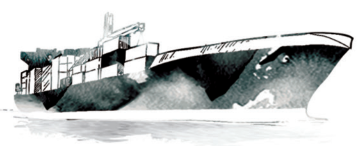
Shenzhen International
深國際

INTERIM REPORT
中期報告
2017

Building Value, Sharing Future



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

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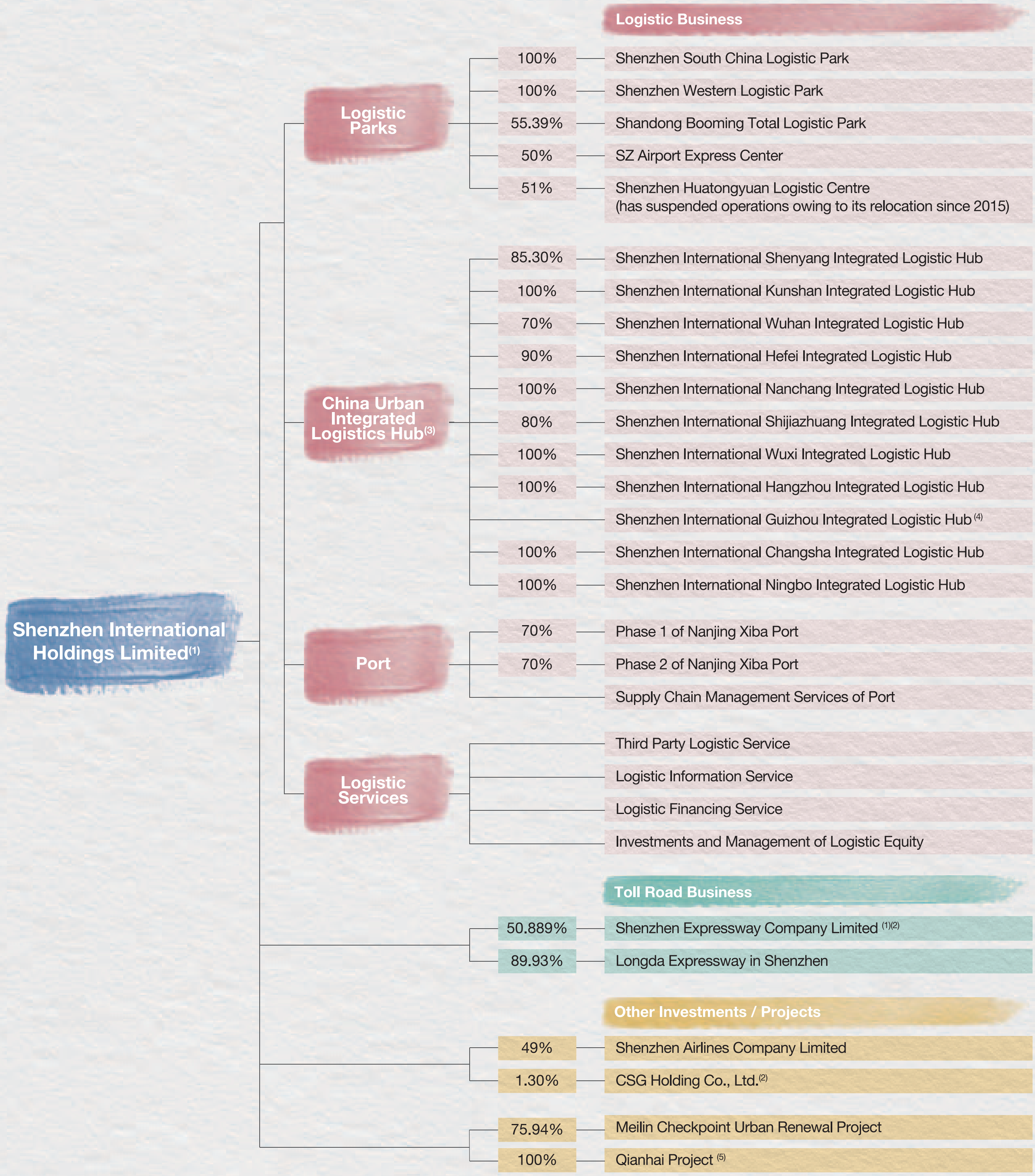
CORPORATE PROFILE

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

Shenzhen Investment Holdings Company Limited, the controlling shareholder of the Company, is a corporation wholly-owned by State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal and, as at the date of this report, holds approximately 44.4% of the issued share capital of the Company.

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



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

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Gao Lei *(Chairman)*
Li Hai Tao *(Chief Executive Officer)*
Zhong Shan Qun
Liu Jun
Hu Wei

Non-Executive Directors:

Xie Chu Dao
Liu Xiao Dong

Independent Non-Executive Directors:

Leung Ming Yuen, Simon
Ding Xun
Nip Yun Wing
Yim Fung

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

00152

AUDITOR

KPMG
Certified Public Accountants
Hong Kong

LEGAL ADVISERS

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

INVESTOR RELATIONS CONSULTANT

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

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***	
	2017	*2016*	***2017***	*2016*	***2017***	*2016*	***2017***	*2016*
Toll roads								
– Revenue	**2,697**	2,764	**1,443**	1,354	**246**	116	**1,689**	1,470
– Construction service revenue	**242**	38	**—**	—	**—**	—	**—**	—
Toll roads sub-total	**2,939**	2,802	**1,443**	1,354	**246**	116	**1,689**	1,470
Logistic business								
– Logistic parks	**264**	238	**79**	90	**6**	8	**85**	98
– Logistic services	**484**	448	**30**	10	**2**	2	**32**	12
– Port and related services#	**518**	90	**52**	38	**—**	—	**52**	38
Logistic business sub-total	**1,266**	776	**161**	138	**8**	10	**169**	148
Head office	**—**	—	**(36)**	(200)	**466**	435	**430**	235
Total	**4,205**	3,578	**1,568**	1,292	**720**	561	**2,288**	1,853
Finance income							**58**	136
Finance costs							**(389)**	(612)
Finance costs – net							**(331)**	(476)
Profit before income tax							**1,957**	1,377

Port and related services in 2017 included operation and management of wharf and logistic centres at Xiba Port in Nanjing, and port related supply chain management services business.

	For the six months ended 30 June		
	2017 HK$ million	*2016 HK$ million*	***Increase***
Results			
Revenue (excluding construction service revenue)	**3,963**	3,540	12%
Operating profit	**1,568**	1,292	21%
Profit before income tax	**1,957**	1,377	42%
Profit attributable to shareholders	**1,104**	632	75%
Basic earnings per share (HK dollars)	**0.56**	0.33	70%
EBITDA to interest expense multiple	**8.18 times**	4.36 times	3.82 times △

	30 June 2017 HK$ million	*31 December 2016 HK$ million*	***Increase***
Financial Position			
Total assets	**68,059**	60,741	12%
Total equity	**30,707**	28,436	8%
Debt asset ratio (Total liabilities/Total assets)	**55%**	53%	2*
Ratio of Net borrowings to Total equity	**28%**	3%	25*
Ratio of Total borrowings to Total equity	**55%**	44%	11*
Net asset value per share attributable to shareholders (HK dollars)	**10.0**	9.5	5%

△ *Change in multiple*

* *Change in percentage point*

OVERALL REVIEW

Operating Results	*For the six months ended 30 June* **2017** **HK$'000**	*2016* *HK$'000*	*Increase*
Revenue from core business	**3,962,779**	3,540,746	12%
Construction service revenue from toll roads	**242,400**	37,268	550%
Total revenue	**4,205,179**	3,578,014	18%
Operating profit	**1,568,215**	1,292,274	21%
Profit before finance costs and tax	**2,287,577**	1,852,522	23%
Profit attributable to shareholders	**1,104,129**	632,223	75%
Basic earnings per share (HK dollar)	**0.56**	0.33	70%

In the first half of 2017, the Chinese economy has grown steadily, and the growing demand for logistics infrastructure facilities and quality logistics services have provided considerable room for the business development of the Group. The Group seized market opportunities and continued to focus on promoting the transformation and upgrading of existing operations and strategic deployment of its "China Urban Integrated Logistics Hub". The Group continuously enhanced its operational efficiency and created room for improving its value-added services. It also built a network of supply chain system to further enhance the Group's overall strength, with all business segments achieving stable growth in their operating results for the first half of 2017.

During the six months ended 30 June 2017 (the "Period"), the Group's revenue from its core business and profit before finance costs and tax increased by approximately 12% and 23%, to approximately HK$3,963 million and HK$2,288 million, respectively, as compared to the corresponding period of the previous year. The Group achieved satisfactory growth in profit attributable to shareholders, which amounted to approximately HK$1,104 million, representing an increase of approximately 75%, as compared to the corresponding period of the previous year. This was mainly driven by the increase in profits from its two core business segments (logistics business and toll road business) coupled with the steady profit growth of Shenzhen Airlines Company Limited ("Shenzhen Airlines"). While the exchange rate of Renminbi appreciated against US Dollar during the Period also resulted in a decrease in finance costs for the Group.

During the Period, most of the toll road projects of the Group maintained steady growth in traffic volume and toll revenue. In addition, two toll road projects namely Changsha Ring Road and Yichang Expressway were consolidated in the Group's financial statements for the first time during the Period. These investment and acquisition projects also brought in new sources of revenue for the Group. Toll road business recorded a profit attributable to shareholders of approximately HK$529 million (2016: HK$394 million), representing an increase of approximately 34% as compared to the corresponding period of the previous year, which in turn contributed to the increase in the Group's profit attributable to shareholders.

During the Period, logistics business achieved satisfactory growth in its performance. Revenue and profit attributable to shareholders increased by approximately 63% and approximately 11%, to approximately HK$1,266 million and approximately HK$124 million, respectively, as compared to the corresponding period of the previous year, mainly benefiting from the significant growth of the business volume of port business and being driven by the successful expansion of the third-party logistics service business and logistics financial service business.

As several transformation and upgrade projects of the Group's existing logistics parks were undergoing an incubation stage or the early phases of construction, revenue and profit growth of the Group's logistics business was limited. Nevertheless, with the transformation and upgrade of logistics parks progressing steadily and with more China Urban Integrated Logistics Hub projects commencing operations, the growth of the Group's logistics business will be improved.

In addition, during the Period, while focusing on executing the strategic deployment of "China Urban Integrated Logistics Hub", the Group also steadily advanced the projects under construction and planning, and actively increased its marketing efforts. As of the date of this report, the Group has established its presence in 18 major logistics gateway cities and executed investment agreements for China Urban Integrated Logistics Hub projects, involving a planned site area of approximately 5.34 million square metres, of which approximately 2.17 million square metres are currently owned by the Group. A total of six projects have been put into operation and trial operation, with an operating area of approximately 453,000 square metres. It is expected that three more China Urban Integrated Logistics Hub projects will be put into trial operation in the fourth quarter of 2017. With the benefit of strong market demand for modern premium logistics facilities, as of 30 June 2017, the Group's logistics facilities projects in Shenyang, Kunshan, Wuhan and Hefei (which are in operation) had in aggregate an operating area of approximately 345,000 square metres and an overall occupancy rate of approximately 72%, performing satisfactorily and contributing new operating revenue and profits of approximately HK$24.26 million and HK$2.54 million, respectively, to the Group.

During the Period, the Group seized the opportunities of conversion of land use of its logistics parks in Shenzhen and vigorously advanced its transformation and upgrade work. The land consolidation and preparation of the Qianhai Project and the construction of the first phase of the Qianhai Project are progressing smoothly in accordance as planned. The Group strives to complete the land consolidation and preparation work of the Qianhai Project by the end of 2017. The Meilin Checkpoint Urban Renewal Project is also progressing steadily. Currently, the Group is making every effort to speed up the preparatory work for the development of the Meilin Checkpoint Urban Renewal Project and strives to commence construction within 2017.

During the Period, Shenzhen Airlines, an associate in which the Group holds a 49% equity interest, maintained a good growth in the number of passengers carried and recorded a total revenue of approximately RMB13,197 million (equivalent to approximately HK$14,974 million), representing an increase of approximately 7% as compared to the corresponding period of the previous year. Despite the increase in aviation oil prices, net profit of Shenzhen Airlines still increased by approximately 7%, to approximately RMB846 million (equivalent to approximately HK$960 million), as compared to the corresponding period of the previous year, contributing profit of approximately HK$447 million (2016: HK$413 million) to the Group, representing an increase of approximately 8% as compared to the corresponding period of the previous year.

LOGISTIC BUSINESS

Overview

The Group owns various well-equipped logistic parks in Shenzhen and Yantai and has also signed investment agreements in relation to the "China Urban Integrated Logistics Hub" projects which spread across 18 major logistic gateway cities, namely Shenyang, Wuxi, Wuhan, Tianjin, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Chengdu, Guizhou, Kunshan, Chongqing, Zhengzhou, Xi'an, Jurong and Yiwu (義烏). The site area currently owned and planned by the Group is 6.43 million square metres in aggregate (3.26 million square metres of which are currently owned by the Group), and the operating area is approximately 0.94 million square metres.

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

Analysis of Operating Performance

The Group has been focusing on expanding the network and scale of its operations through the investment in and construction of logistics infrastructure in key cities across the nation, with a view to assuring its sustainable development in the long-term and providing drivers for future income growth.

Logistic Parks

During the Period, the Group's logistics parks maintained a relatively stable occupancy rate, with an average of approximately 98%. In the first half of 2017, the Group actively engaged in innovative business and enhanced value-added business to strengthen its relationships with existing customers and also attracted new customers. In June 2017, the Group entered into a strategic cooperation agreement with Evergrande Agri-husbandry Group (恒大農牧集團), which is engaged in the production and distribution of spring water, grain, oil and dairy products, to provide comprehensive logistics management and operation services for its core business segments. This created a cooperation model for the outsourcing of logistics management and business operations, and was important to the transformation and upgrade of the Group's business in the third-party logistics service sector. In addition, the Group took into account the strategic development needs and further optimized its overall resource allocation. In May 2017, the Group disposed of all its equity interest in Nanjing UT Logistics Co., Ltd., a wholly-owned subsidiary which held and operated Nanjing Chemical Industrial Park Logistic Centre, for approximately RMB156 million, and recorded a gain from disposal of approximately RMB34.26 million.

In recent years, e-commerce, internet finance and technological innovations have provided opportunities as well as challenges to modern logistics industry. Western Logistic Park has been awarded by the Ministry of Commerce of the People's Republic of China, as the second batch, the status of a "National Exemplary e-Commerce Base", while South China Logistic Park has been listed as a pilot enterprise in cross-border e-commerce business in Shenzhen. The construction of the South China Logistic Cross-border E-commerce Exhibition Centre was completed in December 2016 and marketing was progressing well. It is expected that the centre will be put into operation in second half of 2017. In addition, the construction of phase 2 of South China Logistic Park, with a site area of 77,000 square metres, commenced in late 2016 and is being carried out on schedule. The phase 2 project has been planned for development into an integrated high-end modern logistics service hub bringing together supply chain management and logistics headquarters, logistics information centre, e-commerce industrial base, e-commerce network storage centre and integrated ancillary service platforms.

China Urban Integrated Logistics Hub

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

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

In the first half of 2017, the Group entered into an investment agreement for the "China Urban Integrated Logistics Hub" project with the relevant local government authority of Yiwu to further expand the network coverage of the Group. While continuing with its efforts in developing new projects, the Group has also advanced its projects under construction or planning in a steady pace to ensure compliance with work schedules and preparation for marketing are actively underway.

In late June and mid-July 2017, the "China Urban Integrated Logistics Hub" projects in Nanchang and Shijiazhuang were put into trial operation, respectively. Benefiting from the strong market demand for modern high-quality logistics facilities and effective marketing effort, the Nanchang project has been fully leased out. The occupancy rate of the project in Shijiazhuang was approximately 77%. The projects in Nanchang and Shijiazhuang have operating areas of approximately 45,000 square metres and approximately 63,000 square metres, respectively. The projects in Hangzhou, Guizhou and Wuxi have all commenced construction as planned and are expected to be completed and put into operation in the fourth quarter of 2017.

The 4 China Urban Integrated Logistics Hub projects with an aggregate operating area of 345,000 square metres located in Shenyang, Kunshan, Wuhan and Hefei have been successively put into operation since April 2016, with an overall occupancy rate of approximately 72% as at 30 June 2017.

In the first half of 2017, new land parcels with an aggregate site area of approximately 150,000 square metres were acquired for the projects in Wuxi and Ningbo.

As at the date of this report, the Group had established strategic presence in a total of 18 major logistics gateway cities, namely, Shenyang, Wuxi, Wuhan, Tianjin, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Chengdu, Guizhou, Kunshan, Chongqing, Zhengzhou, Xi'an, Jurong and Yiwu, covering a planned site area of approximately 5.34 million square metres in aggregate. Relevant investment agreements have been entered into with the respective local government authorities. Among these cities, the Group has obtained the land use rights of land parcels with an aggregate site area of approximately 2.17 million square metres for 11 projects in Shenyang, Wuxi, Wuhan, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Guizhou and Kunshan.

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

Project Name	*Location*	*Planned Site Area (Approximate square metres)*	*Acquired Site Area (Approximate square metres)*	*Commencement Date/Expected Commencement Date of Operation*[(1)]
Shenzhen International Shenyang Integrated Logistic Hub	Yuhong District of Shenyang	700,000	240,000	4.2016
Shenzhen International Kunshan Integrated Logistic Hub	Lujiazhen, Kunshan, Jiangsu	117,000	117,000	6.2016
Shenzhen International Wuhan Integrated Logistic Hub	Dongxihu District of Wuhan	126,000	126,000	10.2016
Shenzhen International Hefei Integrated Logistic Hub	Anhui Hefei Commercial and Logistic Development Zone of Feidong County, Hefei City	138,000	135,000	10.2016
Shenzhen International Nanchang Integrated Logistic Hub	Nanchang Economic and Technological Development Zone	267,000	156,000	6.2017[(2)]
Shenzhen International Shijiazhuang Integrated Logistic Hub	Zhengding County of Shijiazhuang	467,000	335,000	7.2017[(2)]
Shenzhen International Wuxi Integrated Logistic Hub	Huishan District of Wuxi	347,000	246,000	10.2017
Shenzhen International Hangzhou Integrated Logistic Hub	Hangzhou Dajiangdong Industrial Cluster, Hangzhou City	432,000	239,000	11.2017
Shenzhen International Guizhou Integrated Logistic Hub	Guizhou Shuanglong Modern Service Industrial Cluster	348,000	337,000	12.2017
Shenzhen International Changsha Integrated Logistic Hub	Changsha Jinxia Economic Development Zone	347,000	146,000	6.2018
Shenzhen International Ningbo Integrated Logistic Hub	Ningnan Trade and Logistic Zone, Ningbo City	194,000	92,000	10.2018
Shenzhen International Chengdu Integrated Logistic Hub	Xinjin Logistic Park in Tianfu New Area, Sichuan Province	173,000	–	12.2018
Shenzhen International Tianjin Integrated Logistic Hub	Tianjin Binhai New Area	295,000	–	12.2018
Shenzhen International Chongqing Integrated Logistic Hub	Shuangfu New District, Jiangjin District, Chongqing	157,000	–	12.2018
Shenzhen International Zhengzhou Integrated Logistic Hub	Zhengzhou International Logistic Park, Zhengzhou Economic Development Zone	267,000	–	12.2018
Shenzhen International Xi'an Integrated Logistic Hub	Xi'an Civil Aerospace Industry Base	120,000	–	12.2018
Shenzhen International Jurong Integrated Logistic Hub	New City District, Northern Jurong, Jiangsu	400,000	–	12.2018
Shenzhen International Yiwu Integrated Logistic Hub	Yunxi Village under the jurisdiction of Choucheng Street, Yiwu City	440,000	–	12.2018
Total site area		5,335,000	2,169,000	

Notes: (1) The expected commencement date of operation represents estimations only and will be updated according to future progress.

(2) As at the date of this report, this project has begun trial operation.

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

Port and related services

In the first half of 2017, the domestic economy gradually improved. The increase in national power generation and the demand for coal drove the increase in business volume of the Group's port business. Coupled with the constant release of the capacity of phase 2 of Nanjing Xiba Port, the growth momentum of the Group's port business enhanced. Meanwhile, leveraging the advantage of port resources, the Group actively developed its port-related supply chain management service business, further enriched its port business structure and increased its business volume. In the first half of 2017, a total of 1,941 vessels berthed at Nanjing Xiba Port and total throughput of Nanjing Xiba Port reached approximately 13.40 million tonnes, representing an increase of approximately 58% as compared to the corresponding period of the previous year.

Logistics Services

Relying on its existing logistics infrastructure facilities and abundance in resources and capital, the Group orchestrated a gradual transformation of its traditional logistics business and actively explored supply chain management, value chain integration and logistics finance services. During the Period, the Group continued to commit more resources on information service business and introduced innovative products such as paperless application for container operations at the Shenzhen port, and actively developed its business in Shenzhen and the Pearl River Delta region in order to assure ongoing growth in its market share. Meanwhile, the Group actively explored logistics financial service models such as small loans and finance lease and enhanced overall competitiveness of its logistics service business by optimizing its operations on an ongoing basis so as to attract more new customers.

In order to further expand its third-party logistics business and enhance employee cohesion, Shenzhen Total Logistics Service Co., Ltd. ("Shenzhen Total Logistics"), a wholly-owned subsidiary of the Company, introduced a strategic investor through capital contribution and implemented the core employee shareholding scheme in late July 2017. After completion of the capital contribution, the Group's shareholding in Shenzhen Total Logistics was reduced to 51%.

Financial Analysis

During the Period, revenue from the logistics business increased by approximately 63%, to approximately HK$1,266 million, as compared to the corresponding period of the previous year and profit attributable to shareholders increased by approximately 11%, to approximately HK$124 million, as compared to the corresponding period of the previous year, which was mainly driven by a significant growth in the business volume of the Group's port business and the successful expansion of its third-party logistics service business and the logistics financial service business.

Revenue of Each Logistic Business Unit

For the six months ended 30 June

	2017 HK$'000	2016 HK$'000	Increase/ (Decrease)
Logistic Park Business			
South China Logistic Park	**128,910**	120,190	7%
Western Logistic Park	**46,850**	49,941	(6%)
Integrated Logistics Hubs	**24,262**	—	N/A
Shandong Booming Total Logistic Park	**32,591**	28,825	13%
Nanjing Chemical Industrial Park Logistic Centre#	**31,834**	39,149	(19%)
Sub-total	**264,447**	238,105	11%
Port and related service Business +	**517,823**	90,574	472%
Logistic Service Business	**483,804**	447,685	8%
Total	**1,266,074**	776,364	63%

Profit Attributable to Shareholders of Each Logistic Business Unit

For the six months ended 30 June

	2017 HK$'000	2016 HK$'000	Increase/ (Decrease)
Logistic Park Business			
South China Logistic Park	**44,123**	48,035	(8%)
Western Logistic Park	**9,386**	17,995	(48%)
Integrated Logistics Hubs	**2,536**	—	N/A
Shandong Booming Total Logistic Park	**484**	164	195%
Nanjing Chemical Industrial Park Logistic Centre#	**7,249**	6,568	10%
SZ Airport Express Center*	**5,197**	7,497	(31%)
Sub-total (Normal operation)	**68,975**	80,259	(14%)
Huatongyuan Logistic Centre^	**—**	(3,226)	N/A
Sub-total	**68,975**	77,033	(10%)
Port and related service Business	**30,069**	21,959	37%
Logistic Service Business	**24,875**	12,365	101%
Total	**123,919**	111,357	11%

\# *Nanjing Chemical Industrial Park Logistic Centre was disposed of on 1 June 2017.*
\+ *Port and related services in 2017 included operation and management of wharf and logistic centres at Xiba Port in Nanjing, and port related supply chain management services business. Revenue from the port related services was HK$387,359,000 for the Period.*
* *SZ Airport Express Center is a joint venture and is accounted for using the equity accounting method.*
^ *Huatongyuan Logistic Centre has suspended operations in 2016 owing to its relocation.*

During the Period, revenue from the logistics park business increased by approximately 11%, to approximately HK$264 million, as compared to the corresponding period of the previous year, which was mainly attributable to the new revenue source contributed by the integrated logistics hub business. Profit attributable to shareholders decreased by approximately 10%, to approximately HK$68.98 million, as compared to the corresponding period of the previous year, which was mainly attributable to the decline in profit as certain logistics parks were at a transitional stage being transformed and upgraded. The Group's China Urban Integrated Logistics Hub projects in Shenyang, Kunshan, Wuhan and Hefei have been put into operation since 2016. As these projects were still at their incubation stage, profit contribution was relatively low, revenue and profit contribution were approximately HK$24.26 million and HK$2.54 million, respectively, during the Period.

The port and related service business recorded a revenue of approximately HK$518 million for the Period, representing a significant increase of approximately 472%. Benefiting from effective marketing efforts, both business volume of the port and supply chain management service businesses achieved significant growth. Profit contribution of the port business for the Period amounted to approximately HK$30.07 million, representing an increase of approximately 37%, as compared to the corresponding period of the previous year.

Revenue from the logistics service business increased by approximately 8%, to approximately HK$484 million, as compared to the corresponding period of the previous year. Profit attributable to shareholders increased by approximately 101%, to approximately HK$24.87 million, as compared to the corresponding period of the previous year, which was mainly attributable to an increase in revenue and profit driven by the new third-party logistics service and logistics financial service businesses.

Updates on the Qianhai Project and Meilin Checkpoint Urban Renewal Project

Qianhai Project

The Group entered into new land use right agreements with Authority of Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone of Shenzhen (深圳市前海深港現代服務業合作區管理局, "Qianhai Authority"), in respect of the first phase of Qianhai Project in December 2016 to ascertain its ownership of the site for the first phase of Qianhai Project, which is an integrated land site primarily comprising office buildings complemented by high-end commercial and residential space. Of which, 35,000 square metres are land for office buildings, 25,000 square metres are commercial land and 50,000 square metres are residential land.

Further to entering into a capital increase agreement by the Group with Shum Yip Land Company Limited (深業置地有限公司), a well-known property developer, for the joint development of the residential land site of the first phase of Qianhai Project in December 2016, in the first half of 2017, the Group entered into a tripartite cooperation agreement with the Centre for Software and Integrated Circuit Promotion of the Ministry of Industry and Information Technology (工業和信息化部軟件與集成電路促進中心) and China Center for Information Industry Development (中國電子信息產業發展研究院) to position the office building project of the first phase of Qianhai Project as an "One Belt, One Road" information port, creating an information industry base for the logistics and supply chain sector, build an information service strategic hub for "One Belt, One Road" and include it in the key tasks of Qianhai Authority for 2017.

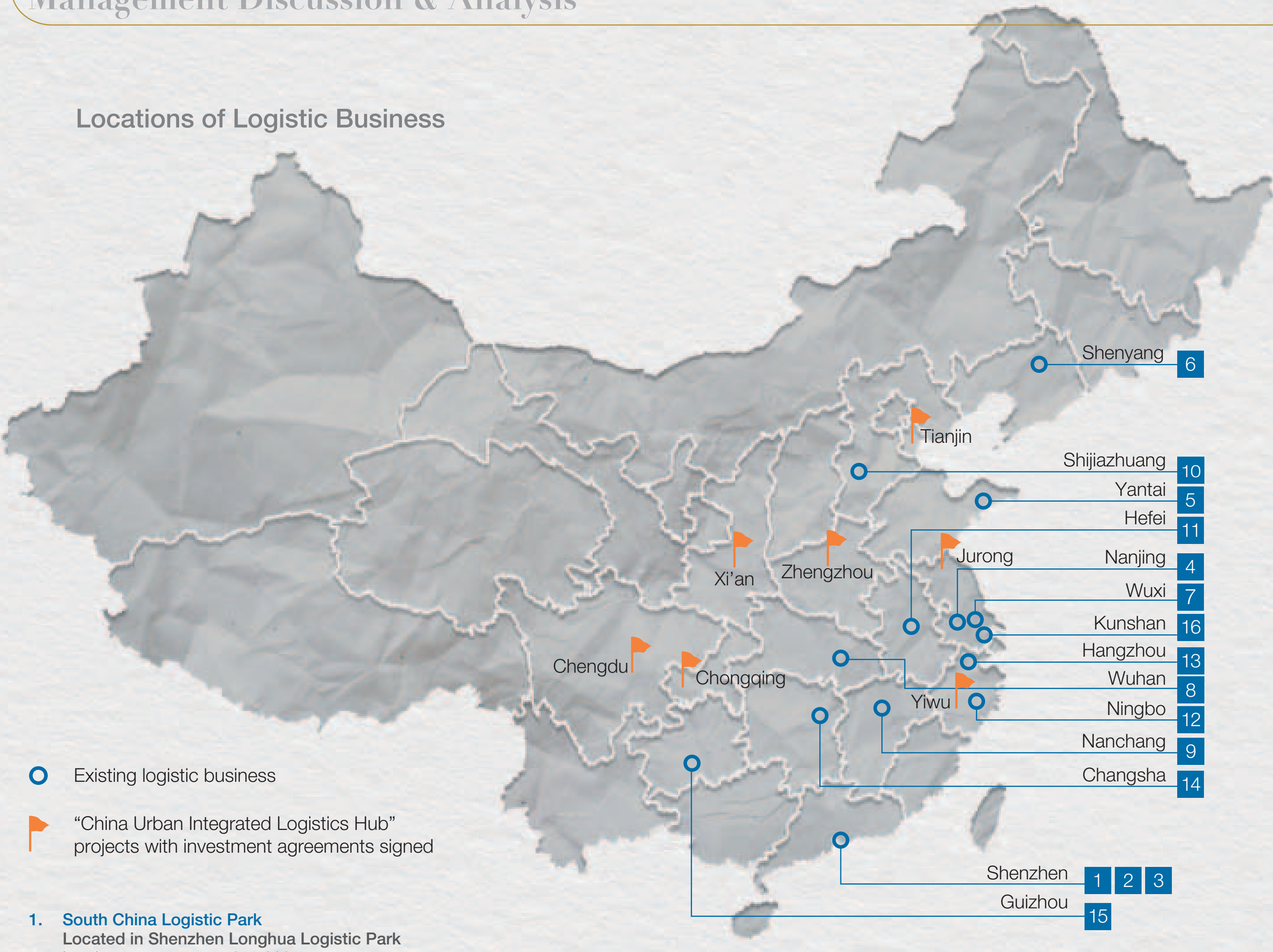
In 2017, the Group has prioritised the land consolidation and preparation of land parcels with an aggregate site area of approximately 380,000 square metres in Qianhai. Currently, the Group is in negotiations with Qianhai Authority and relevant government authorities regarding the land value assessment benchmark date under the new and previous land use arrangements, the assessment method, the percentage of rigid expenditure and the ratio of profit sharing in respect of the increase in the value of land under the new land use arrangements. The Group plans to complete the land consolidation and preparation work in Qianhai in the second half of 2017.

Meilin Checkpoint Urban Renewal Project

The Group entered into land transfer agreements with Longhua Management Bureau under Urban Planning Land and Resources Commission of the Shenzhen Municipal (深圳市規劃和國土資源委員會龍華管理局) in respect of the land parcels of the Meilin Checkpoint Project in late June of 2015. Land premium for the land parcels was settled in full following the payment of the balance of approximately RMB2,497 million in June 2016 in accordance with the agreements. The Meilin Checkpoint Urban Renewal Project is steadily progressing. Currently, the Group is stepping up its efforts in carrying forward the preparatory work for project development and strives to commence construction within 2017.

The Meilin Checkpoint land parcels have been re-designated as a comprehensive development project with a total gross floor area of approximately 486,000 square metres, comprising properties for residential, commercial, office, business apartment and public and ancillary uses. Benefiting from the surge of residential property prices in Shenzhen in recent years, the land parcels of Meilin Checkpoint Project are set to enjoy further growth in value.

Locations of Logistic Business



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

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

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

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

5. **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

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

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

8. **Shenzhen International Wuhan Integrated Logistic Hub**
   Located in Dongxihu District of Wuhan City
   Acquired site area: 126,000 square metres
   Operating area: 67,000 square metres

9. **Shenzhen International Nanchang Integrated Logistic Hub**
   Located in Nanchang Economic and Technological Development Zone
   Acquired site area: 156,000 square metres
   Operating area: 45,000 square metres

10. **Shenzhen International Shijiazhuang Integrated Logistic Hub**
    Located in Zhengding County of Shijiazhuang
    Acquired site area: 335,000 square metres
    Operating area: 63,000 square metres

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

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

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

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

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

16. **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 18 expressway projects with total mileage of toll roads by toll amounting to approximately 177 kilometres, 268 kilometres and 187 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.

Analysis of Operating Performance

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

				Average Daily Traffic Volume *(Note 1)*		***Average Daily Toll Revenue***	
Toll roads	***Interest held by the Group***	***Concession period***	***Length by toll (approximate km)***	***First Half of 2017 (Vehicle/ Thousands)***	*Increase/ (Decrease) compared to the same period of 2016*	***First Half of 2017 (RMB'000)***	*Increase/ (Decrease) compared to the same period of 2016*
Shenzhen Region (Note 2)**:**							
Meiguan Expressway	100%	1995.05-2027.03	5.4	**87**	13%	**324**	15%
Jihe East	100%	1997.10-2027.03	23.7	**257**	9%	**1,882**	14%
Jihe West	100%	1999.05-2027.03	21.8	**207**	10%	**1,657**	6%
Shuiguan Expressway	50%	2002.02-2025.12	20	**219**	(1%)	**1,696**	5%
Shuiguan Extension	40%	2005.10-2025.12	6.3	**99**	9%	**296**	4%
Other regions in Guangdong Province:							
Qinglian Expressway	76.37%	2009.07-2034.07	216	**41**	14%	**2,056**	9%
Yangmao Expressway	25%	2004.11-2027.07	79.8	**48**	8%	**1,791**	–
Guangwu Project	30%	2004.12-2027.11	37.9	**36**	(7%)	**818**	(18%)
Jiangzhong Project	25%	2005.11-2027.08	39.6	**137**	23%	**1,192**	10%
Guangzhou Western Second Ring	25%	2006.12-2030.12	40.2	**65**	20%	**1,133**	12%
Other provinces in China (Note 3)**:**							
Wuhuang Expressway	100%	1997.09-2022.09	70.3	**50**	15%	**1,028**	11%
Changsha Ring Road (Note 4)	51%	1999.11-2029.10	34.7	**29**	21%	**336**	22%
Nanjing Third Bridge	25%	2005.10-2030.10	15.6	**33**	18%	**1,280**	17%

Notes:

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

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

(3) The project company of Yichang Expressway has been consolidated into the Group since 15 June 2017. The average daily traffic volume and average daily toll revenue of Yichang project in June was 45,000 and RMB1,048,000, respectively.

(4) The project company of Changsha Ring Road has been consolidated into the Group since 1 April 2017.

During the Period, traffic volume and toll revenue of most of the Group's expressway projects increased. The operating performance of each expressway project of the Group was influenced in varying degrees by the changes in surrounding road network, policy changes and economic development along the expressways:

- According to the toll adjustment and compensation agreements entered into between the Group and the relevant government department of Shenzhen on 30 November 2015 in relation to the toll adjustments of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the 23.8 km section of Longda Expressway from the starting point of Longda Expressway to the Nanguang Expressway ramp (the "Longda Shenzhen Section"), toll adjustments of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Shenzhen Section would be implemented in two stages. During Stage 1 (i.e. from 00:00 on 7 February 2016 to 24:00 on 31 December 2018), toll-free has been implemented for these road sections. The Group calculates and recognises revenue based on the method stipulated in the agreements. During Stage 2 (from 00:00 on 1 January 2019 onwards), the relevant government department will elect to either continue to implement toll-free as in Stage 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. Benefiting from the implementation of toll-free policy for the above mentioned road sections, these toll-free road sections continued to record growth in traffic volume during the Period and had driven traffic volume of Jihe Expressway and Shuiguan Expressway to increase.

  However, the implementation of 《超限運輸車輛行駛公路管理規定》("Administrative Rules on Highway Driving of Overloading Vehicle") since late September 2016 nationally had to a certain extent a negative impact on the traffic volume and toll revenue of Jihe Expressway and Shuiguan Expressway.

- The expansion works of Guangqing Expressway (which connects to Qinglian Expressway) were completed and commenced operation in the end of September 2016, which increased the traffic efficiency of Qinglian Expressway. In addition, through continuous analysis of the changes in traffic volume and vehicle type mix at each route gateway of Guangle Expressway and Erguang Expressway and adopting effective marketing measures correspondingly, the impact of diversion from these expressways on Qinglian Expressway gradually decreased. The operating performance of Qinglian Expressway was stable during the Period.

  According to public information, the lanes connecting Guangqing Expressway to Qinglian Expressway under construction is expected to be completed in June 2018. 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.

- Benefiting from the positive impacts of factors including road network improvement and business growth of enterprises along the expressway, Changsha Ring Road continued to record a faster growth in toll revenue during the Period.

Last year, the Group (through Shenzhen Expressway) entered into a concession agreement with the Shenzhen Government in respect of the investment, construction and management of the Shenzhen Section of Shenzhen Outer Ring Expressway (Coastal Expressway – Shenshan Expressway Section) ("Outer Ring Section A") according to the PPP model, for the acquisition of the concession rights of Outer Ring Section A. This project provided more room for development of the core business of Shenzhen Expressway in the future and consolidated the market share of the Group in the expressway network of Shenzhen. Subsequent to this, during the Period, the Group continued to step up its investment and acquisition efforts in the toll road business. In January 2017, Shenzhen Expressway, through the acquisition of 100% interest in the project company of Hunan Yichang Expressway, expanded its asset size and profit base, increased stable cash flow and further consolidated its core advantages in investment, management and operation of expressway. Yichang Expressway is a two-way expressway with four lanes which starts from Zijiang Second Bridge, Yiyang City, Hunan and ends in Deshan Tanshuping, Changde City, Hunan with a total length of approximately 73.1 km. It is a section of the connection line from Zhangjiajie to Changsha of the Erguang Expressway, and also a main component of the skeleton of the"Five Vertical and Seven Horizontal" Hunan Expressway Plan. Its Changde connection line has a length of 5.2 km. The project company of Yichang Expressway has been consolidated into the Group since 15 June 2017. Benefiting from the economic growth in the northwest region of Hunan, the operating performance of Yichang project was good during the Period. Its average daily traffic volume and average daily toll revenue in June was 45,000 and RMB1,048,000, respectively.

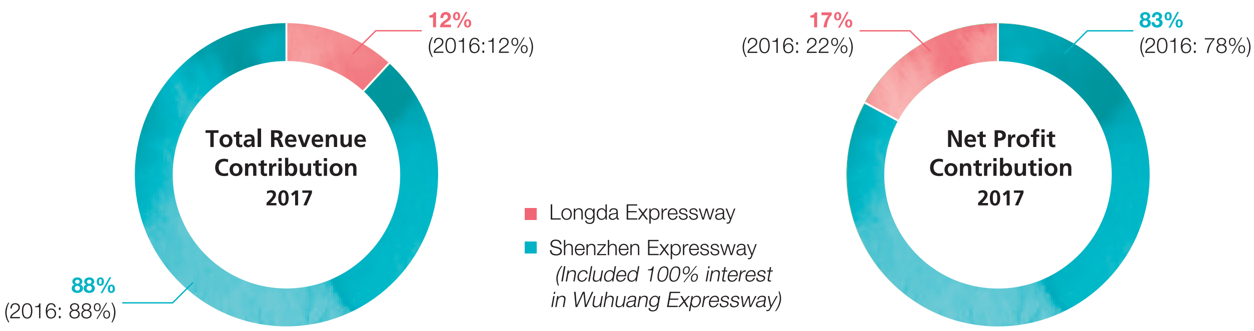
Apart from consolidating and enhancing of its toll road business, Shenzhen Expressway, after carefully studied and taken into account the country's industry policies and its own advantages, adopted the strategies of having the large environmental protection industry that takes water environment treatment and solid waste treatment as the main content as its new direction for industry development. In the first half of 2017, Shenzhen Expressway subscribed for 15% equity interest in Shenzhen Water Planning & Design Institute Company Limited ("Water Planning Company") upon completion of a capital injection and acquired 20% equity interest in Chongqing Derun Environment Company Limited ("Derun Company"). Water Planning Company is one of the first comprehensive water management survey and design organization in the PRC. It processes 7 A-grade qualifications in areas such as water conservancy industry, municipal water supply and drainage, comprehensive engineering survey and surveying etc. It is one of the top 500 PRC enterprises in the field of survey and design, and one of the top 50 PRC enterprises in the field of water conservancy survey and design. With two major business segments, water treatment and waste incineration power generation, Derun Company has stable profitability, abundant cash flow, strong scale advantages, regional competitive advantage and growth potentials. The investment in Water Planning Company and Derun Company by Shenzhen Expressway is conducive to expanding its environmental business, and at the same time, provides opportunities for accumulating management experience in the environmental industry and nurturing talents in the environmental sector.

Financial Analysis

During the Period, total revenue of the Group's toll road business was approximately HK$2,697 million (2016: HK$2,764 million), representing a decrease of approximately 2% as compared to the corresponding period of the previous year (excluding the impact of exchange rate, an increase of approximately 2% as compared to the corresponding period of the previous year). Profit before finance costs and tax amounted to approximately HK$1,689 million (2016: HK$1,470 million), representing an increase of approximately 15% as compared to the corresponding period of the previous year. Net profit increased by approximately 34%, to approximately HK$529 million (2016: HK$394 million), as compared to the corresponding period of the previous year.

The increase in revenue of the Group's toll road business during the Period was mainly attributable to the increase in both traffic volume and toll revenue of most expressway projects of the Group, coupled with the consolidation of both Changsha Ring Road and Yichang Expressway by the Group since April and June 2017, respectively. These project companies contributed new revenue to the Group. Driven by the increase in toll revenue and profit contribution by new investment and acquisition projects, net profit also recorded a growth.

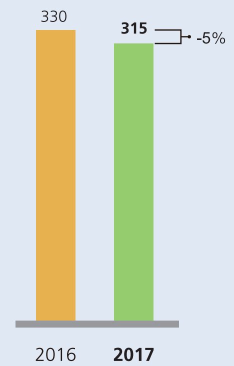
For the six months ended 30 June



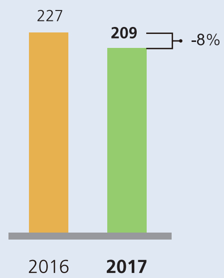
Longda Expressway

During the Period, traffic volume of the toll-free section of Longda Expressway recorded an increase as compared to the corresponding period in 2016 whereas that of the remaining 4.4 km toll section maintained at a similar level to that of the corresponding period in 2016. Excluding the impact of exchange rate, toll revenue from Longda Expressway for the Period maintained at a similar level to that of the corresponding period in 2016. The overall performance was stable.

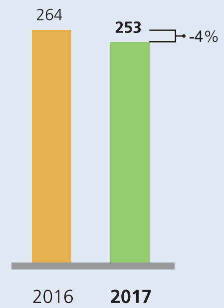
Toll revenue(Note)
For the six months ended 30 June
HK$ million



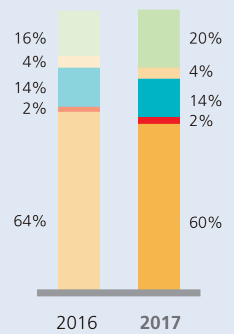
Profit before finance costs and tax
For the six months ended 30 June
HK$ million



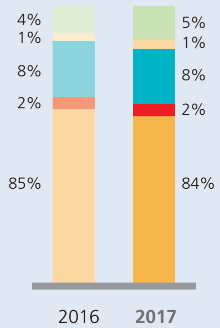
Earnings before interest, tax, depreciation and amortisation
For the six months ended 30 June
HK$ million



Toll revenue(Note) **distribution**
For the six months ended 30 June



Traffic volume distribution
For the six months ended 30 June



Class 1 Class 2 Class 3 Class 4 Class 5

Note: *Toll revenue and the relevant percentages of distribution are calculated on the bases of toll revenue from Longda Shenzhen Section 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.*

Shenzhen Expressway and its expressway projects

During the Period, both traffic volume and toll revenue of most expressway projects of Shenzhen Expressway increased. Coupled with the new revenue contributed by the consolidation of the project companies of Changsha Ring Road and Yichang Expressway into the Group since April and June 2017, toll revenue increased by approximately 6%, to approximately HK$2,289 million (2016: HK$2,169 million), as compared to the corresponding period in 2016. During the Period, total revenue of Shenzhen Expressway decreased by approximately 2%, to approximately HK$2,382 million (2016: HK$2,434 million), as compared to the corresponding period in 2016. However, excluding the impact of exchange rate, total revenue for the Period still increased by approximately 2% as compared to the corresponding period in 2016. This was mainly attributable to the fact that Shenzhen Expressway Engineering Consulting Company Limited was no longer consolidated into the Group since 30 November 2016, which offset the increase in total revenue to a certain extent. Benefiting from the profit contribution by new investment and acquisition projects during the Period, profit before finance costs and tax of Shenzhen Expressway increased by approximately 19%, to approximately HK$1,480 million (2016: HK$1,243 million), as compared to the corresponding period of the previous year. The Group's share of profit from Shenzhen Expressway increased by approximately 44%, to approximately HK$441 million (2016: HK$306 million), as compared to the corresponding period of the previous year.

OTHER INVESTMENTS

Shenzhen Airlines

During the Period, passenger transport volume of Shenzhen Airlines continued to grow, with passenger traffic of approximately 21,163 million passenger-km (2016: 20,694 million passenger-km) and its airlines carrying approximately 13.65 million passenger rides (2016: 13.25 million passenger rides), which increased by 2% and 3% respectively, over the corresponding period of the previous year. Total revenue of Shenzhen Airlines for the Period increased by approximately 7%, to approximately RMB13,197 million (equivalent to approximately HK$14,974 million) (2016: RMB12,299 million (equivalent to approximately HK$14,577 million)), as compared to the corresponding period in 2016, of which passenger revenue increased by approximately 6% to approximately RMB11,203 million (2016: RMB10,524 million).

Resulting from the increase in aviation fuel price, the operating profit of Shenzhen Airlines recorded a decrease of approximately 36% as compared to the corresponding period in 2016 to approximately RMB1,207 million (equivalent to approximately HK$1,370 million) due to the increase in aviation fuel cost by approximately 43%. Shenzhen Airlines, on the other hand, recorded an exchange gain of approximately RMB334 million for the Period, net profit for the Period thereby still increased by approximately 7%, to approximately RMB846 million (equivalent to approximately HK$960 million) (2016: RMB790 million (equivalent to approximately HK$936 million)), as compared to the corresponding period of the previous year. Shenzhen Airlines contributed a profit of approximately HK$447 million (2016: HK$413 million) to the Group during the Period, representing an increase of approximately 8% as compared to the corresponding period of the previous year.

As at 30 June 2017, Shenzhen Airlines operated a total of 169 passenger aircraft. Currently, Shenzhen Airlines operates 192 domestic and international routes, comprising 164 domestic routes, 17 international routes and 11 routes serving the Hong Kong, Macau and Taiwan regions.

In the second half of 2017, Shenzhen Airlines will continue to monitor closely changes in aviation fuel prices and control its impact on costs. Measures such as optimising its mix of aircraft models and air routes will be adopted to endeavor to reduce the level of fuel consumption.

CSG Holding Co., Ltd. ("CSG")

According to the Group's business development, capital needs and internal resource coordination, coupled with capital market conditions, the Group decreases its shareholding in CSG as and when necessary and appropriate so as to maximise the benefits of the Company and its shareholders.

The Group did not dispose of any A shares of CSG during the Period (2016: Nil). As at the date of this report, the Group beneficially owned a total of approximately 26.93 million A shares of CSG, representing approximately 1.30% of the total issued share capital of CSG.

FINANCIAL POSITION

	30 June 2017 HK$ million	31 December 2016 HK$ million	Increase/ (Decrease)
Total Assets	**68,059**	60,741	12%
Total Liabilities	**37,352**	32,305	16%
Total Equity	**30,707**	28,436	8%
Net Asset Value attributable to shareholders	**20,229**	18,634	9%
Net Asset Value per share attributable to shareholders (HK dollar)	**10.0**	9.5	5%
Cash	**8,327**	11,424	(27%)
Bank borrowings	**12,561**	4,746	165%
Notes and bonds	**4,261**	7,637	(44%)
Total Borrowings	**16,822**	12,383	36%
Net Borrowings	**8,495**	959	786%
Debt-asset Ratio (Total Liabilities/Total Assets)	**55%**	53%	2#
Ratio of Total Borrowings to Total Assets	**25%**	20%	5#
Ratio of Net Borrowings to Total Equity	**28%**	3%	25#
Ratio of Total Borrowings to Total Equity	**55%**	44%	11#

Change in percentage points

Key Financial Indicators

As at 30 June 2017, the net asset value attributable to shareholders of the Group increased by 9% to HK$20,229 million, while net asset value per share amounted to HK$10, representing an increase of 5% as compared to that at the end of last year. Debt-asset ratio and the ratio of total borrowings to total assets were 55% and 25%, respectively. Despite a slight increase in these ratios, the Group maintained a healthy and stable financial position.

Cash Flow and Financial Ratios

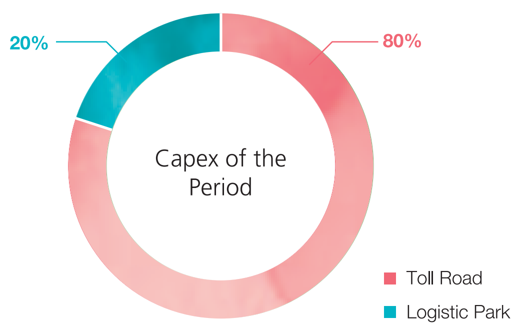
During the Period, the Group's cash flow generated from operations remained stable. Net cash inflow generated from operating activities amounted to HK$1,048 million; net cash outflow used in investment activities amounted to HK$5,893 million; and net cash inflow generated from financing activities amounted to HK$2,118 million. The Group's core businesses maintained a stable cash inflow, and the Group has been closely monitoring changes in total borrowings with a view to maintaining its financial ratios at a healthy level.

Cash Balance

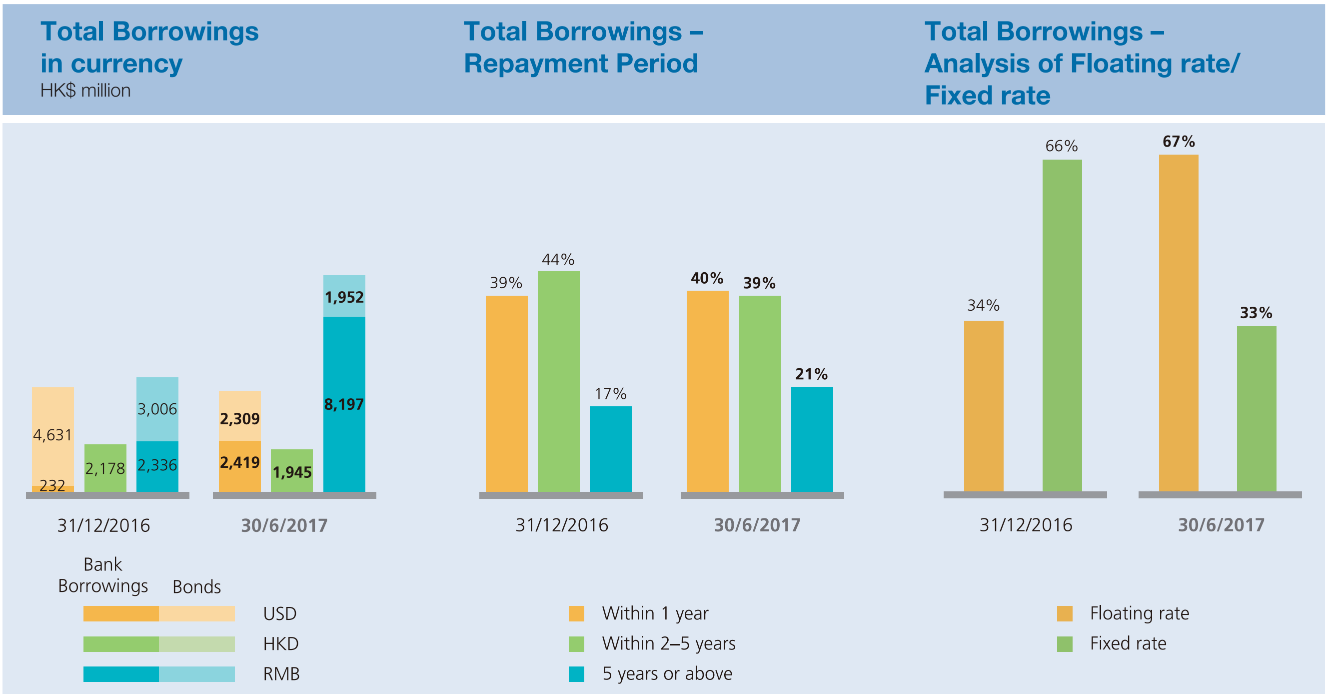
As at 30 June 2017, cash held by the Group amounted to HK$8,327 million (31 December 2016: HK$11,424 million), representing a decrease of 27% as compared to that at the end of last year, which was mainly attributable to the aggregate consideration of approximately RMB5,600 million paid by Shenzhen Expressway, a subsidiary of the Group, for the acquisition of the equity interests in Hunan Yichang Expressway Development Company Limited ("Yichang Company") and Derun Company during the Period. Cash held by the Group is primarily denominated in Renminbi, which can support the Group's operation and development in the PRC. The Group will further strengthen its capital management by adopting a prudent treasury policy, aiming at a higher return on its cash portfolio which would provide strong support for the development of the business.

Capital Expenditures

During the Period, the Group's capital expenditure amounted to RMB1,890 million (HK$2,150 million), of which RMB1,270 million was utilised for the payment of the consideration for the acquisition of the equity interests in Yichang Company, and RMB300 million was utilised for construction works in respect of the "China Urban Integrated Logistics Hub". The Group expects the capital expenditure for the second half of 2017 to be approximately RMB2,910 million (HK$3,300 million), of which approximately RMB1,120 million will be utilised for "China Urban Integrated Logistics Hub" projects, and approximately RMB610 million will be utilised for the Outer Ring Expressway Project.



Borrowings



As at 30 June 2017, the Group's total borrowings amounted to HK$16,822 million, representing an increase of 36% as compared to that at the end of last year. Out of the total borrowings, amounts due within 1 year, 2-5 years and 5 years or above accounted for 40%, 39% and 21%, respectively. Such increase of total borrowings was mainly attributable to consolidation of the borrowings of Yichang Company upon its acquisition by the Group and the increase in RMB-denominated bank borrowings in financing the new of investments and acquisitions during the Period.

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 2016 Annual Report, details of which are set out in the 2016 Financial Statements.

Exchange Rate Risk

Cash flows, cash on hand and assets held by the Group are primarily denominated in Renminbi, whereas borrowings are mainly denominated in Renminbi, Hong Kong Dollar and US Dollar. The management of the Group has been closely monitoring the fluctuation and movements of the Renminbi exchange rate during the Period. The Renminbi exchange rate in the second quarter of 2017 has relatively stablized and appreciated approximately 3% in value against the US Dollar during the Period, resulting in foreign exchange gains for the Group amounting to approximately HK$150 million. The Group strives to mitigate the impact of exchange rate fluctuations on its overall financial performance and to minimise financial risks and the management conducts a detailed analyses and studies into the movement of the Renminbi exchange rate from time to time, and expected that the volatility of the Renminbi exchange rate will continue. The Group will adjust the currency structure of its borrowings and utilise appropriate hedging instruments to manage exchange rate risk and reduce the impact of fluctuation in the exchange rate of Renminbi.

Liquidity Risk Management

The Group currently has cash on hand and standby banking facilities of approximately HK$63,100 million. The Group has signed agreements with major banks in Hong Kong and the PRC to secure credit facilities for the Group. The Group regularly monitors its cash flow forecasts and, taking into consideration of the Group's current asset level and funding needs, may enter into new financing arrangements to meet future cash flow requirements and to ensure our capability of ongoing operation and business expansion. The Group will also swap long-term financing for short-term borrowings when necessary to reduce liquidity risk.

Credit Ratings

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

Pledge Of Assets, Guarantees And Contingent Liabilities

For details of the Group's pledge of assets, guarantees and contingent liabilities as at 30 June 2017, please refer to notes 17 and 27 respectively of the unaudited interim financial information.

OUTLOOK FOR THE SECOND HALF OF 2017

In the second half of 2017, the Group will seize opportunities arising from "One Belt, One Road", "Guangdong-Hong Kong-Macao Greater Bay Area" and the Qianhai Free Trade Zone and the opportunity for the full deployment and market development of the China Urban Integrated Logistics Hub projects, enhance the consolidation of its resources and step up the development of both asset-light and asset-heavy businesses of the Group. The Group will make further efforts to promote the integration of its industry, finance and network sectors, strengthen capital operations and optimize its incentive mechanism, in order to effectively facilitate the Group's business growth.

Looking to the second half of 2017, in persistent implementation of our established strategies, the Group will vigorously advance investments in and constructions and operations of the "China Urban Integrated Logistics Hub" projects as well as the transformation, upgrade and resource integration of the Group's existing logistics parks, while actively identifying opportunities for the acquisition of well-developed logistics assets to further expand the Group's logistics business. The Group will focus on the "China Urban Integrated Logistics Hub" projects in the Pearl River Delta region, Yangtze River Delta region and Beijing region, as well as establishing its presence in other key logistics gateway cities where the Group has yet to establish its presence. At the same time, the Group will strive to acquire the land use rights for the Liguang land parcels in Longhua New Area in Shenzhen and commence preparatory work for the construction of the project. Offering a gross floor area of 250,000 square metres, the Liguang land parcels will be developed into the Shenzhen gateway for "China Urban Integrated Logistics Hub", which will further strengthen the Group's market share in the logistics market of Shenzhen.

In connection with the Qianhai Project, the Group is actively negotiating with Qianhai Authority and the relevant government authorities and will endeavor to drive the implementation of land consolidation and preparation of all five land parcels with an aggregate site area of approximately 380,000 square meters in Qianhai owned by the Group in the second half of the year, in order to make substantial progress in respect of land value appraisal and sharing. The start-up phase of the Qianhai Project includes industrial office land of approximately 35,000 square meters, commercial land of approximately 25,000 square meters and residential land of approximately 50,000 square meters, and the sales value will boom in the next few years.

Benefitting from surging land prices in Shenzhen in recent years, the land parcels of the Meilin Checkpoint Project are set to enjoy further growth in value. Currently, the Group is stepping up its efforts in carrying forward the preparatory work for project development. The Group will strive to commence the construction works in the second half of 2017 and achieve partial sales in 2019.

In connection with the toll road business, the Chinese government will vigorously advance regional urbanisation, expand cooperation of "One Belt, One Road", a large number of PPP projects in the infrastructure construction area are expected to be implemented, which provides a new opportunity for the Group to develop its toll road business. The Group will continue to further study different business models and methods to effectively manage and control risks while gaining reasonable income and return. Apart from consolidating and enhancing of its toll road business, the Group will take environmental protection industry as its new direction for business development, and further expand the environmental protection business in line with the Group's strategy, in order to achieve an increase in the scale and efficiency of the environmental protection industry.

In the second half of 2017, the Group will closely monitor changes in the monetary policy and financing environment, strengthen the overall management of the Group's financial resources, broaden financing channels, optimise its capital structure and reduce financing costs, to create favorable conditions for the implementation of the Group's strategy.

HUMAN RESOURCES

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

The Group puts a strong emphasis on the recruitment and nurturing of talents, and constantly strengthens its talent recruitment and selection mechanism to expand talent acquisition streams. In the first half of 2017, the Group continually stepped up the recruitment of management personnel and professionals in the logistic sector based on its development strategies and business development requirements through market-oriented recruitment, in a bid to strengthen its management and professional teams and optimise its staff mix. The Group also places a strong emphasis on the training and promotion of existing staff, whereby crucial employees who deliver outstanding performance at work and show potential for development are promoted to key positions of the Group. As of 30 June 2017, the Group and its subsidiaries had a total of 5,972 staff members (2016: 6,824 staff members). During the Period, the employee benefit expenses inclusive of directors' emoluments were approximately HK$370 million (2016: approximately HK$390 million).

The Group places a strong emphasis on staff training, and endeavours to improve its all-round training system. The Group drew up annual training programme at the beginning of the year. In the first half of 2017, there were a number of internal thematic training courses held, covering subjects such as construction project audit, bonded logistics business and laws related to staff social insurance. Besides, we strongly encourage our staff to participate in training courses organised by external institutions, so as to enhance their professional knowledge, abilities and to maintain themselves in good physical and mental health through continuous training.

A comprehensive management system of remuneration, motivation, constraint and performance appraisal of the Group has been in place and has constantly been optimised. Salary is commensurate with employees' position value, competence and performance and with reference to the prevailing market conditions. Staff performance is assessed on a regular basis and the outcome of which will be reflected in remuneration and promotion. Besides, to accommodate the Group's long-term development, the Group has established a long-term incentive mechanism under which the granting of options to the management, senior management of subsidiaries and key staff members of the Group and their exercise of such options are linked to strict performance conditions so as to match incentive income with the growth of the operating results of the Company. The Group is enhancing its existing long-term incentive mechanism in future by fully supporting and promoting its subsidiaries in launching practicable long-term incentive solutions incorporating each of its own features. In addition, the Group will attempt to build a long-term incentive mechanism applicable to the Group. Other benefits include mandatory provident fund, medical insurance and education allowances.

KPMG

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 26 to 61, which comprises the interim consolidated balance sheet of Shenzhen International Holdings Limited (the "Company") and its subsidiaries as of 30 June 2017 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 Standard 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 the interim financial information consists of making enquiries, 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 2017 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

23 August 2017

INTERIM CONSOLIDATED BALANCE SHEET - UNAUDITED

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

(For reference only) As at 30 June 2017 RMB'000		Note	As at 30 June 2017 HK$'000	As at 31 December 2016 HK$'000
	ASSETS			
	Non-current assets			
3,911,642	Property, plant and equipment	7	**4,507,539**	4,234,225
79,230	Investment properties	7	**91,300**	87,390
1,567,628	Land use rights	7	**1,806,439**	1,784,514
1,916,246	Construction in progress	7	**2,208,166**	2,056,347
22,038,838	Intangible assets	7	**25,396,218**	21,286,881
11,524,521	Interests in associates	8	**13,280,158**	7,490,060
71,326	Interests in joint ventures		**82,192**	260,234
193,490	Available-for-sale financial assets	9	**222,966**	104,353
465,624	Deferred tax assets		**536,557**	144,189
1,210,154	Other non-current assets	10	**1,394,509**	1,284,155
42,978,699			**49,526,044**	38,732,348
	Current assets			
2,659,479	Inventories	11	**3,064,622**	2,919,482
251,236	Available-for-sale financial assets	9	**289,509**	954,751
13,811	Derivative financial instruments		**15,915**	113,233
2,032,483	Trade and other receivables	12	**2,342,110**	2,242,728
1,257,562	Restricted bank deposits		**1,449,138**	1,629,804
1,192,769	Deposits in banks with original maturities over 3 months		**1,374,474**	1,540,195
4,775,980	Cash and cash equivalents		**5,503,550**	8,253,937
12,183,320			**14,039,318**	17,654,130
3,900,046	Assets of disposal group classified as held for sale	13	**4,494,176**	4,354,416
16,083,366			**18,533,494**	22,008,546
59,062,065	Total assets		**68,059,538**	60,740,894

(For reference only) *As at 30 June 2017* *RMB'000*		*Note*	*As at* *30 June 2017* *HK$'000*	*31 December 2016* *HK$'000*
	EQUITY AND LIABILITIES			
	Equity attributable to equity holders of the Company			
8,025,083	Share capital and share premium	14	**9,034,360**	8,323,602
9,529,351	Other reserves and retained earnings	15	**11,194,305**	10,310,529
17,554,434			**20,228,665**	18,634,131
9,093,158	**Non-controlling interests**		**10,478,403**	9,801,512
26,647,592	**Total equity**		**30,707,068**	28,435,643
	Liabilities			
	Non-current liabilities			
8,754,052	Borrowings	17	**10,087,638**	7,574,893
114,475	Provision for maintenance/resurfacing obligations	18	**131,914**	142,286
1,918,102	Deferred tax liabilities		**2,210,304**	1,759,275
8,574,818	Other non-current liabilities	19	**9,881,099**	10,009,736
19,361,447			**22,310,955**	19,486,190
	Current liabilities			
6,763,137	Trade and other payables	16	**7,793,429**	7,447,749
412,508	Income tax payable		**475,349**	525,885
32,969	Provision for maintenance/resurfacing obligations	18	**37,992**	36,801
5,844,412	Borrowings	17	**6,734,745**	4,808,626
13,053,026			**15,041,515**	12,819,061
32,414,473	**Total liabilities**		**37,352,470**	32,305,251
59,062,065	**Total equity and liabilities**		**68,059,538**	60,740,894

The notes on pages 33 to 61 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)

(For reference only) *Six months ended 30 June* *2017* *RMB'000*		*Note*	*Six months ended 30 June* *2017* *HK$'000*	*2016* *HK$'000*
3,706,024	**Revenue**	6, 20	**4,205,179**	3,578,014
(2,230,161)	Cost of sales		**(2,530,536)**	(2,011,481)
1,475,863	**Gross profit**		**1,674,643**	1,566,533
96,970	Other gains/(losses) – net	21	**110,031**	(122,287)
18,031	Other income	22	**20,459**	85,034
(30,998)	Distribution costs		**(35,173)**	(35,792)
(177,798)	Administrative expenses		**(201,745)**	(201,214)
1,382,068	**Operating profit**		**1,568,215**	1,292,274
11,421	Share of profit of joint ventures		**12,960**	20,417
622,552	Share of profit of associates	8	**706,402**	539,831
2,016,041	**Profit before finance costs and income tax**		**2,287,577**	1,852,522
51,293	Finance income	23	**58,201**	136,269
(343,100)	Finance costs	23	**(389,311)**	(611,737)
(291,807)	Finance costs – net	23	**(331,110)**	(475,468)
1,724,234	**Profit before income tax**		**1,956,467**	1,377,054
(317,867)	Income tax expense	24	**(360,680)**	(319,806)
1,406,367	**Profit for the period**		**1,595,787**	1,057,248
	Attributable to:			
973,069	Equity holders of the Company		**1,104,129**	632,223
433,298	Non-controlling interests		**491,658**	425,025
1,406,367			**1,595,787**	1,057,248
	Earnings per share attributable to equity holders of the Company (expressed in HK dollars per share)			
	– Basic	25	**0.56**	0.33
	– Diluted	25	**0.56**	0.33
	Dividends	26	**–**	–

The notes on pages 33 to 61 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 2017	2016
Profit for the period		**1,595,787**	1,057,248
Other comprehensive income/(loss):			
Items that may be reclassified to profit or loss:			
Fair value losses on available-for-sale financial assets, net of tax	15	**(46,061)**	(85,223)
Fair value gains on derivative financial instruments, net of tax		**—**	1,007
Share of other comprehensive income/(loss) of associates	8	**44,643**	(22,665)
Currency translation differences		**943,267**	(672,169)
Other comprehensive income/(loss) for the period, net of tax		**941,849**	(779,050)
Total comprehensive income for the period		**2,537,636**	278,198
Total comprehensive income attributable to:			
Equity holders of the Company		**1,725,714**	103,022
Non-controlling interests		**811,922**	175,176
		2,537,636	278,198

The notes on pages 33 to 61 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 (note 15)*	*Total*	*Non-controlling interests*	*Total equity*
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	—	—	(949,860)	(949,860)	—	(949,860)
Issue of scrip shares as dividend	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

	Attributable to equity holders of the Company					
	Share capital and share premium	*Other reserves (note 15)*	*Retained earnings (note 15)*	*Total*	*Non-controlling interests*	*Total equity*
Balance as at 1 January 2017	**8,323,602**	**(1,286,191)**	**11,596,720**	**18,634,131**	**9,801,512**	**28,435,643**
Total comprehensive income for the six months ended 30 June 2017	**–**	**621,585**	**1,104,129**	**1,725,714**	**811,922**	**2,537,636**
Transactions with owners in their capacity as owners						
Employee share option scheme						
-proceeds from shares issued (Note 14)	**42,436**	**–**	**–**	**42,436**	**–**	**42,436**
-value of employee services (Note 14)	**5,077**	**–**	**–**	**5,077**	**–**	**5,077**
Transfer from reserve	**–**	**7,264**	**(7,264)**	**–**	**–**	**–**
Dividend relating to 2016 (Note 26)	**–**	**–**	**(841,938)**	**(841,938)**	**–**	**(841,938)**
Issue of scrip shares as dividend (Note 26)	**663,245**	**–**	**–**	**663,245**	**–**	**663,245**
Dividend paid to non-controlling interests by subsidiaries	**–**	**–**	**–**	**–**	**(347,025)**	**(347,025)**
Non-controlling interests arising on business combinations (Note 30)	**–**	**–**	**–**	**–**	**206,888**	**206,888**
Capital injection by non-controlling interests	**–**	**–**	**–**	**–**	**5,106**	**5,106**
Total transactions with owners	**710,758**	**7,264**	**(849,202)**	**(131,180)**	**(135,031)**	**(266,211)**
Balance as at 30 June 2017	**9,034,360**	**(657,342)**	**11,851,647**	**20,228,665**	**10,478,403**	**30,707,068**

The notes on pages 33 to 61 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)

		Six months ended 30 June	
	Note	***2017***	*2016*
Cash flows from operating activities			
Cash generated from operations		**2,067,065**	1,736,059
Interest paid		**(243,514)**	(228,201)
Income tax paid		**(775,577)**	(439,110)
Net cash generated from operating activities		**1,047,974**	1,068,748
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	30	**(1,255,039)**	—
Purchase of property, plant and equipment, land use rights, construction in progress, intangible assets and other non-current assets		**(681,849)**	(970,741)
Prepayment for land use rights		**—**	(3,090,570)
Prepayment for purchase of office building		**—**	(1,245,941)
Increase in interests in associates	8	**(5,010,306)**	—
Proceeds from disposal of a subsidiary		**168,361**	—
Proceeds from disposal of available-for-sale financial assets, net of tax		**632,681**	3,841
Purchase of available-for-sale financial assets	9	**(115,234)**	(963,992)
Decrease in deposits in banks with original maturities over 3 months		**165,721**	751,825
Cash generated from/(used in) other investing activities		**202,251**	(63,815)
Net cash used in investing activities		**(5,893,414)**	(5,579,393)
Cash flows from financing activities			
Proceeds from borrowings		**7,452,960**	253,252
Repayments of borrowings	17	**(4,856,835)**	(1,343,123)
Dividends paid to the Company and subsidiaries' shareholders		**(525,718)**	(776,630)
Cash generated from other financing activities		**47,542**	29,203
Net cash generated from/(used in) financing activities		**2,117,949**	(1,837,298)
Net decrease in cash and cash equivalents		**(2,727,491)**	(6,347,943)
Cash and cash equivalents at the beginning of the period		**8,253,937**	13,253,721
Exchange (losses)/gains		**(22,896)**	2,117
Cash and cash equivalents at the end of the period		**5,503,550**	6,907,895

Non-cash transactions

The major non-cash transaction for the six months ended 30 June 2017 represented the issue of scrip shares as dividend (Note 26).

The notes on pages 33 to 61 form part of this 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 2017, Ultrarich International Limited ("Ultrarich") owns 897,563,937 ordinary shares of the Company directly, representing approximately 44.49% 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 44.49% of the equity in the Company held by Ultrarich and it was the largest shareholder of the Company. SIHCL is supervised and managed by State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal ("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 23 August 2017 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 25.

2. BASIS OF PREPARATION

This interim financial information for the six months ended 30 June 2017 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, *Interim financial reporting*, issued by the HKICPA. This interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016 ("2016 Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

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

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the 2016 Financial Statements as described therein, except for the accounting policy changes that are expected to be reflected in the financial statements of 2017.

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

(a) Amendments to standards adopted by the Group

		Effective for annual periods beginning on or after
Amendments to HKAS 7	Statement of cash flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12	Income taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of interests in other entities	1 January 2017

The amendments had no material impact on this interim financial information of the Group.

There are no other amendments or interpretations that are effective for the first time during the period and are expected to have a material impact on the Group.

(b) Impact of standards issued but not yet adopted by the Group

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

3. ACCOUNTING POLICIES *(continued)*

(b) Impact of standards issued but not yet adopted by the Group *(continued)*

The Group has made a preliminary assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards. At this stage, the Group does not intend to adopt the above standards before its effective date.

HKFRS 9 'Financial Instruments'

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial Instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

i. Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

– The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

– For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity securities are not held for trading and the entity irrevocably elects to designate that securities as FVTOCI. If equity securities are designated as FVTOCI then only dividend income on that securities will be recognised in profit or loss. Gains, losses and impairments on that securities will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9. However, further analysis is required.

With respect to the Group's financial assets currently classified as available-for-sale, these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss. This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported amounts such as profit and earnings per share.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

3. ACCOUNTING POLICIES *(continued)*

(b) Impact of standards issued but not yet adopted by the Group *(continued)*

HKFRS 9 'Financial Instruments' (continued)

ii. Impairment

The new impairment model in HKFRS 9 replaces the 'incurred loss' model in HKAS 39 with an 'expected credit loss' model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade and other receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

HKFRS 15 'Revenue from contracts with customers'

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group has made a preliminary assessment for the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following area which is likely to be affected:

i. Timing of revenue recognition

Currently, revenue from the sale of goods/services are generally recognised when the significant risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods/services in the contract. At contract inception, an entity evaluates whether it transfers the control to the customer over time and therefore revenue should be recognised over time – if not, then it transfers control at a point in time and revenue will be recognised at that single point in time.

Based on a preliminary assessment, the Group expects that revenue from sales of goods/services will continue to be recognised at a point in time. However, as a result of the change from the risk-and-reward approach to the transfer-of-control approach, the point in time at which revenue will be recognised may change upon the adoption of HKFRS 15. Further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

ii. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers.

Currently, the Group does not apply such a policy when payments are received in advance. But there was the toll adjustment and compensation agreements between the Group and local governments. The relevant payments were received in advance and revenues were recognised during the period of agreements while interest was recognised to reflect the time value of the compensation for the period between the basis date of valuation and the date of payment. Based on a preliminary assessment, adoption of HKFRS 15 may not have material impact on the relevant revenues of the Group. However, further analysis is required.

3. ACCOUNTING POLICIES *(continued)*

(b) Impact of standards issued but not yet adopted by the Group *(continued)*

HKFRS 16 'Lease'

The Group enters into some leases as the lessor and others as the lessee. HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 affects primarily the accounting for the Group's operating leases. At 30 June 2017, the Group's future minimum lease payments under non-cancellable operating leases amounted to HKD7,738,000 for certain land and buildings, the majority of which has a lease term of 12 months or less and therefore are short-term leases and leases of low-value. It is expected that no lease liability is recognised. Currently, an arrangement for operating right of advertising billboards exists in the Group. Whether such agreement may have a material impact on the amounts reported in any given financial reporting period under HKFRS 16 is not yet to be determined. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16.

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 2016 Financial Statements.

Fair value estimation of the identifiable assets and liabilities acquired

On 15 June 2017, the Group completed the acquisition of 100% equity interest in Hunan Yichang Expressway Development Company Limited ("Yichang Company"). Details of the business combination information are set out in Note 30.

The Group adopted valuation technique to assess the fair value of identifiable assets and liabilities of Yichang Company on the acquisition date by reference to the independent valuer's valuation report. Major assets of Yichang Company at the acquisition date were concession intangible assets, property, plant and equipment and cash and cash equivalents. The fair values of cash and cash equivalents and property, plant and equipment were assessed to approximate their respective carrying amounts, while the fair value of concession intangible assets were determined using income approach in which the discount rate 8.58% was applied as key assumption.

On 6 June 2017, the Group completed the acquisition of 20% equity interest in Chongqing Derun Environment Company Limited ("Derun Company") and there was significant influence on the financial, production and operation decisions. Therefore, Derun Company is an associate of the Group and is accounted for using the equity method.

The Group adopted valuation technique to assess the fair value of identifiable assets and liabilities of Derun Company on the completion date by reference to the independent valuer's valuation report in which the market comparison approach was adopted. The key estimations were no material changes in the existing fiscal or economics conditions, which might adversely affect the business of Derun Company.

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 2016 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 2017:

	Level 1	***Level 2***	***Level 3***	***Total***
Assets				
Available-for-sale financial assets	**289,509**	**—**	**—**	**289,509**
Derivative financial instruments	**—**	**15,915**	**—**	**15,915**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2016:

	Level 1	*Level 2*	*Level 3*	*Total*
Assets				
Available-for-sale financial assets	340,843	613,908	—	954,751
Derivative financial instruments	—	113,233	—	113,233

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 derivatives comprise foreign exchange forward contracts. The fair value of foreign exchange forward contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

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 2017	*31 December 2016*
Non-current borrowings	**9,921,912**	7,715,443

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 which mainly include the construction, operation and management of logistic centres and integrated logistics hubs; (ii) logistic services which include the provision of third party logistic services, logistic information services and financial services to customers; and (iii) port and related services.

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

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 2017

	Toll roads	*Logistic business*				*Head office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related services*[b]	*Subtotal*		
Revenue	2,939,105[a]	264,447	483,804	517,823	1,266,074	–	4,205,179
Operating profit/(loss)	1,443,004	79,050	30,276	52,144	161,470	(36,259)	1,568,215
Share of profit/(loss) of joint ventures	8,033	5,691	–	–	5,691	(764)	12,960
Share of profit/(loss) of associates	238,088	(200)	2,376	–	2,176	466,138	706,402
Finance income	39,970	753	1,814	261	2,828	15,403	58,201
Finance costs	(445,343)	(721)	(868)	(5,520)	(7,109)	63,141	(389,311)
Profit before income tax	1,283,752	84,573	33,598	46,885	165,056	507,659	1,956,467
Income tax expense	(264,921)	(19,263)	(7,202)	(6,066)	(32,531)	(63,228)	(360,680)
Profit for the period	1,018,831	65,310	26,396	40,819	132,525	444,431	1,595,787
Non-controlling interests	(489,990)	3,665	(1,521)	(10,750)	(8,606)	6,938	(491,658)
Profit attributable to equity holders of the Company	528,841	68,975	24,875	30,069	123,919	451,369	1,104,129
Depreciation and amortisation	784,130	44,736	6,145	28,913	79,794	34,134	898,058
Capital expenditure							
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	255,123	392,498	5,408	5,073	402,979	37,519	695,621
– Additions in property, plant and equipment, construction in progress, land use rights, and intangible assets arising from acquisition of subsidiaries	3,894,966	–	–	–	–	–	3,894,966
– Additions in interests in associates	5,010,306	–	–	–	–	–	5,010,306

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

6. SEGMENT INFORMATION *(continued)*

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 interests in associates	787,673	–	–	–	–	–	787,673

(a) The revenue from toll roads included construction service revenue under service concession arrangements of HKD242,400,000 (2016 interim: HKD37,268,000) for the period.

(b) Port and related services in 2017 included operation and management of wharf and logistic centres at Xiba Port in Nanjing, and port related supply chain management service business. The revenue and profit before income tax from port related services were HKD387,359,000 and HKD12,502,000 respectively for the period.

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

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

7. CAPITAL EXPENDITURE

	Intangible assets	*Investment properties*	*Property, plant and equipment*	*Land use rights*	*Construction in progress*
Six months ended 30 June 2017					
Net book amount as at 1 January 2017	**21,286,881**	**87,390**	**4,234,225**	**1,784,514**	**2,056,347**
Fair value gains	**—**	**3,910**	**—**	**—**	**—**
Acquisition of subsidiaries (Note 30)	**3,820,754**	**—**	**73,027**	**—**	**1,185**
Disposal of subsidiaries	**—**	**—**	**(116,527)**	**(13,110)**	**—**
Additions	**242,400**	**—**	**90,340**	**—**	**362,881**
Disposals	**(2,825)**	**—**	**(1,619)**	**—**	**—**
Transfers	**—**	**—**	**275,793**	**—**	**(275,793)**
Exchange difference	**743,991**	**—**	**133,176**	**57,234**	**63,546**
Depreciation/amortisation	**(694,983)**	**—**	**(180,876)**	**(22,199)**	**—**
Net book amount as at 30 June 2017	**25,396,218**	**91,300**	**4,507,539**	**1,806,439**	**2,208,166**
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

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 5 to 18 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. INTERESTS IN ASSOCIATES

	Six months ended 30 June	
	2017	2016
Beginning of the period	**7,490,060**	5,673,459
Additions	**5,010,306**	81,356
Transfer from other non-current assets	**—**	706,317
Share of profit of associates	**706,402**	539,831
Share of other comprehensive income/(loss) of associates	**44,643**	(22,665)
Dividends received	**(298,857)**	(259,203)
Exchange difference	**327,604**	(152,378)
End of the period	**13,280,158**	6,566,717

The ending balance comprises the following:

	As at	
	30 June 2017	31 December 2016
Unlisted investments		
Share of net assets other than goodwill	**10,615,358**	6,541,785
Goodwill on acquisition	**2,664,800**	948,275
	13,280,158	7,490,060

Based on the assessment made by the directors of the Company, there were no impairment losses for the goodwill as at 30 June 2017 (31 December 2016: Nil).

9. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Six months ended 30 June	
	2017	2016
Beginning of the period	**1,059,104**	1,215,450
Additions	**115,234**	963,992
Net change in fair value	**(61,415)**	(113,484)
Disposals	**(624,078)**	—
Exchange difference	**23,630**	(44,645)
End of the period	**512,475**	2,021,313
Less: non-current portion	**(222,966)**	(109,000)
Current portion	**289,509**	1,912,313

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

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

	As at	
	30 June 2017	*31 December 2016*
Listed securities in the PRC, at fair value (Note (a) and Note 5.3)	**289,509**	340,843
Unlisted yield-enhancement products, at fair value (Note (b) and Note 5.3)	**–**	613,908
Unlisted equity investments:		
at cost less impairment		
– Cost (Note (c))	**247,061**	128,448
– Provision for impairment	**(24,095)**	(24,095)
	222,966	104,353
	512,475	1,059,104

(a) As at 30 June 2017, listed equity investments stated at market price represent 1.30% (31 December 2016: 1.30%) equity interest in CSG Holding Co., Ltd. ("CSG"). During the period, the Group did not dispose of any shares in CSG (2016 interim: Nil).

(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 2017, other non-current assets mainly represented prepayments for land use rights, project funds, other long-term receivables and advance to non-controlling interests.

11. INVENTORIES

	As at	
	30 June 2017	*31 December 2016*
In the PRC		
Land in Qianhai held for future development	**1,561,323**	1,506,024
Other land held for future development	**60,186**	58,298
Land and properties under development for sale	**721,748**	652,466
Completed properties for sale	**525,949**	560,974
Others	**195,416**	141,720
	3,064,622	2,919,482

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

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017	As at 31 December 2016
Trade receivables (Note (a))	**1,123,372**	1,220,760
Less: Provision for impairment	**(2,148)**	(1,289)
Trade receivables – net	**1,121,224**	1,219,471
Other receivables and prepayments (Note (b))	**1,220,886**	1,023,257
	2,342,110	2,242,728

(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 2017	As at 31 December 2016
0 - 90 days	**579,196**	607,419
91 - 180 days	**138,828**	98,829
181 - 365 days	**20,638**	29,231
Over 365 days (i)	**384,710**	485,281
	1,123,372	1,220,760

(i) Trade receivables due over 365 days mainly comprised the amount of HKD340,020,000 (31 December 2016: HKD435,719,000) 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) The amounts mainly included: (i) prepayment for land use rights and guarantee deposit of land use rights of HKD272,536,000 (31 December 2016: HKD263,871,000); (ii) advance of construction costs and construction receivables of HKD272,959,000 (31 December 2016: HKD300,389,000); (iii) receivables from associate of HKD281,104,000 (31 December 2016: HKD58,042,000) and (iv) receivables of HKD23,484,000 (31 December 2016: HKD22,747,000) from Shenzhen Municipal People's Government for the related compensation on Meiguan Expressway's toll free section.

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 HKD4,110,048,000). 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 HKD4,110,048,000 (31 December 2016: HKD3,981,136,000), the carrying values of the original land use rights of HKD50,875,000 (31 December 2016: HKD49,280,000) and the buildings and fixtures attached to the land use rights of HKD333,253,000 (31 December 2016: HKD324,000,000), were reclassified to assets held for sale.

During the period, the time of completion of sale was extended due to delay of land relocation process.

14. SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares (share)	*Ordinary shares*	*Share premium*	*Total*
As at 1 January 2016	1,899,019,417	1,899,019	5,726,509	7,625,528
Employee share option				
– 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	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
As at 1 January 2017	**1,957,689,314**	**1,957,689**	**6,365,913**	**8,323,602**
Employee share option				
– proceeds from shares issued	**4,614,509**	**4,615**	**37,821**	**42,436**
– value of employee services	**—**	**—**	**5,077**	**5,077**
Issue of scrip share as dividend (Note 26)	**55,338,274**	**55,338**	**607,907**	**663,245**
As at 30 June 2017	**2,017,642,097**	**2,017,642**	**7,016,718**	**9,034,360**

(a) Authorised and issued shares

As at 30 June 2017, the total authorised number of ordinary shares was 3,000 million shares (31 December 2016: 3,000 million shares) with par value of HKD1.00 per share (31 December 2016: 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 2017		*Six months ended 30 June 2016*	
	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	**10.642**	**36,598**	10.40	31,780
Granted	**12.628**	**34,770**	11.592	7,420
Forfeited	**10.311**	**(1,744)**	10.40	(1,450)
Exercised	**9.196**	**(4,615)**	10.40	(960)
Adjusted	**—**	**4,787**	—	—
End of the period	**11.005**	**69,796**	10.64	36,790

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

		Number of share options (thousands)	
Date of maturity	***Exercise price (HKD per share)***	***30 June 2017***	*31 December 2016*
28 January 2019 (Note (i))	8.919	**27,709**	29,178
28 January 2019 (Note (ii))	11.195	**7,317**	7,420
25 May 2022 (Note (iii))	12.628	**34,770**	—
		69,796	36,598

(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, 1,744,000 (2016 interim: 1,450,000) of the 2014 Share Options were forfeited and 4,249,000 (2016 interim: 960,000) of 2014 Share Options were exercised.

On 23 June 2017, the Company adjusted the exercise price and number of 2014 Share Options outstanding according to the terms of the share option scheme and supplemental guidelines from the Stock Exchange. The exercise price of 2014 Share Options were adjusted to HKD8.919 per share and the number of share options were increased by 4,524,000.

14. SHARE CAPITAL AND SHARE PREMIUM *(continued)*

(b) Share options *(continued)*

(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. During the period, nil (2016 interim: nil) of the 2016 Share Options were forfeited and 366,000 (2016 interim: nil) of 2016 Share Options were exercised.

On 23 June 2017, the Company adjusted the exercise price and number of 2016 Share Options outstanding according to the terms of the share option scheme and supplemental guidelines from the Stock Exchange. The exercise price of 2016 Share Options were adjusted to HKD11.195 per share and the number of share options were increased by 263,000.

(iii) On 26 May 2017, 34,770,000 share options (the "2017 Share Options") with an exercise price of HKD12.628 per share were granted to certain directors of the Company and to selected employees of the Group. The exercise price of 2017 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 on 26 May 2019, another 30% of the share options granted will be vested on 26 May 2020, and the remaining 30% of the share options granted will be vested on 26 May 2021. Vesting of the above mentioned share options is conditional upon the individual performance of respective grantees and the achievement of certain performance targets of the Group.

The fair value of the 2017 Share Options as determined using the binominal model was HKD3.01 per option. The significant inputs used in the model were share price of HKD12.58 per share at grant date, exercise price shown above, volatility of 35.875%, dividend yield of 3.42%, an expected option life of 5 years and an annual risk-free interest rate of 0.945%. 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 AND RETAINED EARNINGS

	Fair value reserve	Reserve funds	Capital reserve	Goodwill reserve	Hedging reserve	Merger reserve	Revaluation surplus	Other reserves	Currency translation reserve	Contributed surplus	Other reserves Sub-total	Retained earnings	Total
At 1 January 2016	563,645	2,079,630	59,723	(159,583)	(1,483)	(4,082,110)	507,216	16,201	885,535	13,005	(118,221)	10,652,736	10,534,515
Profit attributable to equity holders of the company	–	–	–	–	–	–	–	–	–	–	–	632,223	632,223
Transfer to retained earnings	–	(84)	–	–	–	–	–	–	–	–	(84)	84	–
Dividend relating to 2015	–	–	–	–	–	–	–	–	–	–	–	(949,860)	(949,860)
Fair value loss on available-for-sale financial assets, net of tax	(85,223)	–	–	–	–	–	–	–	–	–	(85,223)	–	(85,223)
Fair value gains on derivative financial instruments, net of tax	–	–	–	–	1,007	–	–	–	–	–	1,007	–	1,007
Share of other comprehensive loss of associates	–	–	–	–	–	–	–	(22,665)	–	–	(22,665)	–	(22,665)
Currency translation differences	(14,905)	–	–	–	–	–	–	–	(407,415)	–	(422,320)	–	(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)	10,335,183	9,687,677
At 1 January 2017	**227,443**	**2,301,550**	**59,723**	**(159,583)**	**–**	**(4,082,110)**	**507,216**	**78,283**	**(231,718)**	**13,005**	**(1,286,191)**	**11,596,720**	**10,310,529**
Profit attributable to equity holders of the company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,104,129**	**1,104,129**
Transfer to reserve	**–**	**7,264**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**7,264**	**(7,264)**	**–**
Dividend relating to 2016	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(841,938)**	**(841,938)**
Fair value loss on available-for-sale financial assets, net of tax	**(46,061)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(46,061)**	**–**	**(46,061)**
Share of other comprehensive income of associates	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**47,165**	**–**	**–**	**47,165**	**–**	**47,165**
Currency translation differences	**7,806**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**612,675**	**–**	**620,481**	**–**	**620,481**
At 30 June 2017	**189,188**	**2,308,814**	**59,723**	**(159,583)**	**–**	**(4,082,110)**	**507,216**	**125,448**	**380,957**	**13,005**	**(657,342)**	**11,851,647**	**11,194,305**

16. TRADE AND OTHER PAYABLES

	As at	
	30 June 2017	31 December 2016
Trade payables (Note (a))	**147,845**	107,154
Payables relating to construction projects (Note (b))	**2,108,376**	2,317,868
Advances from associates (Note (c))	**101,042**	101,939
Compensation from government regarding Nanguan Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway toll free arrangement (Note 19)	**920,254**	854,080
Other payables, accrued expenses and deferred income (Note (d))	**4,515,912**	4,066,708
	7,793,429	7,447,749

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

	As at	
	30 June 2017	31 December 2016
0 - 90 days	**109,245**	92,636
91 - 180 days	**20,113**	8,944
181 - 365 days	**16,482**	4,638
Over 365 days	**2,005**	936
	147,845	107,154

(b) Included in payables relating to construction projects is an amount of HKD1,319,842,000 (31 December 2016: HKD1,585,286,000), which was payable for projects of entrusted management and construction of highways.

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

(d) Other payables, accrued expenses and deferred income mainly included payables for entrusted service costs of HKD171,900,000 (31 December 2016: HKD170,527,000), interest payables of HKD153,335,000 (31 December 2016: HKD125,972,000), employee benefit expenses of HKD77,900,000 (31 December 2016: HKD192,228,000), receipt in advance from sales of properties of HKD363,489,000 (31 December 2016: HKD190,411,000), deferred income with maturity within one year of HKD17,456,000 (31 December 2016: HKD25,308,000), advance from the Coastal Project second phase of HKD31,042,000 (31 December 2016: HKD37,066,000) and payables to Authority of Qianhai Shenzhen – Hongkong Modern Services Industry Cooperation Zone of Shenzhen for land premium of HKD2,817,214,000 (31 December 2016: HKD2,728,916,000).

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

17. BORROWINGS

	As at	
	30 June 2017	31 December 2016
Non-current		
Bank borrowings (Note (b))	**6,098,854**	4,047,648
Medium-term notes	**1,034,613**	2,117,437
Senior notes	**—**	2,344,172
Corporate bonds (Note (c))	**3,226,879**	3,175,776
	10,360,346	11,685,033
Less: current portion	**(272,708)**	(4,110,140)
	10,087,638	7,574,893
Current		
Bank borrowings (Note (d))	**6,734,745**	1,349,011
Senior notes	**—**	2,344,172
Medium-term notes	**—**	1,115,443
	6,734,745	4,808,626
Total borrowings	**16,822,383**	12,383,519

Movement in borrowings is analysed as follows:

	Six months ended 30 June	
	2017	2016
Opening balance as at 1 January	**12,383,519**	13,037,195
Acquisition of subsidiaries (Note 30)	**1,539,892**	—
Additions	**7,462,336**	262,304
Repayments	**(4,856,835)**	(1,343,123)
Exchange differences	**293,471**	(236,967)
Closing balance as at 30 June	**16,822,383**	11,719,409

17. BORROWINGS *(continued)*

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

	As at	
	30 June 2017	*31 December 2016*
Floating rate		
– Expiring within one year	**8,076,019**	11,569,179
– Expiring beyond one year	**46,671,987**	22,630,513
	54,748,006	34,199,692

(b) Bank borrowings of HKD2,111,805,000 (31 December 2016: HKD2,100,931,000) were secured by a pledge of the operating rights of Qinglian Expressway, of which HKD85,734,000 (31 December 2016: HKD110,727,000) were current portion of the non-current bank borrowings. Bank borrowings of HKD553,038,000 (31 December 2016: Nil) were secured by a pledge of the operating rights of Outer Ring Expressway; bank borrowings of HKD1,558,095,000 (31 December 2016: Nil) were secured by a pledge of the operating rights of Yichang Expressway, of which HKD72,120,000 (31 December 2016: Nil) were current portion of the non-current bank borrowings.

(c) Shenzhen Expressway issued corporate bonds of RMB800 million ("Corporate Bond A") and USD300 million in 2007 and 2016 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.

(d) Bank borrowings of HKD286,075,000 (31 December 2016: Nil) were secured by a pledge of the 45% equity interests of Jade Emperor Limited; bank borrowings of HKD1,002,535,000 (31 December 2016: Nil) were secured by a pledge of the operating rights of Shuiguan Expressway.

18. PROVISION FOR MAINTENANCE/RESURFACING OBLIGATIONS

	Six months ended 30 June	
	2017	*2016*
Opening net book amount	**179,087**	239,841
Charged to the income statement:		
Additions	**16,759**	16,323
Increase due to passage of time (Note 23)	**4,227**	3,103
Settlement	**(35,737)**	(19,505)
Exchange differences	**5,570**	(5,705)
Closing net book amount	**169,906**	234,057
Less: current portion	**(37,992)**	(88,117)
Non-current portion	**131,914**	145,940

19. OTHER NON-CURRENT LIABILITIES

	As at	
	30 June 2017	*31 December 2016*
Compensations from government regarding Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway toll free arrangement (Note (a))	**9,281,099**	9,412,716
Deferred income (Note (b))	**600,000**	597,020
	9,881,099	10,009,736

19. OTHER NON-CURRENT LIABILITIES *(continued)*

(a) As at 30 June 2017, 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 People's Bank of China, which was ranged from 4.35% to 4.75%.

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 HKD245,086,000 was recognised for the six-months ended 30 June 2017 (2016 interim: HKD273,837,000) (Note 23).

In December 2015, the Group received the first payment from SZ Transportation Committee amounting to HKD11,599,650,000, of which HKD920,254,000 was in relation to the toll revenue of the 4 Toll Roads from the second half of 2017 to the first half of 2018 (31 December 2016: HKD854,080,000) (Note 16).

(b) As at 30 June 2017, deferred income includes government grants amounting to HKD378,544,000 (31 December 2016: HKD371,734,000) which was received from the government for the purpose of subsidising the Group's development, operation and setting up certain integrated logistics hubs. The corresponding deferred income with maturity within one year amounted to HKD10,179,000 (31 December 2016: HKD9,859,000) was included in "Trade and other payables".

20. REVENUE

	Six months ended 30 June	
	2017	*2016*
Toll roads		
– Toll revenue	**2,603,988**	2,498,611
– Entrusted construction management service and construction consulting service revenue	**29,421**	265,771
– Construction service revenue under service concession	**242,400**	37,268
– Others	**63,296**	—
	2,939,105	2,801,650
Logistic business		
– Logistic parks	**264,447**	238,105
– Logistic services	**483,804**	447,685
– Port and related services	**517,823**	90,574
	1,266,074	776,364
	4,205,179	3,578,014

21. OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2017	*2016*
Gains/(tax expenses) on disposal of available-for-sale financial assets	**8,603**	(125,518)
Losses on disposal of property, plant and equipment	**(1,760)**	(1,598)
Gain on disposal of a subsidiary	**51,834**	—
Gain on land compensation	**28,014**	—
Gains on revaluation on equity interests in a joint venture previously held arising from business combinations with change of control-net (Note 30)	**31,209**	—
Others	**(7,869)**	4,829
	110,031	(122,287)

22. OTHER INCOME

	Six months ended 30 June	
	2017	*2016*
Dividend income	**—**	63,589
Rental income	**3,826**	4,543
Government grants	**16,633**	9,988
Others	**—**	6,914
	20,459	85,034

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

23. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2017	*2016*
Finance income		
Interest income from bank deposits	**53,785**	126,392
Interest income from other receivables	**4,416**	7,383
Other interest income	**—**	2,494
Total finance income	**58,201**	136,269
Finance costs		
Interest expenses		
– Bank borrowings	**125,413**	98,246
– Medium-term notes	**42,964**	56,103
– Corporate bonds	**63,058**	79,808
– Senior notes	**32,024**	51,864
– Other interest costs (Note 18)	**4,227**	3,103
– Interest costs for other financial liabilities (Note 19)	**245,086**	273,837
Net foreign exchange (gains)/losses	**(155,241)**	119,713
Losses on derivative financial instruments directly attributable to borrowings	**78,123**	—
Less: finance costs capitalised on qualified assets	**(46,343)**	(70,937)
Total finance costs	**389,311**	611,737
Net finance costs	**331,110**	475,468

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% (2016 interim: 25%) applicable to the respective companies.

	Six months ended 30 June	
	2017	*2016*
Current income tax		
– PRC Corporate Income Tax	**709,046**	321,286
Deferred tax	**(348,366)**	(1,480)
	360,680	319,806

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	
	2017	*2016*
Profit attributable to equity holders of the Company	**1,104,129**	632,223
Weighted average number of ordinary shares in issue (thousands)	**1,959,980**	1,901,787
Basic earnings per share (HK dollars per share)	**0.56**	0.33

(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	
	2017	*2016*
Profit attributable to equity holders of the Company	**1,104,129**	632,223
Profit used in the calculation of diluted earnings per share	**1,104,129**	632,223
Weighted average number of ordinary shares in issue (thousands)	**1,959,980**	1,901,787
Adjustments – share options (thousands)	**5,831**	3,743
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,965,811**	1,905,530
Diluted earnings per share (HKD dollars per share)	**0.56**	0.33

26. DIVIDENDS

The board of directors has resolved not to declare any interim dividend in respect of the period (2016 interim: Nil). The 2016 final dividend of HKD841,938,000 (HKD0.43 per ordinary share) were settled in June 2017. According to the scrip dividend scheme approved by shareholders in the annual general meeting held on 17 May 2017, 55,338,274 new shares were issued at a price of approximately HKD11.9852 per share, totalling HKD663,245,000. The remaining dividend totalling HKD178,693,000 was paid in cash in June 2017.

(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 2016.

Shenzhen Expressway and its subsidiaries had construction management contracts and arranged with bank to issue irrevocable performance guarantees amounting to HKD17,285,000 (31 December 2016: HKD16,743,000), HKD41,311,000 (31 December 2016: HKD68,226,000), HKD115,234,000 (31 December 2016: HKD111,620,000), HKD11,523,000 (31 December 2016: Nil) on its behalf to SZ Transportation Committee, Shenzhen Longhua New Area Construction Service Management Center, Shenzhen Guangshen Coastal Expressway Investment Co., Ltd. ("Coastal Company") and Shenzhen-Shanwei Special Cooperation Zone Development and Construction Company Limited respectively.

As of 30 June 2017, Shenzhen Expressway has given collateral liability guarantees by phases of approximately HKD321,917,000 (31 December 2016: HKD198,616,000) 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 HKD53,238,000 (31 December 2016: HKD51,568,000).

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 2017	*31 December 2016*
Capital commitments – expenditure of property, plant and equipment and concession intangible assets		
– Authorised but not contracted	**3,560,567**	3,411,669
– Contracted but not provided for	**4,113,831**	4,605,361
	7,674,398	8,017,030
Investment commitments		
– Contracted but not provided for	**71,318**	—
	7,745,716	8,017,030

29. RELATED-PARTY TRANSACTIONS

As described in Note 1, the Company is de facto controlled by Shenzhen SASAC. The transactions entered into with associates, joint ventures and other state-owned entities are related party transactions. Management considers certain state-owned enterprises have material transactions with the Group in its ordinary course of business, which include but not limited to (1) capital expenditure incurred for service concession projects and construction in progress with stated-owned contractors and the corresponding payable balances due to these contractors and guaranteed deposits; (2) purchase of goods, including use of public utilities; and (3) bank deposits and borrowings. These transactions are mainly carried out on terms comparable to those conducted with third parties or standards promulgated by relevant government authorities and have been reflected in the 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 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 RMB6,269,000 (HKD7,114,000) (2016 interim: RMB5,244,000 (HKD6,215,000)).

    Additionally, according to an entrusted operation management agreement signed between Shenzhen Expressway and Coastal Company in December 2016, Shenzhen Expressway recognised entrusted management service revenue in the consolidated income statement amounting to RMB8,491,000 (HKD9,635,000) (2016 interim: RMB42,453,000 (HKD50,318,000)) after netting of VAT (tax rate 6%) of RMB509,000 (HKD578,000) during the period.

(b) On 1 December 2016, Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company") became an associate of Shenzhen Expressway, and Shenzhen Expressway and Consulting Company entered into a service agreement pursuant to which Consulting Company provides engineering consulting, management and testing service. During the period, Shenzhen Expressway paid service fee to Consulting Company amounting to RMB5,217,000 (HKD5,920,000) (2016 interim: not applicable).

(c) During the period, the transactions stated in the entrusted operation management agreement between Shenzhen Expressway and Coastal Company mentioned in (a) constitute continued connected transactions as defined in Chapter 14A of the Listing Rules.

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

30. BUSINESS COMBINATION

(a) Acquisition of 100% equity interests of Yichang Company

On 20 January 2017, the Group entered into an equity transfer agreement with Shenzhen Pingan Innovation Capital Investment Company Limited ("Pingan Innovation"). The Group acquired the 100% equity interests in Yichang Company held by Pingan Innovation with a cash consideration of RMB1,270,000,000 (equivalent to HKD1,441,053,000). The acquisition was completed on 15 June 2017. Yichang Company became a subsidiary of the Group.

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

Consideration	
As at 15 June 2017	
Fair value of acquisition of 100% net asset of Yichang Company	1,441,053
Total consideration	1,441,053
Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	132,882
Other current assets	9,736
Property, plant and equipment	21,324
Construction in progress	1,185
Concession intangible assets	3,546,232
Borrowings	(1,539,892)
Other current liabilities	(274,160)
Deferred tax liabilities	(456,254)
Total identifiable net assets	1,441,053
Non-controlling interest	—
Goodwill	—
	1,441,053
Purchase consideration settled in cash in 2017	(1,441,053)
Cash and cash equivalent for a subsidiary acquired	132,882
Cash outflow on acquisition	(1,308,171)

Details of fair value estimation of concession intangible assets set out in Note 4.

The revenue included in the consolidated income statement since 15 June 2017 contributed by Yichang Company was HKD18,198,000. Yichang Company also contributed profit of HKD2,450,000 over the same period.

30. BUSINESS COMBINATION *(continued)*

(b) Consolidation of Changsha Shenchang Expressway Co., Ltd. ("Shenchang Company")

Shenchang Company was a joint venture with its 51% equity interests held by the Group. On 1 April 2017, Shenchang amended its articles of association. Based on amended articles of association, since 1 April 2017, significant decisions on finance, production and operation will be implemented only when a half of voting rights are exercised and exceeded in accordance with the proportion of capital contributions. Therefore Shenzhen Expressway obtained the controlling power over Shenchang Company and it became a subsidiary of the Group.

The following table summarises the consideration paid for Shenchang, the fair value of assets consolidated, liabilities assumed and the non-controlling interest at the consolidation date:

Consideration	
As at 1 April 2017	
Fair value of equity interests in Shenchang Company held before the business combination	215,332
Total consideration	215,332
Recognised amounts of identifiable assets consolidated and liabilities assumed	
Cash and cash equivalents	53,132
Other current assets	4,749
Property, plant and equipment	51,703
Concession intangible assets	274,522
Deferred tax assets	68,723
Other current liabilities	(30,609)
Total identifiable net assets	422,220
Non-controlling interests	(206,888)
Goodwill	—
	215,332
Purchase consideration settled in cash in 2017	—
Cash and cash equivalent for a subsidiary consolidated	53,132
Cash inflow from consolidation	53,132

The fair value of the non-controlling interest in Shenchang Company, an unlisted company, on 1 April 2017, was estimated with reference to the fair value of equity interests of Shenchang held before business combination.

The Group recognised a gain of HKD31,209,000 (Note 21) as a result of remeasuring at fair value its 51% equity interests in Shenchang Company held before the business combination. The gain was recorded in"other gains/(losses) — net" in the Group's income statement for the six months ended 30 June 2017.

The revenue included in the consolidated income statement since 1 April 2017 contributed by Shenchang Company was HKD38,649,000. Shenchang Company also contributed profit of HKD5,098,000 over the same period.

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 2017 (the "Period").

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2017, 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	192,305	beneficial owner	personal	0.010%
Zhong Shan Qun	68,000	beneficial owner	personal	0.003%
Liu Jun	900,000	beneficial owner	personal	0.045%
Hu Wei	120,716	beneficial owner	personal	0.006%
Xie Chu Dao	310,763	beneficial owner	personal	0.015%

Save as disclosed above and in the section headed "**SHARE OPTION SCHEME**" below, as at 30 June 2017, 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 10)	
Name and category of participants	*Date of grant of share options*	*Exercise period of share options*	*Exercise price of share options* (Note 9)	*As at 1 January 2017*	*Granted during the Period*	*Adjusted during the Period* (Note 9)	*Exercised during the Period*	*Cancelled/ lapsed during the Period*	*As at 30 June 2017*	*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 4, 5*)	29 January 2016 to 28 January 2019	8.919	1,400,000	–	232,547	–	–	1,632,547	9.70	N/A
	26 May 2017 (*Notes 6, 7*)	26 May 2019 to 25 May 2022	12.628	–	1,270,000	–	–	–	1,270,000	12.56	N/A
Mr. Li Hai Tao	22 June 2016 (*Notes 7, 8*)	22 June 2016 to 28 January 2019	11.195	410,000	–	14,555	–	–	424,555	11.66	N/A
	26 May 2017 (*Notes 6, 7*)	26 May 2019 to 25 May 2022	12.628	–	1,210,000	–	–	–	1,210,000	12.56	N/A
Mr. Zhong Shan Qun	29 January 2014 (*Notes 4, 5*)	29 January 2016 to 28 January 2019	8.919	1,050,000	–	174,410	–	–	1,224,410	9.70	N/A
	26 May 2017 (*Notes 6, 7*)	26 May 2019 to 25 May 2022	12.628	–	950,000	–	–	–	950,000	12.56	N/A
Mr. Liu Jun	29 January 2014 (*Notes 4, 5*)	29 January 2016 to 28 January 2019	8.919	1,050,000	–	174,410	89,000	–	1,135,410	9.70	14.50
	26 May 2017 (*Notes 6, 7*)	26 May 2019 to 25 May 2022	12.628	–	950,000	–	–	–	950,000	12.56	N/A
Mr. Hu Wei (*Note 2*)	29 January 2014 (*Notes 4, 5*)	29 January 2016 to 28 January 2019	8.919	1,050,000	–	174,410	–	–	1,224,410	9.70	N/A
	26 May 2017 (*Notes 6, 7*)	26 May 2019 to 25 May 2022	12.628	–	950,000	–	–	–	950,000	12.56	N/A
Mr. Li Lu Ning (*Note 3*)	29 January 2014 (*Notes 4, 5*)	29 January 2016 to 28 January 2019	8.919	1,050,000	–	174,410	–	–	1,224,410	9.70	N/A
	26 May 2017 (*Notes 6, 7*)	26 May 2019 to 25 May 2022	12.628	–	950,000	–	–	–	950,000	12.56	N/A
				6,010,000	6,280,000	944,742	89,000	–	13,145,742		
Other employees In aggregate	29 January 2014 (*Notes 4, 5*)	29 January 2016 to 28 January 2019	8.919	23,578,000	–	3,594,172	4,159,009	1,744,949	21,268,214	9.70	14.30
	22 June 2016 (*Notes 7, 8*)	22 June 2016 to 28 January 2019	11.195	7,010,000	–	248,855	366,500	–	6,892,355	11.66	14.38
	26 May 2017 (*Notes 6, 7*)	26 May 2019 to 25 May 2022	12.628	–	28,490,000	–	–	–	28,490,000	12.56	N/A
				30,588,000	28,490,000	3,843,027	4,525,509	1,744,949	56,650,569		
				36,598,000	34,770,000	4,787,769	4,614,509	1,744,949	69,796,311		

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) *Mr. Hu Wei was appointed as an executive director of the Company on 17 May 2017.*

(3) *Mr. Li Lu Ning resigned as an executive director of the Company with effect from 17 May 2017.*

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

(5) *Granted under the Expired Scheme.*

(6) *40% of these share options granted will be vested on 26 May 2019; another 30% of these share options granted will be vested on 26 May 2020; and the remaining 30% of these share options granted will be vested on 26 May 2021. Vesting of these share options is conditional upon the achievement of certain performance targets by the individual grantees and the Group.*

(7) *Granted under the New Scheme.*

(8) *40% of these share options granted have been vested on 22 June 2016; another 30% of these share options granted have been vested on 29 January 2017; and the remaining 30% of these share options granted will be vested on 29 January 2018. Vesting of these share options in 2018 is conditional upon the achievement of certain performance targets by the individual grantees and the Group.*

(9) *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. In view of the distribution of the final dividend and/or special dividend for the years ended 2013 to 2016 in scrip form, the Company made a retroactive adjustment/an adjustment to the exercise price and the number of the outstanding share options during the Period. As a result, the exercise price per share for share options granted on 29 January 2014 and 22 June 2016 was adjusted to HK$8.919 and HK$11.195 from HK$10.40 and HK$11.592, respectively, with effect from 23 June 2017.*

(10) *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 on 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.*

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 approximately HK$5,077,000 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 unaudited 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 2017, 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)*	897,563,937	interest of controlled corporation	44.49%
Ultrarich International Limited ("Ultrarich") — *Note (2)*	897,563,937	beneficial owner	44.49%
Chan See Ting	3,854,962	beneficial owner	0.19%
	289,961,510 *Note (3)*	interest of controlled corporations	14.37%
Lai Hoi Man	3,854,962	family interests	0.19%
	289,961,510 *Note (3)*	interest of controlled corporations	14.37%
Horoy Enterprise Holdings Limited	204,021,747	beneficial owner	10.11%

Notes:

(1) Ultrarich holds an aggregate of 897,563,937 shares of the Company and is a wholly-owned subsidiary of SIHCL. Accordingly, SIHCL is deemed to be interested in the 897,563,937 shares of the Company owned by Ultrarich.

(2) Messrs. Gao Lei, Li Hai Tao, Liu Jun and Li Lu Ning (resigned as an executive director of the Company on 17 May 2017) 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, a company holding 85,939,763 shares of the Company, respectively. Accordingly, they are deemed to be interested in the aggregate holdings of 289,961,510 shares of the Company held by these companies.

Save as disclosed above, as at 30 June 2017, 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 2017, 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:

Interests in ordinary shares of the Company

Name of shareholders	*Number of ordinary shares held* *Note (1)*	*Capacity*	*Approximate % of issued shares of the Company*
UBS Group AG	22,167,159 (L)	person having a security interest in shares	1.099%
	88,060,266 (L) *Note (2)*	interest of controlled corporations	4.365%
	5,705,998 (S) *Note (2)*	interest of controlled corporations	0.283%
UBS AG	2,176,578 (L)	beneficial owner	0.108%
	5,705,998 (S)	beneficial owner	0.283%
UBS Asset Management (Hong Kong) Ltd	16,395,289 (L)	beneficial owner	0.813%
UBS Asset Management (Japan) Ltd	568,500 (L)	beneficial owner	0.028%
UBS Asset Management (Singapore) Ltd	2,722,990 (L)	beneficial owner	0.135%
UBS Asset Management Trust Company	46,000 (L)	beneficial owner	0.002%
UBS Asset Management (UK) Limited	4,200,000 (L)	beneficial owner	0.208%
UBS Fund Management (Luxembourg) S.A.	61,917,909 (L)	beneficial owner	3.069%
UBS Fund Management (Switzerland) AG	23,000 (L)	beneficial owner	0.001%
UBS Financial Services Inc.	10,000 (L)	beneficial owner	0.001%

Notes:

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

(2) UBS AG, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Japan) Ltd, UBS Asset Management (Singapore) Ltd, UBS Asset Management Trust Company, UBS Asset Management (UK) Limited, UBS Fund Management (Luxembourg) S.A., UBS Fund Management (Switzerland) AG and UBS Financial Services Inc. are the wholly-owned subsidiaries of UBS Group AG. Accordingly, UBS Group AG is deemed to be interested in the long positions of 88,060,266 shares in the Company and the short positions of 5,705,998 shares in the Company held by these companies in aggregate as disclosed above.

Save as disclosed above, as at 30 June 2017, 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.

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 eleven directors, including five executive directors, namely Mr. Gao Lei, Mr. Li Hai Tao, Mr. Zhong Shan Qun, Mr. Liu Jun and Mr. Hu Wei (appointed on 17 May 2017); two non-executive directors, namely Mr. Xie Chu Dao (appointed on 17 May 2017) and Mr. Liu Xiao Dong (appointed on 23 August 2017) and four independent non-executive directors, namely Mr. Leung Ming Yuen, Simon, Mr. Ding Xun, Mr. Nip Yun Wing and Dr. Yim Fung (re-designated as an independent non-executive director from a non-executive director on 17 May 2017).

The Board discussed the following major issues during the Period:

(1) approving and considering the 2016 annual results and the payment of dividend;

(2) reviewing the results and business operations of the first quarter of 2017;

(3) approving a disclosable transaction in relation to the acquisition of 100% interest in the project company of Yichang Expressway by the Group;

(4) approving a connected transaction in relation to the participation of the Group in capital injection of Shenzhen Water Planning & Design Institute Company Limited;

(5) approving a disclosable transaction in relation to the acquisition of 20% interest in Chongqing Derun Environment Company Limited by the Group;

(6) approving the appointment of Mr. Hu Wei as an executive director of the Company;

(7) approving the appointment of Mr. Xie Chu Dao as a non-executive director of the Company and the entering into of the service contract with him;

(8) approving the re-designation of Dr. Yim Fung as an independent non-executive director from a non-executive director and the entering into of the new service contract with him;

(9) approving the entering into of new service contracts with three independent non-executive directors of the Company; and

(10) approving the five-year strategic plan of the Group.

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 2016 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) recommending on the re-appointment of the Auditor;

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

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

(5) conducting annual review and confirmation pursuant to the Listing Rules in respect of the entrusted operational management service agreement for Phase I of Guangshen Coastal Expressway project entered into by the Group in June 2016, which constitutes a continuing connected transaction of the Group.

The Company has engaged KPMG, the Auditor, to review the unaudited 2017 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 2017. The Auditor's independent review report is set out on page 25 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) evaluating and making recommendation on the appointment of Mr. Hu Wei and Mr. Xie Chu Dao as an executive director and a non-executive director of the Company, respectively and the re-designation of Dr. Yim Fung as an independent non-executive director from a non-executive director;

(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 or retirement by rotation and re-election at the 2017 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 for 2016;

(2) approving bonus payments for 2016 to the senior management;

(3) approving the entering into of the service contract with Mr. Hu Wei, an executive director of the Company, and reviewing the entering into of the service contract with Mr. Xie Chu Dao, a non-executive director of the Company, respectively; and

(4) considering the grant of share options to executive directors and senior management 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, Mr. Zhong Shan Qun, Mr. Liu Jun and Mr. Hu Wei (appointed on 17 May 2017).

During the Period, the major issues that the Executive Board Committee discussed and reviewed included discussing and considering the Company's 2016 annual results and dividend proposal, results and business development for the first quarter of 2017, the grant of the Company's share options to eligible participants; considering the budgets for the year 2017 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)*	**5**/5	N/A	N/A	**3**/3	**9**/9
Mr. Li Hai Tao	**5**/5	N/A	N/A	N/A	**9**/9
Mr. Zhong Shan Qun	**5**/5	N/A	**2**/2	N/A	**9**/9
Mr. Liu Jun	**3**/5	N/A	N/A	N/A	**7**/9
Mr. Hu Wei (1), (2)	**1**/1	N/A	N/A	N/A	**1**/1
Mr. Li Lu Ning (3), (4)	**3**/4	N/A	N/A	N/A	**8**/8
Non-executive directors					
Mr. Xie Chu Dao (5), (6)	**1**/1	N/A	N/A	N/A	N/A
Mr. Liu Xiao Dong (7)	N/A	N/A	N/A	N/A	N/A
Independent non-executive directors					
Mr. Leung Ming Yuen, Simon	**5**/5	**2**/2	**2**/2	**3**/3	N/A
Mr. Ding Xun	**5**/5	**2**/2	**2**/2	**3**/3	N/A
Mr. Nip Yun Wing	**5**/5	**2**/2	N/A	N/A	N/A
Dr. Yim Fung (8)	**5**/5	N/A	N/A	N/A	N/A

Notes:

(1) *Mr. Hu Wei was appointed as an executive director of the Company on 17 May 2017.*

(2) *The Company convened a Board meeting and an Executive Board Committee meeting since the date of appointment of Mr. Hu Wei as an executive director of the Company and until 30 June 2017.*

(3) *Mr. Li Lu Ning resigned as an executive director of the Company on 17 May 2017.*

(4) *The Company convened eight Executive Board Committee meetings and four Board meetings before the resignation of Mr. Li Lu Ning as an executive director of the Company.*

(5) *Mr. Xie Chu Dao was appointed as a non-executive director of the Company on 17 May 2017.*

(6) *The Company convened a Board meeting since the date of appointment of Mr. Xie Chu Dao as a non-executive director of the Company and until 30 June 2017.*

(7) *Mr. Liu Xiao Dong was appointed as a non-executive director of the Company on 23 August 2017.*

(8) *Dr. Yim Fung was re-designated as an independent non-executive director from a non-executive director on 17 May 2017.*

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