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

Advancing Together, Harvesting Together

共同進步 分享快樂

Annual Report 2015

CONTENTS

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 43.73% 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.

Shenzhen International Holdings Limited [1]

		Logistic Business		Main Projects / Business
Logistic Parks	100%	Shenzhen International South-China Logistics Co., Ltd.		Shenzhen South China Logistic Park
	100%	Shenzhen International West Logistics Co., Ltd		Shenzhen Western Logistic Park
	100%	Nanjing UT Logistics Co., Ltd.		Nanjing Chemical Industrial Park Logistic Centre
	55.39%	Shenzhen International Booming Total Logistics Co., Ltd.		Shandong Booming Total Logistic Park
	51%	Shenzhen International Huatongyuan Logistics Co., Ltd.		Shenzhen Huatongyuan Logistic Centre
	50%	Shenzhen Airport International Express Supervision Center Co., Ltd.		SZ Airport Express Center
China Urban Integrated Logistics Hub [3]	70%	Shenyang Shenzhen International Integrated Logistics Properties Co., Ltd.	30%	Shenzhen International Shenyang Integrated Logistic Hub
	100%	Wuxi Shenzhen International Integrated Logistics Hub Co., Ltd		Shenzhen International Wuxi Integrated Logistic Hub
	70%	Wuhan Shenzhen International Integrated Logistics Hub Development Co., Ltd.		Shenzhen International Wuhan Integrated Logistic Hub
	80%	Shijiazhuang Shenzhen International Integrated Logistics Hub Development Co., Ltd.		Shenzhen International Shijiazhuang Integrated Logistic Hub
	100%	Changsha Shenzhen International Integrated Logistics Hub Development Co., Ltd.		Shenzhen International Changsha Integrated Logistic Hub
	100%	Nanchang Shenzhen International Integrated Logistics Hub Development Co., Ltd		Shenzhen International Nanchang Integrated Logistic Hub
	80%	Hefei Shenzhen International Integrated Logistics Hub Co., Ltd		Shenzhen International Hefei Integrated Logistic Hub
	100%	Ningbo Shenzhen International Integrated Logistics Hub Development Co., Ltd.		Shenzhen International Ningbo Integrated Logistic Hub
	100%	Hangzhou Shenzhen International Integrated Logistics Hub Development Co., Ltd.		Shenzhen International Hangzhou Smart Integrated Logistic Hub
Port	70%	Nanjing Xiba Wharf Co. Ltd.		Phase 1 of Nanjing Xiba Port
	70%	Nanjing Xiba Port Co., Ltd.		Phase 2 of Nanjing Xiba Port
Logistic Services	100%	Shenzhen International Total Logistics (Shenzhen) Co., Ltd.		Third Party Logistic Service
	79.87%	Shenzhen EDI Co., Ltd.		Logistic Information Service
Logistic Financing	100%	Shenzhen International Modern Logistics Microfinance Co., Ltd		Logistic Financing Service
	38%	Shenzhen International Huazhang Logistics Industry Private Equity Funds Management Co., Ltd		Investments and Management of Logistic Equity
		Toll Road Business		
	50.889%	Shenzhen Expressway Company Limited [1][2]		Investment, construction, operation and management of toll expressways and roads
	45%	Hubei Magerk Expressway Management Private Limited	55%	Wuhuang Expressway in Hubei Province
	89.93%	Shenzhen Longda Expressway Company Limited		Longda Expressway in Shenzhen
		Other Investments		
	49%	Shenzhen Airlines Company Limited		
	2.48%	CSG Holding Co., Ltd. [2]		
		Urban Renewal Project		
	51%	Shenzhen International United Land Co., Ltd.	49%	Meilin Checkpoint Urban Renewal Project

(1) Listed company in Hong Kong
(2) Listed company in the PRC
(3) Only project companies with land use rights of project sites acquired are included

The above is a simplified corporate structure of the Group and does not include intermediate holding entities.

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 Jing Qi *(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

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

LEGAL ADVISERS

Reed Smith Richards Butler
(Hong Kong Legal Adviser)

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

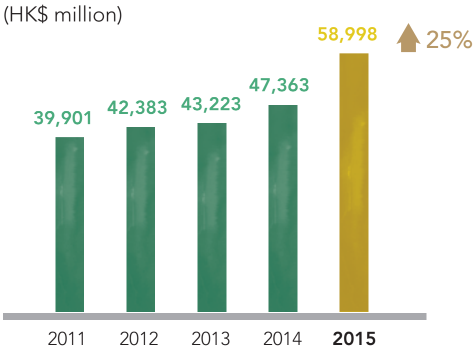
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

INVESTOR RELATIONS CONSULTANT

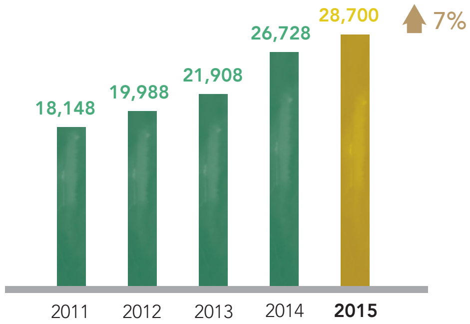
Wonderful Sky Financial Group
6/F, Nexxus Building
41 Connaught Road Central, Hong Kong

FINANCIAL HIGHLIGHTS

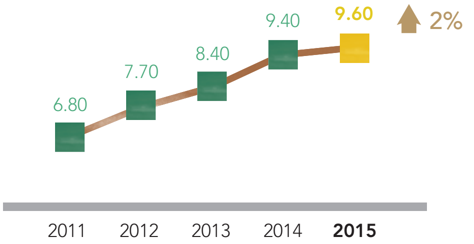
Total Assets Value
(HK$ million)



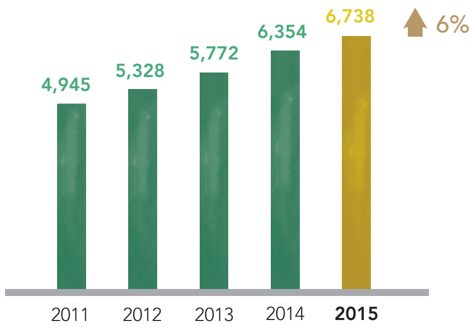
Total Equity
(HK$ million)



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

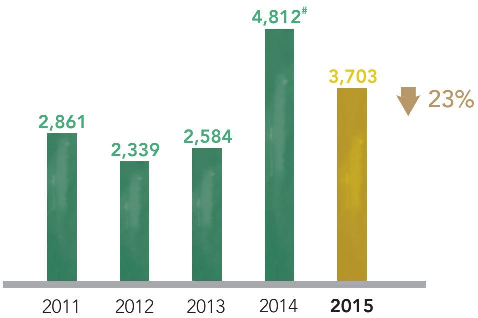


Revenue*
(HK$ million)

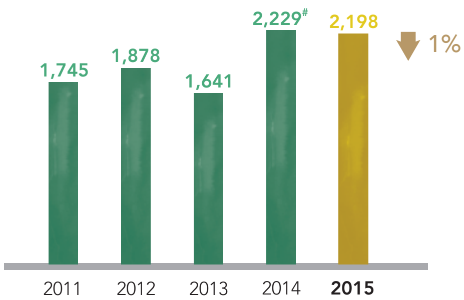


* *excluding construction service revenue from toll road*

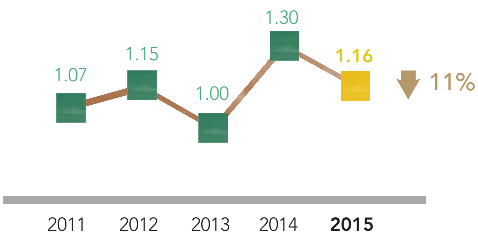
Operating Profit
(HK$ million)



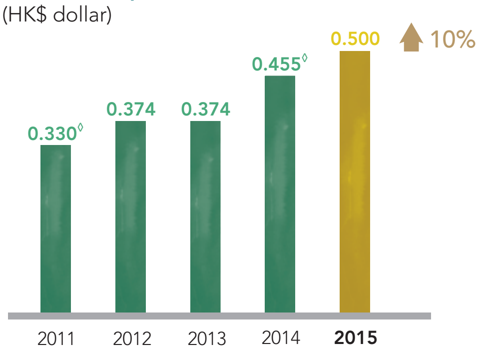
Profit Attributable to Shareholders
(HK$ million)



Earnings per Share (Basic)^
(HK$ dollar)



Dividend per Share^
(HK$ dollar)



^ *The number of ordinary shares in previous years have been retrospectively adjusted to reflect the effect of share consolidation, which came into effect on 13 February 2014.*

\# *The one-off gain on disposal of Meiguan Expressway's toll free section was included in the result of year 2014, which resulted in an increase in operating profit of HKD1,926 million and profit attributable to shareholders of HKD730 million respectively. Excluding the effect of a one-off gain on disposal of Meiguan Expressway's toll free section, the operating profit and profit attributable to shareholders for year 2015 increased by 28% and 47% respectively as compared to the corresponding period of the previous year.*

◊ *2014 and 2011 dividends per share included special dividend of HKD0.192 and HKD0.080 per share respectively.*

Analysis of Revenue and Profit Before Finance Costs and Tax by Principal Activities

(HK$ million)

	Revenue	Operating profit/(loss)	Share of profit of associates and joint ventures	Total
		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
		2014		
Toll roads				
— Revenue	5,162	2,565	236	2,801
— Gain on disposal of Meiguan Expressway's toll free section	–	1,926	–	1,926
— Construction service revenue	16	–	–	–
Toll roads sub-total	5,178	4,491	236	4,727
Logistic business				
— Logistic parks	597	271	18	289
— Logistic services	426	27	5	32
— Port	169	69	–	69
Logistic business sub-total	1,192	367	23	390
Head office	–	(46)	455	409
Profit before finance costs and tax	6,370	4,812	714	5,526
Finance income				208
Finance costs				(978)
Finance costs — net				(770)
Profit before income tax				4,756

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 2015 figures are extracted from the audited financial statements. The 2011 to 2014 figures are extracted from the comparatives in the 2012 to 2015 audited financial statements.

	Year ended 31 December				
	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Results					
Revenue	**6,738,397**	6,370,230	5,962,765	5,739,514	5,581,043
Profit before income tax	**3,798,508**	4,755,804	2,637,192	2,774,979	2,802,720
Income tax expense	**(736,318)**	(1,068,622)	(530,894)	(479,409)	(539,946)
Profit before non-controlling interests	**3,062,190**	3,687,182	2,106,298	2,295,570	2,262,774
Non-controlling interests	**(863,805)**	(1,457,928)	(465,260)	(417,258)	(517,543)
Profit attributable to shareholders	**2,198,385**	2,229,254	1,641,038	1,878,312	1,745,231

	As at 31 December				
	2015 HK$'000	2014 HK$'000	2013 HK$'000	2012 HK$'000	2011 HK$'000
Assets and liabilities					
Fixed assets	**5,708,636**	5,566,388	5,179,736	4,879,285	4,870,242
Investment properties	**81,450**	81,240	77,700	72,000	62,900
Investments in associates	**5,673,459**	5,845,699	5,505,921	5,021,531	2,829,232
Investments in joint ventures	**281,325**	314,092	335,905	317,382	319,819
Available-for-sale financial assets	**95,748**	100,187	102,743	37,511	246,879
Intangible assets	**23,833,564**	21,066,291	23,617,718	24,188,532	24,386,045
Other non-current assets	**1,662,889**	2,030,095	389,388	177,986	1,026,079
Net current assets	**13,601,948**	6,845,582	3,459,050	1,193,165	1,750,702
Non-current liabilities	**(22,239,552)**	(15,121,329)	(16,760,056)	(15,899,252)	(17,343,592)
Net assets	**28,699,467**	26,728,245	21,908,105	19,988,140	18,148,306
Equity					
Issued capital	**1,899,019**	1,891,942	1,657,098	1,637,297	1,637,217
Reserves	**16,261,024**	15,810,153	12,332,641	11,007,909	9,576,984
Shareholders' equity	**18,160,043**	17,702,095	13,989,739	12,645,206	11,214,201
Non-controlling interests	**10,539,424**	9,026,150	7,918,366	7,342,934	6,934,105
Total equity	**28,699,467**	26,728,245	21,908,105	19,988,140	18,148,306

KEY EVENTS IN 2015

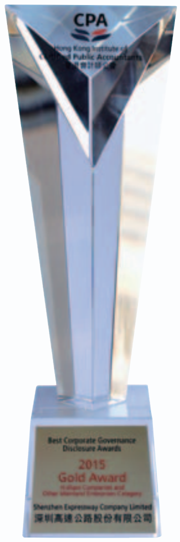
I. BUSINESS DEVELOPMENT

- For the "China Urban Integrated Logistics Hub" projects on which the Group has placed a strong focus, the Group succeeded in entering into investment agreements with the local governments of Hefei, Ningbo, Hangzhou and Chengdu during the year and acquired certain land parcels for the first phase of projects in Shijiazhuang, Nanchang, Hefei and Ningbo. Besides, construction for each of the Wuxi project, Wuhan project and Shenzhen International Kanghuai Modern Urban Logistics Hub project has commenced.

- In October 2015, the Group established Shenzhen International Modern Logistics Microfinance Co., Ltd and invested in Shenzhen International Huazhang Logistics Industry Private Equity Funds Management Co., Ltd, thereby promoting the innovation and upgrading of the logistic industry through financing and asset management.

- In April 2015, trial operation commenced in Phase 2 of Nanjing Xiba Port which will become one of the largest and most influential general bulk cargo terminals along the middle and lower reaches of Yangtze River.

- In late-October 2015, the Group acquired an additional 10% equity interest in the project company of Shuiguan Expressway which then became a subsidiary of the Group and made considerable contribution to the toll revenue of the Group.



II. TRANSFORMATION AND UPGRADING OF LOGISTIC PARKS

- In June 2015, the "Qianhai (Global) Cross-border e-Commerce Industry Park" (前海(全球)跨境電子商務產業園) of the Group was granted, as the second batch, the status of a "National Exemplary e-Commerce Base" by the Ministry of Commerce. It is the only exemplary e-commerce base in China which focuses on cross-border e-commerce, laying a foundation for the Group's development of e-commerce logistic business.

- In June 2015, the Group entered into land transfer agreements with the relevant government department of Shenzhen in respect of the Meilin Checkpoint Urban Renewal Project, paid the first instalment of land premium and successfully acquired the land use rights in the Meilin Checkpoint land parcels, steadily pushing a further step forward in the transformation and upgrading of the project.

- In late-September 2015, the Group entered into a land consolidation and preparation framework agreement in respect of the Qianhai project with the relevant government department and commenced construction of the start-up project in December.

- In September 2015, South China Logistic Park was listed as a pilot enterprise in cross-border e-commerce business in Shenzhen where all pilot businesses in cross-border e-commerce in northern Shenzhen will be developed around South China Logistic Park in future.

III. AWARDS

- The 2014 Annual Report of the Company was awarded the Gold Award in "Cover Photo/Design – Infrastructure Enterprises", Silver Award in "Traditional Annual Report – Infrastructure Enterprises" and Silver Award in "Interior Design – Infrastructure Enterprises" of the 29th International ARC Awards Competition.

- Shenzhen Expressway Company Limited won the Gold Award in the "H-share Companies and Other Mainland Enterprises Category" of the "Best Corporate Governance Disclosure Awards 2015" hosted by the Hong Kong Institute of Certified Public Accountants.

STRATEGIC PLANNING ENSURES ONGOING DEVELOPMENT; "INTEGRATING INDUSTRY WITH FINANCE" MODEL PROVIDES DRIVER FOR BUSINESS UPGRADES

Dear Shareholders,

The Group sustained stable growth in its operations despite China's economic downturn, Renminbi depreciation and changes in toll road policy in 2015. For the year ended 31 December 2015, revenue from the Group's core businesses grew to HK$6,738 million, increased by 6% over the previous year, and the profit attributable to shareholders amounted to HK$2,198 million, grew by 47% over 2014, excluding the effect of a one-off gain arising from toll adjustment and compensation arrangement relating to the Meiguan Expressway.

The board of directors proposed to raise the payout ratio to 43% for 2015 from that of 39% for the previous year and recommended the payment to shareholders of a final dividend of HK$0.50 per share for 2015, representing an increase of 10% as compared to the corresponding period of the previous year. Total dividend for the year amounted to HK$950 million.

POSITIONING FOR NEW HISTORIC OPPORTUNITIES WITH THE FORMULATION OF THE "13TH FIVE-YEAR STRATEGIC PLAN"

The year 2015 was the final year of the Group's "12th Five-Year Strategic Plan". Looking back, the Group met all of its targets that were laid down in the previous "Five-Year Strategic Plan". During the year, the Group, building on its strategies adopted over the years, devised the new "13th Five-Year Strategic Plan" pursuant to which the Group will focus on the development of the "China Urban Integrated Logistics Hub" projects, and continue to plan, lay down, construct and operate a nationwide logistics network; the Group will consolidate its resources efficiently by way of integrating applications in the industry, finance and internet; the Group will strive for expansion and development of its logistic operations and toll road operations with the support of its long established core businesses in these areas. In the meantime, the Group will stringently control its non-core investments and continuously accumulate quality assets which provides long-term rewards. At the same time, the Group will shift its focus from being a heavy-asset focused company to becoming a both light-asset focused and heavy-asset focused company, thereby striving to achieve success within the period by capitalising on its upcoming opportunities and implementing the leap-frog development plan laid down by the Group's corporate strategies.

INITIAL SUCCESS FOR CHINA URBAN INTEGRATED LOGISTICS HUB AND ACTIVE UPGRADING EFFORTS FOR EXISTING LOGISTIC PARKS

In recent years, the Group is committed in building a network of "China Urban Integrated Logistics Hub", riding on various government strategies for national development, such as "One Belt, One Road", "Beijing-Tianjin-Hebei Collaborative Development" and "Yangtze River Belt Economic Zone". With a strong emphasis on pushing forward the establishment of the project, investment agreements were signed at a number of cities in the Bohai Rim and the Yangtze River Delta. As at the date of this report, the Group has established its presence in 12 major logistics gateway cities and signed relevant investment agreements involving a planned land site area of approximately 3.67 million square metres. The "China Urban Integrated Logistics Hub" project has made good progress with commencement in construction work for 3 projects and completion of construction work for 1 project. In the meantime, the Group has reported encouraging results in the pre-sale and pre-lease of properties under the project as a result of vigorous preliminary marketing efforts.

Construction of the first phase of "Shenzhen International Qianhai Intelligent Hub" project, one of the 20 major projects in Qianhai, was officially commenced in December 2015 after the Group had entered into the Land Consolidation and Preparation Framework Agreement with the Urban Planning and Land Resources Commission of the Shenzhen Municipality ("Shenzhen UPLRC") and Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen during the year. In 2016, the Group will continue to implement the land consolidation and preparation of the zone in order to advance the construction process, to determine the commercial positioning of the project in its first phase of development and to procure relevant marketing efforts.

In 2015, the Group maintained close liaison with the relevant government authorities to ensure smooth implementation of the Meilin Checkpoint Urban Renewal project. During the year, the Group acquired the land use rights of the Meilin Checkpoint land parcels following execution of the land use right transfer agreements with Longhua Management Bureau under Shenzhen UPLRC and payment of the first instalment of land premium. In 2016, the Group will speed up the process of land consolidation for the Meilin Checkpoint land parcels and further enhance the intrinsic development value of the project.

Moreover, a number of the Group's existing logistic parks have been actively exploring business transformation and upgrading opportunities, and have been tapping the cross-border e-commerce market, leveraging the development trend of the industry. Positive developments were reported in 2015. Western Logistic Park was granted the status of a "National Exemplary e-Commerce Base" by the Ministry of Commerce; South China Logistic Park was listed as a pilot enterprise in cross-border e-commerce business in Shenzhen, thereby all pilot businesses in cross-border e-commerce in northern Shenzhen will be developed around the South China Logistic Park. In 2016, our logistic parks will utilise our existing administrative and warehouse resources to commence the construction of an exemplary e-commerce base and solicit tenancy from companies of relevant sectors.

TAPPING VALUE-ADDED SERVICES THROUGH THE "INTEGRATING INDUSTRY WITH FINANCE" MODEL

In 2015, the Group established Shenzhen International Modern Logistics Microfinance Co., Ltd. (深圳市深國際現代物流小額貸款有限公司) to provide logistics supply chain financing and other value-added financial services for the tenants of the Group's logistic parks, in a bid to help alleviate the difficulties of SMEs and micro-enterprises in obtaining financing. Meanwhile, the Group also invested in Shenzhen International Huazhang Logistics Industry Private Equity Funds Management Co., Ltd. (深圳市深國際華章物流產業基金管理有限公司) with a view to facilitating mergers and acquisitions of resources within the logistics industry in the form of private equity investments.

The Group leverages its resources and extensive experience in the logistics industry as well as its financial strengths to foster a new niche market for its value-added services, which are expected to provide strong support for its existing logistic business.

OUTLOOK

The year 2016 appears to be a tough year for the Chinese economy. While pushing industries to transform and upgrade, the supply-side reform also presents new opportunities to the manufacturing sector. The introduction of new policies on the reform of state-owned enterprises will provide the Group with good opportunities to excel and dominate. As the logistics sector is an integral component of the manufacturing industry, the Group is confident that, as it seizes new opportunities to optimise and integrate industry resources with additional investments in merger and acquisitions, it will be able to deliver greater value and greater return to shareholders.

Braving the impact of such new concepts as "Internet plus" on traditional industries, the Group will continue to make ongoing endeavours in industrial and business innovation through the model of "industry + finance + Internet". With the aid of latest technologies, the Group will seek to optimise various segments in management and operations and build an Internet-based logistics system, in order to drive the structural shift to an approach emphasising both asset-light and asset-heavy operations and complete the Group's important transformation from a traditional logistics service provider into an operator of a modern logistics platform.

2016 is the opening year of the Group's "13th Five-Year Strategic Plan". Over the next five years, the Group will procure the proper conduct of its tasks in operations and investments in accordance with such strategic guide, striving to reward shareholders' trust in the Group with long-term stable growth and create a win-win situation for itself and the investing community.

SOCIAL RESPONSIBILITIES

In 2015, the Group introduced the technology of photovoltaic power generation to "China Urban Integrated Logistics Hub", which is at its development stage, by implementing energy conservation measures for the infrastructure facilities in its existing logistic parks and hubs, while persistently adhering to the principle of "safety, health and eco-friendliness" with a strong emphasis on sustainable development in the course of investment, construction and operation, in active fulfilment of the social responsibilities of a listed company.

The Group also continued to dedicate strong efforts in the development of "voluntary services" and recorded 3,500 recipients of its services throughout the year. Meanwhile, staff members suffering from illness and family difficulties will receive necessary assistance through the "Relief Funds for Staff Suffering from Serious Illness and Injuries" (員工重大疾病和意外傷害幫困基金). The Group also organised donation campaigns to support various causes, such as care for sanitation workers in Shenzhen.

Last but not least, on behalf of the board, I would like to take this opportunity to express profound gratitude to our shareholders, investors and business partners for their continuous trust and support. I would also like to thank all members of our staff for their hard work and contributions to the Group over the past year.

Gao Lei
Chairman

Hong Kong, 22 March 2016

OVERALL REVIEW

Operating Results	2015 HK$'000	2014 HK$'000	Increase/ (Decrease)
Revenue	**6,738,397**	6,370,230	6%
Operating profit	**3,702,557**	4,811,623	(23%)
Profit before finance costs and tax	**4,491,768**	5,525,607	(19%)
Profit attributable to shareholders	**2,198,385**	2,229,254	(1%)
Basic earnings per share (HK dollars)	**1.16**	1.30	(11%)
Dividend per share (HK dollar) (in aggregate)	**0.5**	0.455	10%
— Final dividend (HK dollar)	**0.5**	0.263	90%
— Special dividend (HK dollar)	**–**	0.192	N/A

The operating environment in 2015 was full of challenges with weak global growth, low commodity prices and increased currency volatility. In response to these adverse market conditions and with full awareness of changes in market trends, the Group focused on expansion of logistic network by seeking market opportunities and enhancing operational efficiency. Despite a challenging macroeconomic environment, the Group maintained a stable profit in 2015.

During the year ended 31 December 2015 (the "Year"), the Group recorded a total revenue of HK$6,738 million, representing an increase of 6% as compared to the corresponding period of the previous year, and the profit attributable to shareholders amounted to HK$2,198 million, remaining at a similar level to that of the corresponding period in 2014. Excluding the effect of a one-off gain of approximately HK$1,926 million during the year of 2014 which contributed approximately HK$730 million to the Group's profit attributable to shareholders due to the toll adjustment for a 13.8 kilometres road section of Meiguan Expressway, the Group's profit before finance costs and tax and profit attributable to shareholders for the Year increased by 25% to HK$4,492 million and 47% to HK$2,198 million respectively as compared to the corresponding period of the previous year.

In 2015, the Group continued to focus on expanding its logistic business and was making good progress in building a nationwide network for "China Urban Integrated Logistics Hub". During the Year, the Group signed a total of 4 investment agreements for "China Urban Integrated Logistics Hub" projects with a planned site area of approximately 0.9 million square metres. As at the date of this report, the Group's "China Urban Integrated Logistics Hub" projects have spread across 12 key logistic gateway cities in China with a planned site area of approximately 3.67 million square metres. In 2015, the Group's logistic park business maintained a stable revenue growth though the operating results of certain logistic parks were affected by the change in land use in their locations. As a result of the commencement of trial operation of Phase 2 of Nanjing Xiba Port, business volume and revenue from the port business increased, though growing at a slower rate than expected due to the downward economic trend in China. In 2015, the Group launched its supply-chain management service business, which is in the trial stage, thus gross profit contribution is low. In addition, the new commercial segment of a logistic park commenced full operation in 2015, which resulted in additional operating costs. Revenue from the logistic business for the Year increased by 62% to HK$1,931 million, while profit before income tax decreased by 12% to HK$316 million respectively as compared to the corresponding period of the previous year.

The transformation and upgrading of logistic parks has made good progress during the Year. The signing of the Land Consolidation and Preparation Framework Agreement (《土地整備框架協議書》) signifies a breakthrough in the Group's Qianhai project and construction of the start-up project commenced in December 2015. In respect of the Meilin Checkpoint Urban Renewal Project, the Group signed a Land Use Rights Transfer Agreement (《土地使用權出讓合同書》) and obtained land use rights of the relevant land parcels during the Year. As the Meilin Checkpoint Urban Renewal Project (located at the site where Huatongyuan Logistic Centre was previously situated) is adjacent to the Futian District in downtown Shenzhen, it is situated at an advantageous location and it commands a more competitive market price as compared to those of its surrounding land parcels. Moreover, benefitting from the surge of residential property prices in Shenzhen, the value of land parcels of Meilin Checkpoint Urban Renewal Project enhanced further. The Group has engaged an independent valuer to appraise the valuation of the Meilin Checkpoint land parcels as at 31 December 2015 which was approximately RMB9,400 million, much higher than its cost.

In respect of the toll road business, the Group's toll revenue increased by 4% as compared to the corresponding period of the previous year. This was mainly attributable to the fact that most of the toll road projects of the Group reported stable growth in traffic volume and toll revenue, and the Group completed the acquisition of additional equity interest in the project company of Shenzhen Shuiguan Expressway, the results of which were consolidated in the Group's financial statements, bringing in new toll revenue to the Group. The entrusted construction management service projects, which achieved a record high in revenue in 2014, were specific projects by nature with related works completed and most revenue recognised in 2014. As a result, there was a substantial decrease in revenue of approximately HK$516 million from the entrusted construction management services during the Year, as compared to the corresponding period of the previous year. Consequently, total revenue of the Group's toll road business for the Year decreased by 7% to HK$4,807 million. During the Year, a provision was made for the impairment of concession right of Qinglian Expressway and a fair value gain on equity interests held by the Group was recognised as a result of acquisitions of effective control of two companies. The toll road business recorded a net profit of HK$1,289 million, representing an increase of 21% as compared to the corresponding period of the previous year.

On 30 November 2015, the Group entered into toll adjustment and compensation agreements with the relevant government department of Shenzhen in relation to the toll adjustments of Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the "Three Expressways") and the 23.8 kilometres section of Longda Expressway from the starting point of Longda Expressway to the Nanguang ramp (the "Longda Shenzhen Section"). Pursuant to the agreements, the toll adjustments regarding the aforementioned expressways are to be implemented in two phases starting from 0:00 on 7 February 2016. The Group received the first payment of the compensation totaling RMB9,713 million in December 2015 and the remaining balance of the compensation together with the accrued interests will be paid in accordance with the terms of the relevant agreements. Benefitting from the toll adjustment arrangements regarding the Three Expressways and the Longda Shenzhen Section, the Group received a substantial amount of cash at reasonable capital costs, which has further strengthened the Group's financial position and enhanced its ability to expand its core businesses, creating a favourable condition for the Group to implement its strategic targets.

During the Year, Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate in which the Group holds 49% equity interest, recorded a revenue of RMB23,863 million (HK$29,330 million), representing an increase of 4% as compared to the corresponding period of the previous year and its operating profit recorded an increase of 69% as compared to the corresponding period of the previous year. However, affected by the significant fluctuation of Renminbi exchange rate during the second half of the Year, foreign exchange loss increased as compared to the corresponding period of the previous year. As a result, Shenzhen Airlines contributed a profit of HK$381 million (2014: HK$405 million) to the Group during the Year, representing a decrease of 6% as compared to the corresponding period of the previous year.

During the Year, the Group disposed of approximately 64.50 million A shares of CSG Holding Co., Ltd. ("CSG") at an average selling price of approximately RMB13.90 (HK$17.08) per share to realise a gain after tax of approximately HK$729 million (2014: HK$42.67 million).

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 considered to increase the dividend payout ratio to 43% for the Year and recommended a final dividend of HK$0.50 (2014: final dividend of HK$0.263 and special dividend of HK$0.192) per share, representing an increase of 10% as compared to the corresponding period of the previous year. Total dividend for the Year amounted to HK$950 million (2014: HK$861 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 of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

LOGISTIC BUSINESS

Revenue increased by

62% to

HK$1,931 million

Profit before income tax decreased by

12% to

HK$316 million

Profit attributable to shareholders decreased by

10% to

HK$236 million

Revenue Contribution By Logistic Business Unit

	Logistic Parks	Port	Logistic Services
2015	**32%**	**10%**	**58%**
2014	50%	14%	36%

Net Profit Contribution By Logistic Business Unit

	Logistic Parks	Port	Logistic Services
2015	**77%**	**17%**	**6%**
2014	79%	12%	9%

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 12 major logistic gateway cities, namely Shenyang, Wuxi, Wuhan, Tianjin, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Chengdu and Guizhou. The site area for the above projects is 4.96 million square metres in aggregate (2.57 million square metres of which are currently owned by the Group), the operating area is 0.91 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 with a 70,000-tonnage capacity and depots with a site area of 0.83 million square metres. The port has the capability of providing various services such as loading and unloading, lightering, train loading and automobile loading, and the planned annual throughput of Nanjing Xiba Port is over 25 million tonnes.

ANALYSIS OF OPERATING PERFORMANCE

The Group is committed to expanding the scale of its operation and providing growth drivers for future revenue through investment in and construction of the infrastructure for its logistic business. The Group keeps enhancing the standard of operation and management of the existing businesses and strives to expand and develop the logistic business. The Group also endeavours to maintain its existing customers by focusing on the marketing activities, undertaking transformation and upgrades of its logistic business as well as enhancing its service quality and explores the markets in a proactive manner.

Logistic Parks

During the Year, by stepping up marketing efforts and building a long-term cooperation relationship with key customers, the Group succeeded in maintaining a stable average occupancy rate of 95% for logistic parks (excluding Huatongyuan Logistic Centre, which is in the process of relocation). In order to accommodate the Meilin Checkpoint Urban Renewal Project, Huatongyuan Logistic Centre started the process of relocation and ceased leasing activities.

While retaining its traditional logistic business, South China Logistic Park has been seeking integration with other industries to facilitate synergistic development. "Longhua Luxury Cars Mall (龍華名車廣場)" and "The Outlets-8th (8號倉奧特萊斯)" have successively moved into the park and commenced operation. These two projects were in smooth operation during the Year and provide a strong foundation for the transformation and upgrading of the logistic park.

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

Logistic Park	Principal Business	Occupancy Rate of Logistic Centre	
		2015	2014
South China Logistic Park	Provides logistic centres, empty container depots, cross-border customs transfer and access, and cross-border express customs clearance services	**96%**	97%
Western Logistic Park	Provides logistic centres, loading and unloading, customs declaration and value added services	**93%**	90%
Huatongyuan Logistic Centre	Provides distribution outlets, warehouses and office rental services	**N/A** (Note)	96%
Nanjing Chemical Industrial Park Logistic Centre	Provides warehousing, customs declaration and transport services for hazardous and non-hazardous chemical products	**100%**	100%
Shandong Booming Total Logistic Park	Provides logistic centres, transport, distribution and other services	**83%**	95%

Note: During the Year, Huatongyuan Logistic Centre was under relocation process and ceased leasing activities

Leveraging on the geographic advantage of its close proximity to Hong Kong and its robust export and import businesses, Shenzhen has become China's most dynamic city in cross-border e-commerce. The Group has been actively pursuing the establishment of industrial parks featuring cross-border e-commerce. Following the nomination of South China Logistic Park and Western Logistic Park as pilot enterprises for the cross-border e-commerce export and import program of Shenzhen in 2014, Western Logistic Park was granted the status as a "National Exemplary e-Commerce Base" by the Ministry of Commerce in June 2015, which is the only exemplary base of China focusing on cross-border e-commerce, laying a solid foundation for the Group's development in e-commerce logistics.

China Urban Integrated Logistics Hub

The Group has been focusing on "China Urban Integrated Logistics Hub", which engages in inter-city highway transport logistic centres with full-spectrum functions including warehousing, transfer, distribution, e-commerce, trade exhibition and logistic information centre and provides commercial and financial value-added services. As a logistic information platform established on the basis of logistic infrastructure facilities, it delivers a highly efficient, multi-functional and one-stop services platform to customers as well as business partners and provides quality and efficient services to numerous logistic companies, producers and manufacturers, materialising the Group's sustainable development.

In 2015, the Group continued to push forward the development and establishment of the "China Urban Integrated Logistics Hub" projects aiming at a nationwide coverage. The Group entered into various investment agreements with relevant government authorities of Hefei, Ningbo, Hangzhou and Chengdu respectively in 2015 and subsequently with the relevant government authorities of Guizhou in early 2016.

The construction of Phase 1 of the "Shenzhen International Shenyang Integrated Logistic Hub", the Group's first "China Urban Integrated Logistics Hub" project, with a site area of approximately 240,000 square metres was completed during the second half of 2015 and its marketing activities are under way. In addition, the project land in Wuxi, Wuhan and Hefei with a total site area of approximately 350,000 square metres is under construction. These projects are due for completion and ready for marketing activities during the second half of 2016.

As at the date of this report, the Group extended its "China Urban Integrated Logistics Hub" network to cover 12 major logistic gateway cities and entered into investment agreements with the respective government authorities, namely Shenyang, Wuxi, Wuhan, Tianjin, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Chengdu and Guizhou, covering a planned site area of approximately 3.67 million square metres, of which the Group has acquired the land use rights for the first phase development of the projects in Shenyang, Wuxi, Wuhan, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo and Hangzhou, covering an aggregate site area of approximately 1.27 million square metres.

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 (Square Metres)	Acquired Site Area (Square Metres)	Completion/ Expected Completion of Initial Stage of Project
Shenzhen International Shenyang Integrated Logistic Hub	Yuhong District of Shenyang	700,000	240,000	12.2015
Shenzhen International Wuxi Integrated Logistic Hub	Huishan District of Wuxi	346,000	148,000	9.2016
Shenzhen International Wuhan Integrated Logistic Hub	Dongxihu District of Wuhan	126,000	126,000	9.2016
Shenzhen International Tianjin Integrated Logistic Hub	Tianjin Binhai New Area	295,000	–	12.2018
Shenzhen International Shijiazhuang Integrated Logistic Hub	Zhengding District of Shijiazhuang	333,000	161,000	8.2017
Shenzhen International Changsha Integrated Logistic Hub	Changsha Jinxia Economic Development Zone	346,000	73,000	12.2017
Shenzhen International Nanchang Integrated Logistic Hub	Nanchang Economic and Technical Development Zone	267,000	156,000	6.2018
Shenzhen International Hefei Integrated Logistic Hub	Anhui Hefei Commercial and Logistics Development Zone of Feidong County, Hefei City	137,000	79,000	9.2016
Shenzhen International Ningbo Integrated Logistic Hub	Ningnan Trade and Logistics Zone, Ningbo City	194,000	48,000	6.2018
Shenzhen International Hangzhou Smart Integrated Logistic Hub	Hangzhou Da Jiangdong Industrial Cluster, Hangzhou City	400,000	239,000	10.2017
Shenzhen International Chengdu Integrated Logistic Hub	Xinjin Logistics Park in Tianfu New Area, Sichuan Province	173,000	–	6.2018
Shenzhen International Guizhou Integrated Logistic Hub	Guizhou Shuanglong Modern Service Industrial Cluster	348,000	–	6.2017
Total Site Area		**3,665,000**	**1,270,000**	

As the Group's business model of "China Urban Integrated Logistics Hub" has been implemented effectively, the projects are making progress in terms of investment and development. The process of such development is being expedited through merger and acquisition; thereby, network layout is being shaped and the strategy of establishing "China Urban Integrated Logistics Hubs" is making headway, leading to the establishment of a nationwide network of "China Urban Integrated Logistics Hub" which will become the Group's growth driver in the future.

Port Business

For the year 2015, the port business delivered a satisfactory operating performance amid the challenging economic and business conditions. Performance of the port business was mainly boosted by the commencement of trial operation of Phase 2 of Nanjing Xiba Port as well as retaining existing major customers and effective market expansion. During 2015, a total of 245 vessels berthed at Nanjing Xiba Port and the total throughput of Nanjing Xiba Port reached 17.42 million tonnes, representing an increase of 17% year-on-year.

The construction of the new berth projects of Phase 2 of Nanjing Xiba Port, comprising a berth with a 50,000-tonnage capacity and two other berths each with a 70,000-tonnage capacity, was completed in late 2014. The project started trial operation and commenced loading and lightering operations in April 2015. With the commencement of trial operation of Phase 2, Nanjing Xiba Port become one of the largest and most influential general bulk cargo terminals along the middle and lower reaches of Yangtze River, and its overall handling capacity and efficiency will further enhance in a steady manner. The Group will actively procure land acquisition for and construction of the land depots of the terminals.

Logistic Service Business

Relying on its existing logistic infrastructure facilities, the Group has gradually transformed from traditional logistic business and actively explored supply chain management, value chain integration and modern value-added logistic services by fully utilising its competitive advantages in resources and capital.

During the Year, the logistic service industry faced keen competition in the market and the challenges underlying the slowdown in economic growth in China. The Group actively diversified into new businesses and launched marketing initiatives, and continued to optimise its operation so as to sharpen the competitive edge of its logistic service business.

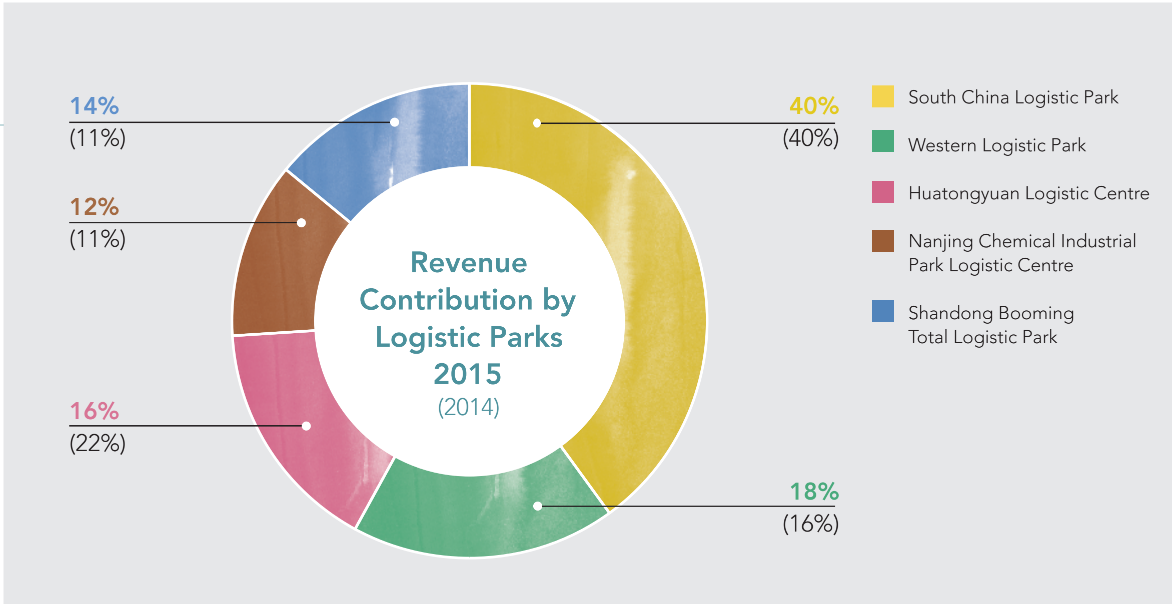
FINANCIAL ANALYSIS

During the Year, revenue from the logistic business increased by 62% to HK$1,931 million (2014: HK$1,192 million) as compared to the corresponding period of the previous year and is mainly attributable to the commencement of the new supply-chain management services business and the trial operation of Phase 2 of Nanjing Xiba Port. However, the new supply-chain management services business was still in trial stage, thus gross profit contribution is low. The new commercial segment of a logistic park also commenced full operation in 2015 which incurred additional operating costs. As a result, profit before income tax of the Group's logistic business decreased by 12% to approximately HK$316 million (2014: HK$360 million) as compared to the corresponding period of the previous year.

Revenue of each logistic business unit

For the year ended 31 December

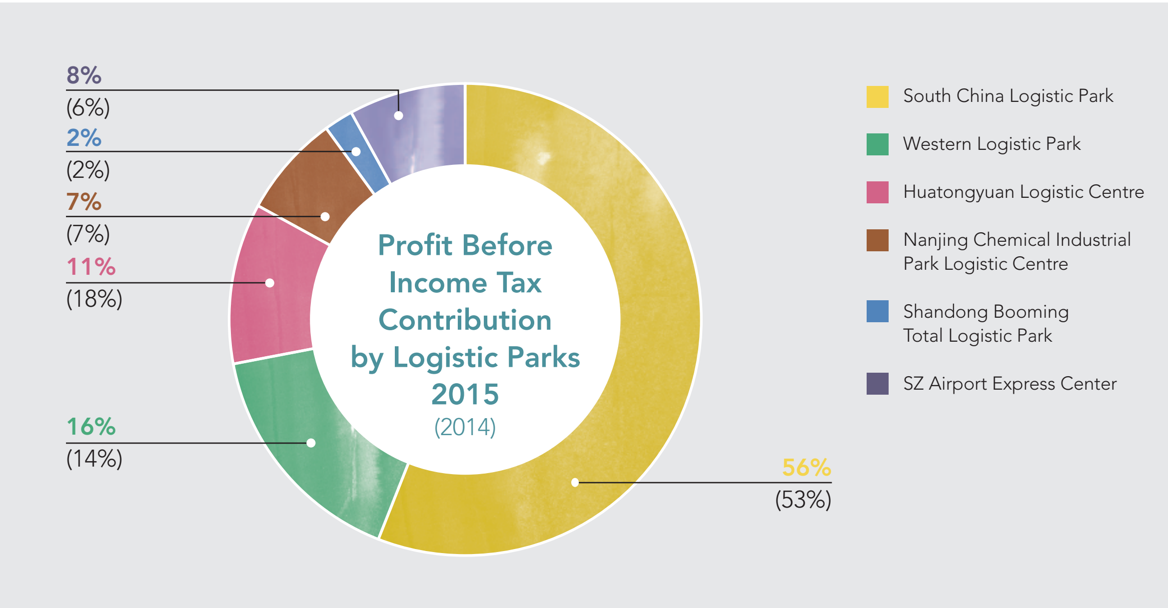
	2015 HK$'000	2014 HK$'000	Increase/ (Decrease)
Logistic Park Business			
South China Logistic Park	246,111	239,716	3%
Western Logistic Park	110,868	94,603	17%
Nanjing Chemical Industrial Park Logistic Centre	72,589	67,775	7%
Shandong Booming Total Logistic Park	87,213	66,527	31%
Sub-total (normal operation)	**516,781**	**468,621**	**10%**
Huatongyuan Logistic Centre#	99,354	128,911	(23%)
Sub-total	**616,135**	**597,532**	**3%**
Port Business	185,853	168,742	10%
Logistic Service Business	1,128,757	425,668	165%
Total	1,930,745	1,191,942	62%



Profit Before Income Tax of each logistic business unit

For the year ended 31 December

	2015 HK$'000	2014 HK$'000	Increase/ (Decrease)
Logistic Park Business			
South China Logistic Park	130,303	145,308	(10%)
Western Logistic Park	36,676	39,186	(6%)
Nanjing Chemical Industrial Park Logistic Centre	15,450	18,622	(17%)
Shandong Booming Total Logistic Park	4,307	5,585	(23%)
SZ Airport Express Center*	18,177	16,704	9%
Sub-total (normal operation)	**204,913**	**225,405**	**(9%)**
Huatongyuan Logistic Centre#	25,347	48,010	(47%)
Sub-total	**230,260**	**273,415**	**(16%)**
Port Business	62,252	53,229	17%
Logistic Service Business	23,516	33,420	(30%)
Total	316,028	360,064	(12%)



* *SZ Airport Express Center is a joint venture and is accounted for using the equity accounting method.*
\# *Huatongyuan Logistic Centre commenced its relocation during the Year.*

Revenue from the logistic park business for the Year amounted to approximately HK$616 million, representing an increase of approximately 3% as compared to the corresponding period of the previous year. Profit before income tax decreased by 16% to HK$230 million as compared to the corresponding period of the previous year, this was mainly attributable to additional operating costs incurred as a result of the new commercial segment of South China Logistic Park which was in full operation and Huatongyuan Logistic Centre started the process of relocation and ceased leasing activities during the Year.

Benefitting from the effective marketing efforts and the trial operation of Phase 2 of Nanjing Xiba Port, the port business recorded a revenue of approximately HK$186 million, representing an increase of approximately 10% as compared to the corresponding period of the previous year, and a profit before income tax of approximately HK$62.25 million, representing an increase of approximately 17% as compared to the corresponding period of the previous year.

Revenue from the logistic service business for the Year amounted to HK$1,129 million, representing an increase of 165% as compared to the corresponding period of the previous year, which was mainly attributable to the launch of supply-chain management services business. Given the low gross profit contribution from the new business at trial stage, together with the rising operating costs, profit before income tax decreased by 30% to HK$23.52 million as compared to the corresponding period of the previous year.

Progress of Transformation and Upgrading of Existing Logistic Parks

Qianhai Project

The Group was engaged in sound coordination and communication with relevant government authorities in respect of the land consolidation and preparation for the Qianhai Project. In September 2015, the Group and 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") agreed to conduct consolidation and preparation work in respect of the land parcels of the Qianhai Project by way of land swap, monetary compensation and profit sharing and have, accordingly, entered into a framework agreement. The entering into of the framework agreement signifies a major breakthrough in the Group's Qianhai Project.

The start-up phase of the Qianhai Project is a multi-use project comprising office, commercial and residential buildings with a site area of approximately 38,800 square metres and a total gross floor area of approximately 160,000 square metres. The project is listed by Qianhai Authority as a key construction project of Qianhai Free Trade Zone (前海自貿新城). The start-up project commenced construction in December 2015. In the meantime, the Group is actively liaising with relevant government authorities to drive the execution of the land consolidation and preparation agreement of the Qianhai Project.

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 Meilin Checkpoint Urban Renewal Project in late-June of 2015 as scheduled, and paid the first instalment of 30% of the land premium of RMB1,070 million, thereby the Group successfully acquired the land use rights in the Meilin Checkpoint land parcels.

The Meilin Checkpoint Urban Renewal Project is adjacent to the Futian District in downtown Shenzhen, located at the 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 appreciation potential. 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 apartments and public and ancillary uses, etc. Benefitting from the surge of residential property prices in Shenzhen, the value of land parcels of Meilin Checkpoint Urban Renewal Project enhanced further. The Group has engaged an independent valuer to appraise the value of the Meilin Checkpoint land parcels as at 31 December 2015 which was approximately RMB9,400 million, much higher than its cost.

OUTLOOK FOR 2016

It is expected that growth in the global economy will remain slow and the business environment will remain challenging in 2016. Nevertheless, new policies launched by the Chinese government, including the "One Belt, One Road" policy and the "Internet plus" policy as well as supportive policies for cross-border e-commerce are all considered favourable opportunities for the development of the Group.

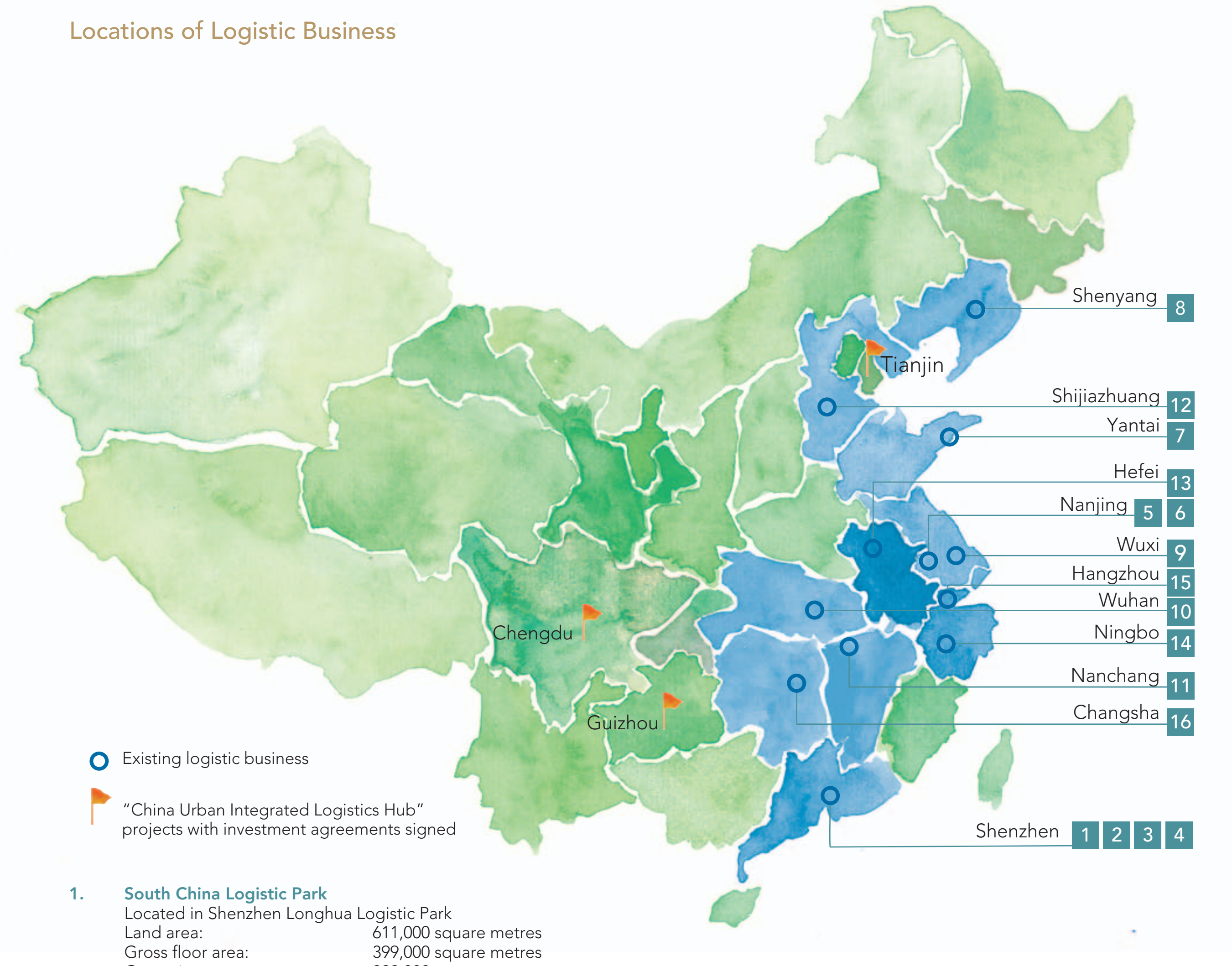
The Group believes that prospect of the logistic industry remains promising. Over the ensuing year, the Group will speed up investment in and construction of "China Urban Integrated Logistics Hub" and step up its efforts in pushing forward the transformation and upgrading of its exiting logistic parks, further expanding the scale of its logistic business by way of resource reallocation as well as merger and acquisition.

In 2016, the Group will strive to invest in Beijing, Shanghai, Bohai Rim region, Pearl River Delta, Xi'an and Chongqing for the "China Urban Integrated Logistics Hub" projects, and to acquire land use rights for the Liguang land parcels in Longhua New Area in Shenzhen and to commence preparatory work for project construction. The Liguang land parcels will be developed into a logistic park with a gross floor area of approximately 250,000 square metres to serve as a local node in Shenzhen of "China Urban Integrated Logistics Hub", which is expected to further consolidate our market share in the logistics market of Shenzhen. Moreover, the Group will actively identify suitable opportunities in Hong Kong for development and acquisition to link up its logistic business, in particular cross-border e-commerce, in the PRC and Hong Kong.

In the meantime, the construction of "Shenzhen International Qianhai Intelligent Hub", a start-up project under the Group's Qianhai Project, has commenced in late-2015 and marketing activities is expected to launch in 2016. South China Logistic Park and Western Logistic Park will continue to explore opportunities in cross-border e-commerce. The Group will actively advance the relevant demolition work, strive to seize the opportunity of urban development, renewal and reconstruction and timely realise the commercial value of the Meilin Checkpoint land parcels. The reallocation of logistic resources will gradually take effect and increase profitability, providing a potential powerhouse for the Group's future development.

The Group will capitalize on the opportunities as they arise and advance to keep pace with the times. Adhering to its stated development direction, the Group will expand its network coverage and enhance operating efficiency so as to achieve long term development and sustainable growth for the Group's business.

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. **Huatongyuan Logistic Centre**
Located in the vicinity of Meilin gateway of Shenzhen
Land area: 116,000 square metres
Gross floor area: 133,000 square metres
Operating area: 130,000 square metres

4. **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

5. **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

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

7. **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

8. **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

9. **Shenzhen International Wuxi Integrated Logistic Hub**
Located in Huishan District of Wuxi City
Acquired site area: 148,000 square metres

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

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

12. **Shenzhen International Shijiazhuang Integrated Logistic Hub**
Located in Zhengding County of Shijiazhuang
Acquired site area: 161,000 square metres

13. **Shenzhen International Hefei Integrated Logistic Hub**
Located in Anhui Hefei Commercial and Logistic Development Zone of Feidong County of Hefei City
Acquired site area: 79,000 square metres

14. **Shenzhen International Ningbo Integrated Logistic Hub**
Located in Ningnan Trade and Logistic Zone of Ningbo City
Acquired site area: 48,000 square metres

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

16. **Shenzhen International Changsha Integrated Logistic Hub**
Located in Changsha Jinxia Economic Development Zone
Acquired site area: 73,000 square metres

TOLL ROAD BUSINESS

Total Revenue decreased by

7% to

HK$4,807 million

Profit before finance costs & tax increased by

4% to

HK$2,909 million

Net Profit increased by

21% to

HK$1,289 million

Total Revenue Contribution	Shenzhen Expressway	Longda Expressway	Wuhuang Expressway
2015	**79%**	**13%**	**8%**
2014	80%	12%	8%

Net Profit Contribution	Shenzhen Expressway	Longda Expressway	Wuhuang Expressway*
2015	**75%**	**21%**	**4%**
2014	68%	27%	5%

* *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 167 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 the 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 and a 45% equity interest in Wuhuang Expressway (with the remaining 55% equity interest owned by Shenzhen Expressway).

ANALYSIS OF OPERATING PERFORMANCE

The operating performance of the Group's toll roads during the Year were as follows:

Toll roads (Note 1)	Interest held by the Group	Concession period	Length by toll (approximate km)	Average Daily Traffic Volume (Note 2) 2015 (Vehicle/ Thousands)	Increase/ (decrease) as compared to 2014	Average Daily Toll Revenue 2015 (HK$'000)	Increase/ (decrease) as compared to 2014
Shenzhen Region:							
Longda Expressway	89.93%	2005.10–2027.10	28	150	7%	1,712	(1%)
Meiguan Expressway (Note 3)	100%	1995.05–2027.03	5.4	75	N/A	348	N/A
Jihe East	100%	1997.10–2027.03	23.7	219	16%	2,145	6%
Jihe West	100%	1999.05–2027.03	21.8	176	17%	1,833	15%
Yanpai Expressway	100%	2006.05–2027.03	15.6	57	(1%)	543	(26%)
Yanba Expressway (Note 4)	100%	Section A: 2001.04–2026.04 Section B: 2003.06–2028.07 Section C: 2010.03–2035.03	29.1	37	3%	581	(6%)
Nanguang Expressway	100%	2008.01–2033.01	31	96	11%	1,082	2%
Shuiguan Expressway (Note 5)	50%	2002.02–2025.12	20	191	13%	1,889	8%
Shuiguan Extension	40%	2005.10–2025.12	6.3	75	22%	312	7%
Other regions in Guangdong Province:							
Qinglian Expressway	76.37%	2009.07–2034.07	216	33	1%	2,146	(20%)
Yangmao Expressway	25%	2004.11–2027.07	79.8	40	16%	2,083	7%
Guangwu Project	30%	2004.12–2027.11	37.9	35	9%	1,099	9%
Jiangzhong Project	25%	2005.11–2027.08	39.6	107	6%	1,311	2%
Guangzhou Western Second Ring	25%	2006.12–2030.12	40.2	50	8%	1,217	6%
Other provinces in China:							
Wuhuang Expressway	100%	1997.09–2022.09	70.3	41	5%	1,117	–%
Changsha Ring Road	51%	1999.11–2029.10	34.7	20	22%	274	30%
Nanjing Third Bridge	25%	2005.10–2030.10	15.6	27	(3%)	1,279	(7%)

Notes:

(1) All projects implemented the toll-by-weight policy during the Year, except for Changsha Ring Road which implemented the same on 24 January 2016.

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

(3) Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km has been operated toll-free from 1 April 2014, but the toll of Shenzhen-Dongguan border to Guanlan section of Meiguan Expressway with a mileage of 5.4 km remains unchanged. As there is a substantial change in toll mileage, the year-on-year change is not provided.

(4) To facilitate travel by Shenzhen residents to the east coast for leisure and vacation, the government has made collective payment to Shenzhen Expressway for all vehicles travelling to and from the Yantian and Dameisha ramp based on the agreed standards and methods since February 2007. The agreed toll for the government to incur during 2013 to 2017 is RMB19 million per annum, and is to be recorded into Yanba Expressway's toll revenue on a monthly basis. The arrangement beyond 2017 shall be negotiated and agreed upon by both parties before the expiry of the agreement.

(5) During the reporting period, the Group completed the acquisition of an additional 10% equity interest in the project company of Shuiguan Expressway and obtained the effective control of the project company. As a result, the Group's equity interest in Shuiguan Expressway increased from 40% to 50% on 30 October 2015 and revenue from Shuiguan Expressway was fully consolidated into the Group's results.

During the Year, the operating performance of each expressway project of the Group was influenced in varying degrees by the changes of surrounding road network, renovation work of connecting or parallel roads, and conditions of each individual project:

- the opening of Guan Jing Tou Station for Boshen Expressway (Boluo County of Huizhou to Longgang Area of Shenzhen) in late October 2014 drove the increase in traffic volume of both Jihe Expressway and Yanpai Expressway;

- a significant amount of truck traffic on Yanpai Expressway and Yanba Expressway had been diverted to Yantian'ao Tunnel in Shenzhen since the tunnel became a toll-free passage on 1 February 2015, and the operating performance of Jihe Expressway was affected to a certain extent;

- the operating performance of each of Jihe Expressway and Meiguan Expressway was further enhanced after their completion of expansion works and resurfacing and maintenance works in recent years, which enhanced their traffic capacity and efficiency. Since the implementation of toll adjustment in relation to Meiguan Expressway with effect from 1 April 2014, it had boosted the operating performance of the remaining toll section held by the Group and of Jihe Expressway (which connects to Meiguan Expressway). Improvement works to Longda Expressway implemented during the reporting period also had positive effect on Jihe Expressway; and

- Guangle Expressway (Guangzhou to Lechang, Guangdong) and Lianzhou to Huaiji section in Guangdong of Erguang Expressway (Erenhot to Guangzhou) became operational in late September and late December 2014, respectively. As their routes are located near Qinglian Expressway, diversion effect had been created on Qinglian Expressway to a certain extent, which resulted in a decrease of 20% in toll revenue of Qinglian Expressway year-on-year. Nevertheless, the conversion and expansion works of Guangqing Expressway (Guangzhou to Qingyuan, Guangdong, which connects to the southern end of Qinglian Expressway) and the construction works of the connecting lanes between Guangqing Expressway and Qinglian Expressway are scheduled for completion in late 2016 and late 2017, respectively. In addition, the connecting lanes between Erguang Expressway and Qinglian Expressway are under construction. Such project works, when completed, are expected to improve the traffic efficiency of the entire passage and to bring its function as the artery of Hunan-Guangdong traffic major passage into full capacity, thereby enhancing the competitiveness and operating performance of Qinglian Expressway.

Pursuant to the adjustment agreement for Nanguang Expressway, Yanpai Expressway and Yanba Expressway and that for Longda Shenzhen Section, each entered into between the Group and the relevant government department of Shenzhen, parties to the said agreements agreed to implement the toll adjustments in two phases for Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Shenzhen Section. During Phase 1 (from 00:00 on 7 February 2016 to 24:00 on 31 December 2018), the Group will implement toll-free for these road sections in exchange for cash compensation by the relevant government department based on the specified adjustment mechanism. During Phase 2 (from 00:00 on 1 January 2019), the relevant government department will elect to continue to implement toll-free as in Phase 1, or the fee entitlement rights of the road sections be returned to it at an earlier stage in exchange for the payment of compensation accordingly.

In December 2015, the Group received an aggregate amount of RMB9,713 million as the first payment of compensation from the relevant government department as agreed under the adjustment agreements. The respective balance of the compensation, relevant taxes, any settlement balance and all interests accrued shall be paid as agreed under the relevant agreements.

FINANCIAL ANALYSIS

During the Year, total revenue of the Group's toll road business amounted to HK$4,807 million (2014: HK$5,162 million), representing a decrease of 7% as compared to the corresponding period of the previous year; profit before finance costs and tax amounted to HK$2,909 million (2014: HK$2,801 million), representing an increase of 4% as compared to the corresponding period of the previous year. Net profit was HK$1,289 million (2014: HK$1,064 million), representing an increase of 21% year-on-year.

During the Year, most of the Group's toll road projects reported growth in traffic volume and toll revenue. In addition, the project company of Shuiguan Expressway became a subsidiary of the Group, making significant contribution in toll revenue to the Group. These offset the negative effect arising from the toll adjustment of Meiguan Expressway effective from April 2014 and the overall reduction in toll revenue of individual toll road projects including Qinglian Expressway and Yanpai Expressway due to significant diversion effect. Toll revenue during the Year amounted to HK$4,713 million (2014: HK$4,551 million), representing an increase of 4% year-on-year.

Meanwhile, the entrusted construction management service projects, which reported considerable revenue in 2014, were specific projects by nature with related works completed and most revenue recognised in 2014. As a result, there was a substantial decrease in revenue of approximately HK$516 million from the entrusted construction management services during the Year, as compared to the corresponding period of the previous year. Consequently, total revenue of the Group's toll road business for the Year decreased by 7% as compared to the corresponding period of the previous year.

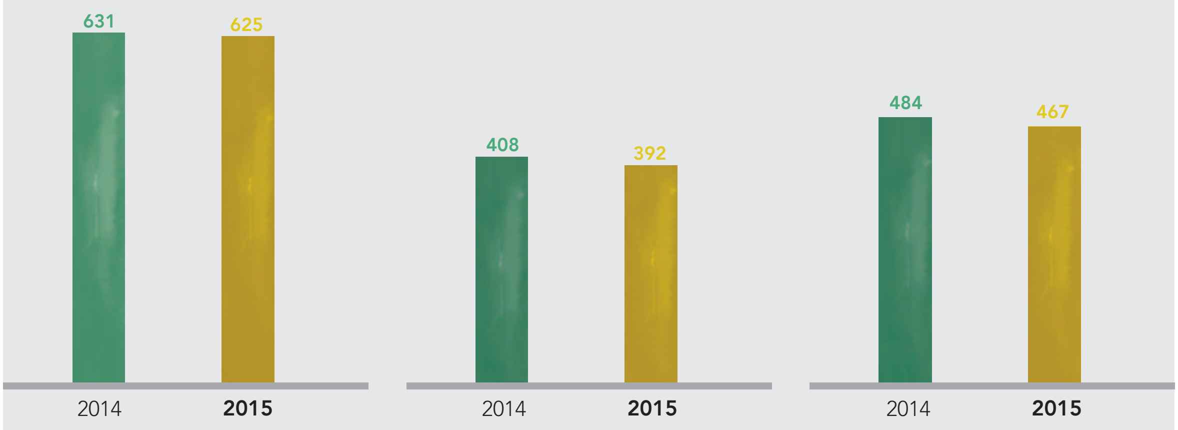
During the Year, the Group made a provision for impairment of concession right of Qinglian Expressway, resulted in a decrease in net profit of approximately HK$222 million. Moreover, during the Year, the Group obtained the effective control of the project company of Shuiguan Expressway and Shenzhen Expressway Engineering Consulting Company Limited and consolidated their results into the Group's financial statements, a fair value gain on equity interests held by the Group was recognised, which increased the net profit by approximately HK$565 million. Consequently, net profit of the toll road business for the Year increased by 21% as compared to the corresponding period of the previous year.

Longda Expressway

Benefitting from the development of new development zones nearby, Longhua New Area and Guangming New Area, and the stable growth in automobile ownership, Longda Expressway recorded a considerable increase in toll revenue for Class 1 vehicles, as compared to the corresponding period of the previous year. This offsets the negative impact of reduction in toll revenue from trucks due to the implementation of concessionary application of a lower-tier toll rate for empty trucks under the toll-by-weight policy since late-June of 2014. Accordingly, toll revenue of Longda Expressway for the Year maintained at a similar level to that of the corresponding period of 2014.

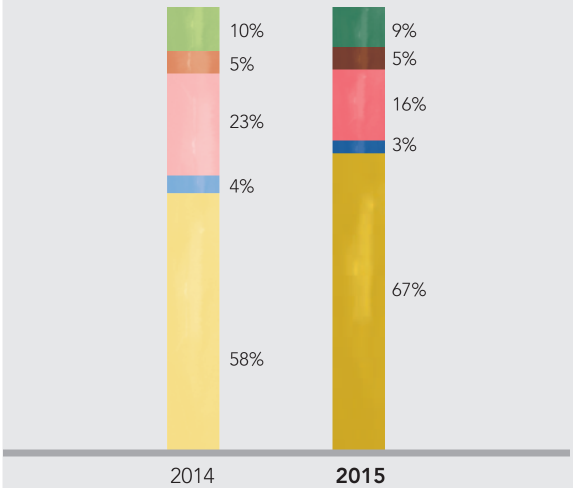
Toll revenue maintained at a similar level year-on-year, amounted to HK$625 million	Profit before finance costs and tax decreased by 4% to HK$392 million	EBITDA decreased by 4% to HK$467 million

For the year ended 31 December
(HK$ million)



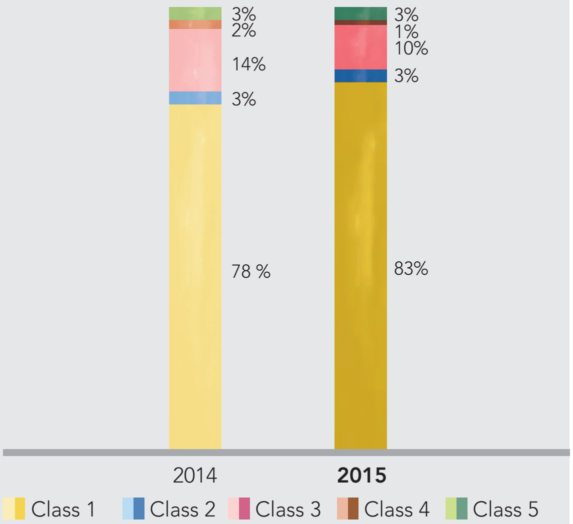
Toll revenue distribution

(For the year ended 31 December)



Traffic volume distribution

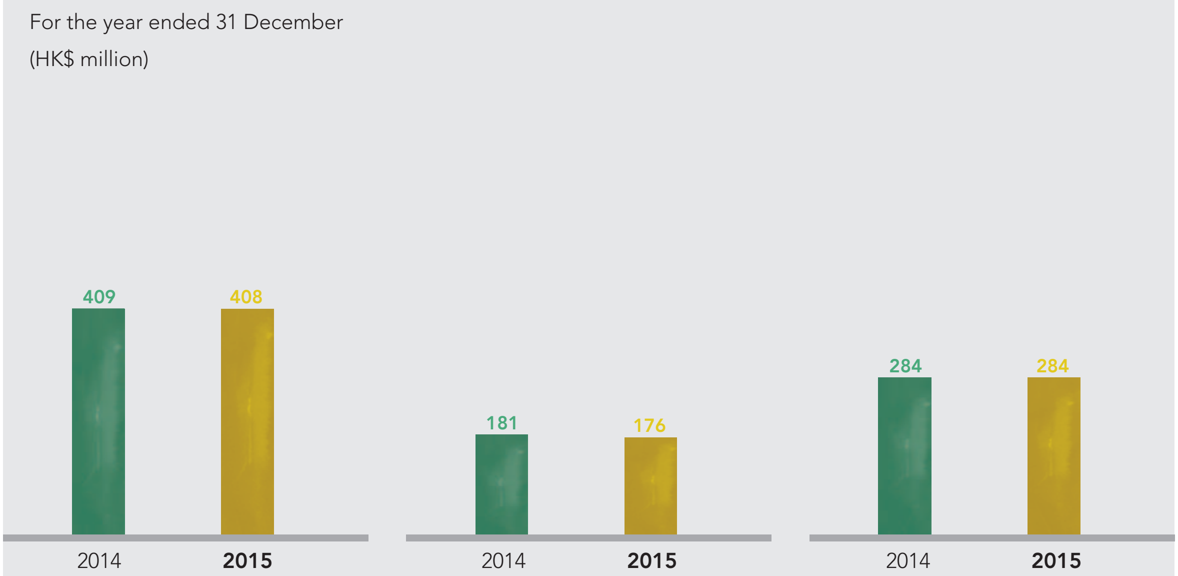
(For the year ended 31 December)

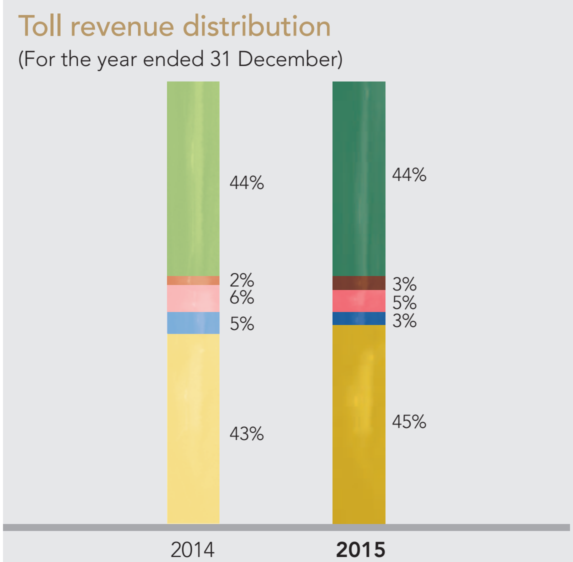


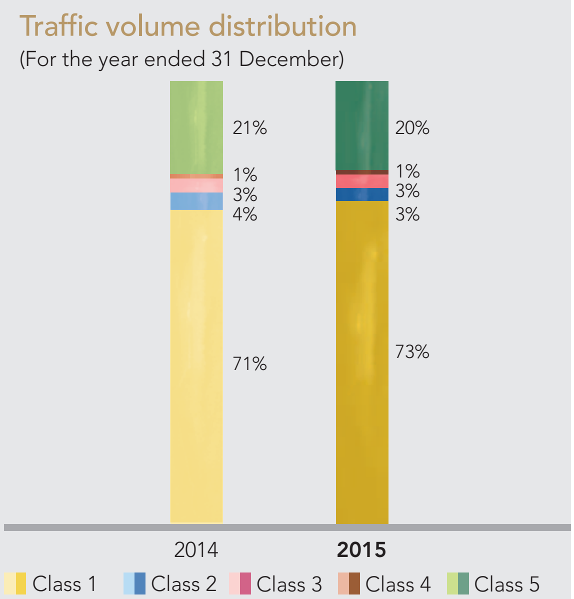
Wuhuang Expressway

During the Year, although Wuhuang Expressway continued to be affected by the link-up of the adjacent road network and traffic control measures on municipal roads, the implementation of heavier penalty on over-loaded trucks, which is one of the adjustments in the classification of vehicles for toll collection and the toll-by-weight system for cargo vehicles on expressways in Hubei Province since late June this year, provided a positive impact on Wuhuang Expressway. Toll revenue of Wuhuang Expressway from trucks increased and posed positive effect on its overall toll revenue. As a result, toll revenue of Wuhuang Expressway for the Year maintained at a similar level to that of the corresponding period of 2014.

Toll revenue maintained at a similar level year-on-year, amounted to HK$408 million	Profit before finance costs and tax decreased by 3% to HK$176 million	EBITDA maintained at the same level year-on-year, amounted to HK$284 million







Shenzhen Expressway and its expressway projects

During the Year, Shenzhen Expressway benefitted from the organic growth in traffic volume of most of its expressway projects, improvement of road network as well as the project company of Shuiguan Expressway becoming its subsidiary which made considerable contribution to its toll revenue. It recorded a toll revenue of HK$3,680 million (2014: HK$3,511 million), representing an increase of 5% as compared to the corresponding period of the previous year. However, revenue from entrusted construction management services during the Year decreased significantly by approximately HK$516 million. As a result, the total revenue of Shenzhen Expressway for the Year decreased by 8% year-on-year to approximately HK$3,774 million (2014: HK$4,122 million); profit before finance costs and tax increased by 6% year-on-year to approximately HK$2,341 million (2014: HK$2,212 million). During the Year, Shenzhen Expressway made a provision for impairment of concession right of Qinglian Expressway which led to a decrease in net profit contribution for the Group by approximately HK$222 million. As Shenzhen Expressway obtained the effective control of the project company of Shuiguan Expressway and Shenzhen Expressway Engineering Consulting Company Limited during the Year, a fair value gain on equity interests held by it was recognised, which increased the net profit of the Group by approximately HK$565 million. Accordingly, the Group's share of profit from Shenzhen Expressway increased by 33% to HK$963 million (2014: HK$726 million), as compared to the corresponding period of the previous year.

OUTLOOK FOR 2016

Pursuant to the adjustment agreement for Nanguang Expressway, Yanpai Expressway and Yanba Expressway and that for Longda Shenzhen Section, both entered into on 30 November 2015, the Group will retain the fee entitlement rights of these road sections during Phase 1 of the relevant toll adjustments, and recognise the toll revenue, costs and profits of these road sections accordingly. It is estimated that there will not be material financial effects on the revenue and profits of the Group.

Since the implementation of toll-free policy on 7 February 2016 for Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Shenzhen Section, these toll-free road sections and the adjacent Jihe Expressway have experienced faster growth in traffic volume. However, there was a slight diversion effect on Meiguan Expressway as a fraction of the vehicles originally using Meiguan Expressway was diverted to Nanguang Expressway and Longda Expressway. As a whole, the implementation of the toll-free policy of these road sections brought positive effect on the traffic volume of the Group.

Looking forward to 2016, taking into account of the uncertainties concerning the external circumstances and the rising pressure of economic downturn in China, there will be even more uncertainties in the growth of traffic volume and toll revenue of expressway projects. In addition, with the advancement of urbanisation, expressway projects in economically developed regions or their neighbouring areas may face pressure of buybacks by the government. However, 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 business opportunities for the Group. The Group will conduct an in-depth analysis and implement effective measures to increase toll revenue, to strengthen management of cost-effectiveness, and to consolidate principal activities of toll road business with active exploration into new directions, so as to reinforce the operating performance of its toll road business.

In 2016, capital expenditure of the toll road business of the Group is expected to amount to approximately RMB1,043 million, mainly for the investment in and construction of Shenzhen Outer Ring Expressway, Qinglian Project and Nanguang Project as well as the balance for the expansion work of Meiguan Expressway.

OTHER INVESTMENTS

SHENZHEN AIRLINES

The passenger transport volume of Shenzhen Airlines continued to grow during the Year, with passenger traffic reached of 39,034 million passenger-km (2014: 34,873 million passenger-km) and its airlines carried 25.50 million passenger rides (2014: 23.20 million passenger rides), representing an increase of 12% and 10% respectively year-on-year. During the Year, aviation oil price significantly reduced and Shenzhen Airlines' aviation oil costs were lowered by approximately 30% as compared to the corresponding period of the previous year. This brought positive impact on the operating results of Shenzhen Airlines to some extent. The decline in aviation oil prices also reduced fuel surcharges to customers and the average airfares of Shenzhen Airlines were also lowered by 5% as compared to the corresponding period of the previous year. Total revenue of Shenzhen Airlines for the Year increased by 4% to RMB23,863 million (HK$29,330 million) (2014: RMB22,891 million (HK$28,794 million)) as compared to the corresponding period of the previous year, of which passenger revenue increased by 4% to RMB20,417 million (2014: RMB19,563 million).

During the Year, as a result of reduction in aviation oil costs, operating profit of Shenzhen Airlines increased by 69% year-on-year to RMB2,893 million (HK$3,556 million). However, affected by the significant fluctuation of RMB exchange rate during the second half of the Year, Shenzhen Airlines recorded an exchange loss of approximately RMB1,146 million (HK$1,409 million) (2014: exchange loss of approximately RMB46.67 million (HK$58.70 million)). As a result, net profit for the Year decreased by 5% as compared to the corresponding period in the previous year to RMB744 million (HK$914 million) (2014: RMB780 million (HK$981 million)). Shenzhen Airlines contributed a profit of approximately HK$381 million (2014: HK$405 million) to the Group in 2015, representing a decrease of 6% as compared to the corresponding period in the previous year.

As at 31 December 2015, Shenzhen Airlines operated a total of 164 passenger aircraft (2014: 150). At present, Shenzhen Airlines operates 180 domestic and international routes, of which 157 are domestic routes, 14 are international routes and 9 serve the Hong Kong, Macau and Taiwan regions.

Looking forward to 2016, benefitting from China's outbound tourism boom and other positive factors, demand from the domestic market will remain strong. The falling oil prices will also fuel the profit growth of the airline industry. Shenzhen Airlines will capitalise on the opportunities arising to continue the optimisation of its route structure and fuel-saving policy, strict cost control, maximisation of utilisation rate and close monitoring of the exchange rate movements, so as to come up with a contingency plan and enhance profitability.

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 64.50 million A shares of CSG at an average selling price of RMB13.90 (HK$17.08) per share and realised a gain after tax of approximately HK$729 million (2014: HK$42.67 million). As at the date of this report, the Group beneficially owned a total of approximately 51.5 million A shares of CSG, representing approximately 2.48% of the total issued share capital of CSG.

	31 December 2015 HK$ million	31 December 2014 HK$ million	Increase/ (Decrease)
Total Assets	**58,998**	47,363	25%
Total Liabilities	**30,298**	20,635	47%
Total Equity	**28,700**	26,728	7%
Net Asset Value attributable to shareholders	**18,160**	17,702	3%
Net Asset Value per share attributable to shareholders (HK dollar)	**9.6**	9.4	2%
Cash	**15,635**	7,635	105%
Bank borrowings	**5,112**	8,307	(38%)
Notes and bonds	**7,925**	7,440	7%
Total Borrowings	**13,037**	15,747	(17%)
Net (Cash)/Borrowings	**(2,598)**	8,112	N/A
Debt-asset Ratio (Total Liabilities/Total Assets)	**51%**	44%	7#
Ratio of Total Borrowings to Total Assets	**22%**	33%	(11)#
Ratio of Net (Cash)/Borrowings to Total Equity	**(9%)**	30%	N/A
Ratio of Total Borrowings to Total Equity	**45%**	59%	(14)#

Change in percentage points

KEY FINANCIAL INDICATORS

As at 31 December 2015, the net asset value attributable to shareholders increased by 3% to HK$18,160 million, while the net asset value per share amounted to HK$9.6, representing an increase of 2% as compared to the corresponding period of the previous year. The ratio of total borrowings to total assets was 22%, which was 11 percentage points lower than that at the end of last year, reflecting that the Group maintained a healthy and stable financial position.

CASH FLOW AND FINANCIAL RATIOS

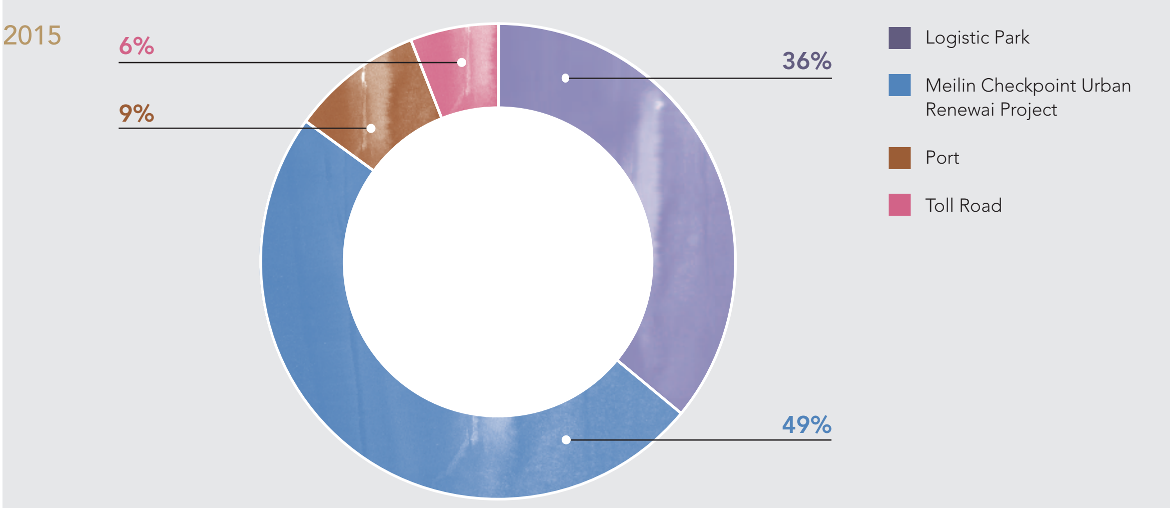
During the Year, the Group's cash flow generated from operations remained stable. Net cash inflow generated from operating activities amounted to HK$2,130 million; net cash outflow generated from investment activities amounted to HK$2,479 million; and net cash outflow generated from recurring financing activities amounted to HK$4,904 million. The Group's core businesses maintained a stable cash inflow, while the Group kept monitoring the changes in total borrowings for the purpose of maintaining the Group's financial ratios at a healthy level. During the Year, the Group reduced its total borrowings by 17% and continued to optimise its borrowing structure, therefore the ratio of total borrowings to total equity decreased by 14 percentage points to 45%, thus further strengthening the financial position of the Group.

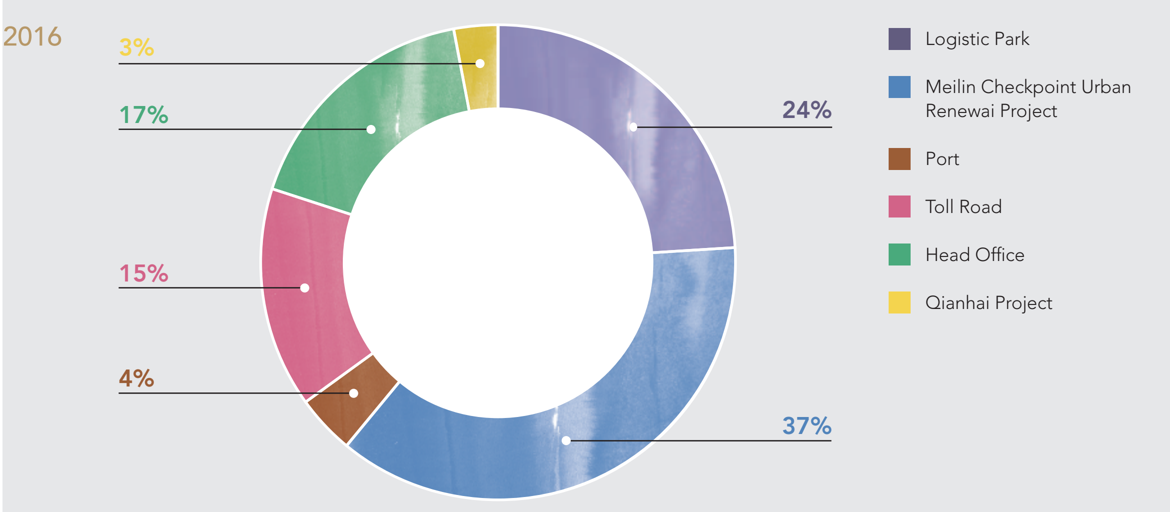
CASH BALANCE

As at 31 December 2015, the cash balance held by the Group amounted to HK$15,635 million (31 December 2014: HK$7,635 million), representing a significant increase of 105% as compared to the corresponding period of the previous year. Such increase was mainly attributable to the balance of compensation of RMB2,000 million received for the toll adjustment of Meiguan Expressway and the compensation of RMB 9,713 million paid by the Transport Commission of Shenzhen Municipality under the toll adjustment and compensation agreements regarding Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway during the Year. Almost all cash held by the Group is denominated in Renminbi, facilitating the Group's operation and development in China. The Group will further strengthen its capital management using a prudent treasury policy to increase return of its cash portfolio, providing strong support for the business development of urban integrated logistic hub.

CAPITAL EXPENDITURES

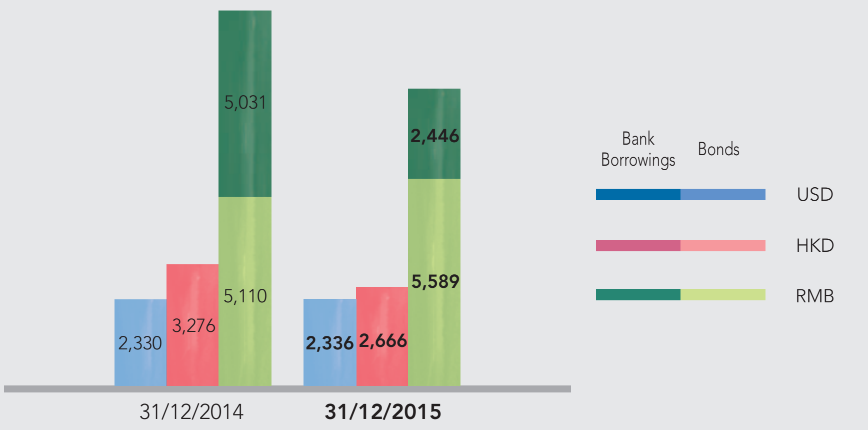
During the Year, the Group's capital expenditures amounted to RMB2,185 million (HK$2,610 million), of which RMB1,070 million was utilised for the payment of 30% of the land premium for the land parcels of the Meilin Checkpoint Urban Renewal Project, RMB776 million was utilised for construction works and land acquisition in respect of the China Urban Integrated Logistics Hub, and RMB201 million was utilised for payment of the construction costs of Phase 2 of Nanjing Xiba Port. The Group expects the capital expenditures for the year 2016 to be approximately RMB6,800 million (HK$8,100 million), of which RMB2,500 million will be utilised for the balance payment of 70% of the land premium for the land parcels of the Meilin Checkpoint Urban Renewal Project, RMB1,400 million will be utilised for China Urban Integrated Logistics Hub project, approximately RMB1,200 million will be utilised for acquiring an office building as our head office and approximately RMB220 million will be utilised for a start-up project of Qianhai Project.



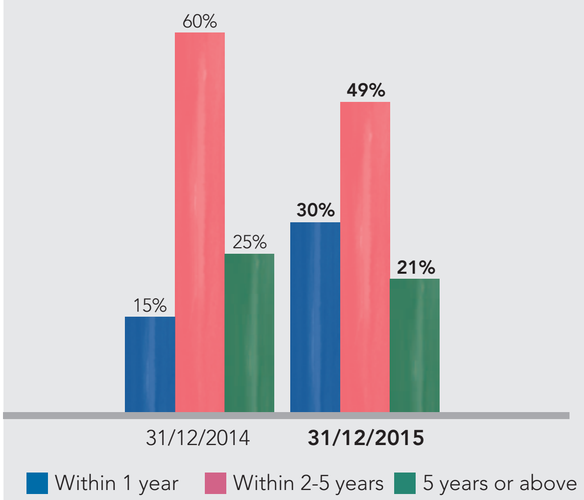


BORROWINGS

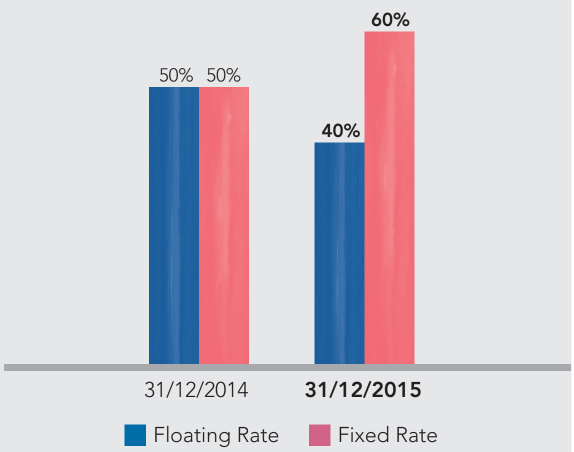
Total Borrowings in currency
(HK$ million)



Total Borrowings – Repayment period



Total Borrowings – Analysis of Floating Rate/Fixed Rate



As at 31 December 2015, the Group's total borrowings amounted to HK$13,037 million, representing a decrease of 17% as compared to the corresponding period of the previous year. During the Year, the Group repaid borrowings with its internal resources and reduced additional debt, thereby lowering the total borrowings, effectively optimising its debt structure and adjusting the currency structure of its borrowings.

The Group continued to explore more financing channels by leveraging on the advantages of diversified financing alternatives, both at onshore and offshore, and fully utilising various financing platforms. Capitalising on cross-border two-way RMB capital pool business, the Group enjoys greater flexibility in liquidity and a solid base of resources, further optimising its debt structure and providing better support for business development.

THE GROUP'S FINANCIAL POLICY

Interest Rate Risk Management

The Group's interest rate risks arise primarily from floating-rate bank loans. In order to reduce its overall finance costs and the risk of interest rate fluctuation, the Group uses fixed-rate bank loans or interest rate swap as a hedging tool according to the sizes and periods of its borrowings. The Group enters into interest rate swap agreements with financial institutions for hedging purposes to achieve the economic effect of converting floating-rate borrowings into fixed-rate borrowings. The management regularly reviews the ratio of fixed-rate to floating-rate borrowings, striking a balance between minimising interest expenses and hedging against interest rate risks. The Group closely monitors developments of the macro environment as well as changes in its own business structure and regularly reviews its liquidity and financial resources, so as to minimise financial costs and maximise return on financial assets. For further details of the Group's hedging activities, please refer to note 23 of the consolidated financial statements.

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 dollars and US dollars. The management of the Group has been closely monitoring the fluctuation and movements of the Renminbi exchange rate. On 11 August 2015 when the People's Bank of China announced the determination of the midpoint rate of Renminbi against US dollars to enhance market mechanism and reference, such a move has aggravated the fluctuation of Renminbi till the end of the year, which led to an exchange loss incurred by the Group of HK$249 million. The Group strives to mitigate the impact of exchange rate fluctuations on its overall financial performance and to minimise financial risks. The management has conducted a detailed analysis and study into the movement of Renminbi exchange rate and expected that the Renminbi exchange rate will experience higher volatility in future. During the Year, the Group took steps to reduce the impact of fluctuation in the exchange rate of Renminbi, including repayment of borrowings denominated in foreign currency, thus reducing the borrowings denominated in Hong Kong dollars by almost 20% compared with the year 2014. The group will also adjust currency structure of its borrowings and adopt appropriate hedging instruments to reduce the impact.

Liquidity Risk Management

The Group managed to enhance its financial strengths by broadening its financing channels through bank loans, bond market and equity financing. The Group manages its liquidity under a centralised system and takes advantage of onshore and offshore markets in a flexible manner to maximise capital utilisation rate. During the Year, the Group raised low-cost funds with medium to long term maturities by adopting various financing instruments and diversified sources of funds, and minimised the possibility of re-financing by maintaining a combination of short-term and long-term borrowings.

The Group currently has cash on hand and standby banking facilities of approximately HK$43,000 million. The Group has signed agreements with major banks in Hong Kong and Mainland China to secure debt financing for the Group. The Group regularly monitors the cash flow forecast on a dynamic basis and makes appropriate financing arrangements in a timely manner. Looking forward, the Group will ensure its ability to continue its business operation, to expand its businesses and to satisfy the requirements of investments by maintaining a steady stream of working capital and diversified financing channels.

CREDIT RATINGS

During the Year, three major international credit rating agencies, Standard & Poor's, Moody's and Fitch Ratings, continued to assign investment grade credit ratings of BBB, Baa3 and BBB respectively to the Company, reflecting the Company's high quality assets, stable financial position, adequate cash flow and strong credit standing. The recognition from these three major international credit rating agencies shall facilitate the Group in further expanding its financing channels so as to optimise its capital structure and reduce its financing 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 2015, please refer to notes 22 and 38 respectively of the consolidated financial statements.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the Group's first environmental, social and governance report illustrating the Group's performance in environmental, social and governance matters.

STAFF

The Group always believes that brilliant talents are the most valued assets of an enterprise. Therefore, strategy of human resource management constitutes an important component of the Group's overall strategy. Apart from providing equal opportunity of employment and life-long development, the Group also encourages its staff to pursue a career goal and attaches high importance to their work/life balance.

Policy on remuneration and benefits

For the year ended 31 December 2015, the Company and its subsidiaries employed a total of 6,884 employees. The Group has established a comprehensive management system of remuneration, motivation and performance appraisal. Salary is commensurate with employees' position value, competence and performance and with reference to the prevailing market conditions. Staff performance is assessed in an appropriate manner 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 holds the health and well-being of its employees in high regard by providing them with benefits in kind such as mandatory provident fund, medical insurance, education allowances and training programmes.

Development and Training

The Group puts a strong emphasis on the recruitment and nurturing of talents. During 2015, the Group stepped up the recruitment of management personnel and professionals in the logistics sector based on its development strategies and business development requirements, 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 appointment of internal 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 encourages staff to enhance their abilities through continuous training by the participation in various development and training programmes to be provided by the Group on a yearly basis, so as to build a high-calibre team of management personnel and professionals compatible with the Group's business development.

The Group has compiled a staff manual and distributed to its staff. The Staff manual sets out the development history, structure, future planning and corporate culture of the Group as well as the conduct, rights and benefits of the staff.

Safety and Health

The Group is always committed to providing a safe, efficient and comfortable workplace for its staff. Through rational arrangements, training and guidelines as well as 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.

ENVIRONMENTAL PROTECTION

The Group is committed to environmental protection and energy conservation. In the course of investment, construction and operation, the principle of "safe, healthy and environment-friendly" is consistently applied to ensure a sustainable development for which the Group has implemented certain measures in technology, including photovoltaic power generation, shore power supply and facilities upgrading, and innovative management, effectively realising the concept of energy conservation and reduction in emissions and a low-carbon environment for development. The Group will keep up its efforts in building green logistic parks, green eco-friendly ports and green supply chain.

RELATIONSHIP WITH SUPPLIERS

Apart from its own development, the Group is also in active pursuit of mutual advancement with its business partners. In the operations of its logistic parks, ports, logistic services and the establishment of "China Urban Integrated Logistics Hub" network, high on the agenda is the management of suppliers which may guarantee the quality of services and is necessary for lowering project costs. By establishing strategic partnership with a number of suppliers, including design houses, contractors and consultancy firms, and honoring the contracts with them, both the Group and its partners are able to enhance the quality and efficiency of the work and achieve common goals.

CUSTOMER SERVICES

The Group holds quality and standard of customer services in high regard. In its business operation, the Group fully understands the demand from customers and keeps adjusting its product mix and business model to enhance service quality. Entities under the Group have established a comprehensive system of customer management. By increasing the frequency of visits to customers and strengthening communication with customers, feedback from customers can be obtained in a timely fashion, thereby achieving higher standard of customer services.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group fully complies with all laws and regulations and regularly monitors and gathers information about changes in laws, rules and regulations relevant to the Group's businesses to ensure the Group's observance of those applicable laws, rules and regulations which may have material impact on the Group.

The Group has been actively promoting policies for the prevention of legal risks and the engagement of legal advisors and deepening the building of a system for in-house legal workflow, to consolidate its capability of compliance and corporate governance. The Group's toll road business is in compliance with the "Regulations on Administration of Toll Roads" by obtaining toll road concession rights from the government and charging tolls according to the government's pricing structure. The Group's "China Urban Integrated Logistics Hub" strictly complies with the Land Administration Law and the approval from the competent authorities of construction planning in terms of land acquisition and commencement of construction. The Group commenced the business of a microfinance company targeting the logistic industry under the licence granted by the competent financial authorities of the government.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

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

MEMBERS OF THE BOARD

Executive Directors

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

Mr. Gao Lei, aged 56, 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 Jing Qi
Chief Executive Officer

Mr. Li Jing Qi, aged 59, was appointed in March 2000 as an Executive Director and Vice President of the Company, and was appointed in August 2006 as 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 is a graduate of Shanghai International Studies University with a Bachelor of Arts degree. He had successively worked at the Anhui Branch of Bank of China, Bank of China Hongkong-Macau Regional Office and Shenzhen Branch of Bank of China. He was a director of Shenzhen High-Tech Holdings Limited (currently Landsea Green Properties Co., Ltd.) and CSG Holding Co., Ltd. Mr. Li is currently a director of Shenzhen Expressway Company Limited and Ultrarich International Limited. He has over 20 years of experience in international banking and corporate management.

Mr. Zhong Shan Qun
Member of the Nomination Committee

Mr. Zhong Shan Qun, aged 51, 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 52, 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 56, 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 52, 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 24 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 67, 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 56, 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 61, 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 is a MBA graduate of 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 51, 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 53, 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 46, 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.

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 2015 (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 42 to the 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 the sections headed "**CHAIRMAN'S STATEMENT**", "**MANAGEMENT DISCUSSION AND ANALYSIS**", "**ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT**" 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 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 70 to 138.

DIVIDENDS

The Board recommended a final dividend of HK$0.5 per share for the Year (2014: a final dividend of HK$0.263 per share and a special dividend of HK$0.192 per share). The total dividend for the Year amounted to approximately HK$950 million (2014: HK$861 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 24 May 2016. 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 22 June 2016.

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 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 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 2015, the Company's reserves available for distribution to shareholders, comprising contributed surplus, retained earnings and other distributable reserves, amounted to approximately HK$1,502,418,000 (2014: HK$1,565,503,000). 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.

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 Jing Qi
Mr. Zhong Shan Qun (appointed on 15 January 2015)
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 109(A), Messrs. Gao Lei, Leung Ming Yuen, Simon and Nip Yun Wing 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 67 to 68 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 67 to 68 of this annual report and the section headed "**SHARE OPTION SCHEME**" as set out below, at no time during the year ended 31 December 2015 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 to reward and motivate the eligible participants whose contributions are important to the long-term growth and profitability of the Group. Eligible participants of the Expired Scheme 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 their movements during the Year (Note 1):

				Number of unlisted share options (physically settled equity derivatives)					Share price of the Company *(Note 7)*	
Name and category of participants	Date of grant of share options	Exercise period of share options	Exercise price of share options *(Note 6)* HK$	As at 1 January 2015	Granted during the Year	Exercised during the Year	Cancelled/ lapsed during the Year	As at 31 December 2015	As at the date of grant of share options HK$	As at the date of exercise of share options HK$
Directors										
Mr. Gao Lei	18 January 2013 *(Note 2)*	28 September 2014 to 27 September 2015	9.10	120,000	–	–	120,000	–	8.800	N/A
	29 January 2014 *(Note 3)*	29 January 2016 to 28 January 2019	10.40	1,400,000	–	–	–	1,400,000	9.700	N/A
Mr. Li Jing Qi	28 September 2010 *(Note 4)*	28 September 2012 to 27 September 2015	5.80	510,000	–	50,905	459,095	–	5.900	10.76
	29 January 2014 *(Note 3)*	29 January 2016 to 28 January 2019	10.40	1,330,000	–	–	–	1,330,000	9.700	N/A
Mr. Zhong Shan Qun *(Note 5)*	28 September 2010 *(Note 4)*	28 September 2012 to 27 September 2015	5.80	473,250	–	–	473,250	–	5.900	N/A
	29 January 2014 *(Note 3)*	29 January 2016 to 28 January 2019	10.40	1,050,000	–	–	–	1,050,000	9.700	N/A
Mr. Liu Jun	28 September 2010 *(Note 4)*	28 September 2012 to 27 September 2015	5.80	429,000	–	23,500	405,500	–	5.900	10.76
	29 January 2014 *(Note 3)*	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 *(Note 3)*	29 January 2016 to 28 January 2019	10.40	1,050,000	–	–	–	1,050,000	9.700	N/A
				7,412,250	–	74,405	1,457,845	5,880,000		
Other employees										
In aggregate	28 September 2010 *(Note 4)*	28 September 2012 to 27 September 2015	5.80	5,710,209	–	2,821,075	2,889,134	–	5.900	11.62
	18 January 2013 *(Note 2)*	28 September 2014 to 27 September 2015	9.10	275,000	–	275,000	–	–	8.800	12.716
	29 January 2014 *(Note 3)*	29 January 2016 to 28 January 2019	10.40	26,400,000	–	–	500,000	25,900,000	9.700	N/A
				32,385,209	–	3,096,075	3,389,134	25,900,000		
				39,797,459	–	3,170,480	4,846,979	31,780,000		

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 (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) *These share options granted have been vested on 28 September 2014.*

(3) *40% of these share options granted have been vested on the date which is 24 months after 29 January 2014 (the "Date of Grant of 2014 Share Options"); another 30% of these share options granted will be vested on the date which is 36 months after the Date of Grant of 2014 Share Options; and the remaining 30% of these share options will be vested on the date which is 48 months after the Date of Grant of 2014 Share Options. Vesting of these share options is conditional upon the achievement of certain performance targets by the individual grantees and the Group.*

(4) *40% of these share options granted have been vested on the date which is 24 months after 28 September 2010 (the "Date of Grant of 2010 Share Options"); another 30% of these share options granted have been vested on the date which is 36 months after the Date of Grant of 2010 Share Options; and the remaining 30% of these share options have been vested on the date which is 48 months after the Date of Grant of 2010 Share Options.*

(5) *Mr. Zhong Shan Qun was appointed as an executive director of the Company on 15 January 2015.*

(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.*

Upon the expiration of the Expired Scheme on 29 April 2014, a new share option scheme (the "New Scheme") was approved and adopted by the Company at the annual general meeting held on 16 May 2014. The New Scheme will be operated for a period of 10 years from 16 May 2014 and is established to recognise, motivate and provide incentives to the eligible participants who make contributions to the Group. Eligible participants of the New Scheme 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, to be determined by the Board.

The total number of shares of the Company available for issue under the New Scheme is 165,905,769 shares which represent approximately 9% of the issued shares of the Company as at the date of this annual report. No share options has been granted under the New Scheme during the Year.

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 67 to 68 of this annual report.

RELATED PARTY TRANSACTIONS AND CONNECTED 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 41 to the financial statements.

There were no connected transactions and continuing connected transactions between the Group and its connected persons (as defined under the Listing Rules) which are subject to the reporting, announcement and the independent shareholders' approval requirements under the Listing Rules during the Year.

POST BALANCE SHEET EVENTS

Details of events after the balance sheet date of the Group are set out in note 44 to the financial statements.

DONATIONS

During the Year, the Group made charitable and other donations amounted to approximately HK$638,000.

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 51 to 66 of this annual report.

AUDITOR

There have been no changes of the auditor of the Company during the past three years.

In order to further enhance the Company's standard of corporate governance, the Company, with the consent of its audit committee, has recently adopted a policy in respect of change of auditor under which the Company shall consider whether to change its auditor who has undertaken audit services continuously for over five years. As Messrs. PricewaterhouseCoopers, the Company's existing auditor, has undertaken the annual audit for the Group for more than ten years, the Board, upon the recommendation of the audit committee, will propose to change the Company's auditor at the forthcoming annual general meeting. Accordingly, Messrs. PricewaterhouseCoopers will retire at the conclusion of the forthcoming annual general meeting and will not be re-appointed. A resolution will be proposed at a special general meeting to appoint a new auditor of the Company and such proposed appointment is subject to the approval of the shareholders of the Company at that special general meeting.

ON BEHALF OF THE BOARD

Gao Lei
Chairman

Hong Kong, 22 March 2016

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.

Throughout the year ended 31 December 2015 (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").

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

THE BOARD

The board of directors of the Company (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 the Company's 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.

As at the date of this report, the Board consists of nine directors, including five executive directors: Messrs. Gao Lei, Li Jing Qi, 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.

Change in Board member during the Year is as follows:

- Mr. Zhong Shan Qun was appointed as an executive director of the Company on 15 January 2015.

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.

BOARD MEETINGS

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 2015, a total of five 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 November 2015.

The following major issues were addressed at the Board meetings held in 2015:

(1) approving and considering the 2014 annual results and the payment of dividends;

(2) approving the 2015 interim results;

(3) reviewing the results and business operations of the first and third quarters of 2015;

(4) considering the increase in the Company's authorised share capital;

(5) approving the appointment of Mr. Zhong Shan Qun as an executive director of the Company;

(6) approving the acquisition of an additional 10% equity interest in the project company of Shuiguan Expressway;

(7) approving the toll adjustments and compensation arrangements regarding Longda Expressway, Nanguang Expressway, Yanpai Expressway and Yanba Expressway;

(8) approving the proposed subscription of shares in Bank of Guizhou Co., Ltd; and

(9) approving the renaming of the Remuneration Committee as the "Remuneration and Appraisal Committee" and the change in the composition of the Remuneration and Appraisal Committee.

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 2015 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 2015

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 3 meetings during 2015 and the following major issues were reviewed and discussed at the meetings:

- reviewed the annual results for 2014 and the interim results for 2015, and confirmed the related disclosures in the financial statements were complete, accurate and fair and recommended the same to the Board for approval;

- approved the auditor's fees for the audit of 2014 annual financial statements and fees for the review of 2015 interim financial statements;

- recommended on the re-appointment of the auditor for 2015;

- reviewed 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

- reviewed 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. The current members are Mr. Ding Xun (Chairman), Mr. Leung Ming Yuen, Simon and Mr. Zhong Shan Qun. Mr. Zhong Shan Qun was appointed a member of the Nomination Committee on 27 March 2015 in place of Mr. Li Jing Qi who resigned from the position on the same day.

Responsibilities and work performed in 2015

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 1 meeting during 2015, the following major issues were reviewed and discussed during the Year:

- made recommendation to the Board for the appointment of Mr. Zhong Shan Qun as an executive director of the Company;
- reviewed and confirmed the independence of the 3 independent non-executive directors;
- reviewed the structure, composition and diversity of the Board;
- evaluated and made recommendation as to the performance of the directors of the Company who would retire or were subject to retirement by rotation and re-election at the 2015 AGM; and
- considered the change in composition of the committee.

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. The current members are Mr. Ding Xun (Chairman), Mr. Leung Ming Yuen, Simon and Mr. Gao Lei. Mr. Gao Lei was appointed a member of the Remuneration and Appraisal Committee on 27 November 2015 in place of Mr. Li Lu Ning who resigned from the position on the same day.

Responsibilities and work performed in 2015

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 objectives 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. During the Year, 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 2015, the following major issues were reviewed and discussed during the Year:

- approved bonus payments for 2014 to the senior management;
- considered the entering into of the service contract with Mr. Zhong Shan Qun, an executive director of the Company;
- approved the adoption of "Policy on Performance Appraisal for Senior Management";
- considered renaming the Remuneration Committee as the "Remuneration and Appraisal Committee"; and
- considered the change in composition of the committee.

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$2,000,001 — HK$3,000,000	2
HK$4,000,001 — HK$5,000,000	1

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

The attendance records of the Board meetings, Specialised Committee meetings and general meetings of the Company held in 2015

Details of the directors' attendance at the Board meetings, Specialised Committee meetings and annual general meeting of the Company held in 2015 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**	**2015 AGM**
Executive directors						
Mr. Gao Lei *(Chairman)* Note 1	**5**/5	N/A	N/A	0/0	**19**/20	**1**
Mr. Li Jing Qi	**5**/5	N/A	**1**/1	N/A	**18**/20	**1**
Mr. Zhong Shan Qun Note 2	**5**/5	N/A	0/0	N/A	**18**/19	**0**
Mr. Liu Jun	**5**/5	N/A	N/A	N/A	**11**/20	**1**
Mr. Li Lu Ning	**4**/5	N/A	N/A	**1**/2	**16**/20	**1**
Non-executive director						
Dr. Yim Fung	**3**/5	N/A	N/A	N/A	N/A	**1**
Independent Non-executive directors						
Mr. Leung Ming Yuen, Simon	**5**/5	**3**/3	**1**/1	**2**/2	N/A	**1**
Mr. Ding Xun	**5**/5	**3**/3	**1**/1	**2**/2	N/A	**1**
Mr. Nip Yun Wing	**5**/5	**3**/3	N/A	N/A	N/A	**1**

Notes:

(1) Mr. Gao Lei was appointed as a member of the Remuneration and Appraisal Committee on 27 November 2015 in place of Mr. Li Lu Ning who resigned from the position on the same day.

(2) Mr. Zhong Shan Qun was appointed as a member of the Nomination Committee on 27 March 2015 in place of Mr. Li Jing Qi who resigned from the position on the same day.

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.

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 Jing Qi 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 businesses. 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.

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.

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.

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 Jing Qi	✔	✔	✔
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	✔	✔	✔

INDEPENDENCE

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.

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 Jing Qi, Mr. Zhong Shan Qun, Mr. Liu Jun and Mr. Li Lu Ning.

Responsibilities and works performed in 2015

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 2015, the Executive Board Committee held 20 meetings at which the Executive Board Committee discussed and considered the Company's annual and interim results, business development, acquisition of an additional equity interest in a toll road project and major transactions in relation to the toll adjustment and compensation arrangements regarding certain expressways and provided recommendations thereon to the Board. At such meetings, the Executive Board Committee also discussed the business development plans of the Group's subsidiaries, capital expenditure and loans, considered the budgets for year 2016, adjustment of financing plan, and opening and cancellation of bank accounts as well as reviewed policies for corporate governance, etc.

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 2015, 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 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 and budgeting and performance assessment 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 logistics 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 will enhance the management and control over the construction work, effectively control the construction costs, and ensure the construction quality. In addition, the Group will ensure compliance with the laws and regulations governing project construction and management.

Corporate Internal Management and Control Model

Function Positioning of Headquarters of the Group

Based on the respective industry characteristics, maturity levels of businesses 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.

In 2015, the Group formulated the "Provisional Implementation of the Annual Performance Appraisal for Subsidiaries《附屬公司年度業績考核管理辦法(試行)》" and "Provisional Implementation of the Remuneration Policy for Senior Management of Subsidiaries《附屬公司高管薪酬管理辦法(試行)》" to meet the operational and governance needs of the Company.

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.

During 2015, the Board has comprehensively reviewed the Group's internal control and risk management systems and their effectiveness, 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

In 2002, the Group set up an internal audit department. In 2013, the internal audit department was renamed the risk management department in the adjustment of the Group's management control model and was assigned extra responsibility of overseeing legal affairs. The addition of legal and auditing personnel effectively enhanced the Group's internal control and risk management functions. The risk management department 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 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 finalised and whether it will give rise to changes in the toll collection period and toll rates structure is uncertain. Adjustment to the policies regarding expressways may have an impact on toll revenue.	• Keep monitoring the amendment to the "Regulations on Administration of Toll Roads《收費公路管理條例》". • Conduct an analysis and evaluation on traffic flow and launch marketing initiatives for specific projects. • Optimise investment proposal by minimising costs in a reasonable way.
Risks relating to capital and finance	As investment projects require substantial amount of capital and capital 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.
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.	• Conduct thorough study into and market research for integrated logistics hub projects. • Determine the appropriate apportionment between sale and lease of properties so as to accelerate the recovery of capital. • Ensure analysis on investment and risks so as to optimise audit, evaluation and investigation of the projects. • Optimise the retention as well as development of talents for project construction and management. • Optimise initial planning as well as design and strictly control costs.
Manpower risk	A larger pool of talents for construction and management is required as the integrated logistics hub projects proceed.	• Step up measures to recruit and train the workforce, establish a long-term mechanism for incentive and performance appraisal, and innovate the policy on remuneration and share option.

Risk	Description	Response
Legal risks	• Disputes may arise from the execution of various contracts. • Disputes may arise in the course of operation of the investment projects. • Application for registration and the protection mechanism of trademarks still have rooms for improvement. Trademarks and trade secrets are vulnerable to infringement.	• Promote awareness and enhance the prevention of legal risks. • Establish the ties with law firms and professional legal advisors and build up an in-house legal team. • Perfect the prevention mechanism 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 seen substantial fluctuation recently.	• 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 finance costs by timely adjusting the size of borrowings denominated in foreign currencies subject to the interest-rate movement of foreign currencies.

INDEPENDENT AUDITOR

During the Year, the fees paid and payable to the Company's auditor, PricewaterhouseCoopers, for audit services and non-audit services were approximately HK$4,043,000 and HK$1,943,000 respectively. The non-audit services include such professional services as professional tax consultation, the issue of a letter in relation to the sufficiency of the Group's working capital for a major transaction of the Company and the Group's statement of indebtedness, and the issue of a report on the discounted future estimated cashflow of an acquisition of assets. The Audit Committee has reviewed the audit fees, procedures and effectiveness, and assessed the independence and objectivity of PricewaterhouseCoopers.

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 chairmen of the Board and the chairman of the Audit Committee, the Remuneration and Appraisal Committee and Nomination Committee attended the annual general meeting held in 2015 to answer questions raised by the Shareholders.

During the Year, the Company held 1 general meeting. Set out below is a summary of the matters resolved at the general meeting:

Date	Matters resolved at the general meeting
15 May 2015	• receipt of the audited financial statements and the reports of the directors and of the auditors for the year ended 31 December 2014; • payment of the final dividend and special dividend for the year ended 31 December 2014; • re-election of the retiring directors of the Company and authorisation of the Board to fix the directors' remuneration; • re-appointment of auditors of the Company and authorisation of the Board to fix their 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; • extending the general mandate granted to the Board to allot, issue and otherwise deal with the shares in the Company; and • approval of the increase in the authorised share capital of the Company.

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 special general meeting ("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.

During the Year, the Company released 38 announcements/notices, including annual and interim results, voluntary announcements, major transaction, notice of general meeting and overseas regulatory announcements, etc.

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 investor relations 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 2015, 29 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 2015, the management has also participated in presentations or seminars organised by securities dealers. Details on all promotional activities for the Year are as follows:

2015	Major events
January	• Participated in Deutsche Bank's "Annual dbAccess China Conference" held in Beijing • Participated in Guosen Securities' "2015 Investment Summit (2015年度策略報告會暨創投／私募高峰論壇)" held in Shenzhen • Participated in Citigroup's "Hong Kong and China Top Picks Corporate Day: Re-awakening the Dragon 2015 (2015年中港行業首選股投資者會議)" held in Hong Kong
March	• Presented the Company's 2014 annual results to investors • Held the press conference for the Company's 2014 annual results • Held a press conference in Shenzhen
April	• Conducted roadshows in Hong Kong, London and Paris on the Company's annual results
May	• Conducted roadshows in Germany and Switzerland on the Company's annual results • Participated in Morgan Stanley's "China Summit" held in Beijing
June	• Participated in DBS Bank's reverse roadshow held in Shenzhen • Participated in "Daiwa Auto & Industrial Leaders Conference 2015" held in Hong Kong
July	• Participated in Credit Suisse's investor conference held in Singapore
August	• Presented the Company's 2015 interim results to investors • Held the press conference for the Company's 2015 interim results
September	• Conducted roadshows in Hong Kong on the Company's interim results
October	• Participated in Nomura's "Transportation/Logistics Services Corporate Day" held in Hong Kong

2015	Major events
November	• Conducted roadshows in the United States on the Company's interim results • Participated in Credit Suisse's "2015 China Investment Conference" held in Shanghai • Participated in Citigroup's "10th Citi China Investor Conference" held in Macau • Participated in Morgan Stanley's "14th Annual Asia Pacific Summit" held in Singapore
December	• Participated in Guoyuan Securities' "2016 Strategies for Investment in the Global Capital Markets (2016年度全球資本市場投資策略會)"

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 2015, 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 46 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	130,000	beneficial owner	personal	0.01%
Li Jing Qi	864,840	beneficial owner	personal	0.05%
Liu Jun	900,000	beneficial owner	personal	0.05%
Li Lu Ning	130,000	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 46 to 50 of this annual report, as at 31 December 2015, 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 46 to 50 of this annual report, at no time during the year ended 31 December 2015 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 2015, the interests and short positions of the substantial shareholders of the Company, other than the Directors or chief executives, in 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)*	830,409,709	interest of controlled corporation	43.73%
Ultrarich International Limited ("Ultrarich") — *Note (2)*	830,409,709	beneficial owner	43.73%

Notes:

(1) *Ultrarich holds an aggregate of 830,409,709 shares of the Company and is a wholly-owned subsidiary of SIHCL. Accordingly, SIHCL is deemed to be interested in the 830,409,709 shares of the Company held by Ultrarich.*

(2) *Messrs. Gao Lei, Li Jing Qi, 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.*

Save as disclosed above, as at 31 December 2015, 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 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 2015, 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
Chan See Ting	3,694,500(L)	beneficial owner	0.2%
	167,256,000(L) *Note (2)*	interest of controlled corporations	8.8%
Lai Hoi Man	3,694,500(L)	family interests	0.2%
	167,256,000(L) *Note (2)*	interest of controlled corporations	8.8%
Horoy Enterprise Holdings Limited	88,294,000(L)	beneficial owner	4.6%
Horoy International Holdings Limited	78,962,000(L)	beneficial owner	4.2%
UBS Group AG	24,498,843(L)	person having a security interest in shares	1.29%
	75,373,003(L) *Note (3)*	interest of controlled corporations	3.97%
	7,069,674(S) *Note (3)*	interest of controlled corporations	0.37%
UBS AG	5,934,315(L)	beneficial owner	0.31%
	7,069,674(S)	beneficial owner	0.37%
UBS Asset Management (Hong Kong) Ltd	8,929,289(L)	beneficial owner	0.47%
UBS Asset Management (Japan) Ltd	568,500(L)	beneficial owner	0.03%
UBS Asset Management (Singapore) Ltd	2,722,990(L)	beneficial owner	0.15%
UBS Asset Management Trust Company	24,500(L)	beneficial owner	0.0013%
UBS Asset Management (UK) Limited	3,413,000(L)	beneficial owner	0.18%
UBS Fund Management (Luxembourg) S.A.	53,720,409(L)	beneficial owner	2.83%
UBS Fund Management (Switzerland) AG	22,500(L)	beneficial owner	0.0012%
UBS O'Connor Limited	27,500(L)	beneficial owner	0.0015%
UBS Financial Services Inc.	10,000(L)	beneficial owner	0.0005%
HSBC Global Asset Management (Hong Kong) Limited	96,241,250(L)	investment manager	5.07%

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) *Chan See Ting and Lai Hoi Man respectively hold 40% and 60% of the equity interest in Horoy Enterprise Holdings Limited and also hold 40% and 60% of the equity interest in Horoy International Holdings Limited. Accordingly, they are deemed to be interested in the aggregate holdings of 167,256,000 shares in the Company held by these companies as disclosed above.*

(3) *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, UBS O'Connor Limited 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 75,373,003 shares in the Company and the short positions of 7,069,674 shares in the Company held by these companies as disclosed above.*

Save as disclosed above, as at 31 December 2015, 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.

pwc 羅兵咸永道

TO THE SHAREHOLDERS OF SHENZHEN INTERNATIONAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Shenzhen International Holdings Limited (the "Company") and its subsidiaries set out on pages 70 to 138, which comprise the consolidated balance sheet as at 31 December 2015, and 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 a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 March 2016

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONSOLIDATED BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	Note	As at 31 December 2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment	6	**3,962,495**	4,085,841
Investment properties	7	**81,450**	81,240
Land use rights	8	**977,827**	1,038,290
Construction in progress	9	**768,314**	442,257
Intangible assets	10	**23,833,564**	21,066,291
Investments in associates	12	**5,673,459**	5,845,699
Investments in joint ventures	13	**281,325**	314,092
Available-for-sale financial assets	14	**95,748**	100,187
Deferred income tax assets	25	**89,618**	61,049
Other non-current assets	15	**1,573,271**	1,969,046
		37,337,071	35,003,992
Current assets			
Inventories	16	**1,398,527**	673,728
Available-for-sale financial assets	14	**1,119,702**	1,288,524
Trade and other receivables	18	**1,879,161**	2,761,811
Restricted bank deposits	19	**288,291**	473,812
Deposits in banks with original maturities over 3 months	19	**2,092,911**	–
Cash and cash equivalents	19	**13,253,721**	7,161,184
		20,032,313	12,359,059
Assets of disposal group classified as held for sale	17	**1,628,469**	–
		21,660,782	12,359,059
Total assets		**58,997,853**	47,363,051
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital and share premium	20	**7,625,528**	7,522,535
Other reserves	21	**(118,221)**	792,092
Retained earnings		**10,652,736**	9,387,468
		18,160,043	17,702,095
Non-controlling interests		**10,539,424**	9,026,150
Total equity		**28,699,467**	26,728,245

(All amounts in HK dollar thousands unless otherwise stated)

	Note	As at 31 December 2015	2014
Liabilities			
Non-current liabilities			
Borrowings	22	**9,161,033**	13,355,254
Derivative financial instruments	23	**–**	4,920
Provision for maintenance/resurfacing obligations	24	**149,577**	110,905
Deferred income tax liabilities	25	**1,998,819**	1,371,915
Other non-current liabilities	26	**10,930,123**	278,335
		22,239,552	15,121,329
Current liabilities			
Trade and other payables	27	**3,613,211**	2,249,290
Income tax payable		**477,299**	683,785
Provision for maintenance/resurfacing obligations	24	**90,264**	188,211
Borrowings	22	**3,876,162**	2,392,191
Derivative financial instruments	23	**1,898**	–
		8,058,834	5,513,477
Total liabilities		**30,298,386**	20,634,806
Total equity and liabilities		**58,997,853**	47,363,051

The notes on pages 77 to 138 are an integral part of these consolidated financial statements.

The financial statements on pages 70 to 138 were approved by the Board of Directors on 22 March 2016 and were signed on its behalf.

Li Jing Qi
Director

Liu Jun
Director

CONSOLIDATED INCOME STATEMENT

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2015	2014
Revenue	5, 28	**6,738,397**	6,370,230
Cost of sales	31	**(3,873,487)**	(3,228,450)
Gross profit		**2,864,910**	3,141,780
Other income	29	**77,886**	124,726
Other gains — net	30	**1,328,237**	1,999,142
Distribution costs	31	**(73,165)**	(57,139)
Administrative expenses	31	**(495,311)**	(396,886)
Operating profit		**3,702,557**	4,811,623
Share of profit/(loss) of joint ventures	13	**36,616**	(12,471)
Share of profit of associates	12	**752,595**	726,455
Profit before finance costs and tax		**4,491,768**	5,525,607
Finance income	33	**280,481**	208,384
Finance costs	33	**(973,741)**	(978,187)
Finance costs — net	33	**(693,260)**	(769,803)
Profit before income tax		**3,798,508**	4,755,804
Income tax expense	34	**(736,318)**	(1,068,622)
Profit for the year		**3,062,190**	3,687,182
Profit attributable to:			
Equity holders of the Company		**2,198,385**	2,229,254
Non-controlling interests		**863,805**	1,457,928
		3,062,190	3,687,182
Earnings per share attributable to equity holders of the Company during the year (expressed in HK dollars per share)			
— Basic	35(a)	**1.16**	1.30
— Diluted	35(b)	**1.16**	1.30

The notes on pages 77 to 138 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2015	2014
Profit for the year		**3,062,190**	3,687,182
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Fair value gains on available-for-sale financial assets, net of tax	21	**205,481**	81,361
Reclassification of fair value gains to income statement upon disposal of available-for-sale financial assets, net of tax	21	**(442,049)**	(38,539)
Fair value gains/(losses) on derivative financial instruments, net of tax	23	**2,922**	(15,001)
Share of other comprehensive income of an associate	21	**31,190**	19,235
Share of other comprehensive loss of a joint venture	21	**(1,762)**	–
Currency translation differences		**(1,236,209)**	(578,344)
Other comprehensive loss for the year, net of tax		**(1,440,427)**	(531,288)
Total comprehensive income for the year		**1,621,763**	3,155,894
Total comprehensive income attributable to:			
Equity holders of the Company		**1,216,234**	1,911,004
Non-controlling interests		**405,529**	1,244,890
Total comprehensive income for the year		**1,621,763**	3,155,894

The notes on pages 77 to 138 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in HK dollar 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 2014	5,100,212	895,044	7,994,483	13,989,739	7,918,366	21,908,105
Comprehensive income						
Profit for the year	–	–	2,229,254	2,229,254	1,457,928	3,687,182
Other comprehensive income						
Fair value gains on available-for-sale financial assets, net of tax	–	81,361	–	81,361	–	81,361
Reclassification of fair value gains to income statement upon disposal of available-for-sale financial assets, net of tax	–	(38,539)	–	(38,539)	–	(38,539)
Fair value losses on derivative financial instruments, net of tax	–	(5,661)	–	(5,661)	(9,340)	(15,001)
Share of other comprehensive income of an associate	–	19,235	–	19,235	–	19,235
Currency translation differences	–	(374,646)	–	(374,646)	(203,698)	(578,344)
Total other comprehensive loss	–	(318,250)	–	(318,250)	(213,038)	(531,288)
Total comprehensive (loss)/income	–	(318,250)	2,229,254	1,911,004	1,244,890	3,155,894
Transactions with owners in their capacity as owners						
Placing of shares	1,902,003	–	–	1,902,003	–	1,902,003
Employee share options						
— proceeds from shares issued	43,398	–	–	43,398	–	43,398
— value of employee services	31,209	–	–	31,209	–	31,209
Transfer to reserves	–	216,611	(216,611)	–	–	–
Dividend relating to 2013	–	–	(620,488)	(620,488)	–	(620,488)
Issue of scrip shares as dividend	445,713	–	–	445,713	–	445,713
Forfeiture of unclaimed dividends	–	–	830	830	–	830
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	(260,922)	(260,922)
Non-controlling interest arising on business combination	–	–	–	–	26,754	26,754
Capital injections by non-controlling interests	–	–	–	–	103,024	103,024
Transactions with non-controlling interests	–	(1,313)	–	(1,313)	(5,962)	(7,275)
Total transactions with owners in their capacity as owners	2,422,323	215,298	(836,269)	1,801,352	(137,106)	1,664,246
Balance at 31 December 2014	7,522,535	792,092	9,387,468	17,702,095	9,026,150	26,728,245

(All amounts in HK dollar 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 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 (Note 36)	–	–	(861,325)	(861,325)	–	(861,325)
Issue of scrip shares as dividend (Note 36)	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 (Note 40)	–	–	–	–	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

The notes on pages 77 to 138 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2015	2014
Cash flows from operating activities			
Cash generated from operations	37	**3,398,574**	3,756,465
Interest paid		**(704,010)**	(788,243)
Income tax paid		**(564,263)**	(557,788)
Net cash generated from operating activities		**2,130,301**	2,410,434
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	40	**(123,106)**	12,698
Purchases of property, plant and equipment, land use rights, construction in progress, intangible assets and other non-current assets		**(2,358,016)**	(1,334,101)
Prepayment for land use rights included in assets of disposal group classified as held for sale		**(1,277,929)**	–
Increase in investments in associates and joint ventures	12, 13	**(11,947)**	(3,749)
Net proceeds from disposal of Meiguan Expressway's toll free section related assets		**1,950,207**	909,499
Proceeds from disposal of property, plant and equipment	37	**10,353**	27,024
(Payment for)/proceeds from disposal of intangible assets		**(362)**	1,887
Purchase of available-for-sale financial assets	14	**(298,579)**	–
Proceeds from disposal of available-for-sale financial assets, net of tax		**1,021,270**	55,942
Increase in deposits in banks with original maturities over 3 months		**(2,092,911)**	–
Interest received		**146,462**	87,549
Dividends received		**554,850**	316,816
Net cash (used in)/generated from investing activities		**(2,479,708)**	73,565
Cash flows from financing activities			
Proceeds from compensation from government regarding Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway toll free arrangement	26	**11,599,650**	–
Advances to non-controlling interests		**(252,562)**	–
Proceeds from issuance of ordinary shares under employee share option scheme	20	**19,297**	43,398
Proceeds from placing of shares		**–**	1,902,003
Capital injections by non-controlling interests		**31,276**	103,024
Transactions with non-controlling interests		**–**	(7,275)
Proceeds from borrowings		**2,882,978**	2,286,647
Repayments of borrowings		**(6,360,498)**	(3,662,034)
Increase in restricted bank deposits		**–**	(467,199)
Payments for the settlement of derivative financial instruments		**–**	(37,186)
Dividends paid to the Company's and subsidiaries' shareholders		**(1,477,512)**	(434,867)
Net cash generated from/(used in) financing activities		**6,442,629**	(273,489)
Net increase in cash and cash equivalents		**6,093,222**	2,210,510
Cash and cash equivalents at beginning of year		**7,161,184**	4,950,409
Exchange (losses)/gains		**(685)**	265
Cash and cash equivalents at end of year	19	**13,253,721**	7,161,184

The notes on pages 77 to 138 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 2015, Ultrarich International Limited ("Ultrarich") owned 830,409,709 ordinary shares of the Company directly, representing approximately 43.73% 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 43.73% of the equity in the Company held by Ultrarich and was the largest shareholder of the Company as at 31 December 2015. 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 22 March 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal 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 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of the available-for-sale financial assets, derivative financial instruments and investment properties, which are carried at fair value.

The preparation of 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 policy 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 2015, are either currently not relevant to the Group or had no material impact on the Group's consolidated financial statements.

(b) New Hong Kong Companies Ordinance (Cap.622)

In addition, the requirements of Part 9 "Accounts and Audit" of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(All amounts in HK dollar thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

2.1.1 Changes in accounting policy and disclosures (continued)

(c) New standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operations	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
Amendments to HKAS 1	Disclosure initiative	1 January 2016
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Not yet determined
Amendment to HKAS 27	Equity method in separate financial statements	1 January 2016
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: applying the consolidation exception	1 January 2016
Annual improvements 2014	Changes from the 2012-2014 cycle of the annual improvements project	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018

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

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 acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement 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 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 re-measured 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.

2.2.2 Separate financial statements

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 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments 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 investments 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, including any other unsecured receivables, 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 income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's 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.

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

2.4 Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments 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 investments in joint ventures include goodwill identified on acquisition. Upon the acquisition of the ownership interest in a joint venture, any difference between the cost of the joint venture and the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is accounted for as goodwill. 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 income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Joint arrangements (continued)

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.

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 income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the income statement within 'finance income or cost'. Foreign exchange gains and losses that relate to borrowings are presented in the 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 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 are 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.

(All amounts in HK dollar thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease 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 classified as finance lease	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 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 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 income statement over the remaining period of the lease on a straight-line basis, net of any impairment losses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 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

2.14.1 Classification

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

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

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 23. Movements on the hedging reserve in shareholders' equity are shown in Note 21. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains — net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains — net'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.19 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 in the income statement over the period of the borrowings using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Borrowings (continued)

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.

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 profit or loss in the period in which they are incurred.

2.25 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the 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 income tax

Inside basis differences

Deferred income 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 financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income 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 income 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 income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income 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. 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 undistributed profits is not recognised.

Deferred income 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.

(c) Offsetting

Deferred income 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 income 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Employee benefits and share-based payments (continued)

(b) Share-based payments (continued)

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 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Revenue recognition (continued)

(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.

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; and (ii) cargo shipment, transhipment and godown 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'. As at 31 December 2015, the Group has not recognised revenue from sales of properties as the related properties have not been delivered to the purchasers.

(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 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.

(All amounts in HK dollar thousands unless otherwise stated)

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 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 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 measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the 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.

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	
	2015	2014
Assets		
HKD	**20,542**	34,384
United States dollars ("USD")	**222,280**	164,409
	242,822	198,793
Liabilities		
HKD	**2,666,103**	3,275,874
USD	**2,335,733**	2,330,716
	5,001,836	5,606,590

(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)

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 2015, 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)	
	2015	2014
HKD against RMB		
— Weakened by 5%	**113,734**	136,155
— Strengthened by 5%	**(113,734)**	(136,155)
USD against RMB		
— Weakened by 5%	**91,777**	91,738
— Strengthened by 5%	**(91,777)**	(91,738)

(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, corporate bonds, and other long-term borrowings. 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 2015 and 2014, 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.

The Group manages its cash flow interest rate risk of long-term loans by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

As at 31 December 2015, borrowings of the Group which were issued at floating rates amounted to approximately HKD5,200,000,000 (2014: HKD7,809,000,000). As at 31 December 2015, 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 HKD26,000,000 (2014: HKD39,045,000).

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(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)	
	2015	2014
Share price		
— Increased by 5%	**31,689**	48,636
— Decreased by 5%	**(31,689)**	(48,636)

(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.

(All amounts in HK dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

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

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
At 31 December 2015				
Bank borrowings (including interest payments)	**2,036,051**	**881,485**	**996,877**	**1,944,624**
Other borrowings (including interest payments)	**226,786**	**226,901**	**170,227**	**–**
Corporate bonds (including interest payments)	**1,951,507**	**52,550**	**157,650**	**1,060,552**
Senior notes (including interest payments)	**101,742**	**2,375,871**	**–**	**–**
Medium-term notes (including interest payments)	**108,742**	**1,303,057**	**1,117,819**	**–**
Trade and other payables (including interest payments and excluding other taxes payable and staff welfare benefit payable)	**3,354,450**	**–**	**–**	**–**
Other non-current liabilities (including interest payments)	**–**	**1,424,113**	**10,540,117**	**–**
Derivative financial instruments	**1,898**	**–**	**–**	**–**
At 31 December 2014				
Bank borrowings (including interest payments)	1,714,916	2,003,467	3,039,747	3,207,090
Corporate bonds (including interest payments)	167,458	2,041,986	164,959	1,164,709
Senior notes (including interest payments)	101,821	101,821	2,377,710	–
Private placement notes (including interest payments)	1,058,735	–	–	–
Medium-term notes(including interest payments)	68,858	68,858	1,318,545	–
Trade and other payables (excluding other taxes payable and staff welfare benefit payable)	1,918,740	–	–	–
Derivative financial instruments	–	4,920	–	–

As at 31 December 2015, the Group had standby banking facilities of HKD27,357,909,000 (2014: HKD32,780,781,000) (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 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.

(All amounts in HK dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management (continued)

The Group maintained a consistent strategy to maintain the gearing ratio within 120%. The gearing ratios at 31 December 2015 and 2014 were as follows:

	2015	2014
Total borrowings	13,037,195	15,747,445
Less: cash and bank balances	(15,634,923)	(7,634,996)
(Net cash)/net debt	(2,597,728)	8,112,449
Total equity	28,699,467	26,728,245
Gearing ratio	N/A	30%

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 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

	As at 31 December 2014			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	1,288,524	–	62,484	1,351,008
Liabilities				
Derivatives	–	4,920	–	4,920

There were no transfers between levels 1 and 2 during the year.

(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 interest rate swaps (Note 23) and structured yield-enhancement products (Note 14(b)).

(All amounts in HK dollar thousands unless otherwise stated)

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 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.

The following table presents the changes in level 3 instruments for the year ended 31 December 2015 and 2014.

	Unlisted equity investments	
	2015	2014
Opening balance	**62,484**	64,078
Exchange difference	**(2,768)**	(1,594)
Closing balance	**59,716**	62,484

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. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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) — Int 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. Material 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 will appoint independent professional traffic consultants to perform independent professional traffic studies and make appropriate adjustment if there is a material difference.

(c) Impairment of concession intangible assets

As stated in Note 2.12, assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. During the year, since the business performance of Qinglian Expressway, an expressway operated by Guangdong Qinglian Highway Development Company Limited ("Qinglian Company", a subsidiary of the Company), was worse than expectation which representing an impairment indicator, the Group appointed an independent professional traffic consultant to perform traffic studies and an independent valuer to perform business valuation of Qinglian Expressway accordingly using income approach. Based on the valuation result, the Group considered that the recoverable amount of the concession intangible assets of Qinglian Expressway was lower than its carrying value, and an impairment provision amounting to HKD762,045,000 was made accordingly, which resulted in a decrease in profit attributable to equity holders of the Company amounting to HKD222,121,000 for the year ended 31 December 2015. The assessment relied on the key assumption of the applicable discount rate of 8.45%, which reflects specific risks relating to Qinglian Expressway.

(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 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. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

(e) **Income tax and deferred tax** (continued)

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.

As stated in Note 4.1(c) above, during the year, based on a revised independent professional traffic volume study, the Group reassessed the amount of Qinglian Company's future profits against which its deductible tax losses incurred during the year and in prior years can be utilised. Based on the results of reassessment, deferred income tax assets of Qinglian Company amounting to HKD56,458,000 were reversed, which resulted in a decrease in profit attributable to equity holders of the Company amounting to HKD21,942,000 for the year ended 31 December 2015.

(f) **Fair value estimation of the identifiable assets and liabilities acquired**

On 30 October 2015, the Group completed the acquisition of 10% equity interest in Shenzhen Qinglong Expressway Company Limited ("Qinglong Company") and as a result, the Group held 50% equity interest in Qinglong Company and obtained the controlling power over Qinglong Company. Details of the business combination information are set out in Note 40(b).

The Group adopted valuation technique to assess the fair value of identifiable assets and liabilities of Qinglong Company on the acquisition date by reference to the independent valuer's valuation report. Major assets of Qinglong Company at the acquisition date were concession intangible assets, property, plant and equipment and cash and cash equivalents. The fair values of cash and cash equivalents and property, plant and equipment were assessed to approximate their respective carrying amounts, while the fair value of concession intangible assets were determined using income approach. Key assumption utilised in the income approach represents the 8.30% of applicable discount rate.

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.

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

Toll roads 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; (ii) logistic services which include the provision of third party logistic and logistic information services to customers; and (iii) port which includes construction, operation and management of wharf and logistic centres at Xiba Port in Nanjing.

(All amounts in HK dollar thousands unless otherwise stated)

5. SEGMENT INFORMATION (continued)

The board of directors 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 2015

	Toll roads	Logistic business				Head Office Functions	Total
		Logistic parks	Logistic services	Port	Subtotal		
Revenue	4,807,652[a]	616,135	1,128,757[b]	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 (Note 4.1(c))	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 (Note 40)	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 investments in joint ventures	4,901	–	–	–	–	4,538	9,439
— Additions in investments in associates	–	2,508	–	–	2,508	–	2,508

(All amounts in HK dollar thousands unless otherwise stated)

5. SEGMENT INFORMATION (continued)

For the year ended 31 December 2014

	Toll roads	Logistic business				Head Office Functions	Total
		Logistic parks	Logistic services	Port	Subtotal		
Revenue	5,178,288[a]	597,532	425,668	168,742	1,191,942	–	6,370,230
Operating profit	4,490,810	270,562	27,008	68,686	366,256	(45,443)	4,811,623
Share of (loss)/profit of joint ventures	(31,738)	17,965	1,302	–	19,267	–	(12,471)
Share of profit of associates	268,115	–	3,215	–	3,215	455,125	726,455
Finance income	150,272	1,179	1,853	317	3,349	54,763	208,384
Finance costs	(664,336)	(16,291)	42	(15,774)	(32,023)	(281,828)	(978,187)
Profit before income tax	4,213,123	273,415	33,420	53,229	360,064	182,617	4,755,804
Income tax expense	(993,014)	(51,900)	(6,198)	(6,662)	(64,760)	(10,848)	(1,068,622)
Profit for the year	3,220,109	221,515	27,222	46,567	295,304	171,769	3,687,182
Non-controlling interests	(1,425,580)	(14,614)	(4,289)	(13,970)	(32,873)	525	(1,457,928)
Profit attributable to equity holders of the Company	1,794,529	206,901	22,933	32,597	262,431	172,294	2,229,254
Depreciation and amortisation	1,262,099	93,438	7,442	39,053	139,933	18,757	1,420,789
Capital expenditure							
— Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	156,284	436,504	7,815	220,538	664,857	11,185	832,326
— Additions in investments in associates	–	–	–	–	–	3,749	3,749

(a) The revenue from toll roads included construction service revenue under service concession arrangements of HKD557,000 for the year (2014: HKD16,402,000).

(b) The revenue from logistic services included revenue from electronic commerce and supply chain management services of HKD719,237,000 for the year (2014: nil).

(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 income 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 2014						
Opening net book amount	2,608,870	2,635	26,800	938,529	827,274	4,404,108
Additions	3,126	853	9,838	47,469	3,048	64,334
Disposal of Meiguan Expressway's toll free section related assets	(15,953)	–	–	(30,816)	–	(46,769)
Transfer from construction in progress (Note 9)	43,789	–	959	64,236	–	108,984
Disposals	(6,475)	–	(2,237)	(5,375)	(8,667)	(22,754)
Exchange difference	(59,776)	(61)	(596)	(22,333)	(20,376)	(103,142)
Depreciation	(121,567)	(728)	(8,831)	(154,591)	(33,203)	(318,920)
Closing net book amount	2,452,014	2,699	25,933	837,119	768,076	4,085,841
Year ended 31 December 2014						
Costs	3,085,174	10,267	82,509	1,851,769	902,905	5,932,624
Accumulated depreciation and impairment	(633,160)	(7,568)	(56,576)	(1,014,650)	(134,829)	(1,846,783)
Net book amount	2,452,014	2,699	25,933	837,119	768,076	4,085,841

	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 amount	2,452,014	2,699	25,933	837,119	768,076	4,085,841
Acquisition of subsidiaries (Note 40)	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 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 amount	2,089,370	6,027	46,383	858,628	962,087	3,962,495
Year ended 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 amount	2,089,370	6,027	46,383	858,628	962,087	3,962,495

Property ownership certificates for buildings and structures with net book amount of HKD499,353,000 (2014: HKD430,346,000) 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)

7. INVESTMENT PROPERTIES

	2015	2014
Beginning of year	81,240	77,700
Fair value gains	210	3,540
End of year	81,450	81,240

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 profit and loss for investment properties

	2015	2014
Rental income	5,369	4,988
Direct operating expenses arising from investment properties that generate rental income	(2,002)	(2,106)
	3,367	2,882

(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 categorized within level 3 of the fair value hierarchy. As at 31 December 2015, the significant unobservable inputs represented the unit price per square meter and per car parking space, which was HKD19,137 (2014: HKD18,444) for commercial building, and HKD143,317 (2014: HKD151,683) 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:

	2015	2014
Within one year	2,832	2,143
Later than one year but not later than 5 years	6,185	–
	9,017	2,143

(All amounts in HK dollar thousands unless otherwise stated)

8. LAND USE RIGHTS

	2015	2014
Beginning of year	1,038,290	653,711
Additions	138,123	286,832
Transfer from other non-current assets	34,635	137,387
Transfer to inventories	(109,557)	–
Transfer to disposal group classified as held for sale (Note 17)	(52,728)	–
Amortisation	(25,656)	(21,104)
Exchange difference	(45,280)	(18,536)
End of year	977,827	1,038,290

9. CONSTRUCTION IN PROGRESS

	2015	2014
Beginning of year	442,257	121,917
Acquisition of subsidiaries (Note 40)	1,160	–
Additions	704,756	439,228
Transfer to property, plant and equipment (Note 6)	(341,437)	(108,984)
Transfer to other non-current assets	–	(1,086)
Disposal of Meiguan Expressway's toll free section related assets	–	(3,281)
Other transfers	(1,078)	(110)
Exchange difference	(37,344)	(5,427)
End of year	768,314	442,257

10. INTANGIBLE ASSETS

	31 December 2015	31 December 2014
Concession intangible assets (Note (a))	23,831,721	21,066,291
Goodwill (Note 40(c))	1,843	–
Net book amount	23,833,564	21,066,291

(a) Concession intangible assets

	At 31 December 2015	At 31 December 2014	At 1 January 2014
Cost	31,003,104	26,793,296	28,811,861
Accumulated amortisation and impairment	(7,171,383)	(5,727,005)	(5,194,143)
Net book amount	23,831,721	21,066,291	23,617,718

	2015	2014
Opening net book amount	21,066,291	23,617,718
Acquisition of subsidiaries (Note 40(b))	5,468,058	–
Additions	41,880	41,932
Disposal of Meiguan Expressway's toll free section related assets	(2,877)	(945,477)
Disposals	(3,636)	(101)
Amortisation	(956,444)	(1,080,765)
Impairment (Note 4.1(c))	(762,045)	–
Exchange difference	(1,019,506)	(567,016)
Closing net book amount	23,831,721	21,066,291

(All amounts in HK dollar thousands unless otherwise stated)

10. INTANGIBLE ASSETS (continued)

(a) Concession intangible assets (continued)

(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 7 to 20 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 income statement within 'Cost of sales'.

(ii) Included in the concession intangible assets were the operating rights of Qinglian Expressway and Shuiguan Expressway with net book value of HKD8,865,260,000 and HKD5,248,526,000 which were pledged for secured borrowings totalling HKD2,366,445,000 and HKD584,862,000, respectively. (2014: the operating rights of Qinglian Expressway with net book value of HKD10,235,669,000 pledged for secured borrowings of HKD4,919,050,000).

11. SUBSIDIARIES

(a) A list of the principal subsidiaries as at 31 December 2015 is disclosed in Note 42.

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2015 were HKD10,539,424,000 (2014: HKD9,026,150,000), of which HKD7,290,404,000 (2014: HKD7,263,490,000) 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 country, 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

	2015	2014
Current		
Assets	10,066,321	5,031,881
Liabilities	(4,909,260)	(3,667,793)
Total current net assets	5,157,061	1,364,088
Non-current		
Assets	27,853,392	25,440,462
Liabilities	(15,051,052)	(10,344,458)
Total non-current net assets	12,802,340	15,096,004
Net assets	17,959,401	16,460,092
Net assets attributable to equity holders	14,844,747	14,789,946
Non-controlling interests	7,290,404	7,263,490

(All amounts in HK dollar thousands unless otherwise stated)

11. SUBSIDIARIES (continued)

(b) Material non-controlling interests (continued)

Summarised income statement

	2015	2014
Revenue	**4,204,807**	4,570,311
Profit for the year	**1,866,639**	2,857,524
Other comprehensive income/(loss)	**2**	(19,019)
Total comprehensive income	**1,866,641**	2,838,505
Total comprehensive (loss)/income allocated to non-controlling interests	**(70,681)**	106,398
Dividends paid to non-controlling interests	**112,811**	109,216

Summarised cash flows

	2015	2014
Net cash generated from operating activities	**2,177,366**	2,256,296
Net cash generated from investing activities	**717,334**	622,475
Net cash generated from/(used in) financing activities	**3,160,061**	(2,670,449)
Net increase in cash and cash equivalents	**6,054,761**	208,322

The amounts above are stated before intercompany eliminations.

12. INVESTMENTS IN ASSOCIATES

	2015	2014
Beginning of year	**5,845,699**	5,505,921
Additions	**2,508**	3,749
Share of profit of associates	**752,595**	726,455
Share of other comprehensive income of an associate	**31,190**	19,235
Dividends received	**(459,709)**	(269,766)
Transfer to subsidiaries (Note 40)	**(232,853)**	–
Exchange difference	**(265,971)**	(139,895)
End of year	**5,673,459**	5,845,699

The year-end balance comprises the following:

	2015	2014
Unlisted investments		
Share of net assets other than goodwill	**4,660,392**	4,783,620
Goodwill on acquisition (Note (b))	**1,013,067**	1,062,079
	5,673,459	5,845,699

(All amounts in HK dollar thousands unless otherwise stated)

12. INVESTMENTS 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 2015	2014	Business nature
Shenzhen Airlines Limited ("Shenzhen Airlines") (Note (c))	**49%**	49%	Aviation services
Qinglong Company (Note 40(b))	**N/A**	40%	Development, construction and management of Shuiguan Expressway
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
Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company") (Note 40(c))	**N/A**	24%	Project management consulting, engineering consulting and sales of engineering materials
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

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

(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

	2015	2014
Current		
Assets	**3,506,231**	4,051,720
Liabilities	**(20,076,598)**	(22,652,413)
Total current net liabilities	**(16,570,367)**	(18,600,693)
Non-current		
Assets	**51,298,972**	49,831,512
Liabilities	**(28,146,902)**	(25,099,913)
Total non-current net assets	**23,152,070**	24,731,599
Non-controlling interests	**(70,132)**	(52,393)
Net assets	**6,511,571**	6,078,513

(All amounts in HK dollar thousands unless otherwise stated)

12. INVESTMENTS IN ASSOCIATES (continued)

(c) (continued)

Summarised statement of comprehensive income

	2015	2014
Revenue	**29,330,840**	28,794,248
Profit for the year	**872,068**	928,827
Other comprehensive income	**63,654**	39,253
Total comprehensive income	**935,722**	968,080
Dividends received from the associate	**105,215**	145,582

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	
	2015	2014
Opening net assets	**6,078,513**	5,549,658
Profit for the year	**872,068**	928,827
Other comprehensive income	**63,654**	39,253
Dividend paid	**(214,724)**	(297,106)
Currency translation differences	**(287,940)**	(142,119)
Closing net assets	**6,511,571**	6,078,513
Interest in the associate (49%)	**3,190,670**	2,978,471
Goodwill	**923,134**	965,935
Carrying value	**4,113,804**	3,944,406

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

	2015	2014
Total carrying amount of individually immaterial associates in consolidated financial statements	**1,559,655**	1,901,293
Individually immaterial associates' results attributed to the Group:		
Profit for the year	**325,282**	271,330
Total comprehensive income	**325,282**	271,330

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

(All amounts in HK dollar thousands unless otherwise stated)

13. INVESTMENTS IN JOINT VENTURES

	2015	2014
Beginning of year	314,092	335,905
Additions	9,439	–
Share of profit/(loss) of joint ventures	36,616	(12,471)
Share of other comprehensive loss of a joint venture	(1,762)	–
Dividends received	(41,926)	(1,076)
Transfer to subsidiaries (Note 40)	(22,041)	–
Exchange difference	(13,093)	(8,266)
End of year	281,325	314,092

The year-end balance comprises the following:

	2015	2014
Unlisted investments		
Share of net assets	20,965	27,775
Advances to joint ventures (Note (a))	260,360	286,317
	281,325	314,092

(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 stated at cost.

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 2015.

(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. There are accounted for using equity method.

Name	% Ownership interest in 2015	2014	Business nature
Shenzhen Airport International Express Supervision Center Co., Ltd.	50%	50%	Equipment services for customs monitoring
Citic Logistics Fritz Co., Ltd. ("Citic Fritz")(Note 40(a))	N/A	43%	Cargo transportation and warehousing services
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%	N/A	Fund management

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

(All amounts in HK dollar thousands unless otherwise stated)

13. INVESTMENTS IN JOINT VENTURES (continued)

(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:

	2015	2014
Total carrying amount of individually immaterial joint ventures in consolidated financial statements	**281,325**	314,092
Individually immaterial joint ventures' results attributed to the Group:		
Profit/(loss) for the year	**36,616**	(12,471)
Total comprehensive income/(loss)	**34,854**	(12,471)

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

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2015	2014
Beginning of year	**1,388,711**	1,373,677
Additions	**298,579**	–
Net change in fair value	**274,323**	108,706
Disposals (Note (a))	**(684,630)**	(59,509)
Exchange difference	**(61,533)**	(34,163)
End of year	**1,215,450**	1,388,711
Less: non-current portion	**(95,748)**	(100,187)
Current portion	**1,119,702**	1,288,524
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)	**821,123**	1,288,524
Unlisted yield-enhancement products: at fair value (Note (b) and Note 3.3)	**298,579**	–
Unlisted equity investments:		
at fair value (Note 3.3)	**59,716**	62,484
at cost less impairment		
— Cost	**60,127**	61,798
— Provision for impairment	**(24,095)**	(24,095)
	36,032	37,703
	95,748	100,187
	1,215,450	1,388,711

(a) As at 31 December 2015, listed equity investments stated at market price represented 2.48% (2014: 5.59%) equity interest in CSG. During the year, the Group disposed certain shares in CSG and recorded a gain of approximately HKD977,008,000 (2014: HKD57,425,000).

(b) The balance represented the Group's investments in certain structured yield-enhancement products managed by a high credit quality fund management company in the PRC with expected return of approximately 2.42% per annum.

15. OTHER NON-CURRENT ASSETS

As at 31 December 2015, it mainly represented prepayment for investment, land use rights, project funds, other long-term receivables and advance to non-controlling interests.

(All amounts in HK dollar thousands unless otherwise stated)

16. INVENTORIES

As at 31 December 2015, inventories mainly included completed properties held for sale of HKD351,320,000 (2014: nil) and properties under development of HKD767,871,000 (2014: HKD661,538,000), which were all located in the PRC.

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 HKD4,259,764,000). Pursuant to the Land Transfer Agreements, United Land Company had paid 30% of the total land premium by 30 June 2015 and the remaining land premium is required to be paid before 23 June 2016. Prior to the above transaction, the Group had possessed these land use rights for logistic business operation. As at 31 December 2015, 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 from the balance sheet date. As such, the related group of assets including the prepayment for land premium of HKD1,277,929,000, the carrying values of the original land use rights of HKD52,728,000 and the buildings and fixtures attached to the land use rights of HKD297,812,000, were reclassified to assets held for sale.

In accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", the assets of disposal group held for sale were stated at the carrying value of these assets, which were lower than the fair value less costs to sell.

18. TRADE AND OTHER RECEIVABLES

	2015	2014
Trade receivables (Note (a))	1,066,747	1,192,845
Less: Provision for impairment	(3,550)	(3,678)
Trade receivables — net	1,063,197	1,189,167
Other receivables and prepayments (Note (b))	815,964	1,572,644
	1,879,161	2,761,811

(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 2015 and 2014, the ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

	2015	2014
0-90 days	485,916	719,387
91-180 days	17,579	23,916
181-365 days	47,163	142,759
Over 365 days (i)	516,089	306,783
	1,066,747	1,192,845

(i) Trade receivables due over 365 days mainly comprised the amount of HKD492,750,000 (2014: HKD296,357,000) 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 2015, trade receivables of HKD3,550,000 (2014: HKD3,678,000) were fully impaired. These individually impaired trade receivables mainly relate to customers which are in unexpected difficult economic situations.

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

(All amounts in HK dollar thousands unless otherwise stated)

18. TRADE AND OTHER RECEIVABLES (continued)

(a) (continued)

The creation and release of provision for impaired receivables has been included in administrative expenses in the 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 2015, 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 default rates:

	2015	2014
Counterparty		
— Government authorities in the PRC	605,826	405,598
— Existing customers with no defaults in the past	409,142	727,033
— New customers	48,229	56,504
	1,063,197	1,189,135

(b) Amounts mainly included: (i) HKD289,163,000 (2014: HKD284,906,000) of prepayment for land use rights; (ii) HKD7,615,000 (2014: HKD117,616,000) of advance for construction costs; and (iii) HKD63,368,000 (2014: HKD999,750,000) of receivables from Shenzhen Municipal People's Government for the related compensation on Meiguan Expressway's toll free section. Interests charged on the receivables from Shenzhen Municipal People's Government for the related compensation on Meiguan Expressway's toll free section are based on prevailing borrowing rate promulgated by the PBOC and an interest income of HKD113,536,000 (2014: HKD113,413,000) was recognised for the year ended 31 December 2015 (Note 33).

19. CASH AND CASH EQUIVALENTS

	2015	2014
Cash at bank and in hand	13,317,922	3,566,407
Bank deposits	2,317,001	4,068,589
	15,634,923	7,634,996
Less: Restricted bank deposits (Note (a))	(288,291)	(473,812)
Deposits in banks with original maturities over 3 months (Note (b))	(2,092,911)	–
	13,253,721	7,161,184

(a) As at 31 December 2015, the restricted bank deposits mainly represented restricted project funds for construction management.

(b) As at 31 December 2015, the effective interest rate of these deposits in banks with original maturities over 3 months ranged from 1.54% to 5.1%.

(c) The cash and bank balances were denominated in the following currencies:

	2015	2014
RMB	15,391,838	7,435,944
HKD	20,542	34,384
USD	222,280	164,409
Other currencies	263	259
	15,634,923	7,634,996

20. SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares (share)	Ordinary share capital	Share premium	Total
At 1 January 2014	16,570,986,945	1,657,098	3,443,114	5,100,212
Share consolidation	(14,913,888,251)	–	–	–
Share placing	176,000,000	176,000	1,726,003	1,902,003
Employee share option scheme				
— proceeds from shares issued	6,580,061	6,580	36,818	43,398
— value of employee services	–	–	31,209	31,209
Issue of scrip shares as dividend	52,264,132	52,264	393,449	445,713
At 31 December 2014	1,891,942,887	1,891,942	5,630,593	7,522,535
Employee share option scheme				
— 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 (Note 36)	**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**

(a) Authorised and issued shares

As at 31 December 2014, the total authorised number of ordinary shares was 2,000 million shares with par value of HKD1.00 per share. According to the approved increase in authorised share capital in the annual general meeting held on 15 May 2015, the total authorised number of ordinary shares increased to 3,000 million shares with par value of HKD1.00 per share. All issued shares are fully paid.

(b) Share options

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

	2015		2014	
	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	**9.56**	**39,797**	6.25	14,634
Granted	**–**	**–**	10.40	32,880
Exercised	**6.09**	**(3,171)**	6.60	(6,580)
Forfeited	**10.40**	**(500)**	8.23	(1,137)
Lapsed	**5.89**	**(4,346)**	–	–
At 31 December	**10.40**	**31,780**	9.56	39,797

The related weighted-average share price at the time of exercise was HKD11.90 per share in 2015 (2014: HKD11.13).

20. SHARE CAPITAL AND SHARE PREMIUM (continued)

(b) Share options (continued)

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) 2015	2014
27 September 2015	5.80	–	7,122
27 September 2015	9.10	–	395
28 January 2019 (Note (i))	10.40	**31,780**	32,280
		31,780	39,797

(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 will be 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, 500,000 2014 Share Options were forfeited (2014: 600,000).

21. OTHER RESERVES

	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))	Total
At 1 January 2014	833,448	1,791,181	59,723	(159,583)	1,256	(4,082,110)	507,216	(31,149)	1,962,057	13,005	895,044
Transfer from retained earnings to reserve funds	–	216,611	–	–	–	–	–	–	–	–	216,611
Fair value gains on available-for-sale financial assets, net of tax	81,361	–	–	–	–	–	–	–	–	–	81,361
Reclassification of fair value gains to income statement upon disposal of available-for-sale financial assets, net of tax	(38,539)	–	–	–	–	–	–	–	–	–	(38,539)
Fair value losses on derivative financial instruments, net of tax	–	–	–	–	(5,661)	–	–	–	–	–	(5,661)
Share of other comprehensive income of associate	–	–	–	–	–	–	–	19,235	–	–	19,235
Transactions with non-controlling interests	–	–	–	–	–	–	–	(1,313)	–	–	(1,313)
Currency translation differences	(24,846)	–	–	–	–	–	–	–	(349,800)	–	(374,646)
At 31 December 2014	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

(All amounts in HK dollar thousands unless otherwise stated)

21. OTHER RESERVES (continued)

	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))	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
Transfer from retained earnings to reserve funds	–	71,838	–	–	–	–	–	–	–	–	71,838
Fair value gains on available-for-sale financial assets, net of tax	205,481	–	–	–	–	–	–	–	–	–	205,481
Reclassification of fair value gains to income statement upon disposal of available-for-sale financial assets, net of tax	(442,049)	–	–	–	–	–	–	–	–	–	(442,049)
Fair value gains on derivative financial instruments, net of tax	–	–	–	–	2,922	–	–	–	–	–	2,922
Share of other comprehensive income of an associate	–	–	–	–	–	–	–	31,190	–	–	31,190
Share of other comprehensive loss of a joint venture	–	–	–	–	–	–	–	(1,762)	–	–	(1,762)
Currency translation differences	(51,211)	–	–	–	–	–	–	–	(726,722)	–	(777,933)
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)

(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

	2015	2014
Non-current		
Long-term bank borrowings		
— Secured (Note (a))	2,366,445	4,919,050
— Unsecured	2,309,743	2,439,589
Other long-term borrowings — secured (Note (b))	584,862	–
Medium-term notes (Note (c))	2,262,903	1,244,010
Senior notes (Note (d))	2,335,733	2,330,716
Corporate bonds (Note (e))	2,741,667	2,867,946
Private placement notes	–	997,664
	12,601,353	14,798,975
Less: Current portion	(3,440,320)	(1,443,721)
	9,161,033	13,355,254
Current		
Short-term bank borrowings		
— Unsecured	435,842	918,470
— Secured	–	30,000
	435,842	948,470
Current portion of long-term borrowings		
Bank borrowings		
— Secured (Note (a))	118,476	46,688
— Unsecured	1,327,341	399,369
Other borrowings — secured (Note (b))	203,034	–
Corporate bonds (Note (e))	1,791,469	–
Private placement notes	–	997,664
	3,440,320	1,443,721
	3,876,162	2,392,191
Total borrowings	13,037,195	15,747,445

(a) As at 31 December 2015, bank borrowings of HKD2,366,445,000 (2014: HKD4,919,050,000) were secured by a pledge of the operating rights of Qinglian Expressway (Note 10(a)(ii)), of which HKD118,476,000 (2014: HKD46,688,000) represented the current portion of the non-current bank borrowings.

(b) As at 31 December 2015, other long-term borrowings of HKD584,862,000 (2014: nil) were secured by a pledge of the operating rights of Shuiguan Expressway (Note 10(a)(ii)), of which HKD203,034,000 (2014: nil) represented the current portion of the other long-term borrowings.

(c) On 7 May 2014, Shenzhen Expressway completed the issue of the RMB1,000 million medium-term notes ("Medium-term Note A"), 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 B"), 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.

(d) 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.

(All amounts in HK dollar thousands unless otherwise stated)

22. BORROWINGS (continued)

(e) 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 ("Corporate Bond B") and the principal is repayable in full upon maturity on 27 July 2016, with attached options that Shenzhen Expressway can regulate upward the coupon rate and investors can request for redemption upon the end of third year from the date of issuance of the bonds. The nominal interest rate of the Corporate Bond B is 6% per annum.

(f) At 31 December 2015, the borrowings were repayable as follows:

	2015	2014
Within 1 year	**3,876,162**	2,392,191
Between 1 and 2 years	**2,160,999**	3,571,544
Between 2 and 5 years	**4,252,293**	5,918,354
Over 5 years	**2,747,741**	3,865,356
	13,037,195	15,747,445

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

	2015	2014
HKD	**2,666,103**	3,275,874
RMB	**8,035,359**	10,140,855
USD	**2,335,733**	2,330,716
	13,037,195	15,747,445

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

	2015		2014	
	HKD	**RMB**	HKD	RMB
Bank and other borrowings	**1.56% – 3.93%**	**4.90% – 6.12%**	1.44% – 3.93%	5.90% – 6.55%

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

	2015	2014
Floating rate		
— Expiring within one year	**21,821,736**	13,359,298
— Expiring beyond one year	**5,536,173**	19,421,483
	27,357,909	32,780,781

(All amounts in HK dollar thousands unless otherwise stated)

22. BORROWINGS (continued)

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

	Carrying amounts 2015	2014	Fair values 2015	2014
Bank borrowings	**3,230,371**	6,912,582	**3,230,371**	6,817,248
Corporate bonds	**950,198**	2,867,946	**1,008,650**	2,742,329
Senior notes	**2,335,733**	2,330,716	**2,342,037**	2,341,942
Medium-term notes	**2,262,903**	1,244,010	**2,322,527**	1,204,172
Other long-term borrowings	**381,828**	–	**381,828**	–
	9,161,033	13,355,254	**9,285,413**	13,105,691

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 4.35% to 4.90% (2014: 6.14% to 6.29%) 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 4.35% and 4.90% (2014: 5.75 % and 6.51%) per annum respectively.

The fair value of the Senior Notes are calculated using cash flows discounted at a rate based on market interest rate of notes at 4.466% (2014: 4.466%) per annum.

The fair values of the Medium-term Note A and Medium-term Note B are calculated using cash flows discounted at the rates based on market interest rate of notes at 4.75% and 4.75% (2014: 6.15% and nil) per annum, respectively.

The fair value of other long-term borrowings is determined based on cash flows discounted using effective interest rate based on the rate of similar bank borrowings at 4.9% (2014:nil) per annum.

The fair value of current borrowings approximates their carrying amount as the effect of discounting is not significant.

The fair value measurement of bank borrowings, medium-term notes, corporate bonds, senior notes and other long-term borrowings are categorised within the level 3 of fair value hierarchy.

(k) The exposure of the borrowings to interest rate changes and the contractual repricing dates at the end balance sheet date are as follows:

	2015	2014
Borrowings with floating rate:		
Up to 6 months	**2,905,016**	3,303,764
Over 6 months and less than 12 months	**162,080**	31,192
1 to 5 years	**832,252**	2,000,425
Over 5 years	**1,797,544**	2,871,937
	5,696,892	8,207,318

(All amounts in HK dollar thousands unless otherwise stated)

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2015	2014
Interest rate swaps		
— non-current liabilities — cash flow hedges	–	4,920
— current liabilities — cash flow hedges	1,898	–
	1,898	4,920

For the year ended 31 December 2015, the fair value change of derivative financial instruments recognised in other comprehensive income and income statement amounted to HKD2,922,000 (2014: HKD15,001,000) and nil (2014: HKD12,643,000) respectively.

At 31 December 2015, the fixed interest rates vary from 1.29% to 1.58% (2014: 1.29% to 1.58%), and the main floating rates are Hong Kong Interbank Offer Rate. Gains and losses recognised in the hedging reserve in other comprehensive income (Note 21) on interest rate swap contracts as of 31 December 2015 will be continuously released to the income statement until the repayment of the bank borrowings.

Details of the interest rate swaps for cash flow hedge purpose are as follows:

Outstanding notional principal amount	31 December 2015 balance of the derivative financial instruments	Maturity date
400,000	1,625	28 October 2016
100,000	273	28 October 2016
500,000	1,898	

24. PROVISION FOR MAINTENANCE/RESURFACING OBLIGATIONS

	2015	2014
Opening net book amount	299,116	429,426
Charged to the income statement:		
— Additions (Note 31)	13,951	30,562
— Increase due to passage of time	9,176	10,987
Settlement	(70,490)	(161,963)
Exchange difference	(11,912)	(9,896)
Closing net book amount	239,841	299,116
Less: current portion	(90,264)	(188,211)
Non-current portion	149,577	110,905

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 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 INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2015	2014
Deferred tax assets		
— to be recovered after more than 12 months	135,581	205,015
— to be recovered within 12 months	53,008	62,552
	188,589	267,567
Offset within the same tax jurisdiction	(98,971)	(206,518)
Net deferred tax assets	89,618	61,049
Deferred tax liabilities		
— to be settled after more than 12 months	1,775,330	1,186,446
— to be settled within 12 months	322,460	391,987
	2,097,790	1,578,433
Offset within the same tax jurisdiction	(98,971)	(206,518)
Net deferred tax liabilities	1,998,819	1,371,915

The movement on the net deferred income tax account is as follows:

	2015	2014
At 1 January	1,310,866	1,353,228
Acquisition of subsidiaries (Note 40)	944,150	–
Tax (credited)/charged relating to components of other comprehensive income	(89,998)	13,973
Credited to the income statement (Note 34)	(194,896)	(28,546)
Exchange difference	(60,921)	(27,789)
At 31 December	1,909,201	1,310,866

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 2014	105,952	28,568	11,297	195,778	341,595
(Charged)/credited to the income statement	(20,482)	(1,265)	5,069	(49,529)	(66,207)
Exchange differences	(2,257)	(702)	(314)	(4,548)	(7,821)
Balance at 31 December 2014	83,213	26,601	16,052	141,701	267,567
Balance at 1 January 2015	83,213	26,601	16,052	141,701	267,567
(Charged)/credited to the 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

(All amounts in HK dollar thousands unless otherwise stated)

25. DEFERRED INCOME TAX (continued)

	Deferred tax liabilities			
	Fair value gains of available-for-sale financial assets	Concession intangible assets	Others	Total
Balance at 1 January 2014	278,490	1,241,966	174,367	1,694,823
Credited to equity				
— Change of fair value of available-for-sale financial assets	27,345	–	–	27,345
— Transfer out upon disposal of available-for-sale financial assets	(13,372)	–	–	(13,372)
(Credited)/charged to the income statement	–	(129,862)	35,109	(94,753)
Exchange differences	(6,761)	(25,668)	(3,181)	(35,610)
Balance at 31 December 2014	285,702	1,086,436	206,295	1,578,433
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 income statement	**–**	**(316,630)**	**52,272**	**(264,358)**
Acquisition of subsidiaries (Note 40)	**–**	**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**

The tax charge relating to components of other comprehensive income is as follows:

	2015			2014		
	Before tax	Tax credit/ (charged)	After tax	Before tax	Tax credit/ (charged)	After tax
Fair value gains on available-for-sale financial assets	**274,323**	**(68,842)**	**205,481**	108,706	(27,345)	81,361
Transfer of fair value gain to income statement upon disposal of available-for-sale financial assets	**(600,889)**	**158,840**	**(442,049)**	(51,911)	13,372	(38,539)
Fair value gains/(losses) on derivative financial instruments	**2,922**	**–**	**2,922**	(15,001)	–	(15,001)
Share of other comprehensive income of an associate	**31,190**	**–**	**31,190**	19,235	–	19,235
Share of other comprehensive loss of a joint venture	**(1,762)**	**–**	**(1,762)**	–	–	–
Currency translation differences	**(1,236,209)**	**–**	**(1,236,209)**	(578,344)	–	(578,344)
	(1,530,425)	**89,998**	**(1,440,427)**	(517,315)	(13,973)	(531,288)

(All amounts in HK dollar thousands unless otherwise stated)

25. DEFERRED INCOME TAX (continued)

(a) Deferred income 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 income tax assets in respect of tax losses amounting to HKD443,189,000 (2014: HKD384,483,000) that can be carried forward against future taxable income.

The expiry year of tax losses without deferred tax assets provided at 31 December 2015 is as follows:

Year	2015	2014
2015	–	158,274
2016	136,076	75,092
2017	105,643	56,598
2018	174,572	86,742
2019	7,082	7,777
2020	19,816	–
	443,189	384,483

26. OTHER NON-CURRENT LIABILITIES

As at 31 December 2015, other non-current liabilities 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 the 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") would become 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) by the amount in excess of 3%.

All compensation (not including compensation for the relevant taxes) payable by SZ Transportation Committee to the Group are 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 shall start to accrue from 1 December 2015 calculated based on the loan interest rate with the corresponding tenor published by the PBOC. Interest expense of HKD47,640,000 was recognised for the year ended 31 December 2015 (2014: N/A).

In December 2015, the Group received the first payment from SZ Transportation Committee amounting to HKD11,599,650,000, of which HKD1,054,635,000 (Note 27) was in relation to the toll fee of the 4 Toll Roads in 2016.

(All amounts in HK dollar thousands unless otherwise stated)

27. TRADE AND OTHER PAYABLES

	2015	2014
Trade payables (Note (a))	**140,536**	71,822
Payables relating to construction projects	**949,885**	1,081,786
Advances from associates (Note (b))	**89,434**	95,710
Compensation from government regarding Nanguan Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway toll free arrangement (Note 26)	**1,054,635**	–
Other payables, advances and accrued expenses (Note (c))	**1,378,721**	999,972
	3,613,211	2,249,290

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

	2015	2014
0–90 days	**138,164**	70,306
91–180 days	**1,375**	592
181–365 days	**744**	251
Over 365 days	**253**	673
	140,536	71,822

(b) These advances are interest-free, unsecured and repayable on demand.

(c) Other payables and accrued expenses mainly included payables for entrusted service costs of HKD188,433,000 (2014: HKD199,811,000), interest expenses of HKD160,008,000 (2014: HKD146,495,000), employee benefit expenses of HKD252,936,000 (2014: HKD192,021,000) and advanced proceeds from sales of properties of HKD177,728,000 (2014: nil).

28. REVENUE

	2015	2014
Toll Roads		
— Toll revenue	**4,712,920**	4,551,275
— Entrusted construction management service revenue	**94,175**	610,611
— Construction service revenue under Service Concession	**557**	16,402
	4,807,652	5,178,288
Logistic Business		
— Logistic parks	**616,135**	597,532
— Logistic services	**1,128,757**	425,668
— Port	**185,853**	168,742
	1,930,745	1,191,942
	6,738,397	6,370,230

29. OTHER INCOME

	2015	2014
Dividend income	**53,215**	45,974
Rental income	**14,040**	24,586
Government grants	**8,405**	41,405
Others	**2,226**	12,761
	77,886	124,726

(All amounts in HK dollar thousands unless otherwise stated)

30. OTHER GAINS — NET

	2015	2014
Gain on revaluation on equity interests in associates and a joint venture previously held arising from business combinations with change of control — net (Note 40)	**1,110,406**	–
Impairment loss of concession intangible assets (Note 4.1(c))	**(762,045)**	–
(Losses)/gains on disposal of property, plant and equipment	**(6,182)**	4,270
(Losses)/gains on disposal of concession intangible assets	**(3,998)**	1,786
Gain on disposal of available-for-sale financial assets (Note 14)	**977,008**	57,425
Gain on disposal of Meiguan Expressway's toll free section related assets	**1,010**	1,926,332
Goodwill written-off	**–**	(2,195)
Others	**12,038**	11,524
	1,328,237	1,999,142

31. EXPENSES BY NATURE

Expenses included in cost of sales, distribution costs and administrative expenses are analysed as follows:

	2015	2014
Construction cost under Service Concession	**557**	16,402
Provision for maintenance/resurfacing obligations — net (Note 24)	**13,951**	30,562
Depreciation and amortisation	**1,308,899**	1,420,789
Employee benefit expenses (Note 32)	**821,188**	635,244
Transportation expenses and contractors' costs	**255,764**	282,941
Rental charges	**32,344**	33,964
Other tax expenses	**201,248**	216,840
Commission, management fee and maintenance expenses for toll roads	**308,677**	338,337
Entrusted construction management service costs	**14,224**	161,606
Auditors' remuneration		
— Audit services	**8,179**	8,012
— Non-audit services	**7,197**	3,410
Legal and consultancy fees	**37,329**	25,372
Costs for electronic commerce and supply chain management business	**705,888**	–
Others	**726,518**	508,996
	4,441,963	3,682,475

32. EMPLOYEE BENEFIT EXPENSES

	2015	2014
Wages and salaries	**622,482**	461,756
Pension costs-defined contribution plans	**76,278**	62,173
Share-based payment expenses (Note 20)	**29,787**	31,209
Others	**92,641**	80,106
	821,188	635,244

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 (2014: 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 every 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 pension 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[(i)]	–	295	841	4	111	–	1,265	2,516
Li Lu Ning	–	694	369	10	111	–	999	2,183
Liu Jun	–	694	369	10	104	–	999	2,176
Zhong Shan Qun[(ii)]	–	694	369	10	126	–	999	2,198
Yim Fung[(iii)]	350	–	–	–	–	–	–	350
Leung Ming Yuen, Simon	350	–	–	–	–	–	–	350
Ding Xun	350	–	–	–	–	–	–	350
Nip Yun Wing	350	–	–	–	–	–	–	350
								13,103

The remuneration of every Director for the year ended 31 December 2014 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Compensation for loss of office as director	Share-based payment	Total
Gao Lei	–	302	767	3	120	–	1,686	2,878
Li Jing Qi[(i)]	–	302	729	3	117	–	1,316	2,467
Li Lu Ning	–	709	253	17	116	–	1,287	2,382
Liu Jun	–	709	253	17	116	–	1,047	2,142
Yang Hai[(iv)]	–	891	254	21	133	–	1,047	2,346
Yim Fung[(iii)]	233	–	–	–	–	–	–	233
Wong Yuk Shan[(v)]	125	–	–	–	–	–	–	125
Leung Ming Yuen, Simon	329	–	–	–	–	–	–	329
Ding Xun	329	–	–	–	–	–	–	329
Nip Yun Wing	329	–	–	–	–	–	–	329
								13,560

(i) The chief executive of the Company.
(ii) Appointed on 15 January 2015.
(iii) Appointed on 22 May 2014.
(iv) Resigned on 24 December 2014.
(v) Resigned on 22 May 2014.

During the year ended 31 December 2015, Messrs Gao Lei, Li Jing Qi, Liu Jun,Li Lu Ning and Zhong Shan Qun have waived directors' emoluments of HKD140,000 (2014: HKD248,000), HKD180,000 (2014: HKD289,000), HKD40,000 (2014: HKD105,000), HKD40,000 (2014: HKD105,000) and HKD40,000 (2014: nil) respectively.

During the year ended 2015 and 2014, 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.

(All amounts in HK dollar thousands unless otherwise stated)

32. EMPLOYEE BENEFIT EXPENSE (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2014: four) directors. The emoluments payable to the remaining two (2014: one) individual during the year are as follows:

	2015	2014
Basic salaries and allowances	3,671	2,633
Year-end bonuses	836	683
Contributions to the retirement scheme	147	15
Share-based payment expenses	1,998	1,047
Other benefits	24	3
	6,676	4,381

The emoluments fell within the following bands:

	Number of individuals	
	2015	2014
Emolument band		
HKD2,000,001 – HKD3,000,000	1	–
HKD4,000,001 – HKD4,500,000	1	1

33. FINANCE INCOME AND COSTS

	2015	2014
Interest income from bank deposits	(145,163)	(94,971)
Interest income from other receivables (Note 18)	(113,536)	(113,413)
Other interest income	(21,782)	–
Total finance income	(280,481)	(208,384)
Interest expense		
— Bank borrowings	342,235	475,959
— Medium-term notes	89,266	47,685
— Senior notes	103,026	103,487
— Corporate bonds and other notes	224,929	236,558
— Other finance costs	56,816	10,987
Net foreign exchange losses directly attributable to borrowings	248,783	114,361
Less: amounts capitalised on qualified assets	(91,314)	(10,850)
Total finance costs	973,741	978,187
Net finance costs	693,260	769,803

Finance costs of HKD91,314,000 (2014: HKD10,850,000) have been capitalised for the construction of qualified assets such as property, plant and equipment, construction in progress and properties under development in 2015, using an average interest rate of 5.92% (2014: 3.37%) 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 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% (2014: 25%) applicable to the respective companies.

34. INCOME TAX EXPENSE (continued)

	2015	2014
Current income tax		
— PRC corporate income tax	**931,214**	1,097,168
Deferred income tax (Note 25)	**(194,896)**	(28,546)
	736,318	1,068,622

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:

	2015	2014
Profit before income tax	**3,798,508**	4,755,804
Tax calculated at a tax rate of 25% (2014: 25%)	**949,627**	1,188,951
Tax impact of:		
— Different tax rates in other locations	**85,703**	(37,871)
— Income not subject to tax	**(366,865)**	(25,783)
— Expenses not deductible for tax purposes	**137,186**	83,768
— Unrecognised tax losses	**61,639**	39,289
— Share of profits of joint ventures and associates	**(197,303)**	(178,496)
— Withholding income tax on dividends (Note (a))	**66,331**	(1,236)
Income tax expense	**736,318**	1,068,622

(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 2015 was HKD7,005,108,000 (2014: HKD6,313,906,000).

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.

	2015	2014
Profit attributable to equity holders of the Company	**2,198,385**	2,229,254
Weighted average number of ordinary shares in issue (thousands)	**1,895,423**	1,709,474
Basic earnings per share (HKD per share)	**1.16**	1.30

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.

	2015	2014
Profit attributable to equity holders of the Company	**2,198,385**	2,229,254
Profit used to determine diluted earnings per share	**2,198,385**	2,229,254
Weighted average number of ordinary shares in issue (thousands)	**1,895,423**	1,709,474
Adjustments — share options (thousands)	**6,498**	4,779
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,901,921**	1,714,253
Diluted earnings per share (HKD per share)	**1.16**	1.30

36. DIVIDENDS

According to the scrip dividend scheme approved by the shareholders in the annual general meeting held on 15 May 2015, 3,906,050 new shares were issued at a price of HKD13.80 per share, totalling HKD53,909,000. The 2014 final dividend paid in 2015 was HKD861,325,000 (including the scrip dividend of HKD53,909,000). At the board meeting on 22 March 2016, the board recommended the payment of final dividend for the year of 2015 of HKD0.5 per ordinary share. Such dividends are to be approved by the shareholders at the forthcoming annual general meeting of the Company in 2016 ("Annual General Meeting"). These financial statements do not reflect this as dividend payable.

	2015	2014
Proposed final dividend of HKD0.5 (2014: HKD0.263) per ordinary share	**949,510**	497,581
Proposed special divided of HKD0 (2014: HKD0.192) per ordinary share	**–**	363,253
Total dividend of HKD0.5 (2014: HKD0.455) per ordinary share	**949,510**	860,834

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 cash generated from operations is set out as below:

	2015	2014
Profit before income tax	3,798,508	4,755,804
Adjustments for:		
— Depreciation (Note 6)	326,799	318,920
— Amortisation of land use rights (Note 8)	25,656	21,104
— Amortisation of intangible assets (Note 10)	956,444	1,080,765
— Gains on disposal of Meiguan Expressway's toll free section related assets (Note 30)	(1,010)	(1,926,332)
— Losses/(gains) on disposal of concession intangible assets (Note 30)	3,998	(1,786)
— Provision for maintenance/resurfacing obligations — net (Note 31)	13,951	30,562
— Reversal of provision for impairment of trade receivables (Note 18)	(128)	(1,373)
— Gain on disposal of available-for-sale financial assets (Note 30)	(977,008)	(57,425)
— Gain 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)	–
— Impairment loss of concession intangible assets (Note 30)	762,045	–
— Share-based payment expenses (Note 32)	29,787	31,209
— Losses/(gains) on disposal of property, plant and equipment (Note 30)	6,182	(4,270)
— Fair value gains on investment properties (Note 7)	(210)	(3,540)
— Goodwill written-off	–	2,195
— Interest income (Note 33)	(280,481)	(208,384)
— Interest expense (Note 33)	973,741	978,187
— Share of profit of associates and joint ventures (Notes 12 and 13)	(789,211)	(713,984)
— Dividend income (Note 29)	(53,215)	(45,974)
	3,685,442	4,255,678
Changes in working capital (excluding the effects of acquisition of subsidiaries and exchange differences on consolidation):		
— Inventories	(493,865)	(4,261)
— Trade and other receivables	331,933	(323,421)
— Trade and other payables	(242,795)	(9,568)
— Provision for maintenance/resurfacing obligation (Note 24)	(70,490)	(161,963)
Decrease in restricted bank deposits	188,349	–
Cash generated from operations	3,398,574	3,756,465

In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2015	2014
Net book amounts (Note 6)	16,535	22,754
(Losses)/gains on disposal (Note 30)	(6,182)	4,270
Proceeds from disposal	10,353	27,024

Non-cash transactions

The principal non-cash transactions for the year ended 31 December 2015 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 HKD17,915,000 (2014: HKD18,745,000), HKD2,389,000 (2014: HKD2,499,000) and HKD73,001,000 (2014: HKD44,801,000) on its behalf to SZ Transportation Committee, Shenzhen Traffic Public Facilities Construction Center and Shenzhen Longhua New Area Construction Service Management Center respectively.

(b) Consulting Company had entrusted by external parties with businesses, such as project engineering, construction, projecting, design, testing and examinations. In accordance with the related entrusting contract, Consulting Company provides the entrusting party with an irrevocable performance bank guarantee amounting to approximately HKD107,419,000 (2014: nil).

(c) United Land Company was 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 HKD55,177,000 (2014: nil).

(d) Upon government approval, Qinglian Company upgraded Qinglian Class I Highway to an expressway and the project was completed on 25 January 2011. During the year 2011, Qinglian Fengyun Eco-tourism Development Company Limited filed a law suit against Qinglian Company in Qingyuan Intermediate People's Court for the objection to closing of exit of expressway due to the upgrade project. The decision was favourable to Qinglian Company in the first instance judgment. During the year 2011, the company mentioned above lodged an appeal to the Higher People's Court of Guangdong Province, which had remitted the case to Qingyuan Intermediate People's Court for re-trial. The decision was still favourable to Qinglian Company in re-trial. The company mentioned above continued to lodge an appeal to the Higher People's Court of Guangdong Province. As at the date of approval of these financial statements, the litigation is still in progress. According to the nature and construction status of the upgrade project, the directors of the Company considered that the outcome of the litigation will have no significant impact on the Group's operating results.

39. COMMITMENTS

(a) Capital commitments

	2015	2014
Capital commitments — expenditure of property, plant and equipment, concession intangible assets and land premium — Contracted but not provided for	**3,762,844**	505,709
Investment commitments — Contracted but not provided for	**125,161**	139,170
	3,888,005	644,879

(b) Operating lease commitments — the Group as the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2015	2014
Land and buildings:		
Not later than 1 year	**6,227**	6,728
Later than 1 year and not later than 5 years	**–**	2,057
	6,227	8,785

(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:

	2015	2014
Land and buildings:		
Not later than 1 year	**207,405**	253,149
Later than 1 year and not later than 5 years	**510,433**	458,610
Over 5 years	**564,929**	649,774
	1,282,767	1,361,533

40. BUSINESS COMBINATION

(a) Acquisition additional 52% equity interest in Citic Fritz

Citic Fritz was a joint venture with its 43% equity interest held by the Group. On 1 August 2015, the the Group acquired additional 52% equity interest in Citic Fritz and as a result, the Group held 95% equity interest in Citic Fritz and Citic Fritz became a subsidiary of the Group.

The following table summarises the consideration paid for Citic Fritz, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Consideration	
At 1 August 2015	
— Cash paid	25,776
Total consideration transferred	25,776
Fair value of equity interest in Citic Fritz held before the business combination	21,315
Total consideration	47,091
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	7,191
Property, plant and equipment	20,280
Other current assets and liabilities	22,099
Total identifiable net assets	49,570
Non-controlling interest	(2,479)
Goodwill	–
	47,091

The fair value of the non-controlling interest in Citic Fritz, an unlisted company, on 1 August 2015, was estimated with reference to the purchase price paid for acquisition of additional 52% equity interest in Citic Fritz.

The Group recognised a loss of HKD726,000 as a result of measuring at fair value its 43% equity interest in Citic Fritz held before the business combination. The loss was recorded in "other gains — net" in the Group's income statement for the year ended 31 December 2015.

The revenue included in the consolidated income statement since 1 August 2015 contributed by Citic Fritz was HKD67,322,000. Citic Fritz also contributed profit of HKD2,392,000 over the same period.

Had Citic Fritz been consolidated from 1 January 2015, the consolidated income statement would show pro-forma revenue of HKD125,307,000 and profit of HKD2,479,000.

(All amounts in HK dollar thousands unless otherwise stated)

40. BUSINESS COMBINATION (continued)

(b) Acquisition additional 10% equity interest in Qinglong Company

Qinglong Company was an associate with its 40% equity interest held by the Group. On 30 October 2015, the Group acquired 100% equity interest in Fameluxe Investment Limited, which held 10% equity interest in Qinglong Company. As a result, the Group held 50% equity interest in Qinglong Company. Pursuant to the amended articles of association of Qinglong Company, the Group obtained the controlling power over Qinglong Company through its majority voting rights in the board of directors of Qinglong Company. Therefore, Qinglong Company became a subsidiary of the Group.

The following table summarises the consideration paid for Qinglong Company, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Consideration	
At 30 October 2015	
— Cash paid	270,329
— Consideration not yet paid	56,539
Total consideration transferred	326,868
Fair value of equity interest in Qinglong Company held before the business combination	1,307,471
Total consideration	1,634,339
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	72,101
Other current assets	69,001
Property, plant and equipment	205,639
Concession intangible assets	5,468,058
Borrowings	(1,322,154)
Other current liabilities	(283,075)
Deferred income tax liabilities	(940,892)
Total identifiable net assets	3,268,678
Non-controlling interest	(1,634,339)
Goodwill	–
	1,634,339

Details of the fair value estimate of concession intangible assets were set out in Note 4.1(f).

The fair value of the non-controlling interest in Qinglong Company, an unlisted company, on 30 October 2015, was estimated with reference to the purchase price paid for acquisition of additional 10% equity interest in Qinglong Company.

The Group recognised a gain of HKD1,105,567,000 as a result of measuring at fair value its 40% equity interest in Qinglong Company held before the business combination. The gain was recorded in "other gains — net" in the Group's income statement for the year ended 31 December 2015.

The revenue included in the consolidated income statement since 30 October 2015 contributed by Qinglong Company was HKD132,798,000. Qinglong Company also contributed profit of HKD19,005,000 over the same period.

Had Qinglong Company been consolidated from 1 January 2015, the consolidated income statement would show pro-forma revenue of HKD698,178,000 and profit of HKD278,511,000.

(All amounts in HK dollar thousands unless otherwise stated)

40. BUSINESS COMBINATION (continued)

(c) Acquisition of Consulting Company

Consulting Company was an associate with its 24% equity interest held by the Group. On 1 July 2015, Shenzhen Expressway entered into an agreement with the other shareholders of Consulting Company to amend the provisions of the articles of association of Consulting Company. Pursuant to the amended articles of association, with effect from 1 July 2015, Shenzhen Expressway obtained the controlling power over Consulting Company through its majority voting rights in the board of directors of Consulting Company. Therefore, Consulting Company became a subsidiary of the Group.

The following table summarises the consideration paid for Consulting Company, the fair value of assets acquired, liabilities assumed and the non-controlling interest at the acquisition date.

Consideration	
At 1 July 2015	
Fair value of equity interest in Consulting Company held before the business combination	36,514
Total consideration	36,514
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	93,707
Other current assets	131,942
Property, plant and equipment	28,419
Construction in progress	1,160
Other non-current assets	15,961
Other current liabilities	(118,609)
Deferred income tax liabilities	(3,258)
Other non-current liabilities	(4,858)
Total identifiable net assets	144,464
Non-controlling interest	(109,793)
Goodwill	1,843
	36,514

The fair value of the non-controlling interest in Consulting Company, an unlisted company, on 1 July 2015, was estimated with reference to fair value of equity interest in Consulting Company held before the business combination.

The Group recognised a gain of HKD5,565,000 as a result of measuring at fair value its 24% equity interest in Consulting Company held before the business combination. The gain was recorded in 'other gains — net' in the Group's income statement for the year ended 31 December 2015.

The revenue included in the consolidated income statement since 1 July 2015 contributed by Consulting Company was HKD235,245,000. Consulting Company also contributed profit of HKD22,196,000 over the same period.

Had Consulting Company been consolidated from 1 January 2015, the consolidated income statement would show pro-forma revenue of HKD382,041,000 and profit of HKD34,554,000.

(All amounts in HK dollar thousands unless otherwise stated)

41. 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. The transactions as mentioned in Notes 17, 26, 27(b) and 38 are related party transactions of the Group. Save as disclosed above, the Group has the following significant transactions with related parties during the year:

(a) During the year 2015 and 2014, the Group has bank deposits in and obtained borrowings from state-owned banks in normal commercial terms. Interests are earned and incurred on these deposits and borrowings respectively.

(b) The Group has capital expenditure incurred for service concession projects and construction in progress with state-owned contractors both in 2015 and 2014 and payable balances due to state-owned contractors for construction projects and guaranteed deposits as of 31 December 2015 and 2014.

(c) Shenzhen Expressway provides project management services for construction, operation and maintenance of the Coastal Project. The Coastal Project is owned by Shenzhen Guangshen Coastal Expressway Investment Co., Ltd. ("Coastal Company") which is wholly owned by SIHCL. The project management service revenue received from Shenzhen Expressway is 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 recognised construction management service revenue amounting to RMB24,666,000 (HKD30,317,000) (2014: RMB235,057,000 (HKD295,670,000)).

(d) Details of key management compensation are set out in Note 32.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2015:

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	RMB240,000,000	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	–

(All amounts in HK dollar thousands unless otherwise stated)

42. 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 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	–
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	USD15,000,000	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	RMB500,000,000	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	USD39,000,000	100	–

(All amounts in HK dollar thousands unless otherwise stated)

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Principal activities	Issued and fully paid share capital/ paid-in capital	Interest held by Group (%)	Non-controlling interests (%)
Wuhan Shenzhen International Integrated Logistics Hub Development Co., Ltd. @ *	Construction, operation and management of urban integrated logistics hub at Wuhan Dongxihu District	RMB77,200,000	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
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	RMB1,130,000,000	100	–
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	RMB41,000,000	100	–
Hangzhou Shenzhen International Integrated Logistics Hub Development Co., Ltd.△ *	Construction, operation and management of urban integrated logistics hub at Hangzhou Dajiangdong Industrial Cluster	USD20,000,000	100	–
Hefei Shenzhen International Integrated Logistics Hub Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub at Hefei Trade and Logistics Development Zone in Cuozheng Town, Feidong Country, Hefei City	RMB36,000,000	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	–
Shenzhen Qinglong Expressway Company Limited ◇	Construction, operation and management of an expressway	RMB324,000,000	50▽	50
Shenzhen Expressway Engineering Consulting Company Limited @	Project management consulting, engineering consulting and sales of engineering materials	RMB18,750,000	24▽	76
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	–

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Principal activities	Issued and fully paid share capital/ paid-in capital	Interest held by Group (%)	Non-controlling interests (%)
Advance Great Limited	Investment holding	USD1	100	–
Successful Plan Assets Limited	Investment holding	USD1	100	–
Shenzhen International Limited	Investment holding	HKD10,000	100	–
Shenzhen International Qianhai Development Limited	Investment holding	HKD1	100	–

△ *Foreign-owned enterprise*
◇ *Sino-foreign Joint Venture*
@ *Domestic enterprise*
^ *Foreign invested joint stock limited company*
* *For identification purpose only*
▽ *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 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)

43. BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 December	
	2015	2014
ASSETS		
Non-current assets		
Investments in subsidiaries	**5,357,676**	5,672,729
Amounts due from subsidiaries	**2,648,425**	2,881,031
	8,006,101	8,553,760
Current assets		
Other receivables	**1,348**	7,885
Dividends due from subsidiaries	**6,506,975**	5,450,006
Cash and cash equivalents	**194,807**	1,678,975
	6,703,130	7,136,866
Total assets	**14,709,231**	15,690,626
EQUITY AND LIABILITIES		
Share capital and share premium	**7,625,528**	7,522,535
Other reserves	**836,146**	1,277,862
Retained earnings	**1,443,903**	1,506,988
Total equity	**9,905,577**	10,307,385
Liabilities		
Non-current liabilities		
Borrowings	**3,030,869**	4,050,660
Derivative financial instruments	**–**	4,920
	3,030,869	4,055,580
Current liabilities		
Other payables	**5,660**	5,999
Borrowings	**1,761,989**	1,318,262
Derivative financial instruments	**1,898**	–
Amount due to a subsidiary	**3,238**	3,400
	1,772,785	1,327,661
Total liabilities	**4,803,654**	5,383,241
Total equity and liabilities	**14,709,231**	15,690,626

The balance sheet of the Company was approved by the Board of Directors on 22 March 2016 and were signed on its behalf.

Li Jing Qi
Director

Liu Jun
Director

(All amounts in HK dollar thousands unless otherwise stated)

43. 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
At 1 January 2014	58,515	(8,423)	1,456,908	1,507,000	1,380,547
Fair value gains on derivative financial instruments	–	4,018	–	4,018	–
Profit for the year	–	–	–	–	746,099
Dividends paid relating to 2013	–	–	–	–	(620,488)
Forfeiture of unclaimed dividend	–	–	–	–	830
Currency translation difference	–	–	(233,156)	(233,156)	–
At 31 December 2014	58,515	(4,405)	1,223,752	1,277,862	1,506,988
Fair value gains on derivative financial instruments	–	**2,922**	–	**2,922**	–
Profit for the year	–	–	–	–	**798,194**
Dividends paid relating to 2014	–	–	–	–	**(861,325)**
Forfeiture of unclaimed dividend	–	–	–	–	**46**
Currency translation difference	–	–	**(444,638)**	**(444,638)**	–
At 31 December 2015	**58,515**	**(1,483)**	**779,114**	**836,146**	**1,443,903**

44. EVENTS AFTER THE BALANCE SHEET DATE

(a) The adjustment agreement for Longda Shenzhen Section and the adjustment agreement for Nanguang Expressway, Yanpai Expressway and Yanba Expressway (Note 26) were approved by the shareholders of the Company and Shenzhen Expressway (in the latter case only) at the special/extraordinary general meetings held on 28 January 2016 and 29 January 2016, respectively. Accordingly, all conditions precedent for the effectiveness of these two agreements have been satisfied. Pursuant to the adjustment agreements, the above mentioned toll roads have been operated by card access and the toll of such expressways has been exempted commencing from 00:00 on 7 February 2016.

(b) On 7 March 2016, the Company entered into an agreement with Shenzhen Nongke Holdings Company Limited ("Shenzhen Nongke") whereby the Company agreed to purchase and Shenzhen Nongke agreed to sell (through its wholly-owned subsidiary, Shenzhen Shumyip Zhongcheng Co., Ltd.) the office building at a cash consideration of RMB1,168 million (approximately HKD1,395 million) for use as the head office building of the Group in Shenzhen.

(c) On 18 March 2016, a concession agreement on Outer Ring Expressway Shenzhen section (Coastal Expressway — Shenshan Expressway Section) ("Outer Ring project") was signed by Shenzhen Outer Ring Expressway Investment Company Limited ("Outer Ring Company"), a wholly-owned subsidiary of Shenzhen Expressway, and the SZ Transportation Committee. Meanwhile, a joint investment and construction agreement was signed by Shenzhen Expressway, Outer Ring Company and Shenzhen SEZ Construction and Development Group Co., Ltd. (a wholly owned company set up by the government) (the "Construction Development Group"). According to the agreement, the investment budget of Outer Ring project is RMB20.6 billion (approximately HKD24.8 billion) with a construction period of 38 months. Shenzhen Expressway and Outer Ring Company will invest RMB6.5 billion (approximately HKD7.8 billion), gaining operating benefits and bearing operating costs, taxes and risks in a 25-year operating period. The Construction Development Group will bear or raise excessive investment. The agreement was passed by board of directors of Shenzhen Expressway on 18 March 2016 and is subject to the approval of the respective shareholders' meetings of Shenzhen Expressway and the Company.

Shenzhen International Holdings Limited

深圳國際控股有限公司