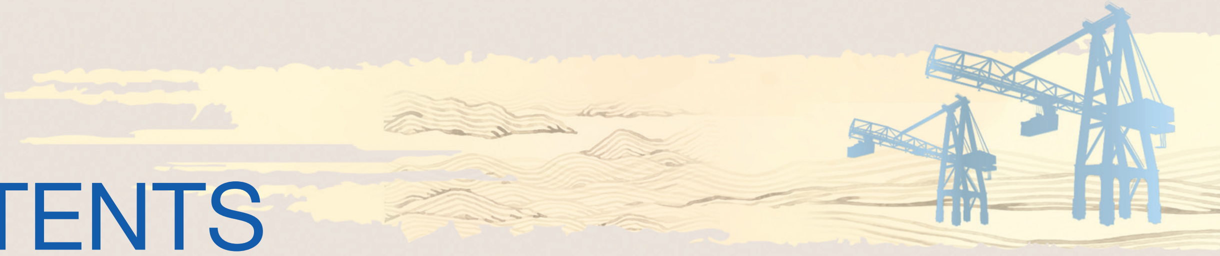
2018 中期報告 INTERIM REPORT

Shenzhen International
深國際

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

(Incorporated in Bermuda with limited liability)
(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, a company incorporated in Bermuda with limited liability, is a red chip company listed on the main board of the Stock Exchange of Hong Kong, the only company listed entirely outside the PRC directly controlled by the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal (indirectly holding approximately 45.1% interests through Shenzhen Investment Holdings Company Limited), and also the only municipal State-owned enterprise which is principally engaged in logistics.

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, defining the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim in the PRC as strategic regions. The Group establishes a "2+X" industrial business model through construction investment, merger and acquisition, reorganization and consolidation with modern logistics and toll road businesses as its core. Over years of development, we have expanded our business into other market segments including logistics industry investment and operation, transportation infrastructure investment, construction and operation, as well as the relevant land comprehensive development and environmental protection industry investment and operation.

Shenzhen International Holdings Limited(1)

Logistic Business

Segment	Interest	Entity
Logistic Parks	100%	Shenzhen South China Logistic Park
Logistic Parks	100%	Shenzhen Western Logistic Park
Logistic Parks	55.39%	Shandong Booming Total Logistic Park
Logistic Parks	50%	SZ Airport Express Center
Logistic Parks	70%	Shenzhen International Kanghuai E-commerce Centre
China Urban Integrated Logistics Hub(3)	85.30%	Shenzhen International Shenyang Integrated Logistic Hub
China Urban Integrated Logistics Hub(3)	100%	Shenzhen International Kunshan Integrated Logistic Hub
China Urban Integrated Logistics Hub(3)	100%	Shenzhen International Wuhan Dongxihu Integrated Logistic Hub
China Urban Integrated Logistics Hub(3)	90%	Shenzhen International Hefei Integrated Logistic Hub
China Urban Integrated Logistics Hub(3)	100%	Shenzhen International Nanchang Integrated Logistic Hub
China Urban Integrated Logistics Hub(3)	80%	Shenzhen International Shijiazhuang Integrated Logistic Hub
China Urban Integrated Logistics Hub(3)	100%	Shenzhen International Wuxi Integrated Logistic Hub
China Urban Integrated Logistics Hub(3)	100%	Shenzhen International Hangzhou Integrated Logistic Hub
China Urban Integrated Logistics Hub(3)		Shenzhen International Guizhou Integrated Logistic Hub (4)
China Urban Integrated Logistics Hub(3)	100%	Shenzhen International Ningbo Integrated Logistic Hub
China Urban Integrated Logistics Hub(3)	100%	Shenzhen International Changsha Integrated Logistic Hub
China Urban Integrated Logistics Hub(3)	100%	Shenzhen International Chongqing Integrated Logistic Hub
China Urban Integrated Logistics Hub(3)	100%	Shenzhen International Jurong Integrated Logistic Hub
China Urban Integrated Logistics Hub(3)	100%	Shenzhen International Xi'an Integrated Logistic Hub
China Urban Integrated Logistics Hub(3)	100%	Shenzhen International Kunming Integrated Logistic Hub
Port	70%	Phase 1 of Nanjing Xiba Port
Port	70%	Phase 2 of Nanjing Xiba Port
Port		Supply Chain Management Services of Port
Logistic Services		Third Party Logistic Service
Logistic Services		Logistic Information Service
Logistic Services		Logistic Financing Service
Logistic Services		Investments and Management of Logistic Equity

Toll Road Business

Interest	Entity
51.52%	Shenzhen Expressway Company Limited (1)(2)
89.93%	Longda Expressway in Shenzhen

Other Investments / Projects

Interest	Entity
49%	Shenzhen Airlines Company Limited
1.25%	CSG Holding Co., Ltd.(2)
76.25%	Meilin Checkpoint Urban Renewal Project
100%	Qianhai Project (5)

(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 68.67%-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:
Ding Xun
Nip Yun Wing
Yim Fung
Cheng Tai Chiu, Edwin *(Appointed on 22 August 2018)*
Leung Ming Yuen, Simon[(1)] *(Resigned on 22 August 2018)*

AUDIT COMMITTEE

Nip Yun Wing *(Chairman)*
Ding Xun
Cheng Tai Chiu, Edwin[(2)]

NOMINATION COMMITTEE

Ding Xun *(Chairman)*
Zhong Shan Qun
Nip Yun Wing[(2)]

REMUNERATION AND APPRAISAL COMMITTEE

Ding Xun *(Chairman)*
Gao Lei
Yim Fung[(2)]

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

SHARES

Hong Kong Stock Exchange:
Stock Code: 00152

SECURITIES

Hong Kong Stock Exchange:
USD Perpetual Securities (Stock Code: 05042)

Shenzhen Stock Exchange:
RMB Bonds (First Tranche) (Stock Code: 112636)

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
China Citic Bank *(PRC Domestic Bank)*
China Development Bank *(PRC Domestic Bank)*
China Everbright Bank *(PRC Domestic Bank)*
China Merchants Bank
China Minsheng Bank *(PRC Domestic Bank)*
DBS Bank
Hang Seng Bank
HSBC
ING Bank N.V.
MUFG Bank, Ltd.
Oversea-Chinese Banking Corporation Ltd.
Ping An Bank
Shanghai Pudong Development Bank *(PRC Domestic Bank)*
Standard Chartered Bank
Taipei Fubon Commercial Bank, Hong Kong Branch

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
9th Floor, The Center
99 Queen's Road Central, Central, Hong Kong

(1) Mr. Leung Ming Yuen, Simon, resigned as the chairman and a member of the audit committee, a member of each of the nomination committee and the remuneration and appraisal committee of the Company on 22 August 2018
(2) Appointed as a committee member on 22 August 2018

FINANCIAL HIGHLIGHTS

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***	
	2018	*2017 (Restated)*	***2018***	*2017 (Restated)*	***2018***	*2017 (Restated)*	***2018***	*2017 (Restated)*
Toll roads								
– Revenue	**3,627**	2,910	**1,929**	1,532	**349**	246	**2,278**	1,778
– Construction service revenue	**402**	242	**—**	—	**—**	—	**—**	—
Toll roads sub-total	**4,029**	3,152	**1,929**	1,532	**349**	246	**2,278**	1,778
Logistic business								
– Logistic parks	**323**	264	**108**	79	**8**	6	**116**	85
– Logistic services	**339**	484	**30**	30	**1**	2	**31**	32
– Port and related services	**655**	518	**104**	52	**—**	—	**104**	52
Logistic business sub-total	**1,317**	1,266	**242**	161	**9**	8	**251**	169
Head office	**—**	—	**(198)**	(36)	**328**	466	**130**	430
Total	**5,346**	4,418	**1,973**	1,657	**686**	720	**2,659**	2,377
Finance income							**59**	58
Finance costs							**(789)**	(520)
Finance costs – net							**(730)**	(462)
Profit before income tax							**1,929**	1,915

	For the six months ended 30 June ***2018 HK$ million***	*2017 HK$ million (Restated)*	***Increase/ (Decrease)***
Results			
Revenue (excluding construction service revenue)	**4,945**	4,176	18%
Operating profit	**1,973**	1,657	19%
Profit before income tax	**1,929**	1,915	1%
Profit attributable to shareholders	**891**	1,083	(18%)
Basic earnings per share (HK dollar)	**0.44**	0.55	(20%)
EBITDA to interest expense multiple	**4.86**	6.46	(1.60) △

	30 June 2018 HK$ million	*31 December 2017 HK$ million (Restated)*	***Increase/ (Decrease)***
Financial Position			
Total assets	**81,001**	78,795	3%
Total equity	**37,491**	37,328	—
Debt asset ratio (Total liabilities/Total assets)	**54%**	53%	1*
Ratio of Net borrowings to Total equity	**36%**	32%	4*
Ratio of Total borrowings to Total equity	**63%**	57%	6*
Net asset value per share attributable to shareholders (HK dollar)	**11.3**	11.8	(4%)

△ *Change in multiple*

* *Change in percentage point*

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Operating Results	***For the six months ended 30 June*** **2018** ***HK$'000***	*2017* *HK$'000* *(Restated)**	*Increase/ (Decrease)*
Revenue from core business	**4,944,689**	4,176,036	18%
Construction service revenue from toll roads	**401,388**	242,400	66%
Total revenue	**5,346,077**	4,418,436	21%
Operating profit	**1,973,409**	1,657,406	19%
Profit before finance costs and tax	**2,658,988**	2,376,768	12%
Profit attributable to shareholders	**890,757**	1,082,852	(18%)
Basic earnings per share (HK$)	**0.44**	0.55	(20%)

* *In the first half of 2018, the Group completed the acquisition of 100% equity interest in Shenzhen Guangshen Coastal Expressway Investment Co., Ltd. ("Coastal Company"), the acquisition was regarded as a business combination under common control by the Group and merger accounting was used. The financial information of the Group for the period ended 30 June 2017 was restated accordingly to comply with the relevant accounting standards.*

During the first half of 2018, the PRC economy developed steadily and there was an increasing demand for logistic infrastructure facilities and quality logistic services. The Group seized market opportunities and continued to focus on developing the network for "China Urban Integrated Logistics Hub", refined the operational management for current projects, and gradually established a brand recognition which further enhanced core competitiveness. Meanwhile, the Group continued to improve management standard and strictly controlled costs and expenses to enhance profit margin.

During the six months ended 30 June 2018 (the "Period"), the Group's revenue from its core business and profit before finance costs and tax increased by 18% to HK$4,945 million and 12% to HK$2,659 million, respectively, as compared to the corresponding period of the previous year. This was mainly driven by the growth in revenue and profits from the Group's two core businesses, logistic business and toll road business.

During the Period, there was satisfactory growth in the logistic business. Revenue and profit attributable to shareholders increased by 4% to HK$1,317 million and 51% to HK$187 million, respectively, as compared to the corresponding period of the previous year. The increase was mainly driven by significant growth of the business volume of port business, as well as the new sources of revenue and profit contribution from the integrated logistics hub business and Shenzhen International Kanghuai E-commerce Centre.

As at the date of this report, the Group had implemented strategic deployment in 21 key logistic gateway cities with a total planned site area of approximately 6,223,000 square meters, of which land use right with an area of approximately 2,698,000 square meters had been acquired by the Group. The number of China Urban Integrated Logistics Hub projects in operation increased from four projects to nine projects as compared to the corresponding period of the previous year, with an operating area of 674,000 square meters. Through active marketing and promotion, the integrated logistics hub projects performed well, attaining an overall occupancy rate of 86%. During the Period, the Group's revenue and profit contributed by the integrated logistics hub business was approximately HK$66.84 million and HK$24.36 million, respectively. With more China Urban Integrated Logistics Hub projects commence operation, the growth of the Group's logistic business will be further enhanced.

During the Period, most of the toll road projects of the Group maintained a 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 full six months during the Period, boosting the overall revenue from the toll road business to increase by 25% to HK$3,627 million as compared to the corresponding period of the previous year. In addition, the acquisition of 20% equity interest in Chongqing Derun Environment Company Limited ("Derun Company") was completed in May 2017 and brought in satisfactory profit contribution for the Period. The profit attributable to shareholders from the toll road business increased by 27% to HK$645 million as compared to the corresponding period of the previous year.

During the Period, Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate in which the Group held a 49% equity interest, maintained a satisfactory growth in passenger volume and recorded a total revenue of RMB15,053 million (equivalent to HK$18,479 million), representing an increase of 14% as compared to the corresponding period of the previous year. Although being affected by the increase in aviation fuel cost, operating profit of Shenzhen Airlines increased by 14% to RMB1,377 million (equivalent to HK$1,691 million) as compared to the corresponding period of the previous year. However, net profit for the Period decreased by 34% to RMB559 million (equivalent to HK$686 million) as compared to the corresponding period of the previous year due to the high volatility in Renminbi exchange rate which resulted in exchange loss recorded. During the Period, Shenzhen Airlines contributed a profit of approximately HK$309 million (2017: HK$447 million) to the Group representing a decrease of 31% as compared to the corresponding period of the previous year.

During the Period, the Group's profit attributable to shareholders decreased by 18% to HK$891 million as compared to the corresponding period of the previous year, it was mainly due to the depreciation of Renminbi during the Period which resulted in an exchange loss of HK$106 million (2017: an exchange gain of HK$155 million), and led to a significant increase of 58% in the Group's net finance costs as compared to the corresponding period of the previous year. Since it is anticipated that the exchange rate volatility of Renminbi will persist, the Group will continue to closely monitor the trend of Renminbi exchange rates and timely adopt feasible measures to reduce foreign exchange risks according to the foreign exchange market conditions.

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 21 major logistic gateway cities, namely Shenyang, Wuxi, Wuhan, Tianjin, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Chengdu, Guizhou, Kunshan, Chongqing, Zhengzhou, Xi'an, Jurong, Yiwu, Kunming, Jinan and Xuzhou. The site area currently owned and planned by the Group is 7.24 million square meters in aggregate (3.71 million square meters of which are currently owned by the Group), and the operating area is approximately 1.30 million square meters.

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 meters 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 being put into 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 long-term sustainable development and driving future income growth.

Logistic Parks

During the Period, the Group's logistic parks maintained a relatively stable occupancy rate, with an average occupancy level of 91%. In the first half of 2018, the Group actively engaged in innovative business development and enhanced value-added business to consolidate its relationships with existing customers and attract more new customers.

Shenzhen International Kanghuai E-commerce Centre is the Group's first asset-light project operated by way of leasing a site area. The project occupies a site area of approximately 38,000 square meters and a gross floor area of approximately 143,000 square meters. The project was put into operation in the first half of 2018 with positive response from customers. An area of approximately 115,000 square meters has been leased out, representing an overall occupancy rate of 80%, and the presence of a number of branded logistic enterprises have been successfully attracted.

During the Period, South China Logistic Park engaged in various marketing initiatives in order to attract new customers. By optimizing its tenant solicitation process, properties with expiring leases were leased out again seamlessly and at a significantly higher rent. While retaining its traditional logistic business, South China Logistic Park has been seeking integration with other industries to gradually realize synergistic development. The operation of transformation and upgrade projects, such as "No. 8 Warehouse Outlets" has become mature and generated stable income, laying a solid foundation for the future transformation of the park. Furthermore, the Group has been actively driving the planning and construction of the Phase 2 Project of South China Logistic Park. The project will be developed into a multi-functional cluster zone for integrated high-end modern logistic service industries.

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.

The Group strives to promote the network and construction of the China Urban Integrated Logistics Hub projects and it aims at achieving a nationwide network coverage. In the first half of 2018, the Group entered into investment agreements for the China Urban Integrated Logistics Hub projects with relevant government authorities of Zhangqiu, Jinan and Xuzhou, Jiangsu respectively, and acquired Kunming project by way of merger and acquisition.

While continuing with its efforts in developing new projects, the Group has also steadily advanced its projects under construction or planning to ensure compliance with work schedules, and has actively prepared for marketing. In May 2018, the China Urban Integrated Logistics Hub project in Guizhou was put into operation, increasing the operating area by approximately 51,000 square meters. As at 30 June 2018, a total of nine China Urban Integrated Logistics Hub projects were put into operation, with a total operating area of 674,000 square meters and an overall occupancy rate of approximately 86%. Benefited from the high demand for quality logistic facilities and effective marketing, the occupancy of each project was satisfactory.

The land acquisition work for China Urban Integrated Logistics Hub has been in steady progress. In the first half of 2018, a total of approximately 422,000 square meters of new land area was obtained for the projects in Jurong, Xi'an and Kunming. In addition, a number of new and expansion projects, such as the Ningbo project and Phase 2 of Hefei project, entered into the construction phase consecutively as planned, and are expected to complete and commence operation in 2018 successively, which will increase the operating area by 350,000 square meters.

As at the date of this report, the Group had established strategic presence in a total of 21 major logistics gateway cities, namely Shenyang, Wuxi, Wuhan, Tianjin, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Chengdu, Guizhou, Kunshan, Chongqing, Zhengzhou, Xi'an, Jurong, Yiwu, Kunming, Jinan and Xuzhou, and had entered into investment agreements with the relevant government authorities, involving a planned site area of approximately 6.223 million square meters in aggregate. Among these cities, land use rights of land parcels of 15 projects located in Shenyang, Wuxi, Wuhan, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Guizhou, Kunshan, Jurong, Chongqing, Xi'an and Kunming had been obtained, with a total site area of approximately 2.698 million square meters.

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

China Urban Integrated Logistics Hub Project	Location	Planned Site Area (Approximate square meters)	Acquired Site Area (Approximate square meters)	Operating Area (Approximate square meters)	Commencement Date/Expected Commencement Date of Operation/Trial Operation (1)
Shenyang Integrated Logistic Hub	Yuhong District of Shenyang	700,000	241,000	241,000(2)	4.2016
Kunshan Integrated Logistic Hub	Lujiazhen, Kunshan, Jiangsu	117,000	117,000	96,000	6.2016
Wuhan Dongxihu Integrated Logistic Hub	Dongxihu District of Wuhan	126,000	126,000	67,000	10.2016
Hefei Integrated Logistic Hub	Anhui Hefei Commercial and Logistic Development Zone of Feidong County, Hefei City	138,000	135,000	38,000	10.2016
Nanchang Integrated Logistic Hub	Nanchang Economic and Technological Development Zone	267,000	156,000	44,000	6.2017
Shijiazhuang Integrated Logistic Hub	Zhengding County of Shijiazhuang	467,000	335,000	64,000	7.2017
Wuxi Integrated Logistic Hub	Huishan District of Wuxi	347,000	246,000	27,000	10.2017
Hangzhou Integrated Logistic Hub	Hangzhou Dajiangdong Industrial Cluster, Hangzhou City	432,000	239,000	46,000	11.2017
Guizhou Integrated Logistic Hub	Guizhou Shuanglong Modern Service Industrial Cluster	348,000	338,000	51,000	5.2018
Ningbo Integrated Logistic Hub	Ningnan Trade and Logistic Zone, Ningbo City	194,000	92,000	–	10.2018
Changsha Integrated Logistic Hub	Changsha Jinxia Economic Development Zone	347,000	146,000	–	12.2018
Chongqing Integrated Logistic Hub	Shuangfu New District, Jiangjin District, Chongqing	157,000	104,000	–	12.2019
Xi'an Integrated Logistic Hub	Xi'an Civil Aerospace Industry Base	120,000	120,000	–	12.2019
Jurong Integrated Logistic Hub	New City District, Northern Jurong, Jiangsu	400,000	131,000	–	12.2019
Kunming Integrated Logistic Hub	Qidian Street, Yangzonghai Scenic Area, Kunming	172,000	172,000	–	12.2019
Yiwu Integrated Logistic Hub	Yunxi Village under the jurisdiction of Choucheng Street, Yiwu City	440,000	–	–	12.2019
Wuhan Caidian Integrated Logistic Hub	Changfu Logisitc Center, Caidian District, Wuhan	267,000	–	–	12.2019
Chengdu Qingbaijiang Integrated Logistic Hub	International Railway Logisitc Port, Qingbaijiang District, Chengdu	129,000	–	–	12.2019
Jinan Zhangqiu Integrated Logistic Hub	Ningjiabu Street, Zhangqiu District, Jinan	180,000	–	–	12.2019
Chengdu Xinjin Integrated Logistic Hub	Xinjin Logistic Park in Tianfu New Area, Sichuan	173,000	–	–	12.2020
Tianjin Integrated Logistic Hub	Binhai New Area, Tianjin	295,000	–	–	12.2020
Zhengzhou Integrated Logistic Hub	Zhengzhou International Logistic Park, Zhengzhou Economic Development Zone	267,000	–	–	12.2020
Xuzhou Integrated Logistic Hub	Xuzhou High-Tech Industrial Development Zone, Xuzhou	140,000	–	–	12.2020
Total site area		6,223,000	2,698,000	674,000	

Notes: (1) Expected commencement date of operation/trial operation is an estimate and subject to further update according to progress
(2) Including commercial saleable area of approximately 97,000 square meters

The China Urban Integrated Logistics Hub projects will become the cornerstone of the Group's sustainable development with the building up of a comprehensive nationwide network, increasing brand influence and stronger marketing ability.

Port and related Services

During the Period, with continuous enhancement of production capacity from Nanjing Xiba Port, the economies of scale has become apparent. Together with effective market effort, the loading and unloading volume at the port terminal recorded remarkable growth. Meanwhile, the Group has been actively developing the business of supply chain management services relating to the port terminal operation, which further enriched the port business structure and drove the growth in business volume, resulting in encouraging operating results. In the first half of 2018, a total of 551 seagoing vessels had berthed at Nanjing Xiba Port with a total throughput of 21.42 million tonnes, representing an increase of 60% as compared to the corresponding period of the previous year.

The Group and the municipal government of Fengcheng, Jiangxi, entered into a cooperative framework agreement for the project of "Shenzhen International Fengcheng Rail-Water International Transport Logistics Base" in 2017. The project was a key feature of the planning and progress of the "Shenzhen International Ports and Supply Chain Strategy". Various tasks including feasibility studies of the project were progressing in good order.

Logistic Services Business

The Group confirmed the core strategies for China Urban Integrated Logistics Hub in the "13th Five-Year" Strategic Plan, and advocated a developmental measure with the collaboration between "industry, finance and network sectors" as well as the development model with a dual emphasis of light and heavy assets. Therefore, on the basis of the network layout of China Urban Integrated Logistics Hub, the Group increased efforts in the development of value-added logistic business and logistic financial business, promoted the implementation of the dual emphasis of light and heavy assets and the collaboration between "industry, finance and network sectors".

During the first half of 2018, the Group established the light asset operation platform to coordinate and manage the Group's existing third-party logistic business. At the same time, the Group has also been actively exploring the models for logistic financial services, such as micro loans and finance leases, and continuously optimizing the operation to enhance the overall competitiveness of the logistic service business and attract more new customers. In addition, the Group and Bohai Ferry Group Company Limited jointly established a joint venture, Shandong Shenzhen International Bohai Technology Development Co., Ltd. (山東深國際渤海物流科技發展有限公司), "Pan-Bohai Rim-Shandong-Liaoning Multimodal Transportation (by means of road, railway, sea and Ro-Ro vessels) Demonstration Project" has been progressing in good order. The project depends mainly on the golden waterway from Yantai to Dalian to develop the multimodal transportation business by road and sea, and it represents one of the specific measures of the Group in seizing opportunities to actively participate in the "One Belt, One Road" initiative.

FINANCIAL ANALYSIS

During the Period, logistic business achieved a revenue of HK$1,317 million and profit attributable to shareholders of HK$187 million, representing an increase of 4% and 51% respectively as compared to the corresponding period of the previous year. The increase was mainly driven by a significant growth in the business volume of the Group's port business and encouraging results of the integrated logistics hub business.

Revenue of Each Logistic Business Unit
For the six months ended 30 June

	2018 ***HK$'000***	2017 *HK$'000*	Increase/ (decrease)
Logistic Park Business			
South China Logistic Park	**158,427**	128,910	23%
Western Logistic Park	**39,775**	46,850	(15%)
Integrated Logistics Hubs	**66,836**	24,262	175%
Shandong Booming Total Logistic Park	**17,098**	32,591	(48%)
Shenzhen International Kanghuai E-commerce Centre	**41,301**	—	N/A
Nanjing Chemical Industrial Park#	**—**	31,834	N/A
Sub-total	**323,437**	264,447	22%
Port and Related Service Business	**654,895**	517,823	26%
Logistic Service Business	**339,032**	483,804	(30%)
Total	**1,317,364**	1,266,074	4%

Profit Attributable to Shareholders of Each Logistic Business Unit
For the six months ended 30 June

	2018 ***HK$'000***	2017 *HK$'000*	Increase/ (decrease)
Logistic Park Business			
South China Logistic Park	**59,051**	44,123	34%
Western Logistic Park	**5,413**	9,386	(42%)
Integrated Logistics Hubs	**24,362**	2,536	861%
Shandong Booming Total Logistic Park	**367**	484	(24%)
Shenzhen International Kanghuai E-commerce Centre	**1,283**	—	N/A
SZ Airport Express Center*	**7,582**	5,197	46%
Nanjing Chemical Industrial Park#	**—**	7,249	N/A
Sub-total	**98,058**	68,975	42%
Port and Related Service Business	**63,353**	30,069	111%
Logistic Service Business	**25,402**	24,875	2%
Total	**186,813**	123,919	51%

\# *Nanjing Chemical Industrial Park Logistic Centre was sold on 1 June 2017*
* *SZ Airport Express Center is a joint venture and is accounted for using the equity accounting method.*

During the Period, logistic park business recorded a revenue of HK$323 million and profit attributable to shareholders of HK$98.06 million, representing an increase of 22% and 42% respectively, as compared to the corresponding period of the previous year. This was mainly due to effective marketing efforts by South China Logistic Park, and the new revenue and profit contributions from the integrated logistics hub business and Shenzhen International Kanghuai E-Commerce Centre. As at the end of June 2018, a total of nine China Urban Integrated Logistics Hub projects had been put into operation and achieved a satisfactory operating performance. The integrated logistics hub business brought in contributions of revenue and profit of approximately HK$66.84 million and HK$24.36 million, respectively, to the Group for the Period. With more China Urban Integrated Logistics Hub projects commencing operations, the growth of logistic business will be further enhanced.

The port and related service business continued its growth momentum during the Period, with revenue increased by 26% to HK$655 million as compared to the corresponding period of the previous year. Moreover, benefitting from economies of scales, profit contribution increased significantly by 111% to approximately HK$63.35 million as compared to the corresponding period of the previous year.

During the Period, the logistic service business recorded a revenue of HK$339 million, representing a decrease of 30% as compared to the corresponding period of the previous year, while profit attributable to shareholders increased by 2% to HK$25.40 million as compared to the corresponding period of the previous year, as the Group has been focusing on developing a quality customer base by optimizing resources allocation.

Updates on the Qianhai Project and Meilin Checkpoint Urban Renewal Project

Qianhai Project

Further to entering into the tripartite cooperation agreement by the Company, 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) ("CSIP") and China Center for Information Industry Development (中國電子信息產業發展研究院) ("CCID") in 2017, the industrial office property project in the first phase of Qianhai Project was positioned as an information port for "One Belt, One Road" initiative to build an information technology base for logistic and supply chain sectors. To further implement this project, the Company, CSIP and CCID entered into a Memorandum of Cooperation in April 2018 to further outline the development model of the "One Belt, One Road" information port and laid the foundation for the construction and operation of the information port.

According to the supplemental agreement to the land consolidation and preparation framework agreement entered into among the Group and the Urban Planning Land and Resources Commission of the Shenzhen Municipality (深圳市規劃和國土資源委員會) and the Authority of Qianhai Shenzhen-Hong Kong 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) (the "Qianhai Authority") in October 2017 in respect of all five land parcels with an aggregate site area of approximately 380,000 square meters owned by the Group, the compensation amount which the Group is entitled to receive with lands under the new land use arrangement is approximately RMB8,370 million. The Group will be compensated with land sites under the new land use arrangement in Qianhai by way of land swap in equivalent value adopting 1 January 2015 as the benchmark date for assessing land price. The Group recognized a profit before taxation of approximately RMB2,440 million from the land site of 38,800 square meters of the first phase of Qianhai project in 2017.

Compensation for the consolidation and preparation of the Group's remaining land sites in Qianhai will be received as and when appropriate in accordance with the overall planning of the Qianhai Authority, and will be recognized as profit by the Group following the execution of the respective land swap agreements when the relevant amount can be reliably measured.

Qianhai area, as an important component of the State's Greater Bay Area Development Strategy, has optimistic prospects of development. It is expected that in addition to gains from land value appreciation, land development will also generate considerable economic returns to shareholders of the Company.

Meilin Checkpoint Urban Renewal Project

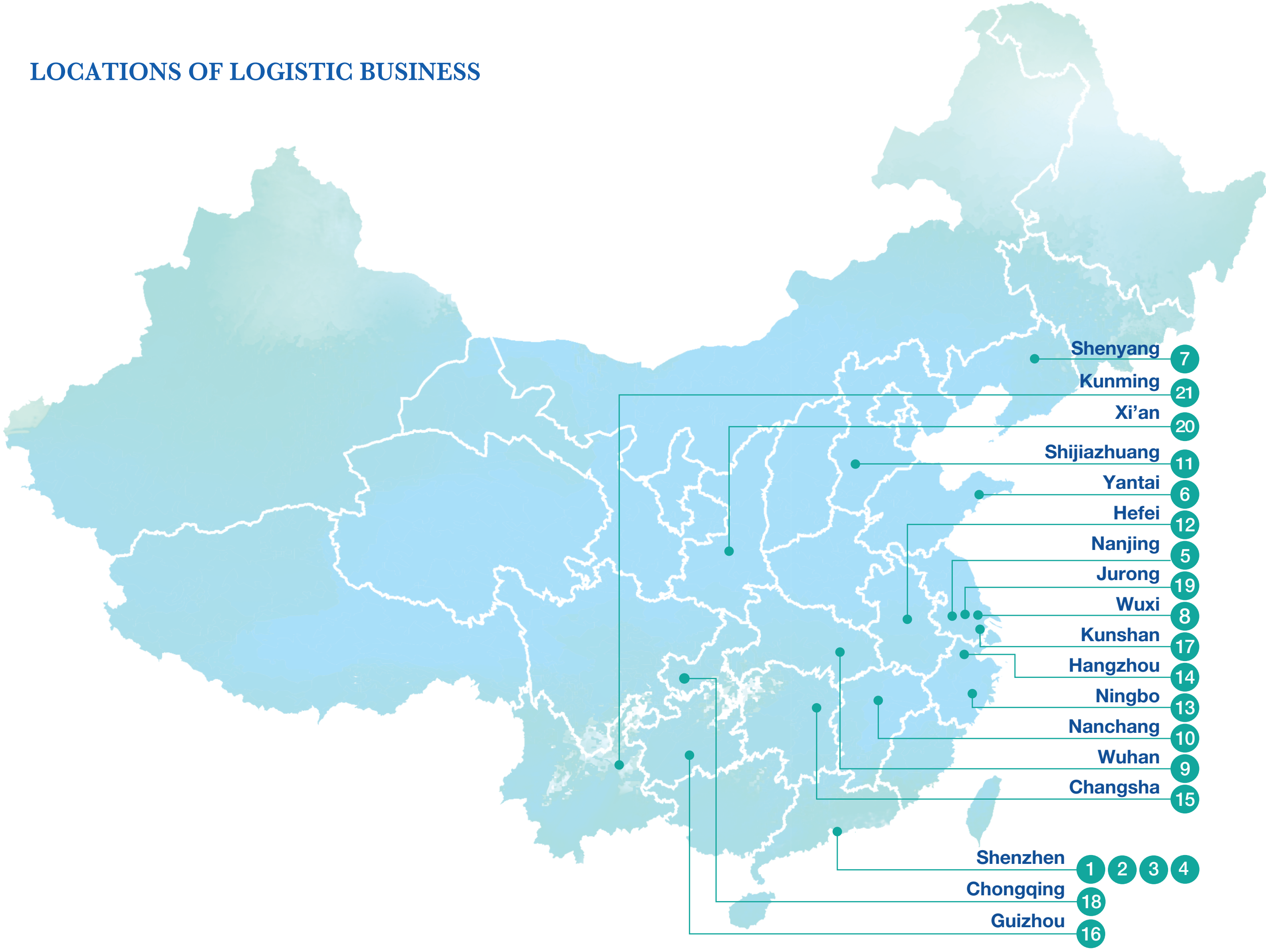
The Meilin Checkpoint Urban Renewal Project is adjacent to the Futian District in downtown Shenzhen, and is a functional development area in the city centre and a key development zone of the city. It is situated at a geographically advantageous location with good investment value and appreciation potential. The Meilin Checkpoint land parcels have been re-designated as a comprehensive development project with a total gross floor area of approximately 486,000 square meters, comprising properties for residential, commercial, office, business apartment and public and ancillary uses.

The Meilin Checkpoint Urban Renewal Project is to be developed in three phases. At present, the preliminary works of the project have been basically completed, and China Vanke Co., Ltd. has been engaged as the entrusted construction management entity for the project. The project has commenced full construction and it is strived to achieve the target of partial sales in 2019.

The Group aims to introduce a professional real estate developer as a strategic partner to hold a 30% equity interest in the project company of the Meilin Checkpoint Urban Renewal Project through public tender and competitive negotiation at Shenzhen United Property and Share Rights Exchange (深圳聯合產權交易所) for the joint development of the Meilin Checkpoint Urban Renewal Project. The minimum tender price has been set at RMB2,900 million, which was determined with reference to the valuation conducted by an independent professional valuer of the entire shareholders' equity interest of the project company, which owns the land use rights of the land parcels of the Meilin Checkpoint Urban Renewal Project that are under development, as at 30 April 2018. As at 30 April 2018, which is the valuation date ("Valuation Date"), the total assets of the project company has a book value of approximately RMB7,050 million (which comprised mainly of land premium of RMB3,567 million and relocation compensation of RMB2,623 million), while the fair value of which was RMB12,250 million. The total liabilities has a book value of approximately RMB6,560 million (which comprised mainly of shareholders' loans of RMB4,500 million and compensation for office property payable to shareholders of RMB1,050 million), while the fair value of which was RMB5,510 million. On this basis, the fair value of the entire shareholders' equity interest of the project company as at the Valuation Date was RMB6,740 million.

According to the independent valuation, the fair value of the properties to be constructed under the Meilin Checkpoint Urban Renewal Project is expected to be over RMB10 billion. The Group believes that the introduction of a professional property developer as a strategic investor will further enhance the Group's confidence in developing large-scale property projects, quality of project management and overall return.

LOCATIONS OF LOGISTIC BUSINESS



1. **South China Logistic Park**
   Located in Shenzhen Longhua Logistic Park
   Land area: 611,000 square meters
   Operating area: 322,000 square meters
2. **Western Logistic Park**
   Located in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone
   Land area: 336,000 square meters
   Operating area: 111,000 square meters
3. **SZ Airport Express Center**
   Located in Shenzhen Baoan International Airport
   Land area: 61,000 square meters
   Operating area: 33,000 square meters
4. **Shenzhen International Kanghuai E-Commerce Centre**
   Located in Shenzhen Longhua District Guanlan Pingan Road
   Land area: 38,000 square meters
   Operating area: 138,000 square meters
5. **Nanjing Xiba Port**
   Located in Nanjing Chemical Industrial Park
   Land area: 400,000 square meters
   Operating area: 220,000 square meters
6. **Shandong Booming Total Logistic Park**
   Located in the Economic and Technology Development Zone in Yantai City
   Land area: 70,000 square meters
   Operating area: 27,000 square meters
7. **Shenzhen International Shenyang Integrated Logistic Hub**
   Located in Shenyang International Logistic Park in Yuhong District of Shenyang
   Acquired site area: 241,000 square meters
   Operating area: 241,000 square meters
8. **Shenzhen International Wuxi Integrated Logistic Hub**
   Located in Huishan District of Wuxi
   Acquired site area: 246,000 square meters
   Operating area: 27,000 square meters
9. **Shenzhen International Wuhan Dongxihu Integrated Logistic Hub**
   Located in Dongxihu District of Wuhan City
   Land area: 126,000 square meters
   Operating area: 67,000 square meters
10. **Shenzhen International Nanchang Integrated Logistic Hub**
    Located in Nanchang Economic and Technological Development Zone
    Acquired site area: 156,000 square meters
    Operating area: 44,000 square meters
11. **Shenzhen International Shijiazhuang Integrated Logistic Hub**
    Located in Zhengding County of Shijiazhuang
    Acquired site area: 335,000 square meters
    Operating area: 64,000 square meters
12. **Shenzhen International Hefei Integrated Logistic Hub**
    Located in Anhui Hefei Commercial and Logistic Development Zone of Feidong County of Hefei City
    Land area: 135,000 square meters
    Operating area: 38,000 square meters
13. **Shenzhen International Ningbo Integrated Logistic Hub**
    Located in Ningnan Trade and Logistic Zone of Ningbo
    Acquired site area: 92,000 square meters
14. **Shenzhen International Hangzhou Integrated Logistic Hub**
    Located in Hangzhou Dajiangdong Industrial Cluster of Hangzhou City
    Acquired site area: 239,000 square meters
    Operating area: 46,000 square meters
15. **Shenzhen International Changsha Integrated Logistic Hub**
    Located in Changsha Jinxia Economic Development Zone
    Acquired site area: 146,000 square meters
16. **Shenzhen International Guizhou Integrated Logistic Hub**
    Located in Guizhou Shuanglong Modern Service Industrial Cluster
    Acquired site area: 338,000 square meters
    Operating area: 51,000 square meters
17. **Shenzhen International Kunshan Integrated Logistic Hub**
    Located in Lujiazhen, Kunshan, Jiangsu
    Land area: 117,000 square meters
    Operating area: 96,000 square meters
18. **Shenzhen International Chongqing Integrated Logistic Hub**
    Located in Shuangfu New District, Jiangjin District, Chongqing
    Acquired site area: 104,000 square meters
19. **Shenzhen International Jurong Integrated Logistic Hub**
    Located in New City District, Northern Jurong, Jiangsu
    Acquired site area: 131,000 square meters
20. **Shenzhen International Xi'an Integrated Logistic Hub**
    Located in Xi'an Civil Aerospace Industry Base
    Land area: 120,000 square meters
21. **Shenzhen International Kunming Integrated Logistic Hub**
    Located in Qidian Street, Yangzonghai Scenic Area, Kunming
    Land area: 172,000 square meters

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 20 expressway projects with total mileage of toll roads by toll amounting to approximately 274 kilometers, 268 kilometers and 187 kilometers in the Shenzhen region, other regions in Guangdong Province and other provinces in China, respectively, of which 65.7 kilometers are under construction, as at the date of this report. The Group operates the toll road business mainly through Shenzhen Expressway Company Limited ("Shenzhen Expressway"), a subsidiary in which the Group holds approximately 52% 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 2018 (Vehicle/ Thousands)***	*Increase/ (Decrease) compared to the same period of 2017*	***First half of 2018 (RMB'000)***	*Increase/ (Decrease) compared to the same period of 2017*
Shenzhen Region (Note 2):							
Longda Expressway (Note 3)	89.93%	2005.10 – 2027.10	4.4	**111**	(1.7%)	**417**	(2.9%)
Meiguan Expressway	100%	1995.05 – 2027.03	5.4	**95**	8.4%	**336**	3.7%
Jihe East	100%	1997.10 – 2027.03	23.7	**279**	8.6%	**2,024**	7.6%
Jihe West	100%	1999.05 – 2027.03	21.8	**214**	3.3%	**1,746**	5.3%
Shenzhen Coastal Project (Note 4)	100%	Phase 1: 2013.12 – 2038.12 Phase 2: under construction	Phase 1: 30.9 Phase 2: 5.7	**89**	9.3%	**1,189**	10.2%
Shuiguan Expressway	50%	2002.02 – 2027.02	20	**231**	5.7%	**1,717**	1.2%
Shuiguan Extension	40%	2005.10 – 2027.02	6.3	**110**	11.5%	**316**	7.0%
Other regions in Guangdong Province:							
Qinglian Expressway	76.37%	2009.07 – 2034.07	216	**43**	5.1%	**2,139**	4.1%
Yangmao Expressway	25%	2004.11 – 2027.07	79.8	**52**	8.2%	**1,845**	3.0%
Guangwu Project	30%	2004.12 – 2027.11	37.9	**39**	8.1%	**866**	6.0%
Jiangzhong Project	25%	2005.11 – 2027.08	39.6	**142**	3.0%	**1,268**	6.3%
Guangzhou Western Second Ring	25%	2006.12 – 2030.12	40.2	**76**	17.6%	**1,485**	31.2%
Other provinces in China							
Wuhuang Expressway	100%	1997.09 – 2022.09	70.3	**55**	9.1%	**1,050**	2.2%
Yichang Expressway and its Changde connection line ("Yichang Project") (Note 5)	100%	2004.01 – 2033.12	78.3	**51**	N/A	**1,132**	N/A
Changsha Ring Road (Note 6)	51%	1999.11 – 2029.10	34.7	**33**	12.3%	**384**	14.3%
Nanjing Third Bridge	25%	2005.10 – 2030.10	15.6	**35**	6.8%	**1,362**	6.4%

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 ("Longda Expressway Toll-Free Section"), these road sections implemented toll-free traffic since 0:00 on 7 February 2016. The Group calculated and recognized revenue of these road sections in accordance with the mechanism set out in the agreements. Accordingly, the operating performance of each of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway Toll-Free Section is not disclosed in the above table.

(3) The disclosure of Longda Expressway is the operating performance of the toll section.

(4) Shenzhen Coastal Project refers to the Shenzhen section of the Guangshen Coastal Expressway (Guangzhou to Shenzhen). Shenzhen Expressway signed an agreement in December 2017 for its acquisition which was completed during the Period.

(5) The project company of Yichang Project has been consolidated into the Group since 15 June 2017.

(6) 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 maintained growth. The operating performance of each expressway project is affected to a different extent by factors including policy changes, competitive or synergic change in surrounding road networks, and economic developments along the routes:

- Toll revenue of the expressway projects in Shenzhen region increased year-on-year. With continuous improvement in the traffic and transport network, coupled with the implementation of toll cancellation on certain road network in the Shenzhen region, distribution and composition of traffic flow within the region has been changed to a certain extent. Following the implementation of toll adjustment for Meiguan Expressway since April 2014, the traffic flow of the toll-free section recorded a rapid growth and stimulated that on the toll section to further increase. Toll-free for Yanpai Expressway, Yanba Expressway and Nanguang Expressway has been implemented since 7 February 2016. The growth in the traffic flow of these toll-free projects has led to an increase in the traffic volume on the connected Jihe Expressway and Shuiguan Expressway owned by Shenzhen Expressway.

  Road network in Guangdong-Hong Kong-Macao Greater Bay Area is improving. Shenzhen-Zhongshan Channel is under construction, following its completion and open to traffic which is expected to be in 2024, the road network of Guangdong-Hong Kong-Macao Greater Bay Area will be further improved. Since Shenzhen-Zhongshan Channel and Coastal Expressway will both connect with Jihe Expressway in the future, this brought about the need for expansion of Jihe Expressway. The Group has therefore been actively implementing preliminary work for the reconstruction and expansion of Jihe Expressway. It is expected that upon completion of the reconstruction and expansion project of Jihe Expressway, its traffic flow will be further improved.

- In December 2017, the Group (through Shenzhen Expressway) entered into an agreement to acquire 100% equity interest of Shenzhen Coastal Project. The acquisition was completed during the Period. Shenzhen Coastal Project is the Shenzhen section of Guangshen Coastal Expressway (Guangzhou to Shenzhen), which comprises Shenzhen Coastal Phase I and Shenzhen Coastal Phase II. Shenzhen Coastal Phase I is the main line of Shenzhen Coastal Project. Its construction was completed and it has been put into operation at the end of 2013. Shenzhen Coastal Phase II includes the connection line on the Shenzhen side of Shenzhen-Zhongshan Channel, Airport Interchange and International Convention and Exhibition Center Interchange, etc. Its construction commenced in December 2015 and is scheduled to be opened to traffic by end of 2019. With the stable economic development in the regions along the route of Shenzhen Coastal Project and continuous improvement in surrounding road network, the operating performance of Shenzhen Coastal Project is expected to experience a rapid growth.

  During the Period, the relevant government department of Shenzhen and the project company of Shenzhen Coastal Project entered into an agreement in relation to the implementation of toll adjustment for trucks. Pursuant to the agreement, all types of trucks travelling through Shenzhen Coastal Project have been charged at 50% of the normal toll standard from 1 March 2018 until 31 December 2020. It is anticipated that the implementation of such toll adjustment policy could help to increase the traffic volume of trucks in Shenzhen Coastal Project, which will have a favorable effect on its future operating performance.

- The diversion effects of Guangle Expressway and Erguang Expressway on Qinglian Expressway were basically eliminated. However, Guisan Expressway (Guilin-Sanjiang), which commenced operation in October 2017, created a slight diversion effect on Qinglian Expressway. On the other hand, the implementation of multi-segment marketing strategy on Qinglian Expressway promoted the growth in its traffic volume. The traffic volume and toll revenue of Qinglian Expressway recorded a lower growth year-on-year.

  According to public information, Yuewang Expressway (Yueyang-Wangcheng), which connects Qinglian Expressway, is planned to commence operation in October this year. Upon completion of the project, it is expected that the competitiveness of Qinglian Expressway will be enhanced and its operating performance will be improved.

- Influenced by factors including economic growth in the northwest region of Hunan, the construction of surrounding roads and implementation of traffic control measures to different degrees, the operating performance of Yichang Expressway maintained stable.

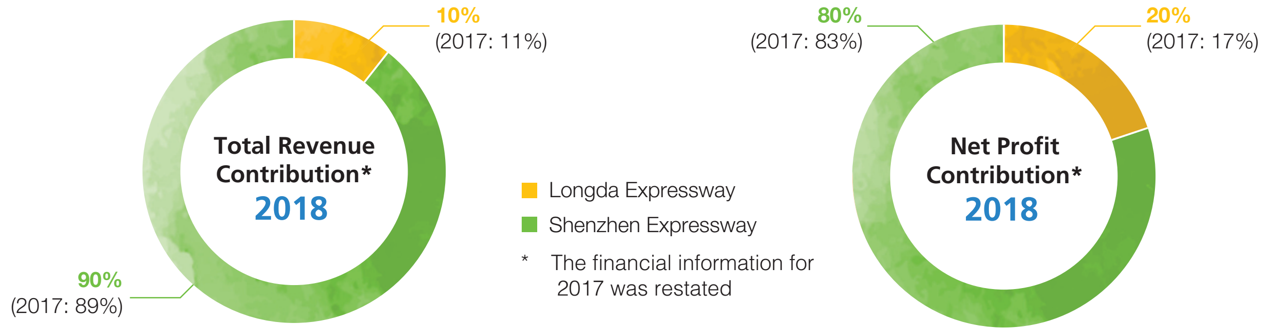
Financial Analysis

During the Period, the Group's total revenue from the toll road business was approximately HK$3,627 million (2017 (restated)[Note (i)]: HK$2,910 million), increased by approximately 25% as compared to the corresponding period of the previous year. Profit before finance costs and tax amounted to approximately HK$2,278 million (2017 (restated)[Note (i)]: HK$1,778 million), increased by approximately 28% as compared to the corresponding period of the previous year. Net profit was approximately HK$645 million (2017 (restated)[Note (i)]: HK$508 million), increased by approximately 27% as compared to the corresponding period of the previous year.

The increase in the Group's total revenue from the toll road business for the Period was mainly attributable to the growth in the traffic volume and toll revenue of most of the Group's expressway projects year-on-year, and the first full-period consolidation of the project companies of Changsha Ring Road and Yichang Project during the Period. Benefitting from the increase in toll revenue and profit contribution by certain investment projects during the Period, a growth in net profit is recorded.

Note (i): In the first half of 2018, the Group completed the acquisition of 100% equity interest in Coastal Company, the acquisition was regarded as a business combination under common control by the Group and merger accounting was used. The financial information of the Group for the period ended 30 June 2017 was restated accordingly to comply with the relevant accounting standards.

For the six months ended 30 June

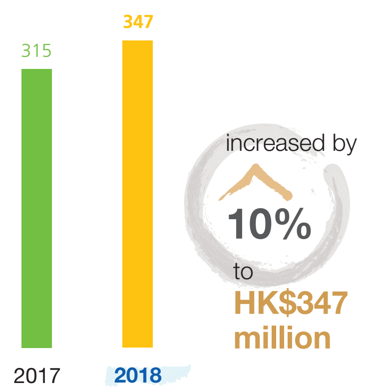


Longda Expressway

During the Period, as Luotian Station of Longda Expressway (the main route station) was still under construction, and the preferential policy for truck tolls for Shenzhen Coastal Project has been implemented since 1 March 2018, traffic volume of Longda Expressway recorded a slight decrease as compared to the corresponding period of the previous year.

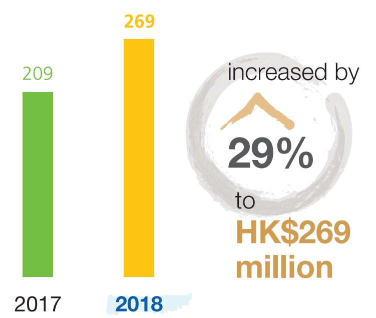
Toll Revenue [Note]

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



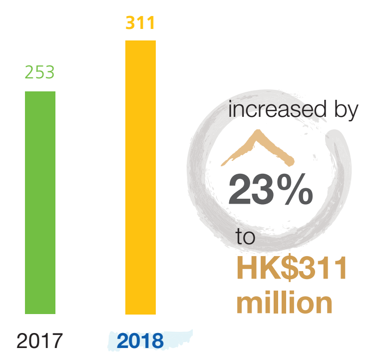
Profit Before Finance Costs and Tax

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



Earnings Before Interest, Tax, Depreciation and Amortization

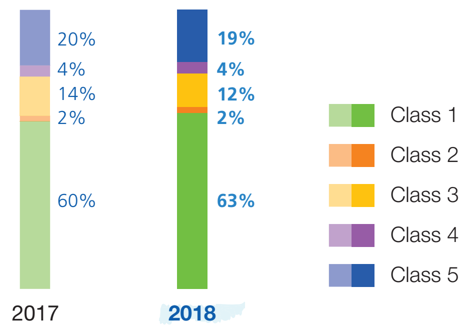
For the six months ended 30 June
(HK$ million)



Note: Toll revenue and the relevant percentages of distribution for the Period are calculated on the basis of toll revenue from Longda Expressway Toll-Free Section calculated and recognized in accordance with the mechanism set out in the toll adjustment and compensation agreement signed on 30 November 2015 and the actual toll revenue generated from the toll section of Longda Expressway, and are presented for the purposes of financial comparison only.

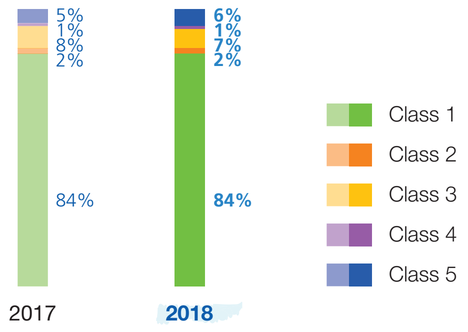
Toll Revenue Distribution(Note)

For the six months ended 30 June



Traffic Volume Distribution

For the six months ended 30 June



Shenzhen Expressway and its expressway projects

During the Period, both traffic volume and toll revenue of most expressway projects of Shenzhen Expressway maintained a steady growth. As the results of the project companies of Changsha Ring Road and Yichang Expressway were fully consolidated into the Group during the Period, while they were only consolidated from the second quarter of the previous year, the toll revenue was pushed forward to increase to approximately HK$3,023 million (2017 (restated)Note(i): HK$2,442 million), representing an increase of approximately 24% as compared to the corresponding period of the previous year. During the Period, total revenue of Shenzhen Expressway was approximately HK$3,280 million (2017 (restated)Note(i): HK$2,595 million), representing an increase of approximately 26% as compared to the corresponding period of the previous year. Profit before finance costs and tax of Shenzhen Expressway for the Period was approximately HK$2,009 million (2017 (restated)Note(i): HK$1,570 million), representing an increase of approximately 28% as compared to the corresponding period of the previous year, which was mainly attributable to the increase in toll revenue and profit contribution for the Period by Derun Company. The Group's share of profit from Shenzhen Expressway increased by approximately 23%, to approximately HK$514 million (2017 (restated)Note(i): HK$419 million), as compared to the corresponding period of the previous year.

Development of the Environmental Protection Business of Shenzhen Expressway

While consolidating and enhancing its core toll road business, Shenzhen Expressway has been actively exploring the macro environmental protection industry primarily on water environmental treatment and solid waste treatment.

Subsequent to the acquisition of 20% equity interest in Derun Company and 15% equity interest in Shenzhen Water Planning & Design Institute Company Limited ("Water Planning Company") in 2017, Shenzhen Expressway has been pursuing new business expansion during the Period by seeking quality project resources within the environmental protection industry. Business cooperation projects such as waste-to-energy generation projects, disposal of hazardous waste, integration of environment and health, and water environmental treatment, have been steadily developing on schedule.

OTHER INVESTMENTS

Shenzhen Airlines

During the Period, passenger transport volume of Shenzhen Airlines continued to grow, with passenger traffic of approximately 23,421 million passenger-km (2017: 21,163 million passenger-km) and its airlines carrying approximately 15.05 million passenger rides (2017: 13.65 million passenger rides), which increased by 11% and 10%, respectively, as compared to the corresponding period of the previous year. Total revenue of Shenzhen Airlines for the Period increased by approximately 14% to approximately RMB15,053 million (equivalent to approximately HK$18,479 million) (2017: RMB13,197 million (equivalent to approximately HK$14,974 million)), as compared to the corresponding period of the previous year, of which passenger revenue increased by approximately 15% to RMB12,883 million (2017: RMB11,203 million).

Affected by the increase in aviation fuel price, the fuel cost of Shenzhen Airlines increased by approximately 29% as compared to the corresponding period of the previous year. Nonetheless, the operating profit of Shenzhen Airlines still increased by approximately 14% to approximately RMB1,377 million (equivalent to approximately HK$1,691 million) as compared to the corresponding period of the previous year. However, as affected by the fluctuations in the exchange rate of Renminbi, Shenzhen Airlines recorded an exchange loss of approximately RMB196 million for the Period (2017: an exchange gain of approximately RMB334 million). Accordingly, net profit decreased by approximately 34% to approximately RMB559 million (equivalent to approximately HK$686 million) as compared to the corresponding period of the previous year (2017: RMB846 million (equivalent to approximately HK$960 million)). Shenzhen Airlines contributed a profit of approximately HK$309 million (2017: HK$447 million) to the Group during the Period, representing a decrease of approximately 31% as compared to the corresponding period of the previous year.

As at 30 June 2018, Shenzhen Airlines operated a total of 207 passenger aircraft and operated 247 domestic and international routes, comprising 220 domestic routes, 17 international routes and 10 routes serving the Hong Kong, Macau and Taiwan regions.

In the second half of 2018, Shenzhen Airlines will continue to focus attention on the movements in aviation fuel price, and monitor its impact on costs. Efforts will be dedicated to lower fuel consumption level through continuous optimization of the mix of aircraft models and air routes network. At the same time, the mix of debt currencies will be further optimized to manage exchange rate risk.

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 maximize the benefits of the Company and its shareholders.

During the Period, the Group did not dispose of any A shares of CSG (2017: Nil). As at the date of this report, the Group beneficially owned a total of approximately 35.61 million A shares of CSG, representing approximately 1.25% of the total issued share capital of CSG.

From 1 January 2018, Hong Kong Financial Reporting Standard 9 has become effective. The A shares of CSG held by the Group are classified as financial assets measured at fair value through profit or loss. As the share price of the A shares of CSG as at the end of June 2018 was lower than that as at the end of December 2017, a loss after tax of approximately HK$78.60 million was recorded for the Period.

FINANCIAL POSITION

	30 June 2018 HK$ million	*31 December 2017 HK$ million (restated)*	*Increase/ (Decrease)*
Total Assets	**81,001**	78,795	3%
Total Liabilities	**43,510**	41,467	5%
Total Equity	**37,491**	37,328	—
Net Asset Value attributable to shareholders	**23,904**	23,926	—
Net Asset Value per share attributable to shareholders (HK dollar)	**11.3**	11.8	(4%)
Cash	**10,302**	9,411	9%
Bank borrowings	**18,294**	17,000	8%
Notes and bonds	**5,477**	4,335	26%
Total Borrowings	**23,771**	21,335	11%
Net Borrowings	**13,469**	11,924	13%
Debt-asset Ratio (Total Liabilities/Total Assets)	**54%**	53%	1#
Ratio of Total Borrowings to Total Assets	**29%**	27%	2#
Ratio of Net Borrowings to Total Equity	**36%**	32%	4#
Ratio of Total Borrowings to Total Equity	**63%**	57%	6#

Change in percentage points

Key Financial Indicators

As at 30 June 2018, the Group's total assets and the total equity amounted to HK$81,001 million and HK$37,491 million, respectively; and net asset value attributable to shareholders was HK$23,904 million, while net asset value per share amounted to HK$11.3, representing a decrease of 4% as compared to the end of last year. The debt-asset ratio was 54%, increased slightly by 1 percentage point, the ratio of total borrowings to total equity was 63%, increased by 6 percentage points as compared to the end of last year, underpinning the Group's continuous healthy and stable financial position.

Cash Flow and Financial Ratios

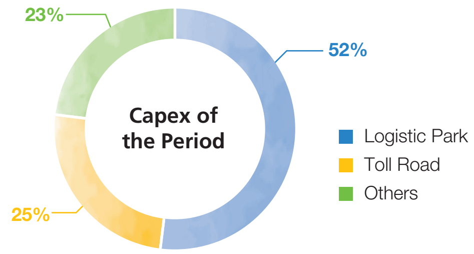
During the Period, the Group's cash flow generated from operations remained stable. Net cash inflow generated from operating activities amounted to HK$1,032 million; net cash outflow used in investment activities amounted to HK$1,272 million; and net cash inflow generated from financing activities amounted to HK$1,283 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

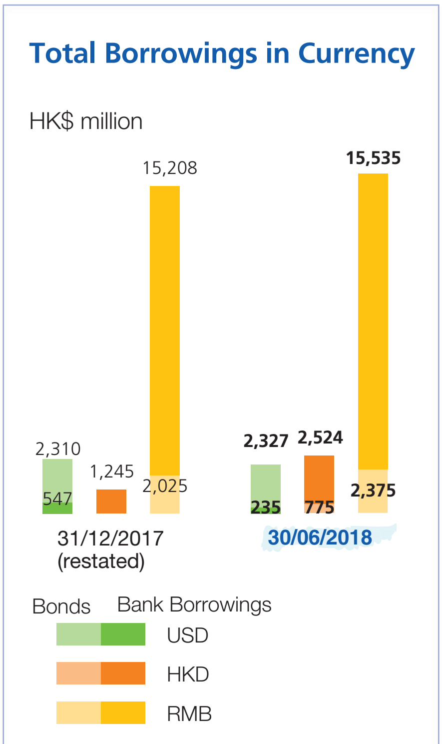
As at 30 June 2018, the cash balance held by the Group amounted to HK$10,302 million (31 December 2017: HK$9,411 million), representing an increase of 9% as compared to the end of last year. Cash held by the Group is primarily denominated in Renminbi to facilitate the Group's operation and development in the PRC. The Group will further strengthen its capital management pursuant to a prudent treasury policy, aiming at a higher return on its cash portfolio which would provide strong support for the development of our business.

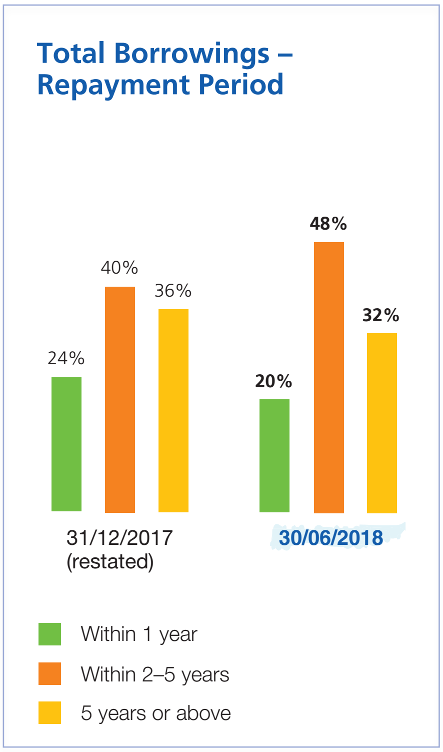
Capital Expenditures

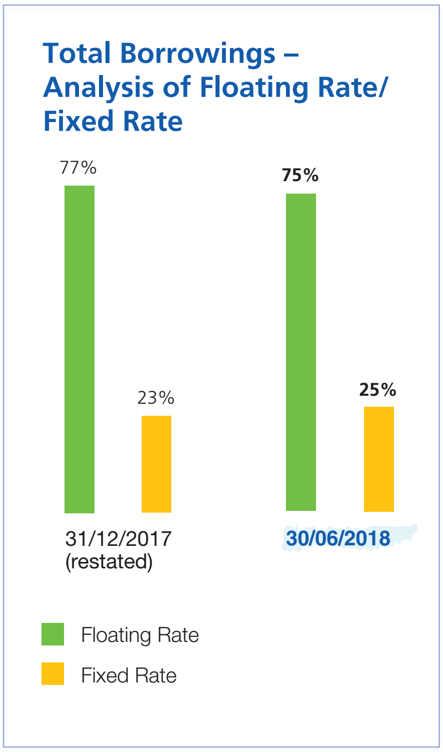
During the Period, the Group's capital expenditure amounted to RMB1,560 million (HK$1,847 million), mainly including investments in construction works for "China Urban Integrated Logistics Hub" of RMB788 million, payment for Outer Ring Expressway Project of RMB386 million and project of United Land Company of approximately RMB280 million. The Group expects the capital expenditure for the second half of 2018 to be approximately RMB4,200 million (HK$5,000 million), including approximately RMB1,500 million for "China Urban Integrated Logistics Hub" projects, approximately RMB1,300 million for the Outer Ring Expressway Project and approximately RMB500 million for project of United Land Company.



Borrowings







As at 30 June 2018, the Group's total borrowings amounted to HK$23,771 million, representing an increase of 11% as compared to the end of last year, which was mainly attributable to an increase in total borrowings, including the issuance of RMB300 million of 5-year panda bonds with a coupon rate of 5.2% and the issuance of HK$780 million of 5-year Hong Kong dollar senior notes with a coupon rate of 3.75% by the Company during the Period. Out of the total borrowings, 20%, 48% and 32% are due within 1 year, within 2-5 years and due in 5 years or above, respectively.

In order to effectively maintain cost-effective financing for our overall capital requirement, the Group flexibly utilises both domestic and overseas financing platforms by applying different financing tools for raising medium to long term and low-cost funds, while actively retaining a loan portfolio comprising both short-term and long-term borrowings for continuous optimisation of debt structure.

The Group's Financial Policy

Except for the revised contents as stated below, the Group's financial policy is in line with that as disclosed in the annual report for 2017 and set out in those statements.

Exchange Rate Risk

Cash flows, cash on hand and assets for business operated by the Group are primarily denominated in Renminbi, whereas borrowings are mainly denominated in Renminbi, Hong Kong Dollar and US Dollar. The management of the Group has been closely monitoring the fluctuation and movements of the Renminbi exchange rate. Faced with instabilities in the macro-economy and the geo-political environment during the first half of 2018, depreciation of Renminbi against US Dollar was approximately 1.2%, resulted in an exchange loss of approximately HK$106 million incurred by the Group. The Group strived to mitigate the effect of exchange rate fluctuations on the overall financial position and reduce the financial risks of the Group. The management conducted analysis and study on changes in the exchange rate of Renminbi from time to time, it is expected that volatility of Renminbi will continue, the Group will adjust the currency structure of its borrowings and utilize appropriate hedging instruments to manage exchange rate risk and reduce the impact of fluctuations in Renminbi.

Liquidity Risk Management

The Group currently has cash on hand and standby banking facilities of approximately HK$67,900 million. The Group has signed cooperation agreements with major banks in Hong Kong and the PRC to secure credit facilities for the Group. The Group regularly monitors cash flow forecasts on a rolling basis and, taking into consideration of our current asset level and funding needs to meet future cash flow requirements and ensure our Group's capability to operate on an on-going basis and expand our business. The Group will also swap long-term financing with short-term borrowings on a timely basis to prevent liquidity risk.

Credit Ratings

During the Period, three leading international credit rating agencies, namely Standard & Poor's, Moody's and Fitch Ratings, assessed the Company with investment-grade credit ratings of BBB, Baa2 and BBB-, respectively, while domestic credit rating agencies United Credit Ratings Co., Ltd and Pengyuan Credit Rating Co., Ltd assigned "AAA" rating to the Company. We aim to maintain a sound and stable balance sheet, healthy cash flows and good investment-grade credit rating as our long-term goals.

Pledge Of Assets, Guarantees And Contingencies

For details of the Group's pledge of assets, guarantees and contingencies as at 30 June 2018, please refer to notes 17 and 27 respectively of the unaudited interim financial report.

OUTLOOK FOR THE SECOND HALF OF 2018

In the second half of 2018, attributable to factors including increasing trade barriers and uncertainties in geo-political developments, it is predicted that the global environment will become more complicated and volatile and there will be uncertainties in economic growth. With continuous optimization in the economic structure of the PRC which enhances economic stability, it is expected that the macro-economy will remain stable. Coupled with the huge and ever increasing growth potential in the market demand for logistics infrastructure and quality logistic services, there will be an enormous room for the Group's development.

The Group will actively capture opportunities arising from the national strategies of "One Belt, One Road" and the construction of Guangdong-Hong Kong-Macao Greater Bay Area. The Group will, on one hand, further strengthen the operational management of logistic parks and the China Urban Integrated Logistics Hub projects that have commenced operations, continuously enhance the ability in attracting customers, operation and the provision of value-added services, strictly control operating costs and optimizing our scope of business to keep lifting the profitability. On the other hand, it will implement the sub-strategy of "China Urban Integrated Logistics Hub" by continuing to accelerate the network formation in logistic gateway cities across the nation, particularly in creating a denser network in the regions of Pearl River Delta, Yangtze River Delta, Bohai Rim and other logistic gateway cities. Through construction of new projects and merger and acquisition at the same time, the Group will insist on generating profit growth, accumulating quality resources and reinforcing our foundation for business development.

The Group will continue to increase the resources allocated in the logistic business, and by consolidating resources, to facilitate the growth and improvement in the scale and efficiency of the existing logistic business. The Group will also actively explore opportunities for acquisition of well-established logistic related projects with a view to further expand the coverage of our logistic network. The Group will remain attentive on acquisition opportunities of quality logistic projects in first-tier cities of China and overseas markets. Moreover, the Group will proactively seek opportunities of cooperation with other large-scale State-owned enterprises to jointly explore upstream and downstream synergetic developments along the business chain of logistic.

In connection with the Qianhai Project, the Group will actively negotiate with Qianhai Authority and the relevant government authorities and endeavor to facilitate the signing of land swap agreements for the consolidation and compensation of the remaining land parcels in Qianhai. Meanwhile, the first phase of the Qianhai Project has made significant progress, including the construction, sales and operation of 35,000 square meters of industrial office property, 25,000 square meters of commercial property and 50,000 square meters of residential property. Their values will be remarkable increased in the next few years.

Benefitting from the surging land prices in Shenzhen region in recent years, the land parcels of the Meilin Checkpoint Urban Renewal Project are set to enjoy further appreciation in value. Currently, the Meilin Checkpoint Urban Renewal Project is under construction on full scale and will strive to achieve the objective to commence partial sales in 2019. The Group has been actively promoting the introduction of a strategic investor for the Meilin Checkpoint Urban Renewal Project to enhance the Group's confidence in the development of large-scale property projects, the quality of project management and overall return of the project.

According to the provisions of the toll adjustment and compensation agreements entered into between the Group and the relevant authority of the Municipal Government of Shenzhen at the end of November 2015 relating to adjusting the mode of toll collections on the road sections of approximately 100 km in aggregate for the Group's four toll roads, namely Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the 23.8 km section of Longda Expressway from its starting point to the Nanguang Expressway ramp (collectively the "Four Expressway Projects"), the relevant authority of the Municipal Government of Shenzhen is entitled to exercise an option within this year to buy back the concession rights of the above toll road projects. Judging from the current perspective, the directors believed that it is probable that the Municipal Government of Shenzhen will exercise the options to buy back the Four Expressway Projects and conduct municipal reconstruction on such projects to optimize the Shenzhen overall traffic network planning. If the government exercises its buy back option ultimately, the Group will recognize a one-off gain on asset disposal attributable to shareholders of approximately RMB2,100 million (equivalent to approximately HK$2,400 million), and the attributable mileage of the relevant toll roads, as well as the revenue and profit of such road sections, will be reduced accordingly in the coming year. In view of the buyback options of the Four Expressway Projects under the relevant agreements, the Group has been actively implementing and reinforcing the operating strategies for the core business of toll roads since 2015. Smooth progress has been achieved and additional toll road projects have been acquired successively, including Shuiguan Expressway, Changsha Ring Road, Yichang Project and Shenzhen Coastal Project, the additional toll mileage amounted to approximately 142 km in total, in order to compensate for the decrease in attributable toll road mileage as a result of the possible buyback of the above projects.

The Group will continue to seek opportunities actively for merger and acquisition and reorganization in the toll road business, and invest in projects with good potential in order to improve the toll road business on an on-going basis. To expand the environmental protection industry segment, the Group will increase innovative efforts to seek merger and acquisition opportunities actively in the key areas, such as solid waste (hazardous waste, waste-to-energy generation, integration of environment and health, etc.) and water pollution control, to reinforce strategic cooperation with leading enterprises, such as Derun Company and Water Planning Company, to implement follow-up actions actively on environmental protection projects with initial progress and to strengthen industry research work, in order to seek investment opportunities in the breakdown segments and fully drive the implementation of environmental entity projects.

Furthermore, the Group has been conducting research on currency exchange rate fluctuations and their impact on the Group's results on an on-going basis and formulating proposals to manage and control exchange rate risk. In the second half of 2018, the Group will continue to closely monitor the trend of the exchange rate of Renminbi, and will adopt various methods timely to address the exchange rate risk properly.

HUMAN RESOURCES

Concept of 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 aiming to create a fair and equitable social environment for the provision of sustainable talents to support the development of the Group.

Employees and Policies on Remuneration and Benefits

As of 30 June 2018, the Group had a total of 6,897 employees (2017: 5,972 employees). During the Period, expenses of staff benefits including directors' remuneration were approximately HK$387 million (2017: approximately HK$370 million).

A comprehensive management system of remuneration, motivation and constraint mechanism, and performance appraisal of the Group has been in place and has constantly been optimized. 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 strictly linked to the achievement of performance targets in order to match incentive income with the growth of the operating results of the Company. The Group has devoted to enhance its existing long-term incentive mechanism. Through in-depth research on the relevant policies and regulations, together with the actual circumstances of the Group, the Group has published the "Opinions on the Implementation of Reforms on the Long-term Incentive and Constraint Mechanism of Shenzhen International" (《深圳國際長效激勵約束機制改革實施意見》) with an aim to establishing a long-term incentive and constraint mechanism at the Group level and the subsidiary that would effectively drive the Group to realize the objectives under the "13th Five-Year" Strategic Plan. Other benefits include mandatory provident fund, medical insurance and education allowance, etc.

Employee Development and Training Programs

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 channels. In the first half of 2018, the Group continually stepped up the recruitment of management personnel and professionals in the logistics sector based on its development strategies and business development requirements through market-oriented recruitment and campus recruitment, in a bid to strengthen its management and professional teams and continuously optimize its staff mix. The Group also places a strong emphasis on the training and deployment of internal staff. Through the selection of backup talents and establishment of a bilateral exchange mechanism, a reserve of young talents has been realized for the Company, and the management talent selection and nurturing mechanism has been improved. Talents who has outstanding performance at work and show potentials for development are thereby selected from a pool of crucial employees and promoted to work in key positions of the Group.

The Group places a strong emphasis on staff training, and endeavors to improve its all-rounded training system. In the first half of 2018, the Group drew up an annual training program and conducted thematic training courses for general staff, middle management, senior management and on the Company's policies. The Group also effectively introduced the graduate school of Tsinghua University for commencing "Elite Program", a systematic and thematic training for the reserved talents, covering subjects such as corporate merger and acquisition and reorganization, capital operations and investment and financing management, supply chain finance, risk control and crisis management, planning and management of logistic parks, etc. Besides, the Group strongly encourages its staff to participate in professional training courses organized by external institutions, in order to enhance their professional knowledge and technical skills and to maintain their good physical and mental health through continuous training.

Safety and Health

The Group has been striving to provide safe, efficient and comfortable working environment for its employees. In the first half of 2018, the Group continued to organize a number of safety education training programs and offered working guidance to enhance employees' knowledge on safety risk identification and prevention, and provided various types of physical examinations for occupational health and education materials to employees to ensure a healthy and comfortable working environment.

KPMG

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

INTRODUCTION

We have reviewed the interim financial report set out on pages 28 to 72, which comprises the interim consolidated balance sheet of Shenzhen International Holdings Limited (the "Company") and its subsidiaries as of 30 June 2018 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 report 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 report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report 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 report performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report 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 report as at 30 June 2018 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

22 August 2018

INTERIM CONSOLIDATED BALANCE SHEET - UNAUDITED

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

(For reference only) As at 30 June 2018 RMB'000		Note	*As at 30 June 2018 HK$'000*	*As at 31 December 2017 HK$'000 (restated) (Note)*
	ASSETS			
	Non-current assets			
4,376,905	Property, plant and equipment	7	**5,187,136**	5,246,181
79,317	Investment properties	7	**94,000**	93,330
1,779,931	Land use rights	7	**2,109,423**	1,959,033
2,007,938	Construction in progress	7	**2,379,637**	1,980,103
27,695,397	Intangible assets	7	**32,822,229**	33,624,346
12,399,804	Interests in associates	8	**14,695,193**	14,284,887
70,600	Interests in joint ventures		**83,669**	248,748
211,823	Other financial assets	9	**251,034**	186,912
164,795	Deferred tax assets		**195,302**	245,319
1,421,922	Other non-current assets	10	**1,685,141**	1,506,966
50,208,432			**59,502,764**	59,375,825
	Current assets			
7,030,022	Inventories and other contract costs	11	**8,331,385**	7,594,199
92,819	Contract assets		**110,001**	—
642,529	Other financial assets	9	**761,471**	312,405
1,682,786	Trade and other receivables	12	**1,994,294**	2,102,554
2,558,358	Restricted bank deposits		**3,031,948**	2,893,219
438,592	Deposits in banks with original maturities over 3 months		**519,782**	813,956
5,695,648	Cash and cash equivalents		**6,749,998**	5,703,342
18,140,754			**21,498,879**	19,419,675
68,349,186	**Total assets**		**81,001,643**	78,795,500

INTERIM CONSOLIDATED BALANCE SHEET - UNAUDITED

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

(For reference only) As at 30 June 2018 RMB'000		Note	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000 (restated) (Note)
	EQUITY AND LIABILITIES			
	Equity attributable to ordinary shareholders of the Company			
9,182,899	Share capital and share premium	13	**10,442,927**	9,159,662
10,970,910	Other reserves and retained earnings	14	**13,460,605**	14,766,686
20,153,809	**Equity attributable to ordinary shareholders of the Company**		**23,903,532**	23,926,348
1,982,837	**Perpetual securities**	15	**2,330,939**	2,330,939
9,498,434	**Non-controlling interests**		**11,256,736**	11,071,046
31,635,080	**Total equity**		**37,491,207**	37,328,333
	Liabilities			
	Non-current liabilities			
16,107,130	Borrowings	17	**19,088,801**	16,287,668
134,741	Provision for maintenance/resurfacing obligations	18	**159,683**	163,311
1,773,236	Deferred tax liabilities		**2,101,489**	2,211,827
8,310,393	Other non-current liabilities	19	**9,848,771**	9,720,788
26,325,500			**31,198,744**	28,383,594
	Current liabilities			
5,467,277	Trade and other payables	16	**6,404,768**	7,150,842
621,617	Contract liabilities		**811,271**	—
263,538	Income tax payable		**312,323**	771,937
23,970	Provision for maintenance/resurfacing obligations	18	**28,407**	28,617
3,950,998	Borrowings	17	**4,682,387**	5,046,967
61,206	Derivative financial instruments		**72,536**	85,210
10,388,606			**12,311,692**	13,083,573
36,714,106	**Total liabilities**		**43,510,436**	41,467,167
68,349,186	**Total equity and liabilities**		**81,001,643**	78,795,500

Note: The Group has restated the comparative information as a result of the business combination under common control as set out in note 2. The Group has chosen the transition methods upon the initially application HKFRS 9 and HKFRS 15 at 1 January 2018 and under such methods, comparative information is not restated in this respect. See note 3.

The notes on pages 35 to 72 form part of this unaudited interim financial report.

INTERIM CONSOLIDATED INCOME STATEMENT- UNAUDITED

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

(For reference only) Six months ended 30 June 2018 RMB'000		Note	Six months ended 30 June 2018 HK$'000	Six months ended 30 June 2017 HK$'000 (restated) (Note)
4,354,914	**Revenue**	6,20	**5,346,077**	4,418,436
(2,507,999)	Cost of sales		**(3,078,811)**	(2,654,602)
1,846,915	**Gross profit**		**2,267,266**	1,763,834
(85,973)	Other (losses)/gains - net	21	**(105,540)**	110,031
21,188	Other income	22	**26,011**	20,459
(27,336)	Distribution costs		**(33,558)**	(35,173)
(147,255)	Administrative expenses		**(180,770)**	(201,745)
1,607,539	**Operating profit**		**1,973,409**	1,657,406
6,264	Share of profit of joint ventures		**7,690**	12,960
552,208	Share of profit of associates	8	**677,889**	706,402
2,166,011	**Profit before finance costs and income tax**		**2,658,988**	2,376,768
48,326	Finance income	23	**59,325**	58,201
(642,923)	Finance costs	23	**(789,250)**	(520,312)
(594,597)	Finance costs - net	23	**(729,925)**	(462,111)
1,571,414	**Profit before income tax**		**1,929,063**	1,914,657
(310,639)	Income tax expense	24	**(381,339)**	(360,680)
1,260,775	**Profit for the period**		**1,547,724**	1,553,977
	Attributable to:			
725,610	Ordinary shareholders of the Company		**890,757**	1,082,852
37,878	Perpetual securities holders of the Company		**46,500**	—
497,287	Non-controlling interests		**610,467**	471,125
1,260,775			**1,547,724**	1,553,977
	Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)			
	– Basic	25	**0.44**	0.55
	– Diluted	25	**0.43**	0.55

Note: The Group has restated the comparative information as a result of the business combination under common control as set out in note 2. The Group has chosen the transition methods upon the initially application HKFRS 9 and HKFRS 15 at 1 January 2018 and under such methods, comparative information is not restated in this respect. See note 3.

Details of dividends paid to ordinary shareholders of the Company are set out in Note 26. The notes on pages 35 to 72 form part of this unaudited interim financial report.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME - UNAUDITED

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

	Note	Six months ended 30 June 2018 HK$'000	Six months ended 30 June 2017 HK$'000 (restated) (Note)
Profit for the period		**1,547,724**	1,553,977
Other comprehensive (loss)/income:			
Items that may be reclassified to profit or loss:			
Share of other comprehensive (loss)/income of associates	8	**(8,174)**	44,643
Fair value losses on other financial assets, net of tax	14	**—**	(46,061)
Sub-total		**(8,174)**	(1,418)
Items that will not be reclassified to profit or loss:			
Currency translation differences		**(305,555)**	970,094
Fair value losses on other financial assets, net of tax	14	**(633)**	—
Sub-total		**(306,188)**	970,094
Other comprehensive (loss)/income for the period, net of tax		**(314,362)**	968,676
Total comprehensive income for the period		**1,233,362**	2,522,653
Total comprehensive income attributable to:			
Ordinary shareholders of the Company		**661,860**	1,704,437
Perpetual securities holders of the Company		**46,500**	—
Non-controlling interests		**525,002**	818,216
		1,233,362	2,522,653

Note: The Group has restated the comparative information as a result of the business combination under common control as set out in note 2. The Group has chosen the transition methods upon the initially application HKFRS 9 and HKFRS 15 at 1 January 2018 and under such methods, comparative information is not restated in this respect. See note 3.

The notes on pages 35 to 72 form part of this unaudited interim financial report.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - UNAUDITED

(All amounts in Hong Kong dollar thousands unless otherwise stated

	Attributable to ordinary shareholders of the Company					
	Share capital and share premium	*Other reserves (note 14)*	*Retained earnings (note 14)*	*Total*	*Non-controlling interests*	*Total equity*
Balance as at 1 January 2017, as previously reported	8,323,602	(1,286,191)	11,596,720	18,634,131	9,801,512	28,435,643
Business combination under common control	–	2,795,607	(1,926,906)	868,701	838,349	1,707,050
Balance as at 1 January 2017, as restated	8,323,602	1,509,416	9,669,814	19,502,832	10,639,861	30,142,693
Profit for the period (restated)	–	–	1,082,852	1,082,852	471,125	1,553,977
Other comprehensive income (restated)	–	621,585	–	621,585	347,091	968,676
Total comprehensive income for the six months ended 30 June 2017 (restated)	–	621,585	1,082,852	1,704,437	818,216	2,522,653
Transactions with owners in their capacity as owners						
Employee share option scheme						
– proceeds from shares issued (Note 13)	42,436	–	–	42,436	–	42,436
– value of employee services (Note 13)	5,077	–	–	5,077	–	5,077
Transfer from reserve	–	7,264	(7,264)	–	–	–
Dividend relating to 2016	–	–	(841,938)	(841,938)	–	(841,938)
Issue of scrip shares as dividend	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	–	–	–	–	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, as restated	9,034,360	2,138,265	9,903,464	21,076,089	11,323,046	32,399,135

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - UNAUDITED

(All amounts in Hong Kong dollar thousands unless otherwise stated

	Attributable to Ordinary Shareholders of the Company						
	Share capital and share premium	*Other reserves (note 14)*	*Retained earnings (note 14)*	*Total*	*Perpetual securities*	*Non-controlling interests*	*Total equity*
Balance as at 1 January 2018, as previously reported	9,159,662	763,533	13,994,018	23,917,213	2,330,939	11,062,354	37,310,506
Business combination under common control	–	1,961,023	(1,951,888)	9,135	–	8,692	17,827
Balance as at 1 January 2018, as restated	9,159,662	2,724,556	12,042,130	23,926,348	2,330,939	11,071,046	37,328,333
Impact on initial application of HKFRS 9 (Note 3(b))	–	(202,679)	228,349	25,670	–	24,431	50,101
Impact on initial application of HKFRS 15(Note 3(c))	–	–	24,199	24,199	–	(3,815)	20,384
Balance as at 1 January 2018, as adjusted	9,159,662	2,521,877	12,294,678	23,976,217	2,330,939	11,091,662	37,398,818
Profit for the period	–	–	890,757	890,757	46,500	610,467	1,547,724
Other comprehensive loss	–	(228,897)	–	(228,897)	–	(85,465)	(314,362)
Total comprehensive income for the six months ended 30 June 2018	–	(228,897)	890,757	661,860	46,500	525,002	1,233,362
Transactions with owners in their capacity as owners							
Employee share option scheme							
– proceeds from shares issued (Note 13)	69,998	–	–	69,998	–	–	69,998
– value of employee services (Note 13)	20,151	–	–	20,151	–	–	20,151
Transfer from reserve	–	27,178	(27,178)	–	–	–	–
Dividend relating to 2017 (Note 26)	–	–	(2,035,647)	(2,035,647)	–	–	(2,035,647)
Issue of scrip shares as dividend (Note 26)	1,193,116	–	–	1,193,116	–	–	1,193,116
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	–	(483,721)	(483,721)
Non-controlling interests arising on business combinations	–	–	–	–	–	191,505	191,505
Impact of business combination under common control	–	19,835	–	19,835	–	–	19,835
Capital reduction by non-controlling interests	–	–	–	–	–	(18,543)	(18,543)
Transactions with non-controlling interests	–	(1,998)	–	(1,998)	–	(49,169)	(51,167)
Distribution for perpetual securities (Note 15)	–	–	–	–	(46,500)	–	(46,500)
Total transactions with owners	1,283,265	45,015	(2,062,825)	(734,545)	(46,500)	(359,928)	(1,140,973)
Balance as at 30 June 2018	10,442,927	2,337,995	11,122,610	23,903,532	2,330,939	11,256,736	37,491,207

Note: The Group has restated the comparative information as a result of the business combination under common control as set out in note 2. The Group has chosen the transition methods upon the initially application HKFRS 9 and HKFRS 15 at 1 January 2018 and under such methods, comparative information is not restated in this respect. See note 3.

The notes on pages 35 to 72 form part of this unaudited interim financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS - UNAUDITED

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

	Note	*Six months ended 30 June* **2018**	*2017 (restated) (Note)*
Cash flows from operating activities			
Cash generated from operations		**2,408,418**	2,240,895
Interest paid		**(439,065)**	(243,514)
Income tax paid		**(937,825)**	(775,577)
Net cash generated from operating activities		**1,031,528**	1,221,804
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		**—**	(1,255,039)
Purchase of property, plant and equipment, land use rights, construction in progress, intangible assets and other non-current assets		**(1,245,945)**	(688,525)
Increase in interests in associates	8	**(70,587)**	(5,010,306)
Proceeds from disposal of a subsidiary		**—**	168,361
Proceeds from disposal of other financial assets, net of tax		**4,086**	632,681
Purchase of other financial assets		**(552,560)**	(115,234)
Decrease in deposits in banks with original maturities over 3 months		**294,174**	165,721
Cash generated from other investing activities		**298,595**	202,588
Net cash used in investing activities		**(1,272,237)**	(5,899,753)
Cash flows from financing activities			
Proceeds from borrowings		**7,430,380**	7,452,960
Repayments of borrowings	17	**(4,775,358)**	(4,896,630)
Dividends paid to the Company's and subsidiaries' shareholders		**(1,326,252)**	(657,238)
Distribution for perpetual securities holders	15	**(46,500)**	—
Payment for acquisition of non-controlling interest in a non-wholly owned subsidiary		**(51,167)**	—
Cash generated from other financing activities		**51,457**	47,541
Net cash generated from financing activities		**1,282,560**	1,946,633
Net increase/(decrease) in cash and cash equivalents		**1,041,851**	(2,731,316)
Cash and cash equivalents at the beginning of the period		**5,703,342**	8,500,112
Exchange gains/(losses)		**4,805**	(14,984)
Cash and cash equivalents at the end of the period		**6,749,998**	5,753,812

NON-CASH TRANSACTIONS

The major non-cash transaction for the six months ended 30 June 2018 represented the issue of scrip shares as dividend (Note 26).

Note: *The Group has restated the comparative information as a result of the business combination under common control as set out in note 2. The Group has chosen the transition methods upon the initially application HKFRS 9 and HKFRS 15 at 1 January 2018 and under such methods, comparative information is not restated in this respect. See note 3.*

The notes on pages 35 to 72 form part of this unaudited interim financial report.

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 2018, Ultrarich International Limited ("Ultrarich") owns 952,010,090 ordinary shares of the Company directly, representing approximately 45.143% 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 45.143% of the equity in the Company held by Ultrarich and it was the largest shareholder of the Company. SIHCL is supervised and managed by Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission ("Shenzhen SASAC"). The directors of the Company regard that Shenzhen SASAC can control the Company's relevant activities with its voting power held and is the de facto controller of the Company.

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

This unaudited interim financial report was authorised for issue on 22 August 2018 and has been reviewed, but not audited, by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial report performed by the independent auditor of the entity,* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). KPMG's review report to the board of directors is included on page 27.

2. BASIS OF PREPARATION

This interim financial report for the six months ended 30 June 2018 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 report should be read in conjunction with the annual financial statements for the year ended 31 December 2017 ("2017 Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

On 11 December 2017, Shenzhen Expressway entered into an acquisition agreement for the acquisition of 100% equity interest in Shenzhen Guangshen Coastal Expressway Investment Co., Ltd. (深圳市廣深沿江高速公路投資有限公司, "Coastal Company") from SIHCL, the controlling shareholder of the Company, at a consideration of RMB1,472 million (approximately HKD1,712 million). On 8 February 2018, such agreement was approved by the independent shareholders of Shenzhen Expressway in its extraordinary general meeting. Accordingly, the acquisition was completed on 8 February 2018, and Coastal Company has become a subsidiary of the Group since then.

As both the Company and Coastal Company are controlled by SIHCL before and after the acquisition and the control is not transitory, the acquisition has been regarded as business combination under common control. The acquisition has been accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5, *Merger Accounting for Common Control Combinations* ("AG 5") issued by the HKICPA.

The interim financial report of the Group has been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the periods presented. The opening balance at 1 January 2017 have been restated, with consequential adjustments to comparatives for the six months ended 30 June 2017. The final consideration of RMB1,472 million (approximately HKD1,712 million) payable by the Group has been treated as an equity transaction. The details of the restated balances have been disclosed in Note 30 to this interim financial report.

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

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the 2017 Financial Statements as described therein, except for the accounting policy that is first effective for the current accounting period of the Group.

(a) Amendments to standards 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*
HK(IFRIC) 22	Foreign currency transactions and advance consideration	*1 January 2018*

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition, capitalisation of contract costs, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 3(b) for HKFRS 9 and note 3(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

	At 31 December 2017 (restated)	*Impact on initial application of HKFRS 9 (Note 3(b))*	*Impact on initial application of HKFRS 15 (Note 3(c))*	*At 1 January 2018*
Inventories and other contract costs	7,594,199	—	627	7,594,826
Contract assets	—	—	140,087	140,087
Other financial assets	312,405	—	—	312,405
Trade and other receivables	2,102,554	—	(140,087)	1,962,467
Cash and cash equivalents	5,703,342	—	—	5,703,342
Total current assets	15,712,500	—	627	15,713,127
Interests in associates	14,284,887	—	26,333	14,311,220
Deferred tax assets	245,319	—	1,983	247,302
Other financial assets	186,912	66,801	—	253,713
Total non-current assets	14,717,118	66,801	28,316	14,812,235
Contract liabilities	—	—	621,124	621,124
Trade and other payables	7,150,842	—	(612,565)	6,538,277
Income tax payable	771,937	—	—	771,937
Total current liabilities	7,922,779	—	8,559	7,931,338
Net current assets	7,789,721	—	(7,932)	7,781,789
Total assets less current liabilities	22,506,839	66,801	20,384	22,594,024
Deferred tax liabilities	2,211,827	16,700	—	2,228,527
Total non-current liabilities	2,211,827	16,700	—	2,228,527
Net assets	20,295,012	50,101	20,384	20,365,497
Retained earnings	12,042,130	228,349	24,199	12,294,678
Other reserves	2,724,556	(202,679)	—	2,521,877
Total equity attributable to ordinary shareholders of the Company	14,766,686	25,670	24,199	14,816,555
Non-controlling interests	11,071,046	24,431	(3,815)	11,091,662
Total equity	25,837,732	50,101	20,384	25,908,217

Further details of these changes are set out in sub-sections (b) and (c) of this note.

3. ACCOUNTING POLICIES *(continued)*

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	HK$'000
Retained earnings	
Remeasurement of financial assets now measured at FVPL	34,227
Related tax	(8,557)
Transferred from fair value reserve (recycling) relating to financial assets now measured at FVPL, net of tax	202,679
Net increase in retained earnings at 1 January 2018	228,349
Fair value reserve (recycling)	
Transferred to retained earnings relating to financial assets now measured at FVPL	(202,679)
Net decrease in fair value reserve (recycling) at 1 January 2018	(202,679)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) *Classification of financial assets and financial liabilities*

HKFRS 9 categories financial assets into three principal classification categories:

measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVOCI - recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

3. ACCOUNTING POLICIES *(continued)*

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation *(continued)*

(i) Classification of financial assets and financial liabilities (continued)

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 HK$'000 (restated)	*Reclassification HK$'000*	*Remeasurement HK$'000*	*HKFRS 9 carrying amount at 1 January 2018 HK$'000*
Financial assets carried at amortised cost				
Cash and cash equivalents	5,703,342	–	–	5,703,342
Trade receivables (note (i))	975,078	–	–	975,078
	6,678,420	–	–	6,678,420
Financial asset measured at FVOCI (non-recyclable)				
Equity securities (note (ii))	–	59,694	–	59,694
Financial asset carried at FVPL				
Equity securities not held for trading (note (ii))	–	439,623	66,801	506,424
Financial assets classified as available-for-sale under HKAS 39 (note (ii))	499,317	(499,317)	–	–

Note i Trade receivables of HKD140,087,000 were reclassified to contract assets at 1 January 2018 as a result of the initial application of HKFRS 15 (see note 3(c)).

Note ii Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. At 1 January 2018, the Group designated its investment in HKD59,694,000 at FVOCI (non-recycling), as the investment is held for strategic purposes. The remaining equity securities were classified as at FVPL and remeasured at 1 January 2018, which increased the retained earnings and non-controlling interests by HKD25,670,000 and HKD24,431,000 respectively at 1 January 2018.

3. ACCOUNTING POLICIES *(continued)*

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation *(continued)*

(i) Classification of financial assets and financial liabilities (continued)

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts.

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised within "trade and other payables" at fair value. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs, see note 3(b) (ii)) on the financial guarantees are determined to be higher than the amount carried in "trade and other payables" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 3(b) (ii) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

3. ACCOUNTING POLICIES *(continued)*

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation *(continued)*

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables);
– contract assets as defined in HKFRS 15 (see note 3(c));
– lease receivables; and
– financial guarantee contracts issued (see note 3(b)(i)).

Financial assets measured at fair value, including equity securities measured at FVPL, equity securities designated at FVOCI (non-recycling) and derivative financial assets, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;
– variable-rate financial assets: current effective interest rate;
– lease receivables: discount rate used in the measurement of the lease receivable;

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

3. ACCOUNTING POLICIES *(continued)*

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation *(continued)*

(ii) Credit losses (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3. ACCOUNTING POLICIES *(continued)*

(b) HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation *(continued)*

(ii) Credit losses (continued)

Significant increases in credit risk *(continued)*

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

As a result of this change in accounting policy, the Group has assessed there are no material impact on the Group’s net asset.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

  – the determination of the business model within which a financial asset is held; and

  – the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

3. ACCOUNTING POLICIES *(continued)*

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to HKFRS 15 on retained earnings and the related tax impact at 1 January 2018:

	HK$'000
Retained earnings	
Recognition of unflown ticket breakage income of an associate	26,333
Financing component in respect of advance receipt from customer for sales of properties	(2,845)
Related tax	711
Net increase in retained earnings at 1 January 2018	24,199

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

3. ACCOUNTING POLICIES *(continued)*

(c) HKFRS 15, Revenue from contracts with customers *(continued)*

(i) Timing of revenue recognition (continued)

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from construction contracts. However, the timing of revenue recognition is affected as follows:

- Recognition of unflown ticket breakage income of an associate: an associate of the Group usually sell tickets in advance for full consideration. Some tickets are not used for travel and cannot be exchanged or refunded. Certain flexible air tickets include a right to re-schedule if the customer does not fly on the scheduled flight date, but the customer may decide not to travel. Those partially or wholly unused tickets are often referred to as "ticket breakage". Under the new approach in HKFRS 15, revenue for ticket breakage may sometimes be recognised earlier by the associate of the Group.

  As a result of this change in accounting policy, the Group has made adjustments to opening balances at 1 January 2018 which increased retained earnings and interest in associates by HKD26,333,000.

- Sales of properties: the Group's property development activities are carried out in the PRC only. Taking into account the contract terms, the Group's business practice and the legal and regulatory environment of PRC, the property sales contracts do not meet the criteria for recognising revenue over time and therefore revenue from property sales continues to be recognised at a point in time. Previously the Group recognised revenue from property sales when the risks and rewards of ownership of the property were transferred to the customer. Under the transfer-of-control approach in HKFRS 15, revenue from property sales is generally recognised when the property is delivered to the customer, the point when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. This would not have impact on the timing of recognition of revenue.

  This change in accounting policy had no material impact on opening balances as at 1 January 2018 and the Group's financial results from 2018 onwards.

3. ACCOUNTING POLICIES *(continued)*

(c) HKFRS 15, Revenue from contracts with customers *(continued)*

(ii) Principal versus agent considerations

When the Group is involved in providing goods or services to a customer, the Group evaluates the nature of its promise to the customer. If the Group obtains control of another party's goods or services before transferring control to the customer, then the Group's promise is to provide the goods or services itself. Therefore, the Group is acting as a principal. However, if the Group does not control the good or service before it is transferred to the customer, then the Group is acting as an agent and arranges for that good or service to be provided by another party.

The Group identifies each specified good or service to be transferred to the customer and determines whether it is a principal or agent for each one. The Group may be a principal for some goods and services and an agent for others to transfer multiple goods or services.

As a result of this change in accounting policy, the Group has assessed there were no significant impact on its consolidated financial statements.

(iii) 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 of revenue recognition or significantly deferred.

Previously, the Group only applied such a policy when payments were significantly deferred, which was not common in the Group's arrangements with its customers. The Group did not apply such a policy when payments were received in advance.

It is not common for the Group to receive payments significantly in advance of revenue recognition in the Group's arrangements with its customers, with the exception of when residential properties are marketed by the Group while the property is still under construction. In this situation, depending on market conditions, the Group may offer customers a discount compared to the listed sales price, provided that the customers agree to pay the balance of the consideration early while construction is still ongoing, rather than on legal assignment.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment. This accrual increases the amount of the contract liability during the period of construction, and therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*.

3. ACCOUNTING POLICIES *(continued)*

(c) HKFRS 15, Revenue from contracts with customers *(continued)*

(iii) Significant financing component (continued)

As a result of this change in policy, the Group has made the following adjustments at 1 January 2018:

a. Increased contract liabilities by HKD8,559,000

b. Increased inventories by HKD627,000 as part of the accrued interest was eligible for capitalisation into projects still under construction, and

c. Decreased retained earnings and non-controlling interests by HKD2,134,000 and HKD3,815,000, being the difference between (a) and (b), after taking into account the tax effect of HKD1,983,000.

(iv) Sales commissions payable related to property sales contracts

The Group previously recognised sales commissions payable related to property sales contracts as distribution costs when they were incurred. Under HKFRS 15, the Group is required to capitalise these sales commissions as costs of obtaining contracts when they are incremental and are expected to be recovered, unless the expected amortisation period is one year or less from the date of initial recognition of the asset, in which case the sales commissions can be expensed when incurred. Capitalised commissions are charged to profit or loss when the revenue from the related property sale is recognised and are included as distribution costs at that time.

As a result of this change in accounting policy, the Group has assessed there were no material impact on the Group's net asset.

(v) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before receiving the consideration or being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Previously, contract balances relating to construction contracts in progress were presented in the statement of financial position under "trade and other receivables" or "trade and other payables" respectively, and work in progress in respect of the Group's made-to-order manufacturing arrangements was included within inventory until the products were delivered to the customer and the revenue was recognised for the reasons explained in paragraph (i) above.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

a. "Gross amounts due from customers for contract work" amounting to HKD140,087,000, which were previously included in trade and other receivables are now included under contract assets; and

b. "Advances received" and "forward sales deposits and instalments received" amounting to HKD612,565,000, which were previously included in trade and other payables are now included under contract liabilities.

3. ACCOUNTING POLICIES *(continued)*

(d) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC)22 does not have any material impact on the financial position and the financial result of the Group.

(e) Possible impact of standards issued but not yet adopted by the Group

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. Except for the amendments to HKFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as HKFRS 9 (see note 3(b)), the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of HKFRS 16, Leases:

HKFRS 16, Leases

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

During the six months ended 30 June 2018, the Group has not entered into any new significant lease agreement, which are currently classified as operating leases. The impact of the initial adoption of HKFRS 16 would not be significantly different from the Group's expectation at the time when the 2017 annual financial statements were prepared.

Upon the initial adoption of HKFRS 16 at 1 January 2019, the present value of most of the future minimum lease payments that are payable after 6 months will be recognised as lease liabilities, with corresponding right-of-use assets recognised as non-current assets. 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, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16.

4. ESTIMATES

The preparation of the interim financial report 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.

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

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

This interim financial report does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2017 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 2018:

	Level 1	***Level 2***	***Level 3***	***Total***
Assets				
Other financial assets	**208,911**	**192,593**	**58,441**	**459,945**
Liabilities				
Derivative financial instruments	**–**	**72,536**	**–**	**72,536**

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2017 (restated):

	Level 1	*Level 2*	*Level 3*	*Total*
Assets				
Other financial assets	312,405	–	–	312,405
Liabilities				
Derivative financial instruments	–	85,210	–	85,210

During the period, there were no transfers among level 1, 2 and 3. There were no changes in valuation techniques during the period.

5. FINANCIAL RISK MANAGEMENT *(continued)*

5.3 Fair value estimation *(continued)*

(a) Financial instruments in level 2

The fair value of financial instruments which comprise the other financial assets and derivatives that are not traded in an active market is determined by using valuation techniques. 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.

(b) Financial instruments in level 3

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

Specific valuation techniques used to value financial instruments include:

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

5.4 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 2018	31 December 2017 (restated)
Non-current borrowings	**19,063,986**	15,993,718

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. It also includes one-off and non-recurring activities of the Group.

The chief operating decision-maker has been identified as the board of directors. 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.

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

6. SEGMENT INFORMATION *(continued)*

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

For the six months ended 30 June 2018

	Toll roads	*Logistic business*				*Head Office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related service*	*Sub-total*		
Revenue	4,028,713[a]	323,437	339,032	654,895	1,317,364	–	5,346,077
Operating profit/(loss)	1,929,286	108,292	30,110	103,405	241,807	(197,684)	1,973,409
Share of profit/(loss) of joint ventures	–	8,036	–	–	8,036	(346)	7,690
Share of profit/(loss) of associates	349,189	(180)	816	–	636	328,064	677,889
Finance income	25,579	6,217	5,012	535	11,764	21,982	59,325
Finance costs	(731,742)	(6,848)	(561)	(1,227)	(8,636)	(48,872)	(789,250)
Profit before income tax	1,572,312	115,517	35,377	102,713	253,607	103,144	1,929,063
Income tax expense	(341,150)	(20,178)	(5,433)	(16,888)	(42,499)	2,310	(381,339)
Profit for the period	1,231,162	95,339	29,944	85,825	211,108	105,454	1,547,724
Non-controlling interests	(586,282)	2,719	(4,542)	(22,472)	(24,295)	110	(610,467)
	644,880	98,058	25,402	63,353	186,813	105,564	937,257
Profit attributable to perpetual securities holders	–	–	–	–	–	(46,500)	(46,500)
Profit attributable to ordinary shareholders of the Company	644,880	98,058	25,402	63,353	186,813	59,064	890,757
Depreciation and amortisation	1,043,049	84,112	6,758	32,108	122,978	8,760	1,174,787
Capital expenditure							
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	420,716	667,091	19,746	8,958	695,795	148,629	1,265,140
– Additions in property, plant and equipment, construction in progress, land use rights, and intangible assets arising from acquisition of a subsidiary (Note 30)	7,780,543	–	–	–	–	–	7,780,543
– Additions in interests in associates	70,587	–	–	–	–	–	70,587

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

6. SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2017(restated)

	Toll roads	*Logistic business*				*Head Office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related service*	*Sub-total*		
Revenue	3,152,362[(a)]	264,447	483,804	517,823	1,266,074	–	4,418,436
Operating profit/(loss)	1,532,196	79,050	30,276	52,144	161,470	(36,260)	1,657,406
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	(576,345)	(721)	(868)	(5,520)	(7,109)	63,142	(520,312)
Profit before income tax	1,241,942	84,573	33,598	46,885	165,056	507,659	1,914,657
Income tax expense	(264,921)	(19,263)	(7,202)	(6,066)	(32,531)	(63,228)	(360,680)
Profit for the period	977,021	65,310	26,396	40,819	132,525	444,431	1,553,977
Non-controlling interests	(469,457)	3,665	(1,521)	(10,750)	(8,606)	6,938	(471,125)
Profit attributable to ordinary shareholders of the Company	507,564	68,975	24,875	30,069	123,919	451,369	1,082,852
Depreciation and amortisation	865,723	44,736	6,145	28,913	79,794	34,134	979,651
Capital expenditure							
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	257,582	392,498	5,408	5,073	402,979	37,519	698,080
– 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

(a) The revenue from toll roads included construction service revenue under service concession arrangements of HKD401,388,000 (2017 interim: HKD242,400,000) for the period.

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

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

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

7. CAPITAL EXPENDITURE

	Intangible assets	*Investment properties*	*Property, plant and equipment*	*Land use rights*	*Construction in progress*
Six months ended 30 June 2018					
Net book amount as at 1 January 2018, as previously reported	**26,089,882**	**93,330**	**5,008,054**	**1,959,033**	**1,972,151**
Business combination under common control (Note 30)	**7,534,464**	**–**	**238,127**	**–**	**7,952**
Net book amount as at 1 January 2018, as restated	**33,624,346**	**93,330**	**5,246,181**	**1,959,033**	**1,980,103**
Fair value gains	**–**	**670**	**–**	**–**	**–**
Additions	**401,388**	**–**	**34,251**	**210,348**	**619,153**
Disposals	**–**	**–**	**(22,826)**	**–**	**–**
Transfers	**–**	**–**	**177,690**	**–**	**(177,690)**
Exchange difference	**(245,161)**	**–**	**(56,691)**	**(34,984)**	**(41,929)**
Depreciation/amortisation	**(958,344)**	**–**	**(191,469)**	**(24,974)**	**–**
Net book amount as at 30 June 2018	**32,822,229**	**94,000**	**5,187,136**	**2,109,423**	**2,379,637**
Six months ended 30 June 2017					
Net book amount as at 1 January 2017, as previously reported	21,286,881	87,390	4,234,225	1,784,514	2,056,347
Business combination under common control	7,192,841	–	248,242	–	–
Net book amount as at 1 January 2017, as restated	28,479,722	87,390	4,482,467	1,784,514	2,056,347
Fair value gains	–	3,910	–	–	–
Acquisition of subsidiaries	3,820,754	–	73,027	–	1,185
Disposal of subsidiaries	–	–	(116,527)	(13,110)	–
Additions	242,400	–	90,524	–	365,156
Disposals	(2,825)	–	(4,488)	–	–
Transfers	–	–	275,793	–	(275,793)
Exchange difference	975,792	–	141,011	57,234	63,582
Depreciation/amortisation	(766,257)	–	(191,195)	(22,199)	–
Net book amount as at 30 June 2017, as restated	32,749,586	91,300	4,750,612	1,806,439	2,210,477

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 4 to 20 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any 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	
	2018	2017
Beginning of the period	**14,284,887**	7,490,060
Impact on initial application of HKFRS 15 (Note 3(c))	**26,333**	—
Adjusted balance at beginning of the period	**14,311,220**	7,490,060
Additions	**70,587**	5,010,306
Share of profit of associates	**677,889**	706,402
Share of other comprehensive (loss)/income of associates	**(8,174)**	44,643
Dividends received	**(233,640)**	(298,857)
Exchange difference	**(122,689)**	327,604
End of the period	**14,695,193**	13,280,158

The ending balance comprises the following:

	As at	
	30 June 2018	31 December 2017
Unlisted investments		
Share of net assets, other than goodwill	**11,954,598**	11,524,006
Goodwill on acquisition	**2,740,595**	2,760,881
	14,695,193	14,284,887

Based on the assessment made by the directors of the Company, there were no impairment losses for the goodwill as at 30 June 2018 (31 December 2017:Nil).

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

9. OTHER FINANCIAL ASSETS

	As at	
	30 June 2018	*31 December 2017*
Financial assets measured at amortised cost		
Loan to third parties (Note (a))	**374,793**	—
Wealth management products (Note (a))	**177,767**	—
Financial assets measured at FVPL		
Listed securities in the PRC (Note (b))	**208,911**	—
Unlisted equity investments (Note (c))	**192,593**	—
Equity securities designated at FVOCI (non-recycling)		
Unlisted equity investments (Note (c))	**58,441**	—
Available-for-sale financial assets		
Listed securities in the PRC, at fair value (Note (b))	**—**	312,405
Unlisted equity investments at cost less impairment (Note (c))	**—**	186,912
	1,012,505	499,317
Less: non-current portion	**(251,034)**	(186,912)
Current portion	**761,471**	312,405

(a) Loan to third parties with principal amount of USD50 million at the rate of 5.3% will be matured on 26 March 2019, which was issued by Shenzhen Capital (Hong Kong) Company Limited and guaranteed by Shenzhen Capital Group Co., Ltd.

Prior to January 2018, loan to third parties and wealth management products were classified as trade and other receivables and measured at amortised cost in accordance with HKAS 39.

(b) As at 30 June 2018, listed equity investments stated at market price represent 1.3% (31 December 2017: 1.3%) equity interest in CSG Holding Co., Ltd ("CSG"). During the period, the Group did not dispose of any shares in CSG (2017 interim: Nil).

(c) Available-for-sale financial assets were reclassified to financial assets measured at FVPL and equity securities designated at FVOCI (non-recycling) upon the initial application of HKFRS 9 at 1 January 2018.

10. OTHER NON-CURRENT ASSETS

As at 30 June 2018, other non-current assets mainly represented prepayments for land use rights, project funds, other long-term receivables and advance to non-controlling interests.

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

11. INVENTORIES AND OTHER CONTRACT COSTS

	As at	
	30 June 2018	31 December 2017 (restated)
In the PRC		
Land in Qianhai held for future development	**1,660,227**	1,634,830
Other land held for future development	**5,892,751**	5,226,047
Land and properties under development for sale	**339,254**	252,745
Completed properties for sale	**595,440**	680,864
Other contract costs	**3,340**	—
Others	**91,984**	51,324
Impairment	**(251,611)**	(251,611)
	8,331,385	7,594,199

12. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2018	31 December 2017 (restated)
Trade receivables (Note (a))	**1,181,463**	1,000,840
Less: Provision for impairment	**(32,320)**	(25,762)
Trade receivables - net	**1,149,143**	975,078
Other receivables(Note (b))	**573,069**	580,198
Financial assets measured at amortised cost	**1,722,212**	1,555,276
Deposits and prepayments(Note (c))	**272,082**	547,278
	1,994,294	2,102,554

(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 2018	31 December 2017 (restated)
0 - 90 days	**721,925**	856,370
91 - 180 days	**132,395**	31,701
181 - 365 days	**296,483**	29,413
Over 365 days	**30,660**	83,356
	1,181,463	1,000,840

12. TRADE AND OTHER RECEIVABLES *(continued)*

(b) The amounts mainly included: (i) receivables from associate of HKD122,218,000 (31 December 2017: HKD101,584,000); (ii) receivables of tax related to Meiguan Expressway compensation from Government of HKD32,121,000 (31 December 2017: HKD32,359,000) and (iii) interests for compensation from Government related to toll adjustment of Yanba Expressway, Yanpai Expressway and Nanguang Expressway of HKD14,244,000 (31 December 2017:Nil).

(c) The amounts included: (i) prepayment for guarantee deposit of land use rights of HKD78,455,000 (31 December 2017: HKD350,421,000) and (ii) advance of construction costs and construction receivables of HKD193,627,000 (31 December 2017: HKD196,857,000).

13. SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares (share)	*Ordinary shares*	*Share premium*	*Total*
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	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
As at 1 January 2018	**2,028,783,185**	**2,028,783**	**7,130,879**	**9,159,662**
Employee share option				
– proceeds from shares issued	**7,120,642**	**7,121**	**62,877**	**69,998**
– value of employee services	**—**	**—**	**20,151**	**20,151**
Issue of scrip share as dividend (Note 26)	**72,983,766**	**72,984**	**1,120,132**	**1,193,116**
As at 30 June 2018	**2,108,887,593**	**2,108,888**	**8,334,039**	**10,442,927**

(a) Authorised and issued shares

As at 30 June 2018, the total authorised number of ordinary shares was 3,000 million shares (31 December 2017: 3,000 million shares) with par value of HKD1.00 per share (31 December 2017: HKD1.00 per share). All issued shares are fully paid.

(b) Share options

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

	Six months ended 30 June 2018		*Six months ended 30 June 2017*	
	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	**11.373**	**58,655**	10.642	36,598
Granted	**—**	**—**	12.628	34,770
Forfeited	**8.788**	**(572)**	10.311	(1,744)
Exercised	**9.830**	**(7,120)**	9.196	(4,615)
Adjusted	**—**	**3,129**	—	4,787
End of the period	**10.946**	**54,092**	11.005	69,796

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

(b) Share options *(continued)*

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

Date of maturity	Exercise price (HKD per share)	Number of share options (thousands)	
		30 June 2018	31 December 2017
28 January 2019 (Note (i))	8.408	**13,324**	17,296
28 January 2019 (Note (ii))	10.553	**3,884**	6,589
25 May 2022 (Note (iii))	11.904	**36,884**	34,770
		54,092	58,655

(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, 495,000 (2017 interim: 1,744,000) of the 2014 Share Options were forfeited and 4,269,000 (2017 interim: 4,249,000) of 2014 Share Options were exercised.

On 22 June 2018, 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 HKD8.408 per share and the number of share options were increased by 792,000.

(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, 77,000 (2017 interim: nil) of the 2016 Share Options were forfeited and 2,851,000 (2017 interim: 366,000) of 2016 Share Options were exercised.

On 22 June 2018, 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 HKD10.553 per share and the number of share options were increased by 223,000.

(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. During the period,nil (2017 interim: nil) of the 2017 Share Options were forfeited or exercised.

On 22 June 2018, the Company adjusted the exercise price and number of 2017 Share Options outstanding according to the terms of the share option scheme and supplemental guidelines from the Stock Exchange. The exercise price of 2017 Share Options were adjusted to HKD11.904 per share and the number of share options were increased by 2,114,000.

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

14. OTHER RESERVES AND RETAINED EARNINGS

	Fair value reserve	*Reserve funds*	*Capital reserve*	*Goodwill reserve*	*Merger reserve*	*Revaluation surplus*	*Other reserves*	*Currency translation reserve*	*Contributed surplus*	*Other reserves Sub-total*	*Retained earnings*	*Total*
Balance as at 1 January 2017, as previously reported	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
Business combination under common control	–	–	–	–	2,612,897	–	–	182,710	–	2,795,607	(1,926,906)	868,701
Balance as at 1 January 2017, as restated	227,443	2,301,550	59,723	(159,583)	(1,469,213)	507,216	78,283	(49,008)	13,005	1,509,416	9,669,814	11,179,230
Profit attributable to ordinary shareholders of the Company	–	–	–	–	–	–	–	–	–	–	1,082,852	1,082,852
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
Balance as at 30 June 2017, as restated	189,188	2,308,814	59,723	(159,583)	(1,469,213)	507,216	125,448	563,667	13,005	2,138,265	9,903,464	12,041,729
Balance as at 31 December 2017, as previously reported	**202,679**	**2,904,182**	**59,723**	**(159,583)**	**(4,082,110)**	**507,216**	**144,511**	**1,173,910**	**13,005**	**763,533**	**13,994,018**	**14,757,551**
Business combination under common control	**–**	**–**	**–**	**–**	**1,913,436**	**–**	**–**	**47,587**	**–**	**1,961,023**	**(1,951,888)**	**9,135**
Balance as at 31 December 2017, as restated	**202,679**	**2,904,182**	**59,723**	**(159,583)**	**(2,168,674)**	**507,216**	**144,511**	**1,221,497**	**13,005**	**2,724,556**	**12,042,130**	**14,766,686**
Impact on initial application of HKFRS 9	**(202,679)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(202,679)**	**228,349**	**25,670**
Impact on initial application of HKFRS 15	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**24,199**	**24,199**
Balance as at 1 January 2018, as adjusted	**–**	**2,904,182**	**59,723**	**(159,583)**	**(2,168,674)**	**507,216**	**144,511**	**1,221,497**	**13,005**	**2,521,877**	**12,294,678**	**14,816,555**
Profit attributable to ordinary shareholders of the Company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**890,757**	**890,757**
Transfer to reserve	**–**	**27,178**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**27,178**	**(27,178)**	**–**
Dividend relating to 2017 (Note 26)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,035,647)**	**(2,035,647)**
Fair value loss on other financial assets, net of tax	**(633)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(633)**	**–**	**(633)**
Share of other comprehensive income of associates	**–**	**–**	**–**	**–**	**–**	**–**	**(13,045)**	**–**	**–**	**(13,045)**	**–**	**(13,045)**
Business combination under common control	**–**	**–**	**–**	**–**	**19,835**	**–**	**–**	**–**	**–**	**19,835**	**–**	**19,835**
Transactions with non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**(1,998)**	**–**	**–**	**(1,998)**	**–**	**(1,998)**
Currency translation differences	**22**	**–**	**–**	**–**	**–**	**–**	**–**	**(215,241)**	**–**	**(215,219)**	**–**	**(215,219)**
Balance as at 30 June 2018	**(611)**	**2,931,360**	**59,723**	**(159,583)**	**(2,148,839)**	**507,216**	**129,468**	**1,006,256**	**13,005**	**2,337,995**	**11,122,610**	**13,460,605**

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

15. PERPETUAL SECURITIES

On 29 November 2017 ("Issue Date"), the Company issued USD denominated senior perpetual capital security ("Perpetual Securities") with an aggregate principal amount of USD300,000,000 (approximately HKD2,340,300,000). The Perpetual Securities were issued at par value with initial interest rate of 3.95%. The Perpetual Securities were recorded as equity, after netting off related issuance costs of approximately USD1,200,000 (approximately HKD9,361,000).

The Perpetual Securities confer to the holders a right to receive distribution at the applicable distribution rate from the Issue Date semi-annually in arrears on 29 May and 29 November in each year, commencing on 29 May 2018, and may be deferred at the discretion of the Company unless compulsory distribution payment events (including distributions to ordinary shareholders of the Company or reduction of the registered capital of the Company or repaying any securities of lower rank) has occurred. The distribution rate shall be (i) in respect of the period from, and including, the Issue Date to, but excluding 29 November 2022, (the "First Call Date"), at 3.95% per annum and (ii) in respect of the periods (A) from and including the First Call Date to, but excluding the immediately following reset date and (B) from, and including, each reset date falling after the First Call Date to, but excluding, the immediately following reset date, the treasury rate plus the initial spread of 1.85% plus 5% per annum. A reset date is defined as each of the First Call Date and each day falling on the expiry of every five calendar years after the First Call Date.

As the Perpetual Securities only impose contractual obligations on the Group to repay the principal or to pay any distributions under certain circumstances which are at the Group's discretion, they have in substance conferred upon the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligations, therefore they do not meet the definition for classification as financial liabilities under HKAS 32 Financial Instruments: Presentation. As a result, the whole instrument is classified as equity, and distributions if and when declared are treated as equity dividends.

During the six months ended 30 June 2018, the profit attributable to the holders of perpetual securities, based on the applicable interest rate, was HKD46,500,000.

On 29 May 2018, an amount of HKD46,500,000 (2017 interim: nil) was distributed to the holders of perpetual securities.

16. TRADE AND OTHER PAYABLES

	As at	
	30 June 2018	*31 December 2017 (restated)*
Trade payables (Note (a))	**228,073**	508,134
Payables relating to construction projects (Note (b))	**3,955,750**	3,667,153
Advances from associates (Note (c))	**53,760**	60,801
Other payables and accrued expenses (Note (d))	**1,529,311**	1,319,384
Financial liabilities measured at amortised cost	**5,766,894**	5,555,472
Compensation from government regarding Nanguan Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway toll free arrangement (Note 19)	**520,025**	964,530
Deferred income (Note (e))	**117,849**	18,276
Advance received (Note (f))	**—**	612,564
	637,874	1,595,370
	6,404,768	7,150,842

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

16. TRADE AND OTHER PAYABLES *(continued)*

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

	As at	
	30 June 2018	31 December 2017 (restated)
0 - 90 days	**194,389**	486,140
91 - 180 days	**15,574**	2,892
181 - 365 days	**15,718**	18,308
Over 365 days	**2,392**	794
	228,073	508,134

(b) Payables relating to construction projects is an amount of HKD2,834,025,000 (31 December 2017: HKD2,775,001,000), 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 and accrued expenses mainly included payables for entrusted service costs of HKD165,460,000 (31 December 2017: HKD166,685,000), interest payables of HKD135,344,000 (31 December 2017: HKD99,307,000), dividends payable of HKD256,557,000 (31 December 2017: HKD4,922,000) and employee benefit expenses of HKD111,008,000 (31 December 2017: HKD292,161,000).

(e) Deferred income with maturity within one year of HKD117,849,000 (31 December 2017: HKD18,276,000).

(f) As a result of adoption of HKFRS 15, advances received and forward sales deposits and instalments received are now included in contract liabilities (see note 3(c)).

17. BORROWINGS

	As at	
	30 June 2018	31 December 2017 (restated)
Non-current		
Bank borrowings (Note (b))	**15,442,195**	13,464,188
Medium-term notes	**1,066,392**	1,073,010
Corporate bonds (Note (c))	**3,271,701**	3,261,811
Panda Bond (Note (e))	**396,464**	—
Senior notes (Note (f))	**742,669**	—
	20,919,421	17,799,009
Less: current portion	**(1,830,620)**	(1,511,341)
	19,088,801	16,287,668
Current		
Bank borrowings (Note (d))	**3,615,995**	3,973,957
Medium-term notes	**1,066,392**	1,073,010
	4,682,387	5,046,967
Total borrowings	**23,771,188**	21,334,635

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

17. BORROWINGS *(continued)*

Movement in borrowings is analysed as follows:

	Six months ended 30 June	
	2018	2017
Opening balance as at 1 January, as previously reported	**15,825,315**	12,383,519
Business combination under common control (Note 30)	**5,509,320**	5,229,099
Opening balance as at 1 January, as restated	**21,334,635**	17,612,618
Acquisition of subsidiaries	**—**	1,539,892
Additions	**7,436,331**	7,462,336
Repayments	**(4,775,358)**	(4,896,630)
Exchange differences	**(224,420)**	462,174
Closing balance as at 30 June	**23,771,188**	22,180,390

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

	As at	
	30 June 2018	31 December 2017 (restated)
Floating rate		
– Expiring within one year	**8,019,514**	11,092,266
– Expiring beyond one year	**49,583,557**	45,284,046
	57,603,071	56,376,312

(b) As at 30 June 2018, bank borrowings of HKD2,083,698,000 (31 December 2017: HKD2,128,730,000) were secured by a pledge of the operating rights of Qinglian Expressway, of which HKD88,172,000 (31 December 2017: HKD59,217,000) were current portion of the non-current bank borrowings.

As at 30 June 2018, bank borrowings of HKD1,744,390,000 (31 December 2017: HKD1,377,647,000) were secured by a pledge of the operating rights of Outer Ring Expressway.

As at 30 June 2018, bank borrowings of HKD1,510,819,000 (31 December 2017: HKD1,549,388,000) were secured by a pledge of the operating rights of Yichang Expressway, of which HKD190,843,000 (31 December 2017: HKD54,772,000) were current portion of the non-current bank borrowings.

As at 30 June 2018, bank borrowings of HKD5,411,688,000 (31 December 2017: HKD5,509,320,000) were secured by a pledge of the operating rights of Coastal Expressway, of which HKD135,084,000 (31 December 2017: HKD115,148,000) were current portion of the non-current bank borrowings.

As at 30 June 2018, bank borrowings of HKD711,069,000 (31 December 2017: Nil) were secured by a pledge of the operating rights of Shuiguan Expressway, of which HKD124,553,000 (31 December 2017: 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) As at 30 June 2018, bank borrowings of HKD260,725,000 (31 December 2017: HKD1,038,682,000) were secured by a pledge of the operating rights of Shuiguan Expressway; bank borrowings of HKD282,527,000 (31 December 2017: HKD296,390,000) were secured by a pledge of the 45% equity interests of Jade Emperor Limited.

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

17. BORROWINGS *(continued)*

(e) On 19 January 2018, the Company issued a 5-years Panda Bond with a par value of RMB300 million carrying a coupon rate of 5.2% per annum. The bond's value date was 22 January 2018. The interest will be paid annually and the principal will be repaid at maturity (the last period of interest will be paid with the principal). At the end of the third year of the bond's duration, the issuer could have option to adjust the coupon rate and investors have option to sell back. The carrying amount of the bond is the principal and interest payable for this period. After deducted the issuance expenses, the funds raising from bond are proposed to supplement the capital of the Company 's logistics park development and operation business. The purposes of funds raised shall not be changed.

(f) On 26 March 2018, the Company issued a 5-years Hong Kong dollar senior notes in an amount of HKD780,000,000 at a discount rate of 99.344%, with a coupon rate of 3.75% ("HKD Senior Notes"). The HKD Senior Notes interest should be paid on 26 March, 26 June, 26 September, and 26 December of each quarter. The funds raised are used to invest in integrated logistics hubs, the repayment of certain existing debt obligations and general working capital purposes.

18. PROVISION FOR MAINTENANCE/RESURFACING OBLIGATIONS

	Six months ended 30 June	
	2018	*2017*
Opening net book amount	**191,928**	179,087
Charged to the income statement:		
Additions	**–**	16,759
Increase due to passage of time (Note 23)	**–**	4,227
Settlement	**(2,515)**	(35,737)
Exchange differences	**(1,323)**	5,570
Closing net book amount	**188,090**	169,906
Less: current portion	**(28,407)**	(37,992)
Non-current portion	**159,683**	131,914

19. OTHER NON-CURRENT LIABILITIES

	As at	
	30 June 2018	*31 December 2017 (restated)*
Compensations from government regarding Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway toll free arrangement (Note (a))	**9,036,455**	9,103,343
Deferred income (Note (b))	**812,316**	617,445
	9,848,771	9,720,788

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

(a) As at 30 June 2018, 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 HKD243,998,000 was recognised for the six-months ended 30 June 2018 (2017 interim: HKD245,086,000) (Note 23).

In December 2015, the Group received the first payment from SZ Transportation Committee amounting to HKD11,599,650,000, of which HKD520,025,000 is in relation to the toll revenue of the 4 Toll Roads in respect of the six months ending 31 December 2018 which is classified under current liabilities (31 December 2017: HKD964,530,000) (Note 16).

(b) As at 30 June 2018, deferred income includes government grants amounting to HKD396,316,000 (31 December 2017: HKD399,530,000) 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 HKD5,503,000 (31 December 2017: HKD10,108,000) was included in "Trade and other payables".

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

20. REVENUE

	Six months ended 30 June	
	2018	2017 (restated)
Revenue from contracts with customers within the scope of HKFRS 15		
Toll Roads		
– Toll revenue	**3,370,157**	2,817,245
– Entrusted construction management service and construction consulting service revenue	**47,839**	29,421
– Construction service revenue under Service Concession	**401,388**	242,400
– Others	**209,329**	63,296
	4,028,713	3,152,362
Logistic Business		
– Logistic parks	**55,031**	42,340
– Logistic services	**339,032**	483,804
– Port and related services	**654,895**	517,823
	1,048,958	1,043,967
	5,077,671	4,196,329
Revenue from other sources		
Logistic Business		
– Logistic parks	**268,406**	222,107
	5,346,077	4,418,436

21. OTHER (LOSSES)/GAINS- NET

	Six months ended 30 June	
	2018	2017 (restated)
Gains on disposal of available-for-sale financial assets	**–**	8,603
Gains on disposal of other financial assets	**4,086**	–
Losses on disposal of property, plant and equipment	**(434)**	(1,760)
Loss on fair value of CSG	**(104,826)**	–
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	**–**	31,209
Losses on impairment of trade receivables	**(6,558)**	(859)
Others	**2,192**	(7,010)
	(105,540)	110,031

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

22. OTHER INCOME

	Six months ended 30 June	
	2018	2017 (restated)
Dividend income	**1,830**	—
Rental income	**4,407**	3,826
Government grants	**19,774**	16,633
	26,011	20,459

23. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2018	2017 (restated)
Finance income		
Interest income from bank deposits	**48,070**	53,785
Interest income from other receivables	**2,738**	4,416
Other interest income	**8,517**	—
Total finance income	**59,325**	58,201
Finance costs		
Interest expenses		
– Bank borrowings	**455,376**	256,414
– Medium-term notes	**23,134**	42,964
– Corporate bonds	**73,814**	63,058
– Senior notes	**8,139**	32,024
– Other interest costs (Note 18)	**—**	4,227
– Interest costs for other financial liabilities (Note 19)	**243,998**	245,086
Net foreign exchange losses/(gains)	**106,303**	(155,241)
(Gains)/losses on derivative financial instruments directly attributable to borrowings	**(12,479)**	78,123
Less: finance costs capitalised on qualified assets	**(109,035)**	(46,343)
Total finance costs	**789,250**	520,312
Net finance costs	**729,925**	462,111

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% (2017 interim: 25%) applicable to the respective companies.

	Six months ended 30 June	
	2018	*2017*
Current income tax		
– PRC Corporate Income Tax	**458,338**	709,046
Deferred tax	**(76,999)**	(348,366)
	381,339	360,680

25. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2018	*2017 (restated)*
Profit attributable to ordinary shareholders of the Company	**890,757**	1,082,852
Weighted average number of ordinary shares in issue (thousands)	**2,036,783**	1,959,980
Basic earnings per share (HK dollars per share)	**0.44**	0.55

(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	
	2018	*2017 (restated)*
Profit attributable to ordinary shareholders of the Company	**890,757**	1,082,852
Profit used in the calculation of diluted earnings per share	**890,757**	1,082,852
Weighted average number of ordinary shares in issue (thousands)	**2,036,783**	1,959,980
Adjustments - share options (thousands)	**16,717**	5,831
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,053,500**	1,965,811
Diluted earnings per share (HK dollars per share)	**0.43**	0.55

26. DIVIDENDS

The board of directors has resolved not to declare any interim dividend in respect of the period (2017 interim: Nil). The 2017 final dividend and special dividend totaling HKD2,035,647,000 (HKD0.44 per ordinary share of final dividend and HKD0.56 per ordinary share of special dividend respectively) were settled in June 2018. According to the scrip dividend scheme approved by shareholders in the annual general meeting held on 16 May 2018, 72,984,000 new shares were issued at a price of approximately HKD16.3476 per share, totaling HKD1,193,116,000. The remaining dividend totaling HKD842,531,000 was paid in cash in June 2018.

27. GUARANTEES AND CONTINGENCIES

Except for described below, there have been no significant changes to the Group's guarantees and contingencies since 31 December 2017.

(a) Shenzhen Expressway was entrusted by the Transport Commission of Shenzhen Municipality to manage and construct the second phase of the Nanping Project. According to the project construction entrusted management contract, Shenzhen Expressway has provided the Transport Commission of Shenzhen Municipality with an irrevocable performance bank guarantee of RMB15,000,000 (HKD17,777,000).

(b) Shenzhen Expressway was entrusted by Shenzhen Longhua district construction and Works Bureau to construct a "Dual upgrade" Road comprehensive renovation project- Da Fu Road (Gui Yue Road-Gui Xiang Road), Jian She Road (Bulong Road - East Second Ring Road) and Longhua District Golf Avenue (Guanlan Avenue – Huanguan South Road) renovation project phase I. According to the terms of the entrustment management contract, Shenzhen Expressway has provided the Shenzhen Longhua district construction and Works Bureau with an irrevocable performance bank guarantee of RMB50,170,000 (HKD59,457,000).

(c) As of 30 June 2018, Shenzhen Expressway has given collateral liability guarantees by phases of approximately HKD720,111,400 (31 December 2017: HKD496,872,000) 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.

(d) Shenzhen International United Land Co., Ltd ("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 amounting to HKD54,752,000 (31 December 2017: HKD55,158,000) and provided Shenzhen Yihuaxuan Hotel Co., Ltd with an irrevocable performance bank guarantee of HKD28,443,000 (31 December 2017: Nil).

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

28. COMMITMENTS

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

	As at	
	30 June 2018	*31 December 2017 (restated)*
Capital commitments - expenditure of property, plant and equipment and concession intangible assets		
– Authorised but not contracted	**3,649,641**	3,668,101
– Contracted but not provided for	**4,899,064**	4,083,221
	8,548,705	7,751,322

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 report.

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 report, the following material transactions were carried out with related parties during the period:

(a) 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 RMB14,154,000 (HKD17,375,000) (2017 interim: RMB15,095,000 (HKD17,128,000)).

(b) On 30 June 2018, the Group's investment commitments to related parties was RMB698,500,000 (HKD827,803,000) (31 December 2017: Nil). The investment commitment was the capital investment to Guangdong Yangmao Expressway Co., Ltd ("Yangmao Company") for the expansion.

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

30. BUSINESS COMBINATION

As mentioned in Note 2 to this interim financial report, the acquisition of Coastal Company has been accounted for based on AG 5. Accordingly, the assets and liabilities of Coastal Company acquired by the Group have been accounted for at existing book value and the financial statements of the Group for period prior to the combination have been restated to include the balance sheet and results of operation of Coastal Company on a combined basis. The details of the restated balances are as follows:

	As previously reported	*Coastal Company*	*Elimination*	*As restated*
Results of operations for six months ended 30 June 2017:				
Revenue	4,205,179	222,891	(9,634)	4,418,436
Cost of sales	(2,530,536)	(133,700)	9,634	(2,654,602)
Gross profit	1,674,643	89,191	—	1,763,834
Other gains - net	110,031	—	—	110,031
Other income	20,459	—	—	20,459
Distribution costs	(35,173)	—	—	(35,173)
Administrative expenses	(201,745)	—	—	(201,745)
Operating profit	1,568,215	89,191	—	1,657,406
Share of profit of joint ventures	12,960	—	—	12,960
Share of profit of associates	706,402	—	—	706,402
Profit before finance costs and income tax	2,287,577	89,191	—	2,376,768
Finance income	58,201	—	—	58,201
Finance costs	(389,311)	(131,001)	—	(520,312)
Finance costs - net	(331,110)	(131,001)	—	(462,111)
Profit/(loss) before income tax	1,956,467	(41,810)	—	1,914,657
Income tax expense	(360,680)	—	—	(360,680)
Profit/(loss) for the period	1,595,787	(41,810)	—	1,553,977
Attributable to:				
Ordinary shareholders of the Company	1,104,129	(21,277)	—	1,082,852
Non-controlling interests	491,658	(20,533)	—	471,125
Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)				
Basic	0.56	(0.01)	—	0.55
Diluted	0.56	(0.01)	—	0.55

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

30. BUSINESS COMBINATION *(continued)*

	As previously reported	*Coastal Company*	*Elimination*	*As restated*
Profit/(loss) for the period	1,595,787	(41,810)	—	1,553,977
Other comprehensive income/(loss):				
Items that may be reclassified to profit or loss:				
Share of other comprehensive income of associates	44,643	—	—	44,643
Fair value losses on other financial assets, net of tax	(46,061)	—	—	(46,061)
Sub-total	(1,418)	—	—	(1,418)
Items that will not be reclassified to profit or loss:				
Currency translation differences	943,267	26,827	—	970,094
Other comprehensive income for the period, net of tax	941,849	26,827	—	968,676
Total comprehensive income for the period	2,537,636	(14,983)	—	2,522,653
Total comprehensive income attributable to:				
Ordinary shareholders of the Company	1,725,714	(21,277)	—	1,704,437
Non-controlling interests	811,922	6,294	—	818,216
	2,537,636	(14,983)	—	2,522,653
Consolidated balance sheet as at 31 December 2017				
ASSETS				
Non-current assets				
Property, plant and equipment	5,008,054	238,127	—	5,246,181
Investment properties	93,330	—	—	93,330
Land use rights	1,959,033	—	—	1,959,033
Construction in progress	1,972,151	7,952	—	1,980,103
Intangible assets	26,089,882	7,534,464	—	33,624,346
Interests in associates	14,284,887	—	—	14,284,887
Interests in joint ventures	248,748	—	—	248,748
Other financial assets	186,912	—	—	186,912
Deferred tax assets	257,075	—	(11,756)	245,319
Other non-current assets	3,553,132	—	(2,046,166)	1,506,966
	53,653,204	7,780,543	(2,057,922)	59,375,825
Current assets				
Inventories and other contract costs	7,593,884	315	—	7,594,199
Other financial assets	312,405	—	—	312,405
Trade and other receivables	2,091,574	10,980	—	2,102,554
Restricted bank deposits	1,054,193	1,839,026	—	2,893,219
Deposits in banks with original maturities over 3 months	813,956	—	—	813,956
Cash and cash equivalents	5,466,878	236,464	—	5,703,342
	17,332,890	2,086,785	—	19,419,675
Total assets	70,986,094	9,867,328	(2,057,922)	78,795,500

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

30. BUSINESS COMBINATION *(continued)*

	As previously reported	*Coastal Company*	*Elimination*	*As restated*
Consolidated balance sheet as at 31 December 2017				
EQUITY AND LIABILITIES				
Equity attributable to ordinary shareholders of the Company				
Share capital and share premium	9,159,662	5,491,882	(5,491,882)	9,159,662
Other reserves and retained earnings	14,757,551	(3,716,653)	3,725,788	14,766,686
Equity attributable to ordinary shareholders of the Company	23,917,213	1,775,229	(1,766,094)	23,926,348
Perpetual securities	2,330,939	—	—	2,330,939
Non-controlling interests	11,062,354	—	8,692	11,071,046
Total equity	37,310,506	1,775,229	(1,757,402)	37,328,333
Liabilities				
Non-current liabilities				
Borrowings	10,893,496	5,394,172	—	16,287,668
Provision for maintenance/resurfacing obligations	163,311	—	—	163,311
Deferred tax liabilities	2,211,827	11,756	(11,756)	2,211,827
Other non-current liabilities	9,720,788	—	—	9,720,788
	22,989,422	5,405,928	(11,756)	28,383,594
Current liabilities				
Trade and other payables	4,870,522	2,569,084	(288,764)	7,150,842
Income tax payable	769,998	1,939	—	771,937
Provision for maintenance/resurfacing obligations	28,617	—	—	28,617
Borrowings	4,931,819	115,148	—	5,046,967
Derivative financial instruments	85,210	—	—	85,210
	10,686,166	2,686,171	(288,764)	13,083,573
Total liabilities	33,675,588	8,092,099	(300,520)	41,467,167
Total equity and liabilities	70,986,094	9,867,328	(2,057,922)	78,795,500
Cash flows for the six months ended 30 June 2017				
Net cash generated from operating activities	1,047,974	173,830	—	1,221,804
Net cash used in investing activities	(5,893,414)	(6,339)	—	(5,899,753)
Net cash generated from/(used in) financing activities	2,117,949	(171,316)	—	1,946,633
Net decrease in cash and cash equivalents	(2,727,491)	(3,825)	—	(2,731,316)
Cash and cash equivalents at the beginning of the period	8,253,937	246,175	—	8,500,112
Exchange (losses)/gains	(22,896)	7,912	—	(14,984)
Cash and cash equivalents at the end of 30 June 2017	5,503,550	250,262	—	5,753,812

The difference of HKD19,835,000 between the consideration and net book value of Coastal Company at the acquisition date were recorded in merger reserve.

31 EVENTS AFTER THE BALANCE SHEET DATE

(a) Issuance of medium-term notes

On 24 August 2017, Shenzhen Expressway's application for the issuance of RMB3,000,000,000 medium-term notes to the China Association of Banking Market Dealers was approved. The registration amount is valid for 2 years from the date of issuance of the Registration Notification, and Shenzhen Expressway can issue medium-term notes in installments during the registration period.

On 26 July 2018, the first medium-term note of RMB1,000,000,000 was successfully issued by Shenzhen Expressway with a term of 3 years and an annual interest rate of 4.14% with interest repayable annually and the principal repayable in full upon maturity on 30 July 2021.

On 13 August 2018, the second medium-term note of RMB800,000,000 was successfully issued by Shenzhen Expressway with a term of 5 years and an annual interest rate of 4.49% with interest repayable annually and the principal repayable in full upon maturity on 15 August 2023.

(b) Introduction of strategic investors by United Land Company

On 25 July 2018, the respective board of directors of the Company and Shenzhen Expressway announced that United Land Company (a subsidiary of the Company) is now planning to introduce professional property developers as strategic investors through public listing and competitive negotiation on the Shenzhen Joint Asset and Equity Exchange ("Proposed Capital Increase"). It is suggested that the listed price of the Proposed Capital Increase will not be less than RMB2.9 billion. The price refers to the evaluation result of Shenzhen Pengxin Assets Appraisal Land Real Estate Appraisal Co., Ltd. (深圳市鵬信資產評估土地房地產估價有限公司) on the total equity value of the shareholders of United Land Company as of 30 April 2018.

United Land Company is 51% and 49% owned by Xin Tong Chan Development (Shenzhen) Co., Ltd. (a wholly-owned subsidiary of the Company, "Xin Tong Company") and Shenzhen Expressway respectively. After the completion of the Proposed Capital Increase, the newly introduced strategic investors are expected to own 30% of United Land Company and the interests of Xin Tong Company and Shenzhen Expressway in United Land Company will be diluted to 35.7% and 34.3% respectively. As such, United Land Company will continue to be a subsidiary of the Company.

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 2018 (the "Period").

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2018, 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 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	533,031	beneficial owner	personal	0.025%
Li Hai Tao	23,345	beneficial owner	personal	0.001%
Zhong Shan Qun	212,000	beneficial owner	personal	0.010%
Liu Jun	900,000	beneficial owner	personal	0.043%
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 2018, 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, the Company approved and adopted a new share option scheme (the "New Scheme") for 10 years with effective from 16 May 2014 at the annual general meeting held on 16 May 2014.

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

During the Period, the Company has not granted any option under the New Scheme.

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)*:

Name and category of participants	Date of grant of share options	Exercise period of share options	Exercise price of share options *(Note 6)* HK$	Number of unlisted share options (physically settled equity derivatives): As at 1 January 2018	Granted during the Period	Adjusted during the Period *(Note 6)*	Exercised during the Period	Cancelled/ lapsed during the Period	As at 30 June 2018	Share price of the Company *(Note 7)*: As at the date of grant of share options HK$	As at the date of exercise of share options HK$
Directors											
Mr. Gao Lei	29 January 2014 *(Notes 2, 3)*	29 January 2016 to 28 January 2019	8.408	712,547	–	43,324	–	–	755,871	9.70	N/A
	26 May 2017 *(Notes 4, 5)*	26 May 2019 to 25 May 2022	11.904	1,270,000	–	77,216	–	–	1,347,216	12.56	N/A
Mr. Li Hai Tao	22 June 2016 *(Notes 2, 5)*	22 June 2016 to 28 January 2019	10.553	424,555	–	7,817	296,000	–	136,372	11.66	15.46
	26 May 2017 *(Notes 4, 5)*	26 May 2019 to 25 May 2022	11.904	1,210,000	–	73,568	–	–	1,283,568	12.56	N/A
Mr. Zhong Shan Qun	29 January 2014 *(Notes 2, 3)*	29 January 2016 to 28 January 2019	8.408	595,410	–	36,202	–	–	631,612	9.70	N/A
	26 May 2017 *(Notes 4, 5)*	26 May 2019 to 25 May 2022	11.904	950,000	–	57,760	–	–	1,007,760	12.56	N/A
Mr. Liu Jun	29 January 2014 *(Notes 2, 3)*	29 January 2016 to 28 January 2019	8.408	872,410	–	53,044	–	–	925,454	9.70	N/A
	26 May 2017 *(Notes 4, 5)*	26 May 2019 to 25 May 2022	11.904	950,000	–	57,760	–	–	1,007,760	12.56	N/A
Mr. Hu Wei	29 January 2014 *(Notes 2, 3)*	29 January 2016 to 28 January 2019	8.408	441,910	–	26,868	–	–	468,778	9.70	N/A
	26 May 2017 *(Notes 4, 5)*	26 May 2019 to 25 May 2022	11.904	950,000	–	57,760	–	–	1,007,760	12.56	N/A
				8,376,832	–	491,319	296,000	–	8,572,151		
Other employees											
In aggregate	29 January 2014 *(Notes 2, 3)*	29 January 2016 to 28 January 2019	8.408	14,673,036	–	632,535	4,269,445	493,718	10,542,408	9.70	16.37
	22 June 2016 *(Notes 2, 5)*	22 June 2016 to 28 January 2019	10.553	6,165,355	–	214,762	2,555,197	77,875	3,747,045	11.66	16.37
	26 May 2017 *(Notes 4, 5)*	26 May 2019 to 25 May 2022	11.904	29,440,000	–	1,789,952	–	–	31,229,952	12.56	N/A
				50,278,391	–	2,637,249	6,824,642	571,593	45,519,405		
				58,655,223	–	3,128,568	7,120,642	571,593	54,091,556		

Notes:

(1) As the consolidation of every 10 shares of the Company with a nominal value of HK$0.10 each into 1 consolidated share of the Company with a nominal value of HK$1.00 each (the "Share Consolidation") became effective on 13 February 2014, the information regarding the share options granted under the Expired Scheme (including exercise price, number and share price of the Company) was disclosed on the basis of the information after the Share Consolidation became effective.

(2) All these share options granted have been vested on or before 29 January 2018.

(3) Granted under the Expired Scheme.

(4) 40% of these share options granted will be vested on 26 May 2019; another 30% will be vested on 26 May 2020; and the remaining 30% 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.

(5) Granted under the New Scheme.

(6) The exercise price of the share options is 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 special dividend for the year ended 2017 in scrip form, the Company made 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, 22 June 2016 and 26 May 2017 was adjusted to HK$8.408, HK$10.553 and HK$11.904 from HK$8.919, HK$11.195 and HK$12.628, respectively, with effect from 22 June 2018.

(7) The share price of the Company disclosed as at the date of the grant of the share options was the closing price as quoted on the Stock Exchange 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2018, the interests and short positions of the substantial shareholders of the Company, 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:

Name of shareholders	***Number of ordinary shares held*** *Note(1)*	***Capacity***	***Approximate % of issued shares of the Company***
Shenzhen Investment Holdings Company Limited ("SIHCL")— *Note (2)*	952,010,090 (L)	interest of controlled corporation	45.14%
Ultrarich International Limited ("Ultrarich") — *Note (3)*	952,010,090 (L)	beneficial owner	45.14%
Chan See Ting	265,327,231 (L) *Note (4)*	interest of controlled corporation	12.58%
Lai Hoi Man	265,327,231 (L) *Note (4)*	interest of controlled corporation	12.58%
Horoy Enterprise Holdings Limited	196,430,158 (L)	beneficial owner	9.31%
UBS Group AG	22,054,829 (L)	person having a security interest in shares	1.05%
	159,977,705 (L) *Note (5)*	interest of controlled corporations	7.59%
	1,398,000 (S) *Note (5)*	interest of controlled corporations	0.07%

Notes:

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

(2) Ultrarich is a wholly-owned subsidiary of SIHCL and holds 952,010,090 shares in the long positions of the Company. Accordingly, SIHCL is deemed to be interested in the long positions of 952,010,090 shares in the Company held by Ultrarich.

(3) Messrs. Gao Lei, Li Hai Tao and Liu Jun 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.

(4) 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 68,897,073 shares in the long positions of the Company, respectively. Accordingly, they are deemed to be interested in the aggregate holdings of long posotions of 265,327,231 shares of the Company held by these companies.

(5) UBS AG, UBS Asset Management (Americas) Inc., UBS Asset Management (Australia) Ltd, UBS Asset Management (Deutschland) GmbH, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Singapore) Ltd, UBS Asset Management Trust Company, UBS Asset Management (UK) Limited, UBS Fund Management (Luxembourg) S.A., UBS Fund Management (Switzerland) AG, UBS Switzerland AG and UBS Financial Services Inc. are wholly-owned by UBS Group AG. Accordingly, UBS Group AG is deemed to be interested in the long positions of an aggregate of 182,032,534 shares in the Company held by these companies and the short positions of 1,398,000 shares in the Company held by UBS AG.

Save as disclosed above, as at 30 June 2018, the Company had not been notified by any of the substantial shareholders of the Company, 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.

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; two non-executive directors, namely Mr. Xie Chu Dao and Mr. Liu Xiao Dong and four independent non-executive directors, namely Mr. Ding Xun, Mr. Nip Yun Wing, Dr. Yim Fung and Professor Cheng Tai Chiu, Edwin. Professor Cheng Tai Chiu, Edwin has been appointed as an independent non-executive director on 22 August 2018 and Mr. Leung Ming Yuen, Simon resigned as an independent non-executive director on the same date.

The Board discussed the following major issues during the Period:

(1) approving and considering the 2017 annual results and the payment of dividend;

(2) reviewing the results and business operations of the first quarter of 2018; and

(3) approved the discloseable transaction in relation to the signing of the construction agreement in relation to phase three of Meilin Checkpoint Urban Renewal Project entered into by the Group.

Audit Committee

The Audit Committee was established in 1995. Currently, the Audit Committee consists of three independent non-executive directors, namely Mr. Nip Yun Wing (Chairman), Mr. Ding Xun and Professor Cheng Tai Chiu, Edwin. Mr. Nip Yun Wing has been appointed as the chairman of the Audit Committee on 22 August 2018, Professor Cheng Tai Chiu, Edwin has been appointed as a member of the Audit Committee on the same date and Mr. Leung Ming Yuen, Simon resigned as the chairman and a member of the Audit Committee on the same date. 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 2017 annual results and confirming that the related disclosures in the financial statements were complete, accurate and fair and recommended the same to the Board for approval;
(2) approving the auditor's fees for the audit of 2017 annual financial statements;
(3) recommending on the re-appointment of the Auditor;
(4) 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 program and related budget;
(5) reviewing the relevant internal control and risk management procedures; and
(6) 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 December 2016, which constitutes a continuing connected transaction of the Group.

The Company has engaged KPMG, the Auditor, to review the unaudited 2018 interim financial report of the Group. Before the date of approval of the interim financial report by the Board, a meeting of the Audit Committee had been held with the Auditor to review the unaudited interim financial report of the Group for the six months ended 30 June 2018. The Auditor's review report is set out on page 27 of this report.

Nomination Committee

The Nomination Committee was established in December 2003 and consists of three members, two of whom are independent non-executive directors. Currently, Mr. Ding Xun (Chairman), Mr. Zhong Shan Qun and Mr. Nip Yun Wing are the members of the Nomination Committee. Mr. Nip Yun Wing has been appointed as a member of the Nomination Committee in place of Mr. Leung Ming Yuen, Simon with effect from 22 August 2018.

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

(1) 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 2018 annual general meeting;

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

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

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. Gao Lei and Dr. Yim Fung are the members of the Remuneration and Appraisal Committee. Dr. Yim Fung has been appointed as a member of the Remuneration and Appraisal Committee in place of Mr. Leung Ming Yuen, Simon with effect from 22 August 2018.

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

(1) evaluating the performance of the executive directors and senior management for 2017;

(2) approving bonus payments for 2017 to the senior management; and

(3) approving the proposal in relation to the renewal of the service contract with an executive director of the Company.

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

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

During the Period, major issues that the Executive Board Committee discussed and reviewed included discussing and considering the Company's 2017 annual results and dividend proposal, results and business development for the first quarter of 2018; considering the budgets for the year 2018, discloseable transaction 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)*	**3**/3	N/A	N/A	**1**/1	**11**/12
Mr. Li Hai Tao	**2**/3	N/A	N/A	N/A	**12**/12
Mr. Zhong Shan Qun	**3**/3	N/A	**1**/1	N/A	**11**/12
Mr. Liu Jun	**3**/3	N/A	N/A	N/A	**10**/12
Mr. Hu Wei	**2**/3	N/A	N/A	N/A	**8**/12
Non-executive directors					
Mr. Xie Chu Dao	**3**/3	N/A	N/A	N/A	N/A
Mr. Liu Xiao Dong	**3**/3	N/A	N/A	N/A	N/A
Independent non-executive directors					
Mr. Leung Ming Yuen, Simon (1)	**3**/3	**2**/2	**1**/1	**1**/1	N/A
Mr. Ding Xun	**3**/3	**2**/2	**1**/1	**1**/1	N/A
Mr. Nip Yun Wing (2)	**3**/3	**2**/2	N/A	N/A	N/A
Dr. Yim Fung (3)	**1**/3	N/A	N/A	N/A	N/A
Professor Cheng Tai Chiu, Edwin (4)	N/A	N/A	N/A	N/A	N/A

Notes:

(1) Mr. Leung Ming Yuen, Simon, resigned as an independent non-executive director, the chairman and a member of the audit committee, a member of each of the nomination committee and the remuneration and appraisal committee of the Company with effect from 22 August 2018.

(2) Mr. Nip Yun Wing has been appointed as the chairman of the audit committee and a member of the nomination committee of the Company with effect from 22 August 2018.

(3) Dr. Yim Fung has been appointed as a member of the remuneration and appraisal committee of the Company with effect from 22 August 2018.

(4) Professor Cheng Tai Chiu, Edwin, has been appointed as an independent non-executive director and a member of the audit committee of the Company with effect from 22 August 2018.

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