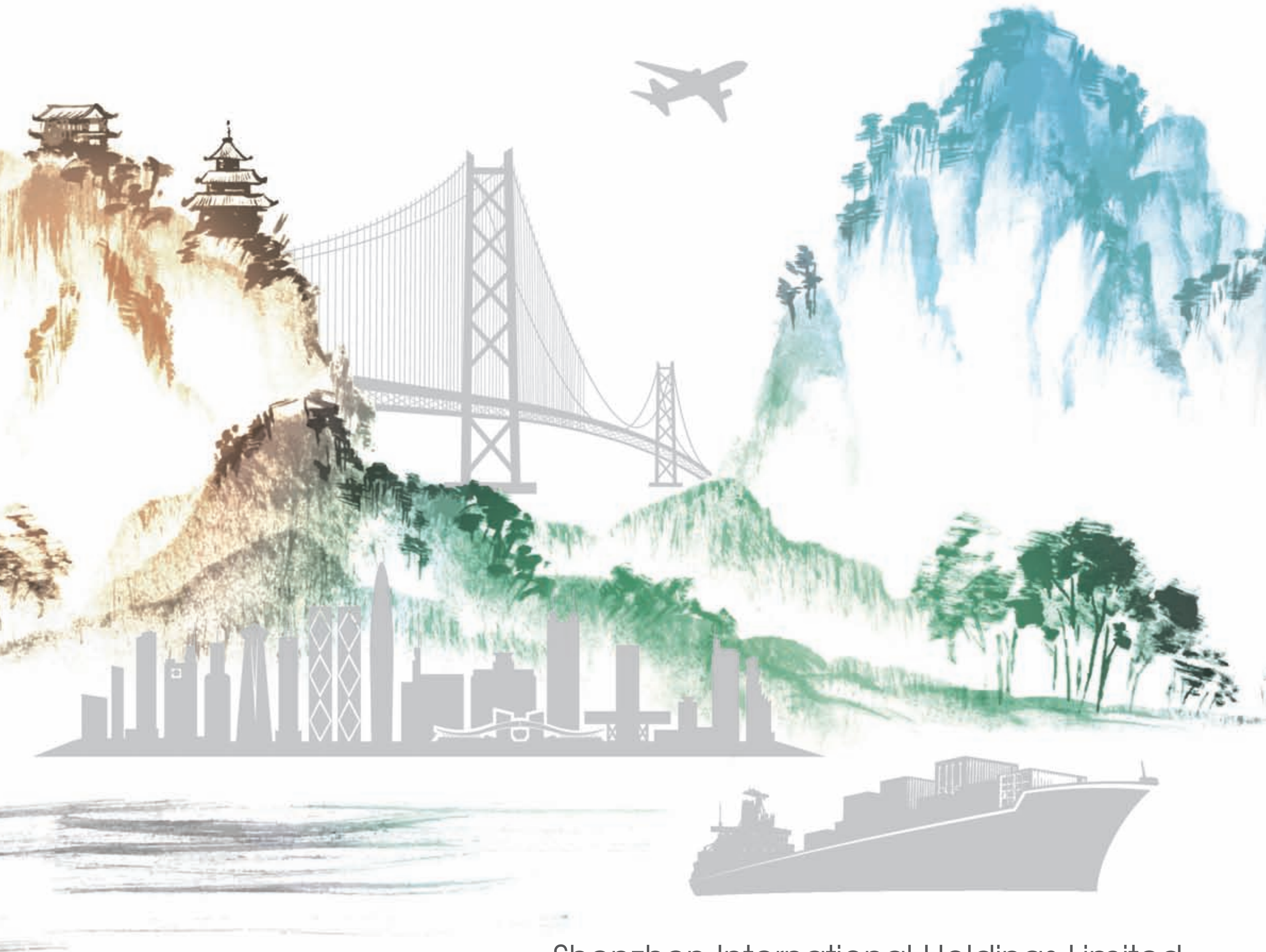
Shenzhen International
深國際

共同進步 分享快樂

Advancing Together, Harvesting Together

中期報告 Interim Report
2016



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

(Incorporated in Bermuda with limited liability 於百慕達註冊成立之有限公司)

Stock Code 股份代號：00152

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 44.26% of the issued share capital of the Company.

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

CORPORATE PROFILE

Shenzhen International Holdings Limited (1)

Logistic Business

Segment	Shareholding	Company	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*
	50%	Shenzhen Airport International Express Supervision Center Co., Ltd.	*SZ Airport Express Center*
	51%	Shenzhen International Huatongyuan Logistics Co., Ltd.	*Shenzhen Huatongyuan Logistic Centre (in the relocation process)*
	30%		
China Urban Integrated Logistics Hub (3)	70%	Shenyang Shenzhen International Integrated Logistics Properties Co., Ltd.	*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*
	100%	Kunshan Shenzhen International Integrated Logistics Hub Development Co., Ltd.	*Shenzhen International Kunshan Integrated Logistic Hub*
	100%	Guizhou Pengbo Investment Company Limited	*Shenzhen International Guizhou Integrated Logistic Hub*
	51%	Guizhou Hengtongli Property Company Limited	
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 Supply Chain Management Nanjing Co., Ltd.	*Supply Chain Management Services of Port*
	100%	Shenzhen Total Logistics Service 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

Shareholding	Company	Main Projects/Business
50.889%	Shenzhen Expressway Company Limited (1) (2)	*Investment, construction, operation and management of toll expressways and roads*
55%	Hubei Magerk Expressway Management Private Limited	*Wuhuang Expressway in Hubei Province*
45%	Hubei Magerk Expressway Management Private Limited	
89.93%	Shenzhen Longda Expressway Company Limited	*Longda Expressway in Shenzhen*

Other Investments/Projects

Shareholding	Company	Main Projects/Business
49%	Shenzhen Airlines Company Limited	
2.21%	CSG Holding Co., Ltd. (2)	
51% (49% held by Shenzhen Expressway Company Limited)	Shenzhen International United Land Co., Ltd.	*Meilin Checkpoint Urban Renewal Project*
100%	Shenzhen International Qianhai Industrial (Shenzhen) Co., Ltd.	*Qianhai 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 Hai Tao *(Chief Executive Officer)*
Zhong Shan Qun
Liu Jun *(Vice President)*
Li Lu Ning *(Vice President)*

Non-Executive Director:
Yim Fung

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

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

COMPANY SECRETARY

Tam Mei Mei

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

COMPANY WEBSITE

http://www.szihl.com

STOCK CODE

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

AUDITOR

KPMG
Certified Public Accountants
Hong Kong

LEGAL ADVISERS

Reed Smith Richards Butler *(Hong Kong Legal Advisers)*

PRINCIPAL BANKERS

Bank of China
Bank of Communications
The Bank of Tokyo-Mitsubishi UFJ, Hong Kong Branch
China Citic Bank *(PRC Domestic Bank)*
China Development Bank *(PRC Domestic Bank)*
China Everbright Bank *(PRC Domestic Bank)*
China Merchants Bank
DBS Bank
Hang Seng Bank
HSBC
Industrial Bank
ING Bank N.V.
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

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

For the six months ended 30 June *(HK$ million)*	Revenue		Operating profit/(loss)		Share of profit of associates and joint ventures		Profit before finance costs and tax	
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015
Toll roads								
— Revenue	**2,764**	2,154	**1,354**	1,103	**116**	168	**1,470**	1,271
— Construction service revenue	**38**	1	**–**	–	**–**	–	**–**	–
Toll roads sub-total	**2,802**	2,155	**1,354**	1,103	**116**	168	**1,470**	1,271
Logistic business								
— Logistic parks	**238**	319	**90**	124	**8**	11	**98**	135
— Logistic services	**448**	361	**10**	13	**2**	2	**12**	15
— Port	**90**	96	**38**	42	**–**	–	**38**	42
Logistic business sub-total	**776**	776	**138**	179	**10**	13	**148**	192
Head office	**–**	–	**(200)**	655	**435**	326	**235**	981
Total	**3,578**	2,931	**1,292**	1,937	**561**	507	**1,853**	2,444
Finance income							**136**	157
Finance costs							**(612)**	(387)
Finance costs — net							**(476)**	(230)
Profit before income tax							**1,377**	2,214

	For the six months ended 30 June		
	2016 HK$ million	2015 HK$ million	Increase/ (Decrease)
Results			
Revenue	**3,578**	2,931	22%
Operating profit	**1,292**	1,937	(33%)
of which: Core Business	**1,418**	1,247	14%
Profit before income tax	**1,377**	2,214	(38%)
of which: Core Business	**1,776**	1,524	17%
Profit attributable to shareholders	**632**	1,369	(54%)
of which: Core Business	**888**	855	4%
Basic earnings per share (HK dollar)	**0.33**	0.72	(54%)
EBITDA to interest expense multiple	**4.36 times**	7.92 times	(3.56 times)$^{\Delta}$

	30 June 2016 HK$ million	31 December 2015 HK$ million	Increase/ (Decrease)
Financial Position			
Total assets	**56,967**	58,998	(3%)
Total equity	**28,242**	28,700	(2%)
Debt asset ratio (Total liabilities/Total assets)	**50%**	51%	(1)*
Ratio of Net borrowings/(cash) to Total equity	**11%**	(9%)	N/A
Ratio of Total borrowings to Total equity	**41%**	45%	(4)*
Net asset value per share attributable to shareholders (HK dollar)	**9.2**	9.6	(4%)

$^{\Delta}$ *Change in multiple*

* *Change in percentage point*

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Operating Results	For the six months ended 30 June 2016 HK$'000	2015 HK$'000	Increase/ (Decrease)
Revenue	**3,578,014**	2,930,596	22%
Operating profit	**1,292,274**	1,936,632	(33%)
of which: Core Business	**1,417,792**	1,247,467	14%
Profit before finance costs and tax	**1,852,522**	2,444,090	(24%)
of which: Core Business	**1,978,040**	1,754,925	13%
Profit attributable to shareholders	**632,223**	1,368,708	(54%)
of which: Core Business	**888,458**	854,818	4%
Basic earnings per share (HK dollars)	**0.33**	0.72	(54%)

The first half of 2016 was full of opportunities as well as challenges, the volatility in the global market and the economic transformation of China brought challenges to the growth of the Group's core business. Nevertheless, given the stable development of the Chinese economy and the immense potential for the increasing demand for logistic infrastructure facilities and quality logistic services, there were extensive opportunities for the Group's development. The Group actively identified and seized opportunities to expedite the building of a network of "China Urban Integrated Logistics Hub" for achieving sustainable development.

During the six months ended 30 June 2016 (the "Period"), the Group's total revenue increased by 22% to HK$3,578 million as compared to the corresponding period of the previous year. During the Period, most of the toll road projects of the Group maintained steady growth in traffic volume and toll revenue and completion of the acquisition of certain projects in the second half of 2015 brought in new revenue to the Group. Toll road business recorded a total revenue of HK$2,764 million, representing an increase of 28% as compared to the corresponding period of the previous year, and an operating profit of HK$1,354 million, representing an increase of 23% as compared to the corresponding period of the previous year.

During the Period, the Group focused on strategic deployment of "China Urban Integrated Logistics Hub" as well as transformation and upgrade of the existing logistic park business. During the Period, acquisition of the Kunshan project was completed and investment agreements for the Guizhou project, Chongqing project and Zhengzhou project were executed. As at the date of this report, the Group has established its presence in 15 major logistic gateway cities and executed relevant investment agreements involving a planned site area of approximately 4.21 million square metres. In 2016, five projects will be put into operation. Benefitting from the strong market demand for modern and premium logistic facilities, the average occupancy rate based on pre-leasing for each of the Wuhan project, Hefei project and Wuxi project, which are expected to commence operation in the second half of 2016, reached an encouraging level of 65%, underpinning the initial success of "China Urban Integrated Logistics Hub".

Moreover, steady progress has been seen in respect of the transformation and upgrade of the existing logistic parks. The Qianhai Project has been progressing smoothly according to plans since its official implementation in late 2015, with prospects of realising appreciation in value for certain land parcels by the end of this year. The balance of the land premium for the Meilin Checkpoint Urban Renewal Project (the "Meilin Checkpoint Project") was settled in June 2016. The Group will actively procure the relocation of Huatongyuan Logistic Centre to timely realise the commercial value of the land parcels of the Meilin Checkpoint Project.

The strong demand for large-sized and modern logistic infrastructure facilities in the domestic logistics market affected the business of traditional logistic warehouses, especially logistic centres of a smaller scale to a certain extent. Excluding the impact of Huatongyuan Logistic Centre which is in the process of relocation, revenue from the logistic business increased by 8% to HK$776 million as compared to the corresponding period of the previous year and profit attributable to shareholders decreased by 7% to HK$114 million as compared to the corresponding period of the previous year.

During the Period, passenger transport volume of Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate in which the Group holds a 49% equity interest, continued to grow and recorded a total revenue of RMB12,299 million (HK$14,577 million), representing an increase of 9% as compared to the corresponding period of the previous year. The substantial decrease in aviation oil costs during the Period as a result of the sharp reduction in aviation oil price has driven prominent growth in the net profit of Shenzhen Airlines. Shenzhen Airlines contributed a profit of approximately HK$413 million (2015: HK$302 million) to the Group, representing an increase of 37% as compared to the corresponding period of the previous year. Driven by the growth of contribution from Shenzhen Airlines, profit before finance costs and tax from the Group's core business recorded a 13% increase to HK$1,978 million while profit attributable to shareholders from the core business increased by 4% to HK$888 million, as compared to the corresponding period of the previous year.

Although the Group recorded a remarkable non-recurring gain after tax of approximately HK$514 million from the disposal of A shares of CSG Holding Co., Ltd. ("CSG") during the first half of 2015, the Group did not dispose of any A shares of CSG during the Period. Meanwhile, the Group has made a business tax payment of approximately HK$126 million during the Period for the disposal of CSG A shares in the previous years. On the other hand, the Group entered into toll adjustment and compensation agreements with the relevant government department of Shenzhen in November 2015 in relation to toll adjustments for four toll roads in Shenzhen, pursuant to which the Group received the first payment of the compensation totalling RMB9,713 million in December 2015. In accordance with these toll adjustment and compensation agreements and the relevant accounting standard, the Group was required to make a provision for nominal interest amounting to approximately HK$274 million for the Period (which would not have any impact on the Group's cash flow). This resulted in a significant increase in the finance costs of the Group for the Period and reduced the profit attributable to shareholders by approximately HK$131 million. The above factors have led to a reduction of profit attributable to shareholders for the Period by HK$771 million in aggregate when compared to the corresponding period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

LOGISTIC BUSINESS

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 15 major logistic gateway cities, namely Shenyang, Wuxi, Wuhan, Tianjin, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Chengdu, Guizhou, Kunshan, Chongqing and Zhengzhou. The site area for the above projects is 5.51 million square metres in aggregate (3.165 million square metres of which are currently owned by the Group), and the operating area is approximately 1.01 million square metres.

The Group's port business comprises one general bulk cargo terminal with a 50,000-tonnage capacity, four general bulk cargo terminals each with a 70,000-tonnage capacity and depots with a site area of 0.83 million square metres. The port has the capability of providing various services such as loading and unloading, lightering, train loading and automobile loading, with a planned annual throughput of over 25 million tonnes.

Analysis of Operating Performance

The Group focuses on expanding the network and scale of its operations through the investment in and construction of logistics infrastructure in key cities across the nation, with a view to assuring sustainable development in the long-term and providing growth drivers for future income growth. The Group's logistics business was confronted with a challenging business environment in the first half of 2016 given the slowdown in domestic economic growth. In response, through enhancing the existing standard of its business operation and management, good marketing services, transformation and upgrade, and continuing to optimise its services, the Group strengthens its relationship with existing customers and attracts more new customers.

Logistic Parks

During the Period, the Group maintained a stable average occupancy rate of 97% for logistic parks (excluding Huatongyuan Logistic Centre, which is in the process of relocation). In order to accommodate the Meilin Checkpoint Project, the relocation process of Huatongyuan Logistic Centre commenced and its leasing activities ceased in 2015.

A number of the Group's existing logistic parks have been engaged in experimental developments of cross-border e-commerce, in an active move to transform and upgrade their business model in line with industry trends. In 2015, Western Logistic Park was granted, as the second batch, the status of a "National Exemplary e-Commerce Base" by the Ministry of Commerce and South China Logistic Park was listed as a pilot enterprise in cross-border e-commerce business in Shenzhen. In the future, pilot businesses in cross-border e-commerce in northern Shenzhen will be developed around South China Logistic Park. The construction of the South China Logistic Cross-border E-commerce Exhibition Centre commenced in June 2016 and completion is scheduled to take place in the second half of the year. Research on project business models and preparation for marketing are actively underway. Initial discussions have been conducted with a number of interested corporations. Progress of the project has been satisfactory.

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, and laying a solid foundation for the Group's sustainable development.

During the first half of 2016, the Group entered into investment agreements for the "China Urban Integrated Logistics Hub" projects with relevant local government authorities of Guizhou, Chongqing and Zhengzhou while completing the acquisition of the Kunshan project, accelerating the building of a nationwide network. Such projects are expected to further extend the network coverage of the Group.

While continuing with its efforts in developing new projects, the Group has also advanced its projects under construction or planning in steady pace to ensure compliance with work schedules and has actively prepared for marketing.

During the first half of 2016, land sites with an aggregate area of approximately 914,000 square metres in Hangzhou, Changsha, Shijiazhuang, Kunshan and Guizhou were acquired under the "China Urban Integrated Logistics Hub" projects. The first phase with a site area of approximately 240,000 square metres of Shenzhen International Shenyang Integrated Logistic Hub, the first "China Urban Integrated Logistics Hub" project of the Group, has commenced operation. Projects in Wuxi, Wuhan and Hefei have commenced construction according to plans and are scheduled for completion in the second half of 2016. Thanks to effective marketing strategies, as at 30 June 2016, the three projects reported an encouraging average occupancy rate of 65% based on pre-leasing. The upgrade of the park area of the Kunshan project was completed in June 2016. In addition, project construction in Shijiazhuang, Changsha, Hangzhou, Guizhou and Nanchang will be rolled out as planned.

As at the date of this report, the Group extended its "China Urban Integrated Logistics Hub" network to cover 15 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, Guizhou, Kunshan, Chongqing and Zhengzhou, covering a planned site area of approximately 4.21 million square metres. Among these cities, the Group has acquired full or partial land use rights for 11 projects in Shenyang, Wuxi, Wuhan, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Guizhou and Kunshan, covering an aggregate site area of approximately 1.86 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	Acquired Site Area	Commencement Date/ Expected Commencement Date of Operation Note
		(Approximate square metres)	(Approximate square metres)	
Shenzhen International Shenyang Integrated Logistic Hub	Yuhong District of Shenyang	700,000	240,000	4.2016
Shenzhen International Wuxi Integrated Logistic Hub	Huishan District of Wuxi	347,000	141,000	12.2016
Shenzhen International Wuhan Integrated Logistic Hub	Dongxihu District of Wuhan	126,000	126,000	10.2016
Shenzhen International Tianjin Integrated Logistic Hub	Tianjin Binhai New Area	295,000	–	12.2018
Shenzhen International Shijiazhuang Integrated Logistic Hub	Zhengding County of Shijiazhuang	335,000	335,000	5.2017
Shenzhen International Changsha Integrated Logistic Hub	Changsha Jinxia Economic Development Zone	347,000	73,000	10.2017
Shenzhen International Nanchang Integrated Logistic Hub	Nanchang Economic and Technical Development Zone	267,000	156,000	6.2017
Shenzhen International Hefei Integrated Logistic Hub	Anhui Hefei Commercial and Logistic Development Zone of Feidong County, Hefei City	138,000	79,000	10.2016
Shenzhen International Ningbo Integrated Logistic Hub	Ningnan Trade and Logistic Zone, Ningbo City	194,000	48,000	6.2018
Shenzhen International Hangzhou Smart Integrated Logistic Hub	Hangzhou Dajiangdong Industrial Cluster, Hangzhou City	400,000	239,000	8.2017
Shenzhen International Chengdu Integrated Logistic Hub	Xinjin Logistic 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	311,000	8.2017
Shenzhen International Kunshan Integrated Logistic Hub	Lujiazhen, Kunshan, Jiangsu	117,000	117,000	Conversion work completed in 6.2016
Shenzhen International Chongqing Integrated Logistic Hub	Shuangfu New District, Jiangjin District, Chongqing	157,000	–	6.2018
Shenzhen International Zhengzhou Smart Integrated Logistic Hub	Zhengzhou International Logistic Park, Zhengzhou Economic Development Zone	267,000	–	12.2018
Total Site Area		4,211,000	1,865,000	

Note: The expected commencement date represents an estimation only. It will be updated according to the future progress.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's "China Urban Integrated Logistics Hub" projects are making progress in terms of investment and development, and a strategic network is coming into shape for the establishment of a nationwide "China Urban Integrated Logistics Hub" platform and network, which is set to become a growth driver for the Group.

Port Business

For the first half of 2016, despite the challenging economic and business conditions, Nanjing Xiba Port reported stable growth in business volume by retaining existing major customers and embarking on effective market expansion. During the Period, a total of 136 vessels berthed at Nanjing Xiba Port and the total throughput of Nanjing Xiba Port reached 8.49 million tonnes, representing an increase of 10% as compared to the corresponding period of the previous year.

With commencement of operation of phase 2, Nanjing Xiba Port becomes 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. Moreover, the opening of the 12.5-metre deep-water passage in lower Yangtze River down from Nanjing in July 2016 which allows vessels of 50,000 tonnes or above to sail to Nanjing will further strengthen the core competitive strengths of Nanjing Xiba Port and drive the growth of its business.

Logistic Service Business

Relying on its existing logistic infrastructure facilities and leveraging fully on its strengths in resources and capital, the Group has orchestrated a gradual transformation of its traditional logistic business and actively explored supply chain management, value chain integration and value-added services in modern logistics.

During the Period, the logistic service business was subject to intense market competition and the challenge of slower domestic economic growth. In response, the Group sough to enhance the overall competitiveness of logistic service business by actively developing new businesses, introducing marketing initiatives and pursuing ongoing optimisation in operations.

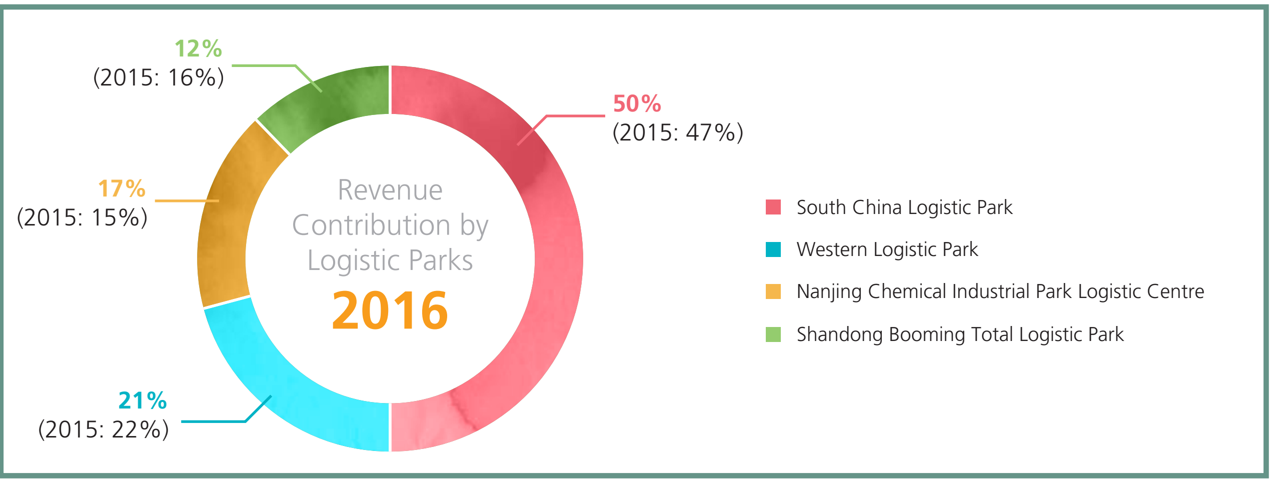
Financial Analysis

During the Period, excluding the impact of Huatongyuan Logistic Centre which is in the process of relocation, revenue from the logistic business increased by 8% to HK$776 million (2015: HK$716 million) as compared to the corresponding period of the previous year. Profit attributable to shareholders decreased by 7% to HK$114 million (2015: HK$122 million) as compared to the corresponding period of the previous year.

Revenue of Each Logistic Business Unit

For the six months ended 30 June

	2016 HK$'000	2015 HK$'000	Increase/ (Decrease)
Logistic Park Business			
South China Logistic Park	120,190	120,952	(1%)
Western Logistic Park	49,941	56,739	(12%)
Nanjing Chemical Industrial Park Logistic Centre	39,149	38,252	2%
Shandong Booming Total Logistic Park	28,825	42,137	(32%)
Sub-total (Normal operation)	238,105	258,080	(8%)
Huatongyuan Logistic Centre[Δ]	–	60,713	N/A
Sub-total	238,105	318,793	(25%)
Port Business	90,574	96,017	(6%)
Logistic Service Business	447,685	361,530	24%
Total	776,364	776,340	–

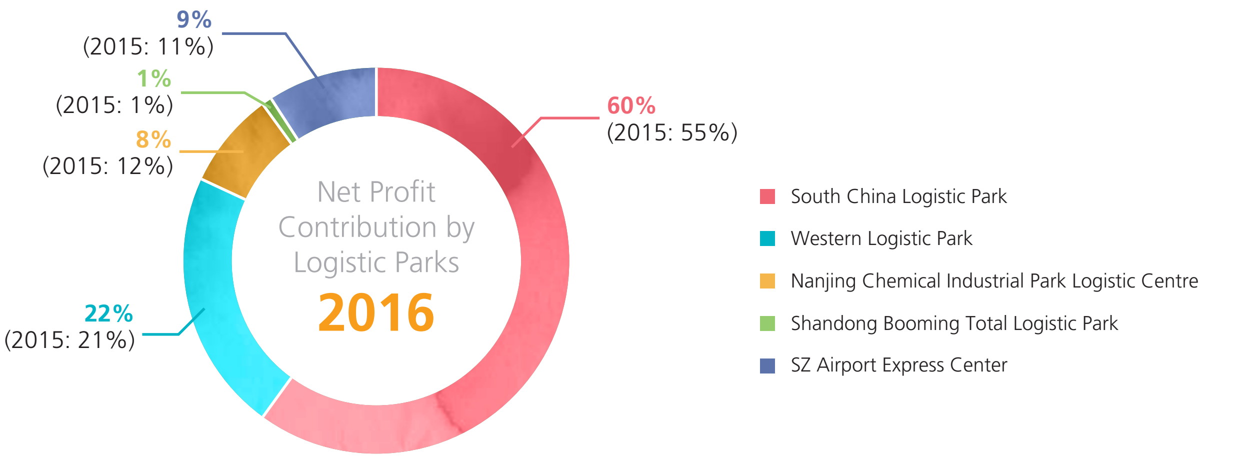


Δ *Huatongyuan Logistic Centre started the relocation process in 2015*

Profit Attributable to Shareholders of Each Logistic Business Unit

For the six months ended 30 June

	2016 HK$'000	2015 HK$'000	Increase/ (Decrease)
Logistic Park Business			
South China Logistic Park	48,035	48,055	–
Western Logistic Park	17,995	17,940	–
Nanjing Chemical Industrial Park Logistic Centre	6,568	10,673	(38%)
Shandong Booming Total Logistic Park	164	754	(78%)
SZ Airport Express Center*	7,497	9,841	(24%)
Sub-total (Normal operation)	80,259	87,263	(8%)
Huatongyuan Logistic Centre[Δ]	(3,226)	12,182	N/A
Sub-total	77,033	99,445	(23%)
Port Business	21,959	22,783	(4%)
Logistic Service Business	12,365	12,504	(1%)
Total	111,357	134,732	(17%)



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

Δ *Huatongyuan Logistic Centre started the relocation process in 2015*

Affected by the decreasing market demand for traditional logistic warehouses, revenue and profit attributable to shareholders from the Group's logistic park business for the Period (excluding Huatongyuan Logistic Centre which is in the relocation process) amounted to approximately HK$238 million and HK$80.26 million respectively, both representing a decrease of 8% as compared to the corresponding period of the previous year.

In the first half of 2016, Nanjing Xiba Port was confronted with the most severe business environment since the commencement of its operation. However, Nanjing Xiba Port responded in a proactive manner and achieved stable overall performance through effective marketing initiatives to retain existing major customers and solicit new customers, as well as cost control measures. During the Period, the port business recorded a revenue and profit of HK$90.57 million and HK$21.96 million, respectively, representing a decrease of 6% and 4% as compared to the corresponding period of the previous year.

Revenue from the logistic service business for the Period amounted to HK$448 million, representing an increase of 24% as compared to the corresponding period of the previous year. Profit attributable to shareholders amounted to HK$12.37 million, maintaining at a similar level to that of the corresponding period of the previous year.

Progress of Qianhai Project and Meilin Checkpoint Urban Renewal Project

Qianhai Project

According to the overall development plan of the Qianhai area, logistics and information services are the preponderant businesses that the Qianhai area focuses on. Recently, the Shenzhen Government has announced certain policies for the promotion of technological innovation and attracting talents, while the Authority of Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone (深圳市前海深港現代服務業合作區管理局) ("Qianhai Authority") has also introduced measures offering government subsidies to key industries. With the successive implementation of relevant schemes and policies and the kick-off of some early and pilot schemes, the in-depth cooperation between Shenzhen and Hong Kong in modern logistics will be advanced and a high-end logistic cluster will be formed, thus fostering a favourable policy environment for the future development of the Group's Qianhai Project.

The Group maintained effective sound coordination and communication with the relevant Shenzhen government authorities in respect of land consolidation and preparation for the Qianhai Project. In 2015, the Group and the Qianhai Authority entered into a framework agreement in respect of the consolidation and preparation work for the Qianhai Project by way of land swap, monetary compensation and profit sharing. The first 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. It has been listed as a key construction project for Qianhai Free Trade New City by the Qianhai Authority.

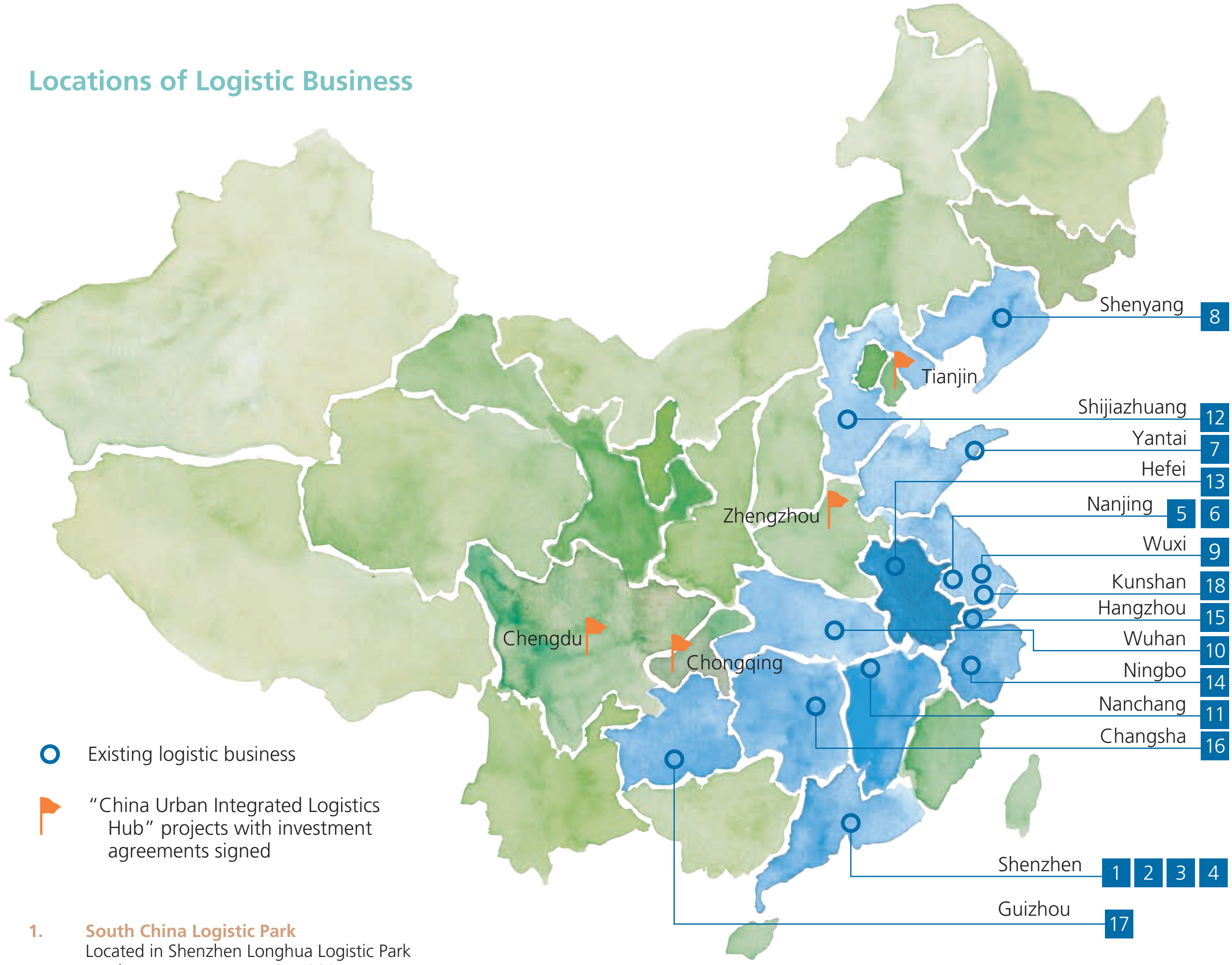
Since the official commencement of its construction work in the end of 2015, the Qianhai Project has been progressing smoothly according to its planning. During the first half of the year, the Group made diligent efforts to advance preliminary work for the project, such as land value appraisal and land consolidation and preparation, and actively communicating with relevant government authorities in connection with the execution of the land consolidation and preparation agreement. The Group is in the final-stage negotiation with the government for land consolidation and preparation of the Qianhai Project. Referring to a similar and major case recently completed, the Group will strive for a good return for shareholders with regard to monetary compensation and profit sharing for the Qianhai Project, with prospects of realising appreciation in value for certain land parcels by the end of the year. Moreover, marketing for the project has been actively underway. Currently, the Group is expediting communication and effective discussion on matters such as the mode of cooperation and customer needs.

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 Project in late June of 2015. The land premium for the land parcels of the project was settled in full following the payment of the balance of RMB2,497 million in June 2016 in accordance with the agreements. The Group has secured steady progress for the transformation of the project.

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

Locations of Logistic Business



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

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

3. **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: 141,000 square metres

10. **Shenzhen International Wuhan Integrated Logistic Hub**
    Located in Dongxihu District of Wuhan City
    Acquired site 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: 335,000 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

17. **Shenzhen International Guizhou Integrated Logistic Hub**
    Located in Guizhou Shuanglong Modern Service Industrial Cluster
    Acquired site area: 311,000 square metres

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

TOLL ROAD BUSINESS

Overview

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

				Average Daily Traffic Volume *(Note 1)*		Average Daily Toll Revenue	
Toll roads	Interest held by the Group	Concession period	Length by toll (approximate km)	First Half of 2016 (Vehicle/ Thousands)	Increase/ (Decrease) compared to the same period of 2015	First Half of 2016 (HK$'000)	Increase/ (Decrease) compared to the same period of 2015
Shenzhen Region:							
Meiguan Expressway	100%	1995.05–2027.03	5.4	77	11%	335	2%
Jihe East	100%	1997.10–2027.03	23.7	237	16%	1,959	(5%)
Jihe West	100%	1999.05–2027.03	21.8	189	15%	1,850	8%
Shuiguan Expressway *(Note 2)*	50%	2002.02–2025.12	20	221	25%	1,911	8%
Shuiguan Extension	40%	2005.10–2025.12	6.3	91	36%	338	18%
Other regions in Guangdong Province:							
Qinglian Expressway	76.37%	2009.07–2034.07	216	36	8%	2,238	(1%)
Yangmao Expressway	25%	2004.11–2027.07	79.8	45	15%	2,126	4%
Guangwu Project	30%	2004.12–2027.11	37.9	39	12%	1,186	11%
Jiangzhong Project	25%	2005.11–2027.08	39.6	112	8%	1,287	(1%)
Guangzhou Western Second Ring	25%	2006.12–2030.12	40.2	54	20%	1,197	9%
Other provinces in China:							
Wuhuang Expressway	100%	1997.09–2022.09	70.3	44	8%	1,100	(1%)
Changsha Ring Road	51%	1999.11–2029.10	34.7	24	34%	326	35%
Nanjing Third Bridge	25%	2005.10–2030.10	15.6	28	(1%)	1,294	–

Notes:

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

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

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

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

- according to the toll adjustment and compensation agreements entered into between the Group and the relevant government department of Shenzhen on 30 November 2015 in relation to the toll adjustments of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the 23.8 km section of Longda Expressway from the starting point of Longda Expressway to the Nanguang ramp (the "Longda Shenzhen Section") (the "Toll Adjustment and Compensation Agreements"), toll adjustments of these road sections are implemented in two phases. During Phase 1 (from 00:00 on 7 February 2016 to 24:00 on 31 December 2018), the Group has implemented 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 either continue to implement toll-free as in Phase 1, or have the fee entitlement rights of these road sections returned to it at an earlier stage in exchange of the payment of compensation accordingly.

  Since the implementation of toll-free policy at 0:00 on 7 February 2016 for Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Shenzhen Section, these toll-free road sections had experienced faster growth in traffic volume and had boosted traffic volume of the adjacent Jihe Expressway and Shuiguan Expressway;

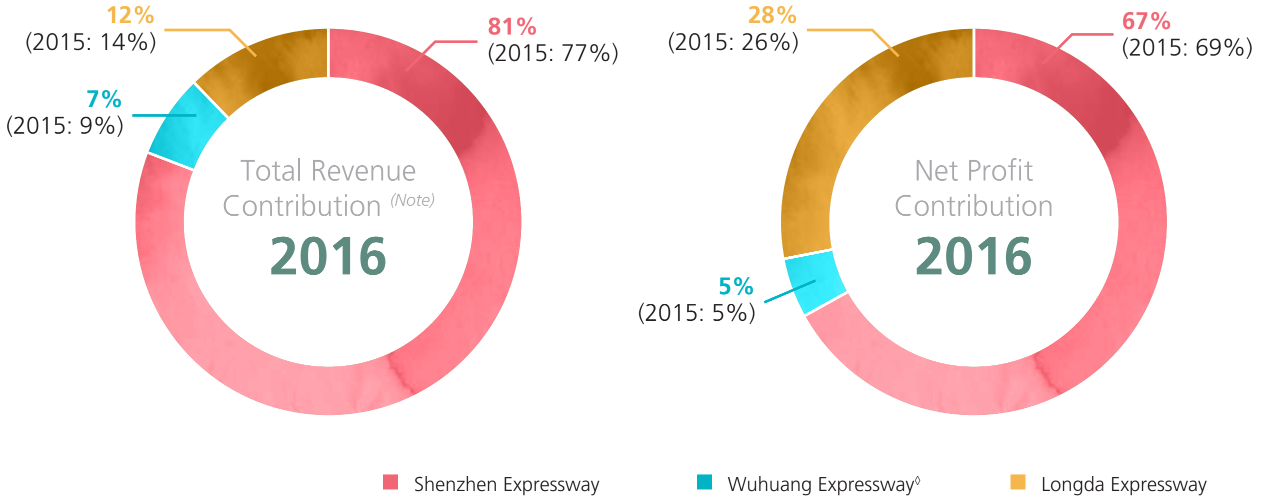
- the westbound direction of Pinghu Bianzuzhan Bridge of Jihe Expressway had been closed for construction since mid-May 2016, resulting in the decrease in toll revenue of Jihe East as compared to the corresponding period of the previous year. The construction project was completed in mid-July 2016; and

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

Financial Analysis

During the Period, total revenue of the Group's toll road business increased by 28% to HK$2,764 million (2015: HK$2,154 million), as compared to the corresponding period of the previous year. Profit before finance costs and tax amounted to HK$1,470 million (2015: HK$1,271 million), representing an increase of 16% as compared to the corresponding period of the previous year. Net profit was HK$525 million (2015: HK$504 million), representing an increase of 4% as compared to the corresponding period of the previous year. During the Period, most of the Group's toll road projects reported growth in traffic volume and toll revenue. In addition, the project company of Shuiguan Expressway and Shenzhen Expressway Engineering Consulting Company Limited (the "Consulting Company") contributed significantly to the revenue after becoming subsidiaries of the Group upon completion of their acquisition by the Group in the second half of 2015.

For the six months ended 30 June

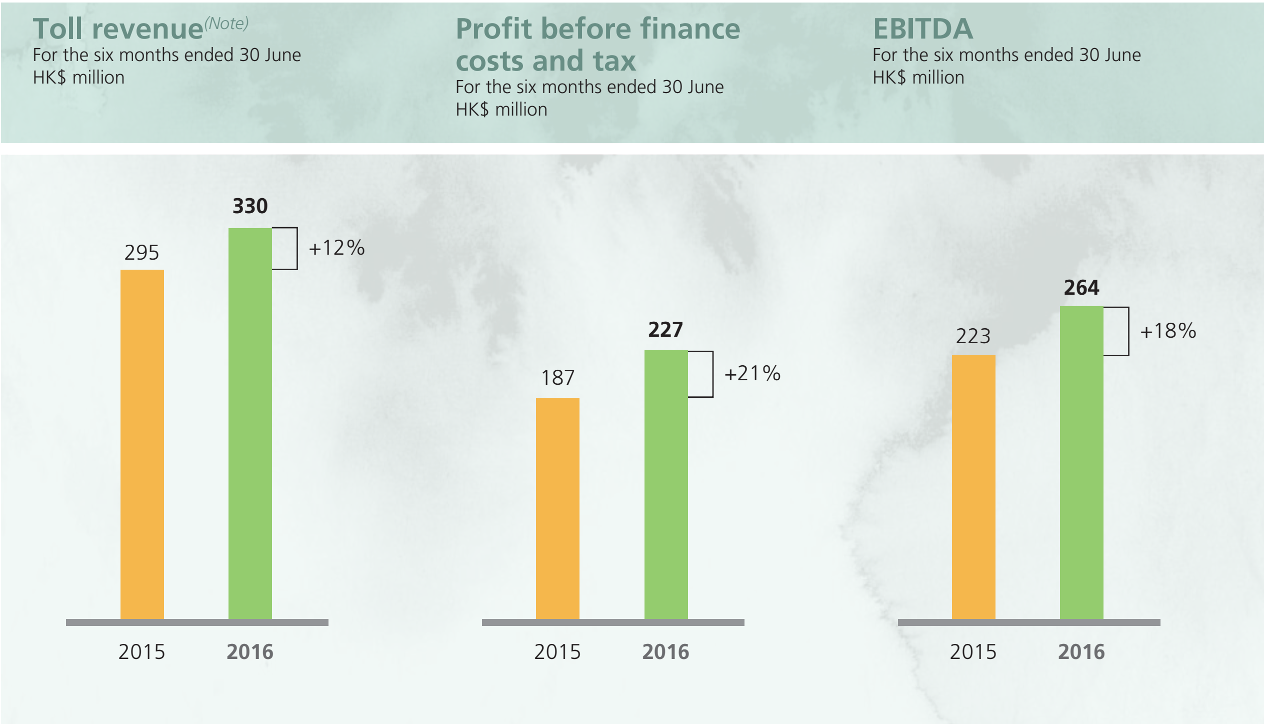


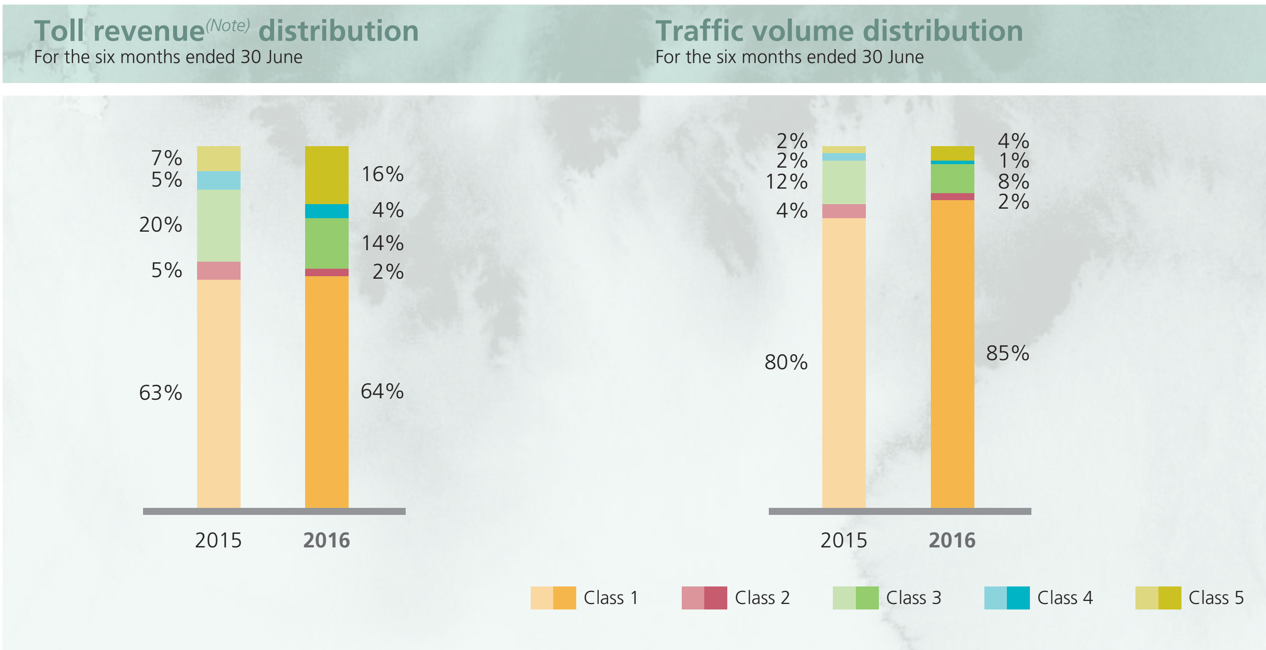
Note: *Total revenue generated from Nanguang Expressway, Yanpai Expressway and Yanba Expressway out of the total revenue of Shenzhen Expressway, and total revenue of Longda Shenzhen Section, are calculated on the basis of revenue calculated and recognised in accordance with the mechanism set out in the Toll Adjustment and Compensation Agreements. Total revenue contribution of Shenzhen Expressway, Wuhuang Expressway and Longda Expressway for the Period as percentages of total revenue are presented for the purposes of financial comparison only.*

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

Longda Expressway

There was a notable growth in the traffic volume of Longda Expressway during the Period following the toll-free implementation at 0:00 on 7 February 2016 for road sections including Longda Shenzhen Section and Nanguang Expressway, which had attracted traffic flow and brought a positive impact on the overall toll revenue of Longda Expressway.





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

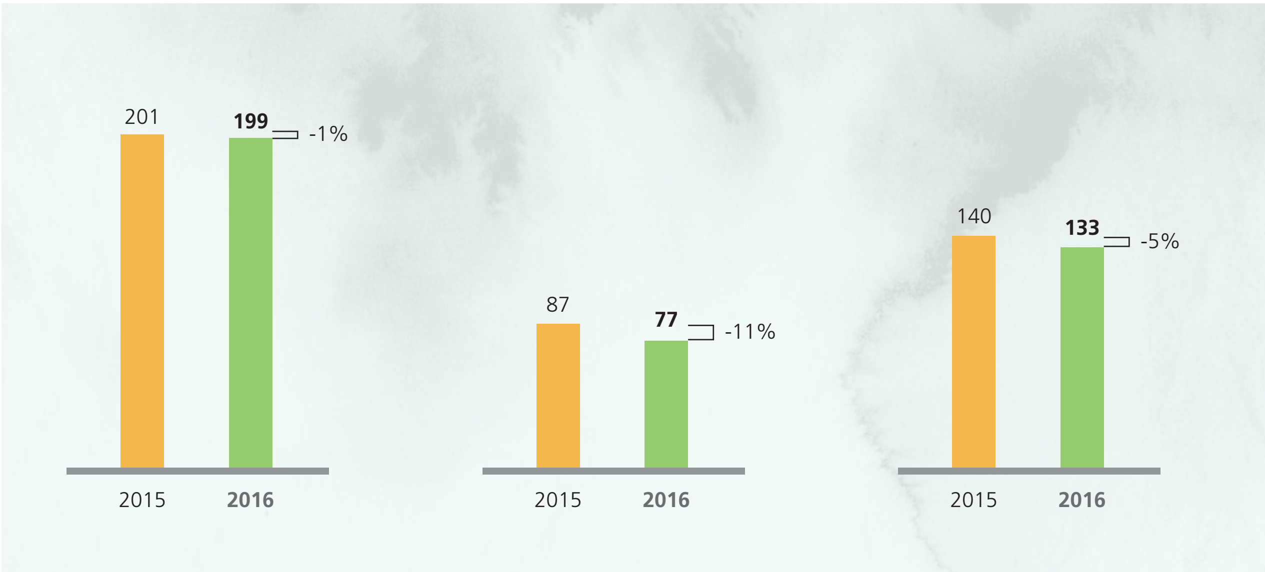
Wuhuang Expressway

During the Period, although Wuhuang Expressway continued to be affected by the link-up of the road network and the implementation of traffic control measures on municipal roads for construction, traffic volume of Wuhuang Expressway reported growth due to higher traffic volume of passenger vehicles as compared to the corresponding period of the previous year. Moreover, benefitting from the imposition of heavier penalty on overloaded trucks, which forms part of the adjustments to toll of expressways in Hubei Province in late June last year, toll revenue of Wuhuang Expressway from trucks increased. This has resulted in a positive impact on the overall toll revenue of Wuhuang Expressway. Accordingly, toll revenue of Wuhuang Expressway for the Period maintained at a similar level to that of the corresponding period of 2015. With an increase in the amount of amortisation due to the increased traffic volume during the Period, profit before finance costs and tax recorded a decrease as compared to the corresponding period of the previous year.

Toll revenue
For the six months ended 30 June
HK$ million

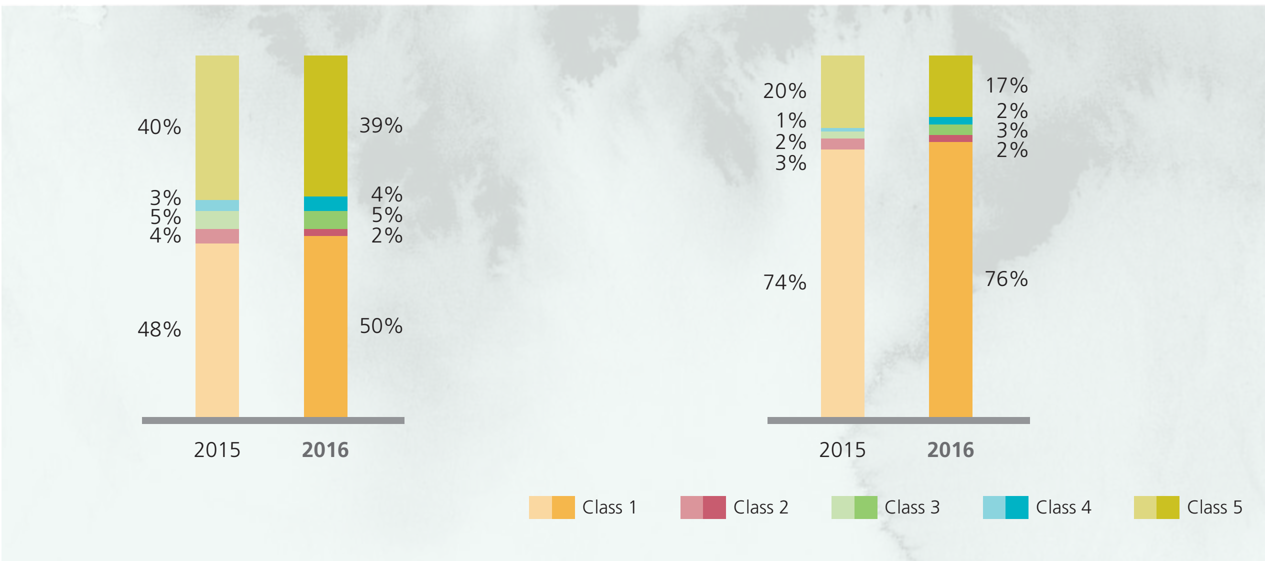
Profit before finance costs and tax
For the six months ended 30 June
HK$ million

EBITDA
For the six months ended 30 June
HK$ million



Toll revenue distribution
For the six months ended 30 June

Traffic volume distribution
For the six months ended 30 June



Shenzhen Expressway and its expressway projects

During the Period, Shenzhen Expressway recorded an increase in toll revenue of 23% to HK$1,970 million (2015: HK$1,601 million). This was mainly attributable to the new toll revenue contributed by the project company of Shuiguan Expressway which has become a subsidiary of the Group since 30 October 2015. Together with the new construction consulting service revenue of HK$160 million for the Period contributed by the Consulting Company which has also become a subsidiary of the Group since 1 July 2015, total revenue of Shenzhen Expressway for the Period increased by 35% to approximately HK$2,235 million (2015: HK$1,658 million), as compared to the corresponding period of the previous year. Profit before finance costs and tax increased by 17% year-on-year to HK$1,166 million (2015: HK$997 million). The Group's share of profit from Shenzhen Expressway increased by 2% to HK$354 million (2015: HK$348 million), as compared to the corresponding period of the previous year.

Effect on Finance Costs Arising from the Execution of the Toll Adjustment and Compensation Agreements

The Group received the first payment of compensation totalling RMB9,713 million from the relevant government department of Shenzhen in December 2015 as agreed under the Toll Adjustment and Compensation Agreements. According to these agreements and the relevant accounting standard, the Group was required to make a provision for nominal interest amounting to approximately HK$274 million for the Period which would not have any impact on the Group's cash flow. This resulted in a significant increase in the finance costs of the Group for the Period and reduced the profit attributable to shareholders by approximately HK$131 million.

OTHER INVESTMENTS

Shenzhen Airlines

During the Period, passenger transport volume of Shenzhen Airlines continued to grow, with passenger traffic reached 20,694 million passenger-km (2015: 18,751 million passenger-km) and its airlines carried 13.25 million passenger rides (2015: 12.24 million passenger rides), up 10% and 8% respectively over the corresponding period of the previous year. Total revenue of Shenzhen Airlines for the Period increased by 9% to RMB12,299 million (HK$14,577 million) (2015: RMB11,295 million (HK$14,082 million)) as compared to the corresponding period of the previous year, of which passenger revenue up 9% to RMB10,524 million (2015: RMB9,657 million).

In addition, benefitting from the substantial decrease in aviation oil costs as a result of the sharp reduction in aviation oil price during the Period, operating profit of Shenzhen Airlines increased by 60% to RMB1,888 million (HK$2,238 million), as compared to the corresponding period of the previous year. Although Shenzhen Airlines recorded an exchange loss of RMB383 million (2015: RMB4.67 million) as affected by the fluctuation of Renminbi exchange rate, net profit for the Period amounted to RMB790 million (HK$936 million) (2015: RMB560 million (HK$698 million)), up 41% over the corresponding period of the previous year. Shenzhen Airlines contributed a profit of approximately HK$413 million (2015: HK$302 million) to the Group during the Period, representing an increase of 37% as compared to the corresponding period of the previous year.

As at 30 June 2016, Shenzhen Airlines operated a total of 164 passenger aircraft. As at the date of this report, Shenzhen Airlines operates 194 domestic and international routes, comprising 164 domestic routes, 20 international routes and 10 routes serving the Hong Kong, Macau and Taiwan regions.

In the second half of 2016, the aviation industry is expected to sustain good profitability as a result of a number of favourable factors, such as robust demand from the domestic market and low oil costs. However, as international crude oil prices are showing signs of a rebound after bottoming out, Shenzhen Airlines will continue to monitor closely changes in oil prices and control the impact of oil prices on costs. Measures will be adopted to optimise its mix of aircraft models and air routes, as well as to strengthen control over operating processes. Meanwhile, it will endeavor to increase its operating efficiency and strengthen its core competitiveness in sales and marketing, with a view to enhancing its capabilities in international businesses and assuring sustained improvements in 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.

The Group did not dispose of any A shares of CSG during the Period, while the disposal of approximately 45.9 million A shares last year realised a gain after tax of approximately HK$514 million. As at the date of this report, the Group beneficially owned a total of approximately 45.94 million A shares of CSG, representing approximately 2.21% of the total issued share capital of CSG.

FINANCIAL POSITION

	30 June 2016 HK$ million	31 December 2015 HK$ million	Increase/ (Decrease)
Total Assets	**56,967**	58,998	(3%)
Total Liabilities	**28,725**	30,298	(5%)
Total Equity	**28,242**	28,700	(2%)
Net Asset Value attributable to shareholders	**17,997**	18,160	(1%)
Net Asset Value per share attributable to shareholders (HK dollar)	**9.2**	9.6	(4%)
Cash	**8,699**	15,635	(44%)
Bank borrowings	**4,490**	5,112	(12%)
Notes and bonds	**7,229**	7,925	(9%)
Total Borrowings	**11,719**	13,037	(10%)
Net Borrowings/(Cash)	**3,020**	(2,598)	N/A
Debt-asset Ratio (Total Liabilities/Total Assets)	**50%**	51%	(1)#
Ratio of Total Borrowings to Total Assets	**21%**	22%	(1)#
Ratio of Net Borrowings/(Cash) to Total Equity	**11%**	(9%)	N/A
Ratio of Total Borrowings to Total Equity	**41%**	45%	(4)#

Change in percentage points

Key Financial Indicators

As at 30 June 2016, the net asset value attributable to shareholders marginally decreased by 1% to HK$17,997 million, while the net asset value per share amounted to HK$9.2, representing a decrease of 4% as compared to that at the end of last year. The ratio of total borrowings to total assets was 21%, which was 1 percentage point 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

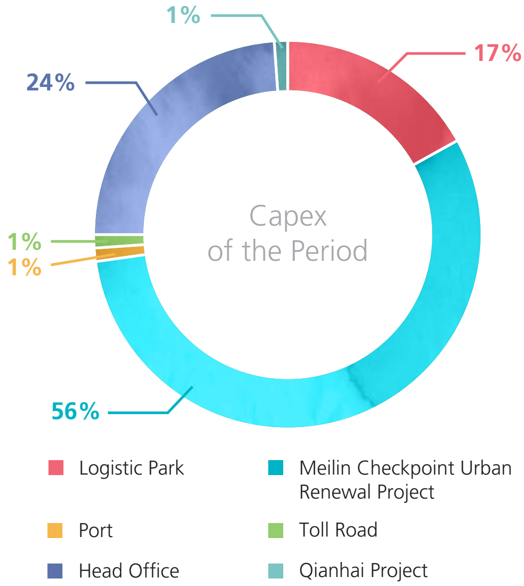
During the Period, the Group has maintained its ability to generate cash flow from operations. Net cash inflow generated from operating activities amounted to HK$1,069 million; net cash outflow generated from investment activities amounted to HK$5,579 million; and net cash outflow generated from financing activities amounted to HK$1,837 million. The Group's core businesses continued to generate stable cash inflow, while the Group closely monitored the changes in total borrowings in order to maintain the Group's financial ratios at a healthy level. During the Period, the Group reduced its total borrowings by 10% and continued to optimise its borrowing structure, therefore the ratio of total borrowings to total equity was decreased by 4 percentage points to 41%, thereby further strengthening the financial position of the Group.

Cash Balance

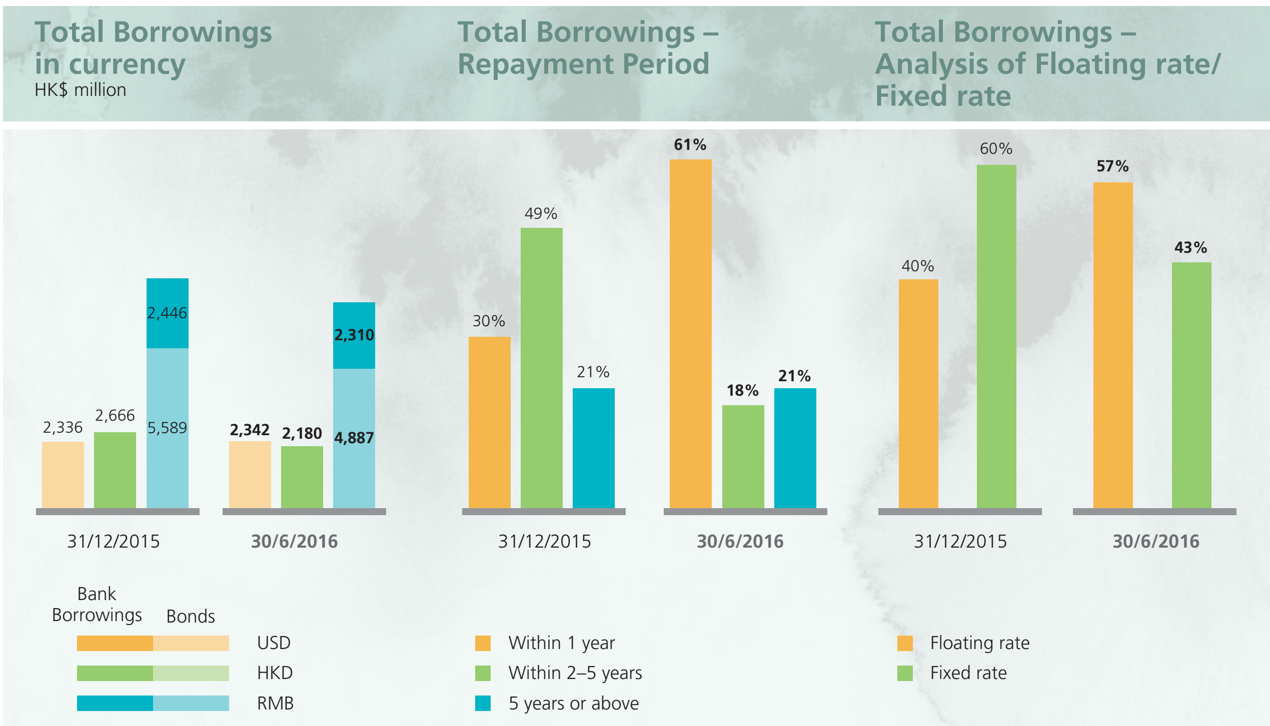
As at 30 June 2016, the cash balance held by the Group amounted to HK$8,699 million (31 December 2015: HK$15,635 million), representing a decrease of 44% as compared to that at the end of last year. Such decrease was mainly attributable to capital expenditures of RMB4,455 million and a decrease in loans of approximately HK$1,340 million in the Period. Almost all cash held by the Group is denominated in Renminbi and this will facilitate the Group's operation and development in the PRC. The Group will further strengthen its capital management by adopting a prudent treasury policy to increase return of its cash portfolio, thereby providing strong support for the business development of urban integrated logistic hub.

Capital Expenditures

During the Period, the Group's capital expenditures amounted to RMB4,455 million (HK$5,214 million), of which RMB2,500 million was utilised for the payment of 70% of the land premium for the land parcels of the Meilin Checkpoint Urban Renewal Project, RMB766 million was utilised for construction works and land acquisition cost in respect of the "China Urban Integrated Logistics Hub", and RMB1,051 million was utilised for acquiring an office building as our head office. The Group expects the capital expenditures for the second half of 2016 to be approximately RMB2,356 million (HK$2,747 million), of which approximately RMB695 million will be utilised for the "China Urban Integrated Logistics Hub" project and approximately RMB730 million will utilised for the Outer Ring Expressway project.



Borrowings



As at 30 June 2016, the Group's total borrowings amounted to HK$11,719 million, of which 61% is due within one year, 18% is due within two to five years and 21% is due in five years or above, representing a decrease of 10% as compared to that at the end of last year. Part of the medium-term and long-term bonds of the Group will be due within one year, resulting in an increase in percentage of borrowings due within one year to 61%. With sufficient cash on hand, adequate standby banking facilities and strong international credit rating, the Group is able to repay the loan which will be due within one year by using various financing channels. During the Period, the Group has used its internal resources to repay loans upon maturity and reduce new loans, thereby decreasing the Group's total borrowings and effectively optimising the Group's debt structure and adjusting the currency structure of its borrowings.

The Group's Financial Policy

Save for those revised content as set out below, the Group's financial policy remains consistent with those as disclosed in the 2015 Annual Report, details of which are set out in the 2015 Financial Statements.

Exchange Rate Risk

Operating cash flows, cash on hand and assets for businesses 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 and strives to mitigate the impact of exchange rate fluctuations on the Group's 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 expects that the Renminbi exchange rate will experience higher volatility in the future. During the Period, the Group repaid borrowings denominated in foreign currency, thus reducing the borrowings denominated in Hong Kong dollars by 18% as compared with that in the end of 2015. Since the referendum in the United Kingdom for leaving the European Union on 21 June 2016, a foreign exchange loss of HK$120 million was incurred by the Group as at 30 June 2016 resulting from the aggravated fluctuation of Renminbi. The management of the Group has formulated policies, adjusted currency structure of its borrowings and adopted appropriate hedging instruments for managing exchange rate risk and reducing the impact of the fluctuation of Renminbi.

Liquidity Risk Management

The Group currently has cash on hand and standby banking facilities of approximately HK$36,300 million. The Group has signed agreements with major banks in Hong Kong and the PRC 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 with an aim to ensure the Group's ability to continue its business operation and expansion, thereby enhancing shareholders' value.

Credit Ratings

During the Period, 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 Group'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 30 June 2016, please refer to notes 17 and 27 respectively of the interim condensed consolidated financial information.

OUTLOOK FOR THE SECOND HALF OF 2016

Looking to the second half of 2016, more uncertainties are expected in the macroeconomic landscape, posing challenges in the business environment of the Group. Nonetheless, measures proposed by the State Council in its 13th Five-Year Strategic Plan, such as those relating to urbanisation, "Internet plus" and "One Belt, One Road", present favourable opportunities for the Group. With a positive outlook for the future and in persistent implementation of our strategies, the Group will vigorously advance the investment in and construction and operation of the "China Urban Integrated Logistics Hub" projects, the transformation and upgrade of existing logistic parks, while actively identifying opportunities for acquisition of well-developed assets in logistics to further expand the Group's logistic business.

In the second half of 2016, the Group will drive the investment in and construction of the "China Urban Integrated Logistics Hub" projects in logistic gateway cities including Xi'an, Nanning and Xiamen. It will also continue to advance the acquisition of land use rights for project sites and the commencement of project construction. At the same time, the Group will strive to confirm the land use rights for the Liguang land parcels in Longhua New Area in Shenzhen and commence preparatory work for project construction. Offering a total gross floor area of 250,000 square metres, the Liguang land parcels will be developed into the Shenzhen gateway for "China Urban Integrated Logistics Hub" and also used for the resettlement of certain tenants of Huatongyuan Logistic Centre, thereby strengthening the Group's market share in the logistics market of Shenzhen. In addition, the Group will make vigorous efforts in the ongoing exploration and attempt in conducting innovative businesses such as cross-border e-commerce business at South China Logistic Park and Western Logistic Park.

The Group will seize opportunities arising from urban development and renewal by engaging in vigorous study of industry policies and exploring ways to realise the value of the land parcels of the Meilin Checkpoint Project, so as to timely realise the commercial value of these land parcels. Benefitting from the surge of land prices in Shenzhen in recent years, the land parcels of the Meilin Checkpoint Project are set to enjoy further growth in value. The Group will procure the completion of relevant land consolidation and preparation work within this year and target to generate first phase of returns in 2017 at the latest.

On the other hand, the Group will actively drive the implementation of land consolidation and preparation and related work for the Qianhai Project in order to accelerate execution of land use contracts for the first phase of the project. It is expected that the value of the Qianhai Project will be further enhanced and unlocked, and the Group will endeavour to provide certain preliminary returns to the shareholders within the year. Leveraging on the information industry in Qianhai area and the network of "China Urban Integrated Logistics Hub", a supply chain system enabling mutual sharing of benefits will be created in the Qianhai Project. Currently, the Group is conducting in-depth research and negotiations with a number of famous branded enterprises and relevant government authorities in respect of strategic cooperation in multiple forms in connection with the Qianhai Project.

During the Period, the Group entered into an agreement with the relevant government department of Shenzhen in respect of the investment in and construction and management of the Shenzhen Section of Shenzhen Outer Ring Expressway (Coastal Expressway — Shenshan Expressway Section) (the "Outer Ring Section A"), which was subsequently approved by the shareholders of the Company. As at the date of this report, land consolidation and preparation and the procedures for land use are underway, while construction has commenced for certain sections under the contract. Outer Ring Section A is an important component of the expressway network of Guangdong Province with distinct advantages in its routes and locations. As a toll road project of the Group operated on the PPP model, it is well-positioned to effectively strike a balance between the fulfillment of the public service function of infrastructure facilities and the demand for reasonable return on commercial investments, so that the community, the government as well as the enterprise will all benefit from the arrangement and the Group's core strengths in investment, management and operation of toll highways will be further strengthened.

HUMAN RESOURCES

The Group always considers talents as valuable resources for enterprises and considers the strategy of human resource management an integrated component of its business strategy.

The Group puts a strong emphasis on recruitment and nurturing of talents. During the first half of 2016, the Group continued to recruit quality management personnel and professionals in the logistic 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 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 in the Group. As of 30 June 2016, the Group had a total of 6,824 staff members (2015: 4,991 staff members). During the Period, the employee benefit expenses inclusive of directors' emoluments were approximately HK$390 million (2015: approximately HK$280 million).

The Group places a strong emphasis on staff training, and encourages staff to enhance their knowledge, abilities and to maintain themselves in good physical and mental health through continuous training, so as to build a high-calibre team of management personnel and professionals compatible with the Group's business development. The Group drew up annual training programme at the beginning of the year. Up to 30 June 2016, there were a number of internal thematic training courses held with 358 participants in total, covering subjects such as logistics internet plus, big data management, taxation in China, financial and human resources systems as well as stress management at work. In addition, seminars for staff members' experience sharing and building good work relationship with colleagues were hosted by staff members. The Group has also encouraged staff to participate in training courses organised by external organisations.

The Group has established a comprehensive remuneration management, incentive scheme and performance appraisal regime, under which staff remuneration is determined according to position values, capabilities and work performance taking into account market trends. Performance of employees is regularly assessed in an appropriate manner and the appraisal results are linked with their remuneration and promotion. In addition, to facilitate its long-term development, the Group has developed a long-term incentive regime including the implementation of share option scheme, under which share options are granted to its management, its subsidiaries' senior management and certain key staff members of the Group, with a view to enhancing staff motivation and retaining the right talents.

INDEPENDENT REVIEW REPORT

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 28 to 56, which comprises the interim consolidated balance sheet of Shenzhen International Holdings Limited (the "Company") and its subsidiaries as at 30 June 2016 and the related interim consolidated income statement, interim consolidated statement of comprehensive income, interim consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standards 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial information in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

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

25 August 2016

INTERIM CONSOLIDATED BALANCE SHEET — UNAUDITED

(All amounts in Hong Kong dollar thousands unless otherwise stated)

		As at	
	Note	30 June 2016	31 December 2015
ASSETS			
Non-current assets			
Property, plant and equipment	7	**3,969,786**	3,962,495
Investment properties	7	**82,300**	81,450
Land use rights	7	**1,820,459**	977,827
Construction in progress	7	**911,189**	768,314
Intangible assets	7	**22,696,926**	23,833,564
Investments in associates	8	**6,566,717**	5,673,459
Investments in joint ventures		**267,310**	281,325
Available-for-sale financial assets	9	**109,000**	95,748
Deferred tax assets		**87,779**	89,618
Other non-current assets	10	**1,790,491**	1,573,271
		38,301,957	37,337,071
Current assets			
Inventories	11	**1,358,075**	1,398,527
Available-for-sale financial assets	9	**1,912,313**	1,119,702
Trade and other receivables	12	**2,149,205**	1,879,161
Restricted bank deposits		**450,470**	288,291
Deposits in banks with original maturities over 3 months		**1,341,086**	2,092,911
Cash and cash equivalents		**6,907,895**	13,253,721
		14,119,044	20,032,313
Assets of disposal group classified as held for sale	13	**4,546,186**	1,628,469
		18,665,230	21,660,782
Total assets		**56,967,187**	58,997,853
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital and share premium	14	**8,309,456**	7,625,528
Other reserves	15	**(647,506)**	(118,221)
Retained earnings		**10,335,183**	10,652,736
		17,997,133	18,160,043
Non-controlling interests		**10,244,915**	10,539,424
Total equity		**28,242,048**	28,699,467

INTERIM CONSOLIDATED BALANCE SHEET — UNAUDITED

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	As at 30 June 2016	As at 31 December 2015
Liabilities			
Non-current liabilities			
Borrowings	17	**4,550,858**	9,161,033
Provision for maintenance/resurfacing obligations	18	**145,940**	149,577
Deferred tax liabilities		**1,921,874**	1,998,819
Other non-current liabilities	19	**10,895,472**	10,930,123
		17,514,144	22,239,552
Current liabilities			
Trade and other payables	16	**3,780,547**	3,613,211
Income tax payable		**172,907**	477,299
Provision for maintenance/resurfacing obligations	18	**88,117**	90,264
Borrowings	17	**7,168,551**	3,876,162
Derivative financial instruments		**873**	1,898
		11,210,995	8,058,834
Total liabilities		**28,725,139**	30,298,386
Total equity and liabilities		**56,967,187**	58,997,853

The notes on pages 34 to 56 form part of this unaudited interim financial information. Details of dividends paid to equity shareholders of the Company are set out in Note 26.

INTERIM CONSOLIDATED INCOME STATEMENT — UNAUDITED

(All amounts in Hong Kong dollar thousands unless otherwise stated)

		Six months ended 30 June	
	Note	2016	2015
Revenue	6, 20	**3,578,014**	2,930,596
Cost of sales		**(2,011,481)**	(1,531,164)
Gross profit		**1,566,533**	1,399,432
Other (losses)/gains — net	21	**(122,287)**	683,378
Other income	22	**85,034**	61,858
Distribution costs		**(35,792)**	(34,231)
Administrative expenses		**(201,214)**	(173,805)
Operating profit		**1,292,274**	1,936,632
Share of profits of joint ventures		**20,417**	19,973
Share of profits of associates	8	**539,831**	487,485
Profit before finance costs and tax		**1,852,522**	2,444,090
Finance income	23	**136,269**	156,828
Finance costs	23	**(611,737)**	(387,268)
Finance costs — net	23	**(475,468)**	(230,440)
Profit before income tax		**1,377,054**	2,213,650
Income tax expense	24	**(319,806)**	(489,292)
Profit for the period		**1,057,248**	1,724,358
Attributable to:			
Equity holders of the Company		**632,223**	1,368,708
Non-controlling interests		**425,025**	355,650
		1,057,248	1,724,358
Earnings per share attributable to equity holders of the Company (expressed in HK dollar per share)			
— Basic	25	**0.33**	0.72
— Diluted	25	**0.33**	0.72
Dividends	26	**–**	–

The notes on pages 34 to 56 form part of this unaudited interim financial information.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME — UNAUDITED

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	Six months ended 30 June 2016	2015
Profit for the period		**1,057,248**	1,724,358
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Fair value (losses)/gains on available-for-sale financial assets, net of tax	15	**(85,223)**	292,391
Reclassification of fair value gains to income statement upon disposal of available-for-sale financial assets, net of tax	15	**–**	(337,187)
Fair value gains on derivative financial instruments, net of tax		**1,007**	1,365
Share of other comprehensive (loss)/income of an associate	8	**(22,665)**	23,560
Currency translation differences		**(672,169)**	13,793
Other comprehensive loss for the period, net of tax		**(779,050)**	(6,078)
Total comprehensive income for the period		**278,198**	1,718,280
Total comprehensive income attributable to:			
Equity holders of the Company		**103,022**	1,363,379
Non-controlling interests		**175,176**	354,901
		278,198	1,718,280

The notes on pages 34 to 56 form part of this unaudited interim financial information.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — UNAUDITED

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Attributable to equity holders of the Company					
	Share capital and share premium	Other reserves (Note 15)	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2015	7,522,535	792,092	9,387,468	17,702,095	9,026,150	26,728,245
Total comprehensive (loss)/ income for the six months ended 30 June 2015	–	(5,329)	1,368,708	1,363,379	354,901	1,718,280
Transactions with owners in their capacity as owners						
Employee share option scheme						
— proceeds from shares issued	7,054	–	–	7,054	–	7,054
— value of employee services	14,956	–	–	14,956	–	14,956
Transfer to reserve	–	8,234	(8,234)	–	–	–
Dividend relating to 2014	–	–	(861,325)	(861,325)	–	(861,325)
Issue of scrip shares as dividend	53,909	–	–	53,909	–	53,909
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	(623,537)	(623,537)
Capital injection by non-controlling interests	–	–	–	–	22,497	22,497
Total transactions with owners	75,919	8,234	(869,559)	(785,406)	(601,040)	(1,386,446)
Balance as at 30 June 2015	7,598,454	794,997	9,886,617	18,280,068	8,780,011	27,060,079
Balance as at 1 January 2016	**7,625,528**	**(118,221)**	**10,652,736**	**18,160,043**	**10,539,424**	**28,699,467**
Total comprehensive (loss)/ income for the six months ended 30 June 2016	**–**	**(529,201)**	**632,223**	**103,022**	**175,176**	**278,198**
Transactions with owners in their capacity as owners						
Employee share option scheme						
— proceeds from shares issued (Note 14)	**9,984**	**–**	**–**	**9,984**	**–**	**9,984**
— value of employee services (Note 14)	**11,792**	**–**	**–**	**11,792**	**–**	**11,792**
Transfer from reserve	**–**	**(84)**	**84**	**–**	**–**	**–**
Dividend relating to 2015 (Note 26)	**–**	**–**	**(949,860)**	**(949,860)**	**–**	**(949,860)**
Issue of scrip shares as dividend (Note 26)	**662,152**	**–**	**–**	**662,152**	**–**	**662,152**
Dividend paid to non-controlling interests by subsidiaries	**–**	**–**	**–**	**–**	**(488,922)**	**(488,922)**
Capital injection by non-controlling interests	**–**	**–**	**–**	**–**	**19,237**	**19,237**
Total transactions with owners	**683,928**	**(84)**	**(949,776)**	**(265,932)**	**(469,685)**	**(735,617)**
Balance as at 30 June 2016	**8,309,456**	**(647,506)**	**10,335,183**	**17,997,133**	**10,244,915**	**28,242,048**

The notes on pages 34 to 56 form part of this unaudited interim financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS — UNAUDITED

(All amounts in Hong Kong dollar thousands unless otherwise stated)

	Note	Six months ended 30 June 2016	2015
Cash flows from operating activities			
Cash generated from operations		**1,736,059**	1,860,321
Interest paid		**(228,201)**	(274,915)
Income tax paid		**(439,110)**	(281,190)
Net cash generated from operating activities		**1,068,748**	1,304,216
Cash flows from investing activities			
Purchase of property, plant and equipment, land use rights, construction in progress, intangible assets and other assets		**(970,741)**	(814,142)
Prepayment for land use rights		**(3,090,570)**	(1,532,880)
Prepayment for purchase of office building		**(1,245,941)**	–
Income tax payment relating to disposal of Meiguan Expressway's toll-free section related assets		**–**	(529,934)
Proceeds from disposal of available-for-sale financial assets, net of tax		**3,841**	748,751
Purchase of available-for-sale financial assets		**(963,992)**	–
Decrease in deposits in banks with original maturities over 3 months		**751,825**	–
Cash (used in)/generated from other investing activities		**(63,815)**	363,039
Net cash used in investing activities		**(5,579,393)**	(1,765,166)
Cash flows from financing activities			
Proceeds from borrowings		**253,252**	1,451,173
Repayments of borrowings	17	**(1,343,123)**	(744,838)
Dividends paid to the Company and subsidiaries' shareholders		**(776,630)**	(1,078,696)
Cash generated from other financing activities		**29,203**	283,948
Net cash used in financing activities		**(1,837,298)**	(88,413)
Net decrease in cash and cash equivalents		**(6,347,943)**	(549,363)
Cash and cash equivalents at the beginning of the period		**13,253,721**	7,161,184
Exchange gains/(losses)		**2,117**	(85)
Cash and cash equivalents at the end of the period		**6,907,895**	6,611,736

Non-cash transaction

The major non-cash transaction for the six months ended 30 June 2016 represented the issue of scrip shares as dividend (Note 26).

The notes on pages 34 to 56 form part of this unaudited interim financial information.

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(All amounts in Hong Kong dollar thousands unless otherwise stated)

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 (the "PRC").

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

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

This interim financial information is presented in Hong Kong dollar ("HKD"), unless otherwise stated.

This unaudited interim financial information was authorised for issue on 25 August 2016 and has been reviewed , but not audited, by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's independent review report to the board of directors is included on page 27.

2. BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2016 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the HKICPA. This interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015 ("2015 Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards.

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the 2015 Financial Statements, except for the accounting policy changes that are expected to be reflected in the financial statements of 2016.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) New and revised standards, amendments and interpretations to the existing standards that are mandatory for the first time for the financial year beginning on 1 January 2016 had no material impact to the Group.

(b) New and revised standards, amendments and interpretations have been issued and are relevant to the Group but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted.

The Group is in the process of assessing the impact of such new and revised standards, amendments and interpretations to the Group.

4. ESTIMATES

The preparation of the interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2015 Financial Statements.

Change in accounting estimates in respect of the amortisation of concession intangible assets

The directors of the Company perform periodic assessments of the total projected traffic volume. The Group appoints independent professional traffic consultants to perform independent professional traffic studies and makes appropriate adjustment if there is a material difference between projected traffic volume and actual traffic volume. By the end of 2015, the Group appointed an independent professional traffic consultant to reassess the aggregate future traffic volume of Nanguang Expressway, Yanba Expressway, Yanpai Expressway and Qinglian Expressway. The Group has adjusted the amortisation unit for the related concession intangible assets according to the revised total projected traffic volume since 1 January 2016 on a prospective basis. Such change in accounting estimate has resulted in decrease in profit attributable to equity holders of the Company amounting to HKD7,237,000 for the six months ended 30 June 2016 and will affect the amortisation charges of the Group in the future.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT

5.1 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.

This interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2015 Financial Statements.

There have been no significant changes in the risk management of the Group since the last year end.

5.2 Liquidity risk

Compared to year end, there were no significant changes in the contractual undiscounted cash out flows for financial liabilities.

5.3 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 an 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 liabilities that are measured at fair value at 30 June 2016:

	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale financial assets	**688,109**	**1,224,204**	**–**	**1,912,313**
Liabilities				
Derivative financial instruments	**–**	**873**	**–**	**873**

The following table presents the Group's financial assets and liabilities that are measured at fair value 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				
Derivative financial instruments	–	1,898	–	1,898

There were no changes in valuation techniques during the period.

5. FINANCIAL RISK MANAGEMENT (continued)

5.4 Valuation techniques used to derive Level 2 fair values

Level 2 hedging derivatives comprise interest rate swaps. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves.

5.5 Fair value of financial assets and liabilities measured at amortised cost

The fair value of non-current borrowings is as follows:

	As at	
	30 June 2016	31 December 2015
Non-current borrowings	**4,657,204**	9,285,413

The fair values of the following financial assets and liabilities approximate their respective carrying amounts due to their short maturities:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables
- Current borrowings

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

The board of directors assesses the performance of the operating segments based on a measure of profit for the period.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

6. SEGMENT INFORMATION (continued)

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

For the six months ended 30 June 2016

	Toll roads	Logistic business				Head office functions	Total
		Logistic parks	Logistic services	Port	Subtotal		
Revenue	2,801,650[(a)]	238,105	447,685	90,574	776,364	–	3,578,014
Operating profit/(loss)	1,353,922	90,017	10,341	37,974	138,332	(199,980)	1,292,274
Share of profit/(loss) of joint ventures	14,199	8,015	(29)	–	7,986	(1,768)	20,417
Share of profit of associates	101,246	–	2,136	–	2,136	436,449	539,831
Finance income	62,044	728	3,844	273	4,845	69,380	136,269
Finance costs	(473,232)	(4,447)	(242)	(3,415)	(8,104)	(130,401)	(611,737)
Profit before income tax	1,058,179	94,313	16,050	34,832	145,195	173,680	1,377,054
Income tax expense	(243,330)	(22,009)	(2,436)	(3,881)	(28,326)	(48,150)	(319,806)
Profit for the period	814,849	72,304	13,614	30,951	116,869	125,530	1,057,248
Non-controlling interests	(420,633)	4,729	(1,249)	(8,992)	(5,512)	1,120	(425,025)
Profit attributable to equity holders of the Company	394,216	77,033	12,365	21,959	111,357	126,650	632,223
Depreciation and amortisation	737,398	33,307	3,104	24,572	60,983	17,153	815,534
Capital expenditure							
— Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	69,888	908,249	9,048	67,873	985,170	67,656	1,122,714
— Additions in investments in associates	787,673	–	–	–	–	–	787,673

(All amounts in Hong Kong dollar thousands unless otherwise stated)

6. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2015

	Toll roads	Logistic business				Head office functions	Total
		Logistic parks	Logistic services	Port	Subtotal		
Revenue	2,154,256[a]	318,793	361,530	96,017	776,340	–	2,930,596
Operating profit	1,103,291	123,713	13,646	41,604	178,963	654,378	1,936,632
Share of profit of joint ventures	8,542	10,530	901	–	11,431	–	19,973
Share of profit of associates	159,383	–	1,501	–	1,501	326,601	487,485
Finance income	101,843	2,132	1,052	251	3,435	51,550	156,828
Finance costs	(300,548)	(6,732)	(40)	(5,225)	(11,997)	(74,723)	(387,268)
Profit before income tax	1,072,511	129,643	17,060	36,630	183,333	957,806	2,213,650
Income tax expense	(226,501)	(26,392)	(3,090)	(4,084)	(33,566)	(229,225)	(489,292)
Profit for the period	846,010	103,251	13,970	32,546	149,767	728,581	1,724,358
Non-controlling interests	(341,668)	(3,806)	(1,466)	(9,763)	(15,035)	1,053	(355,650)
Profit attributable to equity holders of the Company	504,342	99,445	12,504	22,783	134,732	729,634	1,368,708
Depreciation and amortisation	539,844	45,368	4,572	21,964	71,904	11,756	623,504
Capital expenditure							
— Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	63,960	130,191	7,214	105,466	242,871	13,002	319,833
— Additions in investments in associates	–	2,625	–	–	2,625	–	2,625

(a) The revenue from toll roads included construction service revenue under service concession arrangements of HKD37,268,000 (2015 interim: HKD515,000) for the period.

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

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

(All amounts in Hong Kong dollar thousands unless otherwise stated)

7. CAPITAL EXPENDITURE

	Intangible assets	Investment properties	Property, plant and equipment	Land use rights	Construction in progress
Six months ended 30 June 2016					
Net book amount as at 1 January 2016	**23,833,564**	**81,450**	**3,962,495**	**977,827**	**768,314**
Fair value gains	**–**	**850**	**–**	**–**	**–**
Transfer from other non-current assets	**–**	**–**	**–**	**203,568**	**–**
Transfer from inventory	**–**	**–**	**–**	**73,920**	**–**
Additions	**38,453**	**–**	**246,255**	**603,293**	**234,713**
Disposals	**–**	**–**	**(1,326)**	**–**	**–**
Transfers	**5,921**	**–**	**25,265**	**–**	**(31,186)**
Exchange difference	**(547,871)**	**–**	**(88,249)**	**(23,008)**	**(17,962)**
Transfer to assets of disposal group classified as held for sale	**–**	**–**	**(7,402)**	**–**	**(38,255)**
Other reductions	**–**	**–**	**–**	**–**	**(4,435)**
Depreciation/amortisation	**(633,141)**	**–**	**(167,252)**	**(15,141)**	**–**
Net book amount as at 30 June 2016	**22,696,926**	**82,300**	**3,969,786**	**1,820,459**	**911,189**
Six months ended 30 June 2015					
Net book amount as at 1 January 2015	21,066,291	81,240	4,085,841	1,038,290	442,257
Fair value gains	–	20	–	–	–
Transfer from other non-current assets	–	–	–	36,245	–
Additions	516	–	142,875	31,612	144,830
Disposals	(5,360)	–	(6,506)	–	–
Transfers	–	–	182,333	(55,180)	(182,333)
Exchange difference	1,511	–	88	267	172
Depreciation/amortisation	(449,673)	–	(160,839)	(12,992)	–
Net book amount as at 30 June 2015	20,613,285	81,260	4,243,792	1,038,242	404,926

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 range from 6 to 19 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any consideration payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

8. INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2016	2015
Beginning of the period	**5,673,459**	5,845,699
Additions	**81,356**	2,625
Transfer from other non-current assets	**706,317**	–
Share of profits of associates	**539,831**	487,485
Share of other comprehensive (loss)/income of an associate	**(22,665)**	23,560
Dividends received	**(259,203)**	(211,957)
Exchange difference	**(152,378)**	1,416
End of the period	**6,566,717**	6,148,828

The ending balance comprises the following:

	As at	
	30 June 2016	31 December 2015
Unlisted investments, at cost		
Share of net assets other than goodwill	**5,575,607**	4,660,392
Goodwill on acquisition	**991,110**	1,013,067
	6,566,717	5,673,459

Based on the assessment made by the directors of the Company, there were no impairment losses for the goodwill as at 30 June 2016 (31 December 2015: Nil).

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Six months ended 30 June	
	2016	2015
Beginning of the period	**1,215,450**	1,388,711
Additions	**963,992**	–
Net change in fair value	**(113,484)**	389,883
Disposals (Note (a))	**–**	(509,795)
Exchange differences	**(44,645)**	174
End of the period	**2,021,313**	1,268,973
Less: non-current portion	**(109,000)**	(100,200)
Current portion	**1,912,313**	1,168,773

(All amounts in Hong Kong dollar thousands unless otherwise stated)

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Available-for-sale financial assets, all denominated in RMB, include the following:

	As at	
	30 June 2016	31 December 2015
Listed securities in the PRC, at fair value (Note (a) and Note 5.3)	**688,109**	821,123
Unlisted yield-enhancement products, at fair value (Note (b) and Note 5.3)	**1,224,204**	298,579
Unlisted equity investments:		
at fair value (Note 5.3)	**–**	59,716
at cost less impairment		
— Cost (Note (c))	**133,095**	60,127
— Provision for impairment	**(24,095)**	(24,095)
	109,000	36,032
	109,000	95,748
	2,021,313	1,215,450

(a) As at 30 June 2016, listed equity investments stated at market price represent 2.48% (31 December 2015: 2.48%) equity interest in CSG Holding Co., Ltd. ("CSG"). During the period, the Group did not dispose of any shares in CSG (2015 interim: a gain of approximately HKD689,165,000 from the disposal of shares in CSG).

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

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

10. OTHER NON-CURRENT ASSETS

As at 30 June 2016, other non-current assets mainly represented prepayments for purchase of office building, land use right, other long-term receivables and advance to non-controlling interests.

11. INVENTORIES

As at 30 June 2016, inventories mainly included completed properties held for sale of HKD352,533,000 (31 December 2015: HKD351,320,000) and properties under development of HKD926,499,000 (31 December 2015: HKD767,871,000), which were all located in the PRC.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

12. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2016	31 December 2015
Trade receivables (Note (a))	**1,260,799**	1,066,747
Less: Provision for impairment	**(3,466)**	(3,550)
Trade receivables — net	**1,257,333**	1,063,197
Other receivables and prepayments (Note (b))	**891,872**	815,964
	2,149,205	1,879,161

(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. The ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

	As at	
	30 June 2016	31 December 2015
0–90 days	**615,366**	485,916
91–180 days	**69,802**	17,579
181–365 days	**37,883**	47,163
Over 365 days (i)	**537,748**	516,089
	1,260,799	1,066,747

(i) Trade receivables due over 365 days mainly comprised the amount of HKD503,181,000 (31 December 2015: HKD492,750,000) arising from the Group's development and management of certain toll road projects administrated for Shenzhen Traffic and Transportation Committee ("the SZ Transportation Committee") and entrusted construction management services of Guangshen Coastal Expressway (Shenzhen Section) Project ("Coastal Project").

(b) Amounts mainly included: (i) HKD264,547,000 (31 December 2015: HKD289,163,000) of prepayment for land use rights; (ii) HKD48,371,000 (31 December 2015: HKD7,615,000) of advance for construction costs; and (iii) HKD63,029,000 (31 December 2015: HKD63,368,000) 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 People's Bank of China ("PBOC") and an interest income of HKD1,188,000 (2015 interim: HKD81,523,000) was recognised for the period.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

13. 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 HKD4,158,447,000). Pursuant to the Land Transfer Agreement, United Land Company paid 30% of the total land premium by 30 June 2015 and the remaining land premium was paid before 23 June 2016. Prior to the above transaction, the Group had possessed these land use rights for logistic business operation. The directors of Company had approved a plan to dispose of not less than 50% equity interest in United Land Company to third-party real estate developers within one year. As such, the related group of assets which mainly includes the prepayment for land premium of HKD4,158,447,000 (31 December 2015: HKD1,277,929,000), the carrying values of the original land use rights of HKD51,474,000 (31 December 2015: HKD52,728,000) and the buildings and fixtures attached to the land use rights of HKD298,010,000 (31 December 2015: HKD297,812,000), were reclassified to assets held for sale.

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares (share)	Ordinary shares	Share premium	Total
As at 1 January 2015	1,891,942,887	1,891,942	5,630,593	7,522,535
Employee share option scheme				
— proceeds from shares issued	1,108,663	1,109	5,945	7,054
— value of employee services	–	–	14,956	14,956
Issue of scrip share as dividend	3,906,050	3,906	50,003	53,909
As at 30 June 2015	1,896,957,600	1,896,957	5,701,497	7,598,454
As at 1 January 2016	**1,899,019,417**	**1,899,019**	**5,726,509**	**7,625,528**
Employee share option scheme				
— proceeds from shares issued	**960,000**	**960**	**9,024**	**9,984**
— value of employee services	**–**	**–**	**11,792**	**11,792**
Issue of scrip share as dividend (Note 26)	**57,517,897**	**57,518**	**604,634**	**662,152**
As at 30 June 2016	**1,957,497,314**	**1,957,497**	**6,351,959**	**8,309,456**

(a) Authorised and issued

As at 30 June 2015, the total authorised number of ordinary shares was 3,000 million shares (31 December 2015: 3,000 million shares) with par value of HKD1.00 per share (31 December 2015: HKD1.00 per share). All issued shares are fully paid.

14. SHARE CAPITAL AND SHARE PREMIUM (continued)

(b) Share options

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

	Six months ended 30 June 2016		Six months ended 30 June 2015	
	Average exercise price (HKD per share)	**Number of share options (thousands)**	Average exercise price (HKD per share)	Number of share options (thousands)
Beginning of the period	**10.40**	**31,780**	9.56	39,797
Granted	**11.592**	**7,420**	–	–
Forfeited	**10.4**	**(1,450)**	10.40	(200)
Exercised	**10.4**	**(960)**	6.36	(1,109)
End of the period	**10.64**	**36,790**	9.65	38,488

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

Date of maturity	Exercise price (HKD per share)	Number of share options (thousands) 30 June 2016	31 December 2015
28 January 2019 (Note (i))	10.40	**29,370**	31,780
28 January 2019 (Note (ii))	11.592	**7,420**	–
		36,790	31,780

(i) On 29 January 2014, 32,880,000 share options (the "2014 Share Options") with an exercise price of HKD10.40 per share were granted to certain directors of the Company and to selected employees of the Group. During the period, 1,450,000 (2015 interim: 200,000) of the 2014 Share Options were forfeited and 960,000 (2015 interim: Nil) of 2014 Share Options were exercised.

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

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

(All amounts in Hong Kong dollar thousands unless otherwise stated)

15. OTHER RESERVES

	Fair value reserve	Reserve funds	Capital reserve	Goodwill reserve	Hedging reserve	Merger reserve	Revaluation surplus	Other reserves	Currency translation reserve	Contributed surplus	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	–	8,234	–	–	–	–	–	–	–	–	8,234
Fair value gains on available-for-sale financial assets, net of tax	292,391	–	–	–	–	–	–	–	–	–	292,391
Reclassification of fair value gains to income statement upon disposal of available-for-sale financial assets, net of tax	(337,187)	–	–	–	–	–	–	–	–	–	(337,187)
Fair value gains on derivative financial instruments, net of tax	–	–	–	–	1,365	–	–	–	–	–	1,365
Share of other comprehensive income of an associate	–	–	–	–	–	–	–	23,560	–	–	23,560
Currency translation differences	161	–	–	–	–	–	–	–	14,381	–	14,542
At 30 June 2015	806,789	2,016,026	59,723	(159,583)	(3,040)	(4,082,110)	507,216	10,333	1,626,638	13,005	794,997
At 1 January 2016	**563,645**	**2,079,630**	**59,723**	**(159,583)**	**(1,483)**	**(4,082,110)**	**507,216**	**16,201**	**885,535**	**13,005**	**(118,221)**
Transfer to retained earnings	**–**	**(84)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(84)**
Fair value loss on available-for-sale financial assets, net of tax	**(85,223)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(85,223)**
Fair value gains on derivative financial instruments, net of tax	**–**	**–**	**–**	**–**	**1,007**	**–**	**–**	**–**	**–**	**–**	**1,007**
Share of other comprehensive loss of an associate	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(22,665)**	**–**	**–**	**(22,665)**
Currency translation differences	**(14,905)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(407,415)**	**–**	**(422,320)**
At 30 June 2016	**463,517**	**2,079,546**	**59,723**	**(159,583)**	**(476)**	**(4,082,110)**	**507,216**	**(6,464)**	**478,120**	**13,005**	**(647,506)**

(All amounts in Hong Kong dollar thousands unless otherwise stated)

16. TRADE AND OTHER PAYABLES

	As at 30 June 2016	As at 31 December 2015
Trade payables (Note (a))	**147,099**	140,536
Payables relating to construction projects	**963,760**	949,885
Advances from associates (Note (b))	**90,375**	89,434
Compensation from government regarding Nanguan Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway toll free arrangement	**839,415**	1,054,635
Other payables, accrued expenses and deferred income (Note (c))	**1,739,898**	1,378,721
	3,780,547	3,613,211

(a) The ageing analysis of the trade payables was as follows:

	As at 30 June 2016	As at 31 December 2015
0–90 days	**144,480**	138,164
91–180 days	**1,882**	1,375
181–365 days	**737**	744
Over 365 days	**–**	253
	147,099	140,536

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

(c) Other payables, accrued expenses and deferred income mainly included payables for entrusted service costs of HKD183,951,000 (31 December 2015: HKD188,433,000), interest payables of HKD214,763,000 (31 December 2015: HKD160,008,000), employee benefit expenses of HKD84,323,000 (31 December 2015: HKD252,936,000), advanced proceeds from sales of properties of HKD251,518,000 (31 December 2015: HKD177,728,000) and current portion of deferred income of HKD9,214,000 (31 December 2015: HKD1,791,000).

(All amounts in Hong Kong dollar thousands unless otherwise stated)

17. BORROWINGS

	As at 30 June 2016	As at 31 December 2015
Non-current		
Bank borrowings (Note (b))	**4,265,293**	4,676,188
Other long-term borrowings	**–**	584,862
Medium-term notes	**2,210,366**	2,262,903
Senior notes	**2,341,903**	2,335,733
Corporate bonds (Note (c))	**2,676,847**	2,741,667
	11,494,409	12,601,353
Less: current portion	**(6,943,551)**	(3,440,320)
	4,550,858	9,161,033
Current		
Bank borrowings	**1,913,867**	1,881,659
Other borrowings	**–**	203,034
Senior notes	**2,341,903**	–
Medium-term notes	**1,163,921**	–
Corporate bonds	**1,748,860**	1,791,469
	7,168,551	3,876,162
Total borrowings	**11,719,409**	13,037,195

Movement in borrowings is analysed as follows:

	Six months ended 30 June 2016	Six months ended 30 June 2015
Opening balance as at 1 January	**13,037,195**	15,747,445
Additions	**262,304**	1,477,862
Repayments	**(1,343,123)**	(744,838)
Exchange differences	**(236,967)**	1,562
Closing balance as at 30 June	**11,719,409**	16,482,031

(All amounts in Hong Kong dollar thousands unless otherwise stated)

17. BORROWINGS (continued)

(a) The Group has the following standby banking facilities:

	As at 30 June 2016	As at 31 December 2015
Floating rate		
— Expiring within one year	**8,081,148**	21,821,736
— Expiring beyond one year	**19,549,018**	5,536,173
	27,630,166	27,357,909

(b) Bank borrowings of HKD2,252,331,000 (31 December 2015: HKD2,366,445,000) were secured by a pledge of the operating rights of Qinglian Expressway, of which HKD115,658,000 (31 December 2015: HKD118,476,000) were current portion of the non-current bank borrowings.

(c) Shenzhen Expressway issued corporate bonds of RMB800 million ("Corporate Bond A") and RMB1,500 million in August 2007 and August 2011 respectively. 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 Shenzhen Expressway's 100% equity interest in Shenzhen Meiguan Expressway Company Limited.

18. PROVISION FOR MAINTENANCE/RESURFACING OBLIGATIONS

	Six months ended 30 June 2016	Six months ended 30 June 2015
Opening net book amount	**239,841**	299,116
Charged to the income statement:		
Additions	**16,323**	16,165
Increase due to passage of time (Note 23)	**3,103**	5,310
Settlement	**(19,505)**	(20,168)
Exchange differences	**(5,705)**	40
Closing net book amount	**234,057**	300,463
Less: current portion	**(88,117)**	(188,084)
Non-current portion	**145,940**	112,379

(All amounts in Hong Kong dollar thousands unless otherwise stated)

19. OTHER NON-CURRENT LIABILITIES

	As at	
	30 June 2016	31 December 2015
Compensations from government regarding Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway toll free arrangement (Note (a))	**10,304,749**	10,594,127
Deferred income (Note (b))	**590,723**	335,996
	10,895,472	10,930,123

(a) As at 30 June 2016, the amount mainly represented compensation received in relation to the toll adjustment and compensation for Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway Shenzhen Section. On 30 November 2015, Shenzhen Expressway and Shenzhen Longda Expressway Company Limited ("Longda Company", a subsidiary of Group), and SZ Transportation Committee entered into the toll adjustment and compensation agreements regarding Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway (the "Adjustment Agreements"), pursuant to which Nanguang Expressway, Yanpai Expressway, Yanba Expressway (together operated by Shenzhen Expressway) and Longda Expressway Shenzhen Section (namely, the 23.8 km section of the Longda Expressway from the starting point of the Longda Expressway to the Nanguang ramp, operated by Longda Company) (the "4 Toll Roads") became toll-free from 00:00 on 7 February 2016 in two phases in exchange for cash compensation calculated based on adjustment mechanism by SZ Transportation Committee. During Phase 1, the Group will retain its toll fee right and be responsible for the maintenance and repair of the 4 Toll Roads. SZ Transportation Committee will engage the services of the Group and implement toll-free for the 4 Toll Roads in exchange for an amount of cash compensation. During Phase 2, SZ Transportation Committee may, within 10 months before the end of Phase 1, elect to adopt either Option 1 or Option 2 to be effective from 00:00 on 1 January 2019. Under Option 1, the parties will continue to operate in the same manner in Phase 1. Under Option 2, toll fee right of the 4 Toll Roads will be returned to SZ Transportation Committee in exchange for cash compensation and SZ Transportation Committee will implement toll-free for the 4 Toll Roads, the Group will no longer retain its toll fee rights nor be responsible for the maintenance and repair of the 4 Toll Roads.

The parties will engage Shenzhen City Transport Planning Study Centre Co., Ltd. to audit the actual amount of toll revenue in each of the financial years during Phase 1 according to the agreed approach under the Adjustment Agreements. If the actual toll revenue deviates by or less than 3% from the estimated figure stipulated under the Adjustment Agreements, the amount of compensation payable by SZ Transportation Committee will not be adjusted. If the actual toll revenue deviates more than 3% from the estimated figure stipulated under the Adjustment Agreements, the amount of compensation payable by SZ Transportation Committee will be adjusted upwards or downwards (as the case may be).

All compensation (not including compensation for the relevant taxes) payable by SZ Transportation Committee to the Group were subject to additional interest payable by SZ Transportation Committee to the Group to reflect the time value of the compensation for the period between the basis date of valuation and the date of payment. Such interest should start to accrue from 1 December 2015 and calculated based on the loan interest rate with the corresponding tenor published by the PBOC, which was ranged from 4.35% to 4.75%.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

19. OTHER NON-CURRENT LIABILITIES (continued)

(a) (continued)

Compensation includes unrecognised finance charges that will be amortised in the income statement within "finance costs" from December 2015 to 31 December 2018. Interest expense of HKD273,837,000 was recognised for the six months ended 30 June 2016 (2015 interim: Nil) (Note 23).

In December 2015, the Group received the first payment from SZ Transportation Committee amounting to HKD11,599,650,000, of which HKD839,415,000 (Note 16) was in relation to the toll revenue of the 4 Toll Roads from the second half of 2016 to the first half of 2017 (31 December 2015: HKD1,054,635,000).

(b) As at 30 June 2016, deferred income includes government grants amounting to HKD324,238,000 which was received from the government for the purpose of subsidising the Group's development, operation and setting up certain integrated logistics hubs (31 December 2015: HKD69,868,000). The corresponding deferred income with maturity within one year was HKD9,214,000 (31 December 2015: HKD1,791,000) and it was included in Note 16.

20. REVENUE

	Six months ended 30 June	
	2016	2015
Toll roads		
— Toll revenue	**2,498,611**	2,097,029
— Entrusted construction management service and construction consulting service revenue	**265,771**	56,712
— Construction service revenue under concession arrangements	**37,268**	515
	2,801,650	2,154,256
Logistic business		
— Logistic parks	**238,105**	318,793
— Logistic services	**447,685**	361,530
— Port	**90,574**	96,017
	776,364	776,340
	3,578,014	2,930,596

(All amounts in Hong Kong dollar thousands unless otherwise stated)

21. OTHER (LOSSES)/GAINS — NET

	Six months ended 30 June	
	2016	2015
(Tax expenses)/gains on disposals of available-for-sale financial assets (Note (a))	**(125,518)**	689,165
Losses on disposals of property, plant and equipment	**(1,598)**	(2,777)
Losses on disposal of intangible assets	**–**	(3,030)
Others	**4,829**	20
	(122,287)	683,378

(a) During the period, tax expenses in respect of the disposals of available-for-sale financial assets represents the relevant business taxes and surcharges arising from the disposal of shares of CSG in previous years.

22. OTHER INCOME

	Six months ended 30 June	
	2016	2015
Dividend income	**63,589**	53,975
Rental income	**4,543**	2,770
Government subsidies	**9,988**	1,165
Others	**6,914**	3,948
	85,034	61,858

(All amounts in Hong Kong dollar thousands unless otherwise stated)

23. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2016	2015
Finance income		
Interest income from bank deposits	**126,392**	75,305
Interest income from other receivables	**7,383**	81,523
Other interest income	**2,494**	–
Total finance income	**136,269**	156,828
Finance costs		
Interest expenses		
— Bank borrowings	**98,246**	192,199
— Medium-term notes	**56,103**	35,468
— Corporate bonds	**79,808**	114,414
— Senior notes	**51,864**	51,851
— Others interest expense (Note 18)	**3,103**	5,310
— Interest expense on financial liabilities (Note 19)	**273,837**	–
Net foreign exchange losses directly attributable to borrowings	**119,713**	3,220
Less: finance costs capitalised on qualified assets	**(70,937)**	(15,194)
Total finance costs	**611,737**	387,268
Net finance costs	**475,468**	230,440

24. INCOME TAX EXPENSE

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the period. Taxes on overseas profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The PRC corporate income tax charged to the consolidated income statement was calculated based on the assessable profits of the Group's subsidiaries located in the PRC for the period at a rate of 25% (2015 interim: 25%) applicable to the respective companies.

	Six months ended 30 June	
	2016	2015
Current income tax		
— PRC corporate income tax	**321,286**	455,358
Deferred tax	**(1,480)**	33,934
	319,806	489,292

25. 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 period.

	Six months ended 30 June	
	2016	2015
Profit attributable to equity holders of the Company	**632,223**	1,368,708
Weighted average number of ordinary shares in issue (thousands)	**1,901,787**	1,892,613
Basic earnings per share (HKD per share)	**0.33**	0.72

(b) Diluted

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

	Six months ended 30 June	
	2016	2015
Profit attributable to equity holders of the Company	**632,223**	1,368,708
Profit used to determine diluted earnings per share	**632,223**	1,368,708
Weighted average number of ordinary shares in issue (thousands)	**1,901,787**	1,892,613
Adjustments — share options (thousands)	**3,743**	7,192
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,905,530**	1,899,805
Diluted earnings per share (HKD per share)	**0.33**	0.72

26. DIVIDENDS

The board of directors has resolved not to declare any interim dividend in respect of the period (2015 interim: Nil). The 2015 final dividend of HKD949,860,000 (HKD0.5 per ordinary share) were settled in June 2016. According to the approved scrip dividend scheme for final dividend in the annual general meeting held on 13 May 2016, 57,517,897 new shares were issued at a price of approximately HKD11.512 per share, totalling HKD662,152,000. The remaining dividend totalling HKD287,708,000 was paid in cash in June 2016.

(All amounts in Hong Kong dollar thousands unless otherwise stated)

27. GUARANTEES AND CONTINGENCIES

Except for described below, there have been no significant changes to the Group's guarantees and contingencies since 31 December 2015.

Shenzhen Expressway had construction management contracts and arranged with bank to issue irrevocable performance guarantees amounting to HKD17,489,000 (31 December 2015: HKD17,915,000), HKD2,332,000 (31 December 2015: HKD2,389,000) and HKD71,264,000 (31 December 2015: HKD73,001,000) on its behalf to SZ Transportation Committee, Shenzhen Traffic Public Facilities Construction Center and Shenzhen Longhua New Area Construction Service Management Center respectively.

Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company") was 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 HKD120,535,000 (31 December 2015: HKD107,419,000).

As of 30 June 2016, Shenzhen Expressway has given collateral liability guarantees by phases of approximately HKD74,432,000 (31 December 2015: Nil) to banks in respect of housing loans extended to purchasers of properties by banks. Pursuant to the terms of guarantees, in the event of any defaults in mortgage repayments by those purchasers, Shenzhen Expressway shall undertake to repay outstanding mortgage loans together with any accrued interest and penalty due to banks by purchasers in defaults. The validity period of Shenzhen Expressway's guarantee shall commence from the date of grant of relevant mortgage loans and expire upon receipts of property ownership certificates by respective purchasers. The directors of the Group consider that, in case of default in repayments, the net realisable value of related properties should be able to cover repayments of outstanding mortgage loans together with any accrued interest and penalty and, accordingly, no provision has been made in respect of the guarantees.

United Land Company entered into the land transfer agreements with Longhua Management Bureau Under Urban Planning Land and Resources Commission of the Shenzhen Municipal and executed the Meilin Checkpoint Urban Renewal Project. In accordance with the related project contracts, United Land Company has arranged with a bank to issue irrevocable performance guarantees to Shenzhen Longhua New District City Construction Bureau accounting to HKD53,865,000 (31 December 2015: HKD55,177,000)

28. COMMITMENTS

Save as disclosed elsewhere in this interim financial information, the Group has the following capital expenditure committed but not yet incurred:

	As at	
	30 June 2016	31 December 2015
Capital commitments — expenditure of property, plant and equipment and concession intangible assets — Contracted but not provided for	**675,381**	3,762,844
Investment commitments — Contracted but not provided for	**3,629,648**	125,161
	4,305,029	3,888,005

29. RELATED-PARTY TRANSACTIONS

As described in Note 1, the Company is de facto controlled by Shenzhen SASAC. Management considers certain state-owned enterprises have material transactions with the Group in its ordinary course of business, which include but not limited to (1) capital expenditure incurred for service concession projects and construction in progress with stated-owned contractors and the corresponding payable balances due to these contractors and guaranteed deposits; (2) purchase of goods, including use of public utilities; and (3) bank deposits and borrowings. These transactions are mainly carried out on terms comparable to those conducted with third parties or standards promulgated by relevant government authorities and have been reflected in the interim financial information.

Management believes that meaningful information relating to related party transactions has been disclosed.

Apart from the related party transactions and balances already disclosed in other notes to this interim financial information, the following material transactions were carried out with related parties during the period:

(a) 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 is calculated at 1.5% of the construction budget. On 9 September 2011, Shenzhen Expressway and Coastal Company entered into the entrusted construction management agreement to formalize the terms of these arrangements. During the period, Shenzhen Expressway recognised construction management service revenue amounting to RMB5,244,000 (HKD6,215,000) (2015 interim: RMB16,301,000 (HKD20,323,000)).

Additionally, according to an entrusted operation management agreement signed between Shenzhen Expressway and Coastal Company in June 2016, Shenzhen Expressway recognised entrusted management service revenue amounting to RMB42,453,000 (HKD50,318,000) (2015 interim: Nil) during the period.

(b) On 7 March 2016, the Company entered into an agreement with Shenzhen Nongke Holdings Company Limited ("Shenzhen Nongke", an indirect subsidiary of Shenzhen SASAC) whereby the Company agreed to purchase and Shenzhen Nongke agreed to sell (through its wholly-owned subsidiary, namely Shenzhen Shumyip Zhongcheng Co., Ltd.) an office building at a cash consideration of RMB1,168 million (equivalent to approximately HKD1,362 million) as the Group's headquarter in Shenzhen. As of 30 June 2016, RMB1,051,200,000 (HKD1,245,941,000) had been paid as part of the consideration for property.

SUPPLEMENTARY INFORMATION

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 six months ended 30 June 2016 (the "Period").

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2016, the interests and short positions of 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 (the "Listing Rules") were set out as follows and in the section headed "**SHARE OPTION SCHEME**" below:

Long positions in the 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	135,646	beneficial owner	personal	0.01%
Liu Jun	900,000	beneficial owner	personal	0.05%
Li Lu Ning	135,646	beneficial owner	personal	0.01%

Save as disclosed above and in the section headed "**SHARE OPTION SCHEME**" below, as at 30 June 2016, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

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

Both the Expired Scheme and the New Scheme are established to recognise, motivate and provide incentives to the eligible participants who make contributions to the Group. Eligible participants of these schemes 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 of directors of the Company (the"Board").

The following table lists the details of the outstanding share options which were granted under the Expired Scheme and the New Scheme and their movements during the Period *(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)*	**As at 1 January 2016**	**Granted during the Period**	**Exercised during the Period**	**Cancelled/ lapsed during the Period**	**As at 30 June 2016**	**As at the date of grant of share options**	**As at the date of exercise of share options**
			HK$						HK$	HK$
Directors										
Mr. Gao Lei	29 January 2014 *(Notes 2, 8)*	29 January 2016 to 28 January 2019	10.40	1,400,000	–	–	–	1,400,000	9.700	N/A
Mr. Li Hai Tao *(Note 3)*	22 June 2016 *(Notes 4, 9)*	22 June 2016 to 28 January 2019	11.592	–	410,000	–	–	410,000	11.660	N/A
Mr. Li Jing Qi *(Note 5)*	29 January 2014 *(Notes 2, 8)*	29 January 2016 to 28 January 2019	10.40	1,330,000	–	–	–	1,330,000	9.700	N/A
Mr. Zhong Shan Qun	29 January 2014 *(Notes 2, 8)*	29 January 2016 to 28 January 2019	10.40	1,050,000	–	–	–	1,050,000	9.700	N/A
Mr. Liu Jun	29 January 2014 *(Notes 2, 8)*	29 January 2016 to 28 January 2019	10.40	1,050,000	–	–	–	1,050,000	9.700	N/A
Mr. Li Lu Ning	29 January 2014 *(Notes 2, 8)*	29 January 2016 to 28 January 2019	10.40	1,050,000	–	–	–	1,050,000	9.700	N/A
				5,880,000	410,000	–	–	6,290,000		
Other employees										
In aggregate	29 January 2014 *(Notes 2, 8)*	29 January 2016 to 28 January 2019	10.40	25,900,000	–	960,000	1,450,000	23,490,000	9.700	11.94
	22 June 2016 *(Notes 4, 9)*	22 June 2016 to 28 January 2019	11.592	–	7,010,000	–	–	7,010,000	11.660	N/A
				25,900,000	7,010,000	960,000	1,450,000	30,500,000		
				31,780,000	7,420,000	960,000	1,450,000	36,790,000		

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) granted under the Expired Scheme was disclosed on the basis of the information after the Share Consolidation became effective.*

(2) *40% of these share options granted was vested on 29 January 2016; another 30% of these share options granted will be vested on 29 January 2017; and the remaining 30% of these share options granted will be vested on 29 January 2018. Vesting of these share options in 2017 and 2018 is conditional upon the achievement of certain performance targets by the individual grantees and the Group.*

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

(4) *40% of these share options granted was vested on 22 June 2016; another 30% of these share options granted will be vested on 29 January 2017; and the remaining 30% of these share options granted will be vested on 29 January 2018. Vesting of these share options in 2017 and 2018 is conditional upon the achievement of certain performance targets by the individual grantees and the Group.*

(5) *Mr. Li Jing Qi has resigned as an executive director and the Chief Executive Officer of the Company with effect from 8 June 2016.*

(6) *The exercise price of the share options was subject to adjustment in the event of rights or bonus issues or other similar changes in the Company's share capital.*

(7) *The share price of the Company disclosed as at the date of the grant of the share options was the closing price as quoted on the Stock Exchange of the trading day immediately prior to the date of the grant of the share options. The share price of the Company disclosed as at the date of exercise of the share options was the weighted average closing price of the shares immediately before the date(s) on which the share options with the disclosure category were exercised.*

(8) *Granted under the Expired Scheme.*

(9) *Granted under the New Scheme.*

The Group is in compliance with the requirements as stipulated in Hong Kong Financial Reporting Standard 2 "Share-based Payment". During the Period, provisions amounting to HK$11,792,000 were made for the cost of share options granted by the Company, and was already recognised in the interim consolidated income statement. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which lapse or are cancelled prior to the expiration of their exercise date are deleted from the register of outstanding share options.

Details of the model and significant assumptions used to estimate the fair value of the share options granted by the Company to eligible participants during the Period are set out in note 14 to the interim financial information. Such option pricing model requires input of subjective assumptions. Any changes in the subjective input assumptions may materially affect the estimation of the fair value of the share options.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2016, the interests and short positions of the substantial shareholders, other than the directors or chief executives of the Company, 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)*	866,476,843	interest of controlled corporations	44.26%
Ultrarich International Limited ("Ultrarich") — *Note (2)*	866,476,843	beneficial owner	44.26%
Chan See Ting	3,854,962	beneficial owner	0.20%
	250,688,010 — *Note (3)*	interest of controlled corporations	12.81%
Lai Hoi Man	3,854,962	family interests	0.20%
	250,688,010 — *Note (3)*	interest of controlled corporations	12.81%
Horoy Enterprise Holdings Limited	165,192,247	beneficial owner	8.44%
Horoy International Holdings Limited	85,495,763	beneficial owner	4.37%

Notes:

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

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

(3) Each of Chan See Ting and Lai Hoi Man holds 40% and 60% of the equity interest in Horoy Enterprise Holdings Limited respectively and also holds 40% and 60% of the equity interest in Horoy International Holdings Limited respectively. Accordingly, they are deemed to be interested in the aggregate holdings of 250,688,010 shares in the Company held by these companies as disclosed above.

Save as disclosed above, as at 30 June 2016, the Company had not been notified by any substantial shareholders, other than the directors or chief executives of the Company, 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 30 June 2016, the interests and short positions of other persons in the shares and underlying shares of the Company, which are required to be recorded in the register kept by the Company under section 336 of Part XV of the SFO are set out below:

Name of shareholders	**Number of ordinary shares held** *Note (1)*	**Capacity**	**Approximate % of issued shares of the Company**
UBS Group AG	23,177,649 (L)	person having a security interest in shares	1.184%
	82,136,909 (L) *Note (2)*	interest of controlled corporations	4.196%
	9,041,805 (S) *Note (2)*	interest of controlled corporations	0.462%
UBS AG	9,585,875 (L)	beneficial owner	0.4897%
	9,022,562 (S)	beneficial owner	0.461%
UBS Asset Management (Hong Kong) Ltd	11,060,568 (L)	beneficial owner	0.565%
UBS Asset Management (Japan) Ltd	568,500 (L)	beneficial owner	0.029%
UBS Asset Management (Singapore) Ltd	2,722,990 (L)	beneficial owner	0.1391%
UBS Asset Management Trust Company	46,000 (L)	beneficial owner	0.0023%
UBS Asset Management (UK) Limited	3,413,000 (L)	beneficial owner	0.1744%
UBS Fund Management (Luxembourg) S.A.	54,686,409 (L)	beneficial owner	2.7937%
UBS Fund Management (Switzerland) AG	23,000 (L)	beneficial owner	0.0012%
UBS O'Connor Limited	1,324 (L)	beneficial owner	0.0001%
UBS Securities LLC	19,243 (L)	beneficial owner	0.001%
	19,243 (S)	beneficial owner	0.001%
UBS Financial Services Inc.	10,000 (L)	beneficial owner	0.0005%

Notes:

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

(2) *UBS AG,UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Japan) Ltd, UBS Asset Management (Singapore) Ltd, UBS Asset Management Trust Company, UBS Asset Management (UK) Limited, UBS Fund Management (Luxembourg) S.A., UBS Fund Management (Switzerland) AG, UBS O'Connor Limited, UBS Securities LLC 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 82,136,909 shares in the Company and the short positions of 9,041,805 shares in the Company held by these companies as disclosed above.*

Save as disclosed above, as at 30 June 2016, the Company had not been notified by any other persons who had interests or short positions in the shares and underlying shares of the Company which are as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

SUPPLEMENTARY INFORMATION

CORPORATE GOVERNANCE

The Board is committed to maintaining a high standard of corporate governance in the best interests of shareholders. The corporate governance principles adopted by the Company emphasise a highly efficient Board, sound internal control and transparency and accountability to all shareholders. During the Period, the Company has complied with the code provisions set out in "Corporate Governance Code and Corporate Governance Report" of Appendix 14 to the Listing Rules.

Board of Directors

As of the date of this report, the Board comprises nine directors, including five executive directors, namely Mr. Gao Lei, Mr. Li Hai Tao (appointed on 8 June 2016), Mr. Zhong Shan Qun, Mr. Liu Jun and Mr. Li Lu Ning; a non-executive director, namely Dr. Yim Fung and three independent non-executive directors, namely Mr. Leung Ming Yuen, Simon, Mr. Ding Xun and Mr. Nip Yun Wing.

The Board discussed the following major issues during the Period:

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

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

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

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

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

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

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

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

(9) approving the amendment of the terms of reference of the Audit Committee for compliance of the updates of the Listing Rules.

Audit Committee

The Audit Committee was established in 1995. Currently, the Audit Committee consists of three independent non-executive directors, namely Mr. Leung Ming Yuen, Simon (Chairman), Mr. Ding Xun and Mr. Nip Yun Wing. In establishing and adopting the terms of reference of the Audit Committee, the Board had regard to the "Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee discussed and reviewed the following major issues together with the management and the auditor of the Company (the "Auditor") during the Period:

(1) reviewing the 2015 annual results and confirming that the related disclosures in the financial statements were complete, accurate and fair and recommended the same to the Board for approval;

(2) approving the Auditor's fees for the audit of the 2015 financial statements;

(3) reviewing the adequacy of the resources, qualifications and experience of the staff responsible for the Group's accounting and financial reporting and their training programme and related budget;

(4) reviewing the relevant internal control and risk management procedures;

(5) considering the amendment of the terms of reference of the Audit Committee for compliance of the updates of the Listing Rules and recommended the same to the Board for approval; and

(6) considering the appointment of the new auditor for 2016 and recommending the same to the Board for approval.

The Company has engaged KPMG, the Auditor, to review the unaudited 2016 interim financial information of the Group. Before the date of approval of the interim financial information by the Board, a meeting of the Audit Committee had been held with the Auditor to review the unaudited interim financial information of the Group for the six months ended 30 June 2016. The Auditor's independent review report is set out on page 27 of this report.

Nomination Committee

The Nomination Committee was established in December 2003 and consists of three members, two of whom are independent non-executive directors. Currently, Mr. Ding Xun (Chairman), Mr. Leung Ming Yuen, Simon and Mr. Zhong Shan Qun are the members of the Nomination Committee.

The Nomination Committee discussed and reviewed the following major issues during the Period:

(1) making recommendation to the Board on the appointment of Mr. Li Hai Tao as an executive director and the Chief Executive Officer of the Company;

(2) reviewing and confirmed the independence of the three independent non-executive directors;

(3) reviewing the structure, composition and diversity of the Board; and

(4) evaluating and making recommendation as to the performance of the directors of the Company who were subject to retirement by rotation and re-election at the 2016 annual general meeting.

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee was established in December 2003 and consists of three members, two of whom are independent non-executive directors. Currently, Mr. Ding Xun (Chairman), Mr. Leung Ming Yuen, Simon and Mr. Gao Lei are the members of the Remuneration and Appraisal Committee.

The Remuneration and Appraisal Committee discussed and reviewed the following major issues during the Period:

(1) evaluating the performance of the executive directors and senior management;

(2) approving bonus payments for 2015 to the senior management;

(3) approving the entering into of the service contract with Mr. Li Hai Tao, an executive director of the Company;

(4) approving the entering into of the service contracts with two executive directors of the Company; and

(5) considering and approving the grant of share options to an executive director of the Company.

Executive Committee of the Board (the "Executive Board Committee")

Members of the Executive Board Committee are appointed by the Board. Currently, the Committee consists of five executive directors, namely Mr. Gao Lei, Mr. Li Hai Tao (appointed on 8 June 2016), Mr. Zhong Shan Qun, Mr. Liu Jun and Mr. Li Lu Ning.

During the Period, the major issues that the Executive Board Committee discussed and reviewed included discussing and considering the Company's 2015 annual results, results and business development for the first quarter of 2016, dividend proposal, the grant of the Company's share options to eligible participants; considering the budgets for the year 2016 and the plans for bank financing, etc.. The Committee also discussed and considered the business development plans, capital expenditures and loans, and changes in the senior management of the Company's subsidiaries.

The attendance records of the Board meetings and Committee meetings

Details of the directors' attendance at the Board meetings and Committee meetings during the Period 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**
Executive directors					
Mr. Gao Lei *(Chairman)*	**4**/4	N/A	N/A	**2**/2	**12**/12
Mr. Li Hai Tao(1), (2)	**1**/1	N/A	N/A	N/A	**1**/1
Mr. Li Jing Qi(3), (4)	**4**/4	N/A	N/A	N/A	**11**/11
Mr. Zhong Shan Qun	**3**/4	N/A	**2**/2	N/A	**11**/12
Mr. Liu Jun	**4**/4	N/A	N/A	N/A	**7**/12
Mr. Li Lu Ning	**3**/4	N/A	N/A	N/A	**12**/12
Non-executive director					
Dr. Yim Fung	**3**/4	N/A	N/A	N/A	N/A
Independent Non-executive directors					
Mr. Leung Ming Yuen, Simon	**4**/4	**2**/2	**2**/2	**2**/2	N/A
Mr. Ding Xun	**4**/4	**2**/2	**2**/2	**2**/2	N/A
Mr. Nip Yun Wing	**3**/4	**2**/2	N/A	N/A	N/A

Notes:

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

(2) The Company convened a Board meeting and an Executive Board Committee meeting since the date of appointment of Mr. Li Hai Tao as an executive director of the Company and until 30 June 2016.

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

(4) The Company convened eleven Executive Board Committee meetings before the resignation of Mr. Li Jing Qi as an executive director of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

The Board adopted a code of conduct ("Code of Conduct") in respect of securities transactions of the Company by the directors and relevant employees of the Group on terms more stringent than those set out in 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 enquiries 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 during the Period.

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