



Shenzhen International
深國際

共同進步 分享快樂
Advancing
Together,
Harvesting
Together

Interim Report 中期報告 2014

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

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

Stock Code 股份代號 : 00152



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CORPORATE PROFILE

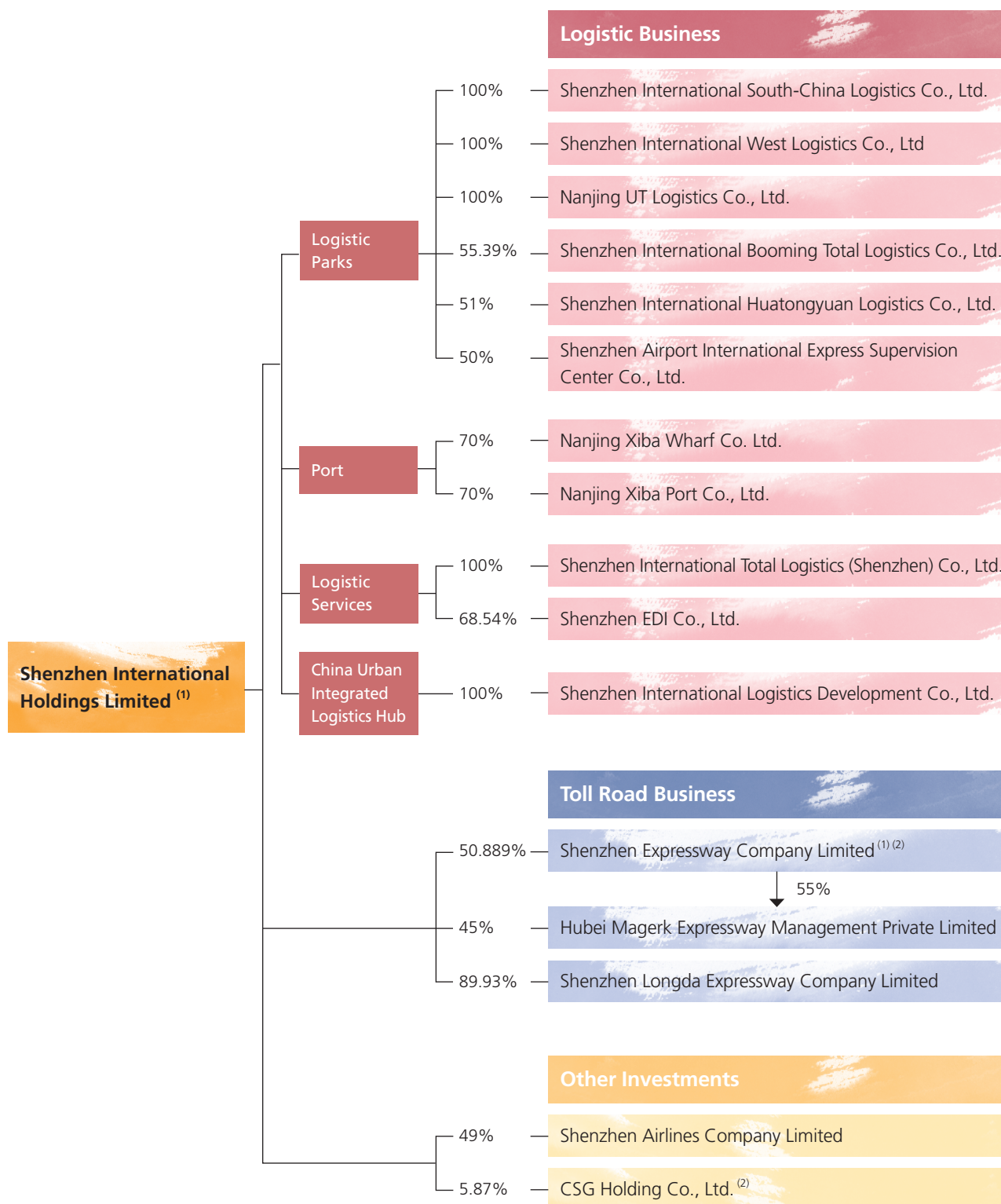
Shenzhen International Holdings Limited is a company incorporated in Bermuda with limited liability and is listed on the main board of the Stock Exchange of Hong Kong. The Group is principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing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

Shenzhen Investment Holdings Company Limited, the controlling shareholder of the Company, is a corporation wholly-owned by Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission and, as at the date of this report holds approximately 48.52% of the issued share capital of the Company.

The Group's development strategy defines the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim in the PRC as strategic regions, through acquisitions, restructuring and integration, the Group endeavours to invest, construct and operate logistic infrastructure projects such as logistic parks and toll roads and applies supply-chain management techniques and information technology to provide high-end and value-added logistic services to customers, creating greater value for its shareholders.



CORPORATE PROFILE



(1) Listed company in Hong Kong

(2) Listed company in the PRC

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Gao Lei (*Chairman*)
Li Jing Qi (*Chief Executive Officer*)
Li Lu Ning
Liu Jun (*Vice President*)
Yang Hai

Non-Executive Director:

Yim Fung

Independent Non-Executive Directors:

Leung Ming Yuen, Simon
Ding Xun
Nip Yun Wing

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Ding Xun (*Chairman*)
Leung Ming Yuen, Simon
Li Jing Qi

REMUNERATION COMMITTEE

Ding Xun (*Chairman*)
Leung Ming Yuen, Simon
Li Lu Ning

COMPANY SECRETARY

Tam Mei Mei

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

COMPANY WEBSITE

<http://www.szihl.com>

STOCK CODE

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

LEGAL ADVISERS

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

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

INVESTOR RELATIONS CONSULTANT

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

FINANCIAL HIGHLIGHTS

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

For the six months ended 30 June (HK\$ million)	Revenue		Operating profit/(loss)		Share of profit/(loss) of associates and joint ventures		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	Toll roads							
— Revenue	2,706	2,142	3,280	1,110	136	112	3,416	1,222
— Construction service revenue	13	168	—	—	—	—	—	—
Toll roads sub-total	2,719	2,310	3,280	1,110	136	112	3,416	1,222
Logistic business								
— Logistic parks	282	234	133	95	8	7	141	102
— Logistic services	185	181	14	9	1	1	15	10
— Port	85	72	39	31	—	—	39	31
Logistic business sub-total	552	487	186	135	9	8	195	143
Head office	—	—	(7)	303	(1)	131	(8)	434
Profit before finance costs and tax	3,271	2,797	3,459	1,548	144	251	3,603	1,799
Finance income							76	41
Finance costs							(580)	(406)
Finance costs — net							(504)	(365)
Profit before income tax							3,099	1,434

	For the six months ended 30 June		
	2014 HK\$ million	2013 HK\$ million	Increase
Results			
Revenue	3,271	2,797	17%
Operating profit	3,459	1,548	123%
Profit before income tax	3,099	1,434	116%
Profit attributable to shareholders	1,191	857	39%
Basic earnings per share (HK dollar)	0.72	0.52 [#]	38%
EBITDA to interest expense multiple	7.47 times	6.07 times	1.4 times ^Δ

	For the six months ended 30 June		
	30 June 2014 HK\$ million	31 December 2013 HK\$ million	Increase/ (Decrease)
Financial Position			
Total assets	46,082	43,223	7%
Total equity	23,247	21,908	6%
Debt asset ratio (Total liabilities/Total assets)	49%	49%	—*
Ratio of Net borrowings to Total equity	48%	56%	(8%)*
Ratio of Total borrowings to Total equity	77%	79%	(2%)*
Net asset value per share attributable to shareholders (HK dollar)	8.50	8.40	1%

^Δ Change in multiple

* Change in percentage point

[#] The weighted average number of ordinary shares in year 2013 have been retrospectively adjusted to reflect the effect of share consolidation, which came into effect on 13 February 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

	For the six months ended 30 June		
	2014 HK\$'000	2013 HK\$'000	Increase/ (decrease)
Operating Results			
Revenue (excluding construction service revenue from toll roads)	3,257,923	2,628,666	24%
Construction service revenue from toll roads	13,154	168,459	(92%)
Total Revenue	3,271,077	2,797,125	17%
Operating profit	3,458,884	1,548,452	123%
Profit before finance costs and tax	3,603,136	1,799,275	100%
Profit attributable to shareholders	1,190,573	857,356	39%
Basic earnings per share (HK dollars)	0.72	0.52[#]	38%

[#] The weighted average number of ordinary shares in 2013 have been retrospectively adjusted to reflect the effect of share consolidation, which came into effect on 13 February 2014

Amid challenging economic and market conditions in the first half of 2014, the Group stepped up its effort to develop its business, strictly controlled its costs and expenses and enhanced its profitability. Revenue of the Group for the six months ended 30 June 2014 (the "Period") amounted to HK\$3,258 million, representing a growth of 24% as compared with the corresponding period of the previous year. The increase was mainly due to the satisfactory income growth from the logistic business and toll road business, being the Group's two core businesses.

The Group's operating profit and profit before finance costs and tax for the Period recorded a significant increase by 123% and 100% to HK\$3,459 million and HK\$3,603 million, respectively as compared with the corresponding period of the previous year. Profit attributable to shareholders for the Period recorded an increase of 39% to HK\$1,191 million as compared with the corresponding period of the previous year.

In the first half of 2014, revenue of the Group's logistic business recorded an increase of 13% to HK\$552 million as compared with the corresponding period of the previous year. This was mainly attributable to the increase in operating area and business volume of the logistic parks as well as the increase in operating volume of the port business. Meanwhile, by implementing effective cost control initiatives, the Group recorded a growth in gross profit of its logistic park business, which led to an increase in profit attributable to shareholders of the logistic business of 40% to HK\$128 million as compared to the corresponding period of the previous year.

During the Period, the Group's toll revenue from the toll road business recorded a year-on-year increase of 7% to HK\$2,202 million and was attributable to the increasing traffic volume of its toll road projects and proactive implementation of marketing activities. In addition, revenue from the entrusted construction management services for the Period increased by five times to HK\$504 million as compared to the corresponding period of the previous year, which has further contributed to the respective increase in the overall revenue and net profit from the toll road business by 26% and 33% to HK\$2,706 million and HK\$570 million as compared to the corresponding period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS



▼ Qinglian Expressway



▼ New Logistic Centre at South China Logistic Park

The Group and the relevant government authorities in Shenzhen entered into an agreement (the "Adjustment Agreement") in January 2014 in relation to toll adjustment for a section with a mileage of 13.8 kilometres of Meiguan Expressway owned by the Group (the "Toll Free Section") and the transfer of related assets. Pursuant to the terms of the agreement, the government authorities shall make cash compensation for the future income and costs in respect of the Toll Free Section. As a result, the Group recorded a profit before finance costs and tax of approximately HK\$1,926 million. This one-off gain contributed approximately HK\$730 million to the Group's profit attributable to shareholders during the Period.

During the first half of 2014, Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate in which the Group holds a 49% equity interest, recorded a growth in passenger transport volume, with the passenger traffic up by 9% as compared to the corresponding period of the previous year. Its total revenue amounted to RMB10,812 million (HK\$13,566 million), representing an increase of 7% as compared with the corresponding period of previous year, and its operating profit amounted to RMB527 million (HK\$661 million), representing an increase of 4% as compared with the corresponding period of previous year. However, affected by the considerable fluctuations in RMB exchange rate during the Period, Shenzhen Airlines recorded an exchange loss of RMB126 million (while foreign exchange gain was recorded for the previous corresponding period) and brought a loss of approximately HK\$27.08 million to the Group during the Period (2013: profit of HK\$101 million). However, it is expected that the traditional peak season of the airlines industry in the second half of the year will enable Shenzhen Airlines to generate higher revenue and profit than the first half of the year. Besides, the exchange loss is expected to be reduced in the second half of the year given the rebound of RMB exchange rate against USD since 1 July 2014. As such, it is expected that Shenzhen Airlines will continue to make profit contributions to the Group for the full year of 2014.

Net finance costs of the Group for the Period represented an increase of 38% as compared with the corresponding period of previous year. The increase was mainly due to the depreciation of 2.7% of RMB exchange rate against USD during the Period which led to the Group recording a foreign exchange loss of HK\$132 million. However, it is believed that the fluctuation of RMB exchange rate for the first half of 2014 was short term in nature and RMB would appreciate moderately in the long term. In particular, a rebound of approximately 1% has been recorded in respect of RMB exchange rate against USD since 1 July 2014 up to the present. The Group will continue to closely monitor the trend of the RMB exchange rate and take measures to control exchange rate risks according to market conditions as and when appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

LOGISTIC BUSINESS

Overview

The Group owns various well-equipped logistic parks in major cities of China, including Shenzhen, Nanjing and Yantai. The Group also has signed investment agreements in relation to the “China Urban Integrated Logistics Hub” projects. These projects are spread across key logistic gateway cities, including Shenyang, Wuxi, Wuhan, Tianjin and Shijiazhuang. The site area for the above projects is 3.11 million square metres in aggregate (1.54 million square metres of which are currently owned by the Group) and the operating area is 0.67 million square metres.

The Group’s port business is equipped with two general bulk cargo terminals with a 70,000-tonnage capacity and a depot with a site area of 400,000 square metres in Phase 1 of Nanjing Xiba Port. The port has the capability of providing services that include ship loading and unloading, lightering, train loading and automobile loading, and has a storage capacity of over 1 million tonnes.

Analysis of Operating Performance

In the first half of 2014, benefitting from a stable economic environment in China and the success in market expansion of the Group, each logistic park of the Group maintained a stable occupancy rate. With effective enhancement of operating efficiency and stringent control of costs and expenses, the performance of logistic business improved as compared to the same period of the previous year.

Since the beginning of 2014, the Group has signed strategic co-operation agreements with a number of leading players in the industry including Shentong Express Co., Ltd, The Second Construction Engineering Co. Ltd of China Construction Third Engineering Bureau and Man Wah Holdings Limited. The Group will cooperate with these strategic partners to maximise the respective advantages in the resources, funds, technologies as well as operation and management so as to achieve resource sharing. In addition, the Group will build diversified and extensive cooperation with these strategic partners in various aspects, including e-commerce, distribution and delivery of goods and information-related businesses. By building strategic cooperation partnership with excellent enterprises, the Group will promote the expansion of its logistic networks.

Logistic Parks

In the first half of 2014, by proactively expanding markets and building long-term cooperation relationship with key customers, the average occupancy rate of logistic parks as a whole was maintained at a stable level of 95%.

The Group continued to focus on investing in and developing logistic infrastructure facilities in order to expand the scale of its operations and support future revenue growth momentum. The newly-built logistic centre and the exhibition centre with an operating area of approximately 125,000 square metres at South China Logistic Park were put into operation in the second half of 2013. During the Period, these two centres brought new source of revenue to the Group.

China Urban Integrated Logistics Hub

The Group launched the national plan of “China Urban Integrated Logistics Hub” in 2012. “China Urban Integrated Logistics Hub” is an enhanced business model of the Group’s logistic park business. It is a service platform focusing on highway transport logistic centres which also integrate the functions of warehousing, transfer, distribution and logistic information centre. With a logistic information platform established on the basis of logistic infrastructure facilities, it delivers highly efficient one-stop services to customers and business partners.

The Group endeavours to carry out the existing China Urban Integrated Logistics Hub projects and strives to seek the expansion and development of its logistic business operations. The preliminary work for the projects in Shijiazhuang, Wuhan, Wuxi, etc., including functional positioning and project construction design, has been conducted by the Group with an aim to acquire the relevant land in 2014.

MANAGEMENT DISCUSSION AND ANALYSIS

In the first half of 2014, the Group successfully signed an investment agreement with the government of the Zhengding District of Shijiazhuang City in relation to the China Urban Integrated Logistics Hub project. In addition, the Group carried on substantive contact with the government authorities of more than 10 cities and strives to sign investment agreements with the relevant governmental authorities of Nanchang, Hefei, Changsha and other cities in the second half of 2014. The existing “China Urban Integrated Logistics Hub” project is intensely progressing. In particular, following the acquisition of approximately 240,000 square metres of land for the development of the first phase in 2013, relevant building design and preliminary marketing activities of the “Shenzhen International Shenyang Integrated Logistic Hub” project were carried out as scheduled. The “Shenzhen International Shenyang Integrated Logistic Hub” project is expected to commence operation in 2015.

The Group continues to promote the expansion and development of the “China Urban Integrated Logistics Hub” projects. The Group aims to build up a logistic network by setting up logistic hubs and nodes across the eastern, southern, central, northern, northeastern, southwestern and northwestern areas of China in five years, and then expand its network nationwide as well as to ensure sustainable development of the Group.

Port Business

In the first half of 2014, taking advantage of its 70,000-tonnage berthing capacity and its high efficiency in loading and unloading, as well as by consolidating its relationship with the existing major customers and effective market expansion, Nanjing Xiba Port recorded an encouraging business growth. In the first half of 2014, a total of 136 vessels berthed at Nanjing Xiba Port and the total throughput of Nanjing Xiba Port reached 7.80 million tonnes, representing an increase of 23% over the corresponding period of the previous year.

Construction of Phase 2 of Nanjing Xiba Port has commenced in November 2013 and construction work has steadily progressed as scheduled, and is expected to be completed by the end of 2014 with three berths with berthing capacity ranging from 50,000 to 70,000 tonnage.

Logistic Service Business

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

In the first half of 2014, by proactively carrying out marketing activities, controlling costs, promoting operating efficiency and optimising customer structure, the Group recorded an increase in the overall profit of its logistic service business.

MANAGEMENT DISCUSSION AND ANALYSIS

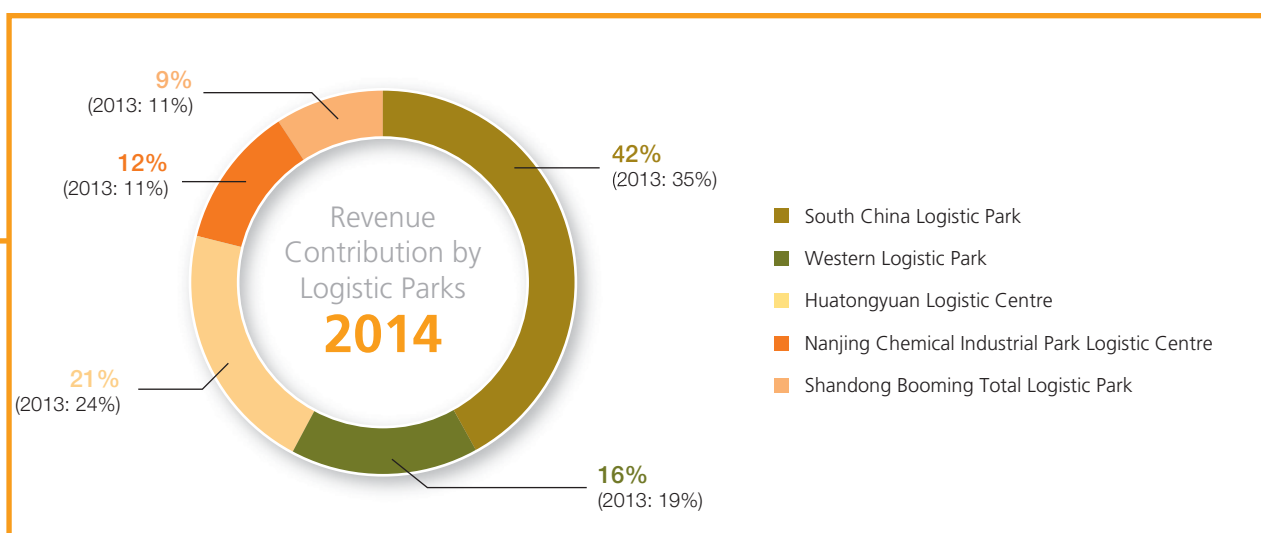
Financial Analysis

During the Period, revenue and profit before finance costs and tax from the logistic business maintained a steady growth and amounted to HK\$552 million (2013: HK\$487 million) and HK\$195 million (2013: HK\$143 million), representing an increase of 13% and 37% respectively over those of the corresponding period in the previous year. The growth was mainly attributable to the increase in the operating area of the logistic parks and a considerable increase in loading and unloading volume of the port business compared to those of the previous year. Meanwhile, profit attributable to shareholders increased by 40% to HK\$128 million (2013: HK\$90.79 million), benefitted from economies of scale and effective cost controls as well as efforts in enhancing profitability.

Revenue of each logistic business unit

For the six months ended 30 June

	2014 HK\$'000	2013 HK\$'000	Increase/ (decrease)
Logistic Park Business			
South China Logistic Park	118,097	82,145	44%
Western Logistic Park	45,058	45,463	(1%)
Huatongyuan Logistic Centre	59,770	54,889	9%
Nanjing Chemical Industrial Park Logistic Centre	33,074	24,747	34%
Shandong Booming Total Logistic Park	26,331	26,840	(2%)
Sub-total	282,330	234,084	21%
Port Business	84,880	71,992	18%
Logistic Service Business	184,291	180,583	2%
Total	551,501	486,659	13%

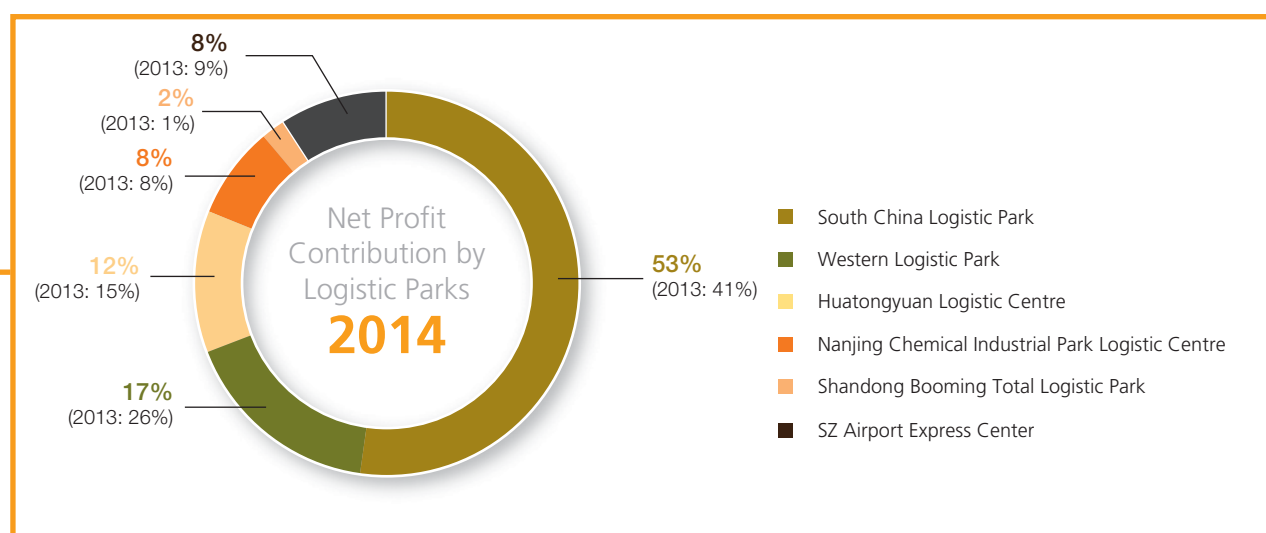


MANAGEMENT DISCUSSION AND ANALYSIS

Profit attributable to shareholders of each logistic business unit

For the six months ended 30 June

	2014 HK\$'000	2013 HK\$'000	Increase/ (decrease)
Logistic Park Business			
South China Logistic Park	51,718	28,924	79%
Western Logistic Park	16,147	18,693	(14%)
Huatongyuan Logistic Centre	11,849	10,516	13%
Nanjing Chemical Industrial Park Logistic Centre	7,968	5,659	41%
Shandong Booming Total Logistic Park	1,613	487	231%
SZ Airport Express Center*	7,548	6,359	19%
Sub-total	96,843	70,638	37%
Port Business	19,078	12,972	47%
Logistic Service Business	11,605	7,181	62%
Total	127,526	90,791	40%



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

Logistic Parks

During the Period, revenue from the logistic park business increased by 21% to HK\$282 million and profit attributable to shareholders increased by 37% to HK\$96.84 million as compared to the corresponding period of the previous year. During the Period, the average occupancy rate of the logistic park business remained stable. In addition, benefitted from the newly-built logistic centres which were put into operation at the end of 2013 and the effective cost controls, the Group's revenue and profits from the logistic park business recorded satisfactory growth during the Period.

Port Business

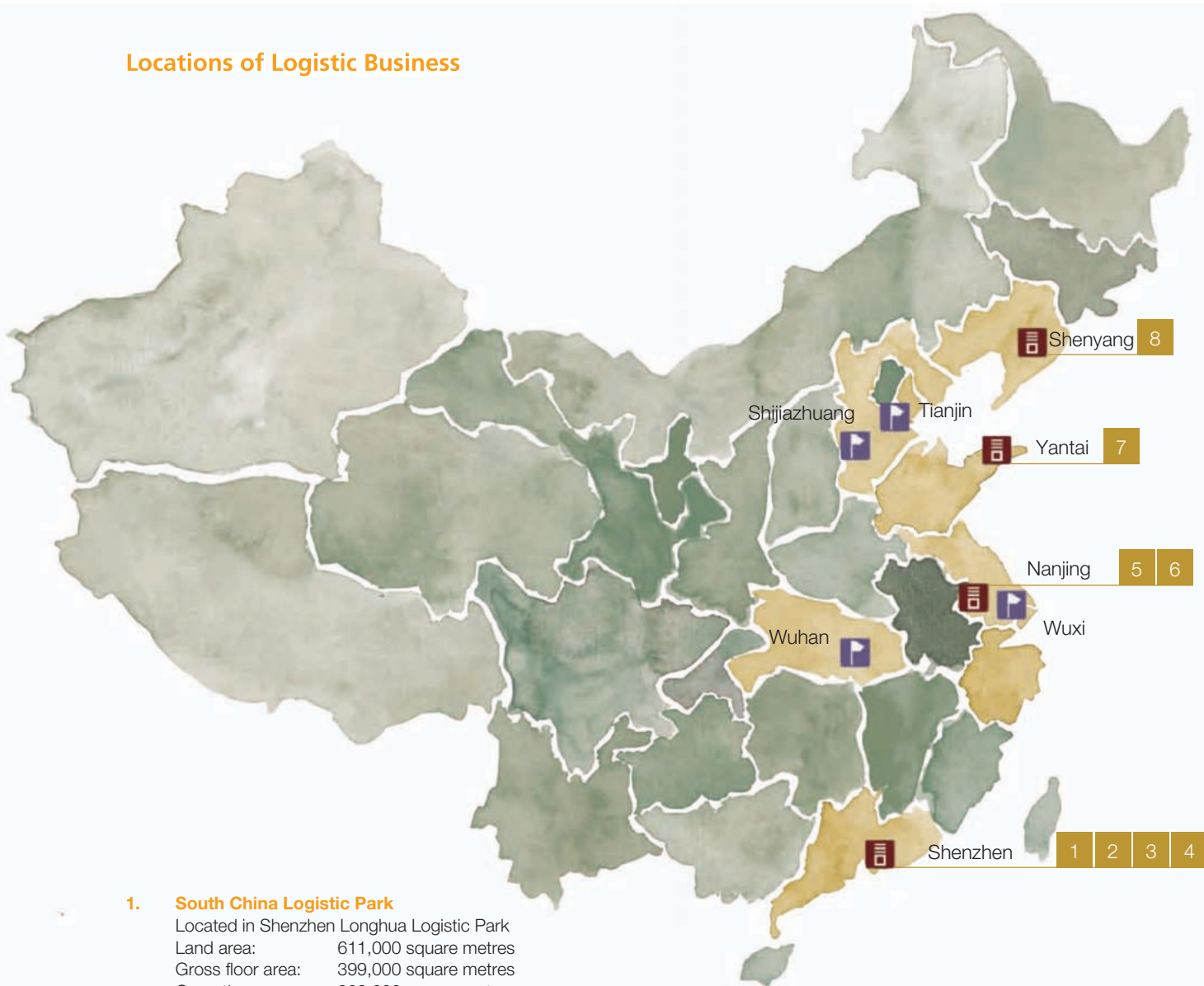
During the Period, the port business recorded a revenue of HK\$84.88 million, up 18% as compared to the corresponding period of the previous year, and a profit of approximately HK\$19.08 million, representing an increase of 47% as compared to the corresponding period of the previous year. The increase was attributable to the growth in loading and unloading volume during the Period and stringent cost controls.

Logistic Service Business

Revenue from the logistic service business for the Period amounted to HK\$184 million, representing an increase of 2% as compared to the corresponding period of the previous year, and profit attributable to shareholders amounted to HK\$11.61 million, representing an increase of 62% as compared to the corresponding period of the previous year, and was mainly attributable to an increase in gross profits as a result of effective cost controls and a decrease in research and development expenses.

MANAGEMENT DISCUSSION AND ANALYSIS


Locations of Logistic Business



- 1. South China Logistic Park**
 Located in Shenzhen Longhua Logistic Park
 Land area: 611,000 square metres
 Gross floor area: 399,000 square metres
 Operating area: 322,000 square metres
- 2. Western Logistic Park**
 Located in Shenzhen Qianhaiwan Logistics Park
 Land area: 380,000 square metres
 Gross floor area: 420,000 square metres
 Operating area: 111,000 square metres
- 3. Huatongyuan Logistic Centre**
 Located in the vicinity of Meilin gateway of Shenzhen
 Land area: 116,000 square metres
 Gross floor area: 133,000 square metres
 Operating area: 130,000 square metres
- 4. SZ Airport Express Center**
 Located in Shenzhen Baoan International Airport
 Land area: 32,000 square metres
 Gross floor area: 28,000 square metres
 Operating area: 28,000 square metres
- 5. Nanjing Chemical Industrial Park Logistic Centre**
 Located in Nanjing Chemical Industrial Park
 Land area: 95,000 square metres
 Gross floor area: 48,000 square metres
 Operating area: 48,000 square metres

- 6. Nanjing Xiba Port**
 Located in Nanjing Chemical Industrial Park
 Land area: 400,000 square metres
 Operating area: 220,000 square metres
- 7. Shandong Booming Total Logistic Park**
 Located in the economic and technology development zone in Yantai City
 Land area: 70,000 square metres
 Gross floor area: 50,000 square metres
 Operating area: 26,000 square metres
- 8. Shenzhen International Shenyang Integrated Logistic Hub**
 Located in Shenyang International Logistic Park in Yuhong District of Shenyang City
 Land area for the first phase: 240,000 square metres

 Existing logistic business

 "China Urban Integrated Logistics Hub" projects with investment agreements signed

MANAGEMENT DISCUSSION AND ANALYSIS

TOLL ROAD BUSINESS

Overview

The Group's toll road operations span across the Shenzhen region, other regions in Guangdong Province and other provinces in China. The Group holds or controls a total of 17 expressway projects with total mileage of toll roads by toll amounting to approximately 165 kilometres, 268 kilometres and 92 kilometres in the Shenzhen region, other regions in Guangdong Province and other provinces in China, respectively. The Group operates the toll road business mainly through Shenzhen Expressway Company Limited ("Shenzhen Expressway"), in which the Group holds a 50.889% equity interest. Shenzhen Expressway's H shares and A shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. In addition, the Group directly holds a 89.93% equity interest in Longda Expressway and a 45% equity interest in Wuhuang Expressway (with the remaining 55% equity interest owned by Shenzhen Expressway).

Analysis of Operating Performance

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

Toll roads (Note 1)	Interest held by the Group	Concession period	Length by toll (approximate km)	Average Daily Traffic Volume (Note 2)		Average Daily Toll Revenue		
				First Half of 2014 (Vehicle/Thousands)	Increase/ (decrease) as compared to the same period of 2013	First Half of 2014 (HK\$'000)	Increase/ (decrease) as compared to the same period of 2013	
Shenzhen region:								
Longda Expressway	89.93%	2005.10-2027.10	28	128	5% (Note 3)	1,650	4%	
Meiguan Expressway (Note 4)	100%	1995.05-2027.03	5.4	96	N/A	685	N/A	
Jihe East	100%	1997.10-2027.03	23.7	170	24%	1,832	20%	
Jihe West	100%	1999.05-2027.03	21.8	134	16%	1,424	15%	
Yanpai Expressway	100%	2006.05-2027.03	15.6	53	19%	675	11%	
Yanba Expressway (Note 5)	100%	Section A: 2001.04-2026.04 Section B: 2003.06-2028.07 Section C: 2010.03-2035.03	29.1	31	11%	572	13%	
Nanguang Expressway	100%	2008.01-2033.01	31	80	18%	987	11%	
Shuiguan Expressway	40%	2002.02-2025.12	20	158	8%	1,629	6%	
Shuiguan Extension	40%	2005.10-2025.12	6.3	55	70%	266	37%	
Other regions in Guangdong Province:								
Qinglian Expressway	76.37%	2009.07-2034.07	216	33	21%	2,814	19%	
Yangmao Expressway	25%	2004.11-2027.07	79.8	34	10%	1,956	6%	
Guangwu Project	30%	2004.12-2027.11	37.9	33	28%	979	11%	
Jiangzhong Project	25%	2005.11-2027.08	39.6	96	14%	1,225	9%	
Guangzhou Western Second Ring (Note 6)	25%	2006.12-2030.12	40.2	44	14%	1,063	11%	
Other provinces in China:								
Wuhuang Expressway	100%	1997.09-2022.09	70.3	40	3%	1,171	(12%)	
Changsha Ring Road	51%	1999.11-2029.10	34.7	16	18%	194	23%	
Nanjing Third Bridge (Note 7)	25%	2005.10-2030.10	15.6	29	(1%)	1,424	1%	

MANAGEMENT DISCUSSION AND ANALYSIS

- Notes: (1) All projects has implemented the toll-by-weight policy except for Changsha Ring Road.
 (2) Average daily traffic volume excludes traffic volume which is toll-free during holidays.
 (3) As the Luotian beacon station of Longda Expressway was cancelled due to the implementation of united toll system on all expressways in Guangdong Province during the Period, change on the basis for calculating the average daily traffic volume for Longda Expressway is necessary. The YOY change is calculated based on the restated figure for the same period of the previous year.
 (4) Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km has been operated with toll-free from 1 April 2014, but the toll of Shenzhen-Dongguan border to Guanlan section of Meiguan Expressway with a mileage of 5.4 km remains unchanged. As there is a substantial change in toll mileage, the YOY change is not provided.
 (5) To facilitate travel by Shenzhen residents to the east coast for leisure and vacation, the government has made collective payment to Shenzhen Expressway for all vehicles travelling to and from the Yantian and Dameisha ramp based on the agreed standards and methods since February 2007. The agreed toll for the government to incur during 2013 to 2017 is RMB19 million per annum, and is to be recorded into Yanba Expressway's toll revenue on a monthly basis. The arrangement beyond 2017 shall be negotiated and agreed upon by both parties before the expiry of the agreement.
 (6) As approved by Guangdong Provincial Government, the concession period of Guangzhou Western Second Ring was approved to be 24 years, from December 2006 to December 2030.
 (7) Pursuant to a notice issued by Jiangsu Provincial Government, the concession period of Nanjing Third Bridge was re-approved to be 25 years.

During the Period, the operating performance of each expressway project of the Group was influenced to varying degrees by the economic environment, conditions of each individual project and its surrounding road network:

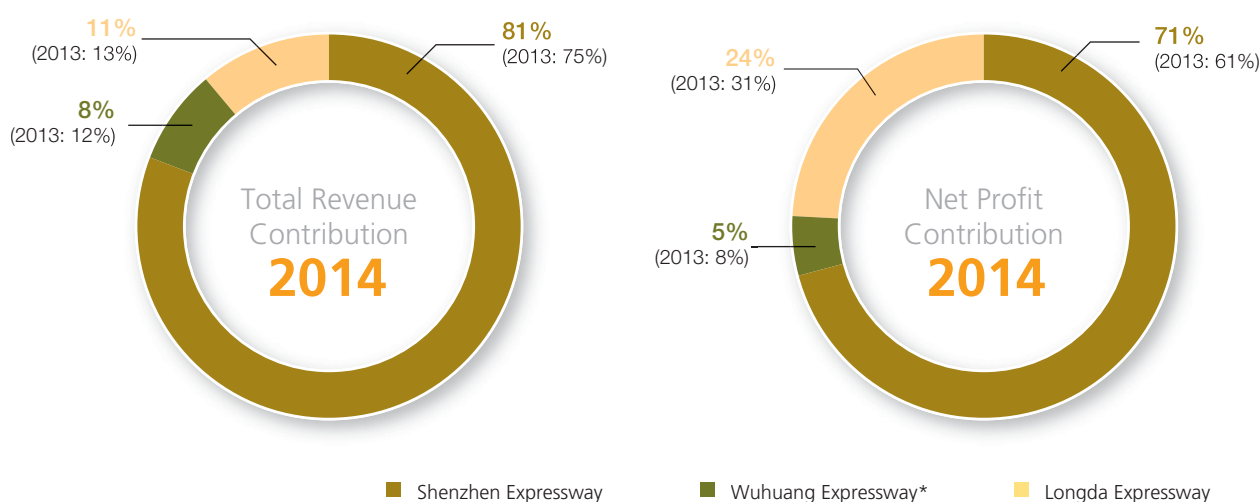
- with the surrounding road network gradually improved and marketing measures continuously implemented, Qinglian Expressway continuously maintained relatively good growth momentum;
- the increase in traffic volume of Meiguan Expressway (which connects to Jihe Expressway) following the implementation of toll adjustment boosted the operating performance of Jihe Expressway; and
- the opening of the new terminal of Shenzhen Airport in November 2013 drove the traffic volume increase of both Jihe Expressway and Nanguang Expressway.

Financial Analysis

During the Period, total revenue of the Group's toll road business amounted to HK\$2,706 million (2013: HK\$2,142 million), representing an increase of 26% over the corresponding period of the previous year, profit before finance costs and tax amounted to HK\$1,490 million (2013: HK\$1,222 million), representing an increase of 22% over the corresponding period of the previous year. Net profit was HK\$570 million (2013: HK\$429 million), representing an increase of 33% year-on-year.

Benefitting from the growth in the overall traffic volume of the Group's expressway projects as well as active marketing campaign during the Period, toll revenue was up 7% as compared to the corresponding period of the previous year to HK\$2,202 million (2013: HK\$2,058 million). In addition, revenue recognised for the Period from the entrusted construction management services for entrusted construction projects, including Coastal Expressway (Shenzhen Section), amounted to HK\$504 million (2013: HK\$84.45 million), representing an increase of 5 times over the corresponding period of the previous year and contributed significantly to the overall revenue growth of the toll road business.

For the six months ended 30 June



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

MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the terms of the Adjustment Agreement signed by the Group in January 2014, a section of Meiguan Expressway with a mileage of approximately 13.8 kilometres would become toll-free with effect from 1 April 2014. Although this section will no longer contribute toll revenue to the Group, it is expected that there will not be any material impact on the overall operating performance of the Group. The compensation income to the Group pursuant to the Adjustment Agreement can be used to repay the Group's debts and as working capital in the future, and will correspondingly reduce interest expenses or increase interest income of the Group, improve its financial position so as to further enhance the capability and room of sustainable development in the future.

Longda Expressway

Benefitting from the development of Longhua New Area and Guangming New Area, the adjacent new developing areas, along with the stable growth in automobile ownership, the traffic volume of Longda Expressway was boosted, which led to an increase in both the toll revenue and profit before finance costs and tax as compared with the corresponding period of the previous year.

Toll revenue

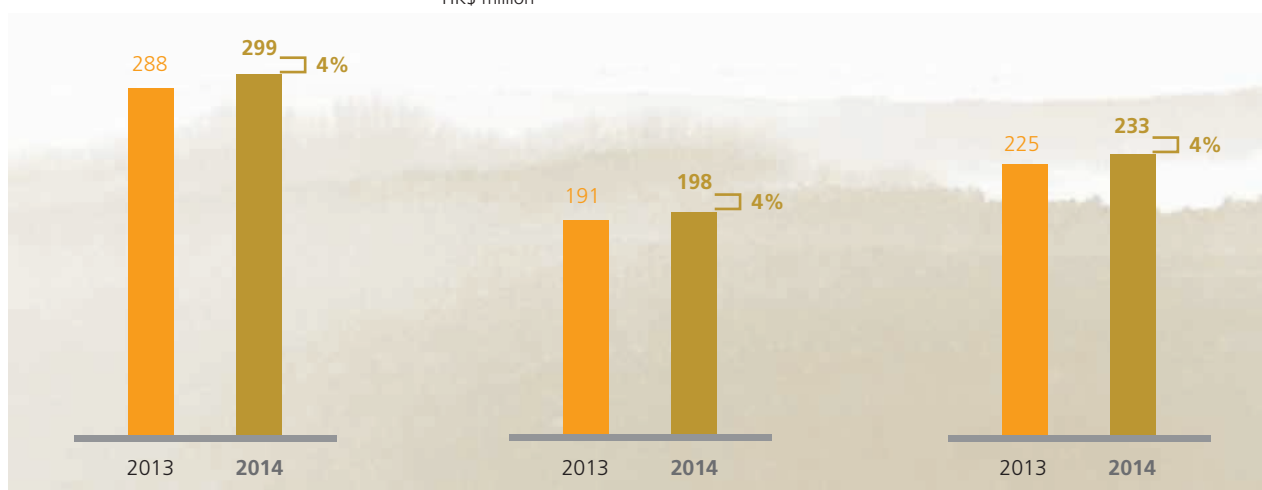
For the six months ended 30 June
HK\$ million

Profit before finance costs and tax

For the six months ended 30 June
HK\$ million

EBITDA

For the six months ended 30 June
HK\$ million

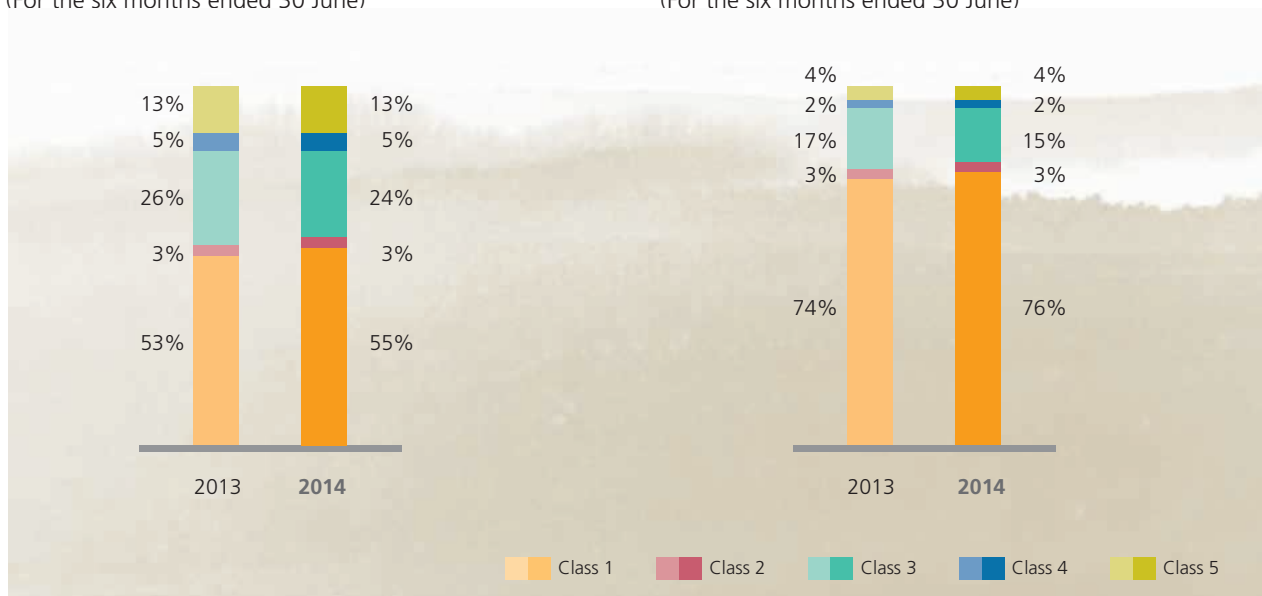


Toll revenue distribution

(For the six months ended 30 June)

Traffic volume distribution

(For the six months ended 30 June)



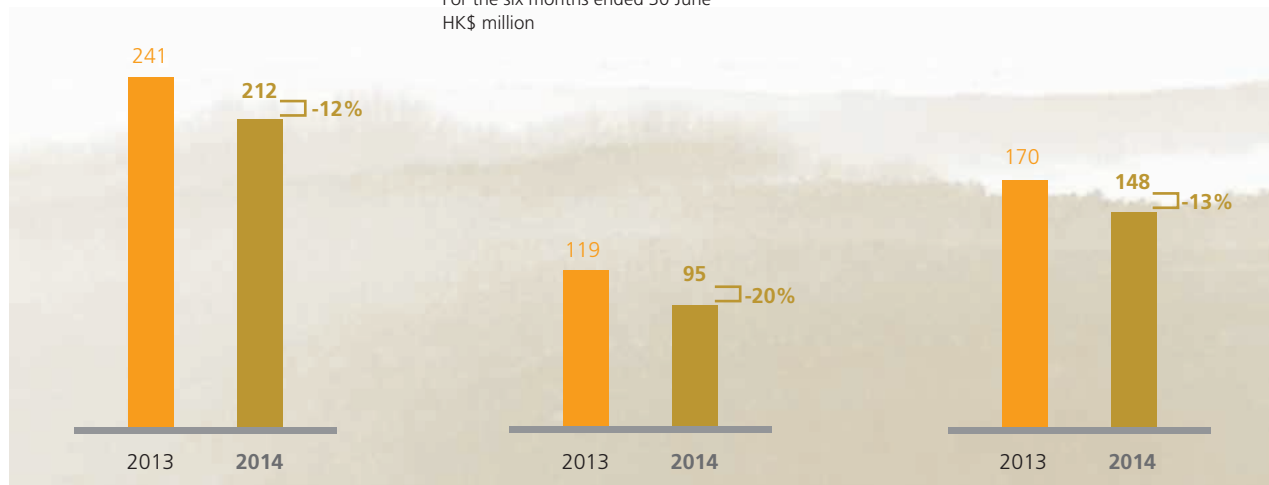
MANAGEMENT DISCUSSION AND ANALYSIS

Wuhuang Expressway

Affecting by the diversion of Han'e Expressway (Wuhan to Ezhou), the opening of Hurong Trunk of National Highway (Shanghai to Chengdu, Sichuan) as well as the closure of Wuhan Third Ring Road for construction since November 2013, toll revenue of Wuhuang Expressway during the Period decreased as compared to the corresponding period of the previous year. Wuhuang Expressway will increase road signs and launch a new round of marketing campaign to boost the traffic volume and cope with the impact of diversion.

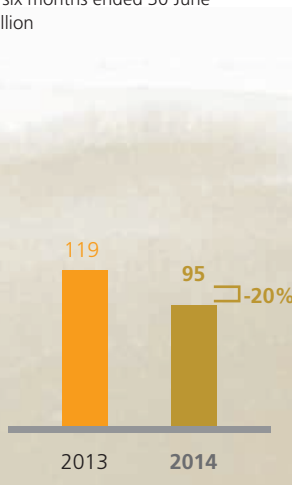
Toll revenue

For the six months ended 30 June
HK\$ million



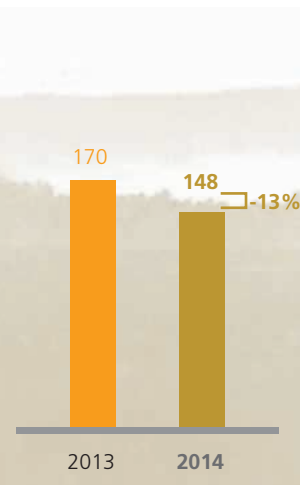
Profit before finance costs and tax

For the six months ended 30 June
HK\$ million



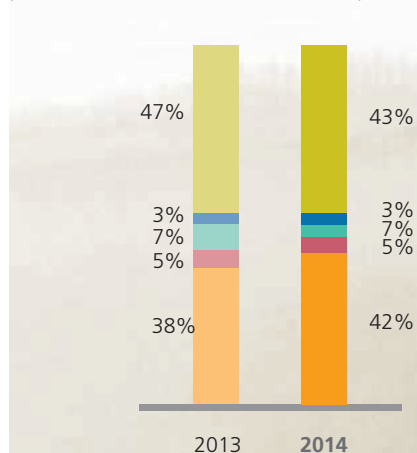
EBITDA

For the six months ended 30 June
HK\$ million



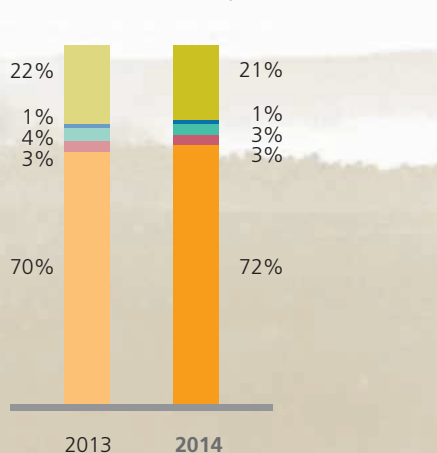
Toll revenue distribution

(For the six months ended 30 June)



Traffic volume distribution

(For the six months ended 30 June)



Class 1 Class 2 Class 3 Class 4 Class 5

Shenzhen Expressway and its expressway projects

Driven by the organic growth in traffic volume of most of the expressway projects, road network improvement as well as the proactive implementation of marketing measures, toll revenue of Shenzhen Expressway amounted to HK\$1,691 million (2013: HK\$1,529 million), representing an increase of 11% over the corresponding period of the previous year. The increase, together with the significant increase in the revenue from entrusted construction management services during the Period, contributed to an increase in total revenue of Shenzhen Expressway by 36% to HK\$2,195 million (2013: HK\$1,613 million) as compared to the corresponding period of the previous year; profit before finance costs and tax amounted to HK\$1,197 million (2013: HK\$912 million), representing a year-on-year increase of 31%. The Group's share of profit from Shenzhen Expressway amounted to HK\$405 million (2013: HK\$261 million), representing an increase of 55% over the corresponding period of the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS

OTHER INVESTMENTS

Shenzhen Airlines

During the Period, despite the increasing demand coupled with intense competition in domestic aviation market and the decline of average airfares by 2% over the corresponding period of the previous year, Shenzhen Airlines recorded a total revenue of RMB10,812 million (HK\$13,566 million) (2013: RMB10,126 million (HK\$12,686 million)), representing an increase of 7% over the corresponding period of the previous year, of which passenger revenue increased by 5% to RMB9,256 million (2013: RMB8,799 million). Shenzhen Airlines recorded a growth in passenger transport volume, with passenger traffic reached 16,654 million passenger-km (2013: 15,292 million passenger-km) and airlines carried 10.99 million passenger rides (2013: 10.22 million passenger rides), representing an increase of 9% and 8% respectively as compared with the corresponding period of the previous year. Average passenger load factor reached a level of 82%, maintained at a similar level to that of the corresponding period of the previous year. Though it recorded a year-on-year increase in operating costs for aviation oil and remuneration during the Period, through further strengthening the management and control on efficiency, operating profit of Shenzhen Airlines increased by 4% over the corresponding period of the previous year to RMB527 million (HK\$661 million) (2013: RMB509 million (HK\$638 million)).

However, affected by the fluctuations in Renminbi exchange rate during the Period, Shenzhen Airlines recorded a foreign exchange loss of approximately RMB126 million (HK\$158 million) (2013: foreign exchange gain of RMB181 million (HK\$227 million)). Shenzhen Airlines recorded a net profit of RMB9.91 million (HK\$12.43 million) during the Period (2013: RMB220 million (HK\$276 million)), representing a decrease of 96% as compared to the corresponding period of the previous year. With the apportionment of the Group's various acquisition costs, Shenzhen Airlines brought a loss of approximately HK\$27.08 million to the Group during the Period (2013: profit of HK\$101 million).

Looking forward to the second half of 2014, driven by policies aimed at steady growth and living standards improvement, domestic aviation market will still maintain the growth momentum. July and August each year are the peak travel seasons, and the profit performance of the airlines industry in the second half of the year traditionally outperforms the first half of the year. This is expected to enable Shenzhen Airlines to generate higher revenue and profit than the first half of the year. Besides, the exchange loss is expected to be reduced in the second half of the year given the rebound of approximately 1% of RMB exchange rate against USD since 1 July 2014. As such, it is expected that Shenzhen Airlines will continue to make profit contributions to the Group for the full year of 2014.

As at 30 June 2014, Shenzhen Airlines operated a total of 140 passenger aircraft. At present, Shenzhen Airlines operates 160 domestic and international routes, of which 149 are domestic routes, 5 are international routes and 6 serve the Hong Kong, Macau and Taiwan regions.

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

According to the Group's business development, capital needs and internal resource coordination, coupled with capital market conditions, the Group adjusts the volume of the shares of CSG to be disposed of as and when necessary and appropriate so as to maximise the profits of the Company and its shareholders.

As the domestic stock market in the first half of 2014 was weak, the Group did not dispose of any A shares of CSG, while the disposal of approximately 10.87 million A shares in the corresponding period of the previous year realised a gain after tax of approximately HK\$101 million. As at the date of this report, the Group beneficially owns a total of 121,831,658 A shares of CSG, representing approximately 5.87% of the total issued share capital of CSG.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL POSITION

	30 June 2014 HK\$ million	31 December 2013 HK\$ million	Increase/ (Decrease)
Total Assets	46,082	43,223	7%
Total Liabilities	22,835	21,315	7%
Total Equity	23,247	21,908	6%
Net Asset Value attributable to shareholders	14,528	13,990	4%
Net Asset Value per share attributable to shareholders (HK dollar)	8.50	8.40	1%
Cash	6,799	4,957	37%
Bank borrowings	10,436	11,040	(5%)
Notes and bonds	7,426	6,282	18%
Total Borrowings	17,862	17,322	3%
Net Borrowings	11,063	12,365	(11%)
Debt-asset Ratio (Total Liabilities/Total Assets)	49%	49%	–#
Ratio of Total Borrowings to Total Assets	39%	40%	(1%)#
Ratio of Net Borrowings to Total Equity	48%	56%	(8%)#
Ratio of Total Borrowings to Total Equity	77%	79%	(2%)#

Change in percentage points

Key Financial Indicators

As at 30 June 2014, the net asset value attributable to shareholders and the net asset value per share increased by 4% and 1% to HK\$14,528 million and HK\$8.50 respectively. The debt-asset ratio was 49%, which was at the same level to the percentage recorded at the end of last year, reflecting that the Group maintained a healthy and stable financial position.

Cash Flow and Financial Ratios

During the Period, the Group's cash flow generated from operations remained stable. Net cash inflow generated from operations amounted to HK\$1,225 million; net cash inflow generated from investment activities amounted to HK\$413 million, with net cash inflow generated from financing activities amounting to HK\$130 million. The Group's core businesses maintained a stable cash inflow, while the Group kept observing changes to total borrowings for the purposes of maintaining a healthy level of financial ratios of the Group. During the Period, the Group continued to optimise its borrowing structure, therefore the ratio of total borrowings to total equity and the ratio of net borrowings to total equity decreased by 2 percentage points and 8 percentage points to 77% and 48%, respectively.

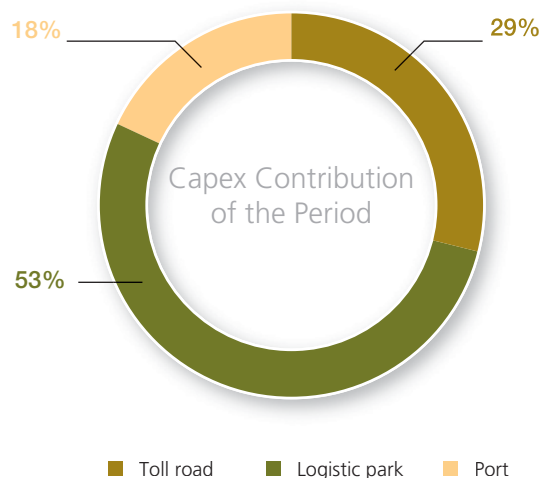
Cash Balance

As at 30 June 2014, the cash balance held by the Group amounted to HK\$6,799 million (31 December 2013: HK\$4,957 million), representing an increase of 37% as compared to that at the end of last year. Such increase was attributable to the first phase of compensation of RMB800 million for toll-free passage of certain sections on Meiguan Expressway and net cash inflow generated from business operations. Of the cash held by the Group, almost all was denominated in Renminbi. With sufficient cash on hand and adequate standby banking facilities, the Group is able to meet the funding requirements for its operations and support its sustainable business development.

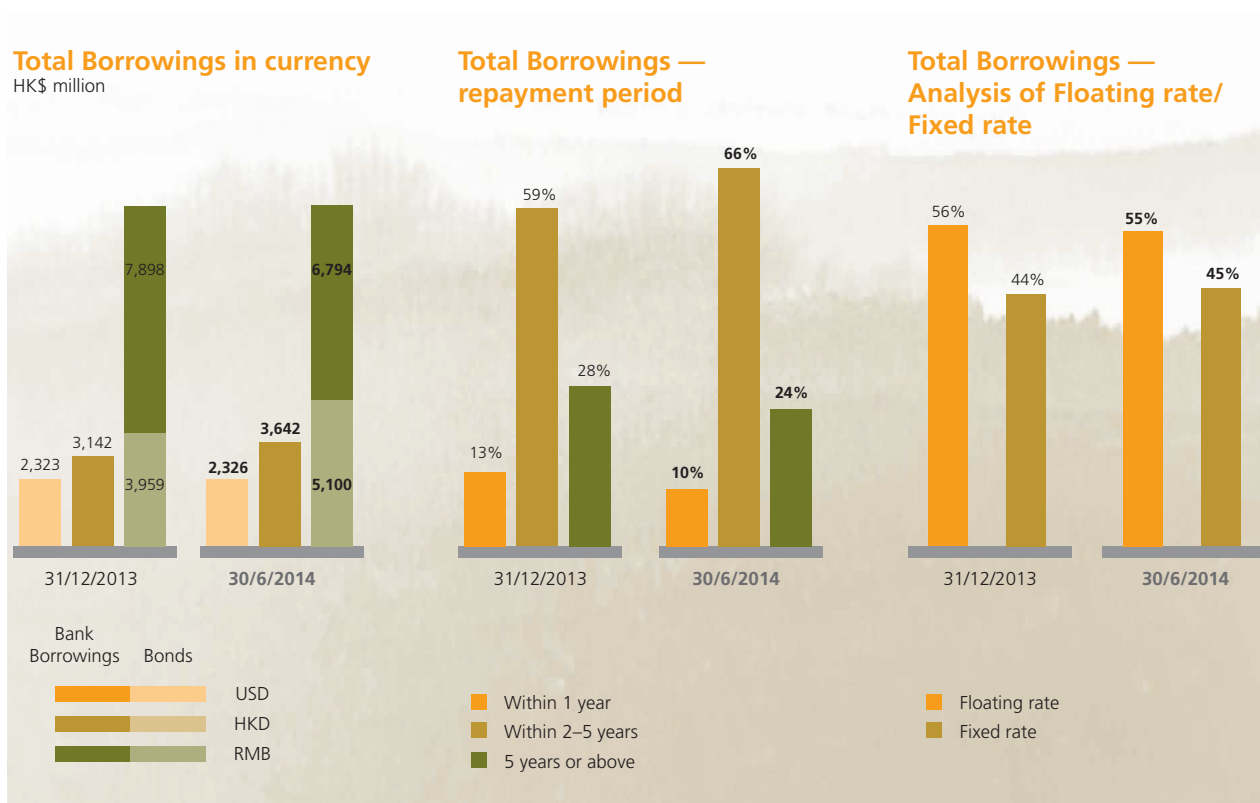
MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditures

During the Period, the Group's capital expenditures amounted to HK\$827 million (RMB663 million), of which RMB351 million was used to pay for the construction work of logistic parks and the land payment, and RMB139 million was used to pay for balances of construction costs of Qinglian Expressway as well as the expansion of Meiguan Expressway. Capital expenditures for the second half of 2014 are expected to amount to approximately HK\$1,710 million (RMB1,370 million).



Borrowings



As at 30 June 2014, the Group's total borrowings amounted to HK\$17,862 million, representing an increase of 3% as compared with that at the end of last year. During the Period, Shenzhen Expressway, the Group's subsidiary, issued a three-year medium term note of RMB1,000 million to re-finance matured loans, thus reducing the level of short-term borrowings. The ratio of borrowings with repayment within one year to the Group's total borrowings was reduced to 10%, and the ratio for borrowings with repayment within 2-5 years and that of over 5 years or above were 66% and 24% respectively. The Group will continue to optimise its financial structure and maintain a satisfactory credit standing.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's Financial Policy

Save for those as set out below, the Group's financial policy remains consistent with those as disclosed in the 2013 Annual Report, details of which are set out in the financial statements.

Exchange Rate Risk

Cash flows, cash on hand and assets for businesses operated by the Group are primarily denominated in Renminbi, whereas borrowings are mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group strives to reduce the impact of exchange rate fluctuations on its overall financial performance and financial risks. During the Period, RMB exchange rate experienced intense two-way fluctuations, and the exchange rate of Renminbi against US dollars recorded an unprecedented drop since the exchange rate reform in 2005, which led to the Group's foreign exchange loss of HK\$132 million. The management of the Group has been closely monitoring the fluctuations and movements of Renminbi exchange rate for the Period, and conducted detailed analysis and study on Renminbi exchange rate movements. It is believed that the fluctuations in the Renminbi exchange rate during the Period was of a short-term nature and that Renminbi in the long term will appreciate moderately. However, there are increasing chances of a two way movements, as compared to previous performances. The Group will manage the risks in a timely manner through the adjustment of loan structure in currency and by using appropriate hedging instruments.

Liquidity Risk Management

The Group currently has cash on hand and standby banking facilities of approximately HK\$40,400 million. The Group has signed agreements with major banks in Hong Kong and Mainland China in order to secure debt financing for the Group. The Group will closely monitor the conditions in the capital market and continue to adopt different financial instruments and optimising its financial structures. In doing so, the Group will strive to minimise the adverse impact brought by fluctuations in the capital market on the costs of debt and liquidity.

Pledge of Assets, Guarantees and Contingent Liabilities

For details of the Group's pledge of assets, guarantees and contingent liabilities as at 30 June 2014, please refer to notes 16 and 25 respectively of the condensed consolidated interim financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK FOR THE SECOND HALF OF 2014

It is expected that the global economy will continue to embrace challenges in the second half of 2014, while China's economy will remain stable with a number of uncertainties. The Group will proactively take contingency measures, while focusing on improving business performance.

For the second half of 2014, the Group will accelerate the upgrade and improvement of existing logistic parks and actively promote the construction and expansion of "China Urban Integrated Logistics Hub" projects, thus expanding the scale of the Group's logistic business and the coverage of domestic networks. It is expected that "China Urban Integrated Logistics Hub" will be the main driver of growth performance for the Group. By adhering to its strategic policies, the Group will realise the network-based operation of the project as soon as possible, therefore laying the solid foundation for the Group's long-term development.

As the PRC government implements macroeconomic policies to stimulate domestic demand, growth in traffic demand in China is expected to remain steady. The Group will constantly pay attention to the conditions of surrounding road network, while monitoring and analysing the traffic flow. The Group will also take the initiative to improve traffic conditions as well as implement targeted marketing, so as to attract traffic flow for its expressway projects, and in return keep improving the operating performance of the toll road business.

During the Period, the Group maintained sound communication with the relevant government authorities of Qianhai area in relation to its land project in Qianhai, proactively cooperating with the government on the overall planning of the Qianhai area and strived to achieve progress of land preparation for its project in Qianhai. For the second half of 2014, the Group will actively carry out the preparatory work, such as planning and business development, and will continue to communicate with relevant government departments and revise the development plan for its Qianhai project. In doing so, the Group will strive to make more efficient use of land parcels and fully prepare for the next phase of the project.

With the economic development in the PRC market and advancement of urbanisation process, the Group's logistic parks will be met with both challenges and opportunities arising from transformation and upgrades.

The Group has engaged consultants to study the relevant overall transformation, upgrading and planning scheme of South China Logistic Park, and has proactively propelled the development and construction of the land of Phase II of South China Logistic Park with an area of approximately 77,000 square metres.

In addition, as per the latest planning of Shenzhen government in respect of Longhua New Area, the planned function of Huatongyuan Logistic Centre land parcel and the western land parcel in Meilin Toll Station (the "Meilin Checkpoint Land Parcels") held by the Group will be adjusted. Pursuant to the relevant provisions, the Group, as the owner of these land parcels, may establish a project company to take charge of the relevant works relating to the land acquisition. The Group established a project company in August 2014, the purpose of which is to research and explore the possibilities and opportunities of upgrading the Meilin Checkpoint Land Parcels in Longhua New Area, Shenzhen. The land parcels are located in Longhua New Area in Shenzhen, which is one of the five identified sub city centres in Overall Planning for Shenzhen City (2007–2020) and a functional expansion of urban areas and key development areas, adjacent to Futian District, downtown area of Shenzhen City. The land parcels are situated at a geographically advantageous location with good investment value and potential for value appreciation. The Group will actively communicate with relevant government departments in order to create a higher economic value for the land parcels held by the Group, to capture the opportunities from urban development, renewal and redevelopment, and to timely realise the commercial value of the existing resources.

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

The Group always considers talents as a valuable resource and considers its human resources management strategy to be an important component of its business strategy.

The Group emphasises on recruiting and nurturing talents. In the first half of 2014, according to the development strategy and business development requirements, the Group continues to introduce management personnel and logistics expertise in the areas, including investment management, financial management and risk management. Meanwhile, the Group also focuses on the training and appointment of internal talents, and continues to increase its efforts to select capable staff among those with excellent performance and potential to assume the important positions in the Group. As of 30 June 2014, the Group had a total of 5,035 staff members.

The Group places strong emphasis on staff training, and encourages staff to enhance their abilities through continuous training, so as to build a high quality team of management and professionals that best suits the Group's business development.

The Group has established a comprehensive remuneration incentive scheme under which staff remuneration is determined according to position values, capabilities and work performance of the staff with reference to market trends. In addition, to promote its long-term development, the Group has implemented the long term incentive share option scheme and granted share options to its management, its subsidiaries' senior management and certain key staff members, so as to promote the staff's proactiveness and retaining talents. The Group developed a comprehensive performance management system which ensures fairness in staff appraisals and links the appraisal results to staff remuneration and promotions.

AUDITOR'S REVIEW REPORT



羅兵咸永道

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF SHENZHEN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial information set out on pages 24 to 51, which comprises the consolidated interim balance sheet of Shenzhen International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2014 and the related consolidated interim income statement, consolidated interim statement of comprehensive income, consolidated interim statement of changes in equity and consolidated interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "Interim Financial Information"). The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of the Interim Financial Information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on the Interim Financial Information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the Interim Financial Information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 26 August 2014

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CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	Note	As at	
		30 June 2014 (Unaudited)	31 December 2013 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	7	4,204,240	4,404,108
Investment properties	7	79,600	77,700
Land use rights	7	912,763	653,711
Construction in progress	7	191,038	121,917
Intangible assets	7	21,530,924	23,617,718
Investments in associates	8	5,302,244	5,505,921
Investments in joint ventures		341,277	335,905
Available-for-sale financial assets	10	100,050	102,743
Deferred income tax assets		59,629	78,474
Other non-current assets	9	2,692,425	310,914
		35,414,190	35,209,111
Current assets			
Inventories	11	448,475	446,740
Available-for-sale financial assets	10	1,038,450	1,270,934
Trade and other receivables	12	2,381,906	1,339,532
Restricted bank deposits		81,171	6,613
Cash and cash equivalents		6,717,574	4,950,409
		10,667,576	8,014,228
Total assets		46,081,766	43,223,339
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital and share premium	13	5,572,052	5,100,212
Other reserves	14	418,942	895,044
Retained earnings			
— Proposed dividends		—	619,755
— Others		8,536,554	7,374,728
		14,527,548	13,989,739
Non-controlling interests		8,719,471	7,918,366
Total equity		23,247,019	21,908,105

CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	Note	As at	
		30 June 2014 (Unaudited)	31 December 2013 (Audited)
Liabilities			
Non-current liabilities			
Borrowings	16	15,949,314	15,024,790
Derivative financial instruments		7,271	9,134
Provision for maintenance/resurfacing obligations	17	261,889	294,430
Deferred income tax liabilities		1,313,522	1,431,702
Other non-current liabilities		334,129	–
		17,866,125	16,760,056
Current liabilities			
Trade and other payables	15	2,269,792	1,918,239
Income tax payable		668,863	173,495
Provision for maintenance/resurfacing obligations	17	89,420	134,996
Borrowings	16	1,913,208	2,296,824
Derivative financial instruments		27,339	31,624
		4,968,622	4,555,178
Total liabilities		22,834,747	21,315,234
Total equity and liabilities		46,081,766	43,223,339
Net current assets		5,698,954	3,459,050
Total assets less current liabilities		41,113,144	38,668,161

The notes on pages 30 to 51 form an integral part of this unaudited condensed consolidated interim financial information.

CONSOLIDATED INTERIM INCOME STATEMENT

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2014 (Unaudited)	2013 (Unaudited)
Revenue	6, 18	3,271,077	2,797,125
Cost of sales		(1,646,899)	(1,456,472)
Gross profit		1,624,178	1,340,653
Other gains — net	19	1,937,940	315,452
Other income	20	76,730	49,379
Distribution costs		(29,983)	(25,001)
Administrative expenses		(149,981)	(132,031)
Operating profit		3,458,884	1,548,452
Share of profits of joint ventures		14,252	11,288
Share of profits of associates	8	130,000	239,535
Profit before finance costs and tax		3,603,136	1,799,275
Finance income	21	76,714	40,716
Finance costs	21	(580,358)	(405,558)
Finance costs — net	21	(503,644)	(364,842)
Profit before income tax		3,099,492	1,434,433
Income tax expense	22	(787,230)	(324,858)
Profit for the period		2,312,262	1,109,575
Attributable to:			
Equity holders of the Company		1,190,573	857,356
Non-controlling interests		1,121,689	252,219
		2,312,262	1,109,575
Earnings per share attributable to equity holders of the Company (expressed in HK dollars per share)			
— Basic	23	0.72	0.52
— Diluted	23	0.72	0.52
Dividends	24	—	—

The notes on pages 30 to 51 form an integral part of this unaudited condensed consolidated interim financial information.

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2014 (Unaudited)	2013 (Unaudited)
Profit for the period		2,312,262	1,109,575
Other comprehensive (loss)/income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value (losses)/gains on available-for-sale financial assets, net of tax	14	(149,578)	113,566
Reclassification of fair value gains to income statement upon disposal of available-for-sale financial assets, net of tax	14	–	(225,064)
Fair value gains on derivative financial instruments, net of tax		1,921	17,136
Share of other comprehensive income/(loss) of an associate	8	31	(43)
Currency translation differences		(570,110)	352,287
Other comprehensive (loss)/income for the period, net of tax		(717,736)	257,882
Total comprehensive income for the period		1,594,526	1,367,457
Total comprehensive income attributable to:			
Equity holders of the Company		685,771	985,774
Non-controlling interests		908,755	381,683
		1,594,526	1,367,457

The notes on pages 30 to 51 form an integral part of this unaudited condensed consolidated interim financial information.

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in HK dollar thousands unless otherwise stated)

	(Unaudited)					
	Attributable to equity holders of the Company				Non-controlling interests	Total equity
	Share capital and share premium	Other reserves	Retained earnings	Total		
Balance as at 1 January 2013	4,952,487	637,250	7,055,469	12,645,206	7,342,934	19,988,140
Total comprehensive income for the six months ended 30 June 2013	–	128,418	857,356	985,774	381,683	1,367,457
Transactions with owners in their capacity as owners						
Employee share options						
— proceeds from shares issued	45,968	–	–	45,968	–	45,968
— value of employee services	4,634	–	–	4,634	–	4,634
Dividend relating to 2012	–	–	(615,312)	(615,312)	–	(615,312)
Issue of scrip shares as dividend	55,585	–	–	55,585	–	55,585
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	(193,179)	(193,179)
Capital injection by non-controlling interests	–	–	–	–	31,875	31,875
Total transactions with owners	106,187	–	(615,312)	(509,125)	(161,304)	(670,429)
Balance as at 30 June 2013	5,058,674	765,668	7,297,513	13,121,855	7,563,313	20,685,168
Balance as at 1 January 2014	5,100,212	895,044	7,994,483	13,989,739	7,918,366	21,908,105
Total comprehensive (loss)/income for the six months ended 30 June 2014	–	(504,802)	1,190,573	685,771	908,755	1,594,526
Transactions with owners in their capacity as owners						
Employee share options						
— proceeds from shares issued	11,362	–	–	11,362	–	11,362
— value of employee services	14,765	–	–	14,765	–	14,765
Transfer to reserve	–	28,700	(28,700)	–	–	–
Dividend relating to 2013 (Note 24)	–	–	(620,488)	(620,488)	–	(620,488)
Issue of scrip shares as dividend (Note 24)	445,713	–	–	445,713	–	445,713
Unclaimed dividend forfeited	–	–	686	686	–	686
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	(238,736)	(238,736)
Non-controlling interest arising on business combination (Note 27)	–	–	–	–	26,718	26,718
Capital injection by non-controlling interests	–	–	–	–	104,368	104,368
Total transactions with owners	471,840	28,700	(648,502)	(147,962)	(107,650)	(255,612)
Balance as at 30 June 2014	5,572,052	418,942	8,536,554	14,527,548	8,719,471	23,247,019

The notes on pages 30 to 51 form an integral part of this unaudited condensed consolidated interim financial information.

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Six months ended 30 June	
		2014 (Unaudited)	2013 (Unaudited)
Cash flows from operating activities			
Cash generated from operations		1,816,122	1,788,916
Interest paid		(287,561)	(327,413)
Income tax paid		(303,994)	(228,540)
Net cash generated from operating activities		1,224,567	1,232,963
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash acquired	27	12,681	–
Purchase of property, plant and equipment, construction in progress, intangible assets and other assets		(836,618)	(629,313)
Increase in investments in associates	8	(3,744)	–
Purchase of available-for-sale financial assets	10	–	(63,243)
Proceeds from disposal of property, plant and equipment		23,535	10,894
Net proceeds from disposal of Meiguan Expressway's toll free section related assets		940,823	–
Proceeds from disposal of other intangible assets		1,881	–
Proceeds from disposal of available-for-sale financial assets		–	403,865
Interest received		35,082	41,976
Dividends received		239,351	341,934
Net cash generated from investing activities		412,991	106,113
Cash flows from financing activities			
Capital contribution by non-controlling interests		104,368	31,875
Proceeds from borrowings		1,953,304	1,250,117
Proceeds from issuance of ordinary shares		11,362	45,968
Repayments of borrowings	16	(1,075,704)	(1,811,526)
Payment for deposits for redemption of corporate bonds		(376,412)	–
Increase in restricted bank deposits		(74,558)	(45)
Dividends paid to the Company and subsidiaries' shareholders		(412,825)	(752,906)
Net cash generated from/(used in) financing activities		129,535	(1,236,517)
Net increase in cash and cash equivalents			
Cash and cash equivalents at the beginning of period		4,950,409	4,866,080
Exchange gains		72	487
Cash and cash equivalents at the end of period		6,717,574	4,969,126
Cash and cash equivalents comprises:			
Cash and bank deposits		6,717,574	4,969,126

Non-cash transactions

The major non-cash transaction for the six months ended 30 June 2014 represented the issue of scrip shares as dividend (Note 24).

The notes on pages 30 to 51 form an integral part of this unaudited condensed consolidated interim financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

1. GENERAL INFORMATION

The principal activities of Shenzhen International Holdings Limited (the “Company”) and its subsidiaries (collectively the “Group”), and its associates and joint ventures include the following businesses:

- Toll roads; and
- Logistic business.

The Group’s operations are mainly in the People’s Republic of China (“PRC”).

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

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

As at 30 June 2014, Ultrarich International Limited (“Ultrarich”) owns 830,409,709 ordinary shares of the Company directly, representing approximately 48.52% of the issued share capital of the Company. As Shenzhen Investment Holdings Company Limited (“SIHCL”) held the 100% equity interests in Ultrarich, it has a deemed interest in 48.52% 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 controls the financial and operating policies of the Company and is the de facto controller of the Company.

This condensed consolidated interim financial information (“Interim Financial Information”) is presented in Hong Kong dollar (“HKD”), unless otherwise stated.

This Interim Financial Information was approved for issue on 26 August 2014.

Key events

On 27 January 2014, the Group’s subsidiaries, Shenzhen Expressway and its wholly-owned subsidiary Shenzhen Meiguan Expressway Company Limited (“Meiguan Company”) entered into the “Agreement on the compensation in respect of the Toll Adjustment of Meiguan Expressway and Transfer of Related Assets” (the “Adjustment Agreement”) with Shenzhen Traffic and Transportation Committee (the “SZ Transportation Committee”) and Shenzhen Longhua New Area Administrative Committee. Pursuant to the Adjustment Agreement, Shenzhen Expressway and Meiguan Company had agreed to implement toll-free passage for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km (“Toll Free Section”) from 24:00 on 31 March 2014. Shenzhen Government Authorities agreed to make cash compensation to Shenzhen Expressway and Meiguan Company.

The Adjustment Agreement was approved at an extraordinary general meeting of Shenzhen Expressway held on 28 March 2014. On 31 March 2014, Shenzhen Expressway received a notice from SZ Transportation Committee that the matters contemplated under the Adjustment Agreement have been approved and authorised by Shenzhen Municipal People’s Government.

Given that since 1 April 2014, the ownership of Meiguan Expressway’s Toll Free Section related assets was transferred to Shenzhen Municipal People’s Government, the Group disposed of Meiguan Expressway’s Toll Free Section related assets on book value during the second quarter of 2014 and recorded a disposal gain of HKD1,925,655,000, which was recognised within ‘other gains — net’ in the income statement. The total consideration includes the compensation of the present value of future income of the Toll Free Section of approximately HKD1,994,197,000 (RMB1,597,950,000) and other relevant costs/expenses of approximately HKD1,375,727,000 (RMB1,102,370,000) (preliminary figure, subject to the actual amount or audit figure of the relevant governmental audit department). Up to 30 June 2014, the Group has received the first payment of the compensation amounting to HKD998,378,000 (RMB800,000,000).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

2. BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2014 (the "Period") has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by Hong Kong Institute of Certified Public Accountants. This Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2013 ("2013 Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the 2013 Financial Statements, as described therein.

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

- (a) New and amended standards, and interpretations mandatory for the first time for the financial year beginning on 1 January 2014 have no material impact on the Group or are not currently relevant to the Group.
- (b) The following new standards and amendments to standards that are relevant to the Group have been issued but are not effective for the financial year beginning on 1 January 2014 and have not been early adopted:

		Effective for annual periods beginning on or after
Annual improvements 2012	Changes from the 2010–2012 cycle of the annual improvements project	1 July 2014
Annual improvements 2013	Changes from the 2011–2013 cycle of the annual improvements project	1 July 2014
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

The Group has assessed the impact of the above new and revised standards, and amendments to existing standards and based on the preliminary results of assessment, the Group currently does not expect the adoption of these standards and amendments would have a significant impact on its results of operations and financial position.

4. ESTIMATES

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

In preparing this Interim Financial Information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2013 Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

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

This Interim Financial Information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2013 Financial Statements.

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

5.2 Liquidity risk

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

5.3 Fair value estimation

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

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

The following table presents the Group's financial assets and liabilities that are measured at fair value at 30 June 2014:

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	1,038,450	–	62,399	1,100,849
Liabilities				
Derivatives	–	34,610	–	34,610

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2013:

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	1,270,934	–	64,078	1,335,012
Liabilities				
Derivatives	–	40,758	–	40,758

During the Period, there were no transfers among levels 1, 2 and 3.

There were no changes in valuation techniques during the Period.

5.4 Valuation techniques used to derive Level 2 fair values

Level 2 hedging derivatives comprise cross currency and interest swap and interest rate swaps. These cross currency and interest swap has been fair valued using forward exchange rates that are quoted in an active market. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

5. FINANCIAL RISK MANAGEMENT (continued)

5.5 Fair value measurements using significant unobservable inputs (Level 3)

	Available-for-sale financial assets	
	Six months ended 30 June	
	2014	2013
Opening balance at 1 January	64,078	280,989
Additions	–	63,243
Disposals	–	(280,989)
Exchange difference	(1,679)	–
Closing balance at 30 June	62,399	63,243
Recognised gains for the Period included in the income statement under “Other gains — net”	–	172,134

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

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

	As at	
	30 June 2014	31 December 2013
Non-current borrowings	15,856,685	14,893,804

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

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

6. SEGMENT INFORMATION

The Group's operations are organised in two main business segments:

- Toll roads; and
- Logistic business.

Head office functions include corporate management functions and investment and financial activities of the Group.

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

Toll roads include development, operation and management of toll highway; logistic business includes: (i) logistic parks mainly include the construction, operation and management of logistic centres; (ii) logistic services include the provision of third party logistic and logistic information services to customers; and (iii) port includes construction, operation and management of wharf and logistic centres at Xiba Port in Nanjing.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

6. SEGMENT INFORMATION (continued)

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

For the six months ended 30 June 2014

	Toll roads	Logistic business			Subtotal	Head office functions	Total
		Logistic parks	Logistic services	Port			
Revenue	2,719,576 ^(a)	282,330	184,291	84,880	551,501	–	3,271,077
Operating profit/(loss)	3,279,895	132,698	13,855	39,612	186,165	(7,176)	3,458,884
Share of profits of joint ventures	5,598	8,201	453	–	8,654	–	14,252
Share of profits/(losses) of associates	130,288	–	1,098	–	1,098	(1,386)	130,000
Finance income	52,811	563	708	150	1,421	22,482	76,714
Finance costs	(350,496)	(8,315)	–	(8,608)	(16,923)	(212,939)	(580,358)
Profit/(loss) before income tax	3,118,096	133,147	16,114	31,154	180,415	(199,019)	3,099,492
Income tax expense	(712,333)	(29,695)	(3,094)	(3,902)	(36,691)	(38,206)	(787,230)
Profit/(loss) for the period	2,405,763	103,452	13,020	27,252	143,724	(237,225)	2,312,262
Non-controlling interests	(1,105,491)	(6,609)	(1,415)	(8,174)	(16,198)	–	(1,121,689)
Profit/(loss) attributable to equity holders of the Company	1,300,272	96,843	11,605	19,078	127,526	(237,225)	1,190,573
Depreciation and amortisation	651,271	44,289	4,886	18,967	68,142	10,207	729,620
Capital expenditure							
— Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	64,961	335,969	7,672	100,734	444,375	2,262	511,598
— Additions in investments in associates	–	–	–	–	–	3,744	3,744

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

6. SEGMENT INFORMATION (continued)

For the six months ended 30 June 2013

	Toll roads	Logistic business			Subtotal	Head office functions	Total
		Logistic parks	Logistic services	Port			
Revenue	2,310,466 ^(a)	234,084	180,583	71,992	486,659	–	2,797,125
Operating profit	1,109,998	94,703	9,294	31,177	135,174	303,280	1,548,452
Share of profits of joint ventures	4,090	6,999	199	–	7,198	–	11,288
Share of profits of associates	107,808	–	675	–	675	131,052	239,535
Finance income	23,652	723	602	74	1,399	15,665	40,716
Finance costs	(385,944)	(6,752)	(194)	(10,067)	(17,013)	(2,601)	(405,558)
Profit before income tax	859,604	95,673	10,576	21,184	127,433	447,396	1,434,433
Income tax expense	(189,510)	(20,616)	(2,667)	(2,649)	(25,932)	(109,416)	(324,858)
Profit for the period	670,094	75,057	7,909	18,535	101,501	337,980	1,109,575
Non-controlling interests	(241,509)	(4,419)	(728)	(5,563)	(10,710)	–	(252,219)
Profit attributable to equity holders of the Company	428,585	70,638	7,181	12,972	90,791	337,980	857,356
Depreciation and amortisation	589,806	39,243	5,970	18,554	63,767	7,037	660,610
Capital expenditure							
— Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	178,106	84,489	8,839	14,538	107,866	8,516	294,488

(a) The revenue from toll roads included construction service revenue under service concession arrangements of HKD13,154,000 (2013 interim: HKD168,459,000) for the Period.

(b) The Group has a number of customers. Revenue of approximately HKD283,799,000 (2013 interim: HKD123,263,000) was derived from a single external customer. The related revenue was attributable to entrusted construction management services revenue (2013 interim: construction service revenue).

(c) The Group's non-current assets are mainly located in the PRC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

7. CAPITAL EXPENDITURE

	Intangible assets – concession intangible assets	Investment properties	Property, plant and equipment	Land use rights	Construction in progress
Six months ended 30 June 2014					
Net book amount as at 1 January 2014	23,617,718	77,700	4,404,108	653,711	121,917
Fair value gains	-	1,900	-	-	-
Additions	13,083	-	51,783	287,741	158,991
Disposal of Meiguan Expressway's Toll Free Section related assets (Note 1)	(945,589)	-	(46,769)	-	(3,281)
Other disposals	(100)	-	(18,693)	-	-
Transfers	-	-	82,776	-	(82,776)
Exchange difference	(592,680)	-	(110,920)	(18,622)	(3,813)
Depreciation/amortisation	(561,508)	-	(158,045)	(10,067)	-
Net book amount as at 30 June 2014	21,530,924	79,600	4,204,240	912,763	191,038
Six months ended 30 June 2013					
Net book amount as at 1 January 2013	24,188,532	72,000	3,829,067	651,750	398,468
Fair value gains	-	4,600	-	-	-
Additions	170,079	-	23,172	-	101,237
Disposals	-	-	(10,833)	-	-
Transfers	-	-	14,779	-	(14,779)
Exchange difference	412,364	-	63,137	11,209	4,933
Depreciation/amortisation	(507,604)	-	(144,182)	(8,824)	-
Net book amount as at 30 June 2013	24,263,371	76,600	3,775,140	654,135	489,859

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 8 to 21 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

8. INVESTMENTS IN ASSOCIATES

	Six months ended 30 June	
	2014	2013
Beginning of the period	5,505,921	5,021,531
Additions	3,744	–
Share of profits of associates	130,000	239,535
Share of other comprehensive income/(loss) of an associate	31	(43)
Dividends received	(193,493)	(288,253)
Exchange difference	(143,959)	86,548
End of the period	5,302,244	5,059,318

The ending balance comprises the following:

	As at	
	30 June 2014	31 December 2013
Unlisted investments, at cost		
Share of net assets other than goodwill	4,241,621	4,416,754
Goodwill on acquisition	1,060,623	1,089,167
Total	5,302,244	5,505,921

- (a) Based on the assessment made by the directors of the Company, there were no impairment losses for the goodwill as at 30 June 2014 (31 December 2013: Nil).

9. OTHER NON-CURRENT ASSETS

As at 30 June 2014, other non-current assets mainly represent long-term receivable from Shenzhen Municipal People's Government amounting to HKD2,399,607,000 (RMB1,922,805,000) for the related compensation on Meiguan Expressway's Toll free Section (Note 1), among which HKD998,378,000 (RMB800,000,000) and the remaining balance and interests are expected to be received before 31 August 2015 and 31 December 2016 respectively.

Interests are charged on the long-term receivable based on prevailing borrowing rates promulgated by the People's Bank of China and an interest income of HKD40,350,000 was recognised during the six months ended 30 June 2014 (Note 21).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Six months ended 30 June	
	2014	2013
Beginning of the period	1,373,677	1,684,474
Additions	–	63,243
Net fair value (losses)/gains	(199,176)	157,785
Disposals	–	(394,432)
Exchange differences	(36,001)	24,321
End of the period	1,138,500	1,535,391
Less: non-current portion	(100,050)	(101,404)
Current portion	1,038,450	1,433,987

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

	As at	
	30 June 2014	31 December 2013
Listed securities in the PRC, at fair value (Note (a) and Note 5.3)	1,038,450	1,270,934
Unlisted equity investments:		
at fair value (Note 5.3)	62,399	64,078
at cost less impairment		
— Cost	61,746	62,760
— Provision for impairment	(24,095)	(24,095)
	37,651	38,665
	100,050	102,743
	1,138,500	1,373,677

- (a) As at 30 June 2014, listed equity investments stated at market price represent 5.87% interest (equivalent to 121,831,658 shares) in CSG Holding Co., Ltd. ("CSG"). During the Period, the Group did not dispose of shares in CSG (2013 interim: disposed of 10,871,187 shares).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

11. INVENTORIES

As at 30 June 2014, inventories mainly represent land use right held for development purpose which is classified as properties under development.

12. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2014	31 December 2013
Trade receivables (Note (a))	1,302,251	856,748
Less: Provision for impairment	(3,754)	(5,051)
Trade receivables — net	1,298,497	851,697
Other receivables and prepayments (Note (b))	1,083,409	487,835
	2,381,906	1,339,532

- (a) The toll revenue from toll road operations is mainly received in cash and it usually does not maintain any trade receivable balances related to toll road operations. Accordingly, the Group does not have any specified credit period for its customers related to toll road operations. Trade receivables other than toll revenue generally have credit terms of 30 to 120 days. The ageing analysis of the trade receivables of the Group based on revenue recognition date is as follows:

	As at	
	30 June 2014	31 December 2013
0–90 days	784,378	504,878
91–180 days	109,343	15,380
181–365 days	145,904	73,411
Over 365 days (i)	262,626	263,079
	1,302,251	856,748

- (i) Trade receivables due over 365 days mainly comprised the amount of HKD253,441,000 (31 December 2013: HKD259,381,000) arising from the Group's development and management of certain toll road projects administrated for SZ Transportation Committee and entrusted construction management services of Guangshen Coastal Expressway (Shenzhen Section) Project ("Coastal Project").
- (b) Amounts included HKD417,824,000 (31 December 2013: HKD160,902,000) of prepayment for land use rights in the PRC, HKD216,128,000 (31 December 2013: HKD201,414,000) of advance for construction costs and HKD374,392,000 (31 December 2013: Nil) of deposits made for the redemption of the corporate bonds.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

13. SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares (share)	Ordinary shares	Share premium	Total
As at 1 January 2013	16,372,973,064	1,637,297	3,315,190	4,952,487
Employee share option scheme				
— proceeds from shares issued	79,255,000	7,926	38,042	45,968
— value of employee services	—	—	4,634	4,634
Issue of scrip share as dividend	53,549,881	5,355	50,230	55,585
As at 30 June 2013	16,505,777,945	1,650,578	3,408,096	5,058,674
As at 1 January 2014	16,570,986,945	1,657,098	3,443,114	5,100,212
Share consolidation	(14,913,888,251)	—	—	—
Employee share option scheme				
— proceeds from shares issued	1,959,001	1,959	9,403	11,362
— value of employee services	—	—	14,765	14,765
Issue of scrip share as dividend	52,264,132	52,264	393,449	445,713
As at 30 June 2014	1,711,321,827	1,711,321	3,860,731	5,572,052

(a) Authorised and issued

Pursuant to a resolution passed in the special general meeting held on 12 February 2014, every ten shares of the Company's issued and unissued shares with par value of HKD0.10 per share have been consolidated into one share with par value of HKD1.00 with effect from 13 February 2014. The consolidated shares rank pari passu in all respects with each other. The implementation did not alter the underlying assets, business operations, management or financial position of the Company or the interests or rights of the shareholders, save for any fractional consolidated shares (i.e. less than one consolidated share) to which shareholders may be entitled. Number of authorised and issued shares and par value have been adjusted retrospectively.

As at 31 December 2013, the total authorised number of ordinary shares is 20,000 million shares with par value of HKD0.10 per share. Upon the share consolidation become effective on 13 February 2014, the total authorised number of ordinary shares is 2,000 million shares with par value of HKD1.00 per share. All issued shares are fully paid.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

13. SHARE CAPITAL AND SHARE PREMIUM (continued)

(b) Share option

As a result of the share consolidation become effective, the exercise price and the number of consolidated shares to be issued upon the exercise of the outstanding options granted under the share option scheme adopted by the Company on 30 April 2004 ("the Share Option Scheme") have been adjusted ("the Adjustments") in accordance with the terms of the Share Option Scheme and Rule 17.03(13) of the Listing Rules as follows:

Date of Grant	Before the Adjustments		After the Adjustments	
	exercise price (HKD per share)	Number of shares fall to be issued upon the exercise of the outstanding share options	exercise price (HKD per share)	Number of consolidated shares fall to be issued upon the exercise of the outstanding share options
28 September 2010	0.58	117,065,195	5.80	11,706,519
18 January 2013	0.91	19,810,000	9.10	1,981,000
29 January 2014	1.04	328,800,000	10.40	32,880,000

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

	Six months ended 30 June 2014		Six months ended 30 June 2013 (restated)	
	Average exercise price (HKD per share)	Number of share options (thousands)	Average exercise price (HKD per share)	Number of share options (thousands)
Beginning of the period	6.25	14,634	5.80	27,196
Granted	10.40	32,880	9.10	1,981
Forfeited	5.80	(537)	5.80	(96)
Exercised	5.80	(1,959)	5.80	(7,926)
End of the period	9.31	45,018	6.11	21,155

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

13. SHARE CAPITAL AND SHARE PREMIUM (continued)

(b) Share option (continued)

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

Date of maturity	Exercise price (HKD per share)	Number of share options (thousands)	
		30 June 2014	31 December 2013 (audited and restated)
27 September 2015 (Note (i))	5.80	10,157	12,653
27 September 2015 (Note (ii))	9.10	1,981	1,981
28 January 2019 (Note (iii))	10.40	32,880	–
		45,018	14,634

- (i) On 28 September 2010, 286,600,000 share options (the “2010 Share Options”) with an exercise price of HKD0.58 per share (After the Adjustments: 28,660,000 share option with an exercise price of HKD5.80 per share) were granted to certain directors of the Company and to selected employees of the Group. During the Period, 537,000 (2013 interim: 96,000) share options of the 2010 Share Options were forfeited and 1,959,001 (2013 interim: 7,925,500) share options of the 2010 Share Options were exercised.
- (ii) On 18 January 2013, 19,810,000 share options with an exercise price of HKD0.91 per share (After the Adjustments: 1,981,000 share option with an exercise price of HKD9.10 per share) were granted to certain directors of the Company and to the selected employees of the Group.
- (iii) On 29 January 2014, 328,800,000 share options (the “2014 Share Options”) with an exercise price of HKD1.04 per share (After the Adjustments: 32,880,000 share option with an exercise price of HKD10.40 per share) were granted to certain directors of the Company and to selected employees of the Group. The options are exercisable starting two years from the grant date: 40% of the 2014 Share Options will be vested on the date which is 24 months after the grant date; another 30% of the 2014 Share Options granted will be vested on the date which is 36 months after the grant date, and the remaining 30% of the 2014 Share Options will be vested on the date which is 48 months after the grant date. The vesting of the 2014 Share Options is conditional, subject to the individual performance of respective grantees and the achievement of certain performance targets of the Group.

The fair value of the 2014 Share Options as determined using the Binomial Model was HKD0.25 (before the Adjustments) per option. The significant inputs used in the model were share price of HKD0.99 (before the Adjustments) per share at the grant date, exercise price shown above, volatility of 40.622%, dividend yield of 3.778%, an expected option life of 5 years and an annual risk-free interest rate of 1.352%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the past 5 years.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

14. OTHER RESERVES

	Equity component of convertible bond										Total	
	Fair value reserve	Reserve funds	Capital reserve	Goodwill reserve	Hedging reserve	Merger reserve	Revaluation surplus	Other reserves	Currency translation reserve	Contributed surplus		
At 1 January 2013	133,978	1,044,836	1,704,470	59,723	(159,583)	(19,267)	(4,082,110)	507,216	(165,051)	1,600,033	13,005	637,250
Fair value gains on available-for-sale financial assets, net of tax	-	113,566	-	-	-	-	-	-	-	-	-	113,566
Reclassification of fair value gains to income statement upon disposal of available-for-sale financial assets, net of tax	-	(225,064)	-	-	-	-	-	-	-	-	-	(225,064)
Fair value gains on derivative financial instruments, net of tax	-	-	-	-	-	15,774	-	-	-	-	-	15,774
Share of other comprehensive loss of an associate	-	-	-	-	-	-	-	-	(43)	-	-	(43)
Currency translation differences	-	21,430	-	-	-	-	-	-	-	202,755	-	224,185
At 30 June 2013	133,978	954,768	1,704,470	59,723	(159,583)	(3,493)	(4,082,110)	507,216	(165,094)	1,802,788	13,005	765,668
At 1 January 2014	-	833,448	1,791,181	59,723	(159,583)	1,256	(4,082,110)	507,216	(31,149)	1,962,057	13,005	895,044
Transfer from retained earnings	-	-	28,700	-	-	-	-	-	-	-	-	28,700
Fair value losses on available-for-sale financial assets, net of tax	-	(149,578)	-	-	-	-	-	-	-	-	-	(149,578)
Fair value gains on derivative financial instruments, net of tax	-	-	-	-	-	1,788	-	-	-	-	-	1,788
Share of other comprehensive income of an associate	-	-	-	-	-	-	-	-	31	-	-	31
Currency translation differences	-	(25,813)	-	-	-	-	-	-	-	(331,230)	-	(357,043)
At 30 June 2014	-	658,057	1,819,881	59,723	(159,583)	3,044	(4,082,110)	507,216	(31,118)	1,630,827	13,005	418,942

15. TRADE AND OTHER PAYABLES

	As at	
	30 June 2014	31 December 2013
Trade payables (Note (a))	96,360	80,110
Payables relating to construction projects	917,570	855,883
Advances from associates	97,015	99,161
Other payables and accrued expenses (Note (b))	1,158,847	883,085
	2,269,792	1,918,239

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

15. TRADE AND OTHER PAYABLES (continued)

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

	As at	
	30 June 2014	31 December 2013
0–90 days	93,713	79,487
91–180 days	1,870	376
181–365 days	563	106
Over 365 days	214	141
	96,360	80,110

(b) Other payables and accrued expenses mainly include land development costs, interest expense, employee benefit expenses.

16. BORROWINGS

	As at	
	30 June 2014	31 December 2013
Non-current		
Bank borrowings (Note (b))	9,567,988	10,045,165
Medium-term notes (Note (c))	1,241,173	–
Senior notes	2,325,691	2,323,440
Corporate bonds (Note (d))	2,862,931	2,935,458
Private placement notes	996,253	1,023,022
	16,994,036	16,327,085
Less: Current portion	(1,044,722)	(1,302,295)
	15,949,314	15,024,790
Current		
Bank borrowings	1,913,208	2,296,824
	17,862,522	17,321,614

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

16. BORROWINGS (continued)

Interest expense on borrowings for the Period was HKD443,441,000 (2013 interim: HKD484,560,000).

Movement in borrowings is analysed as follows:

	Six months ended 30 June	
	2014	2013
Opening balance as at 1 January	17,321,614	17,969,683
Additions	1,981,905	1,303,823
Repayments	(1,075,704)	(1,811,526)
Exchange differences	(365,293)	302,606
Closing balance as at 30 June	17,862,522	17,764,586

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

	As at	
	30 June 2014	31 December 2013
Floating rate		
— Expiring within one year	13,339,733	9,312,915
— Expiring beyond one year	20,240,486	25,245,599
	33,580,219	34,558,514

- (b) Current bank borrowings of HKD70,000,000 (31 December 2013: HKD22,200,000) were secured by the Group's 55% equity interest in Jade Emperor Limited, a wholly-owned subsidiary. Bank borrowings of HKD5,227,286,000 (RMB4,188,624,000) (31 December 2013: HKD5,436,914,000 (RMB4,242,424,000)) were secured by a pledge of the operating rights of Qinglian Expressway of Guangdong Qinglian Highway Development Company Limited, of which HKD222,988,000 (RMB178,680,000) (31 December 2013: HKD155,581,000 (RMB121,400,000)) were current portion of the non-current bank borrowings. HKD705,104,000 (RMB565,000,000) (31 December 2013: HKD724,080,000 (RMB565,000,000)) were secured by a pledge of the 40% equity interest in Shenzhen Qinglong Expressway Company Limited, an associate of the Group, of which HKD77,998,000 (RMB62,500,000) (31 December 2013: Nil) were current portion of the non-current bank borrowings. Besides, bank borrowings of HKD304,193,000 (RMB243,750,000) (31 December 2013: HKD320,390,000 (RMB250,000,000)) were secured by a pledge of the operating rights of Yanpai Expressway of Shenzhen Expressway, of which HKD19,500,000 (RMB15,625,000) (31 December 2013: HKD16,019,000 (RMB12,500,000)) were current portion of the non-current bank borrowings.
- (c) On 7 May 2014, 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 5.50% per annum with interest repayable annually and the principal repayable in full upon maturity on 8 May 2017.
- (d) Shenzhen Expressway issued corporate bonds of RMB800 million ("Corporate Bond A") and RMB1,500 million in August 2007 and August 2011 respectively. The full amount of principal and interest of the Corporate Bond A are unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by Shenzhen Expressway's 100% equity interest in Meiguan Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

17. PROVISION FOR MAINTENANCE/RESURFACING OBLIGATIONS

	Six months ended 30 June	
	2014	2013
Opening net book amount	429,426	621,003
Charged to the income statement:		
Additions	15,242	10,927
Increase due to passage of time (Note 21)	6,813	15,953
Utilised	(89,280)	(137,619)
Exchange differences	(10,892)	9,697
Closing net book amount	351,309	519,961
Less: Current portion	(89,420)	(249,472)
Non-current portion	261,889	270,489

18. REVENUE

	Six months ended 30 June	
	2014	2013
Toll roads		
— Toll revenue	2,202,037	2,057,553
— Entrusted construction management services revenue	504,385	84,454
— Construction service revenue under concession arrangements	13,154	168,459
Logistic business		
— Logistic parks	282,330	234,084
— Logistic services	184,291	180,583
— Port	84,880	71,992
	3,271,077	2,797,125

19. OTHER GAINS — NET

	Six months ended 30 June	
	2014	2013
Gain on disposal of Meiguan Expressway's Toll Free Section related assets (Note 1)	1,925,655	—
Gain on disposals of property, plant and equipment	4,842	—
Goodwill written-off	(2,192)	—
Gain on disposals of available-for-sale financial assets	—	307,852
Others	9,635	7,600
	1,937,940	315,452

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

20. OTHER INCOME

	Six months ended 30 June	
	2014	2013
Dividend income	45,858	34,475
Rental income	14,164	11,925
Government subsidies	12,356	2,979
Others	4,352	–
	76,730	49,379

21. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2014	2013
Interest income from bank deposits	(36,364)	(40,716)
Interest income from other non-current assets (Note 9)	(40,350)	–
	(76,714)	(40,716)
Interest expenses		
— Bank borrowings wholly repayable within 5 years	84,594	94,202
— Bank borrowings wholly repayable after 5 years	177,480	166,679
— Medium-term notes wholly repayable within 5 years	10,607	10,024
— Corporate bond and other notes wholly repayable within 5 years	91,129	90,776
— Corporate bond wholly repayable after 5 years	28,023	27,981
— Senior notes wholly repayable within 5 years	51,608	51,834
— Other interest expense (Note 17)	6,813	15,953
— Convertible bond wholly repayable within 5 years	–	43,064
Net foreign exchange losses/(gains) directly attributable to borrowings	132,267	(76,609)
Less: interest expenses capitalised in construction in progress	(2,163)	(18,346)
	580,358	405,558
Total finance costs	580,358	405,558
	503,644	364,842
Net finance costs	503,644	364,842

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

22. INCOME TAX EXPENSE

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

The PRC corporate income tax charged to the consolidated income statement was calculated based on the assessable profits of the Group's subsidiaries located in the PRC for the Period at a rate of 25% (2013 interim: 25%) applicable to the respective companies.

	Six months ended 30 June	
	2014	2013
Current income tax		
— PRC corporate income tax	806,606	313,051
Deferred income tax	(19,376)	11,807
	787,230	324,858

23. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2014	2013
Profit attributable to equity holders of the Company	1,190,573	857,356
Weighted average number of ordinary shares in issue (thousands)	1,660,159	1,644,216
Basic earnings per share (HKD per share)	0.72	0.52

The weighted average number of ordinary shares and basic earnings per share for the six months ended 30 June 2014 and 2013 have been adjusted to reflect the effect of share consolidation as described in Note 13(a).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

23. EARNINGS PER SHARE (continued)

(b) Diluted

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

	Six months ended 30 June	
	2014	2013
Profit attributable to equity holders of the Company	1,190,573	857,356
Profit used to determine diluted earnings per share	1,190,573	857,356
Weighted average number of ordinary shares in issue (thousands)	1,660,159	1,644,216
Adjustments — share options (thousands)	4,228	8,215
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,664,387	1,652,431
Diluted earnings per share (HKD per share)	0.72	0.52

24. DIVIDENDS

The board of directors has resolved not to declare an interim dividend in respect of the Period (2013 interim: Nil). The 2013 final dividend of HKD620,488,000 (HKD0.374 per ordinary share) was settled in June 2014. According to the approved scrip dividend scheme in the annual general meeting held on 16 May 2014, 52,264,132 new shares were issued at a price of HKD8.528 per share, totalling HKD445,713,000. The remaining dividend totalling HKD174,775,000 was paid in cash in June 2014.

25. GUARANTEES AND CONTINGENCIES

Except for described below, there have been no material changes to the Group's guarantees and contingencies since 31 December 2013.

Shenzhen Expressway had construction management contracts and arranged with bank to issue irrevocable performance guarantees amounting to HKD18,720,000, HKD2,496,000 and HKD44,740,000 on its behalf to SZ Transportation Committee, Shenzhen Traffic Public Facilities Construction Center and Shenzhen Longhua New Area Construction Service Management Center respectively.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

26. COMMITMENTS

Save as disclosed elsewhere in this Interim Financial Information, the Group has the following capital expenditure committed but not yet incurred:

	As at	
	30 June 2014	31 December 2013
Capital commitments — expenditure of property, plant and equipment and concession intangible assets		
— Contracted but not provided for	1,152,332	1,478,953
— Authorised but not contracted for	302,624	192,463
	1,454,956	1,671,416
Investment commitments		
— Contracted but not provided for	30,274	25,042
	1,485,230	1,696,458

27. BUSINESS COMBINATION

On 18 March 2014, the Group acquired 80% equity interest in Shijiazhuang Shenzhen International Integrated Logistics Hub Development Co., Ltd. ("Shijiazhuang Company") at a consideration of RMB87,391,600 (equivalent to HKD109,062,000) from a third party.

As at 30 June 2014, Shijiazhuang Company has not started its operation, and thus did not record revenue and profit or loss during the six months ended 30 June 2014.

(a) Details of net assets acquired on acquisition date are as follows:

Purchase consideration — paid by cash	109,062
Fair value of the 80% acquired net assets	(106,870)
	2,192

(b) The fair value and carrying amount of the assets and liabilities arising from the acquisition on acquisition date are as follows:

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	121,743	121,743
Other receivables	12,496	12,496
Other payables	(651)	(651)
	133,588	133,588
Less: 20% non-controlling interest	(26,718)	
	106,870	

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

27. BUSINESS COMBINATION (continued)

- (c) Cash inflow on acquisition

Cash consideration	(109,062)
Cash and cash equivalents in the subsidiary acquired	121,743
	<hr/>
	12,681

28. RELATED-PARTY TRANSACTIONS

As described in Note 1, the Company is de facto controlled by Shenzhen SASAC. Apart from the related party transactions and balances already disclosed in other notes to this Interim Financial Information, the following material transactions were carried out with related parties during the Period:

- (a) During the six months ended 30 June 2014 and 2013, the Group had bank deposits in and obtained borrowings from state-owned banks in normal commercial terms. Interests are earned and incurred on these deposits and borrowings respectively.
- (b) The Group had capital expenditure incurred for service concession projects and construction in progress with state-owned contractors in the six months ended 30 June 2014 and 2013 and payable balances due to state-owned contractors for construction projects and placed guaranteed deposits as of 30 June 2014 and 31 December 2013.
- (c) Shenzhen Expressway entered into project management service contracts with Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company"), an associate of Shenzhen Expressway, under which Consulting Company assumes the management of the reconstruction project of Shenzhen Expressway. During the Period, Shenzhen Expressway paid a management fee of approximately RMB8,643,000 (HKD10,844,000) (2013 interim: RMB14,778,000 (HKD18,514,000)) to Consulting Company.
- (d) Shenzhen Expressway provides project management services for construction, operation and maintenance of Coastal Project for the Shenzhen Municipal People's Government. The Coastal Project is owned by Shenzhen Guangshen Coastal Expressway Investment Co., Ltd., ("Coastal Company") which is wholly owned by SIHCL. The total management service revenue is calculated at 1.5% of the construction budget. On 9 September 2011, Shenzhen Expressway and Coastal Company entered into the entrusted construction management agreement to formalize the terms of these arrangements. During the Period, Shenzhen Expressway had recognised construction management service revenue amounting to RMB226,187,000 (HKD283,799,000) (2013 interim: RMB21,356,000 (HKD26,755,000)).

SUPPLEMENTARY INFORMATION

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2014 (the "Period").

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2014, the interests and short positions of the directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of The Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were set out as follows and in the section headed "**SHARE OPTION SCHEME**" below:

Long positions in the ordinary shares of the Company

Name of directors	Number of ordinary shares held	Capacity	Nature of interest	Approximate % of issued share capital of the Company
Li Jing Qi	864,840	beneficial owner	personal	0.05%
Liu Jun	900,000	beneficial owner	personal	0.05%

Save as disclosed above, as at 30 June 2014, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SHARE OPTION SCHEME

The Company had operated a share option scheme (the "Expired Scheme") for 10 years from 30 April 2004 to 29 April 2014 to reward and motivate the eligible participants whose contributions are important to the long-term growth and profitability of the Group. Eligible participants of the Expired Scheme include (a) any full-time employee of the Group, (b) any director (including executive, non-executive or independent non-executive directors) of the Group, associates and joint ventures of the Group or (c) any substantial shareholder of the Company.

SUPPLEMENTARY INFORMATION

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

Name and category of participants	Date of grant of share options	Exercise period of share options	Exercise price of share options (Note 5)	Number of unlisted share options (physically settled equity derivatives)				Share price of the Company (Note 6)		
				As at 1 January 2014	Granted during the Period	Exercised during the Period	Cancelled/lapsed during the Period	As at 30 June 2014	As at the date of grant of share options	As at the date of exercise of share options
				HK\$				HK\$	HK\$	
Directors										
Mr. Gao Lei	18 January 2013 (Note 2)	28 September 2014 to 27 September 2015	9.10	656,000	–	–	–	656,000	8.800	N/A
	29 January 2014 (Note 3)	29 January 2016 to 28 January 2019	10.40	–	1,400,000	–	–	1,400,000	9.700	N/A
Mr. Li Jing Qi	28 September 2010 (Note 4)	28 September 2012 to 27 September 2015	5.80	510,000	–	–	–	510,000	5.900	N/A
	29 January 2014 (Note 3)	29 January 2016 to 28 January 2019	10.40	–	1,330,000	–	–	1,330,000	9.700	N/A
Mr. Li Lu Ning	18 January 2013 (Note 2)	28 September 2014 to 27 September 2015	9.10	525,000	–	–	–	525,000	8.800	N/A
	29 January 2014 (Note 3)	29 January 2016 to 28 January 2019	10.40	–	1,050,000	–	–	1,050,000	9.700	N/A
Mr. Liu Jun	28 September 2010 (Note 4)	28 September 2012 to 27 September 2015	5.80	429,000	–	–	–	429,000	5.900	N/A
	29 January 2014 (Note 3)	29 January 2016 to 28 January 2019	10.40	–	1,050,000	–	–	1,050,000	9.700	N/A
Mr. Yang Hai	28 September 2010 (Note 4)	28 September 2012 to 27 September 2015	5.80	473,100	–	–	–	473,100	5.900	N/A
	29 January 2014 (Note 3)	29 January 2016 to 28 January 2019	10.40	–	1,050,000	–	–	1,050,000	9.700	N/A
				2,593,100	5,880,000	–	–	8,473,100		
Other employees										
In aggregate	28 September 2010 (Note 4)	28 September 2012 to 27 September 2015	5.80	11,241,420	–	1,959,001	537,000	8,745,419	5.900	9.893
	18 January 2013 (Note 2)	28 September 2014 to 27 September 2015	9.10	800,000	–	–	–	800,000	8.800	N/A
	29 January 2014 (Note 3)	29 January 2016 to 28 January 2019	10.40	–	27,000,000	–	–	27,000,000	9.700	N/A
				12,041,420	27,000,000	1,959,001	537,000	36,545,419		
				14,634,520	32,880,000	1,959,001	537,000	45,018,519		

SUPPLEMENTARY INFORMATION

Notes:

- (1) *As every 10 shares of the Company with a nominal value of HK\$0.10 each be consolidated into 1 consolidated share of the Company with a nominal value of HK\$1.00 each (the "Share Consolidation") became effective on 13 February 2014, the information regarding the share options (including exercise price, number and share price of the Company) was disclosed on the basis of the information after the Share Consolidation became effective.*
- (2) *These share options granted will be vested on 28 September 2014. However, vesting of these share options is conditional upon the achievement of certain performance targets by the individual grantees and the Group.*
- (3) *40% of these share options granted will be vested on the date which is 24 months after 29 January 2014 (the "Date of Grant of 2014 Share Options"); another 30% of these share options granted will be vested on the date which is 36 months after the Date of Grant of 2014 Share Options; and the remaining 30% of these share options will be vested on the date which is 48 months after the Date of Grant of 2014 Share Options. Vesting of these share options is conditional upon the achievement of certain performance targets by the individual grantees and the Group.*
- (4) *40% of these share options granted has been vested on the date which is 24 months after 28 September 2010 (the "Date of Grant of 2010 Share Options"); another 30% of these share options granted has been vested on the date which is 36 months after the Date of Grant of 2010 Share Options; and the remaining 30% of these share options will be vested on the date which is 48 months after the Date of Grant of 2010 Share Options. Vesting of these share options is conditional upon the achievement of certain performance targets by the individual grantees and the Group.*
- (5) *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.*
- (6) *The share price of the Company disclosed as at the date of the grant of the share options was the closing price as quoted on the Stock Exchange of the trading day immediately prior to the date of the grant of the share options. The share price of the Company disclosed as at the date of exercise of the share options was the weighted average closing price of the shares immediately before the date(s) on which the share options with the disclosure category were exercised.*

The Group is in compliance with the requirements as stipulated in Hong Kong Financial Reporting Standard 2 "Share-based Payment". During the Period, provisions amounting to HK\$14,765,000 were made for the cost of share options granted by the Company, and was already recognised in the Consolidated Interim Income Statement. Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which lapse or are cancelled prior to the expiration of their exercise date are deleted from the register of outstanding share options.

Details of the model and significant assumptions used to estimate the fair value of the share options granted by the Company to eligible participants during the Period are set out in note 13 to the condensed consolidated interim financial information. Such option pricing model requires input of subjective assumptions. Any changes in the subjective input assumptions may materially affect the estimation of the fair value of the share options.

Upon the expiration of the Expired Scheme on 29 April 2014, a new share option scheme (the "New Scheme") was approved and adopted by the shareholders of the Company at the annual general meeting held on 16 May 2014. The New Scheme is established to recognise, motivate and provide incentives to those who make contributions to the Group. Eligible participants of the New Scheme include (a) any full-time employee of the Group, (b) any director (including executive, non-executive or independent non-executive directors) of the Group, associates and joint ventures of the Group or (c) any substantial shareholder of the Company, to be determined by the board of directors of the Company (the "Board"). No share options has been granted under the New Scheme during the Period.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2014, the interests and short positions of the substantial shareholders, other than the directors or chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO are set out below:

SUPPLEMENTARY INFORMATION

Long positions in ordinary shares of the Company

Name of shareholders	Number of ordinary shares held	Capacity	Approximate % of issued share capital of the Company
Shenzhen Investment Holdings Company Limited ("SIHCL") — Note (1)	830,409,709	interest of controlled corporations	48.52%
Ultrarich International Limited ("Ultrarich") — Note (2)	830,409,709	beneficial owner	48.52%

Notes:

- (1) Ultrarich holds an aggregate of 830,409,709 shares of the Company and is a wholly-owned subsidiary of SIHCL. Accordingly, SIHCL is deemed to be interested in the 830,409,709 shares of the Company owned by Ultrarich.
- (2) Messrs. Gao Lei, Li Jing Qi, Li Lu Ning and Liu Jun are the directors of Ultrarich which has an interest in the shares of the Company which are required to be disclosed under Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 30 June 2014, the Company had not been notified by any substantial shareholders, other than the directors or chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO.

OTHER PERSONS' INTERESTS IN SECURITIES

As at 30 June 2014, the interests and short positions of other persons in the shares and underlying shares of the Company, which are required to be recorded in the register kept by the Company under section 336 of Part XV of the SFO are set out below:

Name of shareholders	Number of ordinary shares held	Capacity	Approximate % of issued share capital of the Company
	<i>Note (1)</i>		
UBS AG	590,024 (L)	beneficial owner	0.034%
	412,250 (S)	beneficial owner	0.024%
	27,460,567 (L)	person having a security interest in shares	1.60%
	60,170,496 (L) <i>Note (2)</i>	interest of controlled corporations	3.52%
UBS Fund Services (Luxembourg) S.A.	45,870,378 (L)	beneficial owner	2.68%
UBS Global Asset Management (Hong Kong) Limited	11,428,129 (L)	beneficial owner	0.67%
UBS Global Asset Management (Singapore) Ltd	2,861,989 (L)	beneficial owner	0.17%
UBS Financial Services Inc.	10,000 (L)	beneficial owner	0.0006%

SUPPLEMENTARY INFORMATION

Notes:

- (1) "L" represents other persons' long position in the shares and underlying shares, "S" represents other persons' short position in the shares and underlying shares.
- (2) Each of UBS Fund Services (Luxembourg) S.A., UBS Global Asset Management (Hong Kong) Limited, UBS Global Asset Management (Singapore) Ltd and UBS Financial Services Inc. is a wholly-owned subsidiary of UBS AG. Accordingly, UBS AG is deemed to be interested in the aggregate of 60,170,496 shares of the Company held by these companies as disclosed above.

Save as disclosed above, as at 30 June 2014, the Company had not been notified by any other persons who had interests or short positions in the shares and underlying shares of the Company which are as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

CORPORATE GOVERNANCE

The Board is committed to maintaining a high standard of corporate governance in the best interests of shareholders. The corporate governance principles adopted by the Company emphasise a highly efficient Board, sound internal control and the transparency and accountability to all shareholders.

During the Period, the Company has complied with the code provisions set out in "Corporate Governance Code and Corporate Governance Report" of Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange save that one non-executive director and one independent non-executive director of the Company, who had to handle business outside Hong Kong, were unable to attend the special general meeting of the Company held on 12 February 2014 and the annual general meeting held on 16 May 2014 of the Company.

Board of Directors

As of the date of this report, the Board comprises nine directors, including five executive directors, namely Mr. Gao Lei, Mr. Li Jing Qi, Mr. Li Lu Ning, Mr. Liu Jun and Mr. Yang Hai, a non-executive director, namely Dr. Yim Fung* and three independent non-executive directors, namely Mr. Leung Ming Yuen, Simon, Mr. Ding Xun and Mr. Nip Yun Wing.

* Dr. Yim Fung is an independent non-executive director of Beijing Urban Construction Design & Development Group Co., Limited (the shares of which are listed on the main board of the Stock Exchange on 8 July 2014, stock code: 01599).

The Board held four meetings and discussed the following major issues during the Period:

- (1) considering the Share Consolidation of the Company;
- (2) approving the signing of an agreement with the relevant government authorities in Shenzhen regarding the toll adjustment for certain section of Meiguan Expressway which was owned by the Group, the transfer of related assets, and the compensation arrangement to be made by the government authorities;
- (3) approving and considering the 2013 annual results and the payment of dividend;
- (4) reviewing the results and business operations of the first quarter of 2014;
- (5) considering the adoption of the new share option scheme; and
- (6) approving the appointment of Dr. Yim Fung as a non-executive director of the Company.

Audit Committee

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

SUPPLEMENTARY INFORMATION

The Audit Committee held two meetings to discuss and review the following major issues together with the management and the auditor of the Company (the "Auditor") during the Period:

- (1) reviewing the 2013 financial statements and confirming the related disclosures in the financial statements were complete, accurate and fair and recommending the same to the Board for approval;
- (2) approving the Auditor's fees for the audit of 2013 financial statements;
- (3) reviewing the re-appointment of the Auditor; and
- (4) reviewing the relevant procedures of internal control and risk management.

The Company has engaged PricewaterhouseCoopers, the Auditor, to review the unaudited 2014 condensed consolidated interim financial information of the Group. Before the date of approval of the condensed consolidated interim financial information by the Board, a meeting of the Audit Committee had been held with the Auditor to review the unaudited condensed consolidation interim financial information of the Group for the six months ended 30 June 2014. The Auditor's Review Report is set out on page 23 of this report.

Nomination Committee

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

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

- (1) reviewing and confirming the independence of the three independent non-executive directors;
- (2) reviewing the structure and composition of the Board;
- (3) evaluating and making recommendations as to the performance of the directors of the Company who were subject to retirement by rotation and re-election at the 2014 annual general meeting; and
- (4) evaluating and making recommendations for the appointment of Dr. Yim Fung as a non-executive director of the Company.

Remuneration Committee

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

The Remuneration Committee held two meetings during the Period to consider the following major issues:

- (1) considering bonus payments for the senior management in 2013;
- (2) approving the entering into of a new service contract with an executive director and a senior management respectively;
- (3) considering the entering into of a service contract with Dr. Yim Fung, the newly appointed non-executive director of the Company, and his remuneration; and
- (4) considering the grant of share options to the executive directors and senior management of the Company.

SUPPLEMENTARY INFORMATION

Executive Board Committee

Members of the Executive Board Committee are appointed by the Board. The Committee consists of five executive directors, namely Mr. Gao Lei, Mr. Li Jing Qi, Mr. Li Lu Ning, Mr. Liu Jun and Mr. Yang Hai.

During the Period, the Executive Board Committee convened 12 meetings at which the committee discussed and considered the Company's annual results, business operations, dividend proposal, the entering into of new service contracts with the independent non-executive directors and made recommendations to the Board, the grant of the Company's share options to eligible participants; the business development plans, capital expenditures and loans, and changes in the senior management of the Company's subsidiaries. The committee also considered and approved the issue and allotment of scrip shares under the Company's scrip dividend scheme, the plans for bank financing and the change in authorised signatures of bank accounts, etc.

Attendance records of Board and Board Committee meetings

Details of the directors' attendance at the Board meetings and the Board Committee meetings held during the Period are set out in the following table:

Directors	Number of Meetings Attended/Number of Meetings Held				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Executive Board Committee
Executive directors					
Mr. Gao Lei (<i>Chairman</i>)	3/4	N/A	N/A	N/A	12/12
Mr. Li Jing Qi	4/4	N/A	1/2	N/A	12/12
Mr. Li Lu Ning	4/4	N/A	N/A	2/2	11/12
Mr. Liu Jun	4/4	N/A	N/A	N/A	11/12
Mr. Yang Hai	4/4	N/A	N/A	N/A	9/12
Non-executive directors					
Professor Wong Yuk Shan ⁽¹⁾	3/4	N/A	N/A	N/A	N/A
Dr. Yim Fung ⁽²⁾	N/A ⁽³⁾	N/A	N/A	N/A	N/A
Independent Non-executive directors					
Mr. Leung Ming Yuen, Simon	4/4	2/2	2/2	2/2	N/A
Mr. Ding Xun	4/4	2/2	2/2	2/2	N/A
Mr. Nip Yun Wing	4/4	2/2	N/A	N/A	N/A

Notes:

(1) Professor. Wong Yuk Shan resigned as a non-executive director of the Company on 22 May 2014.

(2) Dr. Yim Fung was appointed as a non-executive director of the Company on 22 May 2014.

(3) The Company did not convene any Board meeting after the appointment of Dr. Yim Fung till 30 June 2014.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND RELEVANT EMPLOYEES

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

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

