Purchase of available-for-sale financial assets	14	**(654,947)**	(298,579)
Proceeds from disposal of available-for-sale financial assets, net of tax		**401,709**	1,021,270
Decrease in cash and cash equivalents after disposal of subsidiaries		**(128,302)**	–
Residual payment for acquisition of subsidiaries		**(22,324)**	–
Decrease/(increase) in deposits in banks with original maturities over 3 months		**552,716**	(2,092,911)
Interest received		**171,075**	146,462
Dividends received		**466,181**	554,850
Net cash used in investing activities		**(5,688,710)**	(2,479,708)
Cash flows from financing activities			
Proceeds from compensation from government regarding Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway toll free arrangement		**–**	11,599,650
Advances to non-controlling interests		**–**	(252,562)
Proceeds from issuance of ordinary shares under employee share option scheme	20	**11,980**	19,297
Capital injections by non-controlling interests		**19,184**	31,276
Proceeds from borrowings		**4,217,392**	2,882,978
Repayments of borrowings		**(4,495,514)**	(6,360,498)
Dividends paid to the Company's and subsidiaries' shareholders		**(950,284)**	(1,477,512)
Net cash (used in)/generated from financing activities		**(1,197,242)**	6,442,629
Net (decrease)/increase in cash and cash equivalents		**(4,970,529)**	6,093,222
Cash and cash equivalents at beginning of year		**13,253,721**	7,161,184
Exchange losses		**(29,255)**	(685)
Cash and cash equivalents at end of year	19	**8,253,937**	13,253,721

The notes on pages 84 to 152 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

The principal activities of Shenzhen International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), and its associates and joint ventures include the following businesses:

— Toll roads; and

— Logistic business.

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

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

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

As at 31 December 2016, Ultrarich International Limited ("Ultrarich") owned 866,476,843 ordinary shares of the Company directly, representing approximately 44.26% of the issued share capital of the Company. As Shenzhen Investment Holdings Company Limited ("SIHCL") held the 100% equity interest in Ultrarich, it had a deemed interest in 44.26% of the equity in the Company held by Ultrarich and was the largest shareholder of the Company. SIHCL is supervised and managed by Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission ("Shenzhen SASAC"). The directors of the Company regard that Shenzhen SASAC can control the Company's relevant activities due to its voting power held and is the de facto controller of the Company.

These consolidated financial statements are presented in Hong Kong dollars ("HKD"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 28 March 2017.

Land development in Qianhai, Shenzhen for the Group

Shenzhen International West Logistics Co., Ltd. ("West Logistics"), a wholly-owned subsidiary of the Group, owned 5 land parcels with an aggregate site area of approximately 380,000 square metres for logistics purpose in Qianhai, Shenzhen. On 5 October 2015, the Group entered into a land consolidation and preparation framework agreement with Urban Planning Land and Resources Commission of the Shenzhen Municipality ("Shenzhen UPLRC") and Authority of Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone of Shenzhen ("Qianhai Authority") in respect of the Group's land parcels in Qianhai. The parties had agreed to conduct consolidation and preparation work in respect of 5 land parcels owned by West Logistics in Qianhai by way of land swap, monetary compensation and profit sharing. Pursuant to the framework agreement, Shenzhen UPLRC and Qianhai Authority have agreed to arrange a land site with an area of approximately 38,800 square metres at Qianhai Shenzhen-Hong Kong Cooperation Zone as the site for the Group's first phase project. The gross floor area of the first phase project will be approximately 100,000 square metres.

1. GENERAL INFORMATION (continued)

On 2 December 2016, West Logistics entered into an agreement with Qianhai Authority to terminate the previous land use right agreement in respect of the land parcel No. T102-0069, being one of the 5 land parcels owned by West Logistics in Qianhai. Concurrently, three of the Group's wholly-owned subsidiaries have each entered into a new land use rights transfer agreement with Qianhai Authority respectively, and the use of the land parcel has been changed from solely logistics warehousing to integrated land use purpose comprising primarily office buildings complemented by high-end commercial and residential space with an aggregate gross floor area of 100,250 square metres.

On 20 December 2016, Shenzhen International Qianhai Investment and Management (Shenzhen) Co., Ltd. ("SIQ Investment", a wholly-owned subsidiary of the Group) and its wholly-owned subsidiary, Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd. ("SIQ Real Estate"), entered into the capital increase agreement with Shum Yip Land Company Limited ("SY Land", an indirectly owned subsidiary of Shenzhen SASAC), pursuant to which SY Land made a capital contribution of RMB1.12 billion (HKD1.25 billion) to SIQ Real Estate. Upon the completion of the capital contribution, the registered capital of SIQ Real Estate would be owned as to 50% by SIQ Investment and as to 50% by SY Land. SY Land became the controlling party of SIQ Real Estate by owning more than 50% voting rights in the board. Accordingly, SIQ Real Estate became an associate of the Group.

As at 31 December 2016, the Group completed the above mentioned transaction. Upon the completion of SY Land's capital contribution, the interest of SIQ Real Estate held by the Group decreased from 100% to 50%. Since the net asset of SIQ Real Estate is mainly land parcel, the transaction is deemed as sale of assets to an associate in compliance with Amendments to HKFRS 10 and HKAS 28 (Note 2.1.1(c)).

As a result of the capital contribution to SIQ Real Estate by SY Land, the Group recognised 50% of the premium on capital increase of RMB1.115 billion (equivalent to HKD1.245 billion), which gave rise to gain on disposal of assets amounting to approximately HKD648,246,000 (Note 30) and corresponding deferred tax of approximately HKD162,062,000, which are recognised in the consolidated income statement.

The two remaining land sites are held respectively by Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd. and Shenzhen International Qianhai Asset Management (Shenzhen) Co., Ltd., both of which are wholly-owned subsidiaries of the Group. The land costs and relevant development costs totaling HKD1,506,024,000 (Note 16) are classified as "Inventory- land held for future development" under current assets.

According to the relevant land agreement, the Group is not required to pay the land costs (net of the cost of land parcel No. T102-0069 previously owned by West Logistics) of the three land sites for Qianhai first phase project totaling RMB2,444,836,000 (equivalent to HKD2,728,916,000) to the relevant government department for the time being. The amount will be consolidated into future land consolidation and preparation framework agreements to be entered into by the Group in respect of remaining land sites held by the Group in Qianhai project by way of land swap, monetary compensation and profit sharing. Such land costs are currently classified as "other payables" under current liabilities (Note 27).

(All amounts in HK dollar thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Statement of compliance and basis of preparation

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

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

Non-current assets and assets of disposal groups classified as held for sale are stated at the lower of carrying amount and fair value less cost to sell (Note 2.13).

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2.1.1 Changes in accounting policies and disclosures

(a) *New and amended standards adopted by the Group*

New and revised standards and amendments to existing standards that are mandatory for the first time for the financial year beginning on 1 January 2016, are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements.

(b) *New standards and interpretations that are not yet effective and have not been early adopted*

		Effective for annual periods beginning on or after
Amendments to HKAS 7	Statement of cash flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12	Income taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
Amendments to HKFRS 2	Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group is in the process of assessing the impact of the above new standards and amendments to existing standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Statement of compliance and basis of preparation (continued)

2.1.1 Changes in accounting policies and disclosures (continued)

(c) Early adoption of new standards and amendments which are not yet effective

Amendments to HKFRS 10 and HKAS 28-Sales or contribution of assets between an investor and its associate or joint venture.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now, and as set out in Note 1, the Group has early adopted such Amendments in 2016.

2.2 Subsidiaries

2.2.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.1 Consolidation (continued)

(a) *Business combinations* (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) *Change in ownership interest in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) *Common control combination*

Merger accounting is used for business combinations under common control by the Group.

Under merger accounting, the consolidated financial statements include the financial position, results and cash flows of the combining companies as if the current group structure had been in existence since their respective dates of under common control.

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The adjustment to eliminate the share capital of entities combined and investment cost has been recorded as merger reserve in consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Subsidiaries (continued)

2.2.2 Company's balance sheet

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required when there is any indication that the investment is impaired or upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

Associates are all entities in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions. Interests in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's interests in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of profit/(loss) of associates" in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Sale or contribution of assets between the Group and its associate constitutes a business is accounted for in accordance with the accounting policy set out in Note 2.2.1(c). For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the Group's profit or loss only to the extent of the unrelated the Group's interest in that associate.

Gains or losses on dilution of equity interest in associates are recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 interests in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. The Group's interests in joint ventures include goodwill identified on acquisition. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each balance sheet date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to "share of profit/(loss) of joint ventures" in the consolidated income statement.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Sale or contribution of assets between the Group and its joint venture which constitutes a business is accounted for in accordance with the accounting policy set out in Note 2.2.1(c). For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the Group's profit or loss only to the extent of the unrelated the Group's interest in that joint venture.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.6 Foreign currency translation

(a) **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Functional currency of the Company is Renminbi ("RMB"). As the Company is listed on the Stock Exchange, the consolidated financial statements are presented in HKD which is the presentation currency of the Group and the Company.

(b) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation (continued)

(b) Transactions and balances (continued)

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated income statement within "finance income or cost". Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance income or cost", except when capitalised on the basis set out in Note 2.24. All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains — net".

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss is recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) RMB figures

RMB in the consolidated balance sheet and the consolidated income statement were presented before translated into HKD according to the accounting policies in Note 2.6(c).

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance expense are charged in the consolidated income statement during the financial period in which they are incurred.

Depreciation of buildings and structures relating to the toll roads is calculated to write off their costs to their estimated residual values on a straight-line basis over the unexpired periods of the leases or toll road operating right, whichever is shorter.

(All amounts in HK dollar thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property, plant and equipment (continued)

Amortisation of leasehold land commences from the time when the land interest becomes available for its intended use. Amortisation on leasehold land and depreciation on other assets are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land	10–70 years or over the term of the unexpired leases, whichever is shorter
Buildings	10–70 years or over the term of the unexpired leases, whichever is shorter
Leasehold improvements	4 years or over the term of the unexpired leases, whichever is shorter
Motor vehicles	5–8 years
Furniture, fixtures and equipment	3–10 years
Loading equipment and facilities in port	10–25 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.12).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains — net" in the consolidated income statement.

2.8 Construction in progress

Construction in progress represents the direct costs of construction incurred plus interest capitalised up to the date of completion of the construction of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment and intangible assets when completed and ready for use.

2.9 Investment properties

Investment property, principally comprising commercial building and car parking spaces, is held for long-term rental yields and is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs. After initial recognition, investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by valuers. Changes in fair values are recorded in the consolidated income statement as part of "other gains — net".

2.10 Land use rights

Land use rights are up-front payments to acquire long-term interests in the usage of land. They are stated at cost and charged to the consolidated income statement over the remaining period of the lease on a straight-line basis, net of any impairment losses.

2.11 Concession intangible assets

Where the Group has entered into contractual service concession arrangements ("Service Concessions") with local government authorities for its participation in the development, financing, operation and maintenance of various toll road infrastructures, the Group carries out the construction or upgrade work of toll roads for the granting authorities and receives in exchange of a right to operate the toll roads concerned and the entitlement to the toll fees collected from users of the toll road services. Concession intangible assets correspond to the right granted by the respective concession grantors to the Group to charge users of the toll road services and the fact that the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Concession intangible assets (continued)

Land use rights acquired in conjunction with the Service Concessions which the Group has no discretion or latitude to deploy for other services other than the use in the Service Concessions are treated as intangible assets acquired under the Service Concessions.

Amortisation of concession intangible assets is calculated to write off their costs on a units-of-usage basis, whereby amortisation is provided based on the proportion of actual traffic volume for a particular period over the total projected traffic volume throughout the periods within which the Group is granted the rights to operate those roads (the "Traffic Flow Amortisation Method"). It is the Group's policy to review regularly the total projected traffic volume throughout the operating periods of the respective toll roads. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustments will be made should there be a material change.

2.12 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the consolidated income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each balance sheet date.

2.13 Non-current assets (or disposal groups) held-for-sale

Non-current assets (or disposal groups) are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The non-current assets (except for certain assets as explained below), (or disposal groups), are stated at the lower of carrying amount and fair value less costs to sell. Deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties, which are classified as held for sale, would continue to be measured in accordance with the policies set out elsewhere in Note 2.

2.14 Financial assets

2.14.1Classification

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition and re-evaluate their classification at each balance sheet date.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the balance sheet date. These are classified as non-current assets. The loans and receivables comprise "trade and other receivables", "restricted bank deposits", "deposits in banks with original maturities over 3 months", "cash and cash equivalents" and long-term receivables included in "other non-current assets" in the consolidated balance sheet.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Financial assets (continued)

2.14.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the fair value adjustments accumulated recognised in equity are reclassified to the consolidated income statement as "other gains — net".

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of "other income" when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. The fair value of investments in equity instruments that do not have a quoted market price in an active market is measured by using appropriate estimation technique. The investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment provision.

2.15 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or a group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Impairment of financial assets (continued)

(b) **Assets classified as available-for-sale**

The Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired at the end of each reporting period.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

2.16 Financial liabilities

Financial liabilities (including trade and other payables, bank and other borrowings and other non-current liabilities) are subsequently measured at amortised cost using effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments, including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts through the expected life of the financial liability, or, where appropriate, a shorter period to net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

2.17 Derivative financial instruments and hedging activities

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

2.18 Inventories

Inventories mainly include completed properties held for sale, properties under development and toll tickets and materials and spare parts for the repairs and maintenance of expressways, and they are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, represents the actual cost of purchase and development. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Completed properties remaining unsold at year ended are stated at the lower of cost and net realisable value. Cost comprises development costs attributable to the unsold properties. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses, or by management estimates based on prevailing marketing conditions.

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.20 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.21 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.22 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.23 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as borrowing costs over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.24 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Borrowing costs include interest expense, finance charges in respect of finance lease and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings. Such amounts are estimated based on forward currency rates at the inception of the borrowings.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Borrowing costs (continued)

When the construction of the qualifying assets takes more than one accounting period, the amount of foreign exchange differences eligible for capitalisation is determined for each annual period and are limited to the difference between the hypothetical interest amount for the functional currency borrowings and the actual interest incurred for foreign currency borrowings. Foreign exchange differences that did not meet the criteria for capitalisation in previous years should not be capitalised in subsequent years.

All other borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.

2.25 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in other comprehensive income or equity. In this case, the tax is also recognised in other comprehensive income or equity.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred tax

Inside basis differences

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates and joint ventures. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's and joint venture's undistributed profits is not recognised.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Current and deferred tax (continued)

(c) Offsetting

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.26 Employee benefits and share-based payments

(a) Pension obligations

The Group operates a defined contribution retirement benefits scheme, Mandatory Provident Fund (the "MPF Scheme"), under the Mandatory Provident Fund Ordinance in Hong Kong for all Hong Kong employees who are eligible to participate in the MPF Scheme. Besides, the Group participates in defined contribution retirement schemes organised by the local government authorities in the PRC.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate scheme. Contributions payable or paid by the Group and employees are calculated as a percentage of employees' basic salaries. The amounts of employee benefit expenses charged to the consolidated income statement represent the contribution payable or paid by the Group to the scheme during the year.

Apart from these, the Group has no legal or constructive obligations for further payments.

(b) Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, for staff remuneration under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);

- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. The Group recognises the impact of the revision to original estimates, if any, in the consolidated income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Employee benefits and share-based payments (continued)

(b) **Share-based payments** (continued)

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(c) **Profit-sharing and bonus plans**

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.27 Provisions

Provisions for environmental restoration, restructuring costs, legal claims and the resulting maintenance and resurfacing cost, except for upgrade services under the respective service concessions, are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.28 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) **Toll revenues**

The Group's toll revenue from operation of the toll roads is recognised when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transaction can flow into the Group. 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.

(b) **Construction service revenue under Service Concessions**

Revenue generated by construction and upgrade services rendered by the Group is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably. The consideration may be rights to attain a financial asset or an intangible asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Revenue recognition (continued)

(b) Construction service revenue under Service Concessions (continued)

The Group uses the percentage of completion method to determine the appropriate amount of income and expenses to be recognised in a given period. The stage of completion is measured by reference to the construction costs of the related infrastructures incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

(c) Rental income

Rental income from properties letting under operating leases is recognised on a straight-line basis over the lease terms.

(d) Logistic related service revenues

Logistic related service revenues includes: (i) provision of logistics management, including freight forwarding services, and other ancillary services; (ii) loan financing services and (iii) cargo shipment, transhipment and storage of port. Logistics related service revenues are recognised when the related services are rendered.

(e) Sales of goods

Sales of goods are recognised when the Group has delivered products to the customers, the customer have accepted the products and collectability of the related receivables is reasonably assured.

(f) Sales of properties

Revenue from sales of properties is recognised when the risks and rewards of properties are transferred to the purchasers, which is when the construction of relevant properties has been completed and the properties have been delivered to the purchasers and collectability of related receivables is reasonably assured. Deposits and instalments received on properties sold prior to the date of revenue recognition are recorded as advanced proceeds received from customers under 'trade and other payables'.

(g) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(h) Dividend income

Dividend income is recognised when the right to receive payment is established.

2.29 Operating leases

(a) When a group company is the lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(b) When a group company is the lessor

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income from operating lease is recognised over the term of the lease on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.30 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

2.31 Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be reliably measured.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.32 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, when appropriate.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(All amounts in HK dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

Risk management is carried out under policies approved by the board of directors. The Group identifies and evaluates financial risks in close co-operation with the Group's operating units. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excessive liquidity.

(a) Market risk

(i) *Currency risk*

The Group mainly operates in the PRC with most of the transactions settled in RMB. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the respective balance sheet dates are as follows:

	As at 31 December	
	2016	2015
Assets		
HKD	**29,969**	20,542
United States dollars ("USD")	**970,030**	222,280
	999,999	242,822
Liabilities		
HKD	**2,178,810**	2,666,103
USD	**4,863,147**	2,335,733
	7,041,957	5,001,836

Apart from the above, the Group did not have significant exposure to foreign exchange risk. Nevertheless, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2016, should HKD and USD be weakened/strengthened by 5% against RMB, with all other factors remain unchanged, the profit after income tax for the year would be affected as follows:

	Change of profit after income tax — increase/(decrease)	
	2016	2015
HKD against RMB		
— Weakened by 5%	**93,552**	113,734
— Strengthened by 5%	**(93,552)**	(113,734)
USD against RMB		
— Weakened by 5%	**163,480**	91,777
— Strengthened by 5%	**(163,480)**	(91,777)

(All amounts in HK dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) *Currency risk* (continued)

The net fair value of foreign exchange forward contracts entered into by the Group for managing the risk relating to monetary assets and liabilities in foreign currencies at 31 December 2016 was HKD113,233,000 (2015: nil) which was recognised as "derivative financial instruments".

(ii) *Cash flow and fair value interest rate risk*

Apart from deposits held in banks, the Group has no significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing bank deposits resulted from the changes in interest rates, because the interest rates of deposit balances are not expected to change significantly.

The Group's interest rate risk arises from long-term bank borrowings, senior notes, medium-term notes and, and corporate bonds. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Senior notes, medium-term notes and corporate bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group adjusts the proportion of borrowings at fixed rate against borrowings at floating rate based on the change of the finance market environment. During 2016 and 2015, the Group's borrowings at variable rates were mainly denominated in HKD and RMB. For bank borrowings in the PRC, the interest rate would be adjusted accordingly should the lending rate promulgated by the People's Bank of China ("PBOC") be changed.

As at 31 December 2016, borrowings of the Group which were issued at floating rates amounted to approximately HKD4,248,000,000 (2015: HKD5,200,000,000). As at 31 December 2016, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged and without taking into account interest capitalisation, the finance costs of the Group would be increased/decreased by approximately HKD21,240,000 (2015: HKD26,000,000).

(iii) *Price risk*

The Group is exposed to equity securities price risk in respect of shares of CSG Holding Co., Ltd. ("CSG"), a company listed in the Shenzhen Stock Exchange held by the Group and classified as available-for-sale financial assets. The Group is not exposed to significant commodity price risk.

The table below summarises the impact of increase/decrease of share price of CSG on equity. The analysis is based on the assumptions that the share price of CSG had increased/decreased by 5% as of year end with all other factors remain unchanged:

	Impact on other components of equity, net of tax — increase/ (decrease)	
	2016	2015
Share price		
— Increased by 5%	**13,314**	31,689
— Decreased by 5%	**(13,314)**	(31,689)

(All amounts in HK dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. Deposits are mainly placed with high credit quality banks. No significant credit risk is expected as the banks in the PRC and Hong Kong are either state-owned banks, listed banks or large/medium sized commercial banks. Individual credit limits granted to customers would be set with reference to internal and external ratings as determined by the directors. The credit limits are reviewed periodically.

Except for the provision for impairment of trade receivables (Note 18), management does not expect any losses from non-performance by customers.

The Group does not have significant credit concentration risk. The carrying amounts of cash and cash equivalents, deposits in banks with original maturities over 3 months, restricted bank deposits and trade and other receivables substantially represent the Group's maximum exposure to credit risk.

(c) Liquidity risk

Cash flow forecast is performed in the operating entities of the Group. The Company monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its standby committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements — for example, currency restrictions.

The table below analyses the non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2016					
Bank borrowings (including interest payments)	1,380,540	353,456	2,012,684	1,515,184	5,261,864
Corporate bonds (including interest payments)	113,144	113,144	2,438,549	942,069	3,606,906
Senior notes (including interest payments)	2,377,404	–	–	–	2,377,404
Medium-term notes (including interest payments)	1,217,826	1,044,704	–	–	2,262,530
Trade and other payables (including interest payments and excluding other taxes payable and staff welfare benefit payable)	7,174,561	–	–	–	7,174,561
Other non-current liabilities (including interest payments)	–	9,850,698	–	–	9,850,698

(All amounts in HK dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) **Liquidity risk** (continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
At 31 December 2015					
Bank borrowings (including interest payments)	2,036,051	881,485	996,877	1,944,624	5,859,037
Other borrowings (including interest payments)	226,786	226,901	170,227	–	623,914
Corporate bonds (including interest payments)	1,951,507	52,550	157,650	1,060,552	3,222,259
Senior notes (including interest payments)	101,742	2,375,871	–	–	2,477,613
Medium-term notes (including interest payments)	108,742	1,303,057	1,117,819	–	2,529,618
Trade and other payables (including interest payments and excluding other taxes payable and staff welfare benefit payable)	3,354,450	–	–	–	3,354,450
Other non-current liabilities (including interest payments)	–	1,424,113	10,540,117	–	11,964,230
Derivative financial instruments	1,898	–	–	–	1,898

As at 31 December 2016, the Group had standby banking facilities of HKD34,199,692,000 (2015: HKD27,357,909,000) (Note 22).

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and protect interest for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount and payment schedule of dividends paid to shareholders, capital returned to shareholders, new shares issued or assets sold to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and bank balances. Total equity is calculated as "equity", as shown in the consolidated balance sheet.

The Group maintained a consistent strategy to maintain the gearing ratio within 120%. The gearing ratios at 31 December 2016 and 2015 were as follows:

	2016	2015
Total borrowings	12,383,519	13,037,195
Less: cash and bank balances	(11,423,936)	(15,634,923)
Net debt/(net cash)	959,583	(2,597,728)
Total equity	28,435,643	28,699,467
Gearing ratio	3%	N/A

(All amounts in HK dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities that are measured at fair value. See Note 7 for disclosures of the investment properties that are measured at fair value.

	As at 31 December 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale financial assets	**340,843**	**613,908**	**–**	**954,751**
Derivatives	**–**	**113,233**	**–**	**113,233**

	As at 31 December 2015			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	821,123	298,579	59,716	1,179,418
Liabilities				
Derivatives	–	1,898	–	1,898

During the years ended 31 December 2015 and 2016, there were no transfers between Level 1 and Level 2.

(a) **Financial instruments in level 1**

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments which are included in level 1 comprise shares of CSG classified as available-for-sale.

(b) **Financial instruments in level 2**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instruments included in level 2 comprise, foreign exchange forwards (Note 23) and structured yield-enhancement products (Note 14(b)).

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of foreign exchange forwards is set by using the forward exchange rate as of the day of settlement, and discounted based on the result.
- The fair value of the structured yield-enhancement products is calculated as the present value of the estimated future cash flows based on observable yield rate.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. As the future is inherently uncertain, actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Construction service revenue recognition relating to concession contracts

Income and expenses associated with construction services and upgrade services provided under the concession service arrangements are recognised in accordance with HKAS 11 using the percentage of completion method. Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable.

Due to the fact there was no real cash flow realised/realisable during the construction phase of the infrastructure during the Service Concessions, in order to determine the construction service revenue to be recognised during the reporting period, the directors of the Company made estimates of the respective amounts by making reference to the provision of project management services by the Group for construction of toll roads for respective PRC local governments without the corresponding grants of the toll road operating rights and entitlement to future toll revenues in return for management service fees. The directors of the Company have drawn an analogy of the construction of toll roads under the Service Concessions as if the Group were providing construction and project management services. Accordingly, construction service revenue under the respective Service Concessions is recognised at the total expected construction costs of the related toll roads plus management fees, computed at a percentage of the costs.

The directors of the Company estimated that the construction costs are close to the revenue, and thus the gross profit derived from the construction activities was insignificant.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

(b) **Amortisation of concession intangible assets**

The Group applied HK(IFRIC) — Interpretation 12 "Service Concession arrangements" and recognised concession intangible assets under the service concession arrangements and provides amortisation thereon.

Amortisation of concession intangible assets is provided under the Traffic Flow Amortisation Method. Adjustments may need to be made to the carrying amounts of concession intangible assets should there be a material difference between total projected traffic volume and the actual results.

The directors of the Company performed a periodic assessment of the total projected traffic volume. The Group appoints independent professional traffic consultants to perform independent professional traffic studies and make appropriate adjustment if there is a material difference between projected traffic volume and actual traffic volume.

By the end of 2015, the Group appointed an independent professional traffic consultant to reassess the aggregate future traffic volume of Longa Expressway, Nanguang Expressway, Yanba Expressway, Yanpai Expressway and Qinglian Expressway. The Group has adjusted the amortisation unit for the related concession intangible assets according to the revised total projected traffic volume since 1 January 2016 on a prospective basis. Such change in accounting estimate has resulted in decrease in profit attributable to equity holders of the Company amounting to HKD20,615,000 for the year ended 31 December 2016 and will affect the amortisation charges of the Group in the future.

In the fourth quarter of 2016, the Group appointed an independent professional traffic consultant to reassess the aggregate future traffic volume of Wuhuang Expressway. The Group has adjusted the amortisation unit for the related concession intangible assets according to the revised total projected traffic volume since 1 October 2016 on a prospective basis. Such change in accounting estimate has resulted in decrease in profit attributable to equity holders of the Company amounting to HKD3,949,000 for the period from 1 October to 31 December 2016 and will affect the amortisation charges of the Group in the future.

(c) **Impairment of concession intangible assets**

The estimated recoverable amount is taken into account when considering the impairment of concession intangible assets.

When conducting impairment test of concession intangible assets, management forecasts future cash flows to determine the recoverable amount. Key assumptions used include the growth rate of traffic flows, toll rate, operating period, maintenance costs, and required rate of return. Given these assumptions, if the Group's management believes the recoverable amount will exceed the carrying amount after a thorough review, then no impairment is provided for concession intangible assets for the current year. The Group will continue to closely review the impairment of concession intangible assets, and make adjustments in the periods where there are indications that the relevant accounting estimates need to be adjusted.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

(d) Provisions for maintenance/resurfacing obligations

The Group has contractual obligations under the Service Concessions to maintain the toll road infrastructure to a specified level of serviceability. These obligations to maintain or restore the infrastructure, except for upgrade services, are to be recognised and measured as a provision.

The expenditures expected to be required to settle the obligations at the balance sheet date is determined based on the number of major maintenance and resurfacing to be undertaken throughout the allowed operating periods of each toll roads operated by the Group under the Service Concessions and the expected costs to be incurred for each event.

The expected costs for maintenance and resurfacing and the timing of such events to take place involve estimates made by the directors of the Company, which were based on the Group's resurfacing plan and historical costs incurred for similar activities. The costs are then discounted to the present value based on a pre-tax discount rate estimated by the director of the Company which reflects the time value of money and the risks specific to the obligation.

If the expected expenditures, resurfacing plan and discount rate were different from management's current estimates, the change in provision for maintenance/resurfacing is required to be accounted for prospectively.

(e) Income tax and deferred tax

The Group is subject to income taxes mainly in the PRC. Since the ultimate tax determination for relevant transactions and events arising from ordinary course of business might be uncertain. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises deferred tax assets based on estimates that it is probable to generate enough taxable incomes in the foreseeable future that the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgments and estimations about the timing and the amount of taxable incomes of the company who has tax loss. Where the final outcome of timing and amount is different from that initially estimated, such differences will impact the current income taxes and deferred tax assets in the period in which such determination is made.

4.2 Critical judgements in applying accounting policies

(a) Joint arrangements

The Group holds 40%–51% of the voting rights of its joint arrangements. Significant judgements are required in assessing whether the Group has joint control over these arrangements. The directors of the Company consider that the Group has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

(All amounts in HK dollar thousands unless otherwise stated)

5. SEGMENT INFORMATION

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

— Toll roads; and

— Logistic business.

Head office functions include corporate management functions and investment and financial activities of the Group.

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

Toll roads include development, operation and management of toll highway; logistic business includes: (i) logistic parks which mainly include the construction, operation and management of logistic centres and integrated logistics hubs; (ii) logistic services which include the provision of third party logistic services, logistic information services and financial services to customers; (iii) port and related services.

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

The segment revenue and results presented to the board of directors, the chief operating decision-maker are as follows:

For the year ended 31 December 2016

	Toll roads	Logistic business				Head Office Functions	Total
		Logistic parks	Logistic services	Port and related service[b]	Sub-total		
Revenue	6,056,504 [a]	571,880	629,701	529,095	1,730,676	–	7,787,180
Operating profit	2,548,648	165,517	36,208	84,809	286,534	690,085	3,525,267
Share of profit/(loss) of joint ventures	29,136	15,625	(28)	–	15,597	(2,045)	42,688
Share of profit/(loss) of associates	299,197	(385)	6,290	–	5,905	877,359	1,182,461
Finance income	124,953	1,595	6,274	986	8,855	61,268	195,076
Finance costs	(924,711)	(11,717)	(801)	(7,214)	(19,732)	(246,244)	(1,190,687)
Profit before income tax	2,077,223	170,635	47,943	78,581	297,159	1,380,423	3,754,805
Income tax expense	(436,782)	(26,849)	(7,127)	(9,435)	(43,411)	(357,430)	(837,623)
Profit for the year	1,640,441	143,786	40,816	69,146	253,748	1,022,993	2,917,182
Non-controlling interests	(794,253)	590	(2,544)	(19,303)	(21,257)	14,023	(801,487)
Profit attributable to equity holders of the Company	846,188	144,376	38,272	49,843	232,491	1,037,016	2,115,695
Depreciation and amortisation	1,495,089	81,864	10,060	51,651	143,575	34,590	1,673,254
Capital expenditure							
— Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	219,032	1,416,375	15,980	199,079	1,631,434	1,492,874	3,343,340
— Additions in interests in associates	79,805	–	–	–	–	653,928	733,733

(All amounts in HK dollar thousands unless otherwise stated)

5. SEGMENT INFORMATION (continued)

For the year ended 31 December 2015

	Toll roads	Logistic business				Head Office Functions	Total
		Logistic parks	Logistics ervices	Port	Sub-total		
Revenue	4,807,652 [a]	616,135	1,128,757	185,853	1,930,745	–	6,738,397
Operating profit	2,570,379	220,591	16,954	70,402	307,947	824,231	3,702,557
Share of profit of joint ventures	16,990	19,434	192	–	19,626	–	36,616
Share of profit/(loss) of associates	321,370	(239)	4,151	–	3,912	427,313	752,595
Finance income	182,725	2,479	2,704	864	6,047	91,709	280,481
Finance costs	(627,344)	(12,005)	(485)	(9,014)	(21,504)	(324,893)	(973,741)
Profit before income tax	2,464,120	230,260	23,516	62,252	316,028	1,018,360	3,798,508
Income tax expense	(326,888)	(49,109)	(5,132)	(4,669)	(58,910)	(350,520)	(736,318)
Profit for the year	2,137,232	181,151	18,384	57,583	257,118	667,840	3,062,190
Non-controlling interests	(848,013)	(879)	(3,208)	(17,276)	(21,363)	5,571	(863,805)
Profit attributable to equity holders of the Company	1,289,219	180,272	15,176	40,307	235,755	673,411	2,198,385
Depreciation and amortisation	1,147,033	70,466	5,315	45,782	121,563	40,303	1,308,899
Impairment of concession intangible assets	762,045	–	–	–	–	–	762,045
Gain/(loss) on revaluation on equity interests in associates and a joint venture previously held arising from business combinations with change of control	1,111,132	–	(726)	–	(726)	–	1,110,406
Capital expenditure							
— Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	157,370	475,882	38,925	232,060	746,867	75,459	979,696
— Additions in property, plant and equipment, construction in progress, land use rights, and intangible assets arising from acquisition of subsidiaries	5,703,276	–	20,280	–	20,280	–	5,723,556
— Additions in interests in joint ventures	4,901	–	–	–	–	4,538	9,439
— Additions in interests in associates	–	2,508	–	–	2,508	–	2,508

(a) The revenue from toll roads included construction service revenue under service concession arrangements of HKD146,487,000 for the year (2015: HKD557,000).

(b) Port and related services in 2016 included operation and management of wharf and logistic centres at Xiba Port in Nanjing, and port related supply chain management services business. The revenue and profit before income tax from port related services were HKD322,868,000 and HKD10,655,000 respectively for the year.

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

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

(All amounts in HK dollar thousands unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Leasehold improvements	Motor vehicles	Furniture, fixtures, and equipment	Loading equipment and facilities in port	Total
Year ended 31 December 2015						
Opening net book value	2,452,014	2,699	25,933	837,119	768,076	4,085,841
Acquisition of subsidiaries	117,995	–	20,119	116,224	–	254,338
Transfer from construction in progress (Note 9)	9,824	3,067	–	61,991	266,555	341,437
Additions	8,892	1,026	12,149	70,948	1,922	94,937
Disposals	(2,178)	(406)	(1,059)	(11,521)	(1,371)	(16,535)
Transfer to assets of disposal group classified as held for sale (Note 17)	(280,699)	–	–	(17,113)	–	(297,812)
Exchange difference	(102,844)	(112)	(1,404)	(35,656)	(32,896)	(172,912)
Depreciation	(113,634)	(247)	(9,355)	(163,364)	(40,199)	(326,799)
Closing net book value	2,089,370	6,027	46,383	858,628	962,087	3,962,495
At 31 December 2015						
Costs	2,673,001	13,499	124,932	1,962,447	1,129,981	5,903,860
Accumulated depreciation and impairment	(583,631)	(7,472)	(78,549)	(1,103,819)	(167,894)	(1,941,365)
Net book value	2,089,370	6,027	46,383	858,628	962,087	3,962,495

	Land and buildings	**Leasehold improvements**	**Motor vehicles**	**Furniture, fixtures, and equipment**	**Loading equipment and facilities in port**	**Total**
Year ended 31 December 2016						
Opening net book value	**2,089,370**	**6,027**	**46,383**	**858,628**	**962,087**	**3,962,495**
Disposal of subsidiaries	**(921)**	**–**	**(3,589)**	**(31,347)**	**–**	**(35,857)**
Transfer from construction in progress (Note 9)	**303,778**	**–**	**–**	**38,401**	**288,950**	**631,129**
Additions	**219,158**	**4,156**	**10,827**	**60,310**	**954**	**295,405**
Disposals	**(619)**	**–**	**(1,045)**	**(1,683)**	**–**	**(3,347)**
Transfer to assets of disposal group classified as held for sale	**(7,261)**	**–**	**–**	**–**	**–**	**(7,261)**
Exchange difference	**(142,003)**	**(455)**	**(2,718)**	**(51,998)**	**(72,661)**	**(269,835)**
Depreciation	**(106,527)**	**(2,628)**	**(13,350)**	**(169,645)**	**(46,354)**	**(338,504)**
Closing net book value	**2,354,975**	**7,100**	**36,508**	**702,666**	**1,132,976**	**4,234,225**
At 31 December 2016						
Costs	**2,989,620**	**16,423**	**104,641**	**1,852,506**	**1,334,390**	**6,297,580**
Accumulated depreciation and impairment	**(634,645)**	**(9,323)**	**(68,133)**	**(1,149,840)**	**(201,414)**	**(2,063,355)**
Net book value	**2,354,975**	**7,100**	**36,508**	**702,666**	**1,132,976**	**4,234,225**

Property ownership certificates for buildings with net book value of HKD435,648,000 (2015: HKD499,353,000) are not procured. Due to the unique feature of the Group's operation of toll roads, the affiliated buildings and structures should be reverted to the government when the approved operating periods expire. Thus, the Group does not have a plan of procuring the property ownership certificates.

(All amounts in HK dollar thousands unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

The analysis of carrying amount of land and buildings is as follows:

	2016	2015
In Hong Kong		
Medium-term leases (10–50 years)	64,054	66,188
In the PRC		
Medium-term leases (10–50 years)	1,853,279	1,521,632
Long-term leases (over 50 years)	1,994	2,197
Leases without certificates	435,648	499,353
	2,290,921	2,023,182
Representing:		
Land and buildings carried at cost	2,354,975	2,089,370

7. INVESTMENT PROPERTIES

	2016	2015
Beginning of year	81,450	81,240
Fair value gains	5,940	210
End of year	87,390	81,450

The Group's investment properties included commercial building and car parking spaces, all of which are outside Hong Kong with remaining lease periods over 50 years.

(a) Amounts recognised in consolidated income statement for investment properties

	2016	2015
Rental income	4,720	5,369
Direct operating expenses arising from investment properties that generate rental income	(2,104)	(2,002)
	2,616	3,367

(All amounts in HK dollar thousands unless otherwise stated)

7. INVESTMENT PROPERTIES (continued)

(b) Valuation process of the Group

An independent valuation of the Group's investment properties was performed by an independent professional valuer, who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the investment properties valued.

Discussions of valuation processes and results are held between the valuation team and management at least once every six months, in line with the Group's interim and annual reporting dates.

At each financial year end the Group:

- Verifies all major inputs to the independent valuation report;
- Assesses property valuations movements when compared to the prior year valuation report;
- Discusses with the independent valuer.

(c) Valuation techniques

Valuation was performed using the comparison method on the assumption that the property can be sold in its existing state subject to existing tenancies or otherwise with the benefit of vacant possession and making references to comparable sales transactions as available in the relevant market. For all investment properties, their current use equates the highest and best use. The fair value measurement of the investment property is categorised within level 3 of the fair value hierarchy. As at 31 December 2016, the significant unobservable inputs represented the unit price per square meter and per car parking space, which was HKD21,579 (2015: HKD19,137) for commercial building, and HKD139,554 (2015: HKD143,317) for each car parking space respectively. There were no changes to the valuation techniques during the year.

(d) Leasing arrangements

The investment properties are leased to tenants under operating leases ranging from 1 to 15 years with rental payable monthly. Minimum lease payments under non-cancellable operating leases of investment properties are receivable as follows:

	2016	2015
Within one year	**2,840**	2,832
Later than one year but not later than 5 years	**3,010**	6,185
	5,850	9,017

(All amounts in HK dollar thousands unless otherwise stated)

8. LAND USE RIGHTS

	2016	2015
Beginning of year	977,827	1,038,290
Additions	698,812	138,123
Disposal	(31,556)	–
Transfer from other non-current assets	203,000	34,635
Transfer from inventories	73,714	–
Transfer to inventories	–	(109,557)
Transfer to assets of disposal group classified as held for sale (Note 17)	–	(52,728)
Amortisation	(37,086)	(25,656)
Exchange difference	(100,197)	(45,280)
End of year	1,784,514	977,827

The analysis of carrying amount of leasehold land is as follows:

	2016	2015
In the PRC		
Medium-term leases (10–50 years)	1,777,476	969,743
Long-term leases (over 50 years)	4,161	4,859
Leases with unspecified periods	2,877	3,225
	1,784,514	977,827

9. CONSTRUCTION IN PROGRESS

	2016	2015
Beginning of year	768,314	442,257
Acquisition of subsidiaries	–	1,160
Disposal of subsidiaries	(5,243)	–
Additions	2,201,474	704,756
Transfer to property, plant and equipment (Note 6)	(631,129)	(341,437)
Transfer to inventory	(117,414)	–
Transfer to intangible asset (Note 10)	(5,808)	–
Transfer to assets of disposal group classified as held for sale	(38,255)	–
Other transfers	(16,919)	(1,078)
Exchange difference	(98,673)	(37,344)
End of year	2,056,347	768,314

(All amounts in HK dollar thousands unless otherwise stated)

10. INTANGIBLE ASSETS

	2016	2015
Concession intangible assets (Note (a))	21,286,881	23,831,721
Goodwill	–	1,843
Net book value	21,286,881	23,833,564

(a) Concession intangible assets

	2016	2015
Cost	29,327,597	31,003,104
Accumulated amortisation and impairment	(8,040,716)	(7,171,383)
Net book value	21,286,881	23,831,721

	2016	2015
Opening net book value	23,831,721	21,066,291
Acquisition of subsidiaries	–	5,468,058
Additions	147,649	41,880
Transfer from construction in progress (Note 9)	5,808	–
Disposals	–	(6,513)
Amortisation	(1,297,664)	(956,444)
Impairment	–	(762,045)
Exchange difference	(1,400,633)	(1,019,506)
Closing net book value	21,286,881	23,831,721

(i) 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 6 to 19 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 considerations payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options. Amortisation of concession intangible assets has all been charged in the consolidated income statement within "Cost of sales".

(ii) The operating rights of Qinglian Expressway was included in the concession intangible assets with net book value of HKD8,056,719,000 which was pledged for secured borrowings totaling HKD2,100,931,000 (2015: the operating rights of Qinglian Expressway and Shuiguan Expressway with net book value of HKD8,865,260,000 and HKD5,248,526,000 respectively which were pledged for secured borrowings totaling HKD2,366,445,000 and HKD584,862,000 respectively).

(All amounts in HK dollar thousands unless otherwise stated)

11. SUBSIDIARIES

(a) A list of the principal subsidiaries as at 31 December 2016 is disclosed in Note 41.

(b) **Material non-controlling interests**

The total non-controlling interests as at 31 December 2016 were HKD9,801,512,000 (2015: HKD10,539,424,000), of which HKD6,967,059,000 (2015: HKD7,290,404,000) was attributable to other shareholders of Shenzhen Expressway. The non-controlling interests in respect of other subsidiaries are not material.

Significant restrictions

Most of the cash and deposits held in banks of Shenzhen Expressway were held in the PRC and were subject to local exchange control regulations. These local exchange control regulations provide for restrictions on repatriating capital from the PRC, other than through dividends.

Set out below are the summarised financial information for Shenzhen Expressway that has non-controlling interests material to the Group.

Summarised balance sheet

	2016	2015
Current		
Assets	8,929,159	10,066,321
Liabilities	(5,340,092)	(4,909,260)
Total current net assets	3,589,067	5,157,061
Non-current		
Assets	27,296,410	27,853,392
Liabilities	(14,405,137)	(15,051,052)
Total non-current net assets	12,891,273	12,802,340
Net assets	16,480,340	17,959,401
Net assets attributable to equity holders	14,186,352	14,844,747
Non-controlling interests	6,967,059	7,290,404

Summarised income statement

	2016	2015
Revenue	5,415,885	4,204,807
Profit for the year	1,501,399	1,866,639
Other comprehensive income	1,041	2
Total comprehensive income	1,502,440	1,866,641
Total comprehensive income/(loss) allocated to non-controlling interests	170,990	(70,681)
Dividends paid to non-controlling interests	291,622	112,811

(All amounts in HK dollar thousands unless otherwise stated)

11. SUBSIDIARIES (continued)

(b) Material non-controlling interests (continued)

Summarised cash flows

	2016	2015
Net cash generated from operating activities	2,472,515	2,177,366
Net cash (used in)/generated from investing activities	(2,940,949)	717,334
Net cash (used in)/generated from financing activities	(1,778,212)	3,160,061
Net (decrease)/increase in cash and cash equivalents	(2,246,646)	6,054,761

The amounts above are stated before inter-company eliminations.

12. INTERESTS IN ASSOCIATES

	2016	2015
Beginning of year	5,673,459	5,845,699
Additions	733,733	2,508
Transfer from other non-current assets	692,850	–
Transfer from investments in subsidiary	50,863	–
Share of profit of associates	1,182,461	752,595
Share of other comprehensive (loss)/income of an associate	(8,267)	31,190
Dividends received	(363,321)	(459,709)
Transfer to subsidiaries	–	(232,853)
Exchange difference	(471,718)	(265,971)
End of year	7,490,060	5,673,459

The year-end balance comprises the following:

	2016	2015
Unlisted investments		
Share of net assets, other than goodwill	6,541,785	4,660,392
Goodwill on acquisition (Note (b))	948,275	1,013,067
	7,490,060	5,673,459

(All amounts in HK dollar thousands unless otherwise stated)

12. INTERESTS IN ASSOCIATES (continued)

(a) The major associates as listed below are held indirectly by the Company, their place of business and country of incorporation is the PRC. They are accounted for using equity method.

Name	% Ownership interest in 2016	% Ownership interest in 2015	Business nature
Shenzhen Airlines Limited ("Shenzhen Airlines") (Note (c))	**49%**	49%	Aviation services
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	**25%**	25%	Construction, operation and management of highways
Guangzhou Western Second Ring Expressway Company Limited	**25%**	25%	Construction, operation and management of highways
Shenzhen Huayu Expressway Investment Company Limited	**40%**	40%	Development, operation and management of highways
Nanjing Yangzi River Third Bridge Company Limited	**25%**	25%	Construction, operation and management of bridges
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	**25%**	25%	Construction, operation and management of highways
Yunfu Guangyun Expressway Company Limited	**30%**	30%	Construction, operation and management of highways
Shenzhen South Electronics Port Co., Ltd.	**40%**	40%	Electronic customs service
Bank of Guizhou Company Limited	**4.41%**	–	Deposit and loan business; domestic clearing, bills acceptance and discounting; issuance, redemption and underwriting of various types of bonds; other businesses as approved by the banking regulatory authorities and related departments.
Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd.	**50%**	–	Real estate development
Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company")	**24%**	–	Project management consulting, engineering consulting and sales of engineering materials

(b) The balance represents the goodwill arising from the acquisition of equity interests in Jiangzhong Company, Yangmao Company, Consulting Company and Shenzhen Airlines.

(All amounts in HK dollar thousands unless otherwise stated)

12. INTERESTS IN ASSOCIATES (continued)

(c) In the opinion of the directors, Shenzhen Airlines is a material associate to the Group. Shenzhen Airlines is a private company and there is no quoted market price available for its shares. Set out below are the summarised financial information for Shenzhen Airlines which is accounted for using the equity method.

Summarised balance sheet

	2016	2015
Current		
Assets	2,603,476	3,506,231
Liabilities	(21,990,345)	(20,076,598)
Total current net liabilities	(19,386,869)	(16,570,367)
Non-current		
Assets	50,566,055	51,298,972
Liabilities	(23,535,462)	(28,146,902)
Total non-current net assets	27,030,593	23,152,070
Non-controlling interests	(104,781)	(70,132)
Net assets	7,538,943	6,511,571

Summarised statement of comprehensive income

	2016	2015
Revenue	30,193,822	29,330,840
Profit for the year	1,790,558	872,068
Other comprehensive income	(11,004)	63,654
Total comprehensive income	1,779,554	935,722
Dividends received from the associate	130,006	105,215

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate.

Summarised financial information

	Shenzhen Airlines	
	2016	2015
Opening net assets	6,511,571	6,078,513
Profit for the year	1,790,558	872,068
Other comprehensive (loss)/income	(11,004)	63,654
Dividend paid	(265,318)	(214,724)
Currency translation differences	(486,864)	(287,940)
Closing net assets	7,538,943	6,511,571
Interest in the associate (49%)	3,694,082	3,190,670
Goodwill	862,753	923,134
Carrying value	4,556,835	4,113,804

(All amounts in HK dollar thousands unless otherwise stated)

12. INTERESTS IN ASSOCIATES (continued)

(d) Summarised financial information for individually immaterial associates is as follows:

	2016	2015
Total carrying amount of individually immaterial associates in consolidated financial statements	2,933,225	1,559,655
Individually immaterial associates' results attributed to the Group:		
Profit for the year	305,088	325,282
Other comprehensive loss	(2,875)	–
Total comprehensive income	302,213	325,282

(e) There are no significant contingent liabilities relating to the Group's interests in the associates.

13. INTERESTS IN JOINT VENTURES

	2016	2015
Beginning of year	281,325	314,092
Additions	–	9,439
Disposal	(3,322)	–
Share of profit of joint ventures	42,688	36,616
Share of other comprehensive loss of a joint venture	–	(1,762)
Dividends received	(40,483)	(41,926)
Transfer to subsidiaries	–	(22,041)
Exchange difference	(19,974)	(13,093)
End of year	260,234	281,325

The year-end balance comprises the following:

	2016	2015
Unlisted investments		
Share of net assets	16,904	20,965
Advances to joint ventures (Note (a))	243,330	260,360
	260,234	281,325

(a) The amounts represented advances made to Changsha Shenchang Expressway Co., Ltd. ("Shenchang Company"). The advances were made by Shenzhen Expressway as part of its investment commitments in these joint ventures as stipulated in the provisions under the relevant investment agreements. In the opinion of the directors of the Company, these advances are investment in nature and are therefore included in interests in joint ventures.

The advances are unsecured, interest-free and are repayable out of the funds to be generated from the operations of the respective toll road projects. The directors of the Company considered that there was no need to make impairment provision for this amount as at 31 December 2016.

(All amounts in HK dollar thousands unless otherwise stated)

13. INTERESTS IN JOINT VENTURES (continued)

(b) The major joint ventures as listed below are held indirectly by the Company, their place of business and country of incorporation is the PRC. They are accounted for using equity method.

Name	% Ownership interest in		Business nature
	2016	2015	
Shenzhen Airport International Express Supervision Center Co., Ltd.	**50%**	50%	Equipment services for customs monitoring
Shenzhen Longzhuo Logistics Co., Ltd.	**50%**	50%	Warehousing services
Shenchang Company	**51%**	51%	Construction, operation and management of the round-city road
Shenzhen Timetop Smart Logistics Co., Ltd.	**40%**	40%	Logistics management services
Shenzhen International Huazhang Logistics Industry Private Equity Funds Management Co., Ltd.	**38%**	38%	Fund management

All joint ventures are private company and there are no quoted market prices available for their shares.

(c) In the opinion of the directors, none of the joint ventures is material to the Group. Summarised financial information for individually immaterial joint ventures is as follows:

	2016	2015
Total carrying amount of individually immaterial joint ventures in consolidated financial statements	**260,234**	281,325
Individually immaterial joint ventures' results attributed to the Group:		
Profit for the year	**42,688**	36,616
Other comprehensive loss	**–**	(1,762)
Total comprehensive income	**42,688**	34,854

(d) There are no significant contingent liabilities and commitments related to the Group's interests in the joint ventures.

(All amounts in HK dollar thousands unless otherwise stated)

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2016	2015
Beginning of year	1,215,450	1,388,711
Additions	654,947	298,579
Net change in fair value	(62,928)	274,323
Disposals (Note (a))	(672,062)	(684,630)
Exchange difference	(76,303)	(61,533)
End of year	1,059,104	1,215,450
Less: non-current portion	(104,353)	(95,748)
Current portion	954,751	1,119,702
Available-for-sale financial assets, all denominated in RMB, include the following:		
Listed securities in the PRC, at fair value (Note (a) and Note 3.3)	340,843	821,123
Unlisted yield-enhancement products: at fair value (Note (b) and Note 3.3)	613,908	298,579
Unlisted equity investments:		
at fair value (Note 3.3)	–	59,716
at cost less impairment		
— Cost (Note (c))	128,448	60,127
— Provision for impairment	(24,095)	(24,095)
	104,353	36,032
	104,353	95,748
	1,059,104	1,215,450

(a) As at 31 December 2016, listed equity investments stated at market price represented 1.30% (2015: 2.48%) equity interest in CSG. During the year, the Group disposed certain shares in CSG and recorded a gain of approximately HKD342,520,000 (2015: HKD977,008,000).

(b) The balance represented the Group's investments in certain structured yield-enhancement products managed by a high credit quality fund management companies in the PRC.

(c) The Group's unlisted equity investments do not have quoted market prices in an active market and their fair values cannot be reliably measured.

15. OTHER NON-CURRENT ASSETS

As at 31 December 2016, other non-current assets mainly represented prepayments for land use rights, project funds, other long-term receivables and advances to non-controlling interests.

(All amounts in HK dollar thousands unless otherwise stated)

16. INVENTORIES

	2016	2015
In the PRC		
Land in Qianhai held for future development (Note 1)	1,506,024	–
Other land held for future development	58,298	–
Land and properties under development for sale	652,466	767,871
Completed properties for sale	560,974	351,320
Others	141,720	279,336
	2,919,482	1,398,527

The analysis of carrying amount of leasehold land included in land and properties development in above mentioned inventories is as follows:

	2016	2015
In the PRC		
Medium-term leases (10–50 years)	1,601,899	98,169
Long-term leases (over 50 years)	585,980	480,783
	2,187,879	578,952

17. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In June 2015, Shenzhen International United Land Co., Ltd. ("United Land Company"), a subsidiary of the Group, entered into various land transfer agreements (the "Land Transfer Agreements") with Longhua Management Bureau under Urban Planning Land and Resources Commission of the Shenzhen Municipal to acquire the land use rights of the Meilin checkpoint land parcels at a total consideration of RMB3,566,700,000 (equivalent to HKD3,981,136,000). Pursuant to the Land Transfer Agreements, United Land Company paid 30% of the total land premium by 30 June 2015 and the remaining land premium was paid before 23 June 2016. Prior to the above transaction, the Group had possessed these land use rights for logistic business operation. The directors of Company had approved a plan to dispose of not less than 50% equity interest in United Land Company to third-party real estate developers within one year. As such, the related group of assets which mainly includes the prepayment for land premium of HKD3,981,136,000 (2015: HKD1,277,929,000), the carrying values of the original land use rights of HKD49,280,000 (2015: HKD52,728,000) and the buildings and fixtures attached to the land use rights of HKD324,000,000 (2015: HKD297,812,000), were reclassified to assets held for sale.

In 2016, the time of completion of sale was extended due to delay of land relocation process.

18. TRADE AND OTHER RECEIVABLES

	2016	2015
Trade receivables (Note (a))	1,220,760	1,066,747
Less: Provision for impairment	(1,289)	(3,550)
Trade receivables — net	1,219,471	1,063,197
Other receivables and prepayments (Note (b))	1,023,257	815,964
	2,242,728	1,879,161

(All amounts in HK dollar thousands unless otherwise stated)

18. TRADE AND OTHER RECEIVABLES (continued)

(a) 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 have credit terms of 30 to 120 days. As at 31 December 2016 and 2015, the ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

	2016	2015
0–90 days	607,419	485,916
91–180 days	98,829	17,579
181–365 days	29,231	47,163
Over 365 days (i)	485,281	516,089
	1,220,760	1,066,747

(i) Trade receivables due over 365 days mainly comprised the amount of HKD435,719,000 (2015: HKD492,750,000) arising from the Group's development and management of certain toll road projects administrated for Shenzhen Traffic and Transportation Committee (the "SZ Transportation Committee") and entrusted construction management services of Guangshen Coastal Expressway (Shenzhen Section) Project ("Coastal Project").

As at 31 December 2016, trade receivables of HKD1,289,000 (2015: HKD3,550,000) were fully impaired. These individually impaired trade receivables mainly relate to customers which are in unexpected financial difficulties.

The other classes within trade and other receivables do not contain impaired assets. There is no material default history for amounts not past due.

The creation and release of provision for impaired receivables has been included in administrative expenses in the consolidated income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recoveries of additional cash.

The carrying amounts of the Group's trade and other receivables are mainly denominated in RMB. As at 31 December 2016, the fair value of the trade and other receivables approximated their carrying values.

The Group does not hold any collateral as security.

Credit quality of trade receivables neither past due nor impaired can be assessed by reference to historical information about counterparty's default rates:

	2016	2015
Counterparties		
— Government authorities in the PRC	502,042	605,826
— Existing customers with no defaults in the past	446,876	409,142
— New customers	269,546	48,229
	1,218,464	1,063,197

(b) The amounts mainly included: (i) prepayment for land use rights and guarantee deposit of land use rights of HKD263,871,000 (2015: HKD289,163,000); (ii) advance of construction costs and construction receivables of HKD300,389,000 (2015: HKD171,366,000); (iii) receivables from associate of HKD58,042,000 (2015: nil) and (iv) receivables of HKD22,747,000 (2015: HKD63,368,000) from Shenzhen Municipal People's Government for the related compensation on Meiguan Expressway's toll free section.

(All amounts in HK dollar thousands unless otherwise stated)

19. CASH AND CASH EQUIVALENTS

	2016	2015
Cash at bank and in hand	**11,423,936**	15,634,923
Less: Restricted bank deposits (Note (a))	**(1,629,804)**	(288,291)
Less: Deposits in banks with original maturities over 3 months	**(1,540,195)**	(2,092,911)
Cash and cash equivalents	**8,253,937**	13,253,721

(a) As at 31 December 2016, the restricted bank deposits mainly represented restricted project funds for construction management.

(b) Cash and cash equivalents can be withdrawn as requested. The cash at bank and in hand were denominated in the following currencies:

	2016	2015
RMB	**10,423,701**	15,391,838
HKD	**29,969**	20,542
USD	**970,030**	222,280
Other currencies	**236**	263
	11,423,936	15,634,923

20. SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares (share)	Ordinary share capital	Share premium	Total
At 1 January 2015	1,891,942,887	1,891,942	5,630,593	7,522,535
Employee share option				
— proceeds from shares issued	3,170,480	3,171	16,126	19,297
— value of employee services	–	–	29,787	29,787
Issue of scrip shares as dividend	3,906,050	3,906	50,003	53,909
At 31 December 2015	1,899,019,417	1,899,019	5,726,509	7,625,528
Employee share option				
— proceeds from shares issued	**1,152,000**	**1,152**	**10,828**	**11,980**
— value of employee services	**–**	**–**	**23,942**	**23,942**
Issue of scrip shares as dividend (Note 36)	**57,517,897**	**57,518**	**604,634**	**662,152**
At 31 December 2016	**1,957,689,314**	**1,957,689**	**6,365,913**	**8,323,602**

(a) Authorised and issued shares

As at 31 December 2016, the total authorised number of ordinary shares was 3,000 million shares (2015: 3,000 million shares) with par value of HKD1.00 per share (2015: HKD1.00 per share). All issued shares are fully paid.

20. SHARE CAPITAL AND SHARE PREMIUM (continued)

(b) Share options

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Average Exercise price (HKD per share)	Number of share options (thousands)	Average Exercise price (HKD per share)	Number of share options (thousands)
At 1 January	10.40	31,780	9.56	39,797
Granted	11.592	7,420	–	–
Exercised	10.40	(1,152)	6.09	(3,171)
Forfeited	10.40	(1,450)	10.40	(500)
Lapsed	–	–	5.89	(4,346)
At 31 December	10.642	36,598	10.40	31,780

The related weighted-average share price at the time of exercise was HKD12.08 (2015: HKD11.90) per share in 2016.

Share options outstanding at the end of the year have the following dates of maturity and exercise prices:

Date of maturity	Exercise price (HKD per share)	Number of share options (thousands)	
		2016	2015
28 January 2019 (Note (i))	10.40	29,178	31,780
28 January 2019 (Note (ii))	11.592	7,420	–
		36,598	31,780

(i) On 29 January 2014, 32,880,000 share options (the "2014 Share Options") with an exercise price of HKD10.40 per share were granted to certain directors of the Company and to selected employees of the Group. The options are exercisable starting two years from the grant date: 40% of the 2014 Share Options was vested on the date which is 24 months after the grant date; another 30% of the 2014 Share Options granted will be vested on the date which is 36 months after the grant date, and the remaining 30% of the 2014 Share Options will be vested on the date which is 48 months after the grant date. The vesting of the 2014 Share Options is conditional, subject to the individual performance of respective grantees and the achievement of certain performance targets of the Group. During the year, 1,450,000 2014 Share Options were forfeited (2015: 500,000) and 1,152,000 2014 Share Options were exercised (2015: nil).

(ii) On 22 June 2016, 7,420,000 share options (the "2016 Share Options") with an exercise price of HKD11.592 per share were granted to certain directors of the Company and selected employees of the Group. The exercise price of 2016 Share Options represents the average closing price for the five business days immediately preceding the date of grant. 40% of the share options granted is to be vested immediately, another 30% of the share options granted will be vested on 29 January 2017, and the remaining 30% of the share options granted will be vested on 29 January 2018. Vesting of the above mentioned share options in 2017 and 2018 is conditional upon the individual performance of respective grantees and the achievement of certain performance targets of the Group.

The fair value of the 2016 Share Options as determined using the binominal model was HKD2.09 per option. The significant inputs used in the model were share price of HKD11.42 per share at grant date, exercise price shown above, volatility of 37.743%, dividend yield of 4.38%, an expected option life of 2.6 years and an annual risk-free interest rate of 0.575%. The volatility measured at the standard deviation of continuously compounded share returns in based on statistical analysis of daily share prices over the past 1 year.

(All amounts in HK dollar thousands unless otherwise stated)

21. OTHER RESERVES AND RETAINED EARNINGS

	Fair value reserve	Reserve funds (Note (b))	Capital reserve	Goodwill reserve	Hedging reserve	Merger reserves	Revaluation surplus	Other reserves (Note (c))	Currency translation reserve	Contributed surplus (Note (a))	Other reserves sub-total	Retained earnings	Total
At 1 January 2015	851,424	2,007,792	59,723	(159,583)	(4,405)	(4,082,110)	507,216	(13,227)	1,612,257	13,005	792,092	9,387,468	10,179,560
Profit attributable to equity holders of the company	–	–	–	–	–	–	–	–	–	–	–	2,198,385	2,198,385
Fair value gains on available-for sale financial assets, net of tax	205,481	–	–	–	–	–	–	–	–	–	205,481	–	205,481
Reclassification of fair value gains to consolidated income statement upon disposal of available-for-sale financial assets, net of tax	(442,049)	–	–	–	–	–	–	–	–	–	(442,049)	–	(442,049)
Fair value gains on derivative financial instruments, net of tax	–	–	–	–	2,922	–	–	–	–	–	2,922	–	2,922
Share of other comprehensive income of an associate	–	–	–	–	–	–	–	31,190	–	–	31,190	–	31,190
Share of other comprehensive loss of a joint venture	–	–	–	–	–	–	–	(1,762)	–	–	(1,762)	–	(1,762)
Currency translation differences	(51,211)	–	–	–	–	–	–	–	(726,722)	–	(777,933)	–	(777,933)
Transfer to reserve	–	71,838	–	–	–	–	–	–	–	–	71,838	(71,838)	–
Dividend relating to 2014	–	–	–	–	–	–	–	–	–	–	–	(861,325)	(861,325)
Forfeiture of unclaimed dividends	–	–	–	–	–	–	–	–	–	–	–	46	46
At 31 December 2015	563,645	2,079,630	59,723	(159,583)	(1,483)	(4,082,110)	507,216	16,201	885,535	13,005	(118,221)	10,652,736	10,534,515

	Fair value reserve	Reserve funds (Note (b))	Capital reserve	Goodwill reserve	Hedging reserve	Merger reserves	Revaluation surplus	Other reserves (Note (c))	Currency translation reserve	Contributed surplus (Note (a))	Other reserves sub-total	Retained earnings	Total
At 1 January 2016	563,645	2,079,630	59,723	(159,583)	(1,483)	(4,082,110)	507,216	16,201	885,535	13,005	(118,221)	10,652,736	10,534,515
Profit attributable to equity holders of the company	–	–	–	–	–	–	–	–	–	–	–	2,115,695	2,115,695
Fair value gains on available-for sale financial assets, net of tax	(47,196)	–	–	–	–	–	–	–	–	–	(47,196)	–	(47,196)
Reclassification of fair value gains to consolidated income statement upon disposal of available-for-sale financial assets, net of tax	(261,317)	–	–	–	–	–	–	–	–	–	(261,317)	–	(261,317)
Fair value gains on derivative financial instruments, net of tax	–	–	–	–	1,483	–	–	–	–	–	1,483	–	1,483
Share of other comprehensive loss of an associate	–	–	–	–	–	–	–	(6,965)	–	–	(6,965)	–	(6,965)
Currency translation differences	(27,689)	–	–	–	–	–	–	–	(1,117,253)	–	(1,144,942)	–	(1,144,942)
Transfer to reserve	–	221,920	–	–	–	–	–	–	–	–	221,920	(221,920)	–
Dividend relating to 2015 (Note 36)	–	–	–	–	–	–	–	–	–	–	–	(949,860)	(949,860)
Forfeiture of unclaimed dividends	–	–	–	–	–	–	–	–	–	–	–	69	69
Transactions with non-controlling interests	–	–	–	–	–	–	–	69,047	–	–	69,047	–	69,047
At 31 December 2016	227,443	2,301,550	59,723	(159,583)	–	(4,082,110)	507,216	78,283	(231,718)	13,005	(1,286,191)	11,596,720	10,310,529

(a) The contributed surplus of the Group represents the difference between the nominal value of the shares of the former group holding company, acquired pursuant to the Group reorganisation on 9 January 1990, over the nominal value of the Company's shares issued in exchange thereof.

(b) In accordance with the PRC regulations, certain companies of the Group in the PRC are required to transfer part of their profits after taxation to various reserve funds, which are non-distributable, before profit distributions are made. The amounts of the transfers are subject to the approval of the boards of directors of these companies, in accordance with their joint venture agreements and/or articles of association.

(c) Other reserves mainly represented the differences between the considerations paid/received and the relevant carrying value of net assets of the subsidiaries acquired/disposed of for the transactions with certain non-controlling interests.

(All amounts in HK dollar thousands unless otherwise stated)

22. BORROWINGS

	2016	2015
Non-current		
Long-term bank borrowings		
— Secured (Note (a))	2,100,931	2,366,445
— Unsecured	1,946,717	2,309,743
Other long-term borrowings — secured	–	584,862
Medium-term notes (Note (b))	2,117,437	2,262,903
Senior notes (Note (c))	2,344,172	2,335,733
Corporate bonds (Note (d))	3,175,776	2,741,667
	11,685,033	12,601,353
Less: Current portion	(4,110,140)	(3,440,320)
	7,574,893	9,161,033
Current		
Short-term bank borrowings		
— Unsecured	698,486	435,842
Current portion of long-term borrowings		
Bank borrowings		
— Secured (Note (a))	110,727	118,476
— Unsecured	539,798	1,327,341
Medium-term (Note (b))	1,115,443	–
Senior notes (Note (c))	2,344,172	–
Other borrowings — secured	–	203,034
Corporate bonds (Note (d))	–	1,791,469
	4,110,140	3,440,320
	4,808,626	3,876,162
Total borrowings	12,383,519	13,037,195

(a) As at 31 December 2016, bank borrowings of HKD2,100,931,000 (2015: HKD2,366,445,000) were secured by a pledge of the operating rights of Qinglian Expressway (Note 10(a)(ii)), of which HKD110,727,000 (2015: HKD118,476,000) represented the current portion of the non-current bank borrowings.

(b) On 7 May 2014, Shenzhen Expressway completed the issue of the RMB1,000 million medium-term notes, which has a term of 3 years and bears a fixed interest at 5.50% per annum with interest repayable annually and the principal repayable in full upon maturity on 8 May 2017.

On 14 August 2015, Shenzhen Expressway completed the issue of the RMB900 million medium-term notes ("Medium-term Note A"), which has a term of 3 years and bears a fixed interest at 3.95% per annum with interest repayable annually and the principal repayable in full upon maturity on 18 August 2018.

(All amounts in HK dollar thousands unless otherwise stated)

22. BORROWINGS (continued)

(c) In April 2012, the Company issued senior notes in an aggregate principal amount of USD300 million (the "Senior Notes"). The Senior Notes bear interest at the rate of 4.375% per annum, payable semi-annually in arrears on 20 April and 20 October, and will mature on 20 April 2017, unless redeemed earlier.

The Senior Notes may be redeemed at the option of the Company in whole, but not in part, in the event of certain changes affecting taxes of Bermuda or Hong Kong. At any time following a change of control in the Company, the holders of each Senior Notes will have the right to require the Company to redeem in whole but not in part such holder's Senior Notes at 101% of their principal amount, together with accrued but unpaid interest.

(d) Shenzhen Expressway issued long-term corporate bonds of RMB800 million for a term of 15 years bearing interest at 5.5% per annum in August 2007 ("Corporate Bond A"). Interest is payable annually and the principal is repayable in full upon maturity on 31 July 2022. The full amount of principal and interest of the Corporate Bond A are unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by the Shenzhen Expressway's 100% equity interest in Shenzhen Meiguan Expressway Company Limited.

In August 2011, Shenzhen Expressway issued another corporate bonds with face value of RMB1,500 million which are fixed interest rate with maturity of 5 years and the principal was repaid in full upon maturity on 27 July 2016.

On 18 July 2016, Shenzhen Expressway issued long-term corporate bonds of USD300 million for a term of 5 years ("Corporate Bond B"). The issuing price was equal to 99.46% of principle with bearing interest at of 2.875% per annum. Interest is payable semi-annually and the principal is repayable in full upon maturity on 18 July 2021.

(e) At 31 December 2016, the borrowings were repayable as follows:

	2016	2015
Within 1 year	4,808,625	3,876,162
Between 1 and 2 years	1,224,087	2,160,999
Between 2 and 5 years	4,244,988	4,252,293
Over 5 years	2,105,819	2,747,741
	12,383,519	13,037,195

(f) The carrying amounts of the borrowings are denominated in the following currencies:

	2016	2015
HKD	2,178,810	2,666,103
RMB	5,341,562	8,035,359
USD	4,863,147	2,335,733
	12,383,519	13,037,195

(All amounts in HK dollar thousands unless otherwise stated)

22. BORROWINGS (continued)

(g) The ranges of interest rates at the balance sheet date were as follows:

	2016			2015	
	HKD	RMB	USD	HKD	RMB
Bank borrowings	1.62 % – 2.78 %	1.20 % – 6.12 %	1.97%	1.56 % – 3.93 %	4.90 % – 6.12 %

(h) The Group has standby banking facilities as follows:

	2016	2015
Floating rate		
— Expiring within one year	11,569,179	21,821,736
— Expiring beyond one year	22,630,513	5,536,173
	34,199,692	27,357,909

(i) The carrying amounts and fair values of the non-current borrowings are as follows:

	Carrying amounts		Fair values	
	2016	2015	2016	2015
Bank borrowings	3,397,123	3,230,371	3,323,000	3,230,371
Corporate bonds	3,175,776	950,198	3,385,163	1,008,650
Senior notes	–	2,335,733	–	2,342,037
Medium-term notes	1,001,994	2,262,903	1,007,280	2,322,527
Other long-term borrowings	–	381,828	–	381,828
	7,574,893	9,161,033	7,715,443	9,285,413

The fair values of bank borrowings are determined based on cash flows discounted using effective interest rates ascertained based on the rates of general bank borrowings at 4.90% (2015: 4.35% to 4.90%) per annum.

The fair values of the Corporate Bond A and Corporate Bond B are calculated using cash flows discounted at rates based on market interest rates of comparable corporate bonds at 4.90% and 1.94% (2015: 4.35% and nil) per annum respectively.

The fair values of the Medium-term Note A is calculated using cash flows discounted at the rates based on market interest rate of notes at 4.75% (2015: 4.75%) per annum.

The fair value of current borrowings approximates their carrying amount as the effect of discounting is not significant.

(All amounts in HK dollar thousands unless otherwise stated)

22. BORROWINGS (continued)

(j) The exposure of the borrowings to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	2016	2015
Borrowings with floating rate:		
Up to 6 months	**2,202,091**	2,905,016
Over 6 months and less than 12 months	**55,363**	162,080
1 to 5 years	**886,974**	832,252
Over 5 years	**1,103,230**	1,797,544
	4,247,658	5,696,892

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2016	2015
Foreign exchange forward contracts — current assets	**113,233**	–
Interest rate swaps — current liabilities — cash flow hedges	**–**	1,898

During the year, the Group had entered into foreign exchange forward contracts totaling USD685 million with various third party financial institutions. The fair value of these foreign exchange forward contracts was determined by reference to the valuation provided by third party financial institutions. For the year ended 31 December 2016, the movements of fair value of the derivative financial instruments recognised in other comprehensive income and in the consolidated income statement were HKD1,483,000 (2015: HKD2,922,000) and HKD117,946,000 (2015: nil) respectively.

24. PROVISION FOR MAINTENANCE/RESURFACING OBLIGATIONS

	2016	2015
Opening net book value	**239,841**	299,116
Charged to the consolidated income statement:		
— Additions (Note 31)	**32,179**	13,951
— Increase due to passage of time (Note 33)	**6,087**	9,176
Settlement	**(85,207)**	(70,490)
Exchange difference	**(13,813)**	(11,912)
Closing net book value	**179,087**	239,841
Less: current portion	**(36,801)**	(90,264)
Non-current portion	**142,286**	149,577

As part of its obligations under the Service Concessions, the Group assumes responsibility for maintenance and resurfacing of the toll roads it manages.

Provision for maintenance/resurfacing obligations are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the inherent risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

(All amounts in HK dollar thousands unless otherwise stated)

25. DEFERRED TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2016	2015
Deferred tax assets	145,723	188,589
Offset within the same tax jurisdiction	(1,534)	(98,971)
Net deferred tax assets	144,189	89,618
Deferred tax liabilities	1,760,809	2,097,790
Offset within the same tax jurisdiction	(1,534)	(98,971)
Net deferred tax liabilities	1,759,275	1,998,819

The movement on the net deferred tax account is as follows:

	2016	2015
At 1 January	1,909,201	1,310,866
Acquisition of subsidiaries	–	944,150
Disposal of subsidiaries	(2,651)	–
Tax credited relating to components of other comprehensive income	(103,901)	(89,998)
Credited to the consolidated income statement (Note 34)	(109,077)	(194,896)
Exchange difference	(78,486)	(60,921)
At 31 December	1,615,086	1,909,201

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred tax assets				
	Provision for maintenance/ resurfacing obligations	Taxable financial subsidies	Payroll and other expenses accrued but not paid	Tax losses	Total
Balance at 1 January 2015	83,213	26,601	16,052	141,701	267,567
(Charged)/credited to the consolidated income statement	(16,092)	(1,179)	458	(52,649)	(69,462)
Exchange differences	(2,859)	(1,145)	(723)	(4,789)	(9,516)
Balance at 31 December 2015	64,262	24,277	15,787	84,263	188,589
Balance at 1 January 2016	64,262	24,277	15,787	84,263	188,589
Charged to the consolidated income statement	(11,612)	(1,258)	(5,355)	(14,042)	(32,267)
Exchange differences	(3,291)	(1,538)	(819)	(4,951)	(10,599)
Balance at 31 December 2016	49,359	21,481	9,613	65,270	145,723

(All amounts in HK dollar thousands unless otherwise stated)

25. DEFERRED TAX (continued)

	Deferred tax liabilities			
	Fair value gains of available-for-sale financial assets	Concession intangible assets	Others	Total
Balance at 1 January 2015	285,702	1,086,436	206,295	1,578,433
Credited to equity				
— Change of fair value of available-for-sale financial assets	68,842	–	–	68,842
— Transfer out upon disposal of available-for-sale financial assets	(158,840)	–	–	(158,840)
(Credited)/charged to the consolidated income statement	–	(316,630)	52,272	(264,358)
Acquisition of subsidiaries	–	940,892	3,258	944,150
Exchange differences	(5,882)	(56,576)	(7,979)	(70,437)
Balance at 31 December 2015	189,822	1,654,122	253,846	2,097,790
Balance at 1 January 2016	**189,822**	**1,654,122**	**253,846**	**2,097,790**
Credited to equity				
— Change of fair value of available-for-sale financial assets	**(15,732)**	**–**	**–**	**(15,732)**
— Transfer out upon disposal of available-for-sale financial assets	**(88,169)**	**–**	**–**	**(88,169)**
Credited to the consolidated income statement	**–**	**(135,887)**	**(5,457)**	**(141,344)**
Disposal of subsidiaries	**–**	**–**	**(2,651)**	**(2,651)**
Exchange differences	**(8,264)**	**(70,614)**	**(10,207)**	**(89,085)**
Balance at 31 December 2016	**77,657**	**1,447,621**	**235,531**	**1,760,809**

The tax charge relating to components of other comprehensive income is as follows:

	2016			2015		
	Before tax	**Tax credited**	**After tax**	Before tax	Tax (charged)/ credited	After tax
Fair value (losses)/gains on available-for-sale financial assets	**(62,928)**	**15,732**	**(47,196)**	274,323	(68,842)	205,481
Transfer of fair value gain to consolidated income statement upon disposal of available-for-sale financial assets	**(349,486)**	**88,169**	**(261,317)**	(600,889)	158,840	(442,049)
Fair value gains on derivative financial instruments	**1,483**	**–**	**1,483**	2,922	–	2,922
Share of other comprehensive (loss)/ income of an associate	**(8,267)**	**–**	**(8,267)**	31,190	–	31,190
Share of other comprehensive loss of a joint venture	**–**	**–**	**–**	(1,762)	–	(1,762)
Currency translation differences	**(1,832,200)**	**–**	**(1,832,200)**	(1,236,209)	–	(1,236,209)
	(2,251,398)	**103,901**	**(2,147,497)**	(1,530,425)	89,998	(1,440,427)

(All amounts in HK dollar thousands unless otherwise stated)

25. DEFERRED TAX (continued)

(a) Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets in respect of tax losses amounting to HKD285,868,000 (2015: HKD443,189,000) that can be carried forward against future taxable income.

The expiry year of tax losses in respect of which deferred tax assets were not recognised at 31 December 2016 is as follows:

Year	2016	2015
2016	–	136,076
2017	99,063	105,643
2018	163,235	174,572
2019	980	7,082
2020	1,095	19,816
2021	21,495	–
	285,868	443,189

26. OTHER NON-CURRENT LIABILITIES

	2016	2015
Compensations from government regarding Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway toll free arrangement (Note (a))	9,412,716	10,594,127
Deferred income (Note (b))	597,020	335,996
	10,009,736	10,930,123

(a) As at 31 December 2016, the amount mainly represented compensation received in relation to the toll adjustment and compensation for Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway Shenzhen Section. On 30 November 2015, Shenzhen Expressway and Shenzhen Longda Expressway Company Limited ("Longda Company", a subsidiary of Group), and SZ Transportation Committee entered into the toll adjustment and compensation agreements regarding Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway (the "Adjustment Agreements"), pursuant to which Nanguang Expressway, Yanpai Expressway, Yanba Expressway (together operated by Shenzhen Expressway) and Longda Expressway Shenzhen Section (namely, the 23.8 km section of the Longda Expressway from the starting point of the Longda Expressway to the Nanguang ramp, operated by Longda Company) (the "4 Toll Roads") became toll-free from 00:00 on 7 February 2016 in two phases in exchange for cash compensation calculated based on adjustment mechanism by SZ Transportation Committee. During Phase 1, the Group will retain its toll fee right and be responsible for the maintenance and repair of the 4 Toll Roads. SZ Transportation Committee will engage the services of the Group and implement toll-free for the 4 Toll Roads in exchange for an amount of cash compensation. During Phase 2, SZ Transportation Committee may, within 10 months before the end of Phase 1, elect to adopt either Option 1 or Option 2 to be effective from 00:00 on 1 January 2019. Under Option 1, the parties will continue to operate in the same manner in Phase 1. Under Option 2, toll fee right of the 4 Toll Roads will be returned to SZ Transportation Committee in exchange for cash compensation and SZ Transportation Committee will implement toll-free for the 4 Toll Roads, the Group will no longer retain its toll fee rights nor be responsible for the maintenance and repair of the 4 Toll Roads.

The parties will engage Shenzhen City Transport Planning Study Centre Co., Ltd. to audit the actual amount of toll revenue in each of the financial years during Phase 1 according to the agreed approach under the Adjustment Agreements. If the actual toll revenue deviates by or less than 3% from the estimated figure stipulated under the Adjustment Agreements, the amount of compensation payable by SZ Transportation Committee will not be adjusted. If the actual toll revenue deviates more than 3% from the estimated figure stipulated under the Adjustment Agreements, the amount of compensation payable by SZ Transportation Committee will be adjusted upwards or downwards (as the case may be).

(All amounts in HK dollar thousands unless otherwise stated)

26. OTHER NON-CURRENT LIABILITIES (continued)

(a) (continued)

All compensation (not including compensation for the relevant taxes) payable by SZ Transportation Committee to the Group were subject to additional interest payable by SZ Transportation Committee to the Group to reflect the time value of the compensation for the period between the basis date of valuation and the date of payment. Such interest should start to accrue from 1 December 2015 and calculated based on the loan interest rate with the corresponding tenor published by the PBOC, which was ranged from 4.35% to 4.75%.

Compensation includes unrecognised finance charges that will be amortised in the consolidated income statement within "finance cost" from December 2015 to 31 December 2018. Interest expense of HKD532,371,000 was recognised for the year ended 31 December 2016 (2015: HKD47,640,000) (Note 33).

In December 2015, the Group received the first payment from SZ Transportation Committee amounting to HKD11,599,650,000, of which HKD854,080,000 was in relation to the toll revenue of the 4 Toll Roads during 2017 (2015: HKD1,054,635,000) (Note 27).

(b) As at 31 December 2016, deferred income includes government grants amounting to HKD371,734,000 (2015: HKD69,868,000) which was received from the government for the purpose of subsidising the Group's development, operation and setting up certain integrated logistics hubs. The corresponding deferred income with maturity within one year amounted to HKD9,859,000 (2015: HKD1,791,000) was included in "Trade and other payables".

27. TRADE AND OTHER PAYABLES

	2016	2015
Trade payables (Note (a))	107,154	140,536
Payables relating to construction projects (Note (b))	2,317,868	949,885
Advances from associates (Note (c))	101,939	89,434
Compensation from government regarding Nanguan Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway toll free arrangement (Note 26)	854,080	1,054,635
Other payables, accrued expenses and deferred income (Note (d))	4,066,708	1,378,721
	7,447,749	3,613,211

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

	2016	2015
0–90 days	92,636	138,164
91–180 days	8,944	1,375
181–365 days	4,638	744
Over 365 days	936	253
	107,154	140,536

(b) Included in payable relating to construction projects is an amount of HKD1,585,286,000 (2015: HKD288,291,000), which was payable for projects of entrusted management and construction of highways.

(c) These advances are interest-free, unsecured and repayable on demand.

(All amounts in HK dollar thousands unless otherwise stated)

27. TRADE AND OTHER PAYABLES (continued)

(d) Other payables, accrued expenses and deferred income mainly included payables for entrusted service costs of HKD170,527,000 (2015: HKD188,433,000), interest payables of HKD125,972,000 (2015: HKD160,008,000), employee benefit expenses of HKD192,228,000 (2015: HKD252,936,000), receipt in advance from sales of properties of HKD190,411,000 (2015: HKD177,728,000), deferred income with maturity within one year of HKD25,308,000 (2015: HKD1,791,000), advance from the Coastal Project second phase of HKD37,066,000 (2015: nil) and payables to Qianhai Authority for land premium of HKD2,728,916,000 (2015: nil) (Note 1).

28. REVENUE

	2016	2015
Toll Roads		
— Toll revenue	5,106,600	4,712,920
— Entrusted construction management service and construction consulting service revenue	508,469	94,175
— Construction service revenue under Service Concession	146,487	557
— Others	294,948	–
	6,056,504	4,807,652
Logistic Business		
— Logistic parks	571,880	616,135
— Logistic services	629,701	1,128,757
— Port and related services	529,095	185,853
	1,730,676	1,930,745
	7,787,180	6,738,397

29. OTHER INCOME

	2016	2015
Dividend income	62,377	53,215
Rental income	9,839	14,040
Government grants	29,334	8,405
Others	9,271	2,226
	110,821	77,886

30. OTHER GAINS — NET

	2016	2015
Gain on disposal of land assets in Qianhai (Note 1)	648,246	–
Gains on disposal of available-for-sale financial assets	238,558	977,008
Remeasurement gain on fair value of residual shareholdings after loss of control of subsidiary	5,385	–
(Losses)/gains on disposal of Meiguan Expressway's toll free section related assets	(31,113)	1,010
Losses on disposal of property, plant and equipment	(1,313)	(6,182)
Others	6,897	12,038
Gains on revaluation on equity interests in associates and a joint venture previously held arising from business combinations with change of control — net	–	1,110,406
Impairment loss of concession intangible assets	–	(762,045)
Losses on disposal of concession intangible assets	–	(3,998)
	866,660	1,328,237

(All amounts in HK dollar thousands unless otherwise stated)

31. EXPENSES BY NATURE

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

	2016	2015
Construction services cost under Service Concession	146,487	557
Provision for maintenance/resurfacing obligations — net (Note 24)	32,179	13,951
Depreciation and amortisation	1,673,254	1,308,899
Employee benefit expenses (Note 32)	942,262	821,188
Transportation expenses and contractors' costs	407,319	255,764
Rental charges	26,741	32,344
Other tax expenses	107,417	201,248
Commission, management fee and maintenance expenses for toll roads	352,347	308,677
Entrusted construction management service costs	73,619	14,224
Auditors' remuneration *		
— Audit services	5,759	8,179
— Non-audit services	3,285	7,197
Legal and consultancy fees	45,117	37,329
Costs for electronic commerce and supply chain management business	394,185	705,888
Others	1,029,423	726,518
	5,239,394	4,441,963

* *Auditors' remuneration in 2016 includes amounts of HKD3,050,000 for audit services and HKD1,029,000 for non-audit services respectively which are paid/payable to KPMG, the auditors of the Company.*

32. EMPLOYEE BENEFIT EXPENSES

	2016	2015
Wages and salaries	719,733	622,482
Pension costs-defined contribution plans	79,502	76,278
Share-based payment expenses (Note 20)	23,942	29,787
Others	119,085	92,641
	942,262	821,188

From 1 December 2000, a MPF scheme has been set up for eligible employees in Hong Kong of the Group. Contributions to the MPF Scheme by the Group and employees are calculated at rates specified in the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group by an independently administered fund.

The Group also contributes to employee retirement schemes established by the PRC local governments in respect of certain subsidiaries in the PRC. The PRC local governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated income statement as incurred.

No forfeited contributions (2015: nil) were utilised during the year and none is available at the year-end to reduce future contribution.

(All amounts in HK dollar thousands unless otherwise stated)

32. EMPLOYEE BENEFIT EXPENSE (continued)

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2016 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to retirement scheme	Compensation for loss of office as director	Share-based payment	Total
Gao Lei	–	264	853	48	127	–	682	1,974
Li Hai Tao[(i)(ii)]	–	163	464	45	55	–	638	1,365
Zhong Shan Qun	–	656	349	77	121	–	512	1,715
Liu Jun	–	656	349	77	121	–	512	1,715
Li Lu Ning	–	656	349	77	121	–	512	1,715
Li Jing Qi[(iii)]	–	116	332	31	38	–	302	819
Yim Fung	350	–	–	–	–	–	–	350
Leung Ming Yuen, Simon	350	–	–	–	–	–	–	350
Ding Xun	350	–	–	–	–	–	–	350
Nip Yun Wing	350	–	–	–	–	–	–	350
								10,703

The remuneration of each Director for the year ended 31 December 2015 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to retirement scheme	Compensation for loss of office as director	Share-based payment	Total
Gao Lei	–	295	886	4	113	–	1,332	2,630
Li Jing Qi[(iii)]	–	295	841	4	111	–	1,265	2,516
Zhong Shan Qun	–	694	369	10	126	–	999	2,198
Liu Jun	–	694	369	10	104	–	999	2,176
Li Lu Ning	–	694	369	10	111	–	999	2,183
Yim Fung	350	–	–	–	–	–	–	350
Leung Ming Yuen, Simon	350	–	–	–	–	–	–	350
Ding Xun	350	–	–	–	–	–	–	350
Nip Yun Wing	350	–	–	–	–	–	–	350
								13,103

(i) *The chief executive of the Company.*

(ii) *Appointed on 8 June 2016.*

(iii) *Resigned on 8 June 2016.*

(All amounts in HK dollar thousands unless otherwise stated)

32. EMPLOYEE BENEFIT EXPENSE (continued)

(a) Directors' emoluments (continued)

During the year ended 31 December 2016, the directors of the Company Mr. Gao Lei and Mr. Li Hai Tao have waived directors' emoluments of HKD150,000 (2015: HKD140,000) and HKD110,000 (2015: nil) respectively.

During the year ended 31 December 2016 and 2015, no emoluments had been paid by the Group to the directors or the five highest-paid individuals referred to in (b) below as an inducement to join or upon joining the Group or as a compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include two (2015: three) directors. The emoluments payable to the remaining three (2015: two) individual during the year are as follows:

	2016	2015
Basic salaries and allowances	4,186	3,671
Year-end bonuses	1,573	836
Contributions to the retirement scheme	292	147
Share-based payment expenses	2,108	1,998
Other benefits	67	24
	8,226	6,676

The emoluments fell within the following bands:

	Number of individuals	
	2016	2015
Emolument band		
HKD1,500,001 – HKD2,000,000	1	–
HKD2,000,001 – HKD2,500,000	1	1
HKD3,500,001 – HKD4,000,000	1	–
HKD4,000,001 – HKD4,500,000	–	1

(All amounts in HK dollar thousands unless otherwise stated)

33. FINANCE INCOME AND COSTS

	2016	2015
Interest income from bank deposits	(186,643)	(145,163)
Interest income from other receivables	(6,772)	(113,536)
Other interest income	(1,661)	(21,782)
Total finance income	(195,076)	(280,481)
Interest expense		
— Bank borrowings	189,100	342,235
— Medium-term notes	110,115	89,266
— Senior notes	103,165	103,026
— Corporate bonds	146,513	224,929
— Other interest costs (Note 24)	6,087	9,176
— Interest costs for other financial liabilities (Note 26)	532,371	47,640
Net foreign exchange losses	368,072	248,783
Gains on derivative financial instruments directly attributable to borrowings	(117,946)	–
Less: finance costs capitalised on qualified assets	(146,790)	(91,314)
Total finance costs	1,190,687	973,741
Net finance costs	995,611	693,260

Finance costs of HKD146,790,000 (2015: HKD91,314,000) have been capitalised for the construction of qualified assets such as property, plant and equipment, construction in progress and properties under development in 2016, using an average interest rate of 6.12% (2015: 5.92%) per annum.

34. INCOME TAX EXPENSE

Hong Kong Profits Tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year. Taxes on overseas profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The PRC Corporate Income Tax charged to the consolidated income statement was calculated based on the assessable profits of the Company's subsidiaries located in the PRC of the year at a rate of 25% (2015: 25%) applicable to the respective companies.

	2016	2015
Current income tax		
— PRC Corporate Income Tax	946,700	931,214
Deferred tax (Note 25)	(109,077)	(194,896)
	837,623	736,318

34. INCOME TAX EXPENSE (continued)

The taxation on the Group's profit before income tax differs from the theoretical amount that would have arisen using the main statutory tax rate applicable to profit of the Group due to the following:

	2016	2015
Profit before income tax	3,754,805	3,798,508
Tax calculated at a tax rate of 25% (2015: 25%)	938,701	949,627
Tax impact of:		
— Different tax rates in other jurisdiction	88,052	85,703
— Non-taxable income	(29,336)	(366,865)
— Non-deductible expenses	57,196	137,186
— Unrecognised tax losses	5,942	61,639
— Share of profits of joint ventures and associates	(306,287)	(197,303)
— Withholding income tax on dividends (Note (a))	63,153	66,331
— Unrecognised deductible temporary difference	20,202	–
Income tax expense	837,623	736,318

(a) According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding income tax rate will be reduced from 10% to 5%.

Certain profits generated by the relevant PRC subsidiaries would be distributed to their non-PRC registered intermediate holding companies and as such, deferred tax liability in this respect was provided accordingly in the consolidated financial statements of the Group for the current year to the extent that such earnings are estimated by the directors of the Company to be distributed in the foreseeable future.

The amount of profits on which withholding income tax has not been provided at 31 December 2016 was HKD7,923,718,000 (2015: HKD7,005,108,000).

35. EARNINGS PER SHARE

(a) Basic

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

	2016	2015
Profit attributable to equity holders of the Company	2,115,695	2,198,385
Weighted average number of ordinary shares in issue (thousands)	1,929,847	1,895,423
Basic earnings per share (HKD per share)	1.10	1.16

35. EARNINGS PER SHARE (continued)

(b) Diluted

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

	2016	2015
Profit attributable to equity holders of the Company	**2,115,695**	2,198,385
Profit used in the calculation of diluted earnings per share	**2,115,695**	2,198,385
Weighted average number of ordinary shares in issue (thousands)	**1,929,847**	1,895,423
Adjustments — share options (thousands)	**4,197**	6,498
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,934,044**	1,901,921
Diluted earnings per share (HKD per share)	**1.09**	1.16

36. DIVIDENDS

According to the scrip dividend scheme approved by the shareholders in the annual general meeting held on 13 May 2016, 57,517,897 new shares were issued at a price of HKD11.512 per share, totalling HKD662,152,000. Other dividend paid by cash in June 2016 was HKD287,708,000. At the board meeting on 28 March 2017, the board recommended the payment of final dividend for the year of 2016 of HKD0.43 per ordinary share. Such dividends are to be approved by the shareholders at the forthcoming annual general meeting of the Company in 2017 ("Annual General Meeting"). These consolidated financial statements do not reflect this as dividend payable.

	2016	2015
Proposed final and total dividend of HKD0.43 (2015: HKD0.50) per ordinary share	**841,806**	949,510

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

(All amounts in HK dollar thousands unless otherwise stated)

37. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before income tax to consolidated cash generated from operations is set out as below:

	2016	2015
Profit before income tax	3,754,805	3,798,508
Adjustments for:		
— Depreciation (Note 6)	338,504	326,799
— Amortisation of land use rights (Note 8)	37,086	25,656
— Amortisation of intangible assets (Note 10)	1,297,664	956,444
— Losses/(gains) on disposal of Meiguan Expressway's toll free section related assets (Note 30)	31,113	(1,010)
— Losses on disposal of concession intangible assets (Note 30)	–	3,998
— Provision for maintenance/resurfacing obligations — net (Note 31)	32,179	13,951
— Reversal of provision for impairment of trade receivables (Note 18)	(2,261)	(128)
— Gains on disposal of available-for-sale financial assets (Note 30)	(238,558)	(977,008)
— Gains on revaluation on equity interests in associates and a joint venture previously held arising from business combinations with change of control — net (Note 30)	–	(1,110,406)
— Remeasurement gain on fair value of residual shareholdings after loss of control of subsidiary (Note 30)	(5,385)	–
— Gain on disposal of land assets in Qianhai (Note 30)	(648,246)	–
— Impairment loss of concession intangible assets (Note 30)	–	762,045
— Deferred income recognised in the consolidated income statement	(14,141)	–
— Share-based payment expenses (Note 32)	23,942	29,787
— Losses on disposal of property, plant and equipment (Note 30)	1,313	6,182
— Fair value gains on investment properties (Note 7)	(5,940)	(210)
— Estimated revenue derived from the 4 Toll Roads toll free arrangements	(1,176,177)	–
— Interest income (Note 33)	(195,076)	(280,481)
— Interest expense (Note 33)	1,190,687	973,741
— Share of profit of associates and joint ventures (Notes 12 and 13)	(1,225,149)	(789,211)
— Dividend income (Note 29)	(62,377)	(53,215)
	3,133,983	3,685,442
Changes in working capital (excluding the exchange differences on acquisition of subsidiaries):		
— Inventories	(1,657,794)	(493,865)
— Trade and other receivables	(697,990)	331,933
— Trade and other payables	3,745,881	(242,795)
— Provision for maintenance/resurfacing obligations (Note 24)	(85,207)	(70,490)
(Increase)/decrease in restricted bank deposits	(1,341,513)	188,349
Cash generated from operations	3,097,360	3,398,574

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2016	2015
Net book value (Note 6)	3,347	16,535
Losses on disposal (Note 30)	(1,313)	(6,182)
Proceeds from disposal	2,034	10,353

Non-cash transactions

The principal non-cash transactions for the year ended 31 December 2016 represented the issue of shares to satisfy dividend pursuant to the scrip dividend scheme as disclosed in Note 36.

(All amounts in HK dollar thousands unless otherwise stated)

38. GUARANTEES AND CONTINGENCIES

(a) Shenzhen Expressway had construction management contracts and arranged with bank to issue irrevocable performance guarantees amounting to HKD16,743,000 (2015: HKD17,915,000), HKD2,232,000 (2015: HKD2,389,000), HKD68,226,000 (2015: HKD73,001,000) and HKD111,620,000 (2015: nil) on its behalf to SZ Transportation Committee, Shenzhen Traffic Public Facilities Construction Centre, Shenzhen Longhua New Area Construction Service Management Centre and Shenzhen Guangshen Coastal Expressway Investment Co., Ltd ("Coastal Company") respectively.

(b) United Land Company entered into the Land Transfer Agreements with Longhua Management Bureau under Urban Planning Land and Resources Commission of the Shenzhen Municipal and executed the Meilin Checkpoint Urban Renewal Project. In accordance with the related project contracts, United Land Company had arranged with a bank to issue irrevocable performance guarantees to Shenzhen Longhua New District City Construction Bureau amounting to HKD51,568,000 (2015: HKD55,177,000).

(c) As of 31 December 2016, Shenzhen Expressway has given collateral liability guarantees by phases of approximately HKD198,616,000 (2015: nil) to banks in respect of housing loans extended to purchasers of properties by banks. Pursuant to the terms of guarantees, in the event of any defaults in mortgage repayments by those purchasers, Shenzhen Expressway shall undertake to repay outstanding mortgage loans together with any accrued interest and penalty due to banks by purchasers in defaults. The validity period of Shenzhen Expressway's guarantee shall commence from the date of grant of relevant mortgage loans and expire upon receipts of property ownership certificates by respective purchasers. The directors of the Group consider that, in case of default in repayments, the net realisable value of related properties should be able to cover repayments of outstanding mortgage loans together with any accrued interest and penalty and, accordingly, no provision has been made in respect of the guarantees.

39. COMMITMENTS

(a) Capital commitments

	2016	2015
Capital commitments — expenditure of property, plant and equipment, concession intangible assets and land premium		
— Authorised but not contracted	**3,411,669**	–
— Contracted but not provided for	**4,605,361**	3,762,844
	8,017,030	3,762,844
Investment commitments		
— Contracted but not provided for	**–**	125,161
	8,017,030	3,888,005

(b) Operating lease commitments — the Group as the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2016	2015
Land and buildings:		
Not later than 1 year	**7,970**	6,227
Later than 1 year and not later than 5 years	**376**	–
	8,346	6,227

(All amounts in HK dollar thousands unless otherwise stated)

39. COMMITMENTS (continued)

(c) Operating lease commitments — the Group as the lessor

The future aggregate minimum lease receipts under non-cancellable operating leases are as follows:

	2016	2015
Land and buildings:		
Not later than 1 year	**228,489**	207,405
Later than 1 year and not later than 5 years	**310,431**	510,433
Over 5 years	**543,188**	564,929
	1,082,108	1,282,767

40. RELATED-PARTY TRANSACTIONS

As described in Note 1, the Company is de facto controlled by Shenzhen SASAC. The transactions entered into with associates, joint ventures and other state-owned entities are related party transactions. Management considers certain state-owned enterprises have material transactions with the Group in its ordinary course of business, which include but not limited to (1) capital expenditure incurred for Service Concession projects and construction in progress with stated-owned contractors and the corresponding payable balances due to these contractors and guaranteed deposits; (2) purchase of goods, including use of public utilities; and (3) bank deposits and borrowings. These transactions are mainly carried out on terms comparable to those conducted with third parties or standards promulgated by relevant government authorities and have been reflected in the consolidated financial statements.

Management believes that meaningful information relating to related party transactions has been disclosed. Apart from the transactions as mentioned in Notes 1, 17, 18, 26, 27 and 38 are related party transactions of the Group, the Group has the following significant transactions with related parties during the year:

(a) Shenzhen Expressway provides project management services for construction, operation and maintenance of the Coastal Project. The Coastal Project is owned by Coastal Company which is wholly owned by SIHCL. The project management service revenue is calculated at 1.5% of the construction budget. On 9 September 2011, Shenzhen Expressway and Coastal Company entered into the entrusted construction management agreement to formalise the terms of these arrangements. During the year, Shenzhen Expressway has reversed the previously recognised construction management service revenue amounting to RMB9,494,000 (HKD11,039,000) (2015: recognised revenue amounting to RMB24,666,000 (HKD30,317,000)).

In addition, according to an entrusted operation management agreement signed between Shenzhen Expressway and Coastal Company in June 2016, Shenzhen Expressway recognised entrusted management service revenue in the consolidated income statement amounting to RMB50,943,000 (HKD59,229,000) (2015: nil) after netting of VAT of RMB3,057,000 (HKD3,554,000) during the year.

In addition, during the period from 1 January to 30 November 2016, Shenzhen Expressway's subsidiary, Consulting Company recognised construction consulting service revenue amounting to RMB5,451,000 (HKD6,338,000) (during period from 1 January to 30 June 2015: RMB3,083,000 (HKD3,789,000)).

(b) On 1 December 2016, Consulting Company became an associate of Shenzhen Expressway, and Shenzhen Expressway and Consulting Company entered into a service agreement pursuant to which Consulting Company provides engineering consulting, management and testing service. During the period from 1 December and 31 December 2016, Shenzhen Expressway paid service fee to Consulting Company amounting to RMB17,150,000 (HKD19,940,000) (during the period from 1 January to 30 June 2015: RMB2,747,000 (HKD3,376,000)).

(All amounts in HK dollar thousands unless otherwise stated)

40. RELATED-PARTY TRANSACTIONS (continued)

(c) On 7 March 2016, the Company entered into an agreement with Shenzhen Nongke Holdings Company Limited ("Shenzhen Nongke", an indirect subsidiary of Shenzhen SASAC) whereby the Company agreed to purchase and Shenzhen Nongke agreed to sell (through its wholly-owned subsidiary, namely Shenzhen Shumyip Zhongcheng Co., Ltd.) an office building at a cash consideration of RMB1,168 million (approximately HKD1,304 million) as the Group's headquarter in Shenzhen. As of 31 December 2016, the payment for related property was fully settled.

(d) Details of key management compensation are set out in Note 32.

(e) For the year ended 31 December 2016, the transactions stated in the entrusted operation management agreement between Shenzhen Expressway and Coastal Company mentioned in (a) constitute continued connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are disclosed in the Directors' Report.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2016:

Name	Principal activities	Issued and fully paid share capital/ paid-in capital	Interest held by Group (%)	Non-controlling interests (%)
Shenzhen International Total Logistics (Shenzhen) Co., Ltd.◊	Provision of total logistics and transportation ancillary services	RMB200,000,000	100	–
Xin Tong Chan Development (Shenzhen) Co., Ltd.△	Investment holding	RMB200,000,000	100	–
Shenzhen International South-China Logistics Co., Ltd.@	Development, construction, operation and management of South China Logistic Park	RMB350,000,000	100	–
Shenzhen International Holdings (SZ) Limited△	Investment holding	HKD2,180,000,000	100	–
Nanjing UT Logistics Co., Ltd.@	Logistic services and related warehouse facilities	RMB88,000,000	100	–
Shenzhen EDI Co., Ltd.@	Provision of electronic information exchange, transmission and value-added information sharing services	RMB22,760,000	79.87	20.13
Shenzhen International West Logistics Co., Ltd.@	Development, construction, operation and management of Western Logistic Park	RMB450,000,000	100	–
Shenzhen Bao Tong Highway Construction and Development Limited@ *	Development, construction, investment, operation and management of toll highway	RMB1,533,800,000	100	–
Shenzhen Longda Expressway Company Limited@ *	Operation and management of Longda Expressway	RMB200,000,000	89.93	10.07
Shenzhen Expressway Company Limited^	Investment, construction, operation and management of toll highways and roads	RMB2,180,770,326	50.89	49.11
Hubei Magerk Expressway Management Private Limited △*	Operation and management of highways and expressways	USD28,000,000	100▽	–

(All amounts in HK dollar thousands unless otherwise stated)

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Principal activities	Issued and fully paid share capital/ paid-in capital	Interest held by Group (%)	Non-controlling interests (%)
Shenzhen International Booming Total Logistics Co., Ltd.@ *	Logistic services and related warehouse facilities	RMB90,000,000	55.39	44.61
Shenzhen Shen Guang Hui Highway Development Company@ *	Investment holding	RMB105,600,000	100	–
Nanjing Xiba Wharf Co. Ltd.◇*	Construction, operation and management of Wharf and Logistics Centres at Xiba Port of Nanjing	RMB455,000,000	70	30
Guangdong Qinglian Highway Development Company Limited◇	Development, operation and management of highways	RMB3,361,000,000	76.37▽	23.63
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited @	Construction, operation and management of an expressway	RMB440,000,000	100▽	–
Shenzhen Meiguan Expressway Company Limited@	Construction, operation and management of an expressway	RMB332,400,000	100▽	–
Nanchang Shenzhen International Integrated Logistics Hub Development Co., Ltd △	Construction, operation and management of urban integrated logistics hub at Nanchang Economic and Technological Development Zone	USD25,000,000	100	–
Shenzhen International Huatongyuan Logistics Co., Ltd.@ *	Logistic services and related warehouse facilities	RMB60,000,000	51	49
Nanjing Xiba Port Co., Ltd.◇ *	Construction, operation and management of Wharf and logistics centres at Xiba Port in Phase 2 of Nanjing	RMB420,000,000	70	30
Shenzhen International Logistics Development Co., Ltd.@ *	Investment holding	RMB1,000,000,000	100	–
Shenyang Shenzhen International Integrated Logistics Properties Co., Ltd.@ *	Construction, operation and management of Shenyang International Logistics Integrated Logistics Park at Shenyang Yuhong District	RMB250,000,000	100	–
Wuxi Shenzhen International Integrated Logistics Hub Co., Ltd△	Construction, operation and management of urban integrated logistics hub at Wuxi Huishan District	USD50,000,000	100	–
Wuhan Shenzhen International Integrated Logistics Hub Development Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub at Wuhan Dongxihu District	RMB100,000,000	70	30
Shijiazhuang Shenzhen International Integrated Logistics Hub Development Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub at Shijiazhuang Zhengding County	RMB100,000,000	80	20

(All amounts in HK dollar thousands unless otherwise stated)

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Principal activities	Issued and fully paid share capital/ paid-in capital	Interest held by Group (%)	Non-controlling interests (%)
Shenzhen International Modern Urban Logistics Hub Co., Ltd.@ *	Construction, operation and management of logistics hub at Shenzhen Longhua	RMB200,000,000	100	–
Shenzhen International United Land Co., Ltd.@ # *	Acquisition and demolition of Meilin Checkpoint urban renewal project's land	RMB5,000,000,000	75.94	24.06
Tianjin Shenzhen International Integrated Logistics Hub Development Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub at Tianjin Binhai New Area	RMB8,000,000	100	–
Changsha Shenzhen International Integrated Logistics Hub Development Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub at Changsha Jinxia Economic Development Zone	RMB100,000,000	100	–
Hangzhou Shenzhen International Integrated Logistics Hub Development Co., Ltd. △ *	Construction, operation and management of urban integrated logistics hub at Hangzhou Dajiangdong Industrial Cluster	USD60,000,000	100	–
Hangzhou Shenzhen International Supply Chain Management Co., Ltd. △	Supply chain management services	USD40,000,000	100	–
Xi'an Shenzhen International Integrated Logistics Hub Development Co., Ltd. △	Construction, operation and management of urban integrated logistics hub at Xi'an National Civil Aerospace Industrial Base	USD10,000,000	100	–
Hefei Shenzhen International Integrated Logistics Hub Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub at Anhui Hefei Trade and Logistics Development Zone in Cuozheng Town, Feidong Country, Hefei City	RMB72,000,000	80	20
Ningbo Shenzhen International Integrated Logistics Hub Development Co., Ltd. △ *	Construction, operation and management of urban integrated logistics hub Ningnan Trade and Logistics Zone in Fenghua City, Ningbo	USD10,000,000	100	–
Kunshan Shenzhen International Integrated Logistics Hub Development Co., Ltd.@	Construction, operation and management of urban integrated logistics hub at Lujia Town, Kunshan City	RMB89,600,000	100	–
Guizhou Pengbo Investment Company Limited@	Construction, operation and management of urban integrated logistics hub at Shuanglong modern service cluster, Guizhou	RMB1,000,000	100	–
Guizhou Hengtongli Property Company Limited@	Construction, operation and management of urban integrated logistics hub at Shuanglong modern service cluster, Guizhou	RMB52,229,945.55	100	–

(All amounts in HK dollar thousands unless otherwise stated)

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Principal activities	Issued and fully paid share capital/ paid-in capital	Interest held by Group (%)	Non-controlling interests (%)
Shenzhen Qinglong Expressway Company Limited◇	Construction, operation and management of an expressway	RMB324,000,000	50▽	50
Citic Logistics Fritz Co., Ltd.@	Cargo transportation and warehousing services	RMB37,000,000	95	5
Shenzhen International Qianhai Industries (Shenzhen) Co., Ltd.△ *	Project investment and corporate management consulting services	RMB50,000,000	100	–
New Vision Limited	Investment holding	USD100	100	–
Shenzhen International Ports Development (HK) Limited	Investment holding	HKD2	100	–
Advance Great Limited	Investment holding	USD 1	100	–
Successful Plan Assets Limited	Investment holding	USD1	100	–
Shenzhen International Limited	Investment holding	HKD10,001	100	–
Shenzhen International Qianhai Development Limited	Investment holding	HKD1	100	–
Shenzhen International Qianhai Asset Management (Shenzhen) Co., Ltd.@	Real estate development and investment management	RMB5,000,000	100	–
Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd.@	Real estate development and investment management	RMB5,000,000	100	–

△ *Foreign-owned enterprise*

◇ *Sino-foreign Joint Venture*

@ *Domestic enterprise*

^ *Foreign invested joint stock limited company*

▽ *These subsidiaries are held through Shenzhen Expressway and the related interests indirectly held by the Group disclosed above represent the interests held by Shenzhen Expressway.*

The Company indirectly held 51% interests and Shenzhen Expressway directly held 49% interests. The effective control interests is 75.94%.

* *For identification purpose only*

The above table lists the subsidiaries of the Group which, in opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net assets of the Group. All subsidiaries listed above are limited liability companies. These subsidiaries are incorporated and operate in the PRC (except for New Vision Limited ("NVL"), Advance Great Limited and Successful Plan Assets Limited which are incorporated in British Virgin Islands, and Shenzhen International Ports Development (HK) Limited, Shenzhen International Limited and Shenzhen International Qianhai Development Limited which are incorporated in Hong Kong). Only NVL is directly held and wholly owned by the Company. To give details of other subsidiaries would result in particulars of excessive length.

(All amounts in HK dollar thousands unless otherwise stated)

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2016	2015
ASSETS		
Non-current assets		
Investments in subsidiaries	**3,707,705**	5,357,676
Amounts due from subsidiaries	**2,987,485**	2,648,425
	6,695,190	8,006,101
Current assets		
Other receivables	**938**	1,348
Dividends due from subsidiaries	**7,479,839**	6,506,975
Derivate financial instrument	**29,528**	–
Cash and cash equivalents	**4,829**	194,807
	7,515,134	6,703,130
Total assets	**14,210,324**	14,709,231
EQUITY AND LIABILITIES		
Share capital and share premium	**8,323,602**	7,625,528
Other reserves and retained earnings	**1,333,543**	2,280,049
Total equity	**9,657,145**	9,905,577
Liabilities		
Non-current liabilities		
Borrowings	**1,206,004**	3,030,869
	1,206,004	3,030,869
Current liabilities		
Other payables	**4,174**	5,660
Borrowings	**3,339,104**	1,761,989
Derivative financial instruments	**–**	1,898
Amount due to a subsidiary	**3,897**	3,238
	3,347,175	1,772,785
Total liabilities	**4,553,179**	4,803,654
Total equity and liabilities	**14,210,324**	14,709,231

The balance sheet of the Company was approved by the Board of Directors on 28 March 2017 and was signed on its behalf.

Li Hai Tao
Director

Zhong Shan Qun
Director

(All amounts in HK dollar thousands unless otherwise stated)

42. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

Reserve movement of the Company

	Other reserves					
	Contributed surplus	Hedging reserve	Currency translation reserve	Total other reserves	Retained earnings	Total
At 1 January 2015	58,515	(4,405)	1,223,752	1,277,862	1,506,988	2,784,850
Comprehensive income						
Profit for the year	–	–	–	–	798,184	798,184
Other comprehensive income						
Fair value gains on derivative financial instruments	–	2,922	–	2,922	–	2,922
Currency translation difference	–	–	(444,638)	(444,638)	–	(444,638)
Total other comprehensive income/(loss)	–	2,922	(444,638)	(441,716)	–	(441,716)
Total comprehensive income/(loss)	–	2,922	(444,638)	(441,716)	798,194	356,478
Transactions with owners in their capacity as owners						
Dividends paid relating to 2014	–	–	–	–	(861,325)	(861,325)
Forfeiture of unclaimed dividend	–	–	–	–	46	46
Total transactions with owners in their capacity as owners	–	–	–	–	(861,279)	(861,279)
At 31 December 2015	58,515	(1,483)	779,114	836,146	1,443,903	2,280,049
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**–**	**662,078**	**662,078**
Other comprehensive income						
Fair value gains on derivative financial instruments	**–**	**1,483**	**–**	**1,483**	**–**	**1,483**
Currency translation difference	**–**	**–**	**(660,276)**	**(660,276)**	**–**	**(660,276)**
Total other comprehensive income/(loss)	**–**	**1,483**	**(660,276)**	**(658,793)**	**–**	**(658,793)**
Total comprehensive income/(loss)	**–**	**1,483**	**(660,276)**	**(658,793)**	**662,078**	**3,285**
Transactions with owners in their capacity as owners						
Dividends paid relating to 2015	**–**	**–**	**–**	**–**	**(949,860)**	**(949,860)**
Forfeiture of unclaimed dividend	**–**	**–**	**–**	**–**	**69**	**69**
Total transactions with owners in their capacity as owners	**–**	**–**	**–**	**–**	**(949,791)**	**(949,791)**
At 31 December 2016	**58,515**	**–**	**118,838**	**177,353**	**1,156,190**	**1,333,543**

43. EVENTS AFTER THE BALANCE SHEET DATE

Shenzhen Expressway and Shenzhen Pingan Innovation Capital Investment Company Limited entered into the equity transfer agreement on 20 January 2017. According to this agreement, Shenzhen Expressway agreed to acquire 100% interest in Hunan Yichang Expressway Development Company Limited at a cash consideration of RMB1,270 million. As at the date of approval of these consolidated financial statements, the transaction has not yet been completed.

Shenzhen International Holdings Limited

深圳國際控股有限公司