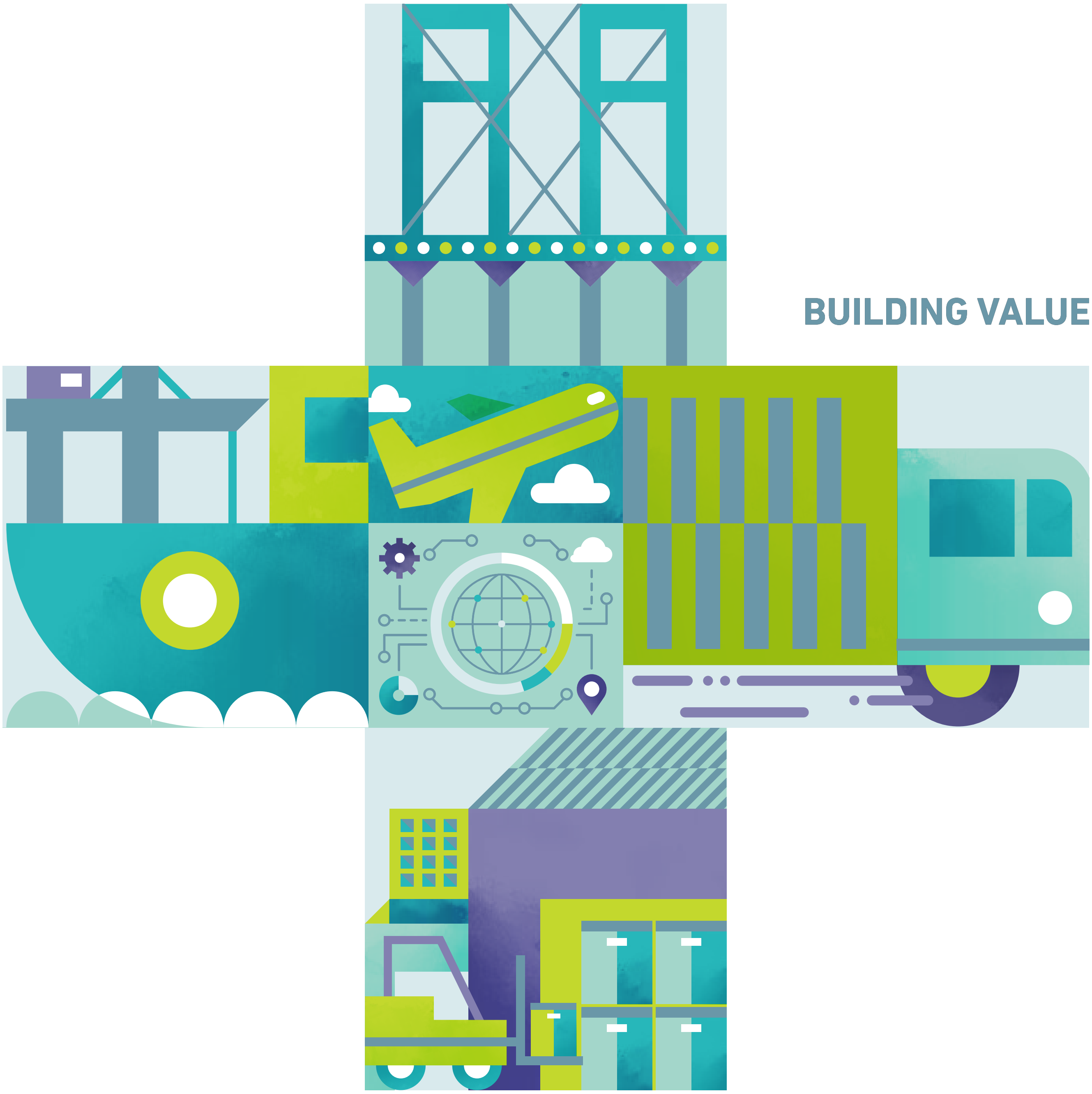
Shenzhen International
深國際



BUILDING VALUE

ANNUAL REPORT 2018

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

(Incorporated in Bermuda with limited liability)

Stock Code : 00152

BUILDING VALUE

SHARING FUTURE

"Building Value, Sharing Future" are the core values of Shenzhen International.

The cover is designed using modern images. The "Plus Sign" is made by a combination of images representing different business of Shenzhen International to represent "Building Value" and adding value.

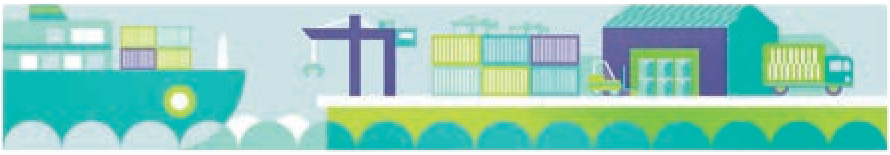
With a hollow design, the cover, when opened, changes the "Plus Sign" into a "Division Sign" which represents "Sharing Future", meaning sharing returns.

The design of the cover echoes the core values of Shenzhen International.

CONTENTS

SHARING FUTURE

CORPORATE PROFILE



LOGISTIC BUSINESS

TOLL ROAD BUSINESS

OTHER INVESTMENTS

Shenzhen International Holdings Limited, a company incorporated in Bermuda, is a company listed on the main board of the Stock Exchange of Hong Kong. The Group is indirectly held as to approximately 44.91%* equity interest by the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal through Shenzhen Investment Holdings Company Limited. The Group is principally engaged in logistics and toll road business.

The Group carried out the investment, construction and operation of logistic infrastructure facilities through expansion, mergers and acquisitions, restructuring and consolidation, and provided various value-added logistic services to customers. The Group has established a "2+X" industrial structure with modern logistic and toll road business as its core. Meanwhile, the Group expanded the scope of business to a number of segment markets including comprehensive development of lands related to logistics industry, and investment in and operation of environmental protection industry. The Group's business presence is mainly concentrated in Guangdong-Hong Kong-Macao Greater Bay Area, Yangtze River Delta and Pan-Bohai Rim.

* *As at 31 December 2018*

The below is a simplified corporate structure of the Group as at 31 December 2018 and does not include intermediate holding entities, and the percentages of interests shown represent the percentages for which the Group has acquired effective control.

Shenzhen International Holdings Limited (1)

Logistic Business

Logistic Parks (3)

100%	Shenzhen South China Logistic Park
100%	Shenzhen Western Logistic Park
50%	SZ Airport Express Center
70%	Shenzhen International Kanghuai E-commerce Center
85.30%	Shenzhen International Shenyang Integrated Logistic Hub
100%	Shenzhen International Kunshan Integrated Logistic Hub
100%	Shenzhen International Wuhan Dongxihu Integrated Logistic Hub
90%	Shenzhen International Hefei Integrated Logistic Hub
100%	Shenzhen International Nanchang Integrated Logistic Hub
25%	Shenzhen International Shijiazhuang Integrated Logistic Hub
100%	Shenzhen International Wuxi Integrated Logistic Hub
100%	Shenzhen International Hangzhou Integrated Logistic Hub
100%	Shenzhen International Guizhou Integrated Logistic Hub
100%	Shenzhen International Ningbo Integrated Logistic Hub
100%	Shenzhen International Changsha Integrated Logistic Hub
55.39%	Shandong Booming Total Logistic Park

Logistic Services

- Third Party Logistic Service
  (100% - Shenzhen International Supply Chain Management Co., Ltd.)
  (51% - Shenzhen Total Logistics Service Co., Ltd.)
- Logistic Information Service
  (79.87% - Shenzhen EDI Co., Ltd.)
- Logistic Financial Service
  (100% - Shenzhen International Modern Logistics Microfinance Co., Ltd)
  (48% - Shenzhen International Financial Leasing Co., Ltd.)
- Investments and Management of Logistic Equity
  (38% - Shenzhen International Huazhang Logistics Industry Private Equity Funds Management Co., Ltd)

Port

70%	Nanjing Xiba Wharf Co. Ltd. (Phase 1 of Nanjing Xiba Port)
70%	Nanjing Xiba Port Co., Ltd. (Phase 2 of Nanjing Xiba Port)
	Supply Chain Management Services of Port (100% - Shenzhen International Supply Chain Management Nanjing Co., Ltd.)

Logistic Park Transformation and Upgrading

53.39%	Meilin Checkpoint Urban Renewal Project
100%	Qianhai Project (4)

Toll Road Business

51.56%	Shenzhen Expressway Company Limited (1)(2)
89.93%	Longda Expressway in Shenzhen (5)

Other Investments

49%	Shenzhen Airlines Company Limited
1.24%	CSG Holding Co., Ltd. (2)

(1) Listed company in Hong Kong
(2) Listed company in the PRC
(3) Only projects in operation are included
(4) Excluding a residential land use project held by an associate in which the Group holds 50% equity interest
(5) The Group owns 4.4 km length by toll of Longda Expressway with effect from 0:00 a.m. on 1 January 2019

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 [(2)] *(Chairman)*
Ding Xun
Cheng Tai Chiu, Edwin [(3)]

NOMINATION COMMITTEE
Ding Xun *(Chairman)*
Zhong Shan Qun
Nip Yun Wing [(3)]

REMUNERATION AND APPRAISAL COMMITTEE
Ding Xun *(Chairman)*
Gao Lei
Yim Fung [(3)]

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)
RMB Bonds (Second Tranche) (Stock Code: 112798)

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 Construction Bank *(PRC Domestic Bank)*
China Development Bank *(PRC Domestic Bank)*
China Everbright Bank *(PRC Domestic Bank)*
China Merchants Bank *(PRC Domestic 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
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

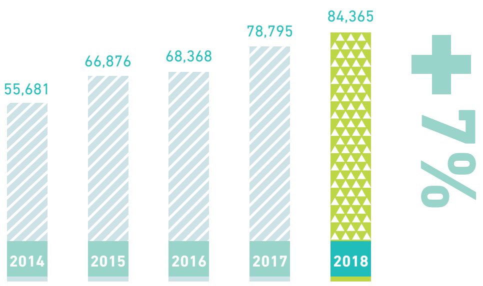
HONG KONG BRANCH SHARE REGISTRAR
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

INVESTOR RELATIONS CONSULTANT
Wonderful Sky Financial Group
9th Floor, The Center
99 Queen's Road Central, Central, Hong Kong

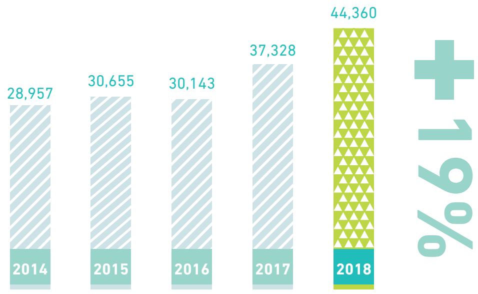
(1) Mr. Leung Ming Yuen, Simon, resigned as the chairman and a member of the audit committee, a member of each of the nomination committee and the remuneration and appraisal committee of the Company on 22 August 2018
(2) Appointed as the chairman of the audit committee on 22 August 2018
(3) Appointed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

FINANCIAL HIGHLIGHTS

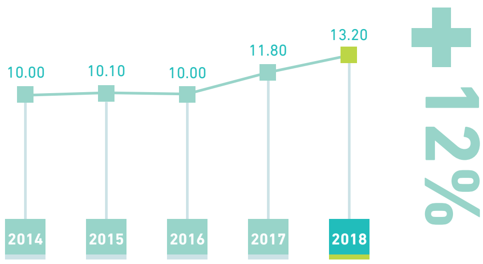
Total Assets Value
(HK$ million)



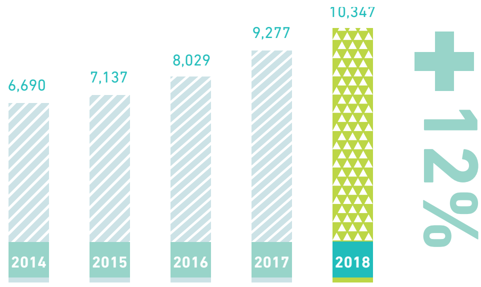
Total Equity
(HK$ million)



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

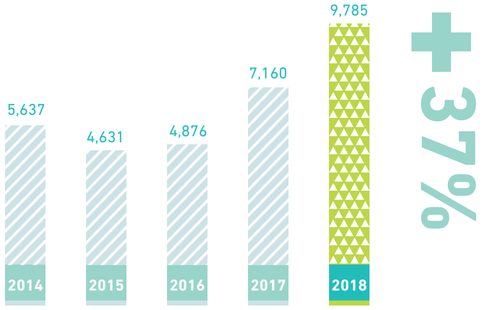


Revenue*
(HK$ million)

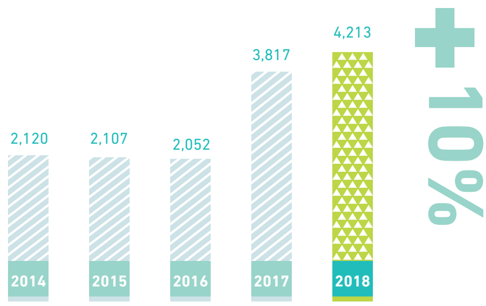


* excluding construction service revenue from toll road

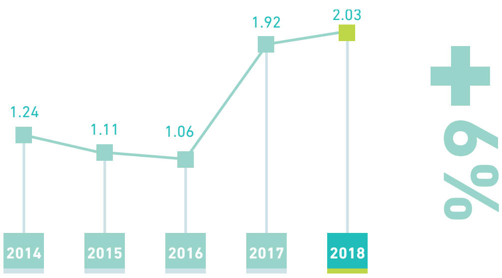
Profit before Finance Costs and Tax
(HK$ million)



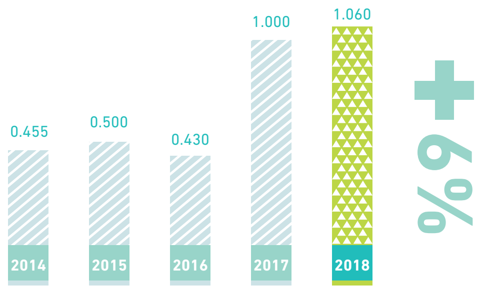
Profit Attributable to Ordinary Shareholders of the Company
(HK$ million)



Earnings per Share (Basic)
(HK$ dollar)



Dividend per Share
(HK$ dollar)



FINANCIAL HIGHLIGHTS

Analysis of Revenue and Profit before finance costs and tax by principal activities

(HK$ million)	Revenue	Operating profit	Share of profit of associates and joint ventures	Profit before finance costs and tax
		2018		
Toll roads				
– Revenue	7,569	8,570	612	9,182
– Construction service revenue	1,234	—	—	—
Toll roads sub-total	8,803	8,570	612	9,182
Logistic business				
– Logistic parks	658	167	15	182
– Logistic services	802	68	1	69
– Port and related services	1,318	166	(1)	165
Logistic business sub-total	2,778	401	15	416
Head office functions	—	(327)	514	187
Total	11,581	8,644	1,141	9,785
Finance income				117
Finance costs				(1,540)
Finance costs – net				(1,423)
Profit before income tax				8,362

(HK$ million)	Revenue	Operating profit	Share of profit of associates and joint ventures	Profit before finance costs and tax
		2017		
Toll roads				
– Revenue	6,680	3,078	571	3,649
– Construction service revenue	863	—	—	—
Toll roads sub-total	7,543	3,078	571	3,649
Logistic business				
– Logistic parks	564	160	12	172
– Logistic services	1,045	51	6	57
– Port	968	97	—	97
Logistic business sub-total	2,577	308	18	326
Head office functions	19	2,385	799	3,185
Total	10,139	5,771	1,388	7,160
Finance income				114
Finance costs				(1,125)
Finance costs – net				(1,011)
Profit before income tax				6,149

* 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 year ended 31 December 2017 was restated accordingly to comply with the relevant accounting standards.

Summary of Financial Information

A summary of the results and of the assets and liabilities of the Group for the last five financial years is depicted below. The 2018 figures are extracted from the audited financial statements. The 2014 to 2017 figures were restated accordingly due to the completion of acquire 100% equity interest in Coastal Company.

	Year ended 31 December				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Results					
Revenue	11,581,036	10,139,141	8,176,429	7,137,819	6,706,708
Profit before income tax	8,361,925	6,149,248	3,628,947	3,619,128	4,541,069
Income tax expense	(1,835,228)	(1,441,847)	(837,623)	(736,318)	(1,068,622)
Profit before non-controlling interests	6,526,697	4,707,401	2,791,324	2,882,810	3,472,447
Perpetual securities holders of Company	(92,969)	—	—	—	—
Non-controlling interests	(2,221,076)	(890,607)	(739,677)	(775,710)	(1,352,469)
Profit attributable to shareholders	4,212,652	3,816,794	2,051,647	2,107,100	2,119,978

	As at 31 December				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Assets and liabilities					
Fixed assets	10,629,924	9,185,317	8,323,328	6,001,730	5,892,470
Investment properties	93,930	93,330	87,390	81,450	81,240
Investments in associates & joint ventures	14,320,000	14,533,635	7,750,294	5,954,784	6,159,791
Available-for-sales financial assets	—	—	104,353	95,748	100,187
Other Financial Asset	485,949	186,912	—	—	—
Intangible assets	27,032,014	33,624,346	28,479,723	31,681,115	29,412,433
Other non-current assets	2,012,743	1,752,285	1,428,344	1,662,889	2,030,095
Net current assets	17,366,787	6,336,102	8,606,255	12,194,954	5,299,557
Non-current liabilities	(27,581,502)	(28,383,594)	(24,636,995)	(27,017,397)	(20,018,660)
Net assets	44,359,845	37,328,333	30,142,692	30,655,273	28,957,113
Equity					
Issued capital	2,119,873	2,028,783	1,957,689	1,899,019	1,891,943
Reserves	25,878,059	21,897,565	17,545,142	17,256,314	16,944,401
Equity attributable to ordinary shareholders of the Company	27,997,932	23,926,348	19,502,831	19,155,333	18,836,344
Perpetual securities	2,330,939	2,330,939	—	—	—
Non-controlling interests	14,030,974	11,071,046	10,639,861	11,499,940	10,120,769
Total equity	44,359,845	37,328,333	30,142,692	30,655,273	28,957,113

KEY EVENTS IN 2018

(1)

In January 2018, the Company was awarded the "2017 Shenzhen-Hong Kong Stock Connect Best Investment Value Award" and the "2017 Shanghai-Hong Kong Stock Connect Best Investment Value Award" by China Financial Market, the leading financial magazine in Hong Kong

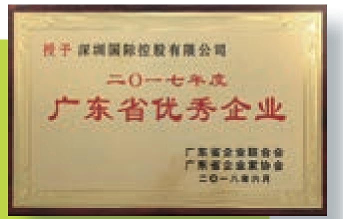
(2)

In February 2018, the Group completed the acquisition of 100% equity interest in Shenzhen Guangshen Coastal Expressway Investment Company Limited, further expanding the business and profit of toll road business

(3)

In May 2018, the Company's market value exceeded HK$36 billion for the first time and was included in the Hang Seng Stock Connect Greater Bay Area Composite Index. In June 2018, the Company was included in the Hang Seng High Dividend Yield Index and MSCI China Index

(4)



In June 2018, the Company was awarded the title "2017 Guangdong Province Excellent Enterprise" by Guangdong Provincial Enterprise Confederation and Guangdong Provincial Association of Entrepreneurs, recognizing the Group's achievement in market competition and management innovation

(5)

In August 2018, the State-owned Assets Supervision and Administration Commission of the State Council has issued the Work Plan for State-owned Enterprises Reform "Double-Hundred Action". The Company was selected as a member on the list of State-owned Enterprise Reform Double-Hundred Enterprises, and was listed under the state level among the enterprises focusing on innovative reform and development

(6)

In 2018, subsequent to the issuance of the first tranche of panda bonds of RMB300 million in January, and five-year senior notes of HK$780 million with a coupon rate of 3.75% per annum in March, the Company seized the favorable opportunity to issue the second tranche of panda bonds of RMB4,700 million, with a coupon rate of 4.15% per annum in November. Such issuance provided more favorable conditions for the Group to optimize its capital structure and expand its business in the future

(7)

In October 2018, the Group participated in the 13th China (Shenzhen) International Logistics and Transportation Fair and was awarded the "Brand Enterprise Award"

(8)

The Company's 2017 annual report was awarded Silver Award under "Printing & Production: Logistic Enterprises" and Bronze Award under "Traditional Annual Report: Logistic Enterprises" under the 32nd International ARC Awards in 2018.

Also, the Company was awarded four awards including"2017 Top 80 Reports Asia Pacific Region (Ranked 49th)", "Top 60 Chinese Reports of 2017", Gold Award for Logistics Industry Group, "Technical Achievement Award" in Art Design issued by League of American Communications Professionals (LACP) at the 2017 Vision Awards annual report competition

(9)

In November 2018, the Company successfully introduced China Vanke Co., Ltd. as a strategic investor to jointly develop the Meilin Checkpoint Urban Renewal Project, further enhancing the confidence of the Group in the development of large-scale comprehensive property projects, the quality of project management and the overall return on the project

(10)

At the end of 2018, the Company's "Market Value Management of Overseas Listed State-owned Holding Enterprises Focusing on "Industry, Finance and Society" Innovation Results" (《境外上市國有控股企業以「產融社」為核心的市值管理》創新成果) were awarded the First Prize of the National Enterprise Management Modernization Innovation Achievement, the First Prize of the Innovation Achievement in Modernization Management of National Transportation Enterprise at Ministerial Level and the First Prize of the Innovation Achievement in Modernization Management of Enterprises in Guangdong Province

(11)

In December 2018, "H-Center City" （和風軒）Phase 1 of Meilin Checkpoint Urban Renewal Project began pre-sale, increasing the working capital of the Group

(12)

In June 2018, "Shenzhen e Traffic" was officially launched, and Shenzhen Expressway Company Limited ("Shenzhen Expressway") was the first to achieve senseless payment and actual operation in Guangdong Province

(13)

In October 2018, Shenzhen Municipal Government notified the Group of its decision that starting from 0:00 a.m. on 1 January 2019 the fee entitlement right of Nanguang Expressway, Yanba Expressway, Yanpai Expressway and Longda Expressway Toll-Free Section will be returned to the Shenzhen Municipal Government

(14)

During the Year, the preliminary approval works including land pre-examination for the Nanmen River Comprehensive Treatment Project in ShenShan Special Cooperation Zone, in which Shenzhen Expressway participated, was progressing in an orderly manner, and the projects with operational conditions were close to completion

CHAIRMAN'S STATEMENT

Seek Development by Improving Quality and Efficiency; March Forward Regardless of Hardships

Dear shareholders:

In 2018, in the face of unfavorable factors, such as the deteriorating rate of economic growth in the PRC, the Sino-US trade frictions, and the uncertainties of national policies regarding economy, trade and interest rate, the Group was able to enhance its internal management levels and drove forward its business expansion, with the operating profit of the Group also reaching a record high.

For the year ended 31 December 2018, revenue from the Group's core business increased by 12%, profit attributable to shareholders increased by 10% as compared to the corresponding period of the previous year.

The Board of Directors has proposed to distribute final and special dividends, the total amount of dividends will be HK$1.06 per share, representing an increase of 6% as compared to the corresponding period of the previous year, the dividend payout ratio is 53%.

Integrated Logistics Hub Business has achieved significant developments, and substantial progress was made in the Business Model of Balancing Light and Heavy Assets as well as the integration of the Industry and Finance

In 2018, the Group conducted a mid-term evaluation of the 13th Five-year Strategic Plan and concluded that the implementation of the Strategic Plan was generally in line with the Group's expectations and that the principal businesses showed good market prospect and demand.

The results of the mid-term evaluation of the Strategic Plan reinforced the Group's confidence in advancing its core strategy in promoting the integrated logistics hubs. The Group further accelerated the development plan for the integrated logistics hubs and concurrently promoted the logistic value-added services and logistic financial services, striving to build a logistic ecosystem and effectively enhancing the Group's competitiveness in the logistics industry.

Through independent construction and merger and acquisitions, the Group achieved rapid development in its integrated logistics hub projects. By the end of 2018, the Group had strategically deployed integrated logistics hubs in 22 key logistic gateway cities nationwide, involving a total planned site area of about 6 million square meters. There were 12 projects put into operation, with area of over 1 million square meters. In 2018, the operating revenue and profit of the integrated logistics hub business recorded a significant increase year on year, marking the entrance into the "Development and Construction + Matured Operation of Integrated Logistics Hubs" stage.

In 2018, the Group adhered to the development strategy of putting equal emphasis on light and heavy assets, by setting up a light asset operation platform to manage the existing third-party logistic and supply chain services, increasing its engagement in high-quality projects and further expanding the coverage of the logistic information service business. The value-added logistic business achieved remarkable development.

Meanwhile, in accordance with the Group's development strategy of integrating industry and finance, in 2018, the Group established a logistic financial business management platform to actively develop logistic financial products and business models with controlled risks and synergy effect with the core business of the Group. The Group used the Shijiazhuang Integrated Logistic Hub project as a pilot to introduce industry funds and actively explore the potential of the business model of the closed development of logistic park by adopting the principle of "investment, construction, management and exit" to improve profitability of the integrated logistics hub.

Integration and consolidation of the Toll Road Business, and Continue with Industrial Innovation and Transformation

In 2018, Shenzhen Expressway Company Limited, a subsidiary of the Group, provided all-round services focusing on urban and transportation infrastructure businesses and the macro environmental protection industry. Shenzhen Expressway Company Limited increased its investments and engagement in new projects to continuously increase its market competitiveness and constant development capabilities.

The integration and consolidation of the Group's toll road business has also achieved remarkable results. The Group successfully acquired the Shenzhen Coastal Project and consolidated into its financial statements. It also participated in the investment in the reconstruction and expansion project of Yangmao Expressway, which further optimizes the Group's asset scale and structure of the toll road business. At the same time, it pushed forward the construction of the Shenzhen Outer Ring Project and the reconstruction and expansion of Jihe Expressway according to its plan, and actively reduced the toll road's operating costs.

Sound progress was made in the Group's investment in the macro environmental protection industry. A joint venture environmental protection company was set up with Suez Group, France, to focus on investment projects in Southern China. It also actively deployed resources in Shenzhen - Shanwei cooperation zone, Longli of Guizhou Province, Nanjing and other regions, striving to build its core competitiveness in the macro environmental protection industry.

The Steady Implementation of Port and Supply Chain Sub-strategy, and Achieving Operating Results beyond the Group's Expectation

In accordance with the 13th Five-year Strategic Plan, the Group actively seized the strategic opportunity of the structural adjustment to the transportation mode in the PRC, to vigorously promote the implementation of the port and supply chain sub-strategy. On one hand, the Group actively expanded key gateway investment projects with strategic value, among which the Fengcheng Port project has been preliminarily approved. On the other hand, the Group took initiative to participate in the integration of port supply chain resources through its port platform. The Group maintained good operation in value-added services, including the supply chain management and financial services, and recorded a significant increase in the operating results of the port business.

The Logistic Park Transformation and Upgrading Project Progressed as Planned and Entered into Harvest Period

The Group promptly grasped the attractive opportunities brought about by the transformation and upgrading of logistic parks and maximized the value of related assets for its shareholders whilst carrying out the Qianhai project and the Meilin Checkpoint Urban Renewal Project.

For the Qianhai project, the Group earnestly cooperated with relevant government departments to conduct land consolidation and preparation, and at the same time vigorously implemented industrial cultivation work for the first phase of the project and actively introduced leading strategic investors to jointly build the "Belt and Road Initiative" Information Port of Qianhai.

For the Meilin Checkpoint Urban Renewal Project, the Group successfully introduced China Vanke Co., Ltd., a well-known real estate developer, as a strategic investor to jointly develop the project, realizing cooperation of giants and complementary advantages. The first phase of the project has been opened for pre-sale and met the expectations of the Group. Proceeds from pre-sale effectively replenishing subsequent working capital of the Group while at the same time ensuring sufficient inflow of operating income.

Witnessing the Remarkable Results of Capital Operation, and Receiving Wide Recognition for Market Value Management

Based on its outstanding credit management and steady growth in business performance, the Group put forward an "international + domestic" dual financing plan. In 2018, the Group issued HK$780 million five-year senior notes and subsequently also issued a total of RMB5 billion panda bonds in the Mainland market. Such plan played an important role in optimizing the Group's financial structure, preventing foreign exchange risks and reducing finance costs.

In 2018, the Group continued to promote the standardization and institutionalization of market value management with respect to the objectives of highlighting its core business, improving its capital operation and actively carrying out investor relationship management. The Group's market value exceeded HK$36 billion for the first time, and it was included in the Hang Seng Stock Connect Greater Bay Area Composite Index, the Hang Seng High Dividend Yield Index and the MSCI China Index. In 2018, the Group won the "Shenzhen - Hong Kong Stock Connect Most Investment Value Award" and the "Shanghai - Hong Kong Stock Connect Most Investment Value Award".

Continue to Improve Corporate Governance, and the Group was Included in the "Double-Hundred Enterprises List" of State-owned Enterprise Reform

Along with improving its operating performance, the Group also adopted a series of reform and innovative measures to improve its corporate governance. In 2018, aiming to save cost and enhance efficiency, the Group integrated and restructured its business, substantially optimized the Group's organizational structure as well as effectively improving its management efficiency and resource allocation through differentiated control measures and improvement of system mechanisms. In particular, the Group improved and optimized the procedures of investment decision-making, improved the Group's incentive and approval systems for investment, strengthened business synergy and fund management, reduced costs and increased efficiency by emphasising project supervision and control.

Based on its performance in management and operation, the Group was included in the "Double-Hundred Enterprises List" of state-owned enterprise reform of the country in 2018, and undertook the major mission of enterprise comprehensive reform, which in turn will inevitably bring new opportunities for future reform and development of the Group.

Social Responsibility

The Group highly values and actively fulfills its social responsibility as a listed company. In 2018, the Group continued to increase its investment in innovation and conservation, promoting the concept of green development in its business, and used prefabricated building materials to build environmentally-friendly construction in the first phase of the Qianhai project and also in the Meilin Checkpoint Urban Renewal Project. The Group also adheres to the concept of "Caring for Employees" and carried out a series of training such as holding expert lectures and participating in the Tsinghua University "Elite Program" to pursue collective development and progression of the Group and its employees. It also successfully held the "Dialogue between Logistics and Capital - the 3rd Logistics Innovation and Development Forum" (「物流與資本的對話－第三屆物流創新發展論壇」) to build a high-end communication and exchange platform for the logistics industry, to discuss the trend of future development of the logistics industry, playing a positive role in the industry's social and industrial development. In addition, the Group actively participated in the "Shenzhen-Heyuan Counterparts Aiding" scheme and provided special assistance to Heyuan city, which includes education assistance, livelihood security services and infrastructure construction. The effectiveness of such assistance was unanimously recognized by the relevant government departments and was reported by a number of authoritative media, which brought positive social effects to the Group.

Outlook

China has become a major logistics country and the largest logistics market in the world with global influence. The newly released "Layout and Construction Plan of National Logistics Hubs" (「國家物流樞紐佈局和建設規劃」) proposes the development goal of "buidling 212 national logistics hubs across the country by 2035" and as a result, the industry has shown trends such as centralization, capitalization, supply chain integration, ecological circle development and popularization of intelligent technology.

The 13th Five-year Strategic Plan is consistent with the development of the logistics industry. In 2019, the Group will focus on implementing the national strategies, such as the "Belt and Road Initiative", the Guangdong-Hong Kong-Macao Greater Bay Area, and the Yangtze River Economic Belt, and will speed up the development of its layout plan for the integrated logistics hubs, improve the operational scale of the projects and quality of the integrated logistics hubs, and to further integrate and consolidate its toll road business, vigorously expand its investment in the environmental protection industry, and make efforts in existing projects relating to the transformation and upgrade of Shenzhen city. The Group will also actively try to maximize its opportunity of being included in the "Double-Hundred Enterprises List" of state-owned enterprises reform by continuously improving its management level, its system and mechanism, and the overall operation and management of the Group, so as to take a solid step forward in the Group's development.

"We confront and conquer difficulties during the journey of thousands of miles, and we make every effort to fulfill responsibilities and achieve development." Adhering to its initial vision, the Group will make a fresh start for 2019 and march forward regardless of any hardship it may come across.

Acknowledgement

On behalf of the Board of Directors, I would like to take this opportunity to express our most sincere gratitude to the shareholders, investors and business partners for their dedicated support and confidence and to express our gratitude to all our staff for their diligence and precious contributions to the Group during the past year.

Gao Lei
Chairman

Hong Kong, 25 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

MANAGEMENT DISSCUSSION AND ANALYSIS

Overall Review

Operating Results	2018 HK$'000	2017 HK$'000 (Restated)*	Increase/ (Decrease)
Revenue (excluding construction service revenue from toll roads)	10,346,842	9,276,838	12%
Construction service revenue from toll roads	1,234,194	862,303	43%
Total revenue	11,581,036	10,139,141	14%
Operating profit	8,644,389	5,771,196	50%
of which: Core Business	3,922,412	3,282,544	20%
Profit before finance costs and tax	9,785,458	7,159,544	37%
of which: Core Business	5,063,481	4,670,892	8%
Profit attributable to shareholders	4,212,652	3,816,794	10%
of which: Core Business	1,889,521	2,220,351	(15%)
Core Business excluding exchange impact	2,178,486	1,907,722	14%
Basic earnings per share (HK dollars)	2.03	1.92	6%
Dividend per share (HK dollars) (in aggregate)	1.06	1.00	6%
– Final dividend (HK dollar)	0.36	0.44	(18%)
– Special dividend (HK dollar)	0.70	0.56	25%

* In the first half of 2018, the Group completed the acquisition of 100% equity interest in Shenzhen Guangshen Coastal Expressway Investment Co., Ltd., 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 year ended 31 December 2017 was restated accordingly to comply with the relevant accounting standards.

In 2018, against the backdrop of the complicated operating environment internationally and at home, the Chinese government pushed forward the deepening of economic and financial reforms as well as the implementation of policies such as "Belt and Road Initiative" and "Guangdong-Hong Kong-Macao Greater Bay Area". China's overall economy grew steadily and the demand for high-quality logistic infrastructure and logistic services continued to rise. The Group seized the opportunity to further increase its asset scale through expansion of national network of the integrated logistics hub projects and carried out sound operation and management of the projects that had been put into operation, so as to gradually expand the brand effect and enhance its core competitiveness. Meanwhile, the Group continued to improve its management level and strictly control its costs and expenses. Its performance continued to grow.

For the year ended 31 December 2018 (the "Year"), the Group's core business revenue and operating profit of the core business rose by 12% to HK$10,347 million and 20% to HK$3,922 million respectively from 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 Year, there was satisfactory growth in the logistic business, with revenue and profit attributable to shareholders increased by 8% to HK$2,778 million and 25% to HK$293 million respectively, as compared to the corresponding period of the previous year. The increase was mainly driven by the significant growth of the business volume of port business, the benefits from the economies of scales of the integrated logistics hub projects, as well as the new sources of revenue and profit contribution from Shenzhen International Kanghuai E-commerce Center.

By the end of 2018, the Group had strategically deployed integrated logistics hubs in 22 key logistic gateway cities across the country, with a total planned site area of about 6 million square meters, of which land use right of an area of about 3.2 million square meters had been acquired by the Group. Benefitting from the market demand for modern high-quality logistic facilities and active marketing and promotion, area of more than 1 million square meters were put into operation, the integrated logistics hub projects performed well, attaining an overall occupancy rate of 85%. During the Year, the Group's revenue and profit contributed by the integrated logistics hub business was approximately HK$203 million and HK$38.85 million, respectively, representing increases of 62% and 8.5 times as compared with the corresponding period of the previous year.

During the Year, traffic volume and toll revenue of most of the toll road projects of the Group maintained a steady growth, with the first full-year consolidation of the project companies of Changsha Ring Road and Yichang Expressway which boosted the total revenue of the toll road business by 13% to HK$7,569 million as compared with the corresponding period of the previous year. Together with the sound profit contributed by Chongqing Derun Environment Company Limited ("Derun Company") during the Year, the profit attributable to shareholders of the toll road business increased by 32% to HK$1,325 million as compared to the corresponding period of the previous year.

During the Year, Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate in which the Group holds a 49% equity interest, maintained growth in passenger volume and recorded a total revenue of RMB31,119 million (equivalent to HK$36,662 million), representing an increase of 13% as compared to the corresponding period of the previous year. Although affected by the rising cost of aviation fuel, Shenzhen Airlines' operating profit still rose by 28% to RMB2,482 million (equivalent to HK$2,924 million) as compared to the corresponding period of the previous year. However, net profit of Shenzhen Airlines for the Year decreased by 36% to RMB919 million (equivalent to HK$1,082 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 Year, Shenzhen Airlines contributed a profit of approximately HK$469 million (2017: HK$763 million) to the Group, representing a decrease of 38% as compared to the corresponding period of the previous year.

During the Year, the Group's profit attributable to shareholders from the core business decreased by 15% to HK$1,890 million as compared to the corresponding period of the previous year, it was mainly due to the depreciation of Renminbi during the Year which resulted in an exchange loss of HK$289 million (2017: an exchange gain of HK$313 million), and led to a significant increase of 41% in the Group's net finance costs as compared to the corresponding period of the previous year. By excluding the effect of exchange rate fluctuations, profit attributable to shareholders from the core business of the Group increased by 14% to HK$2,178 million (2017: HK$1,908 million). 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.

In accordance with the agreements (the "Adjustment Agreements") entered into by the Shenzhen Municipal Government and the Group at the end of November 2015 in relation to the toll adjustment and compensation arrangements regarding the four projects (with total mileage of approximately 100 km) 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 ("Longda Expressway Toll-Free Section"), the Shenzhen Municipal Government notified the Group in October 2018 of its decision that the fee entitlement right of the above four projects will be returned to the Shenzhen Municipal Government, and the remaining cash compensation will be paid to the Group as agreed. In this regard, the Group has recognized a one-off gain on asset disposal attributable to shareholders of approximately RMB2,182 million (equivalent to approximately HK$2,571 million) during the Year. Benefitting from the above, the Group's operating profit and profit attributable to shareholders increased by 50% and 10% to HK$8,644 million and HK$4,213 million respectively. In recent years, the Group has completed the acquisition of concession rights for high-quality projects such as Shuiguan Expressway, Yichang Expressway and Shenzhen Coastal Project, with an increase in total toll mileage of approximately 142 km, which successfully made up for the toll mileage of the four projects that were returned pursuant to the Adjustment Agreements.

Successful Issuance of Panda Bonds and Hong Kong Dollar Senior Notes

The Company successfully issued the first tranche of panda bonds of RMB300 million with a five-year maturity and HK$780 million of senior notes with a five-year maturity in January and March 2018 respectively. In addition, the Company seized the favorable issuance opportunity and issued the second tranche of panda bonds of RMB4,700 million in November 2018, with a coupon rate of 4.15% per annum. The successful issuance of the panda bonds and Hong Kong Dollar senior notes provided favorable conditions for the Group to optimize its capital structure and expand its business in the future.

Dividend

The board of directors of the Company (the "Board") is committed to maintaining a stable dividend policy and brings sustained returns to the shareholders of the Company. Having considered the composition of the profit and cash flows of the Group, the Board recommended a final dividend of HK$0.36 per share for the Year. The Board also proposed the payment of a special dividend of HK$0.70 per share to the shareholders for its one-off gain for the Year. The total dividend per share is HK$1.06 (2017: final dividend of HK$0.44; special dividend of HK$0.56), representing an increase of 6%, as compared to the previous year. Total dividend amounted to HK$2,247 million (2017: HK$2,029 million), representing an increase of 11%, as compared to the previous year. The Board is committed to maintaining a stable dividend policy of the Company and shares most of its one-off gain with the shareholders.

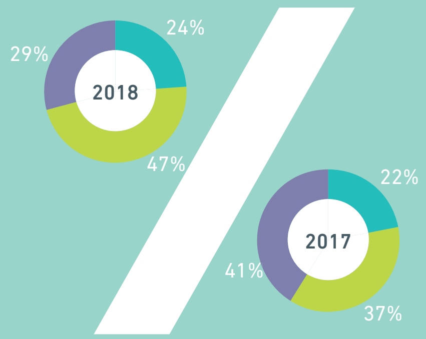
The Board recommended that the final dividend and special dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend and special dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the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

Strong logistics network
Enhancing competitiveness

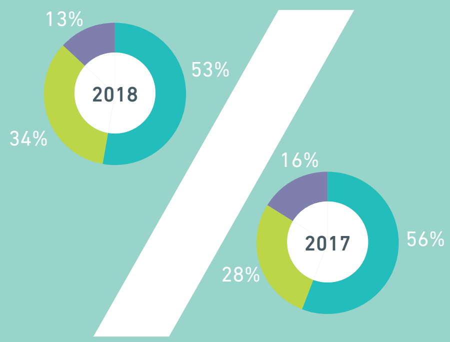
LOGISTIC BUSINESS

REVENUE	PROFIT BEFORE FINANCE COSTS AND TAX	NET PROFIT
increased by 8% to HK$2,778 million	increased by 28% to HK$416 million	increased by 25% to HK$293 million

Revenue Contribution by Logistic Business Unit



Net Profit Contribution by Logistic Business Unit



Logistic Parks   Ports   Logistic Services

Overview

The Group focuses on the investment and construction of logistic infrastructure in major cities across the country, striving for the extension and expansion of logistic business so as to expand the network and scale of operation and maintain the long-term sustainable development of the Group. As of the date of this report, the Group has managed and operated a total of 16 logistic projects, with a total of 7.18 million square meters of land owned and planned, among which the acquired site area is 4.56 million square meters and the operating area is about 1.62 million square meters.

Nanjing Xiba Port, 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. The port provides various services such as loading and unloading, lightering, train loading and automobile loading, with a planned annual throughput of over 25 million tonnes.

Operational Analysis

Logistic Park Business

I. Integrated Logistics Hub Business

The Group has many years of experience in the development, operation and management of logistic parks. Since 2013, the Group has fully adopted the "Integrated Logistics Hub" development strategy with a view to building a modern intelligent logistics platform with "large-scale logistic parks network + high-end integrated logistic services" as its core competitiveness.

The business model of integrated logistics hub is based on the inter-city highway transport logistic center, being equipped with the functions of warehousing, distribution and transfer, e-commerce, trade exhibition and logistics information center. It also provides commercial and financial value-added services. It builds a logistic information platform based on logistics infrastructure facilities, providing a high-efficiency and multi-functional one-stop service platform to customers and business partners, as well as high-quality and efficient services for thousands of logistic companies, producers and manufacturers.

The Group is continuously committed to expanding the network and infrastructure for the logistic business, enhancing its logistic assets and enlarging the scale of operations through new constructions and acquisitions, and continuously increasing its share in the logistic market. By the end of December 2018, the Group deployed integrated logistics hubs in 22 key logistic gateway cities across the country, a total of 12 projects have been put into operation, with total operating area of more than 1 million square meters. In the future, the Group will continue to optimize its presence in the national logistics network and strive to extend its network in Guangdong-Hong Kong-Macao Greater Bay Area, and to expand its presence in Yangtze River Delta, Bohai Rim and Beijing-Tianjin-Hebei Region.

In 2018, the constructions of the integrated logistics hubs in Guizhou, Ningbo and Changsha were successively completed and put into operation. The total operating area of these newly built integrated logistics hubs together with the newly built areas of the integrated logistic hubs which are already in operation, such as the Hangzhou Phase II project, resulted in an increase of operating area of approximately 366,000 square meters as compared with the corresponding period of the previous year. The Group highly values the management of its operation and actively implements the marketing strategies, thereby the overall occupancy rate of the projects that were put into operation reached 85%.

As the pace of urbanization accelerates and the scarcity of land becomes increasingly prominent, facing the external environment and challenges of the gradual tightening of land supply by local governments, the Group, on one hand, strengthens communication and coordination with local government authorities, and on the other hand, actively purchases logistic assets through mergers and acquisitions or joint ventures.

In terms of expansion of new projects, in 2018, the Group successively entered into investment agreements for integrated logistics hub projects with the local government of Zhangqiu, Jinan and Xuzhou, Jiangsu, and acquired the Kunming project through mergers and acquisitions. In addition, the Group entered into an investment agreement with the local government of Jiangyin, Wuxi and acquired the Tianjin Zhonglong project in early 2019.

In 2018, the Group made good progress in land acquisition and successively obtained land use rights of approximately 850,000 square meters for Jurong, Xi 'an, Kunming, Guizhou Phase I and Yiwu projects. In early 2019, the Group acquired the Tianjin Zhonglong project, and obtained new land parcels for the Hangzhou Phase II project and Chengdu Qingbaijiang project which resulted in an increase in total site area of approximately 380,000 square meters.

While continuing with its efforts in developing new projects, the Group has also advanced its projects under construction or planning in a steady pace to ensure compliance with work schedules and preparation for marketing are actively underway. In 2018, the Kunming project, Chongqing project, Ningbo project, Jurong project and Yiwu project, etc. have commenced relevant construction works as planned and are expected to be completed and put into operation successively in 2019 and 2020. Meanwhile, construction of projects in Xuzhou and Chengdu Qingbaijiang will commence in 2019.

II. Shenzhen (Greater Bay Area) Logistic Park Business

South China Logistic Park has actively explored the potential of existing resources to increase its revenue and profits, with properties leased out 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", have become mature and generated stable income. 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.

Shenzhen International Kanghuai E-commerce Center is the Group's first asset-light project operated by way of leasing a site area. It was officially put into operation in January 2018. At present, the business services provided in the park include warehouse services, office buildings, dormitories, restaurants, supermarket, large-data center, etc. The park achieved satisfactory operating results and successfully attracted a number of branded logistics enterprises, with an overall occupancy rate of 86% as at the end of 2018.

At the end of 2018, the Group successfully acquired the land use right of the Liguang Project located in the Longhua New District, Shenzhen. Upon completion of the project, the Group will further consolidate its share of the logistics market in Shenzhen. For the Liguang Project, it is expected to commence construction in 2019, and will build high-standard, multi-level, and eco-intelligent logistics park focusing on cold chain, commercial supermarket, and e-commerce market, with inter-city allocation as its core, providing comprehensive services including transfer distribution, storage and ancillary services, and multi-level intelligent logistics park, thereby building a leading benchmark project of the Group.

As at the date of this report, the details of the Group's major logistic projects are as follows:

	Project Name	Location	Site Area/ Planned Site Area (approximate square meters)	Acquired Site Area (approximate square meters)	Operating Area (approximate square meters)	Operating/ Expected Operating Time of the First Phase Project*
Shenzhen (Greater Bay Area) Logistic Park	South China Logistic Park	Shenzhen Longhua Logistic Park	611,000	611,000	322,000	2003
	Western Logistic Park	Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone	336,000	336,000	111,000	2003
	Shenzhen International Kanghuai E-commerce Center (operated by lease)	Pingan Road, Guanlan Street, Longhua District, Shenzhen	N/A	N/A	138,000	Jan 2018
	Liguang Project	Liguang Village, Guanlan Street, Longhua District, Shenzhen	45,000	45,000	—	2022
Integrated Logistics Hub	Guizhou Integrated Logistic Hub	Guizhou Shuanglong Modern Service Industrial Cluster	348,000	350,000	51,000	May 2018
	Chongqing Integrated Logistic Hub	Shuangfu New District, Jiangjin District, Chongqing	157,000	104,000	—	Jan 2020
	Kunming Integrated Logistic Hub	Qidian Street, Yangzonghai Scenic Area, Kunming	172,000	172,000	—	Dec 2019
	Chengdu Qingbaijiang Integrated Logistic Hub	International Railway Logistic Port, Qingbaijiang District, Chengdu	129,000	125,000#	—	Dec 2020
	Chengdu Xinjin Integrated Logistic Hub	Xinjin Logistic Park, Tianfu New District, Sichuan	173,000	—	—	Dec 2021
	Wuhan Dongxihu Integrated Logistic Hub	Dongxihu District, Wuhan	126,000	126,000	67,000	Oct 2016
	Wuhan Caidian Integrated Logistic Hub	Changfu Logistic Center, Caidian District, Wuhan	267,000	—	—	Dec 2020
	Nanchang Integrated Logistic Hub	Nanchang Economic and Technological Development Zone	267,000	156,000	91,000	Jun 2017
	Changsha Integrated Logistic Hub	Changsha Jinxia Economic Development Zone	347,000	146,000	85,000	Oct 2018
	Hangzhou Integrated Logistic Hub	Dajiangdong Industrial Cluster, Hangzhou	427,000	427,000#	147,000	Nov 2017
	Ningbo Integrated Logistic Hub	Ningnan Trade and Logistic Zone, Ningbo	194,000	92,000	60,000	Oct 2018
	Yiwu Integrated Logistic Hub	Yunxi Village under the jurisdiction of Choucheng Street, Yiwu	440,000	417,000	—	Jul 2020
	Wuxi Integrated Logistic Hub	Huishan District, Wuxi	347,000	246,000	27,000	Oct 2017
	Jiangyin Integrated Logistic Hub	Jiangyin Lingang Economic Development Zone	133,000	—	—	Dec 2021
	Kunshan Integrated Logistic Hub	Lujiazhen, Kunshan, Jiangsu	117,000	117,000	96,000	Jun 2016
	Hefei Integrated Logistic Hub	Anhui Hefei Commercial and Logistic Development Zone, Feidong County, Hefei	138,000	135,000	60,000	Oct 2016
	Jurong Integrated Logistic Hub	New City District, Northern Jurong, Jiangsu	400,000	131,000	—	Aug 2020
	Xuzhou Integrated Logistic Hub	Xuzhou High-Tech Industrial Development Zone	140,000	—	—	Dec 2021
	Shenyang Integrated Logistic Hub	Shenyang International Logistic Park, Yuhong District, Shenyang	700,000	241,000	241,000	Apr 2016
	Shijiazhuang Integrated Logistic Hub	Zhengding County, Shijiazhuang	467,000	335,000	64,000	Jul 2017
	Xi'an Integrated Logistic Hub	Xi'an Civil Aerospace Industrial Base	120,000	120,000	—	Jun 2020
	Jinan Zhangqiu Integrated Logistic Hub	Ningjiabu Street, Zhangqiu District, Jinan	180,000	—	—	Dec 2020
	Tianjin Zhonglong Project	Xinhuan East Road, West Wing of Tianjin Economic Development Zone	60,000#	60,000#	33,000#	Jan 2019
	Zhengzhou Integrated Logistic Hub	Zhengzhou International Logistic Park, Zhengzhou Economic Development Zone	267,000	—	—	Dec 2021
	Shandong Booming Total Logistic Park	Economic and Technology Development Zone, Yantai	70,000	70,000	27,000	2008
	Total		7,178,000	4,562,000	1,620,000	

Note:

* The expected operation time is estimated and will be updated according to the progress.

\# The area increase in 2019, among which, 188,000 square meters was newly acquired as part of the Hangzhou Integrated Logistic Hub.

Logistic Service Business

The Group confirmed the core strategies for developing the Integrated Logistics Hub in the "13th Five-Year" Strategic Plan, and advocated development measures with the integration of "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 Integrated Logistics Hub, the Group increased its 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 integration of "industry, finance and network sectors".

In 2018, the Group established the asset-light operating platform to manage the existing third-party logistic and supply chain business as a whole. It also actively explored value-added logistics business, which includes partnering with DHL to provide construction and operational services for Huawei Intelligent Warehouse (華為智慧倉), and setting up a joint venture in early 2019 with Evergrande Agri-Husbandry Group Co., Ltd (恒大農牧集團有限公司), to which comprehensive supply chain management services will be provided. In addition, Shandong Shenzhen International Bohai Logistic and Technology Development Co., Ltd. (山東深國際渤海物流科技發展有限公司), jointly funded by the Group and Bohai Ferry Group Co., Ltd., has been established and commenced relevant businesses. This project mainly depends 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 "Belt and Road Initiative".

In order to realize the integration of "industry, finance and network", the Group continued to lay out its logistic financial business and set up a logistic financial business management platform in 2018. It explored logistic financial service models such as small loans and finance lease, and developed financial services such as "Pengyibao" (鵬易寶), which achieved good synergy with the Group's logistic business.

Port and Related Service Business

During the Year, with continuous enhancement of production capacity of Nanjing Xiba Port, the economies of scale has become apparent. Together with effective marketing effort, the loading and unloading volume at the port terminal recorded remarkable growth. In 2018, Nanjing Xiba Port ranked the first among the five major bulk ports in the middle and lower reaches of the Yangtze River. Meanwhile, the Group has been actively developing the business of supply chain management services relating to the port terminal operation, which further enhanced the port business structure and drove the growth in business volume, resulting in encouraging operating results. In 2018, a total of 930 seagoing vessels had berthed at Nanjing Xiba Port with a total throughput of 44.3 million tonnes, representing an increase of 69% as compared to the corresponding period of the previous year.

During the Year, the Group has been actively implementing the cooperative framework agreement for the "Shenzhen International Fengcheng Rail-water Intermodal Transport Logistic Base" project which was entered into with the municipal government of Fengcheng City, Jiangxi in 2017. The project plays a key role in the planning and progress of the "Sub-strategy of Shenzhen International Ports and Supply Chain" and the preliminary work of such project is in good progress.

Financial Analysis

During the Year, the revenue from logistic business increased by 8% to HK$2,778 million as compared to the corresponding period of the previous year, and the profit attributable to shareholders increased by 25% to HK$293 million as compared to the corresponding period of the previous year. This was mainly driven by the significant growth in the business volume of the Group's port business and the encouraging results of the logistic park business.

Revenue of Each Logistic Business Unit

For the year ended 31 December

	2018 HK$'000	2017 HK$'000	Increase/ (Decrease)
Logistic Park Business	657,696	564,021	17%
Logistic Service Business	801,530	1,045,553	(23%)
Port and Related Service Business	1,318,457	967,768	36%
Total	2,777,683	2,577,342	8%

Profit Attributable to Shareholders of Each Logistic Business Unit

For the year ended 31 December

	2018 HK$'000	2017 HK$'000	Increase
Logistic Park Business *	156,851	131,229	20%
Logistic Service Business	39,356	38,257	3%
Port and Related Service Business	97,174	65,215	49%
Total	293,381	234,701	25%

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

During the Year, logistic park business recorded a revenue and profit attributable to shareholders of HK$658 million and HK$157 million respectively, representing an increase of 17% and 20% respectively, as compared to the corresponding period of the previous year. This was primarily driven by the increase in operating area of the integrated logistics hubs year by year and effective marketing efforts, as well as the new revenue and profit contributions brought by Shenzhen International Kanghuai E-commerce Center. By the end of December 2018, the total operating area of the integrated logistics hubs of the Group was over 1 million square meters, representing an increase of approximately 366,000 square meters over the same period of the previous year. Benefitting from strong market demand for modern high-quality logistics facilities and effective marketing and promotion, the integrated logistics hub projects recorded satisfactory operating results. During the Year, the integrated logistics hub business generated a revenue and profit contribution of approximately HK$203 million and HK$38.85 million respectively, up by 62% and 8.5 times respectively over the corresponding period of the previous year.

The port and related service business continued its growth momentum during the Year, with revenue increased by 36% to HK$1,318 million as compared to the corresponding period of the previous year. This was mainly due to the satisfactory growth of port throughput and loading and unloading business. Moreover, benefitting from economies of scales, profit contribution increased by 49% to approximately HK$97.17 million as compared to the corresponding period of the previous year.

During the Year, the logistic service business recorded a revenue of HK$802 million, representing a decrease of 23% as compared to the corresponding period of the previous year, while profit attributable to shareholders increased by 3% to HK$39.36 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.

Logistic Park Transformation and Upgrading Business

The Group has actively seized the opportunities of land function adjustment of logistic parks arising from the urbanization process. The Group vigorously promoted the transformation and upgrading of logistic parks in Shenzhen, thereby maximizing the value of relevant assets for the shareholders.

Qianhai Project

According to the supplemental agreement to the land consolidation and preparation framework agreement entered into among the Group, 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.

The first phase of Qianhai Project covers a total gross floor area of approximately 110,000 square meters, comprising 51,400 square meters for residential projects, 35,000 square meters for office projects and 25,000 square meters for commercial projects. The project design, construction application and construction were carried out in an orderly manner. For the first phase of Qianhai Project, construction of the residential project which was being jointly developed by the Group and Shum Yip Land Company Limited has already been commenced and the Group aims to begin pre-sale in 2019. For the office projects, the Group entered into a tripartite cooperation agreement with the Center for Software and Integrated Circuit Promotion of the Ministry of Industry and Information Technology ("CSIP") and China Center for Information Industry Development ("CCID") in 2017, positioning this office project as the information port for the"Belt and Road Initiative", to build an information technology base for logistic and supply chain sectors and formulating an information service strategy hub for the "Belt and Road Initiative". In order to promote the construction of this project, the Group entered into a Memorandum of Cooperation with CSIP and CCID in April 2018, further clarifying the development model of the information port for the "Belt and Road Initiative" and laying a foundation for the construction and operation thereof. The Group is conducting in-depth research on the planning of commercial projects.

The first phase of Qianhai Project actively promoted intelligent construction, imported application of BIM (Building Information Model) technology, and won first place in the category of BIM Application for Residential Construction of the 9th "Innovation Cup" BIM Application Competition sponsored by China Survey and Design Association.

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.

The Qianhai area, as an important component of the nation's Greater Bay Area development strategy, has a broad development prospect. It is expected that in addition to the land appreciation gain of the land sites of Qianhai Project, it will bring considerable economic returns to the shareholders through land development and project operation in the future.

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 center and a key development zone of the city. It is situated at an advantageous geographical location with good investment value and appreciation potential. The Meilin Checkpoint Urban Renewal Project 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.

In 2018, the Group introduced China Vanke Co., Ltd. ("China Vanke") as a strategic investor to jointly develop the Meilin Checkpoint Urban Renewal Project through injection of capital into Shenzhen International United Land Co., Ltd. ("United Land Company"). The amount of capital injected by China Vanke amounted to RMB2,900 million. Upon completion of the capital injection, China Vanke holds 30% equity interest in United Land Company. By the capital injection, the Group has secured part of the land appreciation gain of the project site area in advance and basically recovered the funds invested in the early stage of the project. The capital injection agreement realized the cooperation of corporate giants and the associate advantages. With China Vanke's all-round experience, ability, technology, brand and other advantages in the real estate field, the quality management and overall return of Meilin Checkpoint Urban Renewal Project have been further strengthened.

The Meilin Checkpoint Urban Renewal Project will be developed and constructed in three phases, in which the first phase covers an area for sale of approximately 75,000 square meters of residential buildings and 42,000 square meters of indemnificatory housing (保障房); the second phase is expected to provide an area for sale of 68,000 square meters of residential buildings; the third phase is expected to provide an area for sale of approximately 63,000 square meters of residential buildings, with approximately 190,000 square meters of office and business apartment complexes; it is expected that the project will also have a total area of approximately 34,500 square meters of commercial ancillary properties. At present, the project construction is fully underway, its first phase has obtained the pre-sale permit and the pre-sale of the project is in line with the Group's expectation. It is expected to bring revenue to the Group in 2019.

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 Center
   Located in Pingan Road, Gulan Street, Longhua District, Shenzhen
   Site area: 38,000 square meters
   Operating area: 138,000 square meters

5. Nanjing Xiba Port
   Located in Nanjing Chemical Industrial Park
   Site 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, Yantai
   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
   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: 91,000 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, Hefei
    Land area: 135,000 square meters
    Operating area: 60,000 square meters

13. Shenzhen International Ningbo Integrated Logistic Hub
    Located in Ningnan Trade and Logistic Zone, Ningbo
    Acquired site area: 92,000 square meters
    Operating area: 60,000 square meters

14. Shenzhen International Hangzhou Integrated Logistic Hub
    Located in Hangzhou Dajiangdong Industrial Cluster, Hangzhou
    Acquired site area: 427,000 square meters
    Operating area: 147,000 square meters

15. Shenzhen International Changsha Integrated Logistic Hub
    Located in Changsha Jinxia Economic Development Zone
    Acquired site area: 146,000 square meters
    Operating area: 85,000 square meters

16. Shenzhen International Guizhou Integrated Logistic Hub
    Located in Guizhou Shuanglong Modern Service Industrial Cluster
    Acquired site area: 350,000 square meters
    Operating area: 51,000 square meters

17. Shenzhen International Kunshan Integrated Logistic Hub
    Located in Lujiazhen, Kunshan, Jiangsu
    Site 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
    Site area: 120,000 square meters

21. Shenzhen International Kunming Integrated Logistic Hub
    Located in Qidian Street, Yangzonghai Scenic Area, Kunming
    Site area: 172,000 square meters

22. Shenzhen International Yiwu Integrated Logistic Hub
    Located in Yunxi Village under the jurisdiction of Choucheng Street, Yiwu
    Site area: 417,000 square meters

23. Tianjin Zhonglong Project
    Located in Xinhuan East Road, West District, Tianjin Development Zone
    Land area: 60,000 square meters
    Operating area: 33,000 square meters

24. Liguang Project
    Located in Liguang Village, Guanlan Street, Longhua District, Shenzhen
    Site area: 45,000 square meters

25. Chengdu Qingbaijiang Integrated Logistic Hub
    Located in International Railway Logisitc Port, Qingbaijiang District, Chengdu
    Site area: 125,000 square meters

Fast & convenience
Creating infinite opportunities

TOLL ROAD BUSINESS

TOTAL REVENUE*

increased by **13%** to HK$7,569 million

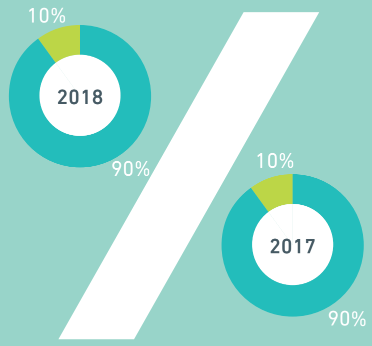
PROFIT BEFORE FINANCE COSTS & TAX*

increased by **22%** to HK$4,460 million

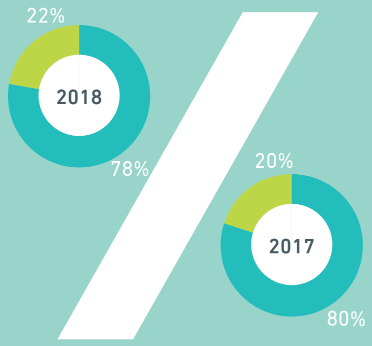
NET PROFIT*

increased by **32%** to HK$1,325 million

Total Revenue Contribution*



Net Profit Contribution*



Shenzhen Expressway   Longda Expressway

* The financial information for 2017 was restated

Overview

The Group's toll road operations span across the Shenzhen region, other regions in Guangdong Province and other provinces in China. The Group holds or controls a total of 17 expressway projects with total mileage of toll roads by toll amounting to approximately 174 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 covering Shenzhen Coastal Project phase II and Shenzhen Outer Ring Project 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 Year is 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)	2018 (vehicle/ thousands)	Increase/ (decrease) compared to 2017	2018 (RMB'000)	Increase/ (decrease) compared to 2017
Shenzhen Region (Note 2):							
Longda Expressway (Note 3)	89.93%	2005.10-2027.10	4.4	113	(3%)	428	(2%)
Meiguan Expressway	100%	1995.05-2027.03	5.4	100	9.0%	351	4.3%
Jihe East	100%	1997.10-2027.03	23.7	289	6.6%	2,076	5.8%
Jihe West	100%	1999.05-2027.03	21.8	222	3.2%	1,794	3.8%
Shenzhen Coastal Project (Note 4)	100%	Phase I: 2013.12-2038.12	Phase I: 30.9	90	10.5%	1,273	16.5%
		Phase II: under construction	Phase II: 5.7				
Shuiguan Expressway	50%	2002.02-2027.02	20	219	1.8%	1,738	(1.4%)
Shuiguan Extension	40%	2005.10-2027.02	6.3	80	6.4%	329	4.6%
Other regions in Guangdong Province:							
Qinglian Expressway	76.37%	2009.07-2034.07	216	43	5.5%	2,084	3.4%
Yangmao Expressway	25%	2004.11-2027.07	79.8	51	1.2%	1,771	(2.7%)
Guangwu Project	30%	2004.12-2027.11	37.9	39	10.1%	869	4.4%
Jiangzhong Project	25%	2005.11-2027.08	39.6	149	4.5%	1,313	5.1%
Guangzhou Western Second Ring	25%	2006.12-2030.12	40.2	74	3.9%	1,653	23.1%
Other provinces in China:							
Wuhuang Expressway	100%	1997.09-2022.09	70.3	53	5.2%	1,055	5.0%
Yichang Expressway and its Changde connection line ("Yichang Project") (Note 5)	100%	2004.01-2033.12	78.3	50	N/A	1,119	N/A
Changsha Ring Road (Note 6)	51%	1999.11-2029.10	34.7	36	12.0%	395	5.7%
Nanjing Third Bridge	25%	2005.10-2030.10	15.6	34	5.4%	1,341	5.7%

Notes:

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

(2) According to the Adjustment Agreements entered into by the Shenzhen Municipal Government and the Group on 30 November 2015, Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway Toll-Free Section implemented toll-free traffic since 0:00 a.m. 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 Year.

(5) The project company of Yichang Expressway 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 Year, the traffic volume and toll revenue of most of the Group's expressway projects maintained growth. However, the operating performance of each expressway project is affected, to varying degrees, by factors including policy changes, economic development along the roads, continuous improvement of the road network, and renovation of the surrounding road network. Among them:

- The total toll revenue of toll expressway projects in Shenzhen increased year on year. With the continuous improvement of the transportation network in Shenzhen and certain road network being toll free, the distribution and composition of traffic volume in Shenzhen changed to some extent. Among them, Jihe Expressway, being an important express path between eastern and western areas in Shenzhen, and coupled with the connected Nanguang Expressway, Yanpai Expressway and Yanba Expressway being toll free which diverted more traffic flow to Jihe Expressway, the traffic volume increased on one hand. On the other hand, the traffic volume of Jihe Expressway began to be saturated, and traffic congestion at rush hours caused slight diversion. During the Year, the preliminary design bidding for the reconstruction and expansion of Jihe Expressway was completed. In accordance with the current plan, the reconstruction and expansion of Jihe Expressway is expected to be completed in 2024. By then, the traffic capacity and traffic volume of Jihe Expressway is expected to be significantly increased.

- In December 2017, the Group signed an agreement through Shenzhen Expressway Company Limited to acquire 100% equity interest of Shenzhen Coastal Project. The acquisition was completed within the Year. Shenzhen Coastal Project is the section of Guangshen Coastal Expressway (Guangzhou-Shenzhen) within Shenzhen, comprises Shenzhen Coastal Phase I and Shenzhen Coastal Phase II. Shenzhen Coastal Phase I is the main line of Shenzhen Coastal Project, which was completed and opened to traffic 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.

During the Year, Shenzhen Municipal Government signed an agreement with the project company of Shenzhen Coastal Project to implement toll adjustment for trucks. According to the agreement, from 1 March 2018 to 31 December 2020, only 50% of the standard toll will be charged for all types of trucks passing through Shenzhen Costal Project. In this regard, Shenzhen Municipal Government compensated Shenzhen Expressway for RMB302 million. The implementation of the toll adjustment policy has gradually shown its effect on driving the growth of traffic volume of trucks for Shenzhen Coastal Project. In addition, Shenzhen Costal Project, as an important channel for diverting port traffic from Shenzhen's western port area, is expected to receive steady increase in traffic volume in the future along with the continuous improvement of the surrounding road network and after the expected opening to traffic of the connection line to Shahe west of Dongbin Tunnel in 2019.

- Traffic volume of Qinglian Expressway affected by traffic diversion by Guangle Expressway and Erguang Expressway has been basically stabilized, but Guisan Expressway (Guilin-Sanjiang) opened at the end of October 2017 diverted some traffic volume from Qinglian Expressway. Qingxi Bridge and its connection project which link with Qinglian Expressway, and Yuewang Expressway (Yueyang-Wangcheng), were completed and opened to traffic in late September 2018 successively. As a result, the "Guangqing-Qinglian-Yuelin-Suiyue-Lintong-Lannan" expressway was fully connected. The role of the south-north traffic artery from Southern China to the Central Plains hinterland will be further highlighted and will play a positive role in promoting the traffic growth of Qinglian Expressway. During the Year, the toll revenue of Qinglian Expressway remained stable year on year.

- Yichang Expressway exploited growth potential of traffic volume through various marketing measures to promote its operating performance. However, since the tunnel of Erguang Expressway previously closed for construction was reopened to traffic in mid-2017, the diversion effect on Yichang Expressway gradually emerged. Coupled with the continuous impact of traffic control and policies regarding over-limit and overloading control, the toll revenue of Yichang Expressway remained basically the same year on year.

Financial Analysis

The Group's total revenue from toll road business during the Year was approximately HK$7,569 million (2017 (restated)[Note (i)]: HK$6,681 million), up by 13% as compared to the corresponding period of the previous year. Profit before finance costs and tax was approximately HK$4,460 million (2017 (restated)[Note (i)]: HK$3,649 million), up by 22% as compared to the corresponding period of the previous year. Net profit was approximately HK$1,325 million (2017 (restated)[Note (i)]: HK$1,007 million), up by 32% as compared to the corresponding period of the previous year.

The total revenue of the Group's toll road business during the Year increased as compared to the corresponding period of the previous year, was mainly due to the growth of traffic volume and toll revenue of most of its toll expressway projects as well as the first full-year consolidation of the performance of Changsha Ring Road and Yichang Project during the Year. The increase in net profit benefited from the increase in toll revenue and the sound profit contribution from the acquired projects.

In accordance with the Adjustment Agreements entered into by the Group and the Shenzhen Municipal Government on 30 November 2015, Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway Toll-Free Section were toll free starting from 0:00 a.m. on 7 February 2016. The Group calculated and recognized the revenue according to the mechanism set out in the agreements. Pursuant to the relevant provisions of the agreements, the Shenzhen Municipal Government notified the Group in the fourth quarter of 2018 of its decision, that the fee entitlement rights of these sections will be returned to the Shenzhen Municipal Government, and the remaining cash compensation will be paid to the Group as agreed. These sections had been implemented toll-free from 0:00 a.m., 1 January 2019 by the Shenzhen Municipal Government and the Group no longer has any equity interest in the above four projects.

In this regard, the Group has recognized a one-off gain on asset disposal attributable to shareholders of approximately RMB2,182 million (equivalent to approximately HK$2,571 million).

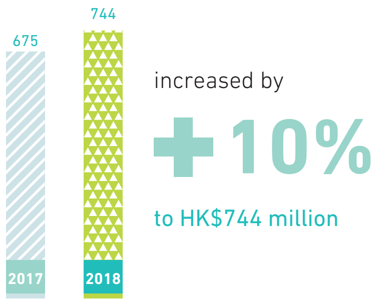
Note (i): As the acquisition of the project company of Shenzhen Coastal Project was regarded as a business combination under common control by the Group, the financial information for 2017 was restated.

Longda Expressway

During the Year, due to the delayed completion of the construction of new station in Luotian and the expansion of the Langtian station in Longda Expressway, as well as the adjustment by Shenzhen's freight transportation authority to related expressway toll stations and the construction of new stations and other construction projects along the lines, the traffic capacity of Longda Expressway was decreased and the traffic volume of Longda Expressway lowered down slightly year on year.

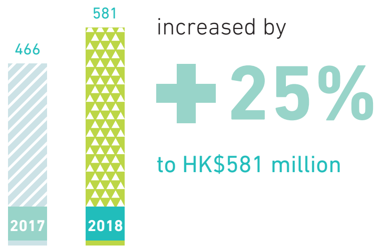
Toll revenue(Note)

For the year ended 31 December
(HK$ million)



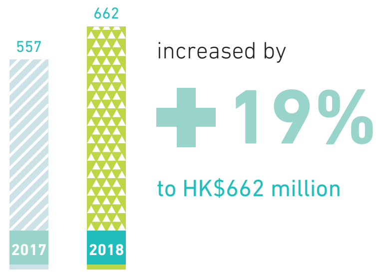
Profit before finance costs and tax

For the year ended 31 December
(HK$ million)



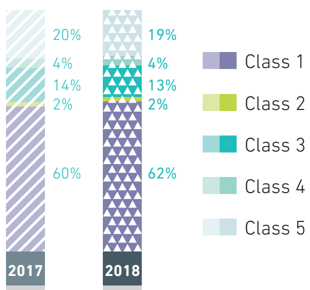
Earnings before interest, tax, depreciation and amortization

For the year ended 31 December
(HK$ million)



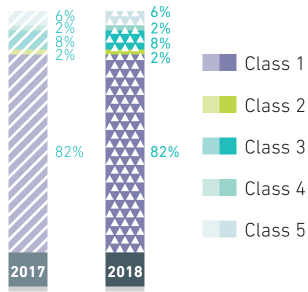
Toll revenue distribution(Note)

For the year ended 31 December



Traffic volume distribution

For the year ended 31 December



Note: Toll revenue and the relevant percentages of distribution for the Year 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.

Shenzhen Expressway and its expressway projects

During the Year, the traffic volume and toll revenue of most expressway projects of Shenzhen Expressway kept increasing, Changsha Ring Road and Yichang Expressway were fully consolidated into the Group for the first time, pushing forward the year on year growth in toll revenue which amounted to approximately HK$5,969 million (2017 (restated) Note (i): HK$5,421 million), representing an increase of 10% as compared to the corresponding period of the previous year. Shenzhen Expressway's total revenue during the Year amounted to approximately HK$6,826 million (2017 (restated) Note (i): HK$6,006 million), increased by 14% as compared to the corresponding period of the previous year. Profit before finance costs and tax of Shenzhen Expressway was approximately HK$3,879 million (2017 (restated) Note (i): HK$3,183 million), representing an increase in 22% as compared to the corresponding period of the previous year. This was mainly due to the increase in toll revenue and the profit contribution from the acquired projects including Derun Company. The Group's share of profit from Shenzhen Expressway increased by 29% to approximately HK$1,037 million (2017 (restated) Note (i): HK$801 million) as compared to the corresponding period of the previous year.

Major Construction Projects of the Year

As of 31 December 2018, the land resumption and demolition of Shenzhen Outer Ring Project invested by the Group were basically completed; about 93% of the land resumption and demolition for about 90% area were completed for Shenzhen Coastal Project Phase II. All tasks proceeded smoothly as planned.

Development of the Environmental Protection Business of Shenzhen Expressway

While consolidating and upgrading the toll road business, Shenzhen Expressway is steadily promoting its participation in the macro environmental protection industry primarily on water environmental treatment and solid waste treatment.

In 2017, Shenzhen Expressway acquired 15% equity interest in Shenzhen Water Planning & Design Institute Company Limited ("Water Planning Company") and 20% equity interest in Derun Company. These two companies are not only the leading enterprises in their respective environmental protection segments but also with a strong business base.

During the Year, Water Planning Company seized the great opportunity in the construction of the Guangdong-Hong Kong-Macao Greater Bay Area by the government. Its market share continued to increase with its continued effort to optimize the market layout and extend the business chain. It also carried out a number of projects in Guangdong-Hong Kong-Macao Greater Bay Area as well as surrounding provinces and cities during the Year, including water environmental remediation and integrated urban development, survey and design of water quality protection project, and temporary sewage treatment.

During the Year, Derun Company focused on cultivating markets in Chongqing and its surrounding regions, and actively promoted the existing projects, including awarding the "Phase I of Yiju Waterfront" project (宜居水岸一期) in Wuhou District of Chengdu (mainly responsible for integrated remediation of river channels and construction of ancillary landscapes and structures). Shenzhen Expressway established a joint venture with Suez Group, France, a shareholder of Derun Company, which is expected to give play of the advantages of both sides and effectively promote business development and cooperation in field including industrial environmental protection.

Shenzhen Expressway also regarded the integration of environment and health as an important research and business expansion task during the Year, and actively carried out research in the fields of industrial sewage water and waste treatment as well as water environmental treatment, and implemented site visits and negotiation regarding investment projects. Shenzhen Expressway participated in the investment, construction and management of the Nanmen River Comprehensive Treatment Project in Shenzhen-Shanwei Special Cooperation Zone. The preliminary approval works of the project is being carried out in an orderly manner.

Estimated Capital Expenditure for 2019

The capital expenditure of the Group's toll road business for 2019 is expected to amount to approximately RMB1,186 million, mainly for Shenzhen Outer Ring Project.

OTHER INVESTMENTS

Optimizing management and control of investment projects
Reducing investment risks

Shenzhen Airlines

During the Year, passenger transport volume of Shenzhen Airlines continued to grow, with airlines carrying 30.67 million passenger rides (2017: 28.28 million passenger rides) and passenger traffic of 48,026 million passenger-km (2017: 43,830 million passenger-km), increased by approximately 8% and 10% over the corresponding period of the previous year, respectively. Total revenue for the Year increased by 13% to approximately RMB31,119 million (equivalent to approximately HK$36,662 million) (2017: RMB27,646 million (equivalent to approximately HK$31,998 million)) as compared to the corresponding period of the previous year, of which passenger revenue increased by 9% to RMB25,996 million (2017: RMB23,837 million).

The fuel cost of Shenzhen Airlines increased by 23% as compared to the corresponding period of the previous year. Nonetheless, operating profit of Shenzhen Airlines still increased by 28% to approximately RMB2,482 million (equivalent to approximately HK$2,924 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 RMB795 million for the Year (2017: an exchange gain of approximately RMB822 million). Accordingly, net profit decreased by 36% to approximately RMB919 million (equivalent to approximately HK$1,082 million) as compared to the corresponding period of the previous year (2017: RMB1,439 million (equivalent to approximately HK$1,665 million)). Shenzhen Airlines contributed a profit of approximately HK$469 million (2017: HK$763 million) to the Group during the Year, representing a decrease of 38% as compared to the corresponding period of the previous year.

As at 31 December 2018, Shenzhen Airlines operated a total of 214 passenger aircraft (2017: 203 passenger aircraft). Currently, Shenzhen Airlines operates 286 domestic and international routes, comprising 252 domestic routes, 24 international routes and 10 routes serving the Hong Kong, Macau and Taiwan regions.

In 2019, through optimizing the types of aircraft models, air routes network, and structures of its borrowings, Shenzhen Airlines will dedicate its effort to reduce the impact of aviation fuel price fluctuation and exchange rate fluctuation.

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

According to the Group's business development 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 Year, 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 1.24% 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 December 2018 was lower than that as at the end of December 2017, a loss after tax of approximately HK$106 million was recorded for the Year.

Financial Position

	31 December 2018 HK$ million	31 December 2017 HK$ million (restated)	Increase/ (Decrease)
Total Assets	84,365	78,795	7%
Total Liabilities	40,005	41,467	(4%)
Total Equity	44,360	37,328	19%
Net Asset Value attributable to shareholders	27,998	23,926	17%
Net Asset Value per share attributable to shareholders (HK dollar)	13.2	11.8	12%
Cash	16,627	9,411	77%
Bank borrowings	14,848	17,000	(13%)
Notes and bonds	11,764	4,335	171%
Total Borrowings	26,612	21,335	25%
Net Borrowings	9,985	11,924	(16%)
Debt-asset Ratio (Total Liabilities/Total Assets)	47%	53%	(6)#
Ratio of Total Borrowings to Total Assets	32%	27%	5#
Ratio of Net Borrowings to Total Equity	23%	32%	(9)#
Ratio of Total Borrowings to Total Equity	60%	57%	3#

Change in percentage points

Key Financial Indicators

As at 31 December 2018, the total assets and the total equity amounted to HK$84,365 million and HK$44,360 million, respectively; and the net asset value attributable to shareholders was HK$27,998 million, while net asset value per share amounted to HK$13.2, representing an increase of 12% as compared to the end of last year. The debt-asset ratio was 47%, decreased 6 percentage points from the end of last year, the ratio of total borrowings to total equity was 60%, increased 3 percentage points over the end of last year, underpinning the Group's healthy and stable financial position.

Cash Flow and Financial Ratios

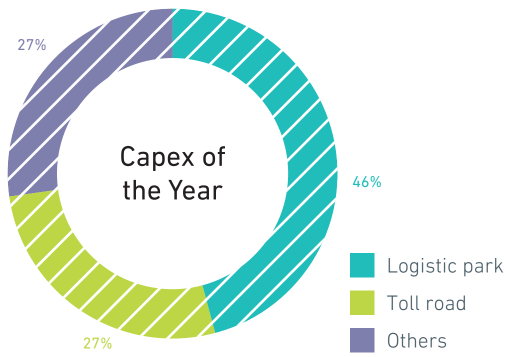
During the Year, the Group's cash flow generated from operations remained stable. Net cash inflow generated from operating activities amounted to HK$2,113 million; net cash outflow spent on investment activities amounted to HK$2,520 million; and net cash inflow generated from financing activities amounted to HK$8,331 million. The Group's core businesses maintained a stable cash inflow, while the Group closely monitored changes in total borrowings with a view to maintaining its financial ratios at a healthy level.

Cash Balance

As at 31 December 2018, the cash balance held by the Group amounted to HK$16,627 million (31 December 2017: HK$9,411 million), representing an increase of 77% as compared to the end of last year, which was mainly attributable to the issuance of RMB 5,000 million of panda bonds by the Company during the year. To facilitate the Group's operation and development in the PRC, cash held by the Group is primarily denominated in Renminbi. 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.

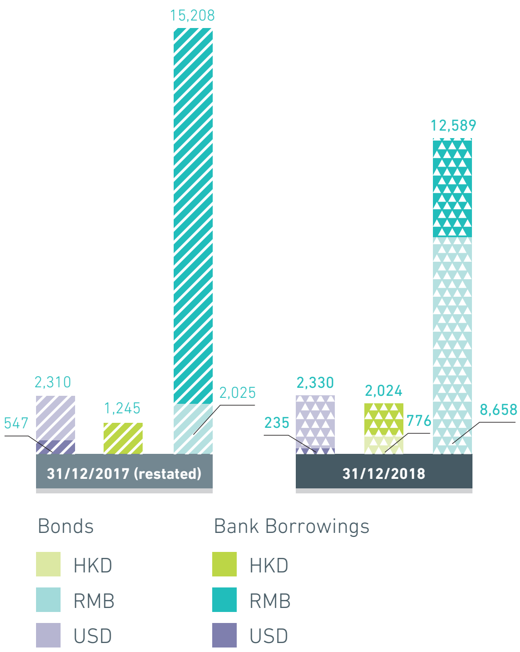
Capital Expenditures

During the Year, the Group's capital expenditure amounted to RMB3,760 million (HK$4,290 million), primarily including investments in construction works for "Integrated Logistics Hub" projects of RMB 1,290 million, payment for Outer Ring Expressway Project of RMB962 million and project of United Land Company of approximately RMB771 million. The Group expects the capital expenditure for the year 2019 to be approximately RMB6,500 million (HK$7,400 million), including approximately RMB2,500 million for "Integrated Logistics Hub" projects, approximately RMB980 million for the Outer Ring Expressway Project and approximately RMB2,200 million in total for United Land Company Project and Qianhai Project.

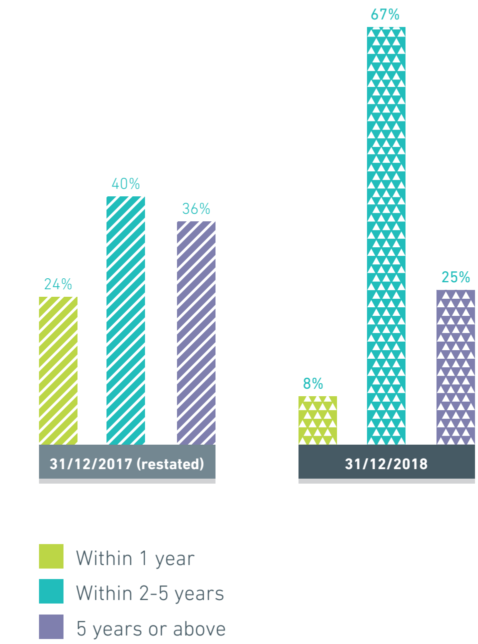


Borrowings

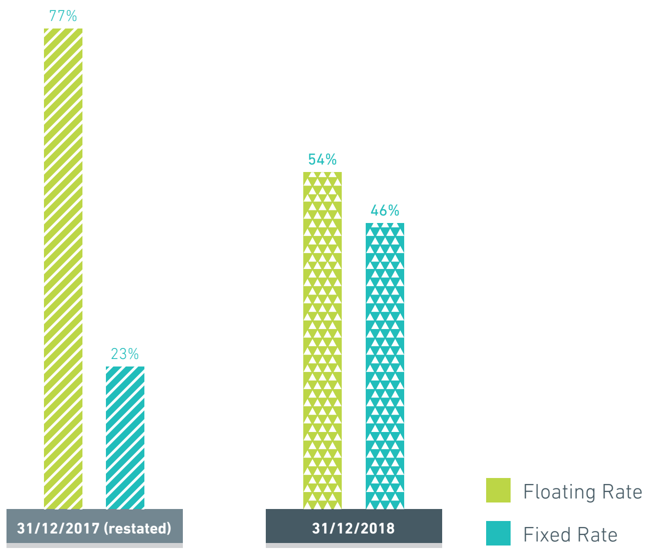
Total Borrowings in Currency



Total Borrowings –Repayment Period



Total Borrowings – Analysis of Floating Rate/Fixed Rate



As at 31 December 2018, the Group's total borrowings amounted to HK$ 26,612 million, representing an increase of 25% as compared to those at last year end. Such increase of total borrowings was mainly attributable to the issuance of RMB 5,000 million of 5-year panda bonds with a coupon rate of 5.2% and 4.15% respectively by the Company during the year; and the issuance of medium-term notes of RMB1,000 million and RMB800 million with coupon rates of 4.14% and 4.49% respectively by Shenzhen Expressway, a subsidiary of the Group. Out of the Group's total borrowings, 8%, 67% and 25% are due within 1 year, 2-5 years and 5 years or above, respectively.

The Group continued to uphold the principle of managing funds prudently, implement a model of centralized financing management, and use funds effectively. Taking into account the factors including rising interest rates and two-way fluctuations of RMB exchange rates, the Group seized opportunity arising from the capital market, issued panda bonds during the year to optimize the structure of borrowings. Leveraging fully the financing platforms at the onshore and offshore market, the Group further increased its fund reserve, continued to optimize borrowing cost and maturity structure, maintained reasonable borrowing and cash level.

The Group's Financial Policy

Interest Rate Risk Management

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

Exchange Rate Risk

Cash flows, cash on hand and assets for business operated by the Group are primarily denominated in Renminbi, whereas borrowings are mainly denominated in Renminbi, Hong Kong Dollar and US Dollar. The management of the Group has been closely monitoring the fluctuation and movements of the Renminbi exchange rate. In 2018, China-US trade conflicts draw attention from all over the world, accelerating two-way fluctuations of RMB. During the year, the exchange rate of RMB against USD fell by approximately 4.8%, resulting in a exchange loss of HK$ 289 million of the Group. The Group strives to mitigate the impact of exchange rate fluctuations on its overall financial performance and to minimise financial risks and the management conducts a detailed analyses and studies into the movement of the Renminbi exchange rate from time to time, and expected that the volatility of the Renminbi exchange rate will continue. The Group will adjust the currency structure of its borrowings and utilise appropriate hedging instruments to manage exchange rate risk and reduce the impact of fluctuation in the exchange rate of Renminbi. At the end of the year 2018, the ratio of borrowings in RMB and other currencies was 80%: 20%.

Liquidity Risk Management

The Group currently has cash on hand and standby banking facilities of approximately HK$72,200 million. The Group has signed agreements with major banks in Hong Kong and Mainland China to secure credit facilities for the Group. The Group regularly monitor cash flow forecasts on a rolling basis and, taking into consideration our current asset level and funding needs to meet future cash flow requirements and ensure our capability to operate on an on-going basis and expand our business. The Group will also replace short-term loans with long-term financing on a timely basis in preparation for refinancing with an aim to prevent liquidity risk.

Credit Ratings

During the Year, three leading international credit rating agencies, namely Standard & Poor's, Moody's and Fitch Ratings, all maintained its BBB, Baa2, and BBB- investment grade credit to the Company, respectively. Domestic credit rating agencies United Credit Ratings Co., Ltd and Pengyuan Credit Rating Co., Ltd assigned a "AAA" rating to the Company. We are committed to maintaining a stable balance sheet, sound cash flows and good investment 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 31 December 2018, please refer to notes 9, 23 and 37 respectively of the consolidated financial statements.

Outlook For 2019

Looking ahead to 2019, uncertainties in the external environment are expected to continue, and exchange rates are expected to be volatile. However, with the continuous optimization of China's economic structure, economic stability is expected to improve gradually. It is expected that the macro-economy will remain stable, which together with the vigorous development of e-commerce as well as the great growth potential of the market demand for logistic infrastructure and high-quality logistic services, will provide great potential for the Group's development.

The Group will actively seize opportunities arising from the national strategies including "Belt and Road Initiative", the construction of "Guangdong-Hong Kong-Macao Greater Bay Area" and "Yangtze River Economic Belt". The Group will make great efforts in the operation and management of the logistic park projects that have been put into operation, and continuously promote the Group's investment opportunities, improve its operation and value-added service capabilities, to strictly control its operating costs, optimize its business scope and improve its profitability. At the same time, the Group will focus on implementing the strategy of integrated logistics hub and continue to speed up its presence in major logistics gateway cities across the country, especially making efforts to achieve greater presence and business coverage in the Pearl River Delta, Yangtze River Delta, Bohai Bay and other major logistics gateway cities. The Group will adhere to the business strategy of engaging in more new construction and mergers and acquisition projects, accumulating high-quality resources, building a solid foundation for its future development as well as expanding its profit-making potential on a continuing basis.

In 2019, the Group will remain attentive on acquisition opportunities of sustainable and quality logistic projects in first-tier cities of China and overseas markets. The Group will strive to achieve substantial breakthroughs in strategic projects especially in Greater Bay Area and Yangtze River Delta region, thereby expanding the size and network coverage of the Group and improving the scale and efficiency of existing operations of logistic business through the consolidation of resources.

The Group will actively seize the opportunities arising from the land function adjustment to the logistic parks in Shenzhen and vigorously promote the transformation work. The Group will actively negotiate with Qianhai Authority and 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. At the same time, the Group will actively promote the development and sales of Meilin Checkpoint Urban Renewal Project and the first phase of Qianhai Project, striving to unlock the value in the projects over the next few years.

In terms of toll road business, the Group will continue to actively seek opportunities for mergers and acquisitions and restructuring, invest in potential projects and continue to consolidate its toll road business. With respect to business expansion in the environmental protection business, the Group will pay more attention to its existing projects, the locations and surrounding areas of existing partners, and to pursue regional and business synergy effect. Meanwhile, the Group will further cultivate specialized talents and strengthen team building.

Leveraging its advantages in management and operation, in 2018, the Group was included in the list of Double-Hundred Enterprises regarding reform of state-owned enterprises, which is a testament to and recognition of the Group's performance. The Group will actively seek new opportunities, promote management innovation and systemic innovation, and continuously stimulate enterprise vitality.

Human Resources

Concept of Human Resources

The Group's human resources management has always regarded retaining talent as a core component of the Group's overall strategy. It aims to establish a scientific and reasonable human resources management platform to create a fair and harmonious work environment for employees which will in turn provide sustainable talents to the Group to support its business development.

Employees and Policies on Remuneration and Benefits

As of 31 December 2018, the Group had a total of 6,958 employees (2017: 6,638 employees). During the Year, expenses of staff benefits including directors' remuneration were approximately HK$1,182 million (2017: approximately HK$1,003 million).

A comprehensive management system of remuneration, a lasting incentive and restraint mechanism, and a performance management stystem has been in place and has constantly been optimized. Salary is commensurate with employees' position, competence and performance, with reference to the prevailing market conditions. Staff performance is assessed on a regular basis and the outcome of which will be closely reflected in remuneration and promotion. Besides, to accommodate the Group's long-term development, the Group has established a long-term incentive mechanism under which the granting of options to the management, senior management of subsidiaries and key staff members of the Group and their exercise of such options are linked to strict performance conditions to match incentive income with the growth of the operating results of the Company. The Group has been enhancing its existing long-term incentive mechanism. Through in-depth research on the relevant policies and regulations, with consideration of the actual conditions of the Group, the "Improve Incentive Implementation Program" was published, aiming to establish standards which reflects salary, performance and industry norms, to complement the long term incentive programs implemended by the subsidiaries, to encourage and stimulate the work incentive of the managers and employees and to implement the 13th Five-Year Plan. Other benefits include the mandatory provident fund, medical insurance and education allowance, etc.

Employee Development and Training Program

The Group puts a strong emphasis on the nurturing of talents, constantly improve its talent recruitment and selection process, and broaden recruitment channels. In 2018, the Group continually recruited management personnel and professionals in the logistics and environmental protection related sectors through market-oriented recruitment and campus recruitment to continuously improve its management and professional teams and optimize its staff mix. The Group also places a strong emphasis on the training and development of internal staff, by encouraging internal secondment at all levels, providing training to talents with strong capacities in business and management, and nurturing young talents for the Company in the future. The Group improved the management of talent selection and training program, so that talents are selected from employees who deliver outstanding performance and show potential to work in key positions of the Group.

The Group also emphasises on staff training, continuing to improve its training system. The Group set up annual training program at the beginning of 2018, including training for middle, senior management and staff, and training on regulations. The Group also collaberated with the Graduate School of the Tsinghua University to provide special training, the "Elite Program", to staff. Such training includes topics related to restructuring, mergers and acquisitions, capital operation and investment management, supply chain finance, risk control and crisis handling, logistics planning and management, etc. In addition, we strongly encourage our staff to participate in professional training courses organized by external institutions to enhance their professional knowledge and skills, and to maintain good physical and mental health.

Safety and Health

The Group has been striving to provide a safe, efficient and comfortable working environment for employees. In 2018, the Group continued to organize a number of safety education training programs and provided work safety guideline to employees on the identification and preventive measures of safety harzards in the work place. The Group also regularly holds various practical examinations related to occupational health and provided education materials to employees to ensure the working environment for the employees is good and safe.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Members of the Board

Executive Directors

Mr. Gao Lei

Chairman, Member of the Remuneration and Appraisal Committee

Mr. Gao Lei, aged 59, was appointed in September 2012 as the Chairman of the board of directors and an executive director of the Company. He is also a member of the Remuneration and Appraisal Committee of the Company. Mr. Gao is responsible for devising the Group's overall development strategy and important systems, as well as supervising the implementation of resolutions of the general meetings and the board. Mr. Gao holds a master degree in money and banking from Xi'an Jiaotong University and is a senior economist. Mr. Gao had worked at the Shenzhen Branch of Bank of China, the Finance Office of Shenzhen Municipal People's Government and the General Office of Shenzhen Municipal People's Government. He had successively worked as the branch manager of Guangzhou Branch of Shenzhen Development Bank, the chief economist of Shenzhen Investment Holding Corporation as well as the chief economist and deputy director of State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal. During the period from 2001 to 2012, Mr. Gao also worked concurrently as a director of Guosen Securities Co., Ltd., Guotai Junan Securities Co., Ltd. and the chairman of Shenzhen Tagen Group Co., Ltd. Mr. Gao was a director of Ultrarich International Limited. Mr. Gao has extensive experience in finance, investment, corporate management and administration.

Mr. Li Hai Tao

Chief Executive Officer

Mr. Li Hai Tao, aged 52, was appointed in June 2016 as an executive director and the Chief Executive Officer of the Company. Mr. Li is responsible for the overall daily operations of the Group and the implementation of the Group's development strategies and the resolutions of the general meetings and the board. Mr. Li studied at Peking University HSBC Business School and previously held positions in Government departments in relation to administration for industry and commerce, personnel and labor as well as public works. Mr. Li was a director of Ultrarich International Limited. Mr. Li has comprehensive and in-depth understanding of Chinese social governance and practices in governmental operations after having served government departments at township, county, district and municipal levels and undertaken leadership positions with various specialised authorities over a span of more than 30 years. Mr. Li has hands-on knowledge in economic management, land development, construction works, industrial and commercial administration, foreign trade and personnel management, as well as extensive exposures to various social sectors and experiences in economic management.

Mr. Zhong Shan Qun

Member of the Nomination Committee

Mr. Zhong Shan Qun, aged 54, is a senior engineer. He was appointed in January 2015 as an Executive Director of the Company. He is also a member of the Nomination Committee of the Company. Mr. Zhong joined 新通產實業開發 (深圳) 有限公司 (Xin Tong Chan Development (Shenzhen) Co., Ltd.) (formerly 深圳市高速公路開發有限公司 (Shenzhen Freeway Development Company Limited) which became a subsidiary of the Group in October 2001) in January 1994. From June 2007 and until his appointment as an executive director of the Company, Mr. Zhong was the Vice President of the Company. Mr. Zhong is currently a director of certain subsidiaries of the Company. Mr. Zhong was a director and the chairman of the supervisory committee of Shenzhen Expressway Company Limited. Mr. Zhong holds a bachelor's degree in highway engineering and a bachelor's degree in communications and transportation management from Changsha Communications University, a master's degree in management science and engineering from Hunan University and also an executive master of business administration (EMBA) from Cheung Kong Graduate School of Business. Mr. Zhong has extensive experience in construction project management, logistic management and corporate management.

Mr. Liu Jun

Mr. Liu Jun, aged 55, was appointed as an Executive Director of the Company in May 2004. He was a vice president of the Company from April 2000 to May 2017. Mr. Liu is currently a director of Shenzhen Airlines Company Limited. Mr. Liu graduated from Nanjing University of Science and Technology with a bachelor's degree in computer software and a master's degree in management system engineering. Mr. Liu was a director of CSG Holding Co., Ltd., Shenzhen Expressway Company Limited and Ultrarich International Limited. Mr. Liu has over 20 years of experience in corporate development, financial management and foreign enterprise investment and management.

Mr. Hu Wei

Mr. Hu Wei, aged 56, was appointed in May 2017 as an Executive Director of the Company. He was a vice president of the Company from August 2011 to May 2017. Mr. Hu graduated from Changsha Railway University (now known as Central South University) with a bachelor's degree in foreign languages (English). He also obtained a master's degree in risk management from University of South Australia and a master's degree in business administration from Xiamen University and is a senior economist. Mr. Hu is currently an executive director and the chairman of the board of directors of Shenzhen Expressway Company Limited (a subsidiary of the Company) and a director of certain subsidiaries of the Company. Mr. Hu worked in a number of organisations including Changsha Railway University, Henan Provincial Commission for Foreign Economic Relations and Trade, Henan Hongkong (Holdings) Limited (the window corporate of Henan Province in Hong Kong) and China Everbright Bank. Mr. Hu has extensive experience in corporate management including investment, financing, capital operations, auditing and risk management.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Non-Executive Directors

Mr. Xie Chu Dao

Mr. Xie Chu Dao, aged 48, was appointed in May 2017 as a Non-Executive Director of the Company. He graduated from Jinan University in Guangzhou majoring in Accounting. He is an accountant and certified tax advisor. He has substantial experience in financial accounting, taxation and corporate management. Mr. Xie was a director of Gansu Languang Science and Technology Co., Ltd. (甘肅蘭光科技股份有限公司) (now known as Yinyi Real Estate Co., Ltd. 銀億房地產股份有限公司). Mr. Xie has successively served as a manager, deputy general manager in finance department and group senior vice president of Horoy Holdings Limited since September 1999. Mr. Xie has concurrently served as a deputy general manager of Horoy Enterprise Holdings Limited and Horoy International Holdings Limited since 2006. Mr. Xie has extensive experience in financial management.

Mr. Liu Xiao Dong

Mr. Liu Xiao Dong, aged 47, was appointed in August 2017 as a Non-Executive Director of the Company. Mr. Liu graduated from Wuhan University with a bachelor degree in economics, majoring in international finance. He holds a degree of Executive Master of Business Administration from Sir John Cass Business School, The City University London (now known as City, University of London) and is an economist and certified internal auditor. Mr. Liu had worked with Bank of China (Shenzhen Branch) as deputy director of audit department, deputy general manager of personal banking department and deputy general manager of private banking department. Mr. Liu had also worked with Bank of China Insurance Company Limited as general manager of its Shenzhen Branch and its Hangzhou audit centre. Mr. Liu is currently a director of Shenzhen Investment Holdings Company Limited (the controlling shareholder of the Company) and a director of Shenzhen Gas Corporation Ltd. Mr. Liu has extensive experience in financial industry as well as risk management and internal audit.

Independent Non-Executive Directors

Mr. Ding Xun

Chairman of the Nomination Committee and Remuneration and Appraisal Committee, Member of the Audit Committee

Mr. Ding Xun, aged 59, was appointed in October 2001 as an Independent Non-Executive Director of the Company. He is also the Chairman of the Remuneration and Appraisal Committee and Nomination Committee, and a member of the Audit Committee of the Company. Mr. Ding graduated from Maritime Transportation University of Shanghai. He had worked in the Ministry of Communications of the PRC and Guangdong Enterprises (Holdings) Limited. He was also a director of Guangdong Investment Limited, the vice-chairman of Guangdong Brewery Holdings Limited and an independent non-executive director of Dragonite International Limited (formerly known as Ruyan Group (Holdings) Limited). Mr. Ding has extensive experience in corporate development and management.

Mr. Nip Yun Wing

Chairman of the Audit Committee and Member of the Nomination Committee

Mr. Nip Yun Wing, aged 65, was appointed in August 2004 as an Independent Non-Executive Director of the Company. He was appointed on 22 August 2018 as the Chairman of the Audit Committee and a member of the Nomination Committee of the Company. Mr. Nip was appointed on 17 August 2009 as an executive director and the chief financial officer of China Overseas Land & Investment Limited and retired on 3 April 2018. He is a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Nip graduated from the Department of Accountancy of The Hong Kong Polytechnic (now renamed as The Hong Kong Polytechnic University) and holds a Master of Business Administration degree from The Chinese University of Hong Kong. He has extensive experience in corporate finance, investment and management and had served as an executive director for several listed companies in Hong Kong.

Dr. Yim Fung, JP

Member of the Remuneration and Appraisal Committee

Dr. Yim Fung, JP, aged 55, was a non-executive director of the Company from May 2014 and has been re-designated as an independent non-executive director of the Company since 17 May 2017. He is also a member of the Remuneration and Appraisal Committee of the Company. Dr. Yim holds a doctorate in Economics from the Graduate School of the Chinese Academy of Social Sciences (中國社會科學院研究生院) and a bachelor degree in Environmental Engineering from the Tsinghua University (清華大學), and is a senior economist. Dr. Yim is currently the chairman and an executive director and the chief executive officer of Guotai Junan International Holdings Limited, and an independent non-executive director of Beijing Urban Construction Design & Development Group Co., Limited. Dr. Yim has over 27 years of experience in the securities industry.

Professor Cheng Tai Chiu, Edwin

Member of the Audit Committee

Professor Cheng Tai Chiu, Edwin, aged 61, was appointed in August 2018 as an Independent Non-Executive Director of the Company. He is also a member of the Audit Committee of the Company. He obtained his Doctor of Philosophy degree and Doctor of Science degree from the University of Cambridge and is Dean of the Faculty of Business, Fung Yiu King – Wing Hang Bank Professor in Business Administration, and Chair Professor of Management of The Hong Kong Polytechnic University. Professor Cheng has previously taught in Canada, England, and Singapore. Professor Cheng's main areas of research and teaching include supply chain management, e-commerce, management information systems and operations management.

Senior Management

Mr. Ji Zhi Long
Chief Compliance Officer

Mr. Ji Zhi Long, aged 56, joined the Group in December 2017 and he currently serves as Chief Compliance Officer of the Company. Mr. Ji graduated from South China Agricultural College (now known as South China Agricultural University) with a bachelor's degree. He is a senior political advisor, deputy editor, senior corporate culture consultant and senior corporate EAP consultant. Mr. Ji had successively undertaken key leadership positions of Shiyan, Dapeng and Pinghu, Shenzhen, a chief editor of Haitian Publishing House, Shenzhen, an executive director and deputy general manager of Shenzhen Bus Group Co., Ltd. Mr. Ji is well versed in both government operation and corporate management.

Mr. Zhao Jun Rong
Vice President

Mr. Zhao Jun Rong, aged 54, joined the Group as legal consultant, assistant to the Chief Executive Officer and manager of the Strategic Development Department in October 2001 and was appointed as a Vice President of the Company in June 2007. Mr. Zhao graduated from Xiamen University with a master's degree in international economic law and was a lawyer. Mr. Zhao worked successively at China Ping An Insurance Co. and Shenzhen Investment Holding Corporation. Mr. Zhao has extensive experience in corporate management and the legal profession. Mr. Zhao was a non-executive director of Shenzhen Expressway Company Limited.

Ms. Lin Na
Vice President

Ms. Lin Na, aged 52, was appointed as a Vice President of the Company in February 2017. Ms. Lin graduated from College of Economics Jinan University majoring in International Economics and is a senior economist. Prior to joining the Company, Ms. Lin had successively worked as the vice general manager and general manager of various business units of the headquarter and president of Offshore Banking Department for Ping An Bank Co., Ltd. (formerly Shenzhen Development Bank Co., Ltd.). Ms. Lin is currently the vice chairman of Shenzhen Airlines Company Limited. Ms. Lin has extensive experience in the finance industry and corporate management.

Mr. Ge Fei
Vice President

Mr. Ge Fei, aged 50, was appointed as a Vice President of the Company in May 2017. He graduated from the Department of Civil Engineering of Northern Jiaotong University (now known as Beijing Jiaotong University) with a bachelor's degree in railway engineering. Mr. Ge joined 新通產實業開發 (深圳) 有限公司 (Xing Tong Chan Development (Shenzhen) Co., Ltd.) (formerly 深圳市高速公路開發有限公司 (Shenzhen Freeway Development Company Limited) which became a subsidiary of the Company in October 2001) in January 1994. He joined Shenzhen Expressway Company Limited in October 1998 and had worked successively as deputy general manager and general manager of various expressway projects of and the engineering controller and a vice president of Shenzhen Expressway Company Limited. He was the chairman of Shenzhen International Logistics Development Co., Ltd., a subsidiary of the Company. Mr. Ge has extensive experience in construction project management, land development, logistic management, corporate management and investment.

Mr. Yi Ai Guo
Vice President

Mr. Yi Ai Guo, aged 55, was appointed as a Vice President of the Company in May 2017. He graduated from Southwest Jiaotong University with a postgraduate and a master's degree in railway transportation management. He is also an economist. After graduation, Mr. Yi worked in Guangzhou Railway (Group) Corporation for 11 years and joined Shenzhen Expressway Company Limited in October 1998. He had worked as the general manager of Operations Management Department and was a supervisor of Shenzhen Expressway Company Limited. Mr. Yi had successively worked as a director, the general manager and the chairman of Nanjing Xiba Wharf Co. Ltd., a subsidiary of the Company. Mr. Yi has extensive experience in logistic management, construction project management and integrated corporate management of various modes of transportation including railways, highways and water transport.

Mr. Tse Yat Hong
CFO

Mr. Tse Yat Hong, aged 49, joined the Group in June 2000 and he currently serves as CFO of the Company. Mr. Tse graduated from Monash University in Australia with a bachelor's degree in accounting and computer science. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and a FCPA of CPA Australia. Mr. Tse is currently an independent non-executive director of China Huirong Financial Holdings Limited and Sky Light Holdings Limited. Mr. Tse was a non-executive director of Shenzhen Expressway Company Limited. Prior to joining the Company, Mr. Tse worked in the audit profession in one of the international accounting firms for years. Mr. Tse has extensive experience in accounting, finance and corporate governance matters of listed companies and has broad knowledge in accounting and financial rules and regulations in Hong Kong and China.

Dr. Dai Jing Ming
Financial Controller

Dr. Dai Jing Ming, aged 54, joined the Group as Financial Controller in August 2017. Dr. Dai graduated from the Faculty of Agricultural Mechanical Engineering of China Huazhong Agricultural University with a bachelor of engineering degree in 1986 and from The Zhongnan University of Economics and Law with a master degree in economics in 1992. He also obtained his Ph.D. degree in economics from The China Ministry of Finance Institute of Fiscal Science in 1998. He is currently an accountant. Prior to joining the Group, he held a position as a general manager of planning and finance department of Shenzhen Investment Limited and Shum Yip Group Ltd. Prior to this, he worked in Hubei Province Agricultural Engineering Head Limited and Wuhan City Branch of the Agricultural Bank of China. Dr. Dai has extensive knowledge and experience in corporate finance, investment and financing management.

REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2018 (the "Year").

Principal Activities and Business Review

The Group is principally engaged in logistic and toll road business. The Group carried out the investment, construction and operation of logistic infrastructure facilities through expansion, mergers and acquisitions, restructuring and consolidation, and provided various value-added logistic services to customers. The Group has established a "2+X" industrial structure with modern logistic and toll road business as its core. Meanwhile, the Group expanded the scope of business to a number of segment markets including comprehensive development of lands related to logistics industry, and investment in and operation of environmental protection industry. Particulars of the principal activities of the Company's principal subsidiaries are set out in note 41 to the consolidated financial statements.

Particulars of a discussion and analysis on the activities specified in Schedule 5 to the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong), including a fair review of the Group's business, a discussion on the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, are set out in this report with the rest setting out in the sections headed "CHAIRMAN'S STATEMENT", "MANAGEMENT DISCUSSION AND ANALYSIS" and "CORPORATE GOVERNANCE REPORT" in this annual report. The above sections form an integral part of this annual report.

Results of the Group

The Group's results for the year ended 31 December 2018 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 80 to 184.

Dividend Policy

As approved by the Board, the Company has adopted a Dividend Policy to regulate returns to shareholders. This policy is based on the general principle of sharing the Group's profits with its shareholders and for the benefit of sustainable development of the Company. The profit distribution ratio based on contributions from the Group's core business is normally not less than 30% per year. For any one-off gain, the profit distribution ratio shall be determined according to the Company's operating performance, cash flow and market value, etc. In the absence of any special circumstances, the Company's annual dividend should be stable and consistent with previous years.

The Board approves annual and interim dividends, and in the case of annual dividends, shareholders' approval is also required. Dividends may be paid in cash or in scrip in accordance with applicable laws, regulations and bye-laws of the Company (the "Bye-Laws").

Dividends

The Board recommended a final dividend of HK$0.36 per share for the Year and a special dividend of HK$0.70 per share. The total dividend for the Year was HK$1.06 per share (2017: final dividend of HK$0.44 per share; special dividend: HK$0.56), which amounted to approximately HK$2,247 million (2017: HK$2,029 million) in aggregate.

The Board recommended that the final dividend and special dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend and special dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Dividend Scheme"). The Scrip Dividend Scheme is subject to: (1) the approval of the proposed final dividend and special dividend at the forthcoming annual general meeting; and (2) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the scrip shares to be issued pursuant thereto. Details of the Scrip Dividend Scheme and the election form will be sent to shareholders of the Company on or about 27 May 2019. It is expected that the dividend warrants and certificates for scrip shares allotted under the Scrip Dividend Scheme will be dispatched to shareholders on or about 24 June 2019.

Summary Financial Information

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

Shares and Share Options

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

Pre-Emptive Rights

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

Purchase, Redemption or Sale of Listed Securities of the Company

During the Year, the Company repurchased 492,500 shares of the Company on the Stock Exchange. The highest and lowest price paid for all such purchases was HK$15.28 and HK$14.94 respectively. The aggregate amount (excluding related expenses) paid for such repurchased shares was approximately HK$7,432,500 which was deducted from shareholders' equity. Such shares repurchased have been fully cancelled as at 31 December 2018. The repurchases effected by the Board are aimed at enhancing earnings per share of the Company which are in the interests of shareholders as a whole.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

Distributable Reserves

As at 31 December 2018, the Company's reserves available for distribution to shareholders, comprising contributed surplus, retained earnings and other distributable reserves, amounted to approximately HK$2,623,564,000 (2017: HK$2,213,377,000). The share premium of the Company may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

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

Relationship with Customers and Suppliers

The Group always strives to improve our customer service capability and standard. Taking into account its business features and market development trend, every member or business unit within our Group identifies its respective customers positioning and service strategies for building up its customer management mechanism. We gain an accurate and timely understanding of customers' latest condition and their demands through information management, forums, personal visits and various other ways, in order to improve and upgrade our service quality, enhance customer service awareness and capability of our staff, improve business synergy and connection, and strengthen the enterprise core competitiveness.

The Group is committed to build a community of interest with our suppliers. We have established strategic co-operative relationships with many quality partners that is harmonious, mutually trusting and beneficial. Objective supplier management and evaluation mechanisms have also been set up to safeguard the Group's business as well as to promote development of both the suppliers and the Company. At the same time, in respect of operating our logistic parks, ports, logistic services, toll roads, and our other business, we strictly adhere to adopting a fair, impartial and transparent tender method for procurement, selecting the best options and performing contracts conscientiously in accordance with applicable laws to meet the working targets.

Directors

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

Executive Directors:

Mr. Gao Lei *(Chairman)*
Mr. Li Hai Tao
Mr. Zhong Shan Qun
Mr. Liu Jun
Mr. Hu Wei

Non-Executive Directors:

Mr. Xie Chu Dao
Mr. Liu Xiao Dong

Independent Non-Executive Directors:

Mr. Ding Xun
Mr. Nip Yun Wing
Dr. Yim Fung
Professor Cheng Tai Chiu, Edwin (appointed on 22 August 2018)
Mr. Leung Ming Yuen, Simon (resigned on 22 August 2018)

In accordance with Bye-Law 100 of the Company's Bye-Laws (supplemented by Bye-Law 189(v) of the Bye-Laws), Professor Cheng Tai Chiu, Edwin will retire at the forthcoming annual general meeting and, being eligible, will offer himself for re-election as a Director.

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

Directors' Interests in Transactions, Arrangements and Contracts

None of the Directors or their respective connected entity (as defined in section 486 of the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong)) had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries, the holding company of the Company or any of its subsidiaries was a party subsisting during or at the end of the Year.

Directors' Interests in Securities

The interests in securities of the Directors are separately disclosed in the section headed "DISCLOSURE OF INTERESTS" on pages 73 to 74 of this annual report. In addition, the interests of the Directors in the share options of the Company are disclosed in the section headed "SHARE OPTION SCHEME" below.

Save as disclosed in the sub-section headed "DIRECTORS' INTERESTS IN SECURITIES" under the section headed "DISCLOSURE OF INTERESTS" on pages 73 to 74 of this annual report and the section headed "SHARE OPTION SCHEME" as set out below, at no time during the year ended 31 December 2018 was the Company, any of its subsidiaries, the holding company of the Company or any of its subsidiaries a party to any arrangement to enable the Directors, chief executives, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Share Option Scheme

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

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

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

				Number of unlisted share options (physically settled equity derivatives)						*Share price of the Company (Note 7)*	
Name and category of participants	*Date of grant of share options*	*Exercise period of share options*	*Exercise price of share options (Note 6) HK$*	*As at 1 January 2018*	*Granted during the Year*	*Adjusted during the Year (Note 6)*	*Exercised during the Year*	*Cancelled/ lapsed during the Year*	*As at 31 December 2018*	*As at the date of grant of share option HK$*	*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	499,500	–	256,371	9.70	14.81
	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	421,000	–	11,372	11.66	15.50
	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	452,500	–	179,112	9.70	14.70
	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	751,500	–	173,954	9.70	14.61
	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	468,500	–	278	9.70	14.18
	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	2,593,000	–	6,275,151		
Other employees											
In aggregate	29 January 2014 *(Notes 2, 3)*	29 January 2016 to 28 January 2019	8.408	14,673,036	–	632,535	11,529,497	493,718	3,282,356	9.70	15.62
	22 June 2016 *(Notes 2, 5)*	22 June 2016 to 28 January 2019	10.553	6,165,355	–	214,762	4,475,907	77,875	1,826,335	11.66	15.87
	26 May 2017 *(Notes 4, 5)*	26 May 2019 to 25 May 2022	11.904	29,440,000	–	1,789,952	–	604,656	30,625,296	12.56	N/A
				50,278,391	–	2,637,249	16,005,404	1,176,249	35,733,987		
				58,655,223	–	3,128,568	18,598,404	1,176,249	42,009,138		

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 the 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 was subject to adjustment in the event of rights or bonus issues or other similar changes in the Company's share capital. In view of the distribution of the final dividend and 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 Year. 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.

The total number of shares of the Company available for issue under the New Scheme mandate limit is 165,905,769 shares which represent approximately 8% of the issued shares of the Company as at the date of this annual report. During the Year, the Company did not grant any option pursuant to the New Scheme.

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

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

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

Substantial Shareholders' Interests in Securities

The interests in shares of the Company held by substantial shareholders of the Company are separately disclosed in the section headed "DISCLOSURE OF INTERESTS" on pages 73 to 74 of this annual report.

Permitted Indemnity Provisions

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

Issuance of the Panda Bonds and Senior Notes

During the Year, the Company issued the first tranche of panda bonds of RMB300 million with a five-year maturity in January ("the first tranche of Panda Bonds"), HK$780 million of senior notes with a five-year maturity in March ("Senior Notes"), and the second tranche of panda bonds of RMB4,700 million with a five-year maturity in November ("the second tranche of Panda Bonds"). The first and the second tranche of Panda Bonds are listed on the Shenzhen Stock Exchange.

The first tranche of Panda Bonds carries a coupon rate of 5.2% per annum, and the net proceeds from the issuance are approximately RMB300 million, which are used to supplement the capital of the logistic park development and business operation. The Senior Notes carry a coupon rate of 3.75% per annum, and the net proceeds from the issuance are approximately HK$774,883,200, which are used to invest in integrated logistics hubs, the repayment of certain existing debt obligations and general working capital purposes. The second tranche of Panda Bonds carries a coupon rate of 4.15% per annum, and the net proceeds from the issuance are approximately RMB4,700 million, which are used to supplement the Group's working capital.

Related Party Transactions And Connected Transactions

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

On 11 December 2017, Shenzhen Expressway Company Limited ("Shenzhen Expressway"), a subsidiary in which the Company held approximately 52% equity interest, entered into an acquisition agreement (the "Acquisition Agreement") with Shenzhen Investment Holdings Company Limited, the controlling shareholder of the Company ("SIHCL"), and its then wholly-owned subsidiary, Shenzhen Guangshen Coastal Expressway Investment Company Limited ("Coastal Company"), pursuant to which Shenzhen Expressway acquired 100% equity interest in Coastal Company at a consideration of RMB1,472 million.

As at the date of signing of the Acquisition Agreement, both SIHCL and Coastal Company were connected persons of the Company and Shenzhen Expressway. Accordingly, the transaction under the Acquisition Agreement constituted a connected transaction of the Group under Chapter 14A of the Listing Rules. For further information on the transaction, please refer to the joint announcement of the Company and Shenzhen Expressway dated 11 December 2017, the circular of the Company dated 19 January 2018 and the announcement of the Company dated 5 February 2018. The above transaction has been completed during the Year.

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

Compliance with Laws and Regulations

The Group regularly monitors and gathers information on amendments in laws, regulations and rules relevant to the Group's business, strengthens the legal training of its staff, continues to reinforce the mechanisms for the prevention of legal risks and promotes an in-depth integration of legal management and operation management to ensure the Group's adherence of those applicable laws, rules and regulations and in particular those which may have a material impact on the Group and to timely prevent and control legal risks.

The Group commences various business projects in strict accordance with laws and regulations. The Group's logistic business and toll road business are conducted in compliance with regulations including Land Administration Law (《土地管理法》), Urban and Rural Planning Law (《城鄉規劃法》), Urban Real Estate Administration Law (《城市房地產管理法》)and Regulations on Administration of Toll Roads (《收費公路管理條例》). The Group's logistic financing business also obtained the licence from the government and its daily operation also strictly complies with Company Law, Contract Law, Administrative Measures for the Supervision of Financial Leasing Enterprises (《融資租賃企業監督管理辦法》), Interim Measures for the Supervision and Administration of Privately Offered Investment Funds (《私募投資基金監督管理暫行辦法》) and other relevant state laws and regulations.

Post Balance Sheet Events

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

Donations

During the Year, the Group made charitable and other donations amounted to approximately HK$474,000.

Environmental Protection

The Group has always put a great emphasis on environmental protection and actively carried out construction of ecological civilization. The Group as a whole has established the concept of ecological civilization promoting the respect of the nature, conforming to nature and protecting the nature and continuously enhancing awareness of construction of enterprise ecological civilization. Combining the Group's business structure and by means of planning and construction innovation, operation management innovation as well as technological innovation, the Company has commenced concrete tasks such as green construction, sponge city, prefabricated construction, recycling construction wastes, multimodal transport and green supply chain management, striving to build "Green Parks, Green Logistics and Green Expressways".

Sufficiency of Public Float

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

Corporate Governance

Principal corporate governance practices as adopted by the Company are set out in the "CORPORATE GOVERNANCE REPORT" on pages 55 to 72 of this annual report.

Auditor

There have been no changes of the auditors of the Company during the past three years. KPMG will retire and a resolution for their re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Gao Lei
Chairman

Hong Kong, 25 March 2019

CORPORATE GOVERNANCE REPORT

The Company believes that sound corporate governance goes beyond merely meeting the basic requirements of the regulatory authorities for listed companies' operation. More importantly, sound corporate governance can fulfill the Company's internal development needs. Several governance guidelines and procedures have been established by the Company over the years, including "Constitution of the Board of Directors", "Terms of reference of Executive Board Committee" and "Rules Governing Information Disclosure", with an aim to define the duties, scope of authority and standards of conduct clearly, thereby enhancing corporate governance standards, which are to be continuously reviewed and improved through implementation. Moreover, various polices including the "Asset Valuation Guidelines", "Strategic Management Rules" and "Guidelines on Opening and Closing Bank Accounts" , and " White Paper on the Group's Management Control Guideline" were formulated and perfected during the Year, which further improved the corporate governance structure of the Company for regulatory requirements. The Group will continue to review the governance practices to ensure its implementation and make continuous improvement in accordance with the latest regulatory requirements.

For the year ended 31 December 2018 (the "Year"), the Company has complied with the code provisions set out in "Corporate Governance Code and Corporate Governance Report", Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company has always aimed to enhance its corporate governance practices, thereby promoting the Company's sustainable development and enhancing value for the shareholders of the Company (the "Shareholders"). A summary of the corporate governance practices adopted by the Group are set out as below:

The Board

Composition of the Board

As of the date of this report, the board of directors of the Company (the "Board") consists of eleven directors, including five executive directors: Messrs. Gao Lei, Li Hai Tao, Zhong Shan Qun, Liu Jun and Hu Wei; two non-executive directors: Messrs. Xie Chu Dao and Liu Xiao Dong; and four independent non-executive directors: Messrs. Ding Xun, Nip Yun Wing, Dr. Yim Fung and Professor Cheng Tai Chiu, Edwin. The independent non-executive directors represented at least one-third of the Board throughout the Year as required under the Listing Rules.

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

Biographical details of the directors of the Company are set out in the section headed "Biographies of Directors and Senior Management" on pages 42 to 47 of this annual report.

The Chairman and the Chief Executive Officer

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

Independent non-executive directors

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

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

Change in Board member during the Year

Changes of Board members during the Year are as follows:

- Mr. Leung Ming Yuen, Simon resigned as an independent non-executive director on 22 August 2018; and
- Professor Cheng Tai Chiu, Edwin was appointed as an independent non-executive director on 22 August 2018.

Appointment of directors

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

The Company's bye-laws have specified that all new directors of the Company appointed during the year to fill a casual vacancy or as an addition to the Board are subject to re-election by Shareholders at the first annual general meeting after appointments. Each director shall be subject to retirement by rotation at least once every three years pursuant to the Company's bye-laws. After the annual general meeting of the Company (the "AGM") held in 2018, Professor Cheng Tai Chiu, Edwin has been appointed as an independent non-executive director of the Company, and they will stand for election by the Shareholders at the AGM to be held on 17 May 2019.

The Board considers that its diversity is vital to the business development of the Company. The Board adopted a Board Diversity Policy in 2013 for better transparency and governance. Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

The Company adopts a formal and transparent procedure for the appointment of new directors. The proposed appointment will first be reviewed by the Nomination Committee, taking into account the composition of the Board. Upon recommendation of the Nomination Committee, the proposed appointment will then be reviewed and, if thought fit, approved by the Board after due deliberation. The Company has adopted the nomination policy which sets out the nomination procedures for suitable candidates of Directors, as well as the procedures and criteria as recommended. The Nomination Committee will take into account the candidate's reputation, expertise, corporate management and time available to the Board in assessing the suitability of candidates of Directors.

Role and responsibilities of the Board

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

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

Board Meetings and Procedures

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

In 2018, a total of six Board meetings were held. Notice of at least fourteen days were given for regular Board meetings and notice of at least seven days were given for non-regular meetings. To ensure all directors of the Company are given opportunities to make suggestions on agenda items to be discussed at the Board meetings, all draft agendas for regular Board meetings are provided to all directors for their comment prior to the meetings. The Chairman and non-executive directors (including the independent non- executive directors) meet at least once every year without the presence of executive directors and the management. Such meeting was held in November 2018.

The following major items were addressed at the Board meetings held in 2018:

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

(2) approving the 2018 interim results;

(3) reviewing the results and business operations of the first and third quarters of 2018;

(4) approving the disclosable transaction in relation to the signing of the construction agreement by the Group in relation to Phase Three of Meilin Checkpoint Urban Renewal Project;

(5) approving the appointment of Professor Cheng Tai Chiu, Edwin as an independent non-executive director of the Company and the entering into of a service contract with him;

(6) approving the changes in the members of the specialized committees under the Board; and

(7) approving the discloseable transaction in relation to the entering into of a capital increase agreement for the introduction of a strategic investor for Shenzhen International United Land Co., Ltd.

Training and Development of Directors

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

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

	Topics on training covered		
Directors	Corporate governance	Regulatory	Industry-specific
Mr. Gao Lei	√	√	√
Mr. Li Hai Tao	√	√	√
Mr. Zhong Shan Qun	√	√	√
Mr. Liu Jun	√	√	√
Mr. Hu Wei	√	√	√
Mr. Xie Chu Dao	√	√	√
Mr. Liu Xiao Dong	√	√	√
Mr. Ding Xun	√	√	√
Mr. Nip Yun Wing	√	√	√
Dr. Yim Fung	√	√	
Professor Cheng Tai Chiu, Edwin	√	√	√

In October 2018, the Company arranged non-executive directors to conduct site visits on projects of the Group, such as Shenzhen Expressway Interlaken Town, Duohua Bridge Project and Shenzhen International Guizhou Integrated Logistics Hub in Guizhou. Through site visits, the non-executive directors could have a deeper understanding of the Group's business model and operating conditions.

Specialized Committees of the Board

In order to assist the Board in discharging its duties in a more efficient manner, the Board has established three specialized committees, namely the Audit Committee, Nomination Committee and Remuneration and Appraisal Committee. Such Board committees have designated terms of reference and duties, shall review and monitor matters in such designated areas of the Company and make recommendations to the Board. Each Board committee has its terms of reference which have been approved by the Board.

The terms of reference of all specialized committees specify that upon reasonable requests, the Board committees may seek independent professional advice to properly discharge their responsibilities to the Company. The costs of which shall be borne by the Company.

A summary of the responsibilities of and the work performed by each Board committee during 2018 are set out below:

Audit Committee (established in 1995)

The Audit Committee consists of three independent non-executive directors, including Mr. Nip Yun Wing (Chairman), Mr. Ding Xun and Professor Cheng Tai Chiu, Edwin. Professor Cheng Tai Chiu, Edwin was appointed as a member of the Audit Committee on 22 August 2018, and Mr. Leung Ming Yuen, Simon resigned as a member of the Audit Committee on the same date.

Responsibilities and work performed in 2018

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

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

The Audit Committee held 3 meetings during 2018 and the following major issues were reviewed and discussed during the year:

- reviewing the annual results for 2017 and the interim results for 2018, and confirmed the related disclosures in the financial statements were complete, accurate and fair and recommended the same to the Board for approval;

- approving the auditor's fees for the audit of 2017 annual financial statements and fees for the review of 2018 interim financial statements;
- considering the recommendation on the re-appointment of the auditor for 2018;
- reviewing the adequacy of resources, qualifications and experience of staff of the Group's accounting, financial reporting and internal audit functions and their training programme and related budget;
- to review with the management and relevant departments on the effectiveness of the Group's risk management and internal control system of last year;
- reviewing the change of the members of the Audit Committee and proposing to the Board for approval; and
- considering the 2018 internal audit plan of the Group.

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

Nomination Committee (established in December 2003)

The Nomination Committee consists of two independent non-executive directors and one executive director of the Company, namely Mr. Ding Xun (Chairman), Mr. Zhong Shan Qun and Mr. Nip Yun Wing. Mr. Nip Yun Wing was appointed as a member of the Nomination Committee on 22 August 2018, and Mr. Leung Ming Yuen, Simon resigned as a member of the Nomination Committee on the same date.

Responsibilities and work performed in 2018

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

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

The Nomination Committee held 2 meetings during 2018, the following major issues were reviewed and discussed during the Year:

- evaluating and making recommendation to the Board on the appointment of Professor Cheng Tai Chiu, Edwin as an independent non-executive director of the Company;
- reviewing and confirming the independence of each of the independent non-executive directors;
- reviewing the structure, composition and diversity of the Board;
- 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 AGM; and
- reviewing the change of the members of the Nomination Committee and proposing to the Board for approval.

After the composition of the Board was reviewed by the Nomination Committee in August 2018, Professor Cheng Tai Chiu, Edwin was nominated to the Board and such nomination was based on a number of factors including gender, age, length of service, professional qualification and experience. The Nomination Committee will also assess the merits and contribution of any candidate nominated to be a director and against the objective criteria, with due regard for the benefits of diversity on the Board that would complement the existing Board.

Remuneration and Appraisal Committee (established in December 2003)

The Remuneration and Appraisal Committee consists of two independent non-executive directors and one executive director of the Company, namely Mr. Ding Xun (Chairman), Mr. Gao Lei and Dr. Yim Fung. Dr. Yim Fung was appointed as a member of the Remuneration and Appraisal Committee on 22 August 2018, and Mr. Leung Ming Yuen, Simon resigned as a member of the Remuneration and Appraisal Committee on the same date.

Responsibilities and work performed in 2018

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

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

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

The Remuneration and Appraisal Committee held 2 meetings during 2018, the following major issues were reviewed and discussed during the Year:

- evaluating the performance of executive directors and senior management;
- approving bonus payments for 2017 to the senior management;
- approving the renewal of the service contract with an executive director of the Company; and
- considering the change of the members of the Remuneration and Appraisal Committee and proposing to the Board for approval.

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

Remuneration band	Number of Individual
HK$0–HK$1,000,000	2
HK$1,000,001–HK$2,000,000	3
HK$2,000,001–HK$3,000,000	1
HK$4,000,001–HK$5,000,000	1

Details of the directors' fee and other emoluments of the directors of the Company are set out in note 31 to the financial statements.

The attendance records of the Board meetings, Specialized Committee meetings and general meetings of the Company held in 2018

Details of the directors' attendance at the Board meetings, Specialized Committee meetings and general meetings of the Company held in 2018 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	2018 AGM	Special General Meeting
Executive directors						
Mr. Gao Lei *(Chairman)*	6/6	N/A	N/A	2/2	1/1	1/1
Mr. Li Hai Tao	3/6	N/A	N/A	N/A	1/1	0/1
Mr. Zhong Shan Qun	5/6	N/A	2/2	N/A	1/1	1/1
Mr. Liu Jun	6/6	N/A	N/A	N/A	1/1	1/1
Mr. Hu Wei	5/6	N/A	N/A	N/A	1/1	1/1
Non-executive directors						
Mr. Xie Chu Dao	6/6	N/A	N/A	N/A	1/1	1/1
Mr. Liu Xiao Dong	6/6	N/A	N/A	N/A	1/1	1/1
Independent Non-executive directors						
Mr. Ding Xun	6/6	3/3	2/2	2/2	1/1	1/1
Mr. Nip Yun Wing(1)	6/6	3/3	N/A	N/A	1/1	1/1
Dr. Yim Fung(2)	4/6	N/A	N/A	N/A	1/1	1/1
Professor Cheng Tai Chiu, Edwin(3)	1/1	N/A	N/A	N/A	N/A	N/A
Mr. Leung Ming Yuen, Simon(4)	5/5	3/3	2/2	2/2	1/1	1/1

Notes:

(1) Mr. Nip Yun Wing was appointed as the chairman of the Audit Committee and member of a Nomination Committee on 22 August 2018.

(2) Dr. Yim Fung was appointed as a member of the Remuneration and Appraisal Committee on 22 August 2018

(3) Professor Cheng Tai Chiu, Edwin was appointed as an independent non-executive director and a member of the Audit Committee on 22 August 2018

(4) Mr. Leung Ming Yuen, Simon was resigned as an independent non-executive director, the chairman and a member of the Audit Committee, a member of the Nomination Committee and a member of the Remuneration and Appraisal Committee on 22 August 2018

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

Supply of and Access to Information

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

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

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

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

Securities Transactions by Directors

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

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

Insurance on Directors' and Officers' Liabilities

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

Division of Authority between the Board and the Management

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

Executive Board Committee

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

Responsibilities and works performed in 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

In 2018, the Executive Board Committee considered and discussed major matters including: the Company's 2017 annual results and dividend proposal, 2018 interim and quarterly results and business development, budgets for the year 2018, notifiable transactions, capital operation projects, policies adoption and amendments, as well as issuance of bonds proposal and plans for bank financing, the business development plans, capital expenditures and loans, and changes in the senior management of the Company's subsidiaries.

Financial Reporting

The directors of the Company acknowledge their responsibility for preparing financial statements that give a true and fair view of the financial position, results and cash flow of the Group. In preparing the financial statements for the year ended 31 December 2018, the Board has selected appropriate accounting policies and applied them consistently, made judgments and estimates that are prudent and reasonable and has prepared the financial statements on a going concern basis. For details of the basis of preparation of the financial statements, please refer to Note 2.1 to the consolidated financial statements in this report.

The Board and the Audit Committee conducted an annual review on the adequacy of financial reporting resources and ensured that the Group's accounting, internal audit and financial reporting functions had adequate resources, the staff of which had sufficient qualifications and experience, and their training programmes and related budget were also adequate.

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

Internal Control and Risk Management

The duties of the Board are to ensure that the Company establishes and maintains appropriate and effective risk management and internal control systems. The management is responsible for designing and implementing risk management and internal control systems. The relevant systems are designed to identify and manage the risks that may adversely affect achievement of the Group's business objectives, but they do not provide absolute assurance against material misstatement, errors, losses, fraud or non-compliance.

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

As a holding company, the Company has been implementing effective governance over its subsidiaries. The Company adopted the "Guidelines for Group Management" in 2012 and continued to improve the control models over its subsidiaries. In line with the expansion of the Group's business development and scale, in 2018, the Company introduced the documents of the optimization of the Group's management and control, which clarified that the core functions of our headquarter are "strategy setting, team focusing, mechanism building, decisions making, strict assessment, risk control and protection insurance" and clarified the core functions of the subsidiaries as "strategic execution and profit creation", and also set up eight committees to complete business segment integration, implement differentiated management and control, classify and prepare the white papers of management and control on our subsidiaries and improve corporate management.

According to the Group's development strategy, the Group focused on developing its logistic and toll road businesses. In 2012, the Group set the direction for the strategic development of "Integrated Logistics Hub", and commenced its implementation. With the construction of "Integrated Logistics Hub" projects and gradual development of the Group's new business and financial business, the Group conducted an audit regarding the entire construction process and implemented specialized risk prevention and control over the new business, newly-incorporated companies and financial sector business in 2017. In 2018, the Group put greater emphasis on financial business, standardized the operation and process in risk-concentrated areas, preventing operation and compliance risks.

Corporate Internal Risk Management and Control Model

In order to further strengthen its risk control and enhance its internal audit independence, in early 2017, the Group adjusted the functions of the risk management department by incorporating investment review and intermediary agency management functions into the risk management department. The risk management department is responsible for establishing and improving the Group's comprehensive risk management system and internal legal management system, assessing internal control operation, managing the commission of intermediary agencies, considering and reviewing the investment projects and merger and acquisition projects. Meanwhile, the Company separated the audit function and post-investment evaluation tracking of investment projects from the original risk management department. The audit department which is responsible for establishing and improving the Group's internal audit system, carried out various audit work for the Group and its subsidiaries independently, and followed up on the implementation of the audit rectification. In 2018, in order to optimize the Group's management and control, the Group established the Risk Control Committee to integrate, organize and coordinate the Group's risk prevention and control work, and provide the reference for management's decision on risk management and control.

Function Positioning of Headquarters of the Group

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

Management Control

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

Systems Build-up

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

Risk Management

The Company constantly improves its internal control and risk management system based on the control environment, financial control, operational control, compliance control, and risk management to set up a comprehensive risk management system with a focus on risk identification, risk assessment and risk prevention. The organisation structure of the Company's risk management comprises the Board, the Audit Committee, the management of the Company, risk control committee, risk management department, audit department and risk coordinators at other departments.

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

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

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

The Company has a whistle-blowing policy to allow the employees of the Group to raise concerns on a confidential basis about the possible misconduct in financial reporting, internal control or other matters.

In addition, in order to identify, process and issue inside information, the Group has also implemented procedures, including pre-approving the Group's security transactions to be conducted by the designated management members, informing the relevant directors and employees of the relevant conventional blackout period and security transaction restriction, identifying projects with code names for preventing the Group from possible mishandling inside information.

The Board has comprehensively reviewed the Group's internal control and risk management systems and their effectiveness for 2018 and found that the implementation thereof progressed well and that there were no significant control failures or weaknesses. The Board considers that the relevant systems are effective and sufficient to enable the Group to achieve its operation and governance objectives. The Board will continue to urge the management of the Company to enhance the internal control and risk management systems in order to ensure an effective operation of the systems.

Functions of Risk Management Department

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

- internal control and risk management
- investment projects review
- oversight of asset valuation
- management of intermediary agencies
- oversight of legal affairs

Staff of the risk management department shall participate in various training courses every year in accordance with the stated schedule and the Company's needs in order to enhance their theoretical and practical professional knowledge. Such training courses include internal control and risk prevention training, training on investment, professional training on legal matters, and equity management and asset evaluation training, etc.

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

Risk	Description	Responding measures
Policy risks	• The amendment to the "Regulations on Administration of Toll Roads" (《收費公路管理條例》) has not been finalised, the Group's toll revenue may be affected by such policy adjustment. • The real estate control policy emphasizes on "different policies for different cities, classified regulation and control". If the regulation is tightened during the project development process, sales may be lower than expected. • The national environmental protection standards are continuously heightened, and the fiscal and tax subsidies provided for some environmental protection segments may be gradually reduced, which will affect the operation and profitability of the company's environmental protection sector.	• Keep monitoring the status of the amendment to the "Regulations on Administration of Toll Roads" (《收費公路管理條例》). • Explore the channels and ways to achieve value realization and liquidation of land, finalise project planning, and ensure accurate market positioning and controllable income. • Keep abreast of the changes in the environmental protection industry policies, fully assess the impact of any policy changes and consider countermeasures
Risks relating to investment and mergers and acquisitions	• The environmental protection industry is well established with strong players already in the market. There is a gap between the Group and the outstanding competitors in terms of market development and professional staffing. • Loss and disputes may arise as a result of insufficient investment analysis and due diligence. • There may be integration conflicts of the corporate culture and risks of mismanagement after mergers and acquisitions.	• Establish and improve investment incentives and talent development plans, improve the enthusiasm and explore the potential of the key employees, and achieve the creation and sharing of the value between the employees and the enterprise. • Fully implement interest binding model between employee and the company's project to achieve risk sharing. • Steadily implement the integration of target companies, strengthen the management of major issues of invested companies and reduce operational risks.

Risk	Description	Responding measures
Trade receivables risks	• The upstream and downstream partners of the third-party logistics business are affected by the macro environment and policies, and the liquidity of funds is being gradually diminished.	• Increase the tracking of the financial strength of the partners, and control the trade receivables before, during and after the event to reduce the risk of bad debts.
Project construction risks	• There are many construction projects on the expressway. There are certain construction safety risks due to wide construction scope, complicated construction technology and construction environment, and traffic problems that are difficult to resolve. • The long settlement period of the comprehensive logistics port project increased the management difficulty, and may in turn lead to delay risks. • Whether the construction cost can be effectively controlled and meet the goals and requirements set by the Group will have a significant impact on the future production, operation and performance of the project.	• Strengthen the supervision over the safety management of construction units, ensure the qualifications of operators and the equipment are in good order, and carry out safety training and emergency drills for operators. • Continuously strengthening the control over all process in a project and improving the overall control of the project quality and progress. • Strictly control the cost of the project, and track and audit throughout the whole process of the project, including tendering, contract, design change, delivery acceptance, completion settlement, and acceptance of the construction project.
Land acquisition risks	• The decreasing supply of logistics and warehousing projects, and the increasing government thresholds on investment intensity and taxation, increased the difficulty of the land acquisition. • The national land transfer must follow the procedures of listing and bidding. The land transfer price may exceed the company's budget in the case of third-party bidding for land.	• Continue strengthening research on markets and key development areas, and formulate countermeasures in advance. • Increase the sensitivity on market investment opportunities and formulate effective investment strategies.
Cash flows risks	• As substantial amount of capital are required for investment projects, and contribution from the projects at the initial construction period and the preliminary stage of its operation period are limited, the Group may face investment and financing risks.	• Formulate well-devised plans for raising capital and financing. • Gain a better understanding of the financial market and credit policy, and conduct research on new financial products and methods

Risk	Description	Responding measures
Legal and compliance risks	• Incorporating reasonable terms in contracts. • Disputes may arise during the operation of the investment projects.	• Establish ties with law firms and legal advisors and build an in-house legal team. • Improve mechanism to minimize legal risks and to ensure the Company's business are operated in compliance with legal and regulatory requirements.
Management control and Business Synergy risks	• Whether the reform results of the management and control model are in line with expectations, whether the business between light and heavy assets can be integrated, whether the business synergy is effective, and whether our internal management capabilities such as the information system, organizational structure and human resources comply with the new management requirements can have a significant impact on the Group's successful strategic planning.	• Gradually implement the reform of the management and control model, and build an organizational structure and management and control mechanism to support the transformation of business. • Gradually improve our information systems that caters to the management needs according to the actual development of the business, and establish a long-term incentive plan and staff training plan.
Exchange rate risks	• The decreasing RMB exchange rate will result in increasing financing costs of the Company.	• Establish a prediction and warning system for RMB exchange rate, increase monitoring, and conduct forward-looking research on RMB exchange rate fluctuations, to avoid risks arising from exchange rate fluctuations as soon as possible. • Maintain a balanced currency-debt structure and adjust the balance of foreign currency loans according to exchange rate fluctuations in a timely manner to reduce the impact of any such fluctuations.
Risks relating to financial services and business	• Failure to strictly abide by national and government laws, regulations as well as the regulatory requirements, and failure to implement risk management responsibilities for each aspect of the business may cause great operational risks. • The business development method and business model has deviated from its plan.	• Continue to pay attention to macro environmental changes, research the industrial environment, improve staff's training on risk awareness and professional ethics, and improve vocational skills. • Strengthen innovative research on financial products, and conduct business with customers who the company has worked with and those with good credit. • Strictly implement the risk prevention and control guidelines for companies in the finance sector to prevent risks relating to operation and compliance.

External Auditor

During the Year, the fees payable by the Group to the Company's auditor KPMG for audit services and non-audit services were approximately HK$3,676,000 and HK$1,392,000 respectively. The non-audit services include professional services such as professional tax advisory, review of interim results and due diligence work for the issuance of corporate bonds.

The Audit Committee has reviewed the audit fees, procedures and effectiveness, independence and objectivity of KPMG, and recommended the Board to re-appoint KPMG to be the Company's auditor for the year of 2019 at the forthcoming AGM.

Company Secretary

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

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

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

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

General Meetings

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

The chairman of the Board and the chairmen of the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee attended the AGM of the Company held in 2018 to answer questions raised by the Shareholders.

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

Date 2018	Matters resolved at the general meetings
5 February (special general meeting)	• the acquisition agreement entered into by the Group for the acquisition of Shenzhen Guangshen Coastal Expressway Investment Company Limited(廣深沿江高速公路投資有限公司).
16 May (AGM)	• the audited financial statements and the reports of the directors and of the auditors for the year ended 31 December 2017; • payment of the final dividend and special dividend for the year ended 31 December 2017; • re-election of the retiring directors and authorisation of the Board to fix the directors' remuneration; • re-appointment of KPMG as auditor of the Company and authorisation of the Board to determine their remuneration; • granting of a repurchase mandate to the Board to repurchase shares in the Company; • granting of a general mandate to the Board to allot, issue and otherwise deal with the shares in the Company; and • extending the general mandate granted to the Board to allot, issue and otherwise deal with the shares.

Voting by poll on shareholders' resolutions

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

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

Shareholders' Rights

Convening of special general meeting on requisition of shareholders

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

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

Procedures for putting forward proposals at general meetings

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

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

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

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

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

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

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

Information Disclosure

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

Investor Relations

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

The Group is active in building an effective communication platform with the capital market through various channels such as meetings with institutional investors, roadshows and investor conferences. The Group places great emphasis on the investment community and strives to obtain the research reports of the securities dealers of report the business conditions of the Group. Up to 2018, the Group had 35 highly reputable local and international securities dealers have issued investment research reports on the Group. During the Year, the Group has communicated regularly with investors and analysts through on-site visits, one-on-one meetings or teleconferences, with a total of over 400 batches of domestic and overseas attendances. Through these interactive communication channels, investors' understanding of the Group's business conditions and long-term development strategies is enhanced.

Following the launching of southbound Stock Connect in recent years, the flow of domestic investment funds into Hong Kong stocks market thereby has increased. The Group was also included in the list of the Shanghai Connect and Shenzhen Connect in 2014 and 2016 respectively.In 2018, the Group's market value exceeded HK$36 billion for the first time and the overall stock price was better than Hang Seng and other related indices. It was also included in the MSCI China Index, Hang Seng Stock Connect Greater Bay Area Composite Index and Hang Seng High Dividend Yield Index respectively. In addition, the Group was also awarded the "Shenzhen-Hong Kong Stock Connect Best Investment Value Award" and the "Shanghai-Hong Kong Stock Connect Best Investment Value Award" in 2018. Targeting on local investors, the Company continued to expand its promotional activities for China's capital market in 2018, which included the first domestic roadshow on the annual results, the participation in 6 investor conferences organized in China, and the successful obtaining of initial coverage investment research reports from 2 domestic and foreign securities dealers. This further strengthened the bilateral communication between the Company and local institutional investors and local securities dealers, and also enhanced the popularity of the Company in the local capital market.

The Group has placed great emphasis on the communication with the capital market, the management has also actively participated in the Group's investor promotional activities, including investor presentation of results, overseas roadshows, conferences or seminars in the capital market etc. Details on all promotional activities for the Year are as follows:

2018	Major events
January	• Held the "2018 Shenzhen International-Shenzhen Expressway Special Reverse Roadshows"
March	• Presented the Company's 2017 annual results to investors
	• Held the Analysts Meeting for the Company's 2017 annual results
	• Conducted roadshows in Hong Kong on the Company's annual results
April	• Conducted roadshows in Beijing and Shanghai on the Company's 2017 annual results
	• Participated in Guotai Junan's "Guotai Junan Shenzhen Conference" held in Shenzhen
May	• Included in the Hang Seng Stock Connect Greater Bay Area Composite Index
	• Participated in CITIC Securities'"2018 Capital Market Forum" held in Hangzhou
	• Participated in Guotai Junan's "2018 New Economy Summit Forum" held in Shenzhen
	• Participated in Morgan Stanley's "The Fourth Annual China Summit" held in Beijing
	• The Group was included in the MSCI China Index
June	• Conducted roadshows in Singapore and Australia on the Company's 2017 annual results
	• The Group was included in the Hang Seng High Dividend Yield Index
August	• Presented the Company's 2018 interim results to investors
	• Held the Analysts Meeting for the Company's 2018 interim results
	• Conducted roadshows in Hong Kong on the Company's 2018 interim results
September	• Conducted roadshows in Japan and the United States on the Company's 2018 interim results
	• The Group accepted an exclusive interview with HK Cable TV
November	• The Group conducted roadshows in London and Dublin
	• Participated in CITIC Securities' "2019 Capital Market Annual Conference" held in Shenzhen
	• Participated in Huatai Securities' "2018 Annual Strategic Conference" held in Shenzhen
December	• Held the "2018 Second-half Shenzhen International-Shenzhen Expressway Special Reverse Roadshows"

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

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

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

DISCLOSURE OF INTERESTS

Directors' Interests in Securities

As at 31 December 2018, the interests and short positions of the directors (the "Directors") and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of The Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in The Rules Governing the Listing of Securities on the Stock Exchange are set out as follows and in the section headed "SHARE OPTION SCHEME" in the Report of the Directors on pages 48 to 54 of this annual report:

Long positions in ordinary shares of the Company

Name of Directors	Number of ordinary shares held	Capacity	Nature of interest	Approximate % of issued shares of the Company
Gao Lei	693,531	beneficial owner	personal	0.033%
Li Hai Tao	23,345	beneficial owner	personal	0.001%
Zhong Shan Qun	392,000	beneficial owner	personal	0.018%
Liu Jun	1,260,000	beneficial owner	personal	0.059%
Hu Wei	120,716	beneficial owner	personal	0.006%

Save as disclosed above and in the section headed "SHARE OPTION SCHEME" in the Report of the Directors on pages 48 to 54 of this annual report, as at 31 December 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.

Arrangement to Acquire Shares or Debentures

Save as disclosed in the section headed "DIRECTORS' INTERESTS IN SECURITIES" above and the section headed "SHARE OPTION SCHEME" as set out in the Report of the Directors on pages 48 to 54 of this annual report, at no time during the year ended 31 December 2018 was the Company, any of its subsidiaries, the holding company of the Company or any of its subsidiaries a party to any arrangement to enable the Directors, chief executives, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DISCLOSURE OF INTERESTS

Substantial Shareholders' Interests in Securities

As at 31 December 2018, the interests and short positions of the substantial shareholders of the Company (other than the Directors or chief executives) in the shares and underlying shares of the Company, as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO, are set out below:

Long positions in ordinary shares of the Company

Name of Shareholders	Number of ordinary shares held	Capacity	Approximate % of issued shares of the Company
Shenzhen Investment Holdings Company Limited ("SIHCL") – *Note (1)*	952,010,090	interest of controlled corporation	44.91%
Ultrarich International Limited ("Ultrarich") – *Note (2)*	952,010,090	beneficial owner	44.91%
Chan See Ting – *Note (3)*	252,800,231	interest of controlled corporation	11.93%
Lai Hoi Man – *Note (3)*	252,800,231	interest of controlled corporation	11.93%
Horoy Enterprise Holdings Limited	196,430,158	beneficial owner	9.27%
UBS Group AG	20,252,845	person having a security interest in shares	0.955%
	176,278,535 *Note(4)*	interest of controlled corporation	8.316 %

Notes:

(1) 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.

(2) As at 31 December 2018, Messrs. Gao Lei, Li Hai Tao and Liu Jun were the directors of Ultrarich which has an interest in the shares of the Company which are required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO. Mr. Gao, Mr. Li and Mr. Liu resigned as directors of Ultrarich on 13 February 2019.

(3) Each of Chan See Ting and Lai Hoi Man holds 40% and 60% of the equity interest in Horoy Enterprise Holdings Limited respectively and also holds 40% and 60% of the equity interest in Horoy International Holdings Limited (a company which holds 56,370,073 shares in the long positions of the Company) respectively. Accordingly, they are deemed to be interested in the aggregate holdings of long positions of 252,800,231 shares in the Company held by these companies.

(4) 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 176,278,535 shares in the Company held by these companies.

Save as disclosed above, as at 31 December 2018, the Company had not been notified by any of the substantial shareholders of the Company, other than Directors or chief executives, who had interests or short positions in the shares and underlying shares of the Company which are as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

INDEPENDENT AUDITOR'S REPORT

KPMG

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

Opinion

We have audited the consolidated financial statements of Shenzhen International Holdings Limited and its subsidiaries ("the Group") set out on pages 80 to 184, which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

Accounting for the interest in Shenzhen Airlines

Refer to Note 11 to the consolidated financial statements and the accounting policies in Note 2.4.

The key audit matter	How the matter was addressed in our audit
The Group's 49% interest in Shenzhen Airlines Company Limited ("Shenzhen Airlines") is accounted for under the equity method. The Group's share of the profit after tax from Shenzhen Airlines for the year ended 31 December 2018 was HKD 516,016,000 and the Group's share of Shenzhen Airlines' net assets was HKD 5,724,937,000 as at 31 December 2018. This represented approximately 12% and 7% of the Group's profit attributable to ordinary shareholders of the Company for the year ended 31 December 2018 and total assets as at 31 December 2018 respectively. The complexity of the Shenzhen Airlines' revenue recognition, which involves complicated IT systems and an estimation of the unit fair value of Shenzhen Airlines' customer loyalty programme, and the significant degree of judgement exercised by management of Shenzhen Airlines in relation to the assessment of the carrying values of aircraft and flight equipment and provisions for major overhauls give rise to the risk of potential material misstatements in the Group's interest in Shenzhen Airlines in the consolidated financial statements. We identified the accounting for the interest in Shenzhen Airlines as a key audit matter because the complexity and management judgement involved in the preparation of the financial information of Shenzhen Airlines increases the risk of material misstatement in the consolidated financial statements.	Our audit procedures to assess accounting for the interest in Shenzhen Airlines included the following: • obtaining an understanding of the group-wide controls and the consolidation process, including the issuance of accounting instructions by Group management to Shenzhen Airlines; • evaluating the consolidation adjustments prepared by management to account for the Group's interest in Shenzhen Airlines based on the audited financial information of Shenzhen Airlines; • re-calculating the Group's interest in Shenzhen Airlines and the Group's share of profit of Shenzhen Airlines for the year based on the audited financial information of Shenzhen Airlines; • instructing the auditors of Shenzhen Airlines ("the component auditors") to perform a full scope audit of the financial information of Shenzhen Airlines in accordance with the Group audit instructions issued by us; • participating in the component auditors' risk assessment and planning process to identify significant risks of material misstatement of Shenzhen Airlines' financial information and evaluating the audit procedures planned to be performed to respond to the identified significant risks of material misstatement of Shenzhen Airlines' financial information; and • discussing with the component auditors their audit findings and conclusions with regard to their audit and evaluating the sufficiency and appropriateness of the audit evidence for the purpose of our audit of the consolidated financial statements by reviewing the component auditors' reporting deliverables.

Assessing potential impairment of investment in Chongqing Derun Environment Company Limited ("Derun Company") which was accounted for an associate

Refer to Note 11 to the consolidated financial statements and the accounting policies in Note 2.4.

The key audit matter	How the matter was addressed in our audit
In 2017, the Group completed the acquisition of 20% interest in Derun Company with consideration of HKD5,010,306,000, which is accounted for under the equity method. The difference between the consideration and the Group's share of the fair value of identifiable net assets at the acquisition date, which was amounted to RMB1,462,954,000 (equivalent to HKD1,670,229,000 at 31 December 2018), was accounted for as goodwill. As at 31 December 2018, the management assessed whether investment in Derun Company may impair, which involves significant accounting estimates and judgements. We identified assessing potential impairment of investment in Derun Company as a key audit matter because impairment assessment requires significant judgement and estimation which increases the risk of error or potential management bias.	Our audit procedures to assess potential impairment of investment in Derun Company included the following: • reviewing the operating results and the assets' market value of Derun Company, obtaining, discussing with management and evaluating the key assumptions underlying management's assessment of potential impairment; • obtaining and inspecting the valuation reports prepared by the external valuer engaged by the Group; • evaluating the independence, qualifications, expertise and objectivity of the independent professional appraiser; • with the assistance of our internal valuation specialists, assessing the valuations prepared by the external valuer by evaluating the valuation methodologies adopted, challenging the comparable companies selected and assumptions adopted, including multiples and discount for lack of marketability, considering the possibility of management bias in the selection of assumptions adopted; and • considering the disclosures in the consolidated financial statements in respect of the impairment assessment and the risks inherent in the key assumptions with reference to the requirements of the prevailing accounting standards.

Information other than the consolidated financial statements and auditor's report thereon

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

KPMG
Certified Public Accountants

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

25 March 2019

CONSOLIDATED BALANCE SHEET

(All amounts in HKD thousands unless otherwise stated)

(For reference only) As at 31 December 2018 RMB'000 (Note 2.7(d))		*Note*	As at 31 December 2018 HK$'000	2017 HK$'000 (restated) (Note)
	ASSETS			
	Non-current assets			
4,618,869	Property, plant and equipment	6	5,273,283	5,246,181
82,273	Investment properties		93,930	93,330
2,568,424	Land use rights	7	2,932,326	1,959,033
2,123,458	Construction in progress	8	2,424,315	1,980,103
23,667,423	Intangible assets	9	27,020,690	33,624,346
9,919	Goodwill		11,324	—
12,476,929	Interests in associates	11	14,244,696	14,284,887
65,959	Interests in joint ventures	12	75,304	248,748
425,643	Other financial assets	13	485,949	186,912
690,018	Deferred tax assets	25	787,782	245,319
1,072,944	Other non-current assets	14	1,224,961	1,506,966
47,801,859			54,574,560	59,375,825
	Current assets			
7,055,729	Inventories	15	8,055,405	7,594,199
166,842	Contract assets	16	190,481	—
482,092	Other financial assets	13	550,396	312,405
3,483,039	Trade and other receivables	17	3,976,525	2,102,554
45,103	Derivative financial instruments		51,494	—
1,829,745	Restricted bank deposits	18	2,088,989	2,893,219
765,683	Deposits in banks with original maturities over 3 months	18	874,168	813,956
11,968,215	Cash and cash equivalents	18	13,663,906	5,703,342
296,641	Disposal group held for sale	19	338,670	—
26,093,089			29,790,034	19,419,675
73,894,948	Total assets		84,364,594	78,795,500
	EQUITY AND LIABILITIES			
9,457,532	Share capital and share premium	20	10,552,228	9,159,662
15,124,689	Other reserves and retained earnings	21	17,445,704	14,766,686
24,582,221	Equity attributable to ordinary shareholders of the Company		27,997,932	23,926,348
1,982,837	Perpetual securities	22	2,330,939	2,330,939
12,289,730	Non-controlling interests		14,030,974	11,071,046
38,854,788	Total equity		44,359,845	37,328,333

(For reference only) As at 31 December 2018 RMB'000 (Note 2.7(d))		*Note*	As at 31 December 2018 HK$'000	2017 HK$'000 (restated) (Note)
	Liabilities			
	Non-current liabilities			
21,436,892	Borrowings	23	24,474,131	16,287,668
–	Provision for maintenance/resurfacing obligations	24	—	163,311
1,584,073	Deferred tax liabilities	25	1,808,509	2,211,827
1,137,673	Other non-current liabilities	26	1,298,862	9,720,788
24,158,638			27,581,502	28,383,594
	Current liabilities			
5,341,156	Trade and other payables	27	6,097,906	7,150,842
1,598,521	Contract liabilities	16	1,825,004	—
2,069,408	Income tax payable		2,362,608	771,937
–	Provision for maintenance/resurfacing obligations	24	—	28,617
1,872,437	Borrowings	23	2,137,729	5,046,967
–	Derivative financial instruments		—	85,210
10,881,522			12,423,247	13,083,573
35,040,160	Total liabilities		40,004,749	41,467,167
73,894,948	Total equity and liabilities		84,364,594	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 2.1. The Group has chosen the transition methods upon the initial application of HKFRS 15 and HKFRS 9 at 1 January 2018 and under such methods, comparative information is not restated in this respect. See note 2.2.1.

The consolidated financial statements on pages 80 to 184 were approved by the Board of Directors on 25 March 2019 and were signed on its behalf.

Li Hai Tao
Director

Zhong Shan Qun
Director

The notes on pages 88 to 184 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

(All amounts in HKD thousands unless otherwise stated)

(For reference only) As at 31 December 2018 RMB'000 (Note 2.7(d))		*Note*	Year ended 31 December 2018 HK$'000	2017 HK$'000 (restated) (Note)
9,829,983	**Revenue**	5, 28	11,581,036	10,139,141
(5,946,376)	Cost of sales	30	(7,005,626)	(6,374,797)
3,883,607	**Gross profit**		4,575,410	3,764,344
38,867	Other income		45,790	53,788
3,992,064	Other gains - net	29	4,703,184	2,634,198
(74,045)	Distribution costs	30	(87,234)	(75,062)
(503,135)	Administrative expenses	30	(592,761)	(606,072)
7,337,358	**Operating profit**		8,644,389	5,771,196
12,484	Share of profit of joint ventures	12	14,708	19,363
956,055	Share of profit of associates	11	1,126,361	1,368,985
8,305,897	**Profit before finance costs and income tax**		9,785,458	7,159,544
99,189	Finance income	32	116,860	114,818
(1,307,486)	Finance costs	32	(1,540,393)	(1,125,114)
(1,208,297)	Finance costs - net	32	(1,423,533)	(1,010,296)
7,097,600	**Profit before income tax**		8,361,925	6,149,248
(1,557,742)	Income tax expense	33	(1,835,228)	(1,441,847)
5,539,858	**Profit for the year**		6,526,697	4,707,401
	Attributable to:			
3,575,791	Ordinary shareholders of the Company		4,212,652	3,816,794
78,818	Perpetual securities holders of Company		92,969	—
1,885,249	Non-controlling interests		2,221,076	890,607
5,539,858			6,526,697	4,707,401
	Earnings per share attributable to ordinary shareholders of the Company during the year (expressed in HK dollars per share)			
	– Basic	34(a)	2.03	1.92
	– Diluted	34(b)	2.02	1.91

Note: The Group has restated the comparative information as a result of the business combination under common control as set out in note 2.1. The Group has chosen the transition methods upon the initial application of HKFRS 15 and HKFRS 9 at 1 January 2018 and under such methods, comparative information is not restated in this respect. See note 2.2.1.

Details of dividends paid to ordinary shareholders of the Company are set out in Note 35.

The notes on pages 88 to 184 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HKD thousands unless otherwise stated)

	Note	2018 HK$'000	2017 HK$'000 (restated) (Note)
		Year ended 31 December	
Profit for the year		6,526,697	4,707,401
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Share of other comprehensive income of associates	11	(19,845)	74,539
Net movement in fair value reserve on available-for-sale financial assets (recycling)	21	—	(37,926)
Sub-total		(19,845)	36,613
Items that will not be reclassified to profit or loss:			
Currency translation differences		(1,901,022)	2,220,269
Net movement in fair value reserve on other financial assets (Non-recycling)	21	(141)	—
Sub-total		(1,901,163)	2,220,269
Other comprehensive income for the year, net of tax	25	(1,921,008)	2,256,882
Total comprehensive income for the year		4,605,689	6,964,283
Total comprehensive income attributable to:			
Ordinary shareholders of the Company		2,894,098	5,315,974
Perpetual securities holders of the Company		92,969	—
Non-controlling interests		1,618,622	1,648,309
Total comprehensive income for the year		4,605,689	6,964,283

Note: The Group has restated the comparative information as a result of the business combination under common control as set out in note 2.1. The Group has chosen the transition methods upon the initial application of HKFRS 15 and HKFRS 9 at 1 January 2018 and under such methods, comparative information is not restated in this respect. See note 2.2.1.

The notes on pages 88 to 184 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in HKD thousands unless otherwise stated)

	Attributable to ordinary shareholders of the Company						
	Share capital and share premium	Other reserves (Note21)	Retained earnings (Note21)	Subtotal	Perpetual securities	Non-controlling interests	Total equity
Balance 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 year (restated)	—	—	3,816,794	3,816,794	—	890,607	4,707,401
Other comprehensive income							
Net movement in fair value reserve on available-for-sale financial assets (recycling)	—	(37,926)	—	(37,926)	—	—	(37,926)
Share of other comprehensive income of associates	—	68,720	—	68,720	—	5,819	74,539
Currency translation differences	—	1,468,386	—	1,468,386	—	751,883	2,220,269
Total other comprehensive income (restated)	—	1,499,180	—	1,499,180	—	757,702	2,256,882
Total comprehensive income (restated)	—	1,499,180	3,816,794	5,315,974	—	1,648,309	6,964,283
Transactions with owners in their capacity as owners							
Employee share options							
– proceeds from shares issued	143,457	—	—	143,457	—	—	143,457
– value of employee services	29,358	—	—	29,358	—	—	29,358
Transfer to reserves	—	602,632	(602,632)	—	—	—	—
Dividend relating to 2016	—	—	(841,938)	(841,938)	—	—	(841,938)
Issue of scrip shares as dividend	663,245	—	—	663,245	—	—	663,245
Forfeiture of unclaimed dividends	—	—	92	92	—	—	92
Dividend paid to non-controlling interests by subsidiaries	—	—	—	—	—	(518,403)	(518,403)
Non-controlling interests arising on business combinations	—	—	—	—	—	206,888	206,888
Transactions with non-controlling interests	—	(2,492)	—	(2,492)	—	(55,040)	(57,532)
Capital injections by non-controlling interests	—	—	—	—	—	2,719	2,719
Issue of perpetual securities (Note 22)	—	—	—	—	2,330,939	—	2,330,939
Impact of business combination under common control	—	(884,180)	—	(884,180)	—	(853,288)	(1,737,468)
Total transactions with owners in their capacity as owners	836,060	(284,040)	(1,444,478)	(892,458)	2,330,939	(1,217,124)	221,357
Balance at 31 December 2017, as restated	9,159,662	2,724,556	12,042,130	23,926,348	2,330,939	11,071,046	37,328,333

(All amounts in HKD thousands unless otherwise stated)

	Attributable to ordinary shareholders of the Company						
	Share capital and share premium	Other reserves (Note21)	Retained earnings (Note21)	Subtotal	Perpetual securities	Non-controlling interests	Total equity
Balance 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 (Note 39)	—	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 2.2.1(a))	—	(202,679)	228,349	25,670	—	24,431	50,101
Impact on initial application of HKFRS 15 (Note 2.2.1(b))	—	—	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 year	—	—	4,212,652	4,212,652	92,969	2,221,076	6,526,697
Other comprehensive income							
Net movement in the fair value reserve on other financial assets (non-recycling)	—	(141)	—	(141)	—	—	(141)
Share of other comprehensive loss of associates	—	(19,433)	—	(19,433)	—	(412)	(19,845)
Currency translation differences	—	(1,298,980)	—	(1,298,980)	—	(602,042)	(1,901,022)
Total other comprehensive income	—	(1,318,554)	—	(1,318,554)	—	(602,454)	(1,921,008)
Total comprehensive income	—	(1,318,554)	4,212,652	2,894,098	92,969	1,618,622	4,605,689
Transactions with owners in their capacity as owners							
Employee share options							
– proceeds from shares issued	170,892	—	—	170,892	—	—	170,892
– value of employee services	36,018	—	—	36,018	—	—	36,018
Transfer from reserves	—	600,432	(600,432)	—	—	—	—
Dividend relating to 2017 (Note 35)	—	—	(2,035,647)	(2,035,647)	—	—	(2,035,647)
Issue of scrip shares as dividend (Note 35)	1,193,116	—	—	1,193,116	—	—	1,193,116
Repurchase of shares	(7,460)	—	—	(7,460)	—	—	(7,460)
Forfeiture of unclaimed dividends	—	—	119	119	—	—	119
Dividend paid to non-controlling interests by subsidiaries	—	—	—	—	—	(613,082)	(613,082)
Non-controlling interests arising on business combinations	—	—	—	—	—	195,039	195,039
Business combination under common control (Note 39)	—	19,835	—	19,835	—	—	19,835
Transactions with non-controlling interests	—	203	—	203	—	(57,154)	(56,951)
Capital injections by non-controlling interests	—	1,750,541	—	1,750,541	—	1,813,683	3,564,224
Capital reduction by non-controlling interests	—	—	—	—	—	(17,796)	(17,796)
Distribution for perpetual securities (Note 22)	—	—	—	—	(92,969)	—	(92,969)
Total transactions with owners in their capacity as owners	1,392,566	2,371,011	(2,635,960)	1,127,617	(92,969)	1,320,690	2,355,338
Balance at 31 December 2018	10,552,228	3,574,334	13,871,370	27,997,932	2,330,939	14,030,974	44,359,845

Note: The Group has restated the comparative information as a result of the business combination under common control as set out in note 2.1. The Group has chosen the transition methods upon the initial application of HKFRS 15 and HKFRS 9 at 1 January 2018 and under such methods, comparative information is not restated in this respect. See note 2.2.1.

The notes on pages 88 to 184 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in HKD thousands unless otherwise stated)

	Note	Year ended 31 December 2018	2017 (restated) (Note)
Cash flows from operating activities			
Cash generated from operations	36	4,255,444	4,456,708
Interest paid		(986,834)	(799,543)
Income tax paid		(1,155,620)	(1,132,882)
Net cash generated from operating activities		2,112,990	2,524,283
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired/(paid)		26,786	(1,255,039)
Payments for acquisition of a subsidiaries		—	(1,712,000)
Purchases of property, plant and equipment, land use rights, construction in progress, intangible assets and other non-current assets		(3,726,652)	(2,072,207)
Increase in interests in associates and joint ventures		(67,276)	(5,293,871)
Proceeds from disposal of Meiguan Expressway's toll free section related assets		34,838	—
Proceeds from disposal of property, plant and equipment, and concession intangible assets	36	135,632	31,826
Purchase of other financial assets		(1,141,964)	(72,994)
Proceeds from disposal of other financial assets, net of tax		684,827	685,490
Disposal of subsidiaries, net of cash acquired		209,013	141,820
Proceeds from disposal of associates and joint ventures		5,043	—
Proceeds from sale of land development in Qianhai		659,755	—
(Increase)/decrease in deposits in banks with original maturities over 3 months		(60,212)	726,239
Interest received		120,738	92,893
Dividends received		599,762	625,631
Net cash used in investing activities		(2,519,710)	(8,102,212)

(All amounts in HKD thousands unless otherwise stated)

	Note	Year ended 31 December 2018	2017 (restated) (Note)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares under employee share option scheme	20	170,892	143,457
Capital injections by non-controlling interests		3,564,224	2,719
Proceeds from borrowings	36(b)	18,885,249	8,907,890
Repayments of borrowings	36(b)	(12,617,542)	(7,780,145)
Repayments of borrowings from related party	36(b)	—	(23,148)
Issuance of perpetual securities		—	2,330,939
Dividends paid to the Company's and subsidiaries' shareholders		(1,455,613)	(697,004)
Distribution for perpetual securities holders		(92,969)	—
Payments for repurchase of shares	20	(7,460)	—
Payment for acquisition of non-controlling interest in a non-wholly owned subsidiary		(56,951)	(57,532)
Payment for other financing activities		(58,600)	—
Net cash generated from financing activities		8,331,230	2,827,176
Net increase/(decrease) in cash and cash equivalents		7,924,510	(2,750,753)
Cash and cash equivalents at the beginning of year		5,703,342	8,500,112
Exchange gains/(losses)		36,054	(46,017)
Cash and cash equivalents at the end of the year	18	13,663,906	5,703,342

Note: The Group has restated the comparative information as a result of the business combination under common control as set out in note 2.1. The Group has chosen the transition methods upon the initial application of HKFRS 15 and HKFRS 9 at 1 January 2018 and under such methods, comparative information is not restated in this respect. See note 2.2.1.

The notes on pages 88 to 184 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HKD thousands unless otherwise stated)

1. General and major development

(a) General information

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

– Toll roads; and

– Logistic business.

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

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

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

As at 31 December 2018, Ultrarich International Limited ("Ultrarich") owned 952,010,090 ordinary shares of the Company directly, representing approximately 44.91% of the issued share capital of the Company. As Shenzhen Investment Holdings Company Limited ("SIHCL") held the 100% equity interest in Ultrarich, it had a deemed interest in 44.91% of the equity in the Company held by Ultrarich and was the largest shareholder of the Company. SIHCL is supervised and managed by Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission ("Shenzhen SASAC"). The directors of the Company regard that Shenzhen SASAC can control the Company's relevant activities due to its voting power held and is the de facto controller of the Company.

These consolidated financial statements are presented in Hong Kong dollars ("HKD"), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors on 25 March 2019.

(b) The toll adjustment and compensation arrangements regarding Longda expressway, Nanguang expressway, Yanpai expressway and Yanba expressway (the "4 Toll Roads")

On 30 November 2015, Shenzhen Expressway and Shenzhen Longda Expressway Company Limited ("Longda Company", a subsidiary of Group), and Transport Commission of Shenzhen Municipality ("SZ Transport Commission") entered into the toll adjustment and compensation agreements regarding the 4 Toll Roads (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) 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 Transport Commission. 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 Transport Commission 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 Transport Commission 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 Transport Commission in exchange for cash compensation and SZ Transport Commission 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.

In October 2018, the SZ Transport Commission issued a notice to Shenzhen Expressway and Longda Company respectively that it chose to adopt Option 2, and consequently the fee entitlement right of the 4 Toll Roads has been returned to the SZ Transport Commission. SZ Expressway and Longda Company do not have the fee entitlement right of the 4 Toll Roads and would not be responsible for the management and maintenance of the 4 Toll Roads after 31 December 2018.

As at 31 December 2018, the Group recognised a one-off gain (before taxation) amounted to HKD4.72 billion (Note 29).

2 Summary of significant accounting policies

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

2.1 Statement of compliance and basis of preparation

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

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

Non-current assets held for sale are stated at the lower of their carrying amount and fair value less cost to sell.

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

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 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 year ended 31 December 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 39 to these financial statements.

2.2 Changes in accounting policies and disclosures

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.

2.2.1 New and amended standards adopted by the Group

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

(a) HKFRS 9 Financial instruments

(b) HKFRS 15 Revenue from contracts with customers

(c) HK(IFRIC) 22 Foreign currency transactions and advance consideration

(All amounts in HKD thousands unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.1 New and amended standards adopted by the Group *(continued)*

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 2.2.1(a) for HKFRS 9 and note 2.2.1(b) 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 in this respect.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

(a) 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.

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)

(All amounts in HKD thousands unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.1 New and amended standards adopted by the Group *(continued)*

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

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

Note i 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.

2 Summary of significant accounting policies *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.1 New and amended standards adopted by the Group *(continued)*

(a) 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)*

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 2.16, 2.17(a), 2.19, 2.22 and 2.23.

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

(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 2.21)

– lease receivables; and

– financial guarantee contracts issued.

For further details on the Group's accounting policy for accounting for credit losses, see note 2.17.

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

(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.

(All amounts in HKD thousands unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.1 New and amended standards adopted by the Group *(continued)*

(b) 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.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

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:

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.

2 Summary of significant accounting policies *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.1 New and amended standards adopted by the Group *(continued)*

(b) 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.

(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 an entity does not control the good or service before it is transferred to the customer, then the entity 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 the impact on its consolidated financial statements in respect of the year ended 31 December 2018 which resulted the decrease of revenue and cost of sales by HKD197,190,000 and HKD197,190,000 respectively.

2 Summary of significant accounting policies *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.1 New and amended standards adopted by the Group *(continued)*

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

(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 requires the customers to pay off the full consideration within an agreed time frame while developments are still ongoing, rather than on delivery of properties to customer.

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 date of delivery of properties to customer. 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 delivered to the customer. The interest is expensed as accrued unless it is eligible to be capitalised under HKAS 23, *Borrowing costs*, in accordance with the policies set out in note 2.28

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.

2 Summary of significant accounting policies *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.1 New and amended standards adopted by the Group *(continued)*

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

(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 (see note 2.21).

Previously, contract balances relating to construction contracts in progress and sales of properties were presented in the statement of financial position under "trade and other receivables" or "trade and other payables" respectively.

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

(All amounts in HKD thousands unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.1 New and amended standards adopted by the Group *(continued)*

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

(vi) **Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018.**

The following tables summarise the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 31 December 2018, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKAS 18 and HKAS 11 if those superseded standards had continued to apply to 2018 instead of HKFRS 15. These tables show only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15 (A)	Hypothetical amounts under HKASs 18 and 11 (B)	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B)
Line items in the consolidated statement of profit or loss for year ended 31 December 2018 impacted by the adoption of HKFRS 15:			
Revenue	11,581,036	11,764,347	(183,311)
Cost of sales	7,005,626	7,202,816	(197,190)
Gross profit	4,575,410	4,561,531	13,879
Operating profit	8,644,389	8,630,510	13,879
Share of profit of associates	1,126,361	1,127,398	(1,037)
Profit before finance costs and income tax	9,785,458	9,772,616	12,842
Finance costs	1,423,533	1,397,017	26,516
Profit before income tax	8,361,925	8,375,599	(13,674)
Income tax expense	1,835,228	1,838,387	(3,159)
Profit for the year	6,526,697	6,537,212	(10,515)
Profit attributable to ordinary shareholders of the Company	4,212,652	4,218,576	(5,924)
Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)			
Basic	2.03	2.03	—
Diluted	2.02	2.02	—

(All amounts in HKD thousands unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.1 New and amended standards adopted by the Group *(continued)*

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

(vi) Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018. *(continued)*

	Amounts reported in accordance with HKFRS 15 (A)	Hypothetical amounts under HKASs 18 and 11 (B)	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B)
Line items in the consolidated statement of financial position as at 31 December 2018 impacted by the adoption of HKFRS 15:			
Inventories	8,055,405	8,047,645	7,760
Contract assets	190,481	—	190,481
Trade and other receivables	3,976,525	4,167,006	(190,481)
Total current assets	29,790,034	29,782,274	7,760
Interests in associates	14,244,696	14,219,400	25,296
Deferred tax assets	787,782	782,824	4,958
Total non-current assets	54,574,560	54,544,306	30,254
Trade and other payables	6,097,906	7,895,319	(1,797,413)
Contract liabilities	1,825,004	—	1,825,004
Total current liabilities	12,423,247	12,395,656	27,591
Net current assets	17,366,787	17,386,618	(19,831)
Total assets less current liabilities	71,941,347	71,930,924	10,423
Total non-current liabilities	27,581,502	27,581,502	—
Net assets	44,359,845	44,349,422	10,423
Other reserves and retained earnings	17,445,704	17,427,184	18,520
Total equity attributable to ordinary shareholders of the Company	27,997,932	27,979,412	18,520
Total equity	44,359,845	44,349,422	10,423

(All amounts in HKD thousands unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.1 New and amended standards adopted by the Group *(continued)*

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

(vi) Disclosure of the estimated impact on the amounts reported in respect of the year ended 31 December 2018 as a result of the adoption of HKFRS 15 on 1 January 2018. *(continued)*

	Amounts reported in accordance with HKFRS 15 (A)	Hypothetical amounts under HKASs 18 and 11 (B)	Difference: Estimated impact of adoption of HKFRS 15 on 2018 (A)-(B)
Line items in the reconciliation of profit before taxation to cash generated from operations for year ended 31 December 2018 (Note 36(b)) impacted by the adoption of HKFRS 15:			
Profit before taxation	8,361,925	8,375,599	(13,674)
Increase in inventories	(882,846)	(875,086)	(7,760)
Increase in trade and other receivables	(363,958)	(414,352)	50,394
Increase in contract assets	(50,394)	—	(50,394)
(Decrease)/increase in trade and other payables	(851,794)	296,129	(1,147,923)
Increase in contract liabilities	1,169,357	—	1,169,357

The significant differences arise as a result of the changes in accounting policies described above.

(c) 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.

(All amounts in HKD thousands unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.2 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015-2017 Cycle	1 January 2019
Amendments to HKAS 28, *Long-term interest in associates and joint ventures*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impact upon the initial adoption of this standard may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standard is initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standard is initially applied in that financial report.

HKFRS 16, *Leases*

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. The Group enters into some leases as the lessor and others as the lessee.

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

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

2 Summary of significant accounting policies *(continued)*

2.2 Changes in accounting policies and disclosures *(continued)*

2.2.2 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31 December 2018 *(continued)*

HKFRS 16, *Leases* *(continued)*

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to HKD774,745,000 and HKD774,745,000 respectively, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

2.3 Subsidiaries

2.3.1 Consolidation

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

(a) Business combinations

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

2 Summary of significant accounting policies *(continued)*

2.3 Subsidiaries *(continued)*

2.3.1 Consolidation *(continued)*

(a) Business combinations *(continued)*

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

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

(b) Business combination under common control

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

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

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

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

(c) Change in ownership interest in subsidiaries without change of control

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

(d) Disposal of subsidiaries

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

2 Summary of significant accounting policies *(continued)*

2.3 Subsidiaries *(continued)*

2.3.2 Company's balance sheet

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

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

2.4 Associates

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

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

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

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

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

Sale or contribution of assets between the Group and its associate constitutes a business is accounted for in accordance with the accounting policy set out in Note 2.3.1(d). For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the Group's profit or loss only to the extent of the unrelated the Group's interest in that associate.

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

2 Summary of significant accounting policies *(continued)*

2.5 Joint arrangements

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

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

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

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

Sale or contribution of assets between the Group and its joint venture which constitutes a business is accounted for in accordance with the accounting policy set out in Note 2.3.1(d). For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the Group's profit or loss only to the extent of the unrelated the Group's interest in that joint venture.

2.6 Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

2 Summary of significant accounting policies *(continued)*

2.7 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated income statement within "finance income or cost". Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within "finance income or cost", except when capitalised on the basis set out in Note 2.27. All other foreign exchange gains and losses are presented in the consolidated income statement within "other gains – net".

Translation difference on non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss is recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as FVOCI are included in other comprehensive income.

(c) Group companies

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

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

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

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

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

(d) RMB figures

RMB in the consolidated balance sheet and the consolidated income statement were presented before translated into HKD according to the accounting policies in Note 2.7(c).

2.8 Segment reporting

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

(All amounts in HKD thousands unless otherwise stated)

2 Summary of significant accounting policies *(continued)*

2.9 Property, plant and equipment

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

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

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

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.14).

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

2.10 Construction in progress

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

2.11 Investment properties

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

2.12 Land use rights

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

2 Summary of significant accounting policies *(continued)*

2.13 Concession intangible assets

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

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

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

2.14 Impairment of non-financial assets

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

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

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

2.16 Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 3.3. These investments are subsequently accounted for as follows, depending on their classification.

2 Summary of significant accounting policies *(continued)*

2.16 Other investments in debt and equity securities *(continued)*

(A) Policy applicable from 1 January 2018

Investments other than equity investments

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 (see note 2.32(g)).

– fair value through other comprehensive income (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.

– fair value at profit or loss (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.

Equity investments

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, are recognised in profit or loss as other income in accordance with the policy set out in note 2.32(h).

(B) Policy applicable prior to 1 January 2018

i) Classification

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

2 Summary of significant accounting policies *(continued)*

2.16 Other investments in debt and equity securities *(continued)*

(B) Policy applicable prior to 1 January 2018 *(continued)*

ii) Recognition and measurement

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

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

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

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

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

2.17 Credit loss and impairment of assets

(a) Credit losses from financial instruments, contract assets and lease receivables

(A) Policy applicable from 1 January 2018

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loans to associates);

– contract assets as defined in HKFRS 15 (see note 2.21); and

– lease receivables.

Financial assets measured at fair value, including units in bond funds, 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).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

2 Summary of significant accounting policies *(continued)*

2.17 Credit loss and impairment of assets *(continued)*

(a) Credit losses from financial instruments, contract assets and lease receivables *(continued)*

(A) Policy applicable from 1 January 2018 *(continued)*

Measurement of ECLs (continued)

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.

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.

2 Summary of significant accounting policies *(continued)*

2.17 Credit loss and impairment of assets *(continued)*

(a) Credit losses from financial instruments, contract assets and lease receivables *(continued)*

(A) Policy applicable from 1 January 2018 *(continued)*

Significant increases in credit risk (continued)

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.

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

Interest income recognised in accordance with note 2.32(g) 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.

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.

2 Summary of significant accounting policies *(continued)*

2.17 Credit loss and impairment of assets *(continued)*

(a) Credit losses from financial instruments, contract assets and lease receivables *(continued)*

(A) Policy applicable from 1 January 2018 *(continued)*

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.

(B) Policy applicable prior to 1 January 2018

Assets carried at amortised cost

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

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

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

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

Assets classified as available-for-sale

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

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

2 Summary of significant accounting policies *(continued)*

2.18 Financial liabilities

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

2.19 Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

2.20 Inventories

(a) Inventories

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

The cost of completed properties held for sale comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

In the case of completed properties developed by the Group which comprise of multiple units which are sold individually, the cost of each unit is determined by apportionment of the total development costs for that development project to each unit on a per square meter basis, unless another basis is more representative of the cost of the specific unit. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

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

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

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

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 Summary of significant accounting policies *(continued)*

2.20 Inventories *(continued)*

(b) Other contract costs

Other contract costs are either the incremental costs of obtaining a contract with a customer or the costs to fulfil a contract with a customer which are not capitalised as inventory (see note 2.20(a)), property, plant and equipment (see note 2.9) or concession intangible assets (see note 2.13).

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained e.g. an incremental sales commission. Incremental costs of obtaining a contract are capitalised when incurred if the costs relate to revenue which will be recognised in a future reporting period and the costs are expected to be recovered. Other costs of obtaining a contract are expensed when incurred.

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2.32.

2.21 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see note 2.32) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2.17(a) and are reclassified to receivables when the right to the consideration has become unconditional (see note 2.22).

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.32). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.22).

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.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2.32).

Policy prior to 1 January 2018

In the comparative period, contract balances were recorded for construction contracts at the net amount of costs incurred plus recognised profit less recognised losses and progress billings. These net balances were presented as the "gross amount due from customers for contract work" (as an asset) or the "gross amount due to customers for contract work" (as a liability), as applicable, under "trade and other receivables" or "trade and other payables" respectively on a contract-by-contract basis. Progress billings not yet paid by the customer were included under "trade debtors and bills receivable". Amounts received before the related work was performed were presented as "advances received" under "trade and other payables". These balances have been reclassified on 1 January 2018 as shown in Note 16 (see note 2.2.1(b)).

2 Summary of significant accounting policies *(continued)*

2.22 Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see note 2.21).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2.17(a)).

2.23 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2.17(a).

2.24 Share capital

Ordinary shares are classified as equity.

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

2.25 Perpetual securities

Perpetual securities are classified as equity if it is non-redeemable, or redeemable only at the issuer's option, and any distributions are discretionary. Distributions on perpetual securities classified as equity are recognised as distributions within equity.

2.26 Trade and other payables

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

Trade and other payables are recognised initially at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2.27 Borrowings

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

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

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

2.28 Borrowing costs

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

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

2 Summary of significant accounting policies *(continued)*

2.28 Borrowing costs *(continued)*

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

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

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

2.29 Current and Deferred tax

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

(a) Current income tax

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

(b) Deferred tax

Inside basis differences

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

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

Outside basis differences

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

2 Summary of significant accounting policies *(continued)*

2.29 Current and Deferred tax *(continued)*

(b) Deferred tax *(continued)*

Outside basis differences *(continued)*

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

(c) Offsetting

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

2.30 Employee benefits and share-based payments

(a) Pension obligations

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

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

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

(b) Share-based payments

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

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

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

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

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

2 Summary of significant accounting policies *(continued)*

2.30 Employee benefits and share-based payments *(continued)*

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

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

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

(c) Bonus plans

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

2.31 Provisions

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

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

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

2.32 Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

2 Summary of significant accounting policies *(continued)*

2.32 Revenue and other income *(continued)*

Further details of the Group's revenue and other income recognition policies are as follows:

(a) Toll revenues

The Group's toll revenue from operation of the toll roads is recognised when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transaction can flow into the Group. The settlement period of the toll revenue from toll road operations is normally within a month due to the implementation of unified toll collection policy on expressways of the Group in the PRC.

(b) Construction service revenue under Service Concessions

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

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

(c) Rental income from operating leases

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

(d) Logistic related service revenues

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

(e) Sales of goods

Revenue is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

In the comparative period, revenue from sales of goods was recognised when the Group has delivered products to the customer, the customer have accepted the products and collectability of the related receivables is reasonably assured.

(f) Sales of properties

Revenue arising from the sale of properties developed for sale in the ordinary course of business is recognised when the property is delivered to customer, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the statement of financial position under contract liabilities (see note 2.21).

When residential properties are marketed by the Group while the property is still under construction, the Group may offer a discount compared to the listed sales price, provided the customer agrees to pay the balance of the consideration early. In such cases, if the advance payments are regarded as providing a significant financing benefit to the Group, interest expense arising from the adjustment of time value of money will be accrued by the Group during the period between the payment date and the completion date of delivery of properties to customer. This accrual increases the balance 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, in accordance with the policies set out in note 2.28.

2 Summary of significant accounting policies *(continued)*

2.32 Revenue and other income *(continued)*

(f) Sales of properties *(continued)*

In the comparative period, revenue from sales of properties was recognised when the risks and rewards of ownership of the property had passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition were included in the statement of financial position under trade and other payables and no interest expense was accrued on payments received in advance. As a result of the change in accounting policy for accruing interest on payments in advance, adjustments have been made to opening balances as at 1 January 2018 (see note 2.2.1(b)).

(g) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2.17(a)).

(h) Dividend income

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

2.33 Operating leases

(a) When a group company is the lessee

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

(b) When a group company is the lessor

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

2.34 Government grants

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

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

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

2.35 Contingent liabilities

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

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

2 Summary of significant accounting policies *(continued)*

2.36 Dividend distribution

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

2.37 Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 Financial risk management

3.1 Financial risk factors

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

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

(All amounts in HKD thousands unless otherwise stated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk

(i) Currency risk

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

	As at 31 December	
	2018	2017
Assets		
HKD	210,975	76,326
United States dollars ("USD")	348,268	925,540
	559,243	1,001,866
Liabilities		
HKD	2,799,631	1,245,443
USD	2,564,940	2,856,908
	5,364,571	4,102,351

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

As at 31 December 2018, should HKD and USD be weakened/strengthened by 5% against RMB, with all other factors remain unchanged, the profit after income tax for the year would be affected as follows:

	Change of profit after income tax - increase/(decrease)	
	2018	2017
HKD against RMB		
– Weakened by 5%	107,579	47,342
– Strengthened by 5%	(107,579)	(47,342)
USD against RMB		
– Weakened by 5%	83,751	72,193
– Strengthened by 5%	(83,751)	(72,193)

The net fair value of foreign exchange forward contracts entered into by the Group for managing the risk relating to monetary assets and liabilities in foreign currencies as at 31 December 2018 was HKD51,494,000 and recognised as derivative financial asset (2017: HKD85,210,000 and recognised as derivative financial liability).

(All amounts in HKD thousands unless otherwise stated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(a) Market risk *(continued)*

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

The Group's interest rate risk arises from long-term bank borrowings, senior notes, medium-term notes and corporate bonds. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Senior notes, medium-term notes and corporate bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group adjusts the proportion of borrowings at fixed rate against borrowings at floating rate based on the change of the finance market environment. During 2018 and 2017, the Group's borrowings at variable rates were mainly denominated in HKD and RMB. For bank borrowings in the PRC, the interest rate would be adjusted accordingly should the lending rate promulgated by the People's Bank of China ("PBOC") be changed.

As at 31 December 2018, borrowings of the Group which were issued at floating rates amounted to approximately HKD14,395,693,000(2017 (restated): HKD16,469,937,000). As at 31 December 2018, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged and without taking into account interest capitalisation, the finance costs of the Group would be increased/decreased by approximately HKD71,978,000 (2017 (restated): HKD82,350,000).

(iii) Price risk

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

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

	Impact on other components of equity, net of tax - increase/(decrease)	
	2018	2017
Share price		
– Increased by 5%	6,278	11,357
– Decreased by 5%	(6,278)	(11,357)

(All amounts in HKD thousands unless otherwise stated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents, bills receivable and derivative financial assets is limited because the counterparties are banks and financial institutions are either state-owned banks, listed banks or large/medium sized commercial banks, for which the Group considers to have low credit risk.

Trade receivables and contract assets

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group does not have significant credit concentration risk.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 120 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2018:

	Expected loss rate %	Gross carrying amount	Loss allowance
Current (not past due)	0.64%	992,647	6,359
1 - 90 days past due	2.91%	17,531	510
91 - 180 days past due	6.08%	17,900	1,088
181 - 270 days past due	14.01%	22,477	3,150
271 - 365 days past due	38.15%	3,510	1,339
More than 1 year past due	100.00%	18,015	18,015
		1,072,080	30,461

Expected loss rates are based on actual loss experience over the past 18 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

No loss allowance in respect of contract assets was accrued during the reporting period since the expected credit loss from contract assets is considered immaterial.

(All amounts in HKD thousands unless otherwise stated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(b) Credit risk *(continued)*

Comparative information under HKAS 39

Prior to 1 January 2018, an impairment loss was recognised only when there was objective evidence of impairment (see note 2.17(a)(B) – policy applicable prior to 1 January 2018). At 31 December 2017, trade receivables of HKD 25,762,000 were determined to be impaired.

There was no material impact on trade and other receivables for the initial application of the new impairment requirements under HKFRS 9 compared with under HKAS 39.

Movement in the loss allowance account in respect of trade receivables and contract assets during the year is as follows:

	2018	2017
Balance at 1 January	25,762	1,289
Impairment losses recognised during the year	6,012	22,473
Exchange difference	(1,313)	2,000
Balance at 31 December	30,461	25,762

(c) Liquidity risk

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

(All amounts in HKD thousands unless otherwise stated)

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(c) Liquidity risk *(continued)*

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

	Contractual undiscounted cash outflow					
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
At 31 December 2018						
Bank borrowings (including interest payments)	2,743,273	1,650,915	6,075,059	9,247,787	19,717,034	14,848,198
Corporate bonds (including interest payments)	115,730	115,730	3,306,662	—	3,538,122	3,240,722
Panda bonds (including interest payments)	240,495	240,495	5,948,910	—	6,429,900	5,698,953
Senior notes (including interest payments)	33,394	33,394	965,650	—	1,032,438	775,383
Medium-term notes (including interest payments)	87,646	89,344	2,190,263	—	2,367,253	2,048,604
Trade and other payables (including interest payments and excluding other taxes payable and staff welfare benefit payable)	4,727,112	—	—	—	4,727,112	4,727,112
Other non-current liabilities (Including interest payments)	113,668	146,558	—	—	260,226	260,226
	8,061,318	2,276,436	18,486,544	9,247,787	38,072,085	31,599,198
At 31 December 2017 (restated)						
Bank borrowings (including interest payments)	4,545,692	1,963,962	5,418,642	9,880,782	21,809,078	16,999,814
Corporate bonds (including interest payments)	121,022	121,022	3,578,884	—	3,820,928	3,261,811
Medium-term notes (including interest payments)	1,101,398	—	—	—	1,101,398	1,073,010
Trade and other payables (including interest payments and excluding other taxes payable and staff welfare benefit payable)	6,725,521	—	—	—	6,725,521	6,725,521
Other non-current liabilities (Including interest payments)	—	9,103,343	—	—	9,103,343	9,103,343
Derivative financial instruments	85,210	—	—	—	85,210	85,210
	12,578,843	11,188,327	8,997,526	9,880,782	42,645,478	37,248,709

(All amounts in HKD thousands unless otherwise stated)

3 Financial risk management *(continued)*

3.2 Capital management

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

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

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

The Group maintained a consistent strategy to maintain the gearing ratio within 120%. The gearing ratios at 31 December 2018 and 2017 were as follows:

	2018	2017 (restated)
Total borrowings	26,611,860	21,334,635
Less: cash and bank balances	(16,627,063)	(9,410,517)
Net debt	9,984,797	11,924,118
Total equity	44,359,845	37,328,333
Gearing ratio	23%	32%

3.3 Fair value estimation

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

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

(All amounts in HKD thousands unless otherwise stated)

3 Financial risk management *(continued)*

The following table presents the Group's financial assets and financial liabilities that are measured at fair value.

	As at 31 December 2018			
	Level 1	Level 2	Level 3	Total
Assets				
Equity securities designated at FVOCI (non-recycling)				
– Unlisted equity securities	—	—	56,902	56,902
Financial assets measured at FVPL				
– Wealth management products	—	388,172	—	388,172
– Listed securities in the PRC	162,224	—	—	162,224
– Unlisted equity securities	—	—	206,004	206,004
– Unlisted fund investment	—	—	223,043	223,043
Derivative financial instruments	—	51,494	—	51,494

	As at 31 December 2017			
	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	312,405	—	—	312,405
Liability				
Derivative financial instruments	—	85,210	—	85,210

During the years ended 31 December 2017 and 2018, there were no transfers between Level 1, Level 2 and Level 3.

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(All amounts in HKD thousands unless otherwise stated)

3 Financial risk management *(continued)*

(c) Financial instruments in level 3

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

Information about Level 3 fair value measurements

	Valuation techniques	Significant unobservable inputs	Range
Financial assets measured at FVPL			
– Unlisted equity securities (note i)	Market comparable companies	Adjusted P/E multiplier	13.94 - 17.57
		The discount of lack of marketability	24.39% to 27.07%
– Unlisted fund investment (note ii)	Income captitalisation method	Yield	8%
		Market monthly rental rate (RMB/sq.m.)	22.6-40.03
		Occupancy rate	87%-96%

(i) The fair value of unlisted equity instruments is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2018, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's profit by HKD12,179,000.

(ii) The fair value of unlisted fund investment is dependent on the fair value of the underlying properties held by the unlisted fund. The fair value of completed investment properties held by unlisted fund is generally derived using the income capitalisation method. This valuation method is based on the capitalisation of the income and reversionary potential income by adopting appropriate capitalisation rates, which are derived from analysis of sale transactions and valuers' interpretation of prevailing investor requirements or expectations. The prevailing market rents adopted in the valuation have reference to recent lettings within the subject properties and the estimated rental incremental observed in other comparable properties.

(iii) The fair value of equity securities designated at FVOCI (non-recycling) is determined with reference to the net asset value of the investments. As at 31 December 2018 the carrying amount is not materially different from their fair value.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2018
Unlisted equity securities and fund investments:	
Beginning of the year	—
Impact on initial application of HKFRS 9	253,713
Adjusted balance at 1 January	253,713
Payment for purchases	211,004
Net unrealised gains or losses recognised in other comprehensive income during the year (Note 25)	(188)
Changes in fair value recognised in profit or loss during the year	40,283
Exchange difference	(18,863)
At 31 December	485,949

4 Critical accounting estimates and judgements

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

4.1 Critical accounting estimates and assumptions

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

(a) Construction service revenue recognition relating to concession contracts

Income and expenses associated with construction services and upgrade services provided under the concession service arrangements are recognised in accordance with HKFRS 15 using the percentage of completion method. Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable.

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

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

(b) Amortisation of concession intangible assets

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

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

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

4 Critical accounting estimates and judgements *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

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

In the third quarter of 2018, the Group appointed an independent professional traffic consultant to reassess the aggregate future traffic volume of Changsha Ring Road. The Group has adjusted the amortisation unit for the related concession intangible assets according to the revised total projected traffic volume since 1 July 2018 on a prospective basis. Such change in accounting estimate has resulted in increase in profit attributable to ordinary shareholders of the Company amounting to HKD893,000 for the period from 1 July to 31 December 2018 respectively and will affect the amortisation charges of the Group in the future.

In the fourth quarter of 2018, the Group appointed an independent professional traffic consultant to reassess the aggregate future traffic volume of Wuhuang Expressway and Qinglian Expressway. The Group has adjusted the amortisation unit for the related concession intangible assets according to the revised total projected traffic volume since 1 October 2018 on a prospective basis. Such change in accounting estimate has resulted in increase in profit attributable to ordinary shareholders of the Company amounting to HKD4,579,000 and decrease in profit attributable to ordinary shareholders of the Company amounting to HKD2,569,000 for the period from 1 October to 31 December 2018 and will affect the amortisation charges of the Group in the future.

(c) Impairment of concession intangible assets

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

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

(d) Provisions for maintenance/resurfacing obligations

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

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

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

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

4 Critical accounting estimates and judgements *(continued)*

4.1 Critical accounting estimates and assumptions *(continued)*

(e) Income tax and deferred tax

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

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

(f) Non-listed equity investments measurement

Valuation of non-listed equity investments is made based on the expected future cash flows discounted using the current discount rate applicable to other financial instruments with similar contractual terms and risk characteristics. This requires the Group to make an estimation of the expected future cash flows, credit risk, volatility, and discount rate. Such estimation can involve uncertainties.

4.2 Critical judgements in applying accounting policies

(a) Joint arrangements

The Group holds 38% - 50% of the voting rights of its joint arrangements. Significant judgements are required in assessing whether the Group has joint control over these arrangements. The directors of the Company consider that the Group has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

5 Segment information

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

– Toll roads; and

– Logistic business.

Head office functions include corporate management functions and investment and financial activities of the Group. It also includes one-off and non-recurring activities of the Group.

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

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

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

(All amounts in HKD thousands unless otherwise stated)

5 Segment Information *(continued)*

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the board of directors, the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below.

For the year ended 31 December 2018

	Toll roads	Logistic business				Head Office functions	Total
		Logistic parks	Logistic services	Port and related service	Sub-total		
Revenue from contracts with customers within the scope of HKFRS 15							
– Point in time	7,185,367	143,387	801,530	1,318,457	2,263,374	—	9,448,741
– Over time	1,617,986	—	—	—	—	—	1,617,986
Subtotal	8,803,353	143,387	801,530	1,318,457	2,263,374	—	11,066,727
Revenue from other sources	—	514,309	—	—	514,309	—	514,309
Revenue	8,803,353	657,696	801,530	1,318,457	2,777,683	—	11,581,036
Operating profit/(loss)	8,570,452	167,413	67,879	165,813	401,105	(327,168)	8,644,389
Share of profit/(loss) of joint ventures	—	14,733	—	—	14,733	(25)	14,708
Share of profit/(loss) of associates	611,524	(145)	1,028	(532)	351	514,486	1,126,361
Finance income	47,762	7,733	3,816	779	12,328	56,770	116,860
Finance costs	(1,365,788)	(15,857)	(1,420)	(5,393)	(22,670)	(151,935)	(1,540,393)
Profit before income tax	7,863,950	173,877	71,303	160,667	405,847	92,128	8,361,925
Income tax expense	(1,783,540)	(31,525)	(15,463)	(26,421)	(73,409)	21,721	(1,835,228)
Profit for the year	6,080,410	142,352	55,840	134,246	332,438	113,849	6,526,697
Non-controlling interests	(2,184,341)	14,499	(16,484)	(37,072)	(39,057)	2,322	(2,221,076)
Subtotal	3,896,069	156,851	39,356	97,174	293,381	116,171	4,305,621
Profit attributable to perpetual securities holders	—	—	—	—	—	(92,969)	(92,969)
Profit attributable to ordinary shareholders of the Company	3,896,069	156,851	39,356	97,174	293,381	23,202	4,212,652
Depreciation and amortisation	2,035,212	178,756	13,163	61,857	253,776	22,271	2,311,259
Capital expenditure							
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	1,359,195	870,854	42,687	33,011	946,552	1,654,389	3,960,136
– Additions in interests in associates	67,743	—	—	—	—	—	67,743

(All amounts in HKD thousands unless otherwise stated)

5 Segment Information *(continued)*

For the year ended 31 December 2017 (restated)

	Toll roads	Logistic business				Head Office functions	Total
		Logistic parks	Logistic services	Port and related service	Sub-total		
Revenue from contracts with customers within the scope of HKFRS 15							
– Point in time	6,503,152	145,880	1,045,553	967,768	2,159,201	18,598	8,680,951
– Over time	1,040,049	—	—	—	—	—	1,040,049
Subtotal	7,543,201	145,880	1,045,553	967,768	2,159,201	18,598	9,721,000
Revenue from other sources	—	418,141	—	—	418,141	—	418,141
Revenue	7,543,201	564,021	1,045,553	967,768	2,577,342	18,598	10,139,141
Operating profit	3,077,725	159,553	51,138	97,038	307,729	2,385,742	5,771,196
Share of profit/(loss) of joint ventures	8,194	12,215	—	—	12,215	(1,046)	19,363
Share of profit/(loss) of associates	563,108	(375)	5,990	—	5,615	800,262	1,368,985
Finance income	49,829	5,167	4,901	730	10,798	54,191	114,818
Finance costs	(1,238,562)	(15,954)	(1,103)	(2,049)	(19,106)	132,554	(1,125,114)
Profit before income tax	2,460,294	160,606	60,926	95,719	317,251	3,371,703	6,149,248
Income tax expense	(511,582)	(34,102)	(17,077)	(10,146)	(61,325)	(868,940)	(1,441,847)
Profit for the year	1,948,712	126,504	43,849	85,573	255,926	2,502,763	4,707,401
Non-controlling interests	(941,348)	4,725	(5,592)	(20,358)	(21,225)	71,966	(890,607)
Profit attributable to ordinary shareholders of the Company	1,007,364	131,229	38,257	65,215	234,701	2,574,729	3,816,794
Depreciation and amortisation	1,899,530	91,753	29,043	58,761	179,557	37,871	2,116,958
Capital expenditure							
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	1,005,189	262,554	30,758	9,641	302,953	593,825	1,901,967
– 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	—	—	1,157	1,157	115,741	5,127,204

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11 (see note 2.2.1(b)).

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

(b) 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 non-current assets located in other countries and regions are not material.

(All amounts in HKD thousands unless otherwise stated)

6 Property, plant and equipment

Year ended 31 December 2017	Land and buildings	Leasehold improvements	Motor vehicles	Furniture, fixtures, and equipment	Loading equipment and facilities in port	Total
Net book amount as at 1 January 2017, as previously reported	2,354,975	7,100	36,508	702,666	1,132,976	4,234,225
Business combination under common control	140,640	—	1,411	106,191	—	248,242
Net book amount as at 1 January 2017, as restated	2,495,615	7,100	37,919	808,857	1,132,976	4,482,467
Business combination	24,520	—	1,629	46,878	—	73,027
Disposal of a subsidiary	(96,285)	—	(1,417)	(18,825)	—	(116,527)
Transfer from construction in progress (Note 8)	740,906	—	3	37,663	59,994	838,566
Additions	10,993	254	19,724	115,430	2,951	149,352
Disposals	(431)	—	(4,184)	(21,447)	(471)	(26,533)
Impairment (Note 29)	(89,342)	—	—	—	—	(89,342)
Exchange difference	171,814	1,082	2,288	56,511	79,110	310,805
Depreciation	(125,907)	(644)	(7,777)	(186,747)	(54,559)	(375,634)
Closing net book value, as restated	3,131,883	7,792	48,185	838,320	1,220,001	5,246,181
At 31 December 2017, as restated						
Costs	3,811,527	16,677	130,944	2,043,520	1,491,503	7,494,171
Accumulated depreciation and impairment	(679,644)	(8,885)	(82,759)	(1,205,200)	(271,502)	(2,247,990)
Net book value	3,131,883	7,792	48,185	838,320	1,220,001	5,246,181

Year ended 31 December 2018	Land and buildings	Leasehold improvements	Motor vehicles	Furniture, fixtures, and equipment	Loading equipment and facilities in port	Total
Net book amount as at 1 January 2018, as previously reported	2,987,907	7,792	47,643	744,711	1,220,001	5,008,054
Business combination under common control (Note 39)	143,976	—	542	93,609	—	238,127
Net book amount as at 1 January 2018, as restated	3,131,883	7,792	48,185	838,320	1,220,001	5,246,181
Transfer from construction in progress (Note 8)	603,490	—	—	77,536	6,419	687,445
Additions	153,827	2,464	17,313	138,529	23,104	335,237
Disposals	(169,162)	—	(685)	(166,354)	—	(336,201)
Exchange difference	(156,461)	(507)	(2,113)	(22,399)	(52,508)	(233,988)
Depreciation	(144,289)	(679)	(15,428)	(208,349)	(56,646)	(425,391)
Closing net book value	3,419,288	9,070	47,272	657,283	1,140,370	5,273,283
At 31 December 2018						
Costs	4,335,602	18,634	130,586	2,253,327	1,454,894	8,193,043
Accumulated depreciation and impairment	(916,314)	(9,564)	(83,314)	(1,596,044)	(314,524)	(2,919,760)
Net book value	3,419,288	9,070	47,272	657,283	1,140,370	5,273,283

(All amounts in HKD thousands unless otherwise stated)

6 Property, plant and equipment *(continued)*

Property ownership certificates for buildings with net book value of HKD383,072,000 (2017: HKD461,287,000) are not procured. Due to the unique feature of the Group's operation of toll roads, the affiliated buildings and structures should be reverted to the government when the approved operating periods expire. Thus, the Group does not have a plan of procuring the property ownership certificates.

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

	2018	2017 (restated)
In Hong Kong		
Medium-term leases (10 - 50 years)	59,784	61,919
In the PRC		
Medium-term leases (10 - 50 years)	2,974,845	2,606,886
Long-term leases (over 50 years)	1,587	1,791
Leases without certificates	383,072	461,287
	3,359,504	3,069,964
Representing:		
Land and buildings carried at cost	3,419,288	3,131,883

7 Land use rights

	2018	2017
Beginning of the year	1,959,033	1,784,514
Additions	1,148,410	154,495
Disposal	—	(13,110)
Transfer to inventories	—	(45,761)
Amortisation	(55,646)	(46,659)
Exchange difference	(119,471)	125,554
End of the year	2,932,326	1,959,033

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

In the PRC	2018	2017
Medium-term leases (10 - 50 years)	2,926,947	1,952,058
Long-term leases (over 50 years)	1,182	1,699
Leases with unspecified periods	4,197	5,276
	2,932,326	1,959,033

(All amounts in HKD thousands unless otherwise stated)

8 Construction in progress

	2018	2017 (restated)
Net book value as at 1 January, as previously reported	1,972,151	2,056,347
Business combination under common control (Note 39)	7,952	—
Net book value as at 1 January, as restated	1,980,103	2,056,347
Acquisition of subsidiaries	—	1,185
Additions	1,244,089	654,231
Transfer to property, plant and equipment (Note 6)	(687,445)	(838,566)
Exchange difference	(112,432)	106,906
End of the year	2,424,315	1,980,103

9 Intangible assets

Concession intangible assets

	2018	2017 (restated)
Cost	36,980,113	44,659,134
Accumulated amortisation and impairment	(9,959,423)	(11,034,788)
Net book value	27,020,690	33,624,346

	2018	2017 (restated)
Net book value as at 1 January, as previously reported	26,089,882	21,286,881
Business combination under common control (Note 39)	7,534,464	7,192,841
Net book value as at 1 January, as restated	33,624,346	28,479,722
Acquisition of subsidiaries	—	3,820,754
Additions	1,232,400	943,889
Disposals (Note 1(b))	(4,699,456)	(9,669)
Amortisation	(1,830,222)	(1,694,665)
Exchange difference	(1,306,378)	2,084,315
Closing net book value	27,020,690	33,624,346

(i) Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 4 to 19 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any considerations payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options. Amortisation of concession intangible assets has all been charged in the consolidated income statement within "Cost of sales".

(All amounts in HKD thousands unless otherwise stated)

9 Intangible assets *(continued)*

Concession intangible assets *(continued)*

(ii) The operating right of Guangdong Qinglian Expressway Development Company Limited (Qinglian Expressway) was included in the concession intangible assets with net book value of HKD7,704,443,000 (2017:HKD8,335,700,000), which was pledged for secured borrowings totaling HKD1,979,020,000 (2017: HKD2,128,730,000).

The operating right of Yichang Company was included in the concession intangible assets with net book value of HKD3,298,952,000 (2017: HKD3,629,925,000), of which 10% of operating right (2017: 100% of operating right) was pledged for secured borrowings totaling HKD5,023,000 (2017: HKD1,549,388,000).

The operating rights of Outer Ring Expressway and Coastal Highway were included in the concession intangible assets with net book value of HKD2,222,922,000 (2017: HKD1,106,214,000) and HKD7,048,040,000 (2017 (restated): HKD7,534,464,000) respectively, which was pledged for secured borrowings totaling HKD2,453,330,000 (2017: HKD1,377,647,000) and HKD5,044,136,000 (2017 (restated): HKD5,509,321,000) respectively.

10 Subsidiaries

(a) A list of the principal subsidiaries as at 31 December 2018 is disclosed in Note 41.

(b) Material non-controlling interests

The total non-controlling interests as at 31 December 2018 were HKD14,030,974,000(2017 (restated): HKD11,071,046,000), of which HKD9,610,493,000 (2017 (restated): HKD7,953,269,000) was attributable to other shareholders of Shenzhen Expressway. The non-controlling interests in respect of other subsidiaries are not material.

Significant restrictions

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

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

Summarised balance sheet

	2018	2017 (restated)
Current		
Assets	8,612,636	6,787,783
Liabilities	(6,807,861)	(10,538,800)
Total current net assets/(liabilities)	1,804,775	(3,751,017)
Non-current		
Assets	38,264,760	45,863,162
Liabilities	(17,755,489)	(23,191,538)
Total non-current net assets	20,509,271	22,671,624
Net assets	22,314,046	18,920,607
Net assets attributable to ordinary shareholders	19,840,403	16,310,048
Non-controlling interests	9,610,493	7,953,269

(All amounts in HKD thousands unless otherwise stated)

10 Subsidiaries *(continued)*

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

Summarised income statement

	2018	2017 (restated)
Revenue	8,075,745	6,888,863
Profit for the year	4,154,623	1,731,862
Other comprehensive income	12,820	89,166
Total comprehensive income	4,167,443	1,821,028
Total comprehensive income allocated to non-controlling interests	163,384	162,236
Dividends paid to non-controlling interests	166,129	211,120

Summarised cash flows

	2018	2017 (restated)
Net cash generated from operating activities	3,795,907	3,175,524
Net cash generated from/(used in) investing activities	1,102,510	(8,132,382)
Net cash used in financing activities	(4,078,122)	1,971,017
Net increase/(decrease) in cash and cash equivalents	820,295	(2,985,841)

The amounts above are stated before inter-company eliminations.

11 Interests in associates

	2018	2017
Beginning of the year	14,284,887	7,490,060
Impact on initial application of HKFRS 15 (Note 2.2.1(b))	26,333	—
Adjusted balance at beginning of the year	14,311,220	7,490,060
Additions	67,743	5,127,204
Disposal	(18,576)	—
Share of profit of associates	1,126,361	1,368,985
Share of other comprehensive income of associates	(19,845)	74,539
Dividends received	(578,573)	(589,250)
Exchange difference	(643,634)	813,349
End of the year	14,244,696	14,284,887

The year-end balance comprises the following:

	2018	2017
Unlisted investments		
Share of net assets, other than goodwill	11,604,539	11,524,006
Goodwill on acquisition (Note (b))	2,640,157	2,760,881
	14,244,696	14,284,887

(All amounts in HKD thousands unless otherwise stated)

11 Interests in associates *(continued)*

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

Name	% Ownership interest in		Business nature
	2018	2017	
Shenzhen Airlines Company Limited ("Shenzhen Airlines") (Note (c))	49%	49%	Aviation services
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	25%	25%	Construction, operation and management of highways
Guangzhou Western Second Ring Expressway Company Limited	25%	25%	Construction, operation and management of highways
Shenzhen Huayu Expressway Investment Company Limited	40%	40%	Development, operation and management of highways
Nanjing Yangzi River Third Bridge Company Limited	25%	25%	Construction, operation and management of bridges
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	25%	25%	Construction, operation and management of highways
Yunfu Guangyun Expressway Company Limited	30%	30%	Construction, operation and management of highways
Bank of Guizhou Company Limited	3.44%	3.78%	Deposit and loan business; domestic clearing, bills acceptance and discounting; issuance, redemption and underwriting of various types of bonds; other businesses as approved by the banking regulatory authorities and related departments.
Shenzhen International Qianhai Real Estate (Shenzhen) Co., Ltd.	50%	50%	Real estate development
Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company")	24%	24%	Project management consulting, engineering consulting and sales of engineering materials
Shenzhen Zhongneng Electronic Commerce Company Limited	10%	10%	Software and information technology services
Shenzhen International Huazhang II Logistics Industry Investment Partnership Enterprise	40%	40%	Venture capital investment
Derun Company (Note (c))	20%	20%	Environment management and resources recovery

(All amounts in HKD thousands unless otherwise stated)

11 Interests in associates *(continued)*

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

(c) In the opinion of the directors, Shenzhen Airlines and Derun Company are material associates to the Group. Shenzhen Airlines and Derun Company are private companies and there are no quoted market prices available for their shares. Set out below are the summarised financial information for Shenzhen Airlines and Derun Company which are accounted for using the equity method.

Summarised balance sheet

	Shenzhen Airlines		Derun Company	
	2018	2017	2018	2017
Current				
Assets	4,792,044	4,024,436	10,458,546	13,751,365
Liabilities	(30,767,674)	(30,063,748)	(7,552,463)	(7,697,622)
Total current net (liabilities)/assets	(25,975,630)	(26,039,312)	2,906,083	6,053,743
Non-current				
Assets	61,042,075	57,370,789	31,940,848	28,745,073
Liabilities	(25,066,377)	(21,664,554)	(7,639,398)	(6,163,924)
Total non-current net assets	35,975,698	35,706,235	24,301,450	22,581,149
Non-controlling interests	(117,446)	(118,423)	(10,368,753)	(10,941,822)
Net assets	9,882,622	9,548,500	16,838,780	17,693,070

Summarised statement of comprehensive income

	Shenzhen Airlines		Derun Company (i)	
	2018	2017	2018	2017
Revenue	36,662,188	32,427,763	10,151,058	5,772,810
Profit for the year	1,053,095	1,634,497	937,588	743,413
Other comprehensive income	(27,588)	123,125	(158,404)	14,195
Total comprehensive income	1,025,507	1,757,622	779,184	757,608
Dividends received from the associate	148,420	155,904	172,479	138,426

(All amounts in HKD thousands unless otherwise stated)

11 Interests in associates *(continued)*

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

Reconciliation of the summarised financial information presented to the carrying amount of their interests in the associates.

Summarised financial information

	Shenzhen Airlines		Derun Company[i]	
	2018	2017	2018	2017
Opening net assets	9,548,500	7,538,943	17,693,070	17,012,148
Impact on initial application of HKFRS 15	53,741	—	—	—
Adjusted balance at beginning of the year	9,602,241	7,538,943	17,693,070	17,012,148
Profit for the year	1,053,095	1,634,497	937,588	743,413
Other comprehensive income	(27,588)	123,125	(158,404)	14,195
Dividend paid	(302,898)	(318,171)	(862,394)	(692,130)
Currency translation differences	(442,228)	570,106	(771,080)	615,444
Closing net assets	9,882,622	9,548,500	16,838,780	17,693,070
Interest in the associate[ii]	4,842,484	4,678,765	3,367,756	3,538,614
Goodwill	882,453	922,804	1,670,229	1,746,602
Carrying value	5,724,937	5,601,569	5,037,985	5,285,216

(i) The period of Derun Company's financial information for the year 2017 is from 31 May 2017 (date of acquisition) to 31 December 2017.

(ii) The Group shares 49% and 20% of equity interests of Shenzhen Airlines and Derun Company respectively.

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

	2018	2017
Total carrying amount of individually immaterial associates in consolidated financial statements	3,481,774	3,398,102
Individually immaterial associates' results attributed to the Group:		
Profit for the year	422,827	419,399
Other comprehensive income	25,355	11,369
Total comprehensive income	448,182	430,768

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

(All amounts in HKD thousands unless otherwise stated)

12 Interests in joint ventures

	2018	2017
At the beginning of the year	248,748	260,234
Additions	—	166,667
Disposal	(1,509)	—
Share of profit of joint ventures	14,708	19,363
Dividends received	(11,287)	(27,015)
Transfer to subsidiaries	(169,670)	(184,025)
Exchange difference	(5,686)	13,524
At the end of the year	75,304	248,748

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

Name	% Ownership interest in 2018	% Ownership interest in 2017	Business nature
Shenzhen Airport International Express Supervision Center Co., Ltd.	50%	50%	Equipment services for customs monitoring
Shenzhen Longzhuo Logistics Co., Ltd.	50%	50%	Warehousing services
Shenzhen Timetop Smart Logistics Co., Ltd.	40%	40%	Logistics management services
Shenzhen International Huazhang Logistics Industry Private Equity Funds Management Co., Ltd.	38%	38%	Fund management

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

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

	2018	2017
Total carrying amount of individually immaterial joint ventures in consolidated financial statements	75,304	248,748
Individually immaterial joint ventures' results attributed to the Group:		
Profit for the year	14,708	19,363
Total comprehensive income	14,708	19,363

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

(All amounts in HKD thousands unless otherwise stated)

13 Other financial assets

	31 December 2018	1 January 2018	31 December 2017
Equity securities designated at FVOCI (non-recycling)			
– Unlisted equity investment (Note (c))	56,902	59,694	—
Financial assets measured at FVPL			
– Wealth management products (Note (a))	388,172	—	—
– Listed securities in the PRC (Note (b))	162,224	312,405	—
– Unlisted equity investment (Note (c))	206,004	194,019	—
– Unlisted fund investment (Note (d))	223,043	—	—
Available-for-sale financial assets			
– Unlisted equity investments at cost less impairment (Note (c))	—	—	186,912
– Listed securities in the PRC, at fair value (Note (b))	—	—	312,405
	1,036,345	566,118	499,317
Less: non-current portion	(485,949)	(253,713)	(186,912)
Current portion	550,396	312,405	312,405

(a) The wealth management products bear floating interest rates from 1.35% to 3.05% per annum and will both mature in 2019. Prior to January 2018, Wealth management products were classified under trade and other receivables and measured at amortised cost in accordance with HKAS 39.

(b) As at 31 December 2018, listed equity investments stated at market price represent 1.24% (31 December 2017: 1.30%) equity interest in CSG Holding Co., Ltd ("CSG"). During the year, the Group did not dispose of any shares in CSG (2017: Nil).

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

(d) As at 31 December 2018, the Group has 41.18% share of Shenzhen Capital Lingxiu Logistics Facility Phase I Private Investment Fund. It was classified as financial assets measured at FVPL and measured at fair value at year end.

14 Other non-current assets

As at 31 December 2018, other non-current assets mainly represented prepayments for land use rights, project funds and other long-term receivables.

(All amounts in HKD thousands unless otherwise stated)

15 Inventories

	31 December 2018	1 January 2018 (i)	31 December 2017 (i) (restated)
Land in Qianhai held for future development	1,624,375	1,634,830	1,634,830
Other land held for future development	191,269	5,226,047	5,226,047
Land and properties under development for sale (Note(ii))	5,556,197	253,372	252,745
Completed properties for sale	891,031	680,864	680,864
Others	40,726	51,324	51,324
Impairment	(248,193)	(251,611)	(251,611)
	8,055,405	7,594,826	7,594,199

Notes:

(i) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balances at 1 January 2018. Comparative information has not been restated.

(ii) Upon the adoption of HKFRS 15, opening adjustments were made as at 1 January 2018 to accrue interest on certain advance payments received from customers. This interest was eligible for capitalisation into the carrying value of the Group's properties under development for sale, which has resulted in an increase in that balance as at that date (see note 2.2.1(b)).

(a) The analysis of the amount of inventories recognised as impairment is as follows:

	2018	2017
At the beginning of the year	251,611	—
Addition	—	251,611
Exchange difference	(3,418)	—
At the end of the year	248,193	251,611

(b) The analysis of carrying amount of leasehold land included in land and properties development in abovementioned inventories is as follows:

In the PRC	2018	2017
Medium-term leases (10 - 50 years)	1,724,786	1,739,832
Long-term leases (over 50 years)	636,492	656,913
	2,361,278	2,396,745

(All amounts in HKD thousands unless otherwise stated)

16 Contract assets and contract liabilities

(a) Contract assets

	Notes	31 December 2018	1 January 2018 (i)	31 December 2017 (i)
Contract assets				
Arising from performance under construction contracts	(ii)	190,481	140,087	—
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" (Note 17)		1,041,619	834,991	—

Notes:

(i) The Group has initially applied HKFRS 9 and HKFRS 15 using the cumulative effect method and adjusted the opening balances as at 1 January 2018.

(ii) Upon the adoption of HKFRS 15, some of the trade receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones were reclassified from "Trade receivable" under "Trade and other receivables"(Note 17) to contract assets (see note 2.2.1(b)(v)).

Typical payment terms which impact on the amount of contract assets recognised are as follows:

– Construction contracts

The Group's construction contracts include payment schedules which require stage payments over the construction period once milestones are reached. These payment schedules prevent the build-up of significant contract assets.

The amount of contract assets that is expected to be recovered after more than one year is HKD 90,510,000 (2017: HKD 114,860,000).

(All amounts in HKD thousands unless otherwise stated)

16 Contract assets and contract liabilities *(continued)*

(b) Contract liabilities

	Notes	31 December 2018	1 January 2018 (i)	31 December 2017 (i)
Contract liabilities				
Advertising service				
– Advertising fee received in advance and others	(ii)	19,123	—	—
Property development				
– deposits and instalments received	(ii), (iii)	1,805,881	621,124	—
		1,825,004	621,124	—

Notes:

(i) The Group has initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 January 2018.

(ii) Upon the adoption of HKFRS 15, the amounts was reclassified from "Trade and other payables" (Note 27) to contract liabilities (see note 2.2.1 (b)).

(iii) Upon the adoption of HKFRS 15, an opening adjustment as at 1 January 2018 was made to accrued interest on the advance payments received from customers (see note 2.2.1 (b)).

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

– Property development

Depending on market conditions, the Group requires the customers to pay off the full consideration within an agreed time frame while developments are still ongoing, rather than on delivery of properties to customer. Such advance payment schemes result in contract liabilities being recognised throughout the remaining property development period for the full amount of the contract price. In addition, the contract liabilities will be increased by the amount of interest expense being accrued by the Group to reflect the effect of any significant financing benefit obtained from the customers during the period between the payment date and the completion date of delivery. As this accrual increases the amount of the contract liabilities during the period of development, it therefore increases the amount of revenue recognised when control of the completed property is transferred to the customer.

Movements in contract liabilities

	2018
Balance at 1 January	621,124
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(458,545)
Increase in contract liabilities as a result of receiving deposits and instalments during the year in respect of properties still under construction as at 31 December 2018	1,633,264
Increase in contract liabilities as a result of accruing interest expense on advances	29,161
Balance at 31 December	1,825,004

The amount of deposits and instalments received expected to be recognised as income after more than one year is HKD 140,647,631 (2017: HKD 64,663,496, which were included under "trade and other payables").

(All amounts in HKD thousands unless otherwise stated)

17 Trade and other receivables

	Notes	31 December 2018	1 January 2018	31 December 2017 (restated)
Trade receivables and bill receivables (note (a))		1,072,080	860,753	1,000,840
Less: Loss allowance (Note 3.1(b))		(30,461)	(25,762)	(25,762)
Trade receivable, net of loss allowance(note(a))	(i)	1,041,619	834,991	975,078
Finance lease receivables (note (b))		60,204	—	—
Receivable from government arising from disposal of the concession rights of four Expressway Projects(Note (c))		1,942,171	—	—
Other debtors (note(d))		489,291	570,291	580,198
Financial assets measured at amortised cost		3,533,285	1,405,282	1,555,276
Deposits and prepayments(note(e))		443,240	557,185	547,278
		3,976,525	1,962,467	2,102,554

Note:

(i) Upon the adoption of HKFRS 15, some of the trade receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones, were reclassified to "contract assets" and disclosed in Note 16 (see note 2.2.1(b)).

(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. Further details on the Group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 3.1(b). As at 31 December 2018 and 2017, the ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

	2018	2017 (restated)
0 - 90 days	859,044	856,370
91 - 180 days	60,217	31,701
181 - 365 days	73,260	29,413
Over 365 days	79,559	83,356
	1,072,080	1,000,840

(b) Finance lease receivables

	31 December 2018	1 January 2018	31 December 2017
Finance lease receivables	198,693	—	—
Less: non-current portion	(138,489)	—	—
	60,204	—	—

(All amounts in HKD thousands unless otherwise stated)

17 Trade and other receivables *(continued)*

(b) Finance lease receivables *(continued)*

As at 31 December 2018, the total future minimum lease payments receivables under finance lease were as follows:

	2018				2017			
	Lease payments receivable	Unearned finance income	Allowance of bad debt	Carrying amount	Lease payments receivable	Unearned finance income	Allowance of bad debt	Carrying amount
Within 1 year (inclusive)	72,582	(10,028)	(2,350)	60,204	—	—	—	—
After 1 year but within 5 years (inclusive)	127,906	(11,503)	(4,151)	112,252	—	—	—	—
Over 5 years	28,133	(1,396)	(500)	26,237	—	—	—	—
	228,621	(22,927)	(7,001)	198,693	—	—	—	—

(c) The balance represented taxes to be borne by the government regarding the disposal gain of 4 toll roads.

(d) The amounts mainly included: (i) receivables from associate of HKD173,319,000 (2017: HKD101,584,000);(ii) receivables of supplier's security of HKD15,857,000 (2017: HKD36,399,000).

(e) The amounts mainly included: (i) prepayment for land use rights and guarantee deposit of land use rights of HKD259,659,000(2017: HKD350,421,000); (ii) prepaid construction costs of HKD44,450,000 (2017: HKD196,857,000); and (iii) prepaid auctions fee for commercial properties of HKD 88,955,000 (2017: Nil).

18 Cash and cash equivalents

	2018	2017 (restated)
Cash at bank and in hand	16,627,063	9,410,517
Less: Restricted bank deposits (note (a))	(2,088,989)	(2,893,219)
Less: Deposits in banks with original maturities over 3 months	(874,168)	(813,956)
Cash and cash equivalents	13,663,906	5,703,342

(a) As at 31 December 2018, the restricted bank deposits mainly represented restricted project funds for construction management.

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

	2018	2017 (restated)
RMB	16,067,651	8,403,237
HKD	210,975	76,326
USD	348,268	925,540
Other currencies	169	5,414
	16,627,063	9,410,517

19 Disposal group held for sale

As at 9 November 2018, the two subsidiaries of the Group, Guizhou Guishen Investment Development Co., Ltd. ("Guishen Company") and Guizhou Shenzhen Expressway Property Co., Ltd. ("Guizhou Property"), were preparing to sell 100% of the shares and the creditor's rights of their subsidiaries, Guizhou Shengbo Land Co., Ltd. ("Guizhou Shengbo"), Guizhou Hengfengxin Property Co., Ltd. ("Guizhou Hengfengxin"), Guizhou Henghongda Property Co., Ltd. ("Guizhou Henghongda") and Guizhou Yehengda Property Co., Ltd. ("Guizhou Yehengda"), publicly on Shenzhen United Property and Share Rights Exchange. As at 11 December 2018, Guizhou Xinhe Lifu Real Estate Development Co., Ltd. ("Xinhelifu") was the transferee, and paid a security deposit of RMB170,100,000. The share transfer has been approved by the management of Guishen Company and Guizhou Property at the shareholders' meeting and the board of directors meeting, and the transfer is expected to be completed within one year. As a result, the underlying assets related to the share transfer agreement are transferred from inventories to assets held for sale. The book value and fair value less disposal cost of the asset as at 31 December 2018 is HKD338,670,000 and HKD646,590,000 respectively.

20 Share capital and share premium

	Number of issued shares (share)	Ordinary share capital	Share premium	Total
At 1 January 2017	1,957,689,314	1,957,689	6,365,913	8,323,602
Employee share option				
– proceeds from shares issued	15,755,597	15,756	127,701	143,457
– value of employee services (Note 31)	—	—	29,358	29,358
Issue of scrip shares as dividend	55,338,274	55,338	607,907	663,245
At 31 December 2017	2,028,783,185	2,028,783	7,130,879	9,159,662
Employee share option				
– proceeds from shares issued	18,598,404	18,599	152,293	170,892
– value of employee services (Note 31)	—	—	36,018	36,018
Issue of scrip shares as dividend (Note 35)	72,983,766	72,984	1,120,132	1,193,116
Repurchase of shares	(492,500)	(493)	(6,967)	(7,460)
At 31 December 2018	2,119,872,855	2,119,873	8,432,355	10,552,228

(a) Authorised and issued shares

As at 31 December 2018, the total authorised number of shares was 3,000 million (2017: 3,000 million) with par value of HKD1 per share (2017: HKD1 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:

	2018		2017	
	Average Exercise price (HKD per share)	Number of share options (thousands)	Average Exercise price (HKD per share)	Number of share options (thousands)
At 1 January	11.373	58,655	10.642	36,598
Granted	—	—	12.628	34,770
Exercised	9.188	(18,598)	9.105	(15,756)
Forfeited	10.381	(1,177)	10.311	(1,744)
Adjusted	—	3,129	—	4,787
At 31 December	11.521	42,009	11.373	58,655

The related weighted-average share price at the time of exercise was HKD15.63 (2017: HKD14.45) per share in 2018.

20 Share capital and share premium *(continued)*

(b) Share options *(continued)*

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

Date of maturity	Exercise price (HKD per share)	Number of share options (thousands)	
		2018	2017
28 January 2019 (Note (i))	8.408	3,893	17,296
28 January 2019 (Note (ii))	10.553	1,837	6,589
25 May 2022 (Note (iii))	11.904	36,279	34,770
		42,009	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. The options are exercisable starting two years from the grant date: 40% of the 2014 Share Options was vested on the date which is 24 months after the grant date; another 30% of the 2014 Share Options granted was vested on the date which is 36 months after the grant date, and the remaining 30% of the 2014 Share Options was vested on the date which is 48 months after the grant date. The vesting of the 2014 Share Options is conditional, subject to the individual performance of respective grantees and the achievement of certain performance targets of the Group. During the year, 494,000 (2017: 1,744,000) of the 2014 Share Options were forfeited and 13,701,000 (2017: 14,662,000) of the 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 selected employees of the Group. The exercise price of 2016 Share Options represents the average closing price for the five business days immediately preceding the date of grant. 40% of the share options granted was vested immediately, another 30% of the share options granted was vested on 29 January 2017, and the remaining 30% of the share options granted was vested on 29 January 2018. Vesting of the above mentioned share options in 2017 and 2018 is conditional upon the individual performance of respective grantees and the achievement of certain performance targets of the Group. During the year, 78,000 (2017: nil) of the 2016 Share Options were forfeited and 4,897,000 (2017: 1,094,000) of 2016 Share Options were exercised.

On 23 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 of HKD 12.628 per share were granted to certain directors of the Company and to selected employees of the Group. The exercise price of 2017 Share Options represents the average closing price for the five business days immediately preceding the date of grant. 40% of the share options granted is to be vested on 26 May 2019, another 30% of the share options granted will be vested on 26 May 2020, and the remaining 30% of the share options granted will be vested on 26 May 2021. Vesting of the above mentioned share is conditional upon the individual performance of respective grantees and the achievement of certain performance targets of the Group. During the year, 605,000 (2017: nil) of the 2017 Share Options were forfeited and none of 2017 Share Options were 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 HKD thousands unless otherwise stated)

21 Other reserves and retained earnings

	Fair value reserve (recycling) (Note (a))	Fair value reserve (non-recycling)	Reserve funds (Note (b))	Capital reserve	Goodwill reserve	Merger reserves	Revaluation surplus	Other reserves (Note (c))	Currency translation reserve	Contributed surplus (Note (d))	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	—	—	—	—	—	—	—	—	—	—	—	3,816,794	3,816,794
Net movement in fair value reserve on available-for-sale financial assets (recycling)	(37,926)	—	—	—	—	—	—	—	—	—	(37,926)	—	(37,926)
Share of other comprehensive income of associates	—	—	—	—	—	—	—	68,720	—	—	68,720	—	68,720
Currency translation differences	13,162	—	—	—	—	184,719	—	—	1,270,505	—	1,468,386	—	1,468,386
Transfer to reserves	—	—	602,632	—	—	—	—	—	—	—	602,632	(602,632)	—
Dividend relating to 2016	—	—	—	—	—	—	—	—	—	—	—	(841,938)	(841,938)
Forfeiture of unclaimed dividends	—	—	—	—	—	—	—	—	—	—	—	92	92
Transactions with non-controlling interests	—	—	—	—	—	—	—	(2,492)	—	—	(2,492)	—	(2,492)
Business combination under common control	—	—	—	—	—	(884,180)	—	—	—	—	(884,180)	—	(884,180)
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

	Fair value reserve (recycling) (Note (a))	Fair value reserve (non-recycling)	Reserve funds (Note (b))	Capital reserve	Goodwill reserve	Merger reserves	Revaluation surplus	Other reserves (Note (c))	Currency translation reserve	Contributed surplus (Note (d))	Other reserves sub-total	Retained earnings	Total
Balance as at 1 January 2018, 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 1 January 2018, 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 (Note 2.2.1(a))	(202,679)	—	—	—	—	—	—	—	—	—	(202,679)	228,349	25,670
Impact on initial application of HKFRS 15 (Note 2.2.1(b))	—	—	—	—	—	—	—	—	—	—	—	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	—	—	—	—	—	—	—	—	—	—	—	4,212,652	4,212,652
Net movement in fair value reserve on other financial assets (non-recycling)	—	(141)	—	—	—	—	—	—	—	—	(141)	—	(141)
Share of other comprehensive income of associates	—	—	—	—	—	—	—	(19,433)	—	—	(19,433)	—	(19,433)
Currency translation differences	—	5	—	—	—	—	—	—	(1,298,985)	—	(1,298,980)	—	(1,298,980)
Transfer to reserves	—	—	600,432	—	—	—	—	—	—	—	600,432	(600,432)	—
Dividend relating to 2017 (Note 35)	—	—	—	—	—	—	—	—	—	—	—	(2,035,647)	(2,035,647)
Business combination under common control (Note 39)	—	—	—	—	—	19,835	—	—	—	—	19,835	—	19,835
Impact of capital injection by non-controlling interests	—	—	—	—	—	—	—	1,750,541	—	—	1,750,541	—	1,750,541
Forfeiture of unclaimed dividends	—	—	—	—	—	—	—	—	—	—	—	119	119
Transactions with non-controlling interests	—	—	—	—	—	—	—	203	—	—	203	—	203
Balance as at 31 December 2018	—	(136)	3,504,614	59,723	(159,583)	(2,148,839)	507,216	1,875,822	(77,488)	13,005	3,574,334	13,871,370	17,445,704

21 Other reserves and retained earnings *(continued)*

(a) The fair value reserve (recycling) comprises the cumulative net change in the fair value of debt securities measured at FVOCI under HKFRS 9 held at the end of the reporting period (see note 2.16). Prior to 1 January 2018, this reserve included the cumulative net change in the fair value of available-for-sale financial assets held at the end of the reporting period in accordance with HKAS 39. This amount has been reclassified to fair value reserve (non-recycling) upon the initial adoption of HKFRS 9 at 1 January 2018 (see note 2.2.1(a)).

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under HKFRS 9 that are held at the end of the reporting period (see note 2.16).

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

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

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

22 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% per annum. 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 HKFRS 9. As a result, the whole instrument is classified as equity, and distributions if and when declared are treated as equity dividends.

During the year ended 31 December 2018, the profit attributable to the holders of perpetual securities, based on the applicable interest rate, amounted to HKD92,969,000.

On 29 May 2018 and 29 November 2018 an amount of HKD46,500,000 and HKD46,469,000 were distributed to the holders of perpetual securities respectively.

(All amounts in HKD thousands unless otherwise stated)

23 Borrowings

	2018	2017 (restated)
Non-current		
Long-term bank borrowings		
– Secured (Note (a))	9,481,509	10,565,085
– Unsecured	4,529,794	2,899,103
Medium-term notes (Note (b))	2,048,604	1,073,010
Senior notes (Note (c))	775,383	—
Corporate bonds (Note (d))	3,240,722	3,261,811
Panda bonds(Note (e))	5,698,953	—
	25,774,965	17,799,009
Less: Current portion of long-term borrowings	(1,300,834)	(1,511,341)
	24,474,131	16,287,668
Current		
Short-term bank borrowings		
– Unsecured	702,833	2,200,554
– Secured (Note (f))	134,062	1,335,072
Current portion of long-term borrowings		
Bank borrowings		
– Secured (Note (a))	319,185	229,137
– Unsecured	981,649	209,194
Medium-term notes (Note (b))	—	1,073,010
	1,300,834	1,511,341
	2,137,729	5,046,967
Total borrowings	26,611,860	21,334,635

(a) The details of pledged assets of these secured bank borrowings are set out in note 9(ii).

(b) On 30 July 2018, Shenzhen Expressway completed the issue of the RMB1,000 million medium-term notes, which has a term of 3 years and bears a fixed interest at 4.14% per annum with interest repayable annually and the principal repayable in full upon maturity on 30 July 2021.

On 15 August 2018, Shenzhen Expressway completed the issue of the RMB800 million medium-term notes, which has a term of 5 years and bears a fixed interest at 4.49% per annum with interest repayable annually and the principal repayable in full upon maturity on 15 August 2023.

(c) 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 year. The funds raised are used to invest in integrated logistics hubs, the repayment of certain existing debt obligations and general working capital purposes.

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

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

(All amounts in HKD thousands unless otherwise stated)

23 Borrowings *(continued)*

(e) On 19 January 2018, the Company issued 5-years Panda Bond-Phase I with par value of RMB 300 million carrying a coupon rate of 5.2% per annum. On 12 November 2018, the Company issued 5-years Panda Bond-Phase II with par value of RMB 4,700 million carrying a coupon rate of 4.15% per annum. The interest of Panda Bonds should be paid annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, the issuer shall be entitled to adjust the coupon rate of corporate bonds and investors shall be entitled to sell back the bonds to the issuer.

(f) As at 31 December 2018, bank borrowing of HKD 134,062,000 (2017: HKD296,390,000) were secured by a pledge of the 45% equity interests of Jade Emperor Limited, a wholly-owned subsidiary of the Company.

(g) At 31 December 2018, the borrowings were repayable as follows:

	2018	2017 (restated)
Within 1 year	2,137,729	5,046,967
Between 1 and 2 years	1,093,313	1,464,893
Between 2 and 5 years	16,701,120	7,200,045
Over 5 years	6,679,698	7,622,730
	26,611,860	21,334,635

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

	2018	2017 (restated)
HKD	2,799,631	1,245,443
RMB	21,247,289	17,232,284
USD	2,564,940	2,856,908
	26,611,860	21,334,635

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

	2018			2017		
	HKD	RMB	USD	HKD	RMB	USD
Bank borrowings	2.78% - 3.84%	1.20% - 5.23%	Libor +1.2%	1.99% - 2.94%	1.20% - 6.53%	2.39% - 2.76%

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

	2018	2017 (restated)
Floating rate		
– Expiring within one year	17,644,135	11,092,266
– Expiring beyond one year	37,972,009	45,284,046
	55,616,144	56,376,312

(All amounts in HKD thousands unless otherwise stated)

23 Borrowings *(continued)*

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

	Carrying amounts		Fair values	
	2018	2017 (restated)	2018	2017 (restated)
Bank borrowings	12,710,469	13,025,857	12,675,461	12,494,206
Corporate bonds	3,240,722	3,261,811	3,382,741	3,499,512
Panda bonds	5,698,953	—	5,846,894	—
Medium-term notes	2,048,604	—	2,114,837	—
Senior notes	775,383	—	882,712	—
	24,474,131	16,287,668	24,902,645	15,993,718

The fair values of bank borrowings are determined based on cash flows discounted using effective interest rates of 2.24% to 4.90% (2017: 1.19% to 4.90%) per annum.

The fair values of the Corporate Bond A, Corporate Bond B and Panda bond are calculated using cash flows discounted at rates of 3.98%,2.51% and 3.41% (2017: 5.39%,2.20% and Nil) per annum.

The fair values of Medium-term notes are determined based on cash flows discounted at rates of 3.81% and 4.10% (2017:Nil) per annum.

The fair values of Senior note is determined based on cash flows discounted at rates of 3.98% (2017:Nil) per annum respectively.

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

24 Provision for maintenance/resurfacing obligations

	2018	2017
Opening net book value	191,928	179,087
Charged to the consolidated income statement:		
– Additions (Note 30)	—	34,545
– Increase due to passage of time	—	8,624
Settlement	—	(42,813)
Write-back upon disposal of toll roads (Note 30)	(189,396)	—
Exchange difference	(2,532)	12,485
Closing net book value	—	191,928
Less: current portion	—	(28,617)
Non-current portion	—	163,311

As part of its obligations under the Service Concessions, the Group assumes responsibility for maintenance and resurfacing of the toll roads it manages.

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

(All amounts in HKD thousands unless otherwise stated)

25 Deferred tax

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year are as follows:

	Concession intangible assets	Taxable financial subsidies	Fair value changes of other financial assets	Tax losses	Payroll and other expenses accrued but not paid	New toll station operating subsidies	Relocation compensation for Meilinguan Project	Others	Total
1 January 2017, as previously reported	(1,447,621)	21,481	(77,657)	65,270	9,613	–	–	(186,172)	(1,615,086)
Credited to equity									
– Change of in fair value reserve on other financial assets	–	–	12,642	–	–	–	–	–	12,642
Acquisition of subsidiaries	(456,254)	–	–	629	–	–	–	68,094	(387,531)
Credited/(charged) to the consolidated income statement (Note 33)	159,316	(1,347)	–	(36,014)	5,156	–	–	24,651	151,762
Exchange differences	(122,355)	1,453	(5,006)	3,441	832	–	–	(6,660)	(128,295)
31 December 2017, as restated	(1,866,914)	21,587	(70,021)	33,326	15,601	–	–	(100,087)	(1,966,508)
1 January 2018, as previously reported	(1,866,914)	21,587	(70,021)	33,326	15,601	–	–	(88,331)	(1,954,752)
Business combination under common control	–	–	–	–	–	–	–	(11,756)	(11,756)
1 January 2018, as restated	(1,866,914)	21,587	(70,021)	33,326	15,601	–	–	(100,087)	(1,966,508)
Credited to equity									
– Change of fair value reserve on other financial assets	–	–	47	–	–	–	–	–	47
Acquisition of subsidiaries	–	–	–	–	–	–	–	(13,504)	(13,504)
Credited/(charged) to the consolidated income statement (Note 33)	196,526	(21,302)	35,220	(32,886)	6,173	159,000	484,284	87,664	914,679
Exchange differences	61,159	(285)	1,970	(440)	(977)	(4,920)	(14,984)	3,036	44,559
31 December 2018	(1,609,229)	–	(32,784)	–	20,797	154,080	469,300	(22,891)	(1,020,727)

	2018	2017 (restated)
Net deferred tax assets recognised in the consolidated statement of financial position	787,782	245,319
Net deferred tax liabilities recognised in the consolidated statement of financial position	(1,808,509)	(2,211,827)
Total	(1,020,727)	(1,966,508)

(All amounts in HKD thousands unless otherwise stated)

25 Deferred tax *(continued)*

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

	2018			2017 (restated)		
	Before tax	Tax credited	After tax	Before tax	Tax credited	After tax
Fair value (losses)/gains on other financial assets	(188)	47	(141)	(50,568)	12,642	(37,926)
Share of other comprehensive income of associates	(19,845)	—	(19,845)	74,539	—	74,539
Currency translation differences	(1,901,022)	—	(1,901,022)	2,220,269	—	2,220,269
	(1,921,055)	47	(1,921,008)	2,244,240	12,642	2,256,882

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets in respect of tax losses amounting to HKD1,920,402,000 (2017 (restated): HKD2,102,850,000) that can be carried forward against future taxable income.

The expiry year of tax losses in respect of which deferred tax assets were not recognised at 31 December 2018 is as follows:

Year	2018	2017 (restated)
2018	—	217,588
2019	504,795	527,931
2020	463,883	485,095
2021	434,415	454,279
2022	399,594	417,957
2023	117,715	—
	1,920,402	2,102,850

26 Other non-current liabilities

	2018	2017
Compensations from government regarding Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway toll free arrangement	—	9,103,343
Compensations from government regarding operation of new toll station (Note (a))	573,309	—
Compensations related to the freight subsidy of Coastal Expressway (Note (b))	146,558	—
Other deferred income (Note (c))	578,995	617,445
	1,298,862	9,720,788

(a) As at 31 December 2018, the amount mainly represented government compensations amounting to HKD573,309,000 (2017:nil) for the operation subsidy of Luotian, Nanguang and Yanpai toll stations. The compensations are offset against unrecognised finance charges that will be amortised in the consolidated income statement within "finance cost" from 2018 to 2027. Interest expense of HKD50,630,000 was recognised for the year ended 31 December 2018 (2017: nil). The corresponding deferred income with maturity within one year amounted to HKD43,014,000 (2017: nil) was included in "Trade and other payables";

(All amounts in HKD thousands unless otherwise stated)

26 Other non-current liabilities *(continued)*

(b) As at 31 December 2018, the amount mainly represented compensations related to the freight subsidy of Coastal Expressway amounting to HKD146,558,000 (2017: nil). The compensations include unrecognised finance charges that will be amortised in the consolidated income statement within "finance cost" from March 2018 to December 2020. Interest expense of HKD29,929,000 was recognised for the year ended 31 December 2018 (2017: nil). The corresponding deferred income with maturity within one year amounted to HKD113,668,000 (2017: nil) was included in "Trade and other payables";

(c) As at 31 December 2018, other deferred income includes government grants amounting to HKD380,567,000 (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, and the corresponding deferred income with maturity within one year amounted to HKD10,583,000 (2017: HKD10,108,000) was included in "Trade and other payables".

27 Trade and other payables

	31 December 2018	1 January 2018	31 December 2017 (restated)
Trade payables (Note (a))	229,252	508,134	508,134
Payables relating to construction projects (Note (b))	3,534,420	3,667,153	3,667,153
Advances from associates (Note (c))	26,004	60,801	60,801
Other payables and accrued expenses (Note (d))	2,133,162	1,319,384	1,319,384
Financial liabilities measured at amortised cost	5,922,838	5,555,472	5,555,472
Compensation from government regarding Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway toll free arrangement	—	964,530	964,530
Deferred income	175,068	18,276	18,276
Advance received (Note (e))	—	—	612,564
	175,068	982,806	1,595,370
	6,097,906	6,538,278	7,150,842

Note: As a result of the adoption of HKFRS 15, gross amount due to customers for contract work, advances received and deposits and instalments received are included in contract liabilities and disclosed in Note 16(b) (see note 2.2.1(b)(v)).

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

	2018	2017 (restated)
0 - 90 days	221,591	486,140
91 - 180 days	2,023	2,892
181 - 365 days	2,417	18,308
Over 365 days	3,221	794
	229,252	508,134

(b) Included project funds retained for construction management contracts is an amount of HKD1,892,050,000 (2017 (restated): HKD2,775,002,000), and payable for projects of entrusted management and construction is an amount of HKD1,642,370,000(2017 (restated): HKD892,151,000), which was payable for projects of highways and logistic parks.

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

(All amounts in HKD thousands unless otherwise stated)

27 Trade and other payables *(continued)*

(d) Other payables and accrued expenses mainly included payables for entrusted service costs of HKD159,396,000 (2017: HKD166,685,000), interest payables of HKD155,581,000 (2017 (restated): HKD99,307,000), employee benefit expenses of HKD381,191,000 (2017 (restated): HKD292,161,000), tax payable of HKD814,535,000 (2017: HKD114,884,000), expenses payable for routine maintenance of highway of HKD200,232,000 (2017: HKD235,326,000).

(e) As a result of adoption of HKFRS 15, advances received and deposits and instalments received are now included in contract liabilities.

28 Revenue

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018	2017 (restated) (Note)
Revenue from contracts with customers within the scope of HKFRS 15		
Toll Roads		
– Toll revenue	6,712,430	6,096,043
– Entrusted construction management service and construction consulting service revenue	273,430	62,403
– Construction service revenue under Service Concession	1,234,194	862,303
– Others	583,299	522,452
	8,803,353	7,543,201
Logistic Business		
– Logistic parks	143,387	145,880
– Logistic services	801,530	1,045,553
– Port and related services	1,318,457	967,768
	2,263,374	2,159,201
Head Office Functions	—	18,598
	11,066,727	9,721,000
Revenue from other sources		
Logistic Business		
– Gross rentals from logistic parks	514,309	418,141
	11,581,036	10,139,141

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 and HKAS 11 (see note 2.2.1(b)).

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets are disclosed in note 5.

(All amounts in HKD thousands unless otherwise stated)

28 Revenue *(continued)*

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

As at 31 December 2018, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HKD 1,825,004,000. This amount mainly represents revenue expected to be recognised in the future from pre-completion sales contracts for properties under development with the Group. This amount includes the interest component of pre-completion properties sales contracts under which the Group obtains significant financing benefits from the customers (see note 2.32). The Group will recognise the expected revenue in future when the properties under development for sale are delivered to the customers, which is expected to occur over the next 12 to 36 months.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its sales contracts for logistic services and properties under development of which the revenue will be recognised within one year such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for logistic services that had an original expected duration of one year or less.

The above amount also does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's construction contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

29 Other gains – net

	2018	2017
Gain on disposal of 4 Toll Roads (Note 1(b))	4,721,977	—
Loss on disposal of derivative financial instruments	(58,600)	—
Loss on fair value of other financial assets	(100,596)	—
Gain on disposal of a subsidiary	84,680	51,834
Gain on bargain acquisition of a subsidiary	8,056	—
Gain on land compensation	26,267	28,575
Loss on impairment of trade receivables (Note 3.1(b))	(6,012)	—
Loss on impairment of finance lease receivables	(7,224)	—
Gain on replacement of land	—	2,829,605
Gain on revaluation on equity interests in a joint venture previously held arising from business combinations with change of control–net	—	31,209
Gain on disposal of available-for-sale financial assets	—	61,412
Gain on disposal of other financial assets	12,877	—
Loss on disposal of Meiguan Expressway's toll free section related assets	—	(50,579)
Loss on impairment of property, plant and equipment	—	(89,342)
Loss on impairment of inventories	—	(251,611)
Others	21,759	23,095
Total	4,703,184	2,634,198

(All amounts in HKD thousands unless otherwise stated)

30 Expenses by nature

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

	2018	2017 (restated)
Construction services cost under Service Concession	1,234,194	862,303
Provision for maintenance/resurfacing obligations - net	(189,396)	34,545
Depreciation and amortisation	2,311,259	2,116,958
Employee benefit expenses (Note 31)	1,181,513	1,003,414
Transportation expenses and contractors' costs	466,635	916,014
Rental charges	107,101	62,785
Other tax expenses	80,496	77,044
Commission, management fee and maintenance expenses for toll roads	431,691	369,571
Entrusted construction management service costs	167,423	25,625
Auditors' remuneration *		
– Audit services	7,340	7,234
– Non-audit services	5,475	7,969
Legal and consultancy fees	43,593	43,192
Costs for logistic and supply chain management business	1,030,776	702,060
Property development cost	210,303	246,538
Others	597,218	580,679
	7,685,621	7,055,931

* Auditors' remuneration in 2018 includes amounts of HKD3,676,000 for audit services (2017: HKD3,611,000) and HKD1,392,000 for non-audit services (2017: HKD2,200,000) respectively which are paid/payable to KPMG, the auditor of the Company.

31 Employee benefit expenses

	2018	2017 (restated)
Wages and salaries	898,939	780,821
Pension costs-defined contribution plans	100,828	86,674
Share-based payment expenses (Note 20)	36,018	29,358
Others	145,728	106,561
	1,181,513	1,003,414

From 1 December 2000, a MPF scheme has been set up for eligible employees in Hong Kong of the Group. Contributions to the MPF Scheme by the Group and employees are calculated at rates specified in the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group by an independently administered fund.

The Group also contributes to employee retirement schemes established by the PRC local governments in respect of certain subsidiaries in the PRC. The PRC local governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated income statement as incurred.

No forfeited contributions (2017: nil) were utilised during the year and none is available at the year-end to reduce future contribution.

(All amounts in HKD thousands unless otherwise stated)

31 Employee benefit expenses *(continued)*

(a) Directors' emoluments

The remuneration of each Director for the year ended 31 December 2018 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to retirement scheme	Compensation for loss of office as director	Total
Gao Lei	–	273	1,151	48	171	–	1,643
Li Hai Tao (i)	–	283	1,116	78	164	–	1,641
Zhong Shan Qun	–	664	642	78	156	–	1,540
Liu Jun	–	664	613	78	153	–	1,508
Hu Wei	–	834	1,061	93	184	–	2,172
Xie Chu Dao	200	–	–	–	–	–	200
Liu Xiao Dong	177	–	–	–	–	–	177
Leung Ming Yuen, Simon (ii)	230	–	350	–	–	–	580
Ding Xun	350	–	–	–	–	–	350
Nip Yun Wing	350	–	–	–	–	–	350
Yim Fung	350	–	–	–	–	–	350
Cheng Tai Chiu (iii)	127	–	–	–	–	–	127
							10,638

(i) The chief executive of the Company.
(ii) Resigned on 22 August 2018.
(iii) Appointed as a non-executive director on 22 August 2018.

The remuneration of each Director for the year ended 31 December 2017 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to retirement scheme	Compensation for loss of office as director	Total
Gao Lei	–	243	1,141	42	130	–	1,556
Li Hai Tao(i)	–	278	1,080	82	131	–	1,571
Zhong Shan Qun	–	653	606	82	146	–	1,487
Liu Jun	–	653	606	82	146	–	1,487
Hu Wei(ii)	–	546	213	63	103	–	925
Li Lu Ning(iii)	–	272	243	36	39	–	590
Xie Chu Dao(iV)	125	–	–	–	–	–	125
Liu Xiao Dong(V)	72	–	–	–	–	–	72
Leung Ming Yuen, Simon	350	–	–	–	–	–	350
Ding Xun	350	–	–	–	–	–	350
Nip Yun Wing	350	–	–	–	–	–	350
Yim Fung	350	–	–	–	–	–	350
							9,213

(i) The chief executive of the Company.
(ii) Appointed on 17 May 2017.
(iii) Resigned on 17 May 2017.
(iv) Appointed as a non-executive director on 17 May 2017.
(v) Appointed as a non-executive director on 23 August 2017.

(All amounts in HKD thousands unless otherwise stated)

31 Employee benefit expenses *(continued)*

(a) Directors' emoluments *(continued)*

During the year ended 31 December 2018 and 2017, no emoluments had been paid by the Group to the directors or the five highest-paid individuals referred to in (b) below as an inducement to join or upon joining the Group or as a compensation for loss of office.

In addition to the above, certain share options were granted to Members of the Executive Directorate under the Company's 2014 Share Option Scheme, which were offered to them on 29 January 2014, 22 June 2016 and 26 May 2017. The entitlements of each of the Members are as follows:

Gao Lei was granted options in respect of 1,400,000 shares on 29 January 2014 and 1,270,000 shares on 26 May 2017, of which 499,500 options were vested in 2018 (2017: 920,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2018 was HKD1,397,000 (2017: HKD948,000);

Li Hai Tao was granted options in respect of 410,000 shares on 22 June 2016 and 1,210,000 shares on 26 May 2017, of which 421,000 options were vested in 2018 (2017:Nil), and the respective fair value of the share-based payments recognised for the year ended 31 December 2018 was HKD1,321,000 (2017: HKD859,000);

Zhong Shan Qun was granted options in respect of 1,050,000 shares on 29 January 2014 and 950,000 shares on 26 May 2017, of which 452,500 options were vested in 2018 (2017: 629,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2018 was HKD1,045,000 (2017: HKD709,000);

Liu Jun was granted options in respect of 1,050,000 shares on 29 January 2014 and 950,000 shares on 26 May 2017, of which 751,500 options were vested in 2018 (2017: 352,000), and the respective fair value of the share-based payments recognised for the year ended 31 December 2018 was HKD1,045,000 (2017: HKD709,000); and

Hu Wei was granted options in respect of 1,050,000 shares on 29 January 2014 and 950,000 shares on 26 May 2017, of which 468,500 options were vested in 2018 (2017: 782,500), and the respective fair value of the share-based payments recognised for the year ended 31 December 2018 was HKD1,045,000 (2017: HKD625,000).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2017: four) directors. The emoluments payable to the remaining one (2017: one) individual during the year is as follows:

	2018	2017
Basic salaries and allowances	2,749	2,917
Year-end bonuses	842	600
Contributions to the retirement scheme	—	18
Share-based payment expenses	1,045	709
Other benefits	5	10
	4,641	4,254

The emoluments fell within the following bands:

	Number of individuals	
	2018	2017
Emolument band		
HKD4,000,001 - HKD4,500,000	—	1
HKD4,500,001 - HKD5,000,000	1	—

(All amounts in HKD thousands unless otherwise stated)

32 Finance income and costs

	2018	2017 (restated)
Finance income		
Interest income from bank deposits	(92,036)	(97,407)
Interest income from other receivables	(10,141)	(5,069)
Other interest income	(14,683)	(12,342)
Total finance income	(116,860)	(114,818)
Finance costs		
Interest expense		
– Bank borrowings	790,818	645,957
– Medium-term notes	62,800	65,634
– Senior notes	23,793	32,665
– Corporate bonds	178,120	128,448
– Other interest costs	105,845	8,624
– Interest costs for other financial liabilities	468,024	494,488
Net foreign exchange losses/(gains)	288,965	(312,629)
(Gains)/losses on derivative financial instruments directly attributable to borrowings	(137,223)	169,402
Less: finance costs capitalised on qualified assets	(240,749)	(107,475)
Total finance costs	1,540,393	1,125,114
Net finance costs	1,423,533	1,010,296

Finance costs of HKD240,749,000 (2017: HKD107,475,000) have been capitalised for the construction of qualified assets such as property, plant and equipment, construction in progress and properties under development in 2018, using an average interest rate of 3.97% (2017: 2.64%) per annum.

33 Income tax expense

	2018	2017 (restated)
Current income tax		
– PRC Corporate Income Tax	2,731,288	1,585,824
– Land appreciation tax	18,619	7,785
Deferred tax (Note 25)	(914,679)	(151,762)
	1,835,228	1,441,847

(All amounts in HKD thousands unless otherwise stated)

33 Income tax expense *(continued)*

The taxation on the Group's profit before income tax differs from the theoretical amount that would have arisen using the main statutory tax rate applicable to profit of the Group due to the following:

	2018	2017 (restated)
Profit before income tax	8,361,925	6,149,248
Tax calculated at a tax rate of 25% (2017: 25%)	2,090,481	1,537,312
Tax impact of:		
– Different tax rates in other jurisdiction	(27,428)	(16,984)
– Non-taxable income	(68,146)	(15,259)
– Non-deductible expenses	67,066	38,483
– Unrecognised tax losses	62,481	42,593
– Share of profits of joint ventures and associates	(285,267)	(347,087)
– Withholding income tax on dividends (Note (a))	147,633	85,058
– Reversal of temporary difference in respect of prior years	(164,202)	—
– Unrecognised deductible temporary difference	—	87,925
– Prior years income tax adjustment	(1,354)	23,967
– LAT and LAT deductible for PRC CIT purpose	13,964	5,839
Income tax expense	1,835,228	1,441,847

(a) Hong Kong Profits Tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year.

The PRC Corporate Income Tax charged to the consolidated income statement was calculated based on the assessable profits of the Company's subsidiaries located in the PRC of the year at a rate of 25% (2017: 25%) applicable to the respective companies.

PRC Land Appreciation Tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortization of land use rights, borrowing costs and all property development expenditures.

(b) According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% withholding income tax. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding income tax rate will be reduced from 10% to 5%.

Certain profits generated by the relevant PRC subsidiaries would be distributed to their non-PRC registered intermediate holding companies and as such, deferred tax liability in this respect was provided accordingly in the consolidated financial statements of the Group for the current year to the extent that such earnings are estimated by the directors of the Company to be distributed in the foreseeable future.

The amount of profits on which withholding income tax has not been provided at 31 December 2018 was HKD8,486,201,000 (2017: HKD7,760,341,000).

34 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 year.

	2018	2017 (restated)
Profit attributable to ordinary shareholders of the Company	4,212,652	3,816,794
Weighted average number of ordinary shares in issue (thousands)	2,074,843	1,992,748
Basic earnings per share (HKD per share)	2.03	1.92

(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.

	2018	2017 (restated)
Profit attributable to ordinary shareholders of the Company	4,212,652	3,816,794
Weighted average number of ordinary shares in issue (thousands)	2,074,843	1,992,748
Adjustments - share options (thousands)	15,576	10,251
Weighted average number of ordinary shares for diluted earnings per share (thousands)	2,090,419	2,002,999
Diluted earnings per share (HKD per share)	2.02	1.91

35 Dividends

The 2017 final dividend and special dividend totaling HKD2,035,647,000 (HKD 0.44 per ordinary share of final dividend and HKD 0.56 per ordinary share of special dividend respectively) were settled in June 2018. According to the scrip dividend scheme approved by the shareholders in the annual general meeting held on 16 May 2018, 72,984,000 new shares were issued at a price of HKD16.3476 per share, totalling HKD1,193,116,000. The remaining dividends totalling HKD842,531,000 was paid in cash in June 2018. At the board meeting on 25 March 2019, the board recommended the payment of final dividend and special dividend for the year of 2018 of HKD0.36 per ordinary share and HKD0.70 per ordinary share respectively. Such dividends are to be approved by the shareholders at the forthcoming annual general meeting of the Company in 2019 ("Annual General Meeting"). These consolidated financial statements do not reflect this as dividend payable.

	2018	2017
Proposed final and total dividend of HKD0.36 (2017: HKD0.44) per ordinary share	763,154	892,665
Proposed special dividend of HKD0.70 (2017: HKD0.56) per ordinary share	1,483,911	1,136,118
	2,247,065	2,028,783

(All amounts in HKD thousands unless otherwise stated)

35 Dividends *(continued)*

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

36 Notes to the consolidated statement of cash flows

(a) Reconciliation of profit before income tax to consolidated cash generated from operations is set out as below

	2018	2017 (restated)
Profit before income tax	8,361,925	6,149,248
Adjustments for:		
– Depreciation (Note 6)	425,391	375,634
– Amortisation of land use rights (Note 7)	55,646	46,659
– Amortisation of intangible assets (Note 9)	1,830,222	1,694,665
– Losses on disposal of Meiguan Expressway's toll free section related assets	—	50,579
– (Reverse of)/provision for maintenance/resurfacing obligations net (Note 24)	(189,396)	34,545
– Impairment loss of trade receivables and finance lease receivables	13,236	24,473
– Gains on disposal of other financial assets (Note 29)	(12,877)	(61,412)
– Gain on bargain acquisition of a subsidiary (Note 29)	(8,056)	—
– Loss on disposal of derivative financial instruments (Note 29)	58,600	—
– Gains on revaluation on equity interests in a joint venture previously held arising from business combinations with change of control-net	—	(31,209)
– Gain on replacement of the first phase of Qianhai land	—	(2,829,605)
– Gain on disposal of a subsidiary (Note 29)	(84,680)	(51,834)
– Losses on impairment of certain property, plant and equipment and inventories	—	340,953
– Deferred income recognised	(162,204)	(41,735)
– Share-based payment expenses (Note 31)	36,018	29,358
– (Gains)/losses on disposal of property, plant and equipment	(37,443)	4,376
– Gain on disposal of the 4 Toll Roads (Note 29)	(4,721,977)	—
– Fair value loss on financial assets at fair value through profit or loss (Note 29)	100,596	—
– Fair value gains on investment properties	(600)	(5,940)
– Estimated revenue derived from the 4 Toll Roads toll free arrangements	(1,506,114)	(1,380,104)
– Interest income (Note 32)	(116,860)	(114,818)
– Interest expense (Note 32)	1,540,393	1,125,114
– Share of profit of associates and joint ventures (Notes 11 and 12)	(1,141,069)	(1,388,348)
– Dividend income	(9,902)	(9,367)
	4,430,849	3,961,232
Changes in working capital (excluding the exchange differences on acquisition of subsidiaries):		
– Inventories	(882,846)	(57,777)
– Trade and other receivables	(363,958)	453,534
– Trade and other payables	(851,794)	(2,215,912)
– Change of contract assets	(50,394)	—
– Change of contract liabilities	1,169,357	—
– Provision for maintenance/resurfacing obligations	—	(42,813)
Decrease in restricted bank deposits	804,230	2,358,444
Cash generated from operations	4,255,444	4,456,708

(All amounts in HKD thousands unless otherwise stated)

36 Notes to the consolidated statement of cash flows *(continued)*

(a) Reconciliation of profit before income tax to consolidated cash generated from operations is set out as below *(continued)*

In the consolidated statement of cash flows, proceeds from sale of property, plant and equipment and concession intangible assets comprise:	2018	2017 (restated)
Net book value of property, plant and equipment (Note 6)	336,201	26,533
Net book value of concession intangible assets (Note 9)	4,699,456	9,669
Gain on disposal 4 Toll Roads (Note 29)	4,721,977	—
Gains/(losses) on disposal of property, plant and equipment	37,443	(4,376)
Decrease in other non-current liabilities	(9,659,445)	—
Proceeds from disposal	135,632	31,826

Non-cash transactions

The principal non-cash transactions for the year ended 31 December 2018 represented the issue of shares to satisfy dividend pursuant to the scrip dividend scheme as disclosed in Note 35.

(b) Reconciliation of liabilities arising from financing activities

	Bank loans and other borrowings (Note 23)	Notes and bonds (Note 23)	Total
At 1 January 2018, as previously reported	11,490,494	4,334,821	15,825,315
Business combination under common control	5,509,320	—	5,509,320
At 1 January 2018, as restated	16,999,814	4,334,821	21,334,635
Changes from financing cash flows:			
Proceeds from borrowings	10,106,433	8,778,816	18,885,249
Repayment of borrowings	(11,557,222)	(1,060,320)	(12,617,542)
Total changes from financing cash flows	(1,450,789)	7,718,496	6,267,707
Exchange adjustments	(700,827)	(302,325)	(1,003,152)
Other change:			
Adjustment of amortisation cost	—	12,670	12,670
Total other change	—	12,670	12,670
At 31 December 2018	14,848,198	11,763,662	26,611,860

(All amounts in HKD thousands unless otherwise stated)

36 Notes to the consolidated statement of cash flows *(continued)*

(b) Reconciliation of liabilities arising from financing activities *(continued)*

	Bank loans and other borrowings (Note 23)	Notes and bonds (Note 23)	Borrowings from related party	Total
At 1 January 2017, as previously reported	4,746,134	7,637,385	22,324	12,405,843
Business combination under common control	5,229,099	—	—	5,229,099
At 1 January 2017, as restated	9,975,233	7,637,385	22,324	17,634,942
Changes from financing cash flows:				
Proceeds from borrowings	8,873,574	34,316	—	8,907,890
Repayment of borrowings	(4,157,700)	(3,622,445)	(23,148)	(7,803,293)
Total changes from financing cash flows	4,715,874	(3,588,129)	(23,148)	1,104,597
Exchange adjustments	768,815	230,621	824	1,000,260
Other changes:				
Adjustment of amortisation cost	—	54,944	—	54,944
Proceeds from new bank loans from acquisition of a subsidiary	1,539,892	—	—	1,539,892
Total other changes	1,539,892	54,944	—	1,594,836
At 31 December 2017, as restated	16,999,814	4,334,821	—	21,334,635

37 Guarantees and contingencies

(a) Shenzhen Expressway was entrusted by the SZ Transport Commission to manage and construct the second phase of the Nanping Project. According to the project construction entrusted management contract, Shenzhen Expressway has provided the SZ Transport Commission with an irrevocable performance bank guarantee of RMB15,000,000 (HKD17,125,000).

(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 (HKD57,278,000).

(c) As of 31 December 2018, Shenzhen Expressway has given collateral liability guarantees by phases of approximately HKD848,579,000 (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 been made in respect of the guarantees outstanding mortgage loans together with any accrued interest and penalty and, accordingly, no provision has been made in respect of the guarantees.

(All amounts in HKD thousands unless otherwise stated)

37 Guarantees and contingencies *(continued)*

(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 HKD52,746,000 (31 December 2017:HKD55,158,000).

(e) As of 31 December 2018, United Land Company has given collateral liability guarantees by phases of approximately RMB123,060,000 (HKD140,495,000) to banks in respect of housing loans extended to purchasers of properties by banks on the basic of Vanke HefengXuan project.

38 Commitments

(a) Capital commitments

	2018	2017
Capital commitments - expenditure of property, plant and equipment, concession intangible assets and land premium		
– Authorised but not contracted	2,839,866	3,668,101
– Contracted but not provided for	7,015,737	4,083,221
	9,855,603	7,751,322

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

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

	2018	2017
Land and buildings:		
Not later than 1 year	93,417	43,014
Later than 1 year and not later than 5 years	340,582	169,416
Over 5 years	710,739	835,741
	1,144,738	1,048,171

(c) Operating lease commitments - the Group as the lessor

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

	2018	2017
Land and buildings:		
Not later than 1 year	512,046	539,225
Later than 1 year and not later than 5 years	1,069,979	919,464
Over 5 years	683,565	621,920
	2,265,590	2,080,609

(All amounts in HKD thousands unless otherwise stated)

39 Business combination

As mentioned in Note 2.1 to this 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 the year ended 31 December 2017:				
Revenue	9,706,528	464,729	(32,116)	10,139,141
Cost of sales	(6,126,220)	(280,693)	32,116	(6,374,797)
Gross profit	3,580,308	184,036	—	3,764,344
Other gains - net	2,634,198	—	—	2,634,198
Other income	53,662	126	—	53,788
Distribution costs	(75,062)	—	—	(75,062)
Administrative expenses	(606,072)	—	—	(606,072)
Operating profit	5,587,034	184,162	—	5,771,196
Share of profit of joint ventures	19,363	—	—	19,363
Share of profit of associates	1,368,985	—	—	1,368,985
Profit before finance costs and income tax	6,975,382	184,162	—	7,159,544
Finance income	113,593	1,225	—	114,818
Finance costs	(902,033)	(223,081)	—	(1,125,114)
Finance costs - net	(788,440)	(221,856)	—	(1,010,296)
Profit before income tax	6,186,942	(37,694)	—	6,149,248
Income tax expense	(1,430,450)	(11,397)	—	(1,441,847)
Profit for the year	4,756,492	(49,091)	—	4,707,401
Attributable to:				
Ordinary shareholders of the Company	3,841,776	(24,982)	—	3,816,794
Non-controlling interests	914,716	(24,109)	—	890,607
Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)				
Basic	1.93	(0.01)	—	1.92
Diluted	1.92	(0.01)	—	1.91

(All amounts in HKD thousands unless otherwise stated)

39 Business combination *(continued)*

	As previously reported	Coastal Company	Elimination	As restated
Profit for the year	4,756,492	(49,091)	—	4,707,401
Other comprehensive income:				
Items that may be reclassified to profit or loss:				
Share of other comprehensive income of associates	74,539	—	—	74,539
Net movement in fair value reserve on available-for-sale financial assets (recycling)	(37,926)	—	—	(37,926)
Sub-total	36,613	—	—	36,613
Item that will not be reclassified to profit or loss:				
Currency translation differences	2,122,933	97,336	—	2,220,269
Other comprehensive income for the year, net of tax	2,159,546	97,336	—	2,256,882
Total comprehensive income for the year	6,916,038	48,245	—	6,964,283
Total comprehensive income attributable to:				
Ordinary shareholders of the Company	5,291,360	24,614	—	5,315,974
Non-controlling interests	1,624,678	23,631	—	1,648,309
	6,916,038	48,245	—	6,964,283
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	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 HKD thousands unless otherwise stated)

39 Business combination *(continued)*

	As previously reported	Coastal Company	Elimination	As restated
EQUITY AND LIABILITIES				
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 year ended 31 December 2017				
Net cash generated from operating activities	2,428,280	96,003	—	2,524,283
Net cash used in investing activities	(8,061,393)	(40,819)	—	(8,102,212)
Net cash generated from/(used in) financing activities	2,908,387	(81,211)	—	2,827,176
Net decrease in cash and cash equivalents	(2,724,726)	(26,027)	—	(2,750,753)
Cash and cash equivalents at the beginning of the year	8,253,937	246,175	—	8,500,112
Exchange (losses)/gains	(62,333)	16,316	—	(46,017)
Cash and cash equivalents at the end of 31 December 2017	5,466,878	236,464	—	5,703,342

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.

(All amounts in HKD thousands unless otherwise stated)

40 Related-party transactions

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

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

Apart from the related party transactions and balances already disclosed in other notes to the consolidated financial statements, the following material transactions were carried out with related parties during the year:

(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 year, Shenzhen Expressway paid service fee to Consulting Company amounting to RMB64,663,000 (approximately to HKD76,182,000) (2017 (restated): RMB28,037,000 (approximately to HKD32,450,000)).

(b) On 31 December 2018, the Group's investment commitments to related parties was RMB698,500,000 (HKD797,465,000) (31 December 2017: Nil). The investment commitment was the capital investment to Yangmao Company for the expansion.

41 Particulars of principal subsidiaries

The following is a list of the principal subsidiaries at 31 December 2018:

Name	Principal activities	Issued and fully paid share capital/ paid-in capital	Interest held by Group (%)	Non-controlling interests (%)
Shenzhen International Total Logistics (Shenzhen) Co., Ltd.◇	Investment holding	RMB200,000,000	100	—
Shenzhen Total Logistics Service Co., Ltd.@	Provision of total logistics and transportation ancillary services	RMB31,372,549	51	49
Xin Tong Chan Development (Shenzhen) Co., Ltd.△	Investment holding	RMB200,000,000	100	—
Shenzhen International South-China Logistics Co., Ltd.@	Development, construction, operation and management of South China Logistic Park	RMB350,000,000	100	—
Shenzhen International Supply Chain Management Nanjing Co., Ltd@	Supply chain management services	RMB40,000,000	100	—
Shenzhen International Holdings (SZ) Limited△	Investment holding	HKD2,180,000,000	100	—

(All amounts in HKD thousands unless otherwise stated)

41 Particulars of principal subsidiaries *(continued)*

Name	Principal activities	Issued and fully paid share capital/ paid-in capital	Interest held by Group (%)	Non-controlling interests (%)
Shenzhen EDI Co., Ltd.@	Provision of electronic information exchange, transmission and value-added information sharing services	RMB22,760,000	79.87	20.13
Shenzhen International West Logistics Co., Ltd.@	Development, construction, operation and management of Western Logistic Park	RMB450,000,000	100	—
Shenzhen Bao Tong Highway Construction and Development Limited@ *	Development, construction, investment, operation and management of toll highway	RMB1,533,800,000	100	—
Shenzhen Longda Expressway Company Limited@ *	Operation and management of Longda Expressway	RMB200,000,000	89.93	10.07
Shenzhen Expressway Company Limited^	Investment, construction, operation and management of toll highways and roads	RMB2,180,770,326	51.56	48.44
Hubei Magerk Expressway Management Private Limited△*	Operation and management of highways and expressways	USD28,000,000	100▽	—
Shenzhen International Booming Total Logistics Co., Ltd.@ *	Logistic services and related warehouse facilities	RMB90,000,000	55.39	44.61
Shenzhen Shen Guang Hui Highway Development Co., Ltd.@ *	Investment holding	RMB105,600,000	100	—
Nanjing Xiba Wharf Co. Ltd.◇ *	Construction, operation and management of Wharf and Logistics Centres at Xiba Port of Nanjing	RMB455,000,000	70	30
Guangdong Qinglian Highway Development Company Limited◇	Development, operation and management of highways	RMB3,361,000,000	76.37▽	23.63

(All amounts in HKD thousands unless otherwise stated)

41 Particulars of principal subsidiaries *(continued)*

Name	Principal activities	Issued and fully paid share capital/ paid-in capital	Interest held by Group (%)	Non-controlling interests (%)
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited@	Construction, operation and management of an expressway	RMB440,000,000	100▽	—
Shenzhen Meiguan Expressway Company Limited@	Construction, operation and management of an expressway	RMB332,400,000	100▽	—
Nanchang Shenzhen International Integrated Logistics Hub Development Co., Ltd.△	Construction, operation and management of urban integrated logistics hub at Nanchang Economic and Technological Development Zone	USD35,000,000	100	—
Shenzhen International Huatongyuan Logistics Co., Ltd.@ *	Logistic services and related warehouse facilities	RMB60,000,000	51	49
Nanjing Xiba Port Co., Ltd.◇ *	Construction, operation and management of Wharf and logistics centres at Xiba Port in Phase 2 of Nanjing	RMB420,000,000	70	30
Shenzhen International Logistics Development Co., Ltd.@ *	Investment holding	RMB1,501,644,640.97	100	—
Shenyang Shenzhen International Integrated Logistics Properties Co., Ltd.@ *	Construction, operation and management of Shenyang International Logistics Integrated Logistics Park at Shenyang Yuhong District	RMB250,000,000	100	—
Wuxi Shenzhen International Integrated Logistics Hub Co., Ltd.△	Construction, operation and management of urban integrated logistics hub at Wuxi Huishan District	USD60,000,000	100	—
Wuhan Shenzhen International Integrated Logistics Hub Development Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub at Wuhan Dongxihu District	RMB100,000,000	100	—
Wuhan Shenzhen International Supply Chain Management Co., Ltd.△	Supply chain management services	USD30,000,000	100	—

(All amounts in HKD thousands unless otherwise stated)

41 Particulars of principal subsidiaries *(continued)*

Name	Principal activities	Issued and fully paid share capital/ paid-in capital	Interest held by Group (%)	Non-controlling interests (%)
Shijiazhuang Shenzhen International Integrated Logistics Hub Development Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub at Shijiazhuang Zhengding County	RMB100,000,000	25	75
Shenzhen International Modern Urban Logistics Hub Co., Ltd.@ *	Construction, operation and management of logistics hub at Shenzhen Longhua	RMB200,000,000	100	—
Shenzhen International United Land Co., Ltd.@ * #	Acquisition and demolition of Meilin Checkpoint urban renewal project's land	RMB714,285,714	70	30
Fengcheng Shenzhen International Harbour Co., Ltd.@*	Construction and management of port facilities for public wharfs	RMB10,000,000	55	45
Tianjin Shenzhen International Integrated Logistics Hub Development Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub at Tianjin Binhai New Area	RMB114,000,000	100	—
Changsha Shenzhen International Integrated Logistics Hub Development Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub at Changsha Jinxia Economic Development Zone	RMB200,000,000	100	—
Hangzhou Shenzhen International Integrated Logistics Hub Development Co., Ltd.△*	Construction, operation and management of urban integrated logistics hub at Hangzhou Dajiangdong Industrial Cluster	USD60,000,000	100	—
Hangzhou Shenzhen International Supply Chain Management Co., Ltd.△	Supply chain management services	USD60,000,000	100	—
Xi'an Shenzhen International Integrated Logistics Hub Development Co., Ltd.△	Construction, operation and management of urban integrated logistics hub at Xi'an National Civil Aerospace Industrial Base	USD15,000,000	100	—
Yiwu Shenzhen International Integrated Logistics Hub Development Co., Ltd.△	Construction, operation and management of urban integrated logistics hub at Yiwu	USD45,600,000	100	—

(All amounts in HKD thousands unless otherwise stated)

41 Particulars of principal subsidiaries *(continued)*

Name	Principal activities	Issued and fully paid share capital/ paid-in capital	Interest held by Group (%)	Non-controlling interests (%)
Chengdu Shenzhen International Supply Chain Management Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub at Qingbai River in Chengdu	RMB5,000,000	100	—
Kunming Shenzhen International Supply Chain Management Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub in Yangzonghai Scenic Area in Kunming, Yunnan Province	RMB150,000,000	100	—
Shenzhen International Properties and Management Co., Ltd.△*	Project investment and enterprise management consulting services	RMB50,000,000	100	—
Shenzhen International Logistics Service Management Co., Ltd.@ *	Logistics service and construction of warehousing facilities	RMB30,000,000	100	—
Shenzhen International Finance Leasing Co., Ltd.◇ *	Monetary and financial services and financial leasing business	RMB300,000,000	48	52
Shandong Shenzhen International Bohai Logistics Technology Development Co., Ltd.@ *	Domestic and international freight forwarders	RMB15,500,000	77.42	22.58
Shenzhen International Commercial Co., Ltd.@ *	Property leasing and management	RMB10,000,000	100	—
Shenzhen Southern Electronic Port Co., Ltd.@ *	Technical development, sales, maintenance, and technology service of computer hardware, software and network system	RMB10,000,000	70	30
Tianjin Zhonglong Paper Co., Ltd.@ *	Production of all kinds of paper processing produces and leasing of its own plant	RMB63,606,602.37	100	—
Jurong Shenzhen International Integrated Logistics Hub Development Co., Ltd.@	Construction, operation and management of urban integrated logistics hub at Huayang Street	RMB70,000,000	100	—

(All amounts in HKD thousands unless otherwise stated)

41 Particulars of principal subsidiaries *(continued)*

Name	Principal activities	Issued and fully paid share capital/ paid-in capital	Interest held by Group (%)	Non-controlling interests (%)
Chongqing Shenzhen International Integrated Logistics Hub Development Co., Ltd.△	Construction, operation and management of urban integrated logistics hub at Shuangfu Town	USD7,660,000	100	—
Hefei Shenzhen International Integrated Logistics Hub Co., Ltd.@ *	Construction, operation and management of urban integrated logistics hub at Hefei Trade and Logistics Development Zone in Cuozheng Town, Feidong Country, Hefei City	RMB72,000,000	90	10
Ningbo Shenzhen International Integrated Logistics Hub Development Co., Ltd.△ *	Construction, operation and management of urban integrated logistics hub Ningnan Trade and Logistics Zone in Fenghua City, Ningbo	USD36,170,000	100	—
Kunshan Shenzhen International Integrated Logistics Hub Development Co., Ltd.@	Construction, operation and management of urban integrated logistics hub at Lujia Town, Kunshan City	RMB89,600,000	100	—
Guizhou Pengbo Investment Company Limited@	Construction, operation and management of urban integrated logistics hub at Shuanglong modern service cluster, Guizhou	RMB122,920,000	100	—
Guizhou Hengtongli Property Company Limited@	Construction, operation and management of urban integrated logistics hub at Shuanglong modern service cluster, Guizhou	RMB52,229,945.55	100	—
Shenzhen International Fritz Logistics Co., Ltd.@	Cargo transportation and warehousing services	RMB37,000,000	95	5
Shenzhen Qinglong Expressway Company Limited◇	Construction, operation and management of an expressway	RMB324,000,000	50▽	50

(All amounts in HKD thousands unless otherwise stated)

41 Particulars of principal subsidiaries *(continued)*

Name	Principal activities	Issued and fully paid share capital/ paid-in capital	Interest held by Group (%)	Non-controlling interests (%)
New Vision Limited	Investment holding	USD100	100	—
Shenzhen International Ports Development (HK) Limited	Investment holding	HKD2	100	—
Advance Great Limited	Investment holding	USD 1	100	—
Successful Plan Assets Limited	Investment holding	USD1	100	—
Shenzhen International Limited	Investment holding	HKD10,001	100	—
Shenzhen International Qianhai Development Limited	Investment holding	HKD1	100	—
Shenzhen International Qianhai Asset Management (Shenzhen) Co., Ltd.@	Real estate development and investment management	RMB5,000,000	100	—
Shenzhen International Qianhai Business Development (Shenzhen) Co., Ltd.@	Real estate development and investment management	RMB5,000,000	100	—
Changsha Shenchang Expressway Co., Ltd.@	Construction, operation and management of an expressway	RMB200,000,000	51▽	49
Hunan Yichang Expressway Development Co., Ltd.@	Construction, operation and management of an expressway	RMB345,000,000	100▽	—
Shenzhen Outer Ring Expressway Investment Co., Ltd.@	Construction, operation and management of an expressway	RMB100,000,000	100▽	—
Shenzhen Guangshen Coastal Expressway Investment Co., Ltd.@	Construction, operation and management of an expressway	RMB4,600,000,000	100▽	—

△ Foreign-owned enterprise
◇ Sino-foreign Joint Venture
@ Domestic enterprise
^ Foreign invested joint stock limited company
* For identification purpose only
▽ These subsidiaries are held through Shenzhen Expressway and the related interests indirectly held by the Group disclosed above represent the interests held by Shenzhen Expressway.
The Company indirectly held 36% interests and Shenzhen Expressway directly held 34% interests. The effective control interests is 53.39%.

The above table lists the subsidiaries of the Group which, in opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net assets of the Group. All subsidiaries listed above are limited liability companies. These subsidiaries are incorporated and operate in the PRC (except for New Vision Limited ("NVL"), Advance Great Limited and Successful Plan Assets Limited which are incorporated in British Virgin Islands, and Shenzhen International Ports Development (HK) Limited, Shenzhen International Limited and Shenzhen International Qianhai Development Limited which are incorporated in Hong Kong). Only NVL is directly held and wholly-owned by the Company. To give details of other subsidiaries would result in particulars of excessive length.

(All amounts in HKD thousands unless otherwise stated)

42 Balance sheet and reserve movement of the Company

	As at 31 December 2018	2017
ASSETS		
Non-current assets		
Investments in subsidiaries	4,965,504	4,047,717
Amounts due from subsidiaries	2,923,087	2,923,087
	7,888,591	6,970,804
Current assets		
Other receivables	1,023	1,201
Dividends due from subsidiaries	11,783,424	9,229,395
Cash and cash equivalents	4,532,379	93,713
	16,316,826	9,324,309
Total assets	24,205,417	16,295,113
EQUITY AND LIABILITIES		
Share capital and share premium	10,552,228	9,159,662
Other reserves and retained earnings	2,752,494	3,095,616
Perpetual securities	2,330,939	2,330,939
Total equity	15,635,661	14,586,217
LIABILITIES		
Non-current liabilities		
Borrowings	448,458	1,043,419
Panda Bond	5,698,953	—
Senior Notes	775,383	—
	6,922,794	1,043,419
Current liabilities		
Other payables	64,133	10,900
Borrowings	1,577,115	649,531
Amount due to a subsidiary	5,714	5,046
	1,646,962	665,477
Total liabilities	8,569,756	1,708,896
Total equity and liabilities	24,205,417	16,295,113

The balance sheet of the Company was approved by the Board of Directors on 25 March 2019 and was signed on its behalf.

Li Hai Tao
Director

Zhong Shan Qun
Director

(All amounts in HKD thousands unless otherwise stated)

42 Balance sheet and reserve movement of the Company *(continued)*

Reserve movement of the Company

	Other reserves				
	Contributed surplus	Currency translation reserve	Total other reserves	Retained earnings	Total
At 1 January 2017	58,515	118,838	177,353	1,156,190	1,333,543
Comprehensive income					
Profit for the year	—	—	—	1,840,518	1,840,518
Other comprehensive income					
Currency translation differences	—	763,401	763,401	—	763,401
Total other comprehensive income	—	763,401	763,401	—	763,401
Total comprehensive income	—	763,401	763,401	1,840,518	2,603,919
Transactions with owners in their capacity as owners					
Dividends paid relating to 2016	—	—	—	(841,938)	(841,938)
Forfeiture of unclaimed dividend	—	—	—	92	92
Total transactions with owners in their capacity as owners	—	—	—	(841,846)	(841,846)
At 31 December 2017	58,515	882,239	940,754	2,154,862	3,095,616

(All amounts in HKD thousands unless otherwise stated)

42 Balance sheet and reserve movement of the Company *(continued)*

	Other reserves				
	Contributed surplus	Currency translation reserve	Total other reserves	Retained earnings	Total
At 1 January 2018	58,515	882,239	940,754	2,154,862	3,095,616
Comprehensive income					
Profit for the year	—	—	—	2,445,715	2,445,715
Other comprehensive income					
Currency translation differences	—	(753,309)	(753,309)	—	(753,309)
Total other comprehensive income	—	(753,309)	(753,309)	—	(753,309)
Total comprehensive income	—	(753,309)	(753,309)	2,445,715	1,692,406
Transactions with owners in their capacity as owners					
Dividends paid relating to 2017	—	—	—	(2,035,647)	(2,035,647)
Forfeiture of unclaimed dividend	—	—	—	119	119
Total transactions with owners in their capacity as owners	—	—	—	(2,035,528)	(2,035,528)
At 31 December 2018	58,515	128,930	187,445	2,565,049	2,752,494

43 Events after the balance sheet date

(a) Acquisition and Capital Contribution of Nanjing Wind Power Technology Co., Ltd ("Nanjing Wind Power")

On 15 March 2019, Shenzhen Expressway Environmental Company Limited ("Environmental Company", a wholly-owned subsidiary of Shenzhen Expressway), Nanjing Wind Power and the shareholders of Nanjing Wind Power entered into an agreement, pursuant to which Environmental Company shall acquire 30% equity interest in Nanjing Wind Power at a consideration of RMB210,000,000 (approximately HK$247,000,000), and make a one-way capital contribution of RMB300,000,000 (approximately HK$353,000,000) into Nanjing Wind Power after completion of the acquisition. Upon completion of the transactions under the agreement, Environmental Company shall hold 51% equity interest in Nanjing Wind Power.

(b) After the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 35.

Shenzhen International
深國際

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