Shenzhen International
深國際

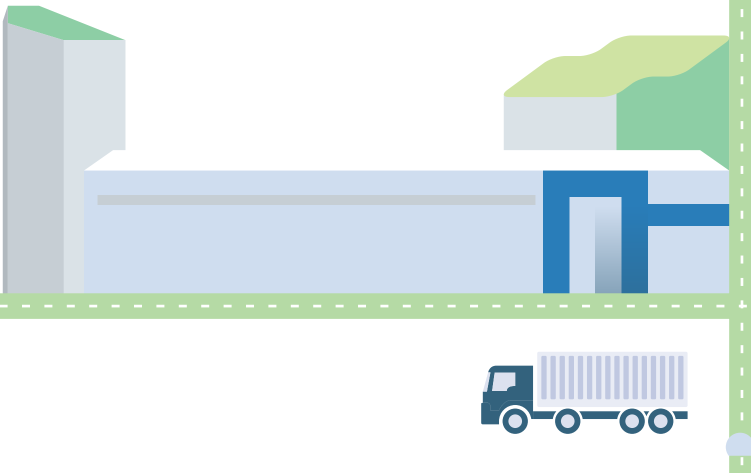
BUILDING **VALUE**
SHARING **FUTURE**
共同**創造**
共享**價值**

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

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

Stock Code 股份代號：00152

Contents

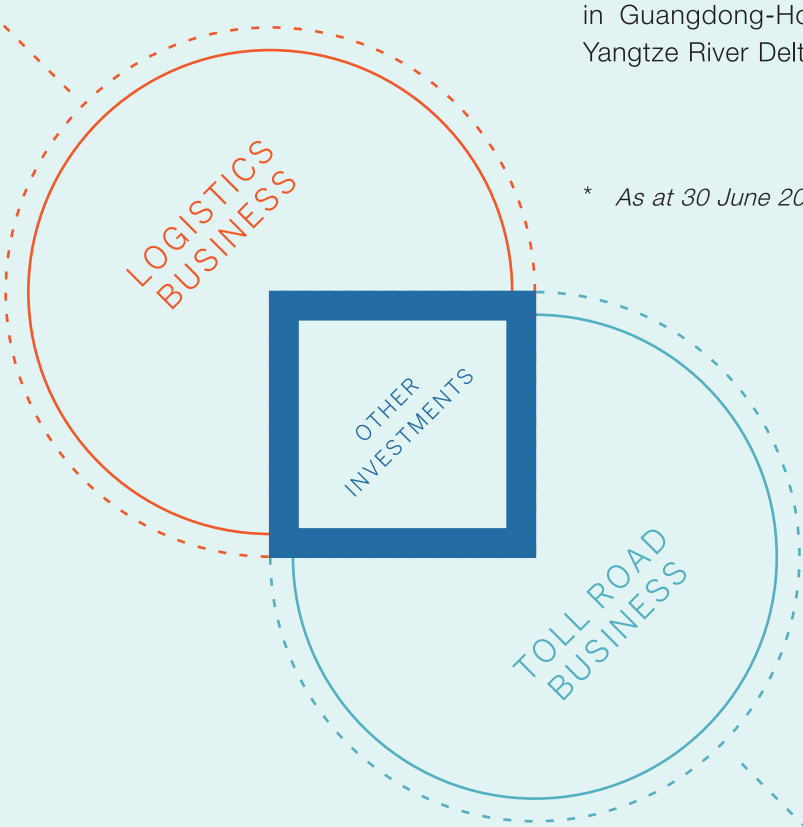


Corporate Profile

Shenzhen International Holdings Limited, a company incorporated in Bermuda, is a company listed on the main board of the Stock Exchange of Hong Kong. The Group is indirectly held as to approximately 44.16%* equity interest by the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal through Shenzhen Investment Holdings Company Limited. The Group is principally engaged in logistics and toll road business.

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

* *As at 30 June 2019*



The below is a simplified corporate structure of the Group as at 30 June 2019 and does not include intermediate holding entities, and the percentages of interests shown represent the percentages for which the Group has acquired effective control.

SHENZHEN INTERNATIONAL HOLDINGS LIMITED[1]

LOGISTICS BUSINESS

Logistics Parks[3]

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

Logistics Services

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

Port

70%	Nanjing Xiba Wharf Co. Ltd. (Phase 1 of Nanjing Xiba Port)
70%	Nanjing Xiba Port Co., Ltd. (Phase 2 of Nanjing Xiba Port)

- Supply Chain Management Services of Port
  (100% – Shenzhen International Supply Chain Management Nanjing Co., Ltd.)

Logistics Park Transformation and Upgrading

53.39%	Meilin Checkpoint Urban Renewal Project
100%	Qianhai Project[4]

TOLL ROAD BUSINESS

51.56%	Shenzhen Expressway Company Limited[1,2]
89.93%	Longda Expressway in Shenzhen[5]

OTHER INVESTMENTS

49%	Shenzhen Airlines Company Limited
1.26%	CSG Holding Co., Ltd.[2]

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Non-Executive Directors:
Xie Chu Dao
Liu Xiao Dong

Independent Non-Executive Directors:
Ding Xun
Nip Yun Wing
Yim Fung
Cheng Tai Chiu, Edwin

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

Ding Xun *(Chairman)*
Gao Lei
Yim Fung

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

www.szihl.com

SHARES

Hong Kong Stock Exchange:
Stock Code: 00152

SECURITIES

Hong Kong Stock Exchange:
Perpetual Securities: 05042

Shenzhen Stock Exchange:
RMB Bonds (First Tranche) (Stock Code: 112636)
RMB Bonds (Second Tranche) (Stock Code: 112798)

AUDITOR

KPMG
Certified Public Accountants
Hong Kong

LEGAL ADVISERS

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

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

INVESTOR RELATIONS CONSULTANT

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

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

For the six months ended 30 June *(HK$ million)*	***Revenue***		***Operating profit/ (loss)***		***Share of profit of associates and joint ventures***		***Profit before finance costs and tax***	
	2019	*2018*	***2019***	*2018*	***2019***	*2018*	***2019***	*2018*
Toll roads								
– Revenue	**3,229**	3,627	**1,806**	1,929	**360**	349	**2,165**	2,278
– Construction service revenue	**782**	402	**–**	–	**–**	–	**–**	–
Toll roads sub-total	**4,011**	4,029	**1,806**	1,929	**360**	349	**2,165**	2,278
Logistic business								
– Logistic parks	**434**	323	**105**	108	**6**	8	**111**	116
– Logistic services	**369**	339	**19**	30	**–**	1	**19**	31
– Port and related services	**898**	655	**113**	104	**–**	–	**113**	104
Logistic business sub-total	**1,701**	1,317	**237**	242	**6**	9	**243**	251
Head office	**–**	–	**(109)**	(198)	**258**	328	**150**	130
Total	**5,712**	5,346	**1,934**	1,973	**624**	686	**2,558**	2,659
Finance income							**113**	59
Finance costs							**(446)**	(789)
Finance costs – net							**(333)**	(730)
Profit before income tax							**2,225**	1,929

	For the six months ended 30 June		
	2019 HK$ million	*2018 HK$ million*	***Increase/ (Decrease)***
Results			
Revenue (excluding construction service revenue)	**4,929**	4,945	–
Operating profit	**1,934**	1,973	(2%)
Profit before income tax	**2,225**	1,929	15%
Profit attributable to shareholders	**1,239**	891	39%
Basic earnings per share (HK dollar)	**0.58**	0.44	32%
EBITDA to interest expense multiple	**8.03**	4.86	3.17△

	30 June 2019 HK$ million	*31 December 2018 HK$ million*	***Increase/ (Decrease)***
Financial Position			
Total assets	**86,188**	84,365	2%
Total equity	**43,520**	44,360	(2%)
Debt asset ratio (Total liabilities/Total assets)	**50%**	47%	3*
Ratio of Net borrowings to Total equity	**23%**	23%	–
Ratio of Total borrowings to Total equity	**61%**	60%	1*
Net asset value per share attributable to shareholders (HK dollar)	**12.5**	13.2	(5%)

△ *Change in multiple*

* *Change in percentage point*

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Operating Results	For the six months ended 30 June **2019** **HK$'000**	 2018 HK$'000	 Increase/ (Decrease)
Revenue (excluding construction service revenue from toll roads)	**4,929,053**	4,944,689	–
Construction service revenue from toll roads	**782,539**	401,388	95%
Total revenue	**5,711,592**	5,346,077	7%
Operating profit	**1,933,772**	1,973,409	(2%)
Profit before finance costs and tax	**2,557,855**	2,658,988	(4%)
Profit attributable to shareholders	**1,238,971**	890,757	39%
Basic earnings per share (HK dollars)	**0.58**	0.44	32%

During the first half of 2019, with the tough operating environment and severe market competition, the Group responded proactively and strove for higher profitability by enhancing its operation efficiency, expanding its operation network and strictly controlling its costs and expenses. The Group's performance for the first half of 2019 was in line with expectations and its core businesses maintained steady development.

At the end of 2018, the fee entitlement rights of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the 23.8 km section of Longda Expressway (collectively, the "Four Expressway Projects") were returned to the Shenzhen Municipal Government. This hampered the growth of the Group's revenue for the period to a certain extent. Furthermore, due to the high volatility in Renminbi exchange rate during the period, the Group's reported results in Hong Kong dollars were adversely affected by the currency exchange rate. For the six months ended 30 June 2019 (the "Period"), the Group recorded a revenue of approximately HK$4,929 million, operating profit and profit before finance costs and tax of approximately HK$1,934 million and HK$2,558 million, respectively. By excluding the impact of exchange rate volatility, the Group's revenue for the Period increased by 6% as compared to the corresponding period of the previous year to approximately RMB4,253 million (2018: RMB4,028 million). Operating profit and profit before finance costs and tax increased by 4% and 2% to approximately RMB1,669 million (2018: RMB1,608 million) and RMB2,207 million (2018: RMB2,166 million), respectively, as compared to the corresponding period of the previous year.

During the Period, revenue from the logistics business increased by 29% to approximately HK$1,700 million as compared to the corresponding period of the previous year, which was mainly attributable to a significant growth in business volume of the port business, the gradual launch of new integrated logistics hubs and newly developed value-added services. However, profit growth of the logistics business is under pressure due to rising operating costs. Profit attributable to shareholders from the logistics business decreased by 6% to approximately HK$176 million as compared to the corresponding period of the previous year. By excluding the impact of exchange rate fluctuation, profit attributable to shareholders from the logistics business was similar to that of the same period last year.

During the Period, the Group continued to focus on the development of the "China Urban Integrated Logistics Hubs". As at 30 June 2019, the Group has strategically deployed integrated logistics hubs in 24 key logistics gateway cities across the country, with a total planned site area of about 6.54 million square meters, among which the land use right of an area of approximately 3.85 million square meters has been acquired by the Group. A total of 13 integrated logistics hub projects are in operation, with a total operating area of 1.05 million square meters. The integrated logistics hub projects performed well, and attained an overall occupancy rate of approximately 86% during the Period. The integrated logistics hub business contributed revenue and profit of approximately HK$221 million and HK$25.07 million, respectively, to the Group during the Period.

The Group's total revenue from toll road business for the Period decreased by 11% to approximately HK$3,229 million as compared to the corresponding period of the previous year. This was mainly due to the decrease in toll revenue caused by the fact that the Group no longer has the fee entitlement rights of the Four Expressway Projects since 00:00 on 1 January 2019. Nevertheless, after the completion of debt restructuring of the project company of the Shenzhen Coastal Project ("Coastal Company") during the Period, deferred tax assets of approximately HK$593 million was recognized in respect of its prior year tax losses and impairment in toll road assets. The debt restructuring has reduced Coastal Company's finance costs and boosted its profitability. As a result, the Group's profit attributable to shareholders from toll road business increased significantly by 56% to approximately HK$1,003 million as compared to the corresponding period of the previous year.

During the Period, Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate in which the Group holds a 49% equity interest, maintained growth in passenger transport volume and recorded a total revenue of approximately RMB15,610 million (equivalent to approximately HK$18,090 million), representing an increase of 4% as compared to the corresponding period of the previous year. Shenzhen Airlines recorded an exchange gain of approximately RMB8.03 million (2018: an exchange loss of RMB196 million) during the Period. Although the prices of aviation fuel decreased slightly during the Period, the cost of aviation fuel of Shenzhen Airlines increased as compared to the corresponding period of the previous year due to, among other things, an expansion in its fleet. Together with the rise in finance cost, net profit for the Period decreased by 17% to approximately RMB463 million (equivalent to approximately HK$536 million) as compared to the corresponding period of the previous year. During the Period, Shenzhen Airlines contributed profit of approximately HK$231 million (2018: HK$309 million) to the Group, representing a decrease of 25% as compared to the corresponding period of the previous year.

During the Period, the Group's profit attributable to shareholders increased by 39% to approximately HK$1,239 million as compared to the corresponding period of the previous year. This was mainly attributable to the recognition of deferred tax assets by Coastal Company, and the exchange gain of approximately HK$29.04 million (2018: an exchange loss of HK$106 million).

LOGISTICS BUSINESS

Overview

The Group focuses on the investment and construction of logistics infrastructure in major cities across the country and strives for the extension and expansion of logistics business so as to expand the network and scale of operation and maintain the long-term sustainable development of the Group. As at the end of June 2019, the Group has managed and operated a total of 16* logistics projects, with a total of 7.53 million square meters of land owned and planned, among which the acquired site area is 4.84 million square meters and the operating area is about 1.62 million square meters.

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

* *Excluding a joint venture SZ Airport Express Center*

Analysis of Operating Performance

Logistics Park Business

I. Integrated Logistics Hubs Business

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

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

The Group is persistently committed to expanding the network and infrastructure of its logistics business, enhancing its logistics assets and enlarging the scale of its operation through new constructions and acquisitions, and continuously increasing its share in the logistics market. In the first half of 2019, the Group entered into investment agreements for integrated logistics hub projects including Wuxi Jiangyin, Jiangsu Nantong and Guangdong Zhanjiang and completed the acquisition of the Tianjin Zhonglong Project. As at the end of June 2019, the Group operated integrated logistics hubs in 24 key logistics gateway cities across the country and has entered into investment agreements with relevant government departments in respect of a total planned site area of approximately 6.54 million square meters. Furthermore, the Group is currently proceeding with the acquisitions of the Zhongshan Torch and Shanghai Qingpu projects. It is expected that the transfer of equity interests in these projects will be completed in the third quarter of 2019. In addition to the logistics park projects in Shenzhen, the Zhongshan Torch Project will further expand the Group's presence in the Guangdong-Hong Kong-Macao Greater Bay Area.

With respect to the Group's operations in the first half of 2019, the Tianjin Zhonglong Project has brought about a new operating area of about 32,000 square meters. It is expected that in the second half of 2019, Phase 2 of the Guizhou Project, the Kunming Project, Phase 2 of the Hefei Project and Phase 2 of the Wuxi Project, etc. will be completed and put into operation successively. As at the end of June 2019, the Group had a total of 13 integrated logistics hub projects in operation, with a total operating area of approximately 1.05 million square meters. The overall occupancy rate of the integrated logistics hubs as at the end of June 2019 was approximately 86%, demonstrating a satisfactory occupancy level.

In the first half of 2019, the Group made good progress in land acquisition and successively obtained land use rights for Phase 2 of the Hangzhou Project, the Qingbaijiang Project in Chengdu, Phase 1 of the Caidian Project in Wuhan and the Nantong Project in Jiangsu. Together with the Tianjin Zhonglong Project, the total area of newly acquired land parcels amounted to approximately 655,000 square meters. As at the end of June 2019, the Group owned a total land site area of approximately 3.85 million square meters.

While continuing with its efforts in acquiring new projects, the Group has also advanced its projects under construction or at the planning stage in a steady pace to ensure compliance with work schedules. It is also actively preparing for marketing. Construction of the Xi'an Project, the Qingbaijiang Project in Chengdu, the Caidian Project in Wuhan, Phase 2 of the Hangzhou Project and the Nantong Project in Jiangsu will begin in the second half of 2019 as planned. Several projects are expected to be completed and put into operation in 2020 and 2021.

II. Shenzhen (Greater Bay Area) Logistics Park Business

South China Logistics Park has actively explored the potential of its existing resources to increase its revenue and profits, with properties leased out at a significantly higher rent. The operation of other transformation and upgrade projects, such as "No. 8 Warehouse Outlets", have become mature and generated stable income to the park. Furthermore, the Group has been actively developing the supply chain for wine with satisfactory progress. It is currently exploring the potential of establishing a logistics and distribution center for wine in South China Logistics Park.

The Group has been actively driving the planning and construction of the Phase 2 project of South China Logistics Park. With a site area of 77,000 square meters, Phase 2 of the park will be developed and constructed in two stages, and the construction of stage 1 has commenced. Phase 2 of the project will be developed into a multi-functional cluster zone for integrated high-end modern logistics service industries.

Shenzhen International Kanghuai E-commerce Center is the Group's first asset-light project operated by way of leasing a site area, with an operating area of approximately 138,000 square meters. It was officially put into operation in January 2018. At present, the business services provided in the park include warehouse services, large-data center, office buildings, dormitories, restaurants, supermarket, etc. The park achieved satisfactory operating results and successfully attracted a number of branded logistics enterprises. The operation is stable with an overall occupancy rate of 88% as at the end of June 2019.

At the end of 2018, the Group successfully acquired the land use right of the Liguang Project with a site area of approximately 45,000 square meters located in Longhua New District, Shenzhen. Preparation for construction has duly commenced. Upon completion of this project, the Group will further consolidate its share in the logistics market in Shenzhen. The Liguang Project is expected to be a high-standard, multi-level and eco-intelligent logistics park providing comprehensive services including transfer distribution, storage and ancillary services focusing on the cold chain, commercial supermarket and e-commerce sectors with inter-city distribution as its core, thereby building a trophy project for the Group.

Details of the Group's major logistics projects as at 30 June 2019 are as follows:

	Project name	Location	Site area/ planned site area (approximate square meters)	Acquired Site Area (approximate square meters)	Area in operation (approximate square meters)	Commencement Date/expected commencement date of operation of first Phase of the project*
Shenzhen (Greater Bay Area) Logistics Parks	South China Logistics Park	Shenzhen Longhua Logistics Park	611,000	611,000	322,000	2003
	Western Logistics Park	Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone	336,000	336,000	111,000	2003
	Shenzhen International Kanghuai E-commerce Center (operated through leasing)	Pingan Road, Guanlan Street, Longhua District, Shenzhen	N/A	N/A	138,000	Jan 2018
	Liguang Project	Liguang Village, Guanlan Street, Longhua District, Shenzhen	45,000	45,000	–	2022
Integrated Logistics Hubs	Guizhou Integrated Logistics Hub	Guizhou Shuanglong Modern Service Industrial Cluster	348,000	350,000	51,000	May 2018
	Chongqing Integrated Logistics Hub	Shuangfu New District, Jiangjin District, Chongqing	157,000	104,000	–	Jan 2020
	Kunming Integrated Logistics Hub	Qidian Street, Yangzonghai Scenic Area, Kunming	172,000	172,000	–	Dec 2019
	Chengdu Qingbaijiang Integrated Logistics Hub	International Railway Logistics Port, Qingbaijiang District, Chengdu	129,000	125,000	–	Dec 2020
	Chengdu Xinjin Integrated Logistics Hub	Xinjin Logistics Park, Tianfu New District, Sichuan	173,000	–	–	Dec 2021
	Wuhan Dongxihu Integrated Logistics Hub	Dongxihu District, Wuhan	126,000	126,000	67,000	Oct 2016
	Wuhan Caidian Integrated Logistics Hub	Changfu Logistics Park, Caidian District, Wuhan	267,000	129,000	–	Dec 2020
	Nanchang Integrated Logistics Hub	Nanchang Economic and Technological Development Zone	267,000	156,000	91,000	Jun 2017
	Changsha Integrated Logistics Hub	Changsha Jinxia Economic Development Zone	347,000	146,000	85,000	Oct 2018
	Hangzhou Integrated Logistics Hub	Dajiangdong Industrial Cluster, Hangzhou	427,000	427,000	147,000	Nov 2017
	Ningbo Integrated Logistics Hub	Ningnan Trade and Logistics Zone, Ningbo	194,000	92,000	60,000	Oct 2018
	Yiwu Integrated Logistics Hub	Yunxi Village under the jurisdiction of Choucheng Street, Yiwu	440,000	417,000	–	Jul 2020
	Wuxi Integrated Logistics Hub	Huishan District, Wuxi	347,000	246,000	27,000	Oct 2017
	Jiangyin Integrated Logistics Hub	Jiangyin Lingang Economic Development Zone, Wuxi	133,000	–	–	Dec 2021
	Kunshan Integrated Logistics Hub	Lujiazhen, Kunshan, Jiangsu	117,000	117,000	85,000	Jun 2016
	Hefei Integrated Logistics Hub	Anhui Hefei Commercial and Logistics Development Zone, Feidong County, Hefei	138,000	135,000	60,000	Oct 2016
	Jurong Integrated Logistics Hub	New City District, Northern Jurong, Jiangsu	400,000	131,000	–	Aug 2020
	Xuzhou Integrated Logistics Hub	Xuzhou High-Tech Industrial Development Zone	140,000	–	–	Dec 2021
	Nantong Integrated Logistics Hub	Haimen Industrial Park, Jiangsu	152,000	152,000	–	Dec 2020
	Shenyang Integrated Logistics Hub	Shenyang International Logistics Park, Yuhong District, Shenyang	700,000	241,000	241,000	Apr 2016
	Shijiazhuang Integrated Logistics Hub	Zhengding County, Shijiazhuang	467,000	335,000	64,000	Jul 2017
	Xi'an Integrated Logistics Hub	Xi'an National Civil Aerospace Industrial Base	120,000	120,000	–	Jun 2020
	Jinan Zhangqiu Integrated Logistics Hub	Ningjiabu Street, Zhangqiu District, Jinan	180,000	–	–	Dec 2020
	Tianjin Zhonglong Project	Xinhuan East Road, West Wing of Tianjin Economic Development Zone	60,000	60,000	32,000	Jan 2019
	Zhengzhou Integrated Logistics Hub	Zhengzhou International Logistics Park, Zhengzhou Economic Development Zone	267,000	–	–	Dec 2021
	Shandong Booming Total Logistics Park	Economic and Technology Development Zone, Yantai	70,000	70,000	37,000**	2008
	Zhanjiang Integrated Logistics Hub	Mazhang District, Zhanjiang	200,000	–	–	Dec 2021
	Total		7,530,000	4,843,000	1,618,000	

Note:

* *The expected dates of operation are estimations and are subject to update according to the progress.*

** *Including approximately 10,000 square meters operated through leasing.*

Logistics Service Business

The Group affirms its core strategies of developing Integrated Logistics Hubs and advocating the integration of "industry, finance and network" as well as development that embraces both asset light and asset heavy models in the course of the "13th Five-Year" Strategic Plan. Therefore, building on its network of integrated logistics hubs, the Group increased its efforts in the development of value-added logistics service and logistics finance businesses, promoted the implementation of the development that embraces both asset light and asset heavy models and the integration of "industry, finance and network".

Through investment in quality asset light projects and innovation in business model, the Group vigorously carried out development that embraces both asset light and asset heavy business models and actively explored value-added logistics services, which included partnering with DHL to provide intelligent warehouse construction and operation services for Huawei, setting up a joint venture with Evergrande Agri-Husbandry Group Co., Ltd（恒大農牧集團有限公司）to provide the latter with comprehensive supply chain management services (the "Evergrande Project"), providing Shenzhen Globalegrow E-commerce Co., Ltd（深圳市環球易購電子商務有限公司）with comprehensive global logistics services, and establishing drop and pull connection services for the Yantai-Dalian shipping line.

In order to realize the integration of "industry, finance and network", the Group continued to lay out its logistics financial business and explore logistics financial service models such as small loans and finance lease, and developed financial services such as "Pengyibao"（鵬易寶）and finance lease for forklifts, which achieved excellent synergy with the Group's core logistics business.

Port and Related Service Business

During the Period, Nanjing Xiba Port continued to optimize its customer mix, stepped up its marketing efforts to further strengthen its relationships with quality customers and explored new services to complement its customers' businesses, thereby the loading and unloading volumes at the port terminal recorded remarkable growth. Furthermore, Nanjing Xiba Port implemented reasonable increases in its average unit price through progressing its pricing policy optimization in the first half of 2019, which resulted in steady growth in its operating performance. In the first half of 2019, a total of 395 seagoing vessels berthed at Nanjing Xiba Port with a total throughput of 22.47 million tonnes, representing an increase of 4.9% as compared to the corresponding period of the previous year.

Seizing the strategic opportunity brought by the adjustment to the nation's transportation means, the Group aggressively pursued a number of port and supply chain sub-strategies. Firstly, it actively advanced key investment projects with strategic value, such as the "Shenzhen International Fengcheng Rail-water Intermodal Transport Logistics Base" project, the preliminary works of which are progressing orderly. On the other hand, by taking initiative to participate in the integration of port supply chain resources through its port platform, the Group maintained good operation in value-added services including supply chain management and financial services. This resulted in an outstanding operating performance of the port business during the Period.

Nanjing Xianxin Road Cross-river Channel Development Plan（南京市仙新路過江通道）is a key municipal construction plan of Nanjing City, under which the construction is to be undertaken in the area of the depots of the Phase 2 project of the Nanjing Xiba Port. To co-operate with the local government of Nanjing City in the implementation of the infrastructure development plan and after negotiation, the Group entered into an expropriation and compensation agreement with the Nanjing Jiangbei New District Management Committee（南京市江北新區管理委員會）(the "Jiangbei Committee") on 9 August 2019. Pursuant to the agreement, the Jiangbei Committee will expropriate certain assets of Phase 2 of Nanjing Xiba Port at a total compensation of RMB1,500 million. The scope of the expropriation is limited to the Phase 2 project of the Nanjing Xiba Port, and does not concern Phase 1 project of the Nanjing Xiba Port. On the whole, the expropriation will have limited impact on the current overall operations of the Group's Nanjing Xiba Port project. The Group will expedite the process of seeking acquisition and investment opportunities for new ports or shorelines, and explore other opportunities in the port business as they may arise.

Financial Analysis

During the Period, revenue from the logistics business increased by 29% to approximately HK$1,700 million as compared to the corresponding period of the previous year, and it was mainly driven by the increase in revenue from the port business and integrated logistics hub business. However, due to continuous increase in operating costs and changes in government policies, profit attributable to shareholders decreased by 6% to approximately HK$176 million as compared to the corresponding period of the previous year (by excluding the impact of exchange rate fluctuation, profit attributable to shareholders maintained at a similar level to that of the corresponding period of the previous year).

Revenue of Each Logistics Business Unit

For the six months ended 30 June

	2019 HK$'000	2018 HK$'000	Increase/ (decrease)
Logistics Park Business	**433,538**	323,437	34%
Logistics Service Business	**369,225**	339,032	9%
Port and Related Service Business	**897,681**	654,895	37%
Total	**1,700,444**	1,317,364	29%

Profit Attributable to Shareholders of Each Logistics Business Unit

For the six months ended 30 June

	2019 HK$'000	2018 HK$'000	Increase/ (decrease)
Logistics Park Business*	**95,603**	98,058	(3%)
Logistics Service Business	**15,479**	25,402	(39%)
Port and Related Service Business	**64,974**	63,353	3%
Total	**176,056**	186,813	(6%)

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

During the Period, revenue from the logistics park business increased by 34% to approximately HK$434 million as compared to the corresponding period of the previous year, which was mainly attributable to new revenue streams contributed by the year-by-year increase in operating area of integrated logistics hubs and value-added logistics services newly provided. However, as operation of Western Logistics Park was affected by the adjustments in government policies and planning, several newly built integrated logistics hubs were still at the development stage, together with the increasing operating costs, profit attributable to shareholders from the logistics park business decreased by 3% to approximately HK$95.60 million as compared to the corresponding period of the previous year. During the Period, the integrated logistics hub business contributed revenue and profit of approximately HK$221 million and HK$25.07 million, respectively, to the Group.

During the Period, the port and related service business maintained its growth and recorded a revenue of approximately HK$898 million, representing an increase of 37% as compared to the corresponding period of the previous year, which was mainly attributable to the growth of port throughput and loading and unloading business, as well as increase in service fee. Profit contribution increased by 3% to approximately HK$64.97 million as compared to the corresponding period of the previous year.

Revenue from the logistics service business for the Period increased by 9% to approximately HK$369 million as compared to the corresponding period of the previous year, this was mainly attributable to the successful launch of the Evergrande Project. However, profit attributable to shareholders decreased by 39% to approximately HK$15.48 million as compared to the corresponding period of the previous year, and it was mainly due to the fact that new projects were still in their incubation stages, adjustments in government policies, as well as the continuous rise in operating costs, which have offset the growth in revenue.

Logistics Park Transformation and Upgrading Business

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

Qianhai Project

According to a supplemental agreement to the land consolidation and preparation framework agreement entered into among the Group, the Urban Planning Land and Resources Commission of the Shenzhen Municipality（深圳市規劃和國土資源委員會）and the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen（深圳市前海深港現代服務業合作區管理局）(the "Qianhai Authority") in October 2017 in respect of all five land parcels with an aggregate site area of approximately 380,000 square meters owned by the Group, the compensation amount which the Group is entitled to receive with lands under the new land use arrangement is approximately RMB8,370 million. The Group will be compensated with land sites under the new land use arrangement in Qianhai by way of land swap in equivalent value adopting 1 January 2015 as the benchmark date for assessing land price. The Group recognized profit before taxation of approximately RMB2,440 million from the land site of 38,800 square meters of the first phase of Qianhai project in 2017. The Group is actively expediting negotiation with the Qianhai Authority and other relevant government authorities to finalize the compensation for consolidation and preparation of the remaining land parcels in Qianhai. The compensation will be received as and when appropriate according to the overall planning of the Qianhai Authority and will be recognized as profit by the Group following the execution of the respective land swap agreements.

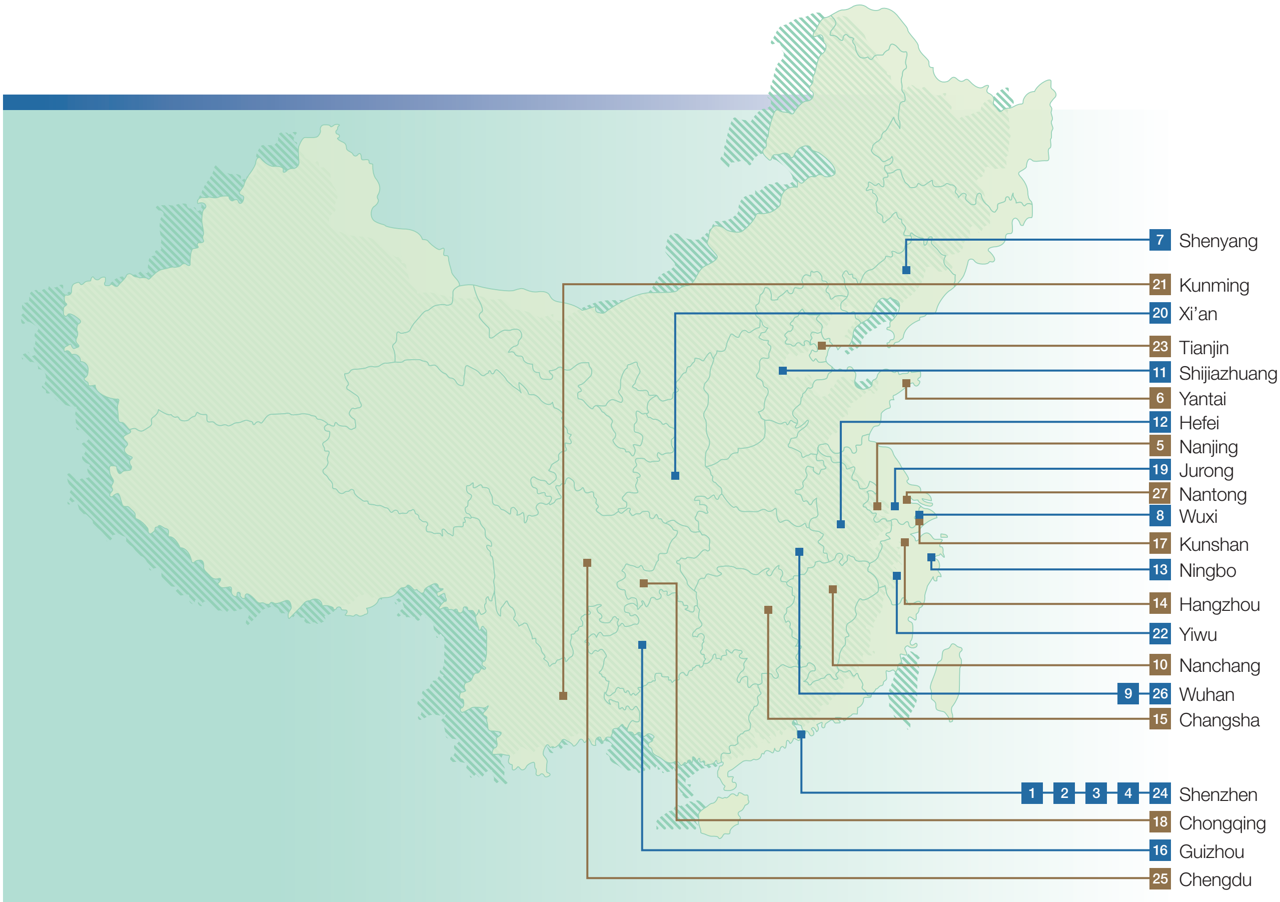
The first phase of the Qianhai Project has a total gross floor area of approximately 110,000 square meters comprising 51,400 square meters of residential project, 35,000 square meters of offices project and 25,000 square meters of commercial project. Project design, construction application and construction are being carried out in an orderly manner. For the first phase of the Qianhai Project, construction of the residential project which was being jointly developed by the Group and Shum Yip Land Company Limited has already been commenced and the Group aims to begin pre-sale in the second half of 2019. For the office project, the Group entered into a tripartite cooperation agreement with the Center for Software and Integrated Circuit Promotion of the Ministry of Industry and Information Technology ("CSIP") and China Center for Information Industry Development ("CCID") in 2017, positioning the office project as the information port for the "Belt and Road Initiative", to build an information technology base for logistics and supply chain sectors, and formulate an information service strategy hub for the "Belt and Road Initiative". In April 2019, the Group officially commenced the joint development and operation of the information port for the "Belt and Road Initiative" by entering into an agreement with CSIP and CCID in respect of capital injection to the project company which is responsible for the first phase of office project of the Qianhai Project. Meanwhile, the Group is doing in-depth study for the planning of the commercial project.

Meilin Checkpoint Urban Renewal Project

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

The Meilin Checkpoint Urban Renewal Project will be developed and constructed in three phases, in which the first phase will include residential properties with a saleable area of approximately 75,000 square meters and indemnificatory housing（保障房）of approximately 42,000 square meters. The second phase is expected to provide residential properties with a saleable area of approximately 68,000 square meters, and the third phase is expected to provide residential properties with a saleable area of approximately 63,000 square meters and office and business apartment complexes of approximately 190,000 square meters. It is expected that the project will also have commercial ancillary properties of approximately 34,500 square meters.

At present, construction of the Meilin Checkpoint Urban Renewal Project is fully underway. Pre-sale of the first phase has started at the end of 2018 and is in line with the Group's expectation. Topping-out of all structures of the project has been completed. Installation of facade and interior decoration are currently underway. Inspection and acceptance of the completed properties are expected in November 2019. The first phase is expected to bring revenue to the Group in 2019. Pre-sale of the second phase is expected to commence in the second half of 2019.



LOCATIONS OF LOGISTICS BUSINESS

1. **South China Logistics Park**
   Located in Shenzhen Longhua Logistics Park
   Land area: 611,000 square meters
   Operating area: 322,000 square meters

2. **Western Logistics Park**
   Located in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone
   Land area: 336,000 square meters
   Operating area: 111.000 square meters

3. **SZ Airport Express Center**
   Located in Shenzhen Baoan International Airport
   Land area: 61,000 square meters
   Operating area: 33,000 square meters

4. **Shenzhen International Kanghuai E-commerce Center**
   Located in Pingan Road, Guanlan Street, Longhua District, Shenzhen
   Land area: 38,000 square meters
   Operating area: 138,000 square meters

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

6. **Shandong Booming Total Logistics Park**
   Located in the Economic and Technology Development Zone, Yantai
   Land area: 70,000 square meters
   Operating area: 37,000 square meters

7. **Shenzhen International Shenyang Integrated Logistics Hub**
   Located in Shenyang International Logistics Park in Yuhong District of Shenyang
   Acquired site area: 241,000 square meters
   Operating area: 241,000 square meters

8. **Shenzhen International Wuxi Integrated Logistics Hub**
   Located in Huishan District of Wuxi
   Acquired site area: 246,000 square meters
   Operating area: 27,000 square meters

9. **Shenzhen International Wuhan Dongxihu Integrated Logistics Hub**
   Located in Dongxihu District of Wuhan
   Land area: 126,000 square meters
   Operating area: 67,000 square meters

10. **Shenzhen International Nanchang Integrated Logistics Hub**
    Located in Nanchang Economic and Technological Development Zone
    Acquired site area: 156,000 square meters
    Operating area: 91,000 square meters

11. **Shenzhen International Shijiazhuang Integrated Logistics Hub**
    Located in Zhengding County of Shijiazhuang
    Acquired site area: 335,000 square meters
    Operating area: 64,000 square meters

12. **Shenzhen International Hefei Integrated Logistics Hub**
    Located in Anhui Hefei Commercial and Logistics Development Zone of Feidong County, Hefei
    Land area: 135,000 square meters
    Operating area: 60,000 square meters

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

14. **Shenzhen International Hangzhou Integrated Logistics Hub**
    Located in Hangzhou Dajiangdong Industrial Cluster, Hangzhou
    Land area: 427,000 square meters
    Operating area: 147,000 square meters

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

16. **Shenzhen International Guizhou Integrated Logistics Hub**
    Located in Guizhou Shuanglong Modern Service Industrial Cluster
    Land area: 350,000 square meters
    Operating area: 51,000 square meters

17. **Shenzhen International Kunshan Integrated Logistics Hub**
    Located in Lujiazhen, Kunshan, Jiangsu
    Land area: 117,000 square meters
    Operating area: 85,000 square meters

18. **Shenzhen International Chongqing Integrated Logistics Hub**
    Located in Shuangfu New District, Jiangjin District, Chongqing
    Acquired site area: 104,000 square meters

19. **Shenzhen International Jurong Integrated Logistics Hub**
    Located in New City District, Northern Jurong, Jiangsu
    Acquired site area: 131,000 square meters

20. **Shenzhen International Xi'an Integrated Logistics Hub**
    Located in Xi'an National Civil Aerospace Industry Base
    Land area: 120,000 square meters

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

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

23. **Tianjin Zhonglong Project**
    Located in Xinhuan East Road, West Wing of Tianjin Development Zone
    Land area: 60,000 square meters
    Operating area: 32,000 square meters

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

25. **Shenzhen International Chengdu Qingbaijiang Integrated Logistics Hub**
    Located in International Railway Logistics Port, Qingbaijiang District, Chengdu
    Acquired site area: 125,000 square meters

26. **Shenzhen International Wuhan Caidian Integrated Logistics Hub**
    Located in Changfu Logistics Park, Caidian District, Wuhan
    Acquired site area: 129,000 square meters

27. **Shenzhen International Nantong Integrated Logistics Hub**
    Located in Haimen Industrial Park, Jiangsu
    Land area: 152,000 square meters

TOLL ROAD BUSINESS

Overview

The Group's toll road operations span across Shenzhen region, other regions in Guangdong Province and other provinces in China. The Group holds or controls a total of 17 expressway projects. As at the date of this report, the total mileage of toll roads by toll the Group invested in or operated amounting to approximately 174 km, 268 km and 187 km in the Shenzhen region, other regions in Guangdong Province and other provinces in China, respectively, of which 65.7 km covering Shenzhen Coastal Project phase II and Shenzhen Outer Ring Project are under construction. The Group operates the toll road business mainly through Shenzhen Expressway Company Limited ("Shenzhen Expressway"), a subsidiary in which the Group holds approximately 52% equity interest. Shenzhen Expressway's H shares and A shares are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively. In addition, the Group directly holds a 89.93% equity interest in Longda Expressway.

Analysis of Operating Performance

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

				Average daily traffic volume *(Note 1)*		***Average daily toll revenue***	
Toll roads	***Interest held by the Group***	***Concession period***	***Length by toll (approximate km)***	***First half of 2019 (vehicle/ thousands)***	*Increase/ (decrease) compared to the same period of 2018*	***First half of 2019 (RMB'000)***	*Increase/ (decrease) compared to the same period of 2018*
Shenzhen Region (Note 2):							
Longda Expressway (Note 3)	89.93%	2005.10 – 2027.10	4.4	**110**	(1%)	**419**	0.67%
Meiguan Expressway	100%	1995.05 – 2027.03	5.4	**104**	10.1%	**351**	4.6%
Jihe East	100%	1997.10 – 2027.03	23.7	**296**	6.0%	**2,047**	1.1%
Jihe West	100%	1999.05 – 2027.03	21.8	**219**	2.2%	**1,778**	1.8%
Shenzhen Coastal Project (Note 4)	100%	Phase I: 2013.12 – 2038.12	Phase I: 30.9	**95**	9.7%	**1,391**	17.0%
		Phase II: under construction	Phase II: 5.7				
Shuiguan Expressway	50%	2002.02 – 2027.02	20	**217**	(0.4%)	**1,703**	(0.8%)
Shuiguan Extension	40%	2005.10 – 2027.02	6.3	**78**	1.2%	**322**	2.0%
Other regions in Guangdong Province:							
Qinglian Expressway	76.37%	2009.07 – 2034.07	216	**48**	9.7%	**2,332**	9.0%
Yangmao Expressway	25%	2004.11 – 2027.07	79.8	**45**	(13.5%)	**1,575**	(14.7%)
Guangwu Project	30%	2004.12 – 2027.11	37.9	**39**	(4.4%)	**833**	(3.9%)
Jiangzhong Project	25%	2005.11 – 2027.08	39.6	**151**	6.3%	**1,245**	(1.8%)
Guangzhou Western Second Ring	25%	2006.12 – 2030.12	40.2	**79**	3.2%	**1,518**	2.2%
Other provinces in China:							
Wuhuang Expressway	100%	1997.09 – 2022.09	70.3	**58**	5.9%	**1,109**	5.6%
Yichang Expressway and its Changde connection line	100%	2004.01 – 2033.12	78.3	**49**	(6.6%)	**1,080**	(4.5%)
Changsha Ring Road	51%	1999.11 – 2029.10	34.7	**38**	15.6%	**388**	1.2%
Nanjing Third Bridge	25%	2005.10 – 2030.10	15.6	**37**	5.1%	**1,422**	4.4%

Notes:

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

(2) According to the agreements entered into between the Group and the relevant government department of the Shenzhen Municipal Government on 30 November 2015 in relation to the toll adjustment and compensation arrangements on the toll adjustments of the Four Expressway Projects, the Four Expressway Projects became toll-free starting from 00:00 on 7 February 2016. The Group calculated and recognized the revenue of the Four Expressway Projects in accordance with the mechanism set out in the agreements. According to the relevant provisions of the agreements, the Shenzhen Municipal Government notified the Group in the fourth quarter of 2018 of its decision, that the fee entitlement rights of the Four Expressway Projects will be returned to the Shenzhen Municipal Government, and the remaining cash compensation will be paid to the Group as agreed. Accordingly, the Four Expressway Projects had been implemented toll-free from 00:00 on 1 January 2019 by the Shenzhen Municipal Government and the Group no longer has any fee entitlement rights of the Four Expressway Projects.

(3) The disclosure for Longda Expressway in the above table is the operating performance of the remaining toll section of 4.4 km.

(4) Shenzhen Coastal Project refers to the Shenzhen section of Guangshen Coastal Expressway (Guangzhou to Shenzhen) and comprises Shenzhen Coastal Phase I and Shenzhen Coastal Phase II. Shenzhen Coastal Phase I, which was completed and commenced operation at the end of 2013, is the main line of Shenzhen Coastal Project. Shenzhen Coastal Phase II, the construction of which has commenced in December 2015, includes the connection line on the Shenzhen side of the Shenzhen-Zhongshan Bridge, the airport interchange and Shenzhen World Exhibition & Convention Center interchange.

The operating performance of each of the Group's expressway projects is affected to varying degrees, by factors including changes in policy as well as changes in competitive (or complementary) nearby road network. Furthermore, construction or renovation of the expressway project itself may also affect its own operating performance during the period in which the construction or renovation was conducted. In particular:

- Being an important gateway for diverting port traffic from Shenzhen's western port area, Shenzhen Coastal Project is increasingly well known among drivers. In addition, a truck toll adjustment agreement was signed with the Shenzhen Municipal Government in 2018 to reduce the standard toll of all types of trucks passing through Shenzhen Coastal Project by half between 1 March 2018 and 31 December 2020. As such, the number of trucks using Shenzhen Coastal Project is gradually increasing, thereby stimulating steady growth in the operating performance of the project as demonstrated by the strong year-on-year increase in both traffic volume and toll revenue for the Period.

  During the Period, about 32% of the construction of Shenzhen Coastal Project Phase II has been completed, among which the construction, inspection and acceptance of Shenzhen World Exhibition & Convention Center interchange has been completed and will be opened to traffic after completion of the improvement works of the connecting municipal roads and auxiliary facilities. By that time, Shenzhen Coastal Project will be directly linked to Shenzhen World Exhibition & Convention Center and become a major transportation hub that facilitates modern logistics, business and trade exhibitions and conventions, as well as regional economic co-operation. In addition, the connection line to Dongbin Tunnel at Shahe West Road is expected to be completed and open to traffic during the year. The connection line on the Shenzhen side of the Shenzhen-Zhongshan Bridge of Shenzhen Coastal Project Phase II is also under construction. As such, the future operating performance of Shenzhen Coastal Project will be enhanced by the continuous improvement in the surrounding road network.

- Xuguang Expressway, an expressway between Xuchang in Henan and Guangzhou in Guangdong, comprises Guangqing, Qinglian, Yuelin, Suiyue, Lintong and Lannan expressways, was fully connected in September 2018. The significant improvement in connectivity has promoted the operating performance of Qinglian Expressway. Furthermore, the road traffic control on Qingyuan Bridge and the opening of Longhuai Section (Longchuan to Huaiji) of Shankun Expressway (Shantou to Kunming) at the end of 2018 have both boosted the operating performance of Qinglian Expressway. As such, the traffic volume and toll revenue of Qinglian Expressway for the Period recorded satisfactory year-on-year improvement.

- Yichang Expressway suffered year-on-year decrease in both traffic volume and toll revenue for the Period due to a number of negative factors such as the continuous diversion by the nearby newly-opened Ma'an Expressway (Majitang to Anhua) and Dehan Avenue (Changde Municipal Road), road traffic control and enforcement of policies against speeding and overloading as well as the snowstorm hazard at the beginning of the year.

Financial Analysis

The Group's total revenue from toll road business for the Period was approximately HK$3,229 million (2018: HK$3,627 million), representing a decrease of 11% as compared to the corresponding period of the previous year. Profit before finance costs and tax was approximately HK$2,165 million (2018: HK$2,278 million), representing a decrease of 5% as compared to the corresponding period of the previous year. Net profit was approximately HK$1,003 million (2018: HK$645 million), representing an increase of 56% as compared to the corresponding period of the previous year.

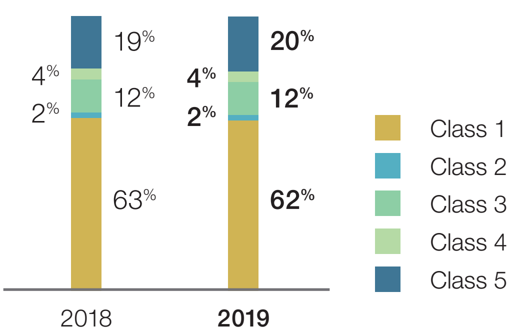
During the Period, total revenue from the Group's toll road business decreased as compared to the corresponding period of the previous year, and this was mainly due to the fact that the Group no longer has any fee entitlement rights of the Four Expressway Projects since 00:00 on 1 January 2019. Nevertheless, after Coastal Company has completed debt restructuring during the Period, deferred tax assets of approximately HK$593 million was recognized in respect of its prior year tax losses and impairment in toll road assets. The debt restructuring reduced Coastal Company's finance costs and boosted its profitability. Net profit of the Group's toll road business surged as a result.

Longda Expressway

The Group no longer has fee entitlement right of the 23.8 km toll-free section of Longda Expressway since 00:00 on 1 January 2019. The toll revenue generated from the remaining 4.4 km toll section for the Period was approximately HK$85.38 million (RMB73.68 million) (2018: HK$89.87 million (RMB73.21 million)). By excluding the impact of exchange rate fluctuation, toll revenue for the Period maintained at a similar level to that of the corresponding period of the previous year. Profit before finance costs and tax and earnings before interest, tax, depreciation and amortization for the Period were approximately HK$66.31 million and approximately HK$75.35 million, respectively.

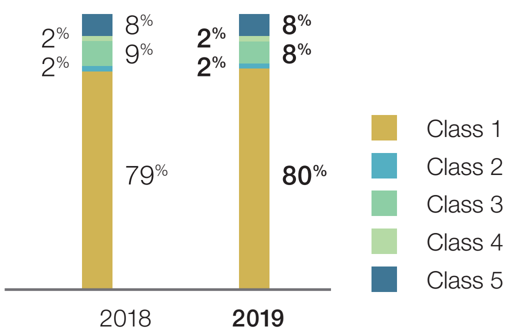
Toll Revenue Distribution of the 4.4km toll section

For the six months ended 30 June



Traffic Volume Distribution of the 4.4km toll section

For the six months ended 30 June



Shenzhen Expressway and its expressway projects

During the Period, as result of the return of fee entitlement rights of Nanguang Expressway, Yanpai Expressway and Yanba Expressway to the Shenzhen Municipal Government, decision of which was notified in the fourth quarter of 2018, toll revenue of Shenzhen Expressway was reduced to approximately HK$2,555 million (2018: HK$3,023 million), representing a decrease of 15% as compared to the corresponding period of the previous year (by excluding the figures of Nanguang Expressway, Yanpai Expressway and Yanba Expressway for the corresponding period of the previous year, toll revenue of Shenzhen Expressway for the Period increased by 4%). Total revenue of Shenzhen Expressway for the Period was approximately HK$3,123 million (2018: HK$3,280 million), representing a decrease of 5% as compared to the corresponding period of the previous year (by excluding the impact of exchange rate fluctuation, total revenue of Shenzhen Expressway for the Period maintained at a similar level to that of the corresponding period of the previous year). However, due to satisfactory growth in investment income, profit before finance costs and tax of Shenzhen Expressway was approximately HK$2,099 million (2018: HK$2,009 million), representing an increase of 4% as compared to the corresponding period of the previous year. Furthermore, due to the completion of debt restructuring of Coastal Company during the Period, recognition of deferred tax assets in respect of its prior year tax losses and impairment in toll road assets resulted. Accordingly, the Group's share of profit from Shenzhen Expressway increased by 91% to approximately HK$980 million (2018: HK$514 million) as compared to the corresponding period of the previous year.

Development of the Environmental Protection Business of Shenzhen Expressway

While strengthening the core toll road business, Shenzhen Expressway was steadily promoting its environmental protection business during the Period. Profit contributed by the environmental protection business has been rising gradually. In particular, Chongqing Derun Environment Company Limited ("Derun Company", in which Shenzhen Expressway owns a 20% equity interest) recorded a satisfactory contribution of investment income of approximately RMB97.10 million during the Period (2018: RMB92.45 million), representing an increase of 5% as compared to the corresponding period of the previous year.

During the Period, Derun Company continued to focus on cultivating markets in Chongqing and its surrounding regions, and actively carried out the existing projects, including the "Phase I of Yiju Waterfront" project（宜居水岸一期）in Wuhou District of Chengdu (mainly responsible for integrated remediation of river channels and construction of ancillary landscapes and structures). Shenzhen Expressway also established a joint venture with Suez Group, France, a shareholder of Derun Company, in 2018, which is expected to play to the strengths of both parties and effectively promote business development and co-operation in fields including industrial environmental protection.

Shenzhen Water Planning & Design Institute Company Limited, in which Shenzhen Expressway owns a 15% equity interest, secured 3 new sewage treatment facility projects during the Period, in addition to sufficient number of orders for its existing business. On the other hand, ground leveling for the Nanmen River Comprehensive Treatment Project in Shenzhen-Shanwei Special Cooperation Zone, which is invested, constructed and managed by Shenzhen Expressway, is currently in progress. The ground leveling and related auxiliary works are expected to be fully completed by the end of this year.

During the Period, Shenzhen Expressway acquired 51% equity interest in Nanjing Wind Power Technology Co., Ltd. ("Nanjing Wind Power Company") by way of share transfer and capital injection. These transactions were completed during the Period. Nanjing Wind Power Company has been consolidated into the Group's financial statements since early April 2019. With the technological capacity to conduct research, develop and produce large-scale wind power generating units by its own and the experience and capacity to develop, construct, operate and manage wind farms, Nanjing Wind Power Company is operating in a promising market. In spite of the tight supply capacity caused by its limited production scale, Nanjing Wind Power Company enjoys unprecedented market opportunities brought by the national policy regarding wind power generation and market supply and demand. To capture such historic opportunity, Shenzhen Expressway will consolidate its strength and resources, thereby striving for the target results formulated upon the acquisition of Nanjing Wind Power Company.

OTHER INVESTMENTS

Shenzhen Airlines

During the Period, passenger transport volume of Shenzhen Airlines continued to grow, with passenger traffic of approximately 25,025 million passenger-km (2018: 23,421 million passenger-km), and its airlines carrying approximately 15.91 million passenger rides (2018: 15.05 million passenger rides), representing an increase of 7% and 6%, respectively, from the corresponding period of the previous year. Total revenue of Shenzhen Airlines for the Period increased by 4% to approximately RMB15,610 million (equivalent to approximately HK$18,090 million) (2018: RMB15,053 million (equivalent to approximately HK$18,479 million)) as compared to the corresponding period of the previous year, of which passenger revenue increased by 2% to approximately RMB13,092 million (2018: RMB12,883 million).

Shenzhen Airlines recorded an exchange gain of approximately RMB8.03 million (2018: an exchange loss of RMB196 million) during the Period. Although the prices of aviation fuel dropped slightly during the Period, the cost of aviation fuel of Shenzhen Airlines for the Period increased by approximately RMB239 million, as compared to the corresponding period of the previous year, this was mainly due to the rise in fuel consumption as a result of expansion in its fleet and the introduction of wide-body aircraft. Together with the rise in finance cost, net profit of Shenzhen Airlines for the Period decreased by 17% to approximately RMB463 million (equivalent to approximately HK$536 million) (2018: RMB559 million (equivalent to approximately HK$686 million)) as compared to the corresponding period of the previous year. During the Period, Shenzhen Airlines contributed profit of approximately HK$231 million (2018: HK$309 million) to the Group, representing a decrease of 25% as compared to the corresponding period of the previous year.

As at 30 June 2019, Shenzhen Airlines operated a total of 209 passenger aircraft. Shenzhen Airlines currently operates 280 domestic and international routes, comprising 251 domestic routes, 18 international routes and 11 routes serving the Hong Kong, Macau and Taiwan regions.

In the second half of 2019, Shenzhen Airlines will continue to focus on monitoring the fluctuations in the prices of aviation fuel, control the impact of such fluctuations on its costs, and strive to reduce its fuel consumption through optimizing the types of its aircraft models and air routes network.

CSG Holding Co., Ltd. (“CSG”)

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

During the Period, the Group did not dispose of any A shares of CSG (2018: nil). As at the date of this report, the Group beneficially owned a total of approximately 39.17 million A shares of CSG, representing approximately 1.26% of the total issued share capital of CSG.

From 1 January 2018, Hong Kong Financial Reporting Standard 9 has become effective. The A shares of CSG held by the Group are classified as financial assets measured at fair value through profit or loss. As the share price of the A shares of CSG as at the end of June 2019 was higher than that as at the end of December 2018, a profit after tax of approximately HK$18.14 million was recorded for the Period.

FINANCIAL POSITION

	30 June 2019 HK$ million	*31 December 2018 HK$ million*	*Increase/ (Decrease)*
Total Assets	**86,188**	84,365	2%
Total Liabilities	**42,668**	40,005	7%
Total Equity	**43,520**	44,360	(2%)
Net Asset Value attributable to shareholders	**26,872**	27,998	(4%)
Net Asset Value per share attributable to shareholders (HK dollar)	**12.5**	13.2	(5%)
Cash	**16,610**	16,627	–
Bank borrowings	**14,986**	14,848	1%
Notes and bonds	**11,728**	11,764	–
Total Borrowings	**26,714**	26,612	–
Net Borrowings	**10,104**	9,985	1%
Debt-asset Ratio (Total Liabilities/Total Assets)	**50%**	47%	3#
Ratio of Total Borrowings to Total Assets	**31%**	32%	(1)#
Ratio of Net Borrowings to Total Equity	**23%**	23%	–
Ratio of Total Borrowings to Total Equity	**61%**	60%	1#

Change in percentage points

Key Financial Indicators

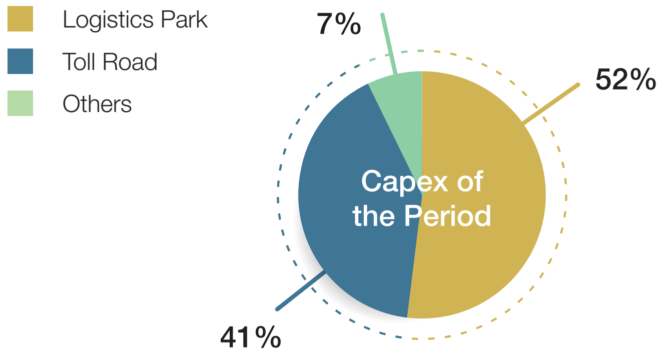
As at 30 June 2019, the Group's total assets and total equity amounted to HK$86,188 million and HK$43,520 million, respectively, while the net asset value attributable to shareholders was approximately HK$26,872 million. Net asset value per share was HK$12.5, representing a decrease of 5% as compared to the end of last year. The debt-asset ratio was 50%, increased by 3 percentage points as compared to the end of last year. The ratio of total borrowings to total equity was 61%, slightly increased by 1 percentage point as compared to the end of last year. The financial position of the Group remained healthy and stable.

Cash Flow and Financial Ratios

During the Period, the Group's cash flow generated from operations remained stable. Net cash inflow generated from operating activities amounted to approximately HK$3,177 million. Net cash used in investing activities amounted to approximately HK$704 million. Net cash outflow generated from financing activities amounted to approximately HK$2,099 million. The Group's core businesses continued to contribute stable cash inflows, while the Group closely monitors changes in total borrowings with a view to maintaining its financial ratios at a healthy level.

Cash Balance

As at 30 June 2019, the cash balance held by the Group amounted to approximately HK$16,610 million, which was similar to the level as at the end of last year (31 December 2018: HK$16,627 million). To facilitate the Group's operation and development in the PRC, cash held by the Group is primarily denominated in RMB. The Group maintains a prudent treasury policy that centralises the allocation of funds with the aims of reducing idling funds and achieving higher return on its cash portfolio which would provide strong support for the development of its business.



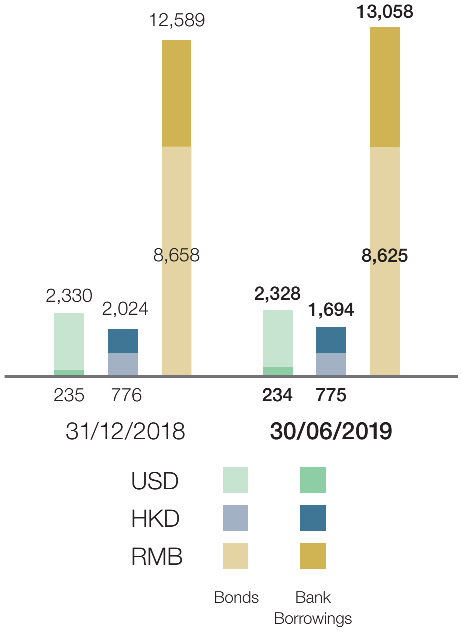
Capital Expenditures

The Group's capital expenditures for the Period amounted to approximately RMB1,890 million (HK$2,150 million), primarily included investments in construction works for "Integrated Logistics Hub" projects and the Liguang Project of approximately RMB980 million as well as the payment for the Outer Ring Expressway Project of approximately RMB660 million respectively. The Group expects the capital expenditures for the second half of 2019 to be approximately RMB4,500 million (HK$5,100 million), including approximately RMB2,190 million, RMB1,170 million, RMB510 million and RMB610 million for the "Integrated Logistics Hub" projects, SZ Expressway projects, the Liguang Project, United Land Company and Qianhai Project, respectively.

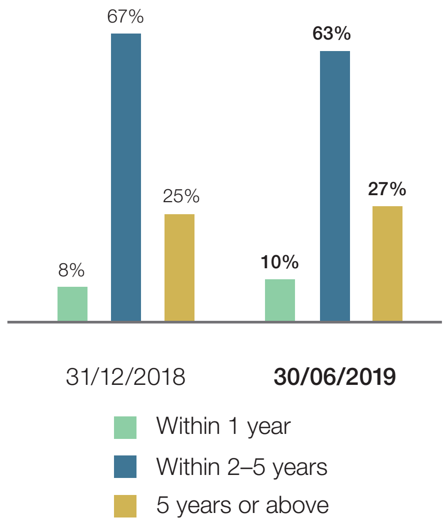
Borrowings

Total Borrowing in Currency

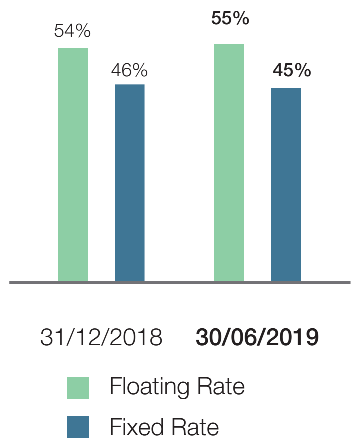
HK$ million



Total Borrowings – Repayment Period



Total Borrowings – Analysis of Floating Rate/Fixed Rate



As at 30 June 2019, the Group's total borrowings amounted to approximately HK$26,714 million, which was similar to the level as at the end of last year. 10%, 63% and 27% of the Group's total borrowings were due for repayment within 1 year, within 2 to 5 years and after 5 years respectively.

The Group focuses on securing abundant cash reserve and diversified financing channels, and making appropriate financing decisions with balanced borrowing levels and costs. To mitigate the impact of future changes in the capital market, it capitalizes on both onshore and offshore financing platforms in order to optimize its borrowing structure and maintain reasonable cash and borrowing levels.

The Group's Financial Policy

Except for the updates as stated below, the Group's financial policy was in line with that as disclosed in the annual report for 2018 and set out in those statements.

Exchange Rate Risk

The cash flows, cash on hand and assets of the businesses operated by the Group are mainly denominated in RMB, whereas the borrowings are mainly denominated in RMB, HK$ and US$. In 2019, the foreign exchange market continues to fluctuate due to the China-US trade conflicts and Brexit. The management of the Group has been closely monitoring the trend and movement of RMB exchange rates. During the Period, the Group generated an exchange gain of approximately HK$29.04 million. As RMB is expected to continue two-way fluctuations, the Group will adjust the currency structure of its borrowings and utilize appropriate hedging instruments to manage exchange rate risk and reduce the impact of fluctuation in the exchange rate of RMB. As at 30 June 2019, the ratio between the Group's borrowings in RMB and other currencies was around 80%: 20%.

Liquidity Risk Management

The Group maintains adequate funds and credit facilities to prepare itself for the macro-economic and geopolitical uncertainties in 2019. The Group currently has cash on hand and standby banking facilities of approximately HK$68,700 million. The Group regularly monitors its cash flow forecasts on a rolling basis to ensure that it is capable of operating as a going concern while expanding its business, and to prevent liquidity risk.

Credit Ratings

During the Period, three leading international credit rating agencies, namely Moody's, Standard & Poor's and Fitch Ratings, maintained their investment-grade credit ratings of the Company of Baa2, BBB and BBB, respectively. Domestic credit rating agencies United Credit Ratings Co., Ltd. and Pengyuan Credit Rating Co., Ltd assigned "AAA" ratings to the Company. These ratings reflected high capital market recognition of the Group's financial soundness and solvency, and demonstrated the Group's confidence in realising sustainable quality growth.

Pledge of Assets, Guarantees and Contingencies

For details of the Group's pledge of assets, guarantees and contingencies as at 30 June 2019, please refer to notes 16 and 26 respectively of the unaudited interim financial report.

OUTLOOK FOR THE SECOND HALF OF 2019

Looking forward to the second half of 2019, it is anticipated that the world economy will continue to be volatile, and geopolitics will remain uncertain. Both international and domestic trade for the second half of the year will be affected. The Group expects the operating environment in the second half of the year to be challenging. In view of the increasingly complicated and ever-changing economic environment, the Group will closely monitor the economic development and policy trend, maintain prudent operation, continue to promote professionalism and effectiveness, build up its core strengths and bolster its foundation in order to overcome future challenges.

The Group will make great efforts in the operation and management of the existing projects, and enhance its attractiveness to customers, improve its operational and value-added service capabilities, to strictly control its operating costs and improve its profitability. In the meantime, the Group will accumulate quality logistics assets, expand its network and operational scale, and enhance its profitability through new constructions and mergers and acquisitions. Furthermore, the Group is actively pursuing a cohesive development of all its business segments, promoting industry and finance integration, combining asset light and asset heavy models, fostering coordinated supply chain business and exploring new profit models.

In the second half of 2019, the Group will further extend its integrated logistics hub network, particularly in uncharted cities with geographical advantages. It will accelerate its expansion in the Guangdong-Hong Kong-Macao Greater Bay Area and penetrate regions which are strategically important to the nation, such as the Yangtze River Delta, the Beijing-Tianjin-Hebei Region and the Bohai Rim. The Group will also increase its efforts in the search for opportunities to implement its "multiple parks in one city" strategy in key logistics gateway cities while developing value-added logistics service and logistics finance businesses with the aim of establishing a logistics ecosystem and strengthening the Group's competitiveness in the logistics industry.

The Group has actively seized opportunities to transform and upgrade the Qianhai Project and the Meilin Checkpoint Urban Renewal Project, thereby maximizing the value of these assets for the shareholders of the Company. The Group will speed up the negotiation with the Qianhai Authority and other relevant government authorities to facilitate the signing of the land swap agreements for the consolidation, preparation and compensation of the remaining land parcels in Qianhai, and strive to realize land value of the remaining land sites this year. At the same time, the Group will advance the development and sales of the Meilin Checkpoint Urban Renewal Project and the first phase of the Qianhai Project, striving to realize the value of the projects over the next few years.

With respect to toll road business, there have been quite a number of policy adjustments in the domestic expressway industry. In May 2019, the State Council expressly prescribed to strive to abolish all toll stations at the provincial boundaries by the end of this year to achieve non-stop express tolling. The Ministry of Transport also strictly set a basic toll discount of at least 5% for users of non-stop Electronic Toll Collection ("ETC"), starting from 1 July 2019. It also laid down a target usage rate of over 90% for ETC on expressways by the end of this year. In the short run, the implementation of these policies will lead to an increase in capital expenditures for the upgrade and replacement of the existing tolling systems and a certain degree of negative impact on the Group's toll revenue due to an expected surge in the number of users using the ETC with discounted toll rates. In the long run, however, such policies will benefit the Group by, among other factors, increasing the efficiency of its toll roads and lowering its labor costs and management fees.

In addition, the Ministry of Transport announced subsequently a new vehicle classification system for toll roads to charge toll fees which will take effect on 1 January 2020. The new system will reclassify vehicles and downgrade 8 and 9 seater vehicles from class 2 (passenger vehicles) to class 1 (small passenger vehicles). This new system will have a small adverse impact on the Group's toll revenue. However, it also refines the vehicle classification system for toll roads, reduces the chances of mistake and disputes in the course of operation and vehicle classification, and thus improves tolling efficiency. In general, the policy changes in the toll road industry will strengthen the long-term growth, efficiency and service standard of the industry while making manageable impact on the toll revenue of the Group.

HUMAN RESOURCES

Human Resource Principles

Being people-oriented and knowing the importance of talents, the Group's human resources management strategy has always been a core component of the Group's overall planning. It aims to establish a scientific and reasonable human resources management platform to provide its employees with a fair and harmonious work environment which will in turn secure the sustainable talent supply to the Group to support its business development.

Employees and Policies on Remuneration and Benefits

As at 30 June 2019, the Group had a total of 7,028 (2018: 6,897) employees. During the Period, staff benefit expenses (including directors' remuneration) were approximately HK$505 million (2018: approximately HK$387 million).

A comprehensive remuneration management system, a long-term incentive and discipline programme, and a performance management system are in place and constantly optimized. Employees' salaries are commensurate with their positions, competence and performance and determined with reference to the prevailing market conditions. The Group is currently benchmarking its remuneration scheme against market standard by studying market conditions and enhancing its remuneration structure in order to motivate the staff to strive for business success. Staff performance is assessed on a regular basis and the outcome of which will be closely reflected in remuneration and promotion. Besides, to accommodate the Group's long-term development, the Group has established a long-term incentive and discipline programme under which the granting of options to the management, senior management of subsidiaries and key staff members of the Group and the exercise of such options under the Company's share option scheme are linked to strict performance conditions so as to match incentive income with the growth of the Company's operating results. The Group has been enhancing its existing long-term incentive programme. Through in-depth research on relevant policies and regulations, with consideration of the Group's actual conditions, the "Comprehensive Incentive Implementation Program" was announced to establish standards which reflects salary, performance and industry norms, to complement the long-term incentive and discipline programmes implemented by the subsidiaries, to motivate the management and employees to work harder, and to implement the 13th Five-Year Plan of the Group in an effective manner. Other benefits include the mandatory provident fund, medical insurance and education allowance.

Employee Development and Training Programmes

The Group puts strong emphasis on attracting and nurturing talents, constantly improves its talent recruitment and selection process, and broaden its recruitment channels. In 2019, the Group continually recruited management personnel and professionals in logistics and environmental protection related sectors through market-oriented recruitment and campus recruitment to continuously improve its management and professional teams and optimize its staff mix according to its development strategy and business needs. With the aim of motivating the operating and management teams of its subsidiaries to achieve business success, the Group is rolling out a market-oriented staff selection and employment system across its subsidiaries and refining its performance-based, market-oriented and standardized management system in order to achieve flexible staff promotion, demotion, recruitment, dismissal and remuneration arrangements. The Group also places a strong emphasis on the training and development of internal staff by encouraging internal secondment at all levels, providing training to talents with strong capacities in business and management, and nurturing young talents for the Company in the future. The Group has improved the management talent selection and training programmes so that talents are selected from employees who deliver outstanding performance and show potential to work in key positions of the Group. The second round of internal secondment is currently in progress.

The Group also emphasizes on staff training by continuing to make its training system more comprehensive and systematic. At the beginning of 2019, the Group set up annual training programmes which include specific training for middle and senior management and frontline staff as well as training on regulations and other topics. Following the collaboration with the graduate school of Tsinghua University last year to organize the Elite Programme for specific training, the Group continued to invite major tertiary education institutes in the country to provide systemic and specific training on its reserved talents. At the same time, external lecturers were invited to give specific training. In addition, staff are strongly encouraged to participate in professional training courses organized by external institutions to enhance their professional knowledge and skills, and to maintain good physical and mental health.

Safety and Health

The Group has been striving to provide a safe, efficient and comfortable work environment for employees. In 2019, the Group continued to organize a number of safety education training programmes and provided work safety guideline to employees on the identification and prevention of safety harzards in the work place. The Group also provides various types of physical examinations related to occupational health and provides education materials to employees to ensure that their working environment is healthy and safe.

Review Report to the board of directors of Shenzhen International Holdings Limited
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 26 to 66, which comprises the consolidated balance sheet of Shenzhen International Holdings Limited (the "Company") and its subsidiaries as of 30 June 2019 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

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

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

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

28 August 2019

INTERIM CONSOLIDATED BALANCE SHEET – UNAUDITED

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

(For reference only) *As at* *30 June 2019* *RMB'000*		Note	*As at* *30 June 2019* *HK$'000*	*31 December 2018* *HK$'000* *(Note)*
	ASSETS			
	Non-current assets			
540,888	Investment properties	7	**614,925**	93,930
6,744,054	Property, plant and equipment	7	**7,667,182**	5,273,283
2,846,897	Land use rights	7	**3,236,581**	2,932,326
869,220	Construction in progress	7	**988,199**	2,424,315
23,763,602	Intangible assets	7	**27,016,373**	27,020,690
165,959	Goodwill		**188,675**	11,324
12,386,281	Interests in associates	8	**14,081,720**	14,244,696
51,118	Interests in joint ventures		**58,115**	75,304
413,426	Other financial assets	9	**470,016**	485,949
1,267,928	Deferred tax assets		**1,441,483**	787,782
914,901	Other non-current assets	10	**1,040,132**	1,224,961
49,964,274			**56,803,401**	54,574,560
	Current assets			
7,691,054	Inventories and other contract costs	11	**8,743,809**	8,055,405
349,017	Contract assets		**396,790**	190,481
360,790	Other financial assets	9	**410,176**	550,396
2,775,746	Trade and other receivables	12	**3,155,690**	3,976,525
59,963	Derivative financial instruments		**68,170**	51,494
1,996,997	Restricted bank deposits		**2,270,347**	2,088,989
272,141	Deposits in banks with original maturities over 3 months		**309,392**	874,168
12,340,666	Cash and cash equivalents		**14,029,862**	13,663,906
–	Disposal group held for sale		**–**	338,670
25,846,374			**29,384,236**	29,790,034
75,810,648	**Total assets**		**86,187,637**	84,364,594

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

(For reference only) As at 30 June 2019 RMB'000		Note	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000 (Note)
	EQUITY AND LIABILITIES			
	Equity attributable to ordinary shareholders of the Company			
9,690,282	Share capital and share premium	13	**11,019,937**	10,552,228
14,014,055	Other reserves and retained earnings	14	**15,852,367**	17,445,704
23,704,337	**Equity attributable to ordinary shareholders of the Company**		**26,872,304**	27,997,932
1,982,837	**Perpetual securities**	15	**2,330,939**	2,330,939
12,592,366	**Non-controlling interests**		**14,316,014**	14,030,974
38,279,540	**Total equity**		**43,519,257**	44,359,845
	Liabilities			
	Non-current liabilities			
21,194,612	Borrowings	16	**24,095,739**	24,474,131
642,927	Lease liabilities	3	**730,931**	–
1,506,777	Deferred tax liabilities		**1,713,025**	1,808,509
1,119,568	Other non-current liabilities	17	**1,272,814**	1,298,862
24,463,884			**27,812,509**	27,581,502
	Current liabilities			
6,019,960	Trade and other payables	18	**6,843,975**	6,097,906
4,264,505	Contract liabilities		**4,848,232**	1,825,004
423,852	Income tax payable		**481,868**	2,362,608
2,302,840	Borrowings	16	**2,618,054**	2,137,729
56,067	Lease liabilities	3	**63,742**	–
13,067,224			**14,855,871**	12,423,247
37,531,108	**Total liabilities**		**42,668,380**	40,004,749
75,810,648	**Total equity and liabilities**		**86,187,637**	84,364,594

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 33 to 66 form part of this unaudited interim financial report.

INTERIM CONSOLIDATED INCOME STATEMENT – UNAUDITED

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

(For reference only) Six months ended 30 June			*Six months ended 30 June*	
2019 RMB'000		Note	***2019 HK$'000***	*2018 HK$'000 (Note)*
4,928,533	**Revenue**	6,19	**5,711,592**	5,346,077
(3,300,753)	Cost of sales		**(3,825,185)**	(3,078,811)
1,627,780	**Gross profit**		**1,886,407**	2,267,266
294,615	Other gains/(losses) – net	20	**341,425**	(105,540)
41,549	Other income	21	**48,151**	26,011
(45,959)	Distribution costs		**(53,261)**	(33,558)
(249,335)	Administrative expenses		**(288,950)**	(180,770)
1,668,650	**Operating profit**		**1,933,772**	1,973,409
5,159	Share of profit of joint ventures		**5,979**	7,690
533,362	Share of profit of associates	8	**618,104**	677,889
2,207,171	**Profit before finance costs and income tax**		**2,557,855**	2,658,988
97,642	Finance income	22	**113,157**	59,325
(385,253)	Finance costs	22	**(446,463)**	(789,250)
(287,611)	Finance costs – net	22	**(333,306)**	(729,925)
1,919,560	**Profit before income tax**		**2,224,549**	1,929,063
118,928	Income tax benefit/(expense)	23	**137,823**	(381,339)
2,038,488	**Profit for the period**		**2,362,372**	1,547,724
	Attributable to:			
1,068,329	Ordinary shareholders of the Company		**1,238,971**	890,757
40,911	Perpetual securities holders of the Company		**46,511**	46,500
929,248	Non-controlling interests		**1,076,890**	610,467
2,038,488			**2,362,372**	1,547,724
	Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)			
	Basic	24	**0.58**	0.44
	Diluted	24	**0.58**	0.43

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

Details of dividends paid to equity shareholders of the Company are set out in note 25. The notes on pages 33 to 66 form part of this unaudited interim financial report.

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

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

		Six months ended 30 June	
	Note	***2019*** ***HK$'000***	*2018* *HK$'000* *(Note)*
Profit for the period		**2,362,372**	1,547,724
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Share of other comprehensive income of associates	8	**(17,362)**	(8,174)
Items that will not be reclassified to profit or loss:			
Currency translation differences		**(218,141)**	(305,555)
Net movement in fair value reserve on other financial assets (non-recycling)	14	**(13)**	(633)
Sub-total		**(218,154)**	(306,188)
Other comprehensive income for the period, net of tax		**(235,516)**	(314,362)
Total comprehensive income for the period		**2,126,856**	1,233,362
Total comprehensive income attributable to:			
Ordinary shareholders of the Company		**1,070,773**	661,860
Perpetual securities holders of the Company		**46,511**	46,500
Non-controlling interests		**1,009,572**	525,002
		2,126,856	1,233,362

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 33 to 66 form part of this unaudited interim financial report.

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – UNAUDITED

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

	Attributable to Ordinary Shareholders of the Company						
	Share capital and share premium	*Other reserves (Note 14)*	*Retained earnings (Note 14)*	*Total*	*Perpetual securities*	*Non-controlling interests*	*Total equity*
Balance as at 1 January 2018	9,159,662	2,521,877	12,294,678	23,976,217	2,330,939	11,091,662	37,398,818
Profit for the period	–	–	890,757	890,757	46,500	610,467	1,547,724
Other comprehensive income	–	(228,897)	–	(228,897)	–	(85,465)	(314,362)
Total comprehensive income for the six months ended 30 June 2018	–	(228,897)	890,757	661,860	46,500	525,002	1,233,362
Transactions with owners in their capacity as owners							
Employee share option scheme							
– proceeds from shares issued	69,998	–	–	69,998	–	–	69,998
– value of employee services	20,151	–	–	20,151	–	–	20,151
Transfer from reserve	–	27,178	(27,178)	–	–	–	–
Dividend relating to 2017	–	–	(2,035,647)	(2,035,647)	–	–	(2,035,647)
Issue of scrip shares as dividend	1,193,116	–	–	1,193,116	–	–	1,193,116
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	–	(483,721)	(483,721)
Non-controlling interests arising on business combinations	–	–	–	–	–	191,505	191,505
Impact of business combination under common control	–	19,835	–	19,835	–	–	19,835
Capital reduction by non-controlling interests	–	–	–	–	–	(18,543)	(18,543)
Transactions with non-controlling interests	–	(1,998)	–	(1,998)	–	(49,169)	(51,167)
Distribution for perpetual securities	–	–	–	–	(46,500)	–	(46,500)
Total transactions with owners	1,283,265	45,015	(2,062,825)	(734,545)	(46,500)	(359,928)	(1,140,973)
Balance as at 30 June 2018	10,442,927	2,337,995	11,122,610	23,903,532	2,330,939	11,256,736	37,491,207

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

	Attributable to Ordinary Shareholders of the Company						
	Share capital and share premium	*Other reserves (Note 14)*	*Retained earnings (Note 14)*	*Total*	*Perpetual securities*	*Non-controlling interests*	*Total equity*
Balance as at 1 January 2019	**10,552,228**	**3,574,334**	**13,871,370**	**27,997,932**	**2,330,939**	**14,030,974**	**44,359,845**
Impact on initial application of HKFRS 16 (Note 3(c))	–	(29,331)	(382,587)	(411,918)	–	18,639	(393,279)
Balance as at 1 January 2019, as adjusted	**10,552,228**	**3,545,003**	**13,488,783**	**27,586,014**	**2,330,939**	**14,049,613**	**43,966,566**
Profit for the period	–	–	1,238,971	1,238,971	46,511	1,076,890	2,362,372
Other comprehensive income	–	(168,198)	–	(168,198)	–	(67,318)	(235,516)
Total comprehensive income for the six months ended 30 June 2019	–	(168,198)	1,238,971	1,070,773	46,511	1,009,572	2,126,856
Transactions with owners in their capacity as owners							
Employee share option scheme							
– proceeds from shares issued (Note 13)	44,485	–	–	44,485	–	–	44,485
– value of employee services (Note 13)	12,026	–	–	12,026	–	–	12,026
Transfer from reserve	–	2,284	(2,284)	–	–	–	–
Dividend relating to 2018 (Note 25)	–	–	(2,252,192)	(2,252,192)	–	–	(2,252,192)
Issue of scrip shares as dividend (Note 25)	411,198	–	–	411,198	–	–	411,198
Dividend paid/payables to non-controlling interests by subsidiaries	–	–	–	–	–	(1,154,900)	(1,154,900)
Non-controlling interests arising on business combinations (Note 28)	–	–	–	–	–	397,243	397,243
Capital injection by non-controlling interests	–	–	–	–	–	16,630	16,630
Capital reduction by non-controlling interests	–	–	–	–	–	(2,144)	(2,144)
Distribution for perpetual securities (Note 15)	–	–	–	–	(46,511)	–	(46,511)
Total transactions with owners	467,709	2,284	(2,254,476)	(1,784,483)	(46,511)	(743,171)	(2,574,165)
Balance as at 30 June 2019	**11,019,937**	**3,379,089**	**12,473,278**	**26,872,304**	**2,330,939**	**14,316,014**	**43,519,257**

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 33 to 66 form part of this unaudited interim financial report.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – UNAUDITED

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

		Six months ended 30 June	
	Note	***2019***	*2018 (Note)*
Cash flows from operating activities			
Cash generated from operations		**4,401,875**	2,408,418
Interest paid		**(376,843)**	(439,065)
Income tax paid		**(848,225)**	(937,825)
Net cash generated from operating activities		**3,176,807**	1,031,528
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash paid	28	**(242,532)**	–
Purchase of property, plant and equipment, land use rights, construction in progress, intangible assets and other non-current assets		**(1,886,144)**	(1,245,945)
Advance to non-controlling shareholder of a subsidiary		**(276,262)**	–
Increase in interests in associates	8	**(66,636)**	(70,587)
Proceeds from disposal of property, plant and equipment, and concession intangible assets		**27,928**	–
Proceeds from disposal of subsidiaries	29	**656,374**	–
Net cash flow from redemptions/(purchase) of other financial assets, net of tax		**186,282**	(548,474)
Decrease in deposits in banks with original maturities over 3 months		**564,776**	294,174
Dividends received		**239,338**	235,470
Cash generated from other investing activities		**93,310**	63,125
Net cash used in investing activities		**(703,566)**	(1,272,237)
Cash flows from financing activities			
Proceeds from borrowings	16	**3,210,333**	7,430,380
Repayments of borrowings	16	**(3,015,073)**	(4,775,358)
Dividends paid to the Company's and subsidiaries' shareholders		**(2,225,601)**	(1,326,252)
Distribution for perpetual securities holders	15	**(46,511)**	(46,500)
Payment for acquisition of non-controlling interest in a non-wholly owned subsidiary		**–**	(51,167)
Capital injections by non-controlling interests		**16,630**	–
Capital element of lease rentals paid		**(25,581)**	–
Interest element of lease rentals paid		**(16,710)**	–
Cash generated from other financing activities		**3,781**	51,457
Net cash (used in)/generated from financing activities		**(2,098,732)**	1,282,560
Net increase in cash and cash equivalents		**374,509**	1,041,851
Cash and cash equivalents at the beginning of the period		**13,663,906**	5,703,342
Effect of foreign exchange rates changes		**(8,553)**	4,805
Cash and cash equivalents at the end of the period		**14,029,862**	6,749,998

NON-CASH TRANSACTIONS

The major non-cash transaction for the six months ended 30 June 2019 represented the issue of scrip shares as dividend (Note 25).

Note: The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 33 to 66 form part of this unaudited interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

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

1. GENERAL INFORMATION

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

– Toll roads; and

– Logistic business.

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

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

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

As at 30 June 2019, Ultrarich International Limited ("Ultrarich") owns 952,010,090 ordinary shares of the Company directly, representing approximately 44.165% of the issued share capital of the Company. As Shenzhen Investment Holdings Company Limited ("SIHCL") held the 100% equity interests in Ultrarich, SIHCL has a deemed interest of 44.165% of the equity in the Company held by Ultrarich and it was the largest shareholder of the Company. SIHCL is supervised and managed by Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission ("Shenzhen SASAC"). The directors of the Company regard that Shenzhen SASAC can control the Company's relevant activities with its voting power held and is the de facto controller of the Company.

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

2. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS"), *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 28 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's review report to the Board of Directors is included on page 25.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use.

Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, *Leases* *(continued)*

(a) Changes in the accounting policies *(continued)*

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to properties and land leased for own use and investment property.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. For the Group, low-value assets are typically laptops or office furniture. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

– right-of-use assets that meet the definition of investment property are carried at fair value;

– right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all lease hold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties").

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, *Leases* *(continued)*

(a) Changes in the accounting policies *(continued)*

(iv) Lessor accounting

In addition to leasing out the investment property referred to in paragraph (a)(iii) above, the Group leases out a number of items of apartment and offices as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.90% to 4.90%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) The Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

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

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, *Leases* *(continued)*

(c) Transitional impact *(continued)*

The following table reconciles the operating lease commitments as disclosed in note 27(b) as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
Operating lease commitments at 31 December 2018	1,144,738
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(83,362)
– leases of low-value assets	(459)
Subtotal	1,060,917
Less: total future interest expenses	(340,839)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019	720,078
Total lease liabilities recognised at 1 January 2019	720,078

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet at 31 December 2018.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the consolidated balance sheet.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group measured the right-of-use assets on a lease-by-lease basis, using either of the following two methods:

– Method 1: as if HKFRS 16 had always been applied since the commencement date of the lease (other than discounting using the relevant incremental borrowing rate at the date of initial application of HKFRS 16); or

– Method 2: at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognised in the consolidated balance sheet immediately before the date of initial application.

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

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, *Leases* *(continued)*

(c) Transitional impact *(continued)*

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated balance sheet:

	At 31 December 2018	*Capitalisation of operating lease contracts*	*At 1 January 2019*
Line items in the consolidated balance sheet impacted by the adoption of HKFRS 16:			
Investment properties	93,930	237,049	330,979
Property, plant and equipment	5,273,283	523,342	5,796,625
Interests in associates	14,244,696	(433,592)	13,811,104
Total non-current assets	**54,574,560**	**326,799**	**54,901,359**
Lease liabilities (current)	–	67,350	67,350
Total current liabilities	**12,423,247**	**67,350**	**12,490,597**
Net current assets	**17,366,787**	**(67,350)**	**17,299,437**
Total assets less current liabilities	**71,941,347**	**259,449**	**72,200,796**
Lease liabilities (non-current)	–	652,728	652,728
Total non-current liabilities	**27,581,502**	**652,728**	**28,234,230**
Net assets	**44,359,845**	**(393,279)**	**43,966,566**
Other reserves and retained earnings	17,445,704	(411,918)	17,033,786
Equity attributable to ordinary shareholders of the Company	**27,997,932**	**(411,918)**	**27,586,014**
Non-controlling interests	**14,030,974**	**18,639**	**14,049,613**
Total equity	**44,359,845**	**(393,279)**	**43,966,566**

The following table summarises the impact of transition to HKFRS 16 on retained earnings and reserve at 1 January 2019:

Retained earnings	
Recognition of right-of-use assets and lease liabilities relating to operating leases of an associate	(404,261)
Remeasurement of leasehold investment property at fair value at 1 January 2019	21,674
Net decrease in retained earnings at 1 January 2019	(382,587)
Reserve funds	
Recognition of right-of-use assets and lease liabilities relating to operating leases of an associate	(29,331)
Net decrease in reserve funds at 1 January 2019	(29,331)
Net decrease in equity attributable to ordinary shareholders of the Company	(411,918)

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

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, *Leases* *(continued)*

(c) **Transitional impact** *(continued)*

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019	*At 1 January 2019*
Included in "Investment properties":		
Ownership interests in leasehold investment properties, carried at fair value	**614,925**	330,979
Included in "Property, plant and equipment":		
Ownership interests in leasehold land and buildings held for own use, carried at depreciated cost	**5,191,543**	3,419,288
Other properties leased for own use, carried at depreciated cost	**600,939**	523,342
	5,792,482	3,942,630
Included in "Land use rights":		
Land use rights, carried at depreciated cost	**3,236,581**	2,932,326
Included in "Inventories":		
Land held for future development	**191,271**	1,737,961
Land and properties under development for sale	**5,890,797**	4,374,681
Completed properties for sale	**316,104**	462,143
	6,398,172	6,574,785
	16,042,160	13,780,720

(d) **Lease liabilities**

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		*At 1 January 2019*	
	Present value of the minimum lease payments	*Total minimum lease payments*	*Present value of the minimum lease payments*	*Total minimum lease payments*
Within 1 year	**63,742**	**65,533**	67,350	68,766
After 1 year but within 2 years	**80,689**	**87,054**	63,963	68,267
After 2 years but within 5 years	**200,238**	**246,071**	124,850	154,306
After 5 years	**450,004**	**744,405**	463,915	769,578
Subtotal	**730,931**	**1,077,530**	652,728	992,151
Total	**794,673**	**1,143,063**	720,078	1,060,917
Less: total future interest expenses		**(348,390)**		(340,839)
Present value of lease liabilities		**794,673**		720,078

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

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, *Leases* *(continued)*

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the period.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	Six months ended 30 June				
	2019				*2018*
	Amounts reported under HKFRS 16	*Add back: HKFRS 16 depreciation and interest expense*	*Deduct: Estimated amounts related to operating lease as if under HKAS 17 (note 1)*	*Hypothetical amounts for 2019 as if under HKAS 17*	*Compared to amounts reported for 2018 under HKAS 17*
	(A)	*(B)*	*(C)*	*(D = A + B – C)*	
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Profit from operations	**1,933,772**	**35,540**	**(42,220)**	**1,927,092**	**1,973,409**
Finance costs – net	(333,306)	16,710	–	(316,596)	(729,925)
Profit before taxation	**2,224,549**	**52,250**	**(42,220)**	**2,234,579**	**1,929,063**
Income tax expense	137,823	(13,062)	11,311	136,072	(381,339)
Profit for the year	**2,362,372**	**39,188**	**(30,909)**	**2,370,651**	**1,547,724**
Reportable segment profit for the six months ended 30 June 2019 (note 6) impacted by the adoption of HKFRS 16:					
– Logistic business	**208,424**	**26,736**	**(21,479)**	**213,681**	**211,108**
– Toll roads	**2,046,045**	**12,452**	**(9,430)**	**2,049,067**	**1,231,162**
– Total	**2,362,372**	**39,188**	**(30,909)**	**2,370,651**	**1,547,724**

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

3. CHANGES IN ACCOUNTING POLICIES *(continued)*

HKFRS 16, *Leases* *(continued)*

(e) Impact on the financial result, segment results and cash flows of the Group *(continued)*

	Six months ended 30 June			
	2019			*2018*
	Amounts reported under HKFRS 16 (A)	*Estimated amounts related to operating lease as if under HKAS 17 (notes 1 & 2) (B)*	*Hypothetical amounts for 2019 as if under HKAS 17 (C = A + B)*	*Compared to amounts reported for 2018 under HKAS 17*
Line items in the condensed consolidated cash flow statement for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	4,401,875	(42,290)	4,359,585	2,408,418
Net cash generated from operating activities	**3,176,807**	**(42,290)**	**3,134,517**	**1,031,528**
Capital element of lease rentals paid	(25,581)	25,581	–	–
Interest element of lease rentals paid	(16,710)	16,710	–	–
Net cash used in financing activities	**(2,098,732)**	**42,290**	**(2,056,442)**	**1,282,560**

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

4. ESTIMATES

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

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2018 Financial Statements.

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

4. ESTIMATES *(continued)*

Amortisation of concession intangible assets

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

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

The Group performs periodic assessments of the total projected traffic volume. The Group appoints independent professional traffic consultants to perform independent professional traffic studies and makes appropriate adjustment if there is a material difference between projected traffic volume and actual traffic volume. By the second quarter of 2019, the Group appointed an independent professional traffic consultant to reassess the aggregate future traffic volume of Meiguan Expressway, the west section of Jihe Expressway and the east section of Jihe Expressway. The Group has adjusted the amortisation unit for the related concession intangible assets according to the revised total projected traffic volume since 1 April 2019 on a prospective basis. Such change in accounting estimate has resulted in increase in profit attributable to ordinary shareholders of the Company of HKD6,986,000 for the six-months ended 30 June 2019 and will affect the amortisation charges of the Group in the future.

5. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

	As at 30 June 2019			
	Level 1	*Level 2*	*Level 3*	*Total*
Assets				
Equity securities designated at FVOCI (non-recycling)				
– Unlisted equity securities	–	–	56,645	56,645
Financial assets measured at FVPL				
– Wealth management products	–	224,909	–	224,909
– Listed securities in the PRC	185,267	–	–	185,267
– Unlisted equity securities	–	–	215,756	215,756
– Unlisted fund investment	–	–	197,615	197,615
Derivative financial instruments	–	68,170	–	68,170

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

5. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

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

During the period, there were no transfers between level 1 and level 2, or transfers into or out of level 3 (2018: nil). There were no changes in valuation techniques during the period.

(a) Financial instruments in level 1

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

(b) Financial instruments in level 2

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

(c) Financial instruments in level 3

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

Information about Level 3 fair value measurements

	Valuation techniques	*Significant unobservable inputs*	*Range*
Financial assets measured at FVPL			
– Unlisted equity securities (note i)	Market comparable companies	Adjusted P/E multiplier	18.35-18.63
		The discount of lack of marketability	23.19% to 41.47%
– Unlisted fund investment (note ii)	Income capitalisation method	Yield	8%
		Market monthly rental rate (RMB/sq.m.)	22.6-40.03
		Occupancy rate	87%-96%

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

5. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS *(continued)*

(c) Financial instruments in level 3 *(continued)*

Information about Level 3 fair value measurements (continued)

(i) The fair value of unlisted equity instruments is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 30 June 2019, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 5% would have increased/decreased the Group's profit by HKD16,919,000.

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

(iii) The fair value of equity securities designated at FVOCI (non-recycling) is determined with reference to the net asset value of the investments. As at 30 June 2019 the carrying amount is not materially different from their fair value.

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

	Six months ended 30 June	
	2019	*2018*
Unlisted equity securities and fund investments:		
Beginning of the period	**485,949**	59,694
Net unrealised gains or losses recognised in other comprehensive income during the period	**(202)**	–
Redemptions	**(19,255)**	–
Changes in fair value recognised in profit or loss during the period	**5,115**	(844)
Exchange difference	**(1,591)**	(409)
At 30 June	**470,016**	58,441

6. SEGMENT INFORMATION

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

– Toll roads; and

– Logistic business.

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

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

Toll roads include development, operation and management of toll highway; logistic business includes: (i) logistic parks which mainly include the construction, operation and management of logistic centres and integrated logistics hubs; (ii) logistic services which include the provision of third party logistic services, logistic information services and financial services to customers; and (iii) port and related services.

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

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

6. SEGMENT INFORMATION *(continued)*

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the board of directors, the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance for the period ended 30 June 2019 and 2018 is set out below.

For the six months ended 30 June 2019

	Toll roads	*Logistic business*				*Head office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related services*	*Subtotal*		
Revenue from contracts with customers within the scope of HKFRS 15							
– Point in time	3,102,783	129,852	369,225	897,681	1,396,758	–	4,499,541
– Over time	908,365	–	–	–	–	–	908,365
Subtotal	4,011,148	129,852	369,225	897,681	1,396,758	–	5,407,906
Revenue from other sources	–	303,686	–	–	303,686	–	303,686
Revenue	4,011,148	433,538	369,225	897,681	1,700,444	–	5,711,592
Operating profit/(loss)	1,805,689	105,352	18,796	112,858	237,006	(108,923)	1,933,772
Share of profit of joint ventures	–	5,710	–	–	5,710	269	5,979
Share of profit of associates	359,642	97	–	–	97	258,365	618,104
Finance income	28,661	2,402	7,502	118	10,022	74,474	113,157
Finance costs	(333,324)	(3,591)	(591)	(1,647)	(5,829)	(107,310)	(446,463)
Profit before income tax	1,860,668	109,970	25,707	111,329	247,006	116,875	2,224,549
Income tax benefit/(expense)	185,377	(12,126)	(5,311)	(21,145)	(38,582)	(8,972)	137,823
Profit for the period	2,046,045	97,844	20,396	90,184	208,424	107,903	2,362,372
Non-controlling interests	(1,043,360)	(2,241)	(4,917)	(25,210)	(32,368)	(1,162)	(1,076,890)
Subtotal	1,002,685	95,603	15,479	64,974	176,056	106,741	1,285,482
Profit attributable to perpetual securities holders	–	–	–	–	–	(46,511)	(46,511)
Profit attributable to ordinary shareholders of the Company	1,002,685	95,603	15,479	64,974	176,056	60,230	1,238,971
Depreciation and amortisation	858,375	113,912	8,920	30,993	153,825	14,455	1,026,655
Capital expenditure							
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	911,047	764,044	10,574	20,455	795,073	437,156	2,143,276
– Additions in property, plant and equipment and intangible assets arising from acquisition of a subsidiary (Note 28)	101,200	–	–	–	–	–	101,200
– Additions in interests in associates	66,636	–	–	–	–	–	66,636

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

6. SEGMENT INFORMATION *(continued)*

For the six months ended 30 June 2018

	Toll roads	*Logistic business*				*Head office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related services*	*Subtotal*		
Revenue from contracts with customers within the scope of HKFRS 15							
– Point in time	3,528,334	55,031	339,032	654,895	1,048,958	–	4,577,292
– Over time	500,379	–	–	–	–	–	500,379
Subtotal	4,028,713	55,031	339,032	654,895	1,048,958	–	5,077,671
Revenue from other sources	–	268,406	–	–	268,406	–	268,406
Revenue	4,028,713	323,437	339,032	654,895	1,317,364	–	5,346,077
Operating profit/(loss)	1,929,286	108,292	30,110	103,405	241,807	(197,684)	1,973,409
Share of profit/(loss) of joint ventures	–	8,036	–	–	8,036	(346)	7,690
Share of profit/(loss) of associates	349,189	(180)	816	–	636	328,064	677,889
Finance income	25,579	6,217	5,012	535	11,764	21,982	59,325
Finance costs	(731,742)	(6,848)	(561)	(1,227)	(8,636)	(48,872)	(789,250)
Profit before income tax	1,572,312	115,517	35,377	102,713	253,607	103,144	1,929,063
Income tax expense	(341,150)	(20,178)	(5,433)	(16,888)	(42,499)	2,310	(381,339)
Profit for the period	1,231,162	95,339	29,944	85,825	211,108	105,454	1,547,724
Non-controlling interests	(586,282)	2,719	(4,542)	(22,472)	(24,295)	110	(610,467)
Subtotal	644,880	98,058	25,402	63,353	186,813	105,564	937,257
Profit attributable to perpetual securities holders	–	–	–	–	–	(46,500)	(46,500)
Profit attributable to ordinary shareholders of the Company	644,880	98,058	25,402	63,353	186,813	59,064	890,757
Depreciation and amortisation	1,043,049	84,112	6,758	32,108	122,978	8,760	1,174,787
Capital expenditure							
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	420,716	667,091	19,746	8,958	695,795	148,629	1,265,140
– Additions in interests in associates	70,587	–	–	–	–	–	70,587

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

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

7. CAPITAL EXPENDITURE

	Intangible assets	*Property, plant and equipment*	*Land use rights*	*Construction in progress*	*Sub-total*	*Investment properties*	*Total*
Six months ended 30 June 2019							
Net book amount as at 31 December 2018	27,020,690	5,273,283	2,932,326	2,424,315	37,650,614	93,930	37,744,544
Impact on initial application of HKFRS 16 (Note 3)	–	523,342	–	–	523,342	237,049	760,391
Net book amount as at 1 January 2019	27,020,690	5,796,625	2,932,326	2,424,315	38,173,956	330,979	38,504,935
Acquisition of subsidiaries (Note 28)	93,225	7,975	–	–	101,200	–	101,200
Fair value gains	–	–	–	–	–	47,426	47,426
Additions	809,238	257,523	364,332	594,042	2,025,135	118,141	2,143,276
Disposals	(11,559)	(16,370)	–	–	(27,929)	–	(27,929)
Transfers	–	1,888,239	–	(2,013,135)	(124,896)	124,896	–
Exchange difference	(116,512)	(60,479)	(18,462)	(17,023)	(212,476)	(6,517)	(218,993)
Depreciation/amortisation	(778,709)	(206,331)	(41,615)	–	(1,026,655)	–	(1,026,655)
Net book amount as at 30 June 2019	27,016,373	7,667,182	3,236,581	988,199	38,908,335	614,925	39,523,260
Six months ended 30 June 2019							
Net book amount as at 1 January 2018	33,624,346	5,246,181	1,959,033	1,980,103	42,809,663	93,330	42,902,993
Fair value gains	–	–	–	–	–	670	670
Additions	401,388	34,251	210,348	619,153	1,265,140	–	1,265,140
Disposals	–	(22,826)	–	–	(22,826)	–	(22,826)
Transfers	–	177,690	–	(177,690)	–	–	–
Exchange difference	(245,161)	(56,691)	(34,984)	(41,929)	(378,765)	–	(378,765)
Depreciation/amortisation	(958,344)	(191,469)	(24,974)	–	(1,174,787)	–	(1,174,787)
Net book amount as at 30 June 2018	32,822,229	5,187,136	2,109,423	2,379,637	42,498,425	94,000	42,592,425

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

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

8. INTERESTS IN ASSOCIATES

	Six months ended 30 June	
	2019	2018
Beginning of the period	**14,244,696**	14,311,220
Impact on initial application of HKFRS 16 (Note 3)	**(433,592)**	–
Adjusted balance at beginning of the period	**13,811,104**	14,311,220
Additions	**66,636**	70,587
Share of profit of associates	**618,104**	677,889
Share of other comprehensive income of associates	**(17,362)**	(8,174)
Dividends	**(332,303)**	(233,640)
Exchange difference	**(64,459)**	(122,689)
End of the period	**14,081,720**	14,695,193

The ending balance comprises the following:

	As at	
	30 June 2019	31 December 2018
Unlisted investments		
Share of net assets, other than goodwill	**11,452,668**	11,604,539
Goodwill on acquisition	**2,629,052**	2,640,157
	14,081,720	14,244,696

Based on the assessment made by the directors of the Company, there were no impairment losses for the interests in associates as at 30 June 2019 (31 December 2018: Nil).

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

9. OTHER FINANCIAL ASSETS

	As at	
	30 June 2019	*31 December 2018*
Equity securities designated at FVOCI (non-recycling)		
– Unlisted equity securities	**56,645**	56,902
Financial assets measured at FVPL		
– Wealth management products (Note (a))	**224,909**	388,172
– Listed securities in the PRC (Note (b))	**185,267**	162,224
– Unlisted equity securities	**215,756**	206,004
– Unlisted fund investment (Note (c))	**197,615**	223,043
	880,192	1,036,345
Less: non-current portion	**(470,016)**	(485,949)
Current portion	**410,176**	550,396

(a) The wealth management products bear floating interest rates and will mature in the second half year of 2019.

(b) As at 30 June 2019, listed equity investments stated at market price represent 1.26% (31 December 2018: 1.24%) equity interest in CSG Holding Co., Ltd ("CSG"). During the period, the Group did not dispose of any shares in CSG (six months ended 30 June 2018: Nil).

(c) As at 30 June 2019, the Group has share of Shenzhen Capital Lingxiu Logistics Facility Phase I Private Investment Fund. It was classified as financial assets measured at FVPL and measured at fair value at period end.

10. OTHER NON-CURRENT ASSETS

As at 30 June 2019, other non-current assets mainly represented prepayments for project funds, other long-term receivables.

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

11. INVENTORIES AND OTHER CONTRACT COSTS

	As at	
	30 June 2019	31 December 2018
In the PRC		
Land held for future development	**191,271**	1,815,644
Land and properties under development for sale	**7,711,324**	5,556,197
Completed properties for sale	**497,722**	642,838
Contract costs	**14,885**	–
Trading goods	**328,607**	40,726
	8,743,809	8,055,405

12. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2019	31 December 2018
Trade receivables (Note (a))	**1,212,996**	1,072,080
Less: Provision for impairment	**(78,222)**	(30,461)
Trade receivables – net	**1,134,774**	1,041,619
Finance lease receivables	**82,450**	60,204
Receivable from government arising from disposal of the concession rights of four Expressway Projects	**–**	1,942,171
Construction fees receivables	**332,458**	–
Advance to non-controlling shareholder of a subsidiary	**276,262**	–
Dividend receivable from associates	**150,748**	–
Other receivables	**514,215**	489,291
Financial assets measured at amortised cost	**2,490,907**	3,533,285
Deposits and prepayments (Note (b))	**664,783**	443,240
	3,155,690	3,976,525

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

12. TRADE AND OTHER RECEIVABLES *(continued)*

Note:

(a) The settlement period of the toll revenue from toll road operations is normally within a month due to the implementation of unified toll collection policy on expressways of the Group in the PRC. Trade receivables other than toll revenue generally due within 120 days from the date of billing. The ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

	As at 30 June 2019	As at 31 December 2018
0—90 days	**778,134**	859,044
91—180 days	**114,881**	60,217
181—365 days	**168,200**	73,260
Over 365 days	**151,781**	79,559
	1,212,996	1,072,080

(b) The amounts mainly included: (i) prepayment for land held for future development of HKD255,503,000 (31 December 2018: HKD259,659,000); (ii)Prepaid taxes of pre-sold real estates of HKD174,795,000 (31 December 2018: nil); and (iii) prepaid transportation costs of HKD21,191,000 (31 December 2018: HKD29,388,000).

13. SHARE CAPITAL AND SHARE PREMIUM

	Number of issued shares (share)	*Ordinary shares*	*Share premium*	*Total*
As at 1 January 2018	2,028,783,185	2,028,783	7,130,879	9,159,662
Employee share option				
– proceeds from shares issued	7,120,642	7,121	62,877	69,998
– value of employee services	–	–	20,151	20,151
Issue of scrip share as dividend (Note 25)	72,983,766	72,984	1,120,132	1,193,116
As at 30 June 2018	2,108,887,593	2,108,888	8,334,039	10,442,927
As at 1 January 2019	**2,119,872,855**	**2,119,873**	**8,432,355**	**10,552,228**
Employee share option				
– proceeds from shares issued	**4,836,901**	**4,837**	**39,648**	**44,485**
– value of employee services	**–**	**–**	**12,026**	**12,026**
Issue of scrip share as dividend (Note 25)	**30,846,611**	**30,847**	**380,351**	**411,198**
As at 30 June 2019	**2,155,556,367**	**2,155,557**	**8,864,380**	**11,019,937**

(a) Authorised and issued shares

As at 30 June 2019, the total authorised number of ordinary shares was 3,000 million shares (31 December 2018: 3,000 million shares) with par value of HKD1.00 per share (31 December 2018: HKD1.00 per share). All issued shares are fully paid.

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

(b) Share options

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

	Six months ended 30 June 2019		Six months ended 30 June 2018	
	Average exercise price (HKD per share)	**Number of share options (thousands)**	Average exercise price (HKD per share)	Number of share options (thousands)
Beginning of the period	**11.521**	**42,009**	11.373	58,655
Forfeited	**10.163**	**(1,699)**	8.788	(572)
Exercised	**9.197**	**(4,837)**	9.830	(7,120)
Adjusted	**–**	**2,568**	–	3,129
End of the period	**10.910**	**38,041**	10.946	54,092

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 2019	31 December 2018
28 January 2019	8.408	**–**	3,893
28 January 2019	10.553	**–**	1,837
25 May 2022 (Note (i))	11.100	**38,041**	36,279
		38,041	42,009

(i) On 26 May 2017, 34,770,000 share options (the "2017 Share Options") with an exercise price of HKD12.628 per share were granted to certain directors of the Company and to selected employees of the Group. During the period, 806,000 (six months ended 30 June 2018: nil) of the 2017 Share Options were forfeited and nil (six months ended 30 June 2018: nil) of the 2017 was exercised.

On 24 June 2019, the Company adjusted the exercise price and number of 2017 Share Options outstanding according to the terms of the share option scheme and supplemental guidelines from the Stock Exchange. The exercise price of 2017 Share Options were adjusted to HKD11.100 per share and the number of share options were increased by 2,568,000.

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

14. OTHER RESERVES AND RETAINED EARNINGS

	Fair value reserve (non-recycling)	*Reserve funds*	*Capital reserve*	*Goodwill reserve*	*Merger reserve*	*Revaluation surplus*	*Other reserves*	*Currency translation reserve*	*Contributed surplus*	*Other reserves Sub-total*	*Retained earnings*	*Total*
At 1 January 2018,	**–**	**2,904,182**	**59,723**	**(159,583)**	**(2,168,674)**	**507,216**	**144,511**	**1,221,497**	**13,005**	**2,521,877**	**12,294,678**	**14,816,555**
Profit attributable to ordinary shareholders of the Company	–	–	–	–	–	–	–	–	–	–	890,757	890,757
Transfer to reserve	–	27,178	–	–	–	–	–	–	–	27,178	(27,178)	–
Dividend relating to 2017	–	–	–	–	–	–	–	–	–	–	(2,035,647)	(2,035,647)
Net movement in fair value reserve on other financial assets (Non-recycling)	(633)	–	–	–	–	–	–	–	–	(633)	–	(633)
Share of other comprehensive income of associates	–	–	–	–	–	–	(13,045)	–	–	(13,045)	–	(13,045)
Business combination under common control	–	–	–	–	19,835	–	–	–	–	19,835	–	19,835
Transactions with non-controlling interests	–	–	–	–	–	–	(1,998)	–	–	(1,998)	–	(1,998)
Currency translation differences	22	–	–	–	–	–	–	(215,241)	–	(215,219)	–	(215,219)
At 30 June 2018	**(611)**	**2,931,360**	**59,723**	**(159,583)**	**(2,148,839)**	**507,216**	**129,468**	**1,006,256**	**13,005**	**2,337,995**	**11,122,610**	**13,460,605**
As at 1 January 2019	(136)	3,504,614	59,723	(159,583)	(2,148,839)	507,216	1,875,822	(77,488)	13,005	3,574,334	13,871,370	17,445,704
Impact on initial application of HKFRS 16 (Note 3)	–	(29,331)	–	–	–	–	–	–	–	(29,331)	(382,587)	(411,918)
At 1 January 2019, as adjusted	(136)	3,475,283	59,723	(159,583)	(2,148,839)	507,216	1,875,822	(77,488)	13,005	3,545,003	13,488,783	17,033,786
Profit attributable to ordinary shareholders of the Company	–	–	–	–	–	–	–	–	–	–	1,238,971	1,238,971
Transfer to reserve	–	2,284	–	–	–	–	–	–	–	2,284	(2,284)	–
Dividend relating to 2018 (Note 25)	–	–	–	–	–	–	–	–	–	–	(2,252,192)	(2,252,192)
Net movement in fair value reserve on other financial assets (Non-recycling)	(13)	–	–	–	–	–	–	–	–	(13)	–	(13)
Share of other comprehensive income of associates	–	–	–	–	–	–	(18,573)	–	–	(18,573)	–	(18,573)
Currency translation differences	–	–	–	–	–	–	–	(149,612)	–	(149,612)	–	(149,612)
At 30 June 2019	(149)	3,477,567	59,723	(159,583)	(2,148,839)	507,216	1,857,249	(227,100)	13,005	3,379,089	12,473,278	15,852,367

15. PERPETUAL SECURITIES

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

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

As the Perpetual Securities only impose contractual obligations on the Group to repay the principal or to pay any distributions under certain circumstances which are at the Group's discretion, they have in substance conferred upon the Group an unconditional right to avoid delivering cash or other financial asset to settle contractual obligations, therefore they do not meet the definition for classification as financial liabilities under HKFRS9. As a result, the whole instrument is classified as equity, and distributions if and when declared are treated as equity dividends.

During the six months ended 30 June 2019, the profit attributable to the holders of perpetual securities, based on the applicable interest rate, was HKD46,511,000 (six months ended 30 June 2018: HKD46,500,000).

On 29 May 2019, an amount of HKD46,511,000 (six months ended 30 June 2018: HKD46,500,000) was distributed to the holders of perpetual securities.

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

16. BORROWINGS

	As at	
	30 June 2019	*31 December 2018*
Non-current		
Long-term bank borrowings		
– Secured (Note (a))	**9,063,046**	9,481,509
– Unsecured	**4,161,255**	4,529,794
Medium-term notes (Note (b))	**2,041,007**	2,048,604
Senior notes (Note (c))	**774,883**	775,383
Corporate bonds (Note (d))	**3,235,387**	3,240,722
Panda bonds (Note (e))	**5,676,964**	5,698,953
	24,952,542	25,774,965
Less: current portion	**(856,803)**	(1,300,834)
	24,095,739	24,474,131
Current		
Short-term bank borrowings		
– Unsecured	**1,761,251**	702,833
– Secured	**–**	134,062
	1,761,251	836,895
Current portion of long-term borrowings		
Bank borrowings		
– Secured (Note (a))	**169,701**	319,185
– Unsecured	**687,102**	981,649
	856,803	1,300,834
	2,618,054	2,137,729
Total borrowings	**26,713,793**	26,611,860

Movement in borrowings is analyzed as follows:

	Six months ended 30 June	
	2019	*2018*
Opening balance as at 1 January	**26,611,860**	21,334,635
Additions	**3,210,333**	7,430,380
Amortisation of transaction costs	**10,336**	5,951
Repayments	**(3,015,073)**	(4,775,358)
Exchange differences	**(103,663)**	(224,420)
Closing balance as at 30 June	**26,713,793**	23,771,188

16. BORROWINGS *(continued)*

(a) As at 30 June 2019, bank borrowings of HKD1,914,306,000 (31 December 2018: HKD 1,979,020,000) were secured by a pledge of the operating rights of Qinglian Expressway.

Bank borrowings of HKD3,149,014,000 (31 December 2018: HKD2,453,330,000) were secured by a pledge of the operating rights of Outer Ring Expressway;

Bank borrowings of HKD3,999,726,000 (31 December 2018: HKD5,044,136,000) were secured by a pledge of the operating rights of Coastal Expressway.

(b) On 30 July 2018, Shenzhen Expressway completed the issue of the RMB1,000 million medium-term notes, which has a term of 3 years and bears a fixed interest at 4.14% per annum. On 15 August 2018, it completed the issue of the RMB800 million medium-term notes, which has a term of 5 years and bears a fixed interest at 4.49% per annum. The interest of medium-term notes should be paid annually and the principal should be repaid at maturity on 30 July 2021 and 15 August 2023 respectively.

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

(d) Shenzhen Expressway issued long-term corporate bonds of RMB800 million for a term of 15 years bearing interest at 5.5% per annum in August 2007 ("Corporate Bond A"). Interest is payable annually and the principal is repayable in full upon maturity on 31 July 2022. The full amount of principal and interest of the Corporate Bond A are unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by the Shenzhen Expressway's 100% equity interest in Shenzhen Meiguan Expressway Company Limited.

On 18 July 2016, Shenzhen Expressway issued long-term corporate bonds of USD300 million for a term of 5 years ("Corporate Bond B"). The issuing price was equal to 99.46% of principle with bearing interest at of 2.875% per annum. Interest is payable semi-annually and the principal is repayable in full upon maturity on 18 July 2021.

(e) On 19 January 2018, the Company issued 5-years Panda Bond-Phase I with par value of RMB300 million carrying a coupon rate of 5.2% per annum. On 12 November 2018, the Company issued 5-years Panda Bond-Phase II with par value of RMB4,700 million carrying a coupon rate of 4.15% per annum. The interest of Panda Bonds should be paid annually and the principal should be repaid at maturity (the last period of interest should be paid with the principal). At the end of the third year of those bonds' duration, the issuer shall be entitled to adjust the coupon rate of corporate bonds and investors shall be entitled to sell back the bonds to the issuer.

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

17. OTHER NON-CURRENT LIABILITIES

	As at	
	30 June 2019	*31 December 2018*
Compensations from government regarding operation of new toll station (Note (a))	**546,623**	573,309
Compensations related to the freight subsidy of Coastal Expressway (Note (b))	**72,971**	146,558
Other deferred income (Note (c))	**653,220**	578,995
	1,272,814	1,298,862

(a) As at 30 June 2019, the amount mainly represented government compensations amounting to HKD546,623,000 (31 December 2018: HKD573,309,000) for the operation subsidy of Luotian, Nanguang and Yanpai toll stations. The compensations are offset against unrecognised finance charges that will be amortised in the consolidated income statement within "finance cost" from 2018 to 2027. Interest expense of HKD23,379,000 was recognised for the period ended 30 June 2019 (six months ended 30 June 2018: nil). The corresponding deferred income with maturity within one year amounted to HKD45,659,000 (31 December 2018: HKD43,014,000) was included in "Trade and other payables";

(b) As at 30 June 2019, the amount mainly represented compensations related to the freight subsidy of Coastal Expressway amounting to HKD72,971,000 (31 December 2018: HKD146,558,000). The compensations include unrecognised finance charges that will be amortised in the consolidated income statement within "finance cost" from March 2018 to December 2020. Interest expense of HKD 9,779,000 was recognised for the period ended 30 June 2019 (six months ended 30 June 2018: HKD9,974,000). The corresponding deferred income with maturity within one year amounted to HKD129,566,000 (31 December 2018: HKD113,668,000) was included in "Trade and other payables";

(c) As at 30 June 2019, other deferred income includes government grants amounting to HKD386,442,000 (31 December 2018: HKD380,567,000) which was received from the government for the purpose of subsidising the Group's development, operation and setting up certain integrated logistics hubs, and the corresponding deferred income with maturity within one year amounted to HKD5,017,000 (31 December 2018: HKD10,583,000) was included in "Trade and other payables".

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

18. TRADE AND OTHER PAYABLES

	As at	
	30 June 2019	31 December 2018
Trade payables (Note (a))	**479,724**	229,252
Construction payables (Note (b))	**3,451,431**	3,534,420
Advances from associates (Note (c))	**23,132**	26,004
Other payables and accrued expenses (Note (d))	**2,709,446**	2,133,162
Financial liabilities measured at amortised cost	**6,663,733**	5,922,838
Deferred income	**180,242**	175,068
	6,843,975	6,097,906

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

	As at	
	30 June 2019	31 December 2018
0 – 90 days	**315,474**	221,591
91 – 180 days	**33,447**	2,023
181 – 365 days	**76,405**	2,417
Over 365 days	**54,398**	3,221
	479,724	229,252

(b) Payables relating to construction projects mainly included: (i) payables relating to construction projects of highways and entrusted management HKD2,423,185,000 (31 December 2018: HKD2,832,278,000); (ii) payables relating to logistics port and real estate HKD612,693,000 (31 December 2018: HKD702,142,000).

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

(d) Other payables and accrued expenses mainly included: (i) dividend payables of Shenzhen Expressway of HKD638,835,000 (31 December 2018: nil); (ii) tax payables of HKD329,425,000 (31 December 2018: HKD814,535,000); (iii) employee benefit expenses of HKD228,724,000 (31 December 2018: HKD381,191,000); (iv) equity acquisitions payables of HKD238,745,000 (31 December 2018: nil); (v) payables for entrusted service costs of HKD199,519,000 (31 December 2018: HKD159,396,000); (vi) interest payables of HKD166,297,000 (31 December 2018: HKD155,581,000); (vii) payables for road maintenance costs of HKD197,436,000 (31 December 2018: HKD200,232,000); (viii) deposit payables of HKD153,481,000 (31 December 2018: HKD155,123,000).

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

19. REVENUE

	Six months ended 30 June	
	2019	2018
Revenue from contracts with customers within the scope of HKFRS 15		
Toll Roads		
– Toll revenue	**2,659,878**	3,370,157
– Entrusted construction management service and construction consulting service revenue	**94,129**	47,839
– Construction service revenue under Service Concession	**782,539**	401,388
– Others	**474,602**	209,329
	4,011,148	4,028,713
Logistic Business		
– Logistic parks	**129,852**	55,031
– Logistic services	**369,225**	339,032
– Port and related services	**897,681**	654,895
	1,396,758	1,048,958
	5,407,906	5,077,671
Revenue from other sources		
Logistic Business		
– Logistic parks	**303,686**	268,406
	5,711,592	5,346,077

20. OTHER GAINS/(LOSSES) – NET

	Six months ended 30 June	
	2019	2018
Gain on disposal of subsidiaries (Note 29)	**309,625**	–
Gains on disposal of other financial assets	**6,790**	4,086
Fair value changes on investment properties	**47,426**	670
Losses on disposal of property, plant and equipment	**–**	(434)
Change in fair value of CSG	**24,184**	(104,826)
Impairment loss of trade receivables	**(44,703)**	(6,558)
Impairment loss of finance lease receivables	**(1,632)**	–
Others	**(265)**	1,522
	341,425	(105,540)

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

21. OTHER INCOME

	Six months ended 30 June	
	2019	2018
Dividend income	**34,605**	1,830
Rental income	**2,672**	4,407
Government grants	**10,874**	19,774
	48,151	26,011

22. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2019	2018
Finance income		
Interest income from bank deposits	**(112,467)**	(48,070)
Interest income from other receivables	**–**	(2,738)
Other interest income	**(690)**	(8,517)
Total finance income	**(113,157)**	(59,325)
Finance costs		
Interest expenses		
– Bank borrowings	**340,896**	455,376
– Medium-term notes	**45,682**	23,134
– Corporate bonds	**63,779**	65,472
– Panda bonds	**119,500**	8,342
– Senior notes	**14,069**	8,139
– Interest on contract liabilities	**19,199**	–
– Interest on lease liabilities	**16,710**	–
– Interest costs for other financial liabilities	**33,149**	243,998
Net foreign exchange (gains)/losses	**(29,042)**	106,303
Gains on derivative financial instruments directly attributable to borrowings	**(17,220)**	(12,479)
Less: finance costs capitalised on qualified assets	**(160,259)**	(109,035)
Total finance costs	**446,463**	789,250
Net finance costs	**333,306**	729,925

23. INCOME TAX BENEFIT/(EXPENSE)

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the period.

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% (six months ended 30 June 2018: 25%) applicable to the respective companies.

PRC Land Appreciation Tax ("LAT") is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including amortization of land use rights, borrowing costs and all property development expenditures.

	Six months ended 30 June	
	2019	*2018*
Current income tax		
– PRC Corporate Income Tax	**(510,934)**	(447,432)
– Land appreciation tax	**(14,736)**	(10,906)
Deferred tax	**663,493**	76,999
	137,823	(381,339)

24. EARNINGS PER SHARE

(a) Basic

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

	Six months ended 30 June	
	2019	*2018*
Profit attributable to ordinary shareholders of the Company	**1,238,971**	890,757
Weighted average number of ordinary shares in issue (thousands)	**2,125,371**	2,036,783
Basic earnings per share (HK dollars per share)	**0.58**	0.44

24. 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	
	2019	*2018*
Profit attributable to ordinary shareholders of the Company	**1,238,971**	890,757
Profit used in the calculation of diluted earnings per share	**1,238,971**	890,757
Weighted average number of ordinary shares in issue (thousands)	**2,125,371**	2,036,783
Adjustments – share options (thousands)	**8,999**	16,717
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,134,370**	2,053,500
Diluted earnings per share (HKD dollars per share)	**0.58**	0.43

25. DIVIDENDS

The board of directors has resolved not to declare any interim dividend in respect of the period (six months ended 30 June 2018: Nil). The 2018 final dividend and special dividend totaling HKD2,252,192,000 (HKD0.36 per ordinary share of final dividend and HKD0.70 per ordinary share of special dividend respectively) were settled in June 2019. According to the scrip dividend scheme approved by shareholders in the annual general meeting held on 17 May 2019, 30,847,000 new shares were issued at a price of approximately HKD13.3304 per share, totaling HKD411,198,000. The remaining dividend totaling HKD1,840,994,000 was paid in cash in June 2019.

26. GUARANTEES AND CONTINGENCIES

(a) Shenzhen Expressway was entrusted by the Transport Commission of Shenzhen Municipality to manage and construct the second phase of the Nanping Project. According to the project construction entrusted management contract, Shenzhen Expressway has provided the Transport Commission of Shenzhen Municipality with an irrevocable performance bank guarantee of RMB15,000,000 (HKD17,053,000) (31 December 2018: RMB15,000,000 (HKD17,125,000)).

(b) Shenzhen Expressway was entrusted by Shenzhen Longhua district construction and works bureau to construct a "Dual upgrade" Road comprehensive renovation project – Da Fu Road (Gui Yue Road-Gui Xiang Road), Jian She Road (Bulong Road – East Second Ring Road) and Longhua District Golf Avenue (Guanlan Avenue – Huanguan South Road) renovation project phase I. According to the terms of the entrustment management contract, Shenzhen Expressway has provided the Shenzhen Longhua district construction and works bureau with an irrevocable performance bank guarantee of RMB50,170,000 (HKD57,037,000) (31 December 2018: RMB50,170,000 (HKD57,278,000))

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

26. GUARANTEES AND CONTINGENCIES *(continued)*

(c) Shenzhen International United Land Co., Ltd. ("United Land Company"), a subsidiary of the Group entered into the Land Transfer Agreements with Longhua Management Bureau under Urban Planning Land and Resources Commission of the Shenzhen Municipal and executed the Meilin Checkpoint Urban Renewal Project. In accordance with the related project contracts, United Land Company has arranged with a bank to issue irrevocable performance guarantees to Shenzhen Longhua New District City Construction Bureau amounting to HKD52,524,000 (31 December 2018:HKD52,746,000).

(d) As of 30 June 2019, United Land Company has given collateral liability guarantees by phases of approximately HKD2,384,185,000 (31 December 2018: HKD140,495,000) to banks to secure the mortgage arrangement of properties buyers.

As of 30 June 2019, Shenzhen Expressway has given collateral liability guarantees by phases of approximately HKD938,860,000 (31 December 2018: HKD848,579,000) to banks to secure the mortgage arrangement of properties buyers. Pursuant to the terms of guarantees, in the event of any defaults in mortgage repayments by those purchasers, the Group shall undertake to repay outstanding mortgage loans together with any accrued interest and penalty due to banks by purchasers in defaults, and then receive legal ownership of the property. The validity period of the Group's guarantee shall commence from the date of grant of relevant mortgage loans and expire upon receipts of property ownership certificates by respective purchasers. The directors of the Group consider that, in case of default in repayments, the net realisable value of related properties should be able to cover repayments of the outstanding guarantees mortgage loans together with any accrued interest and penalty and, accordingly, no provision has been made in respect of the guarantees.

27. COMMITMENTS

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

	As at	
	30 June 2019	*31 December 2018*
Capital commitments – expenditure of property, plant and equipment and concession intangible assets		
– Authorised but not contracted	**2,755,140**	2,839,866
– Contracted but not provided for	**4,724,582**	7,015,737
	7,479,722	9,855,603

(b) At 31 December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	Properties
Within 1 year	93,417
After 1 year but within 5 years	340,582
After 5 years	710,739
	1,144,738

The Group is the lessee in respect of a number of properties and items of plant and machinery and office equipment held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases. From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated balance sheet in accordance with the policies set out in note 3.

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

28. BUSINESS COMBINATION

In March 2019, the Group entered into an agreement for the acquisition of 51% equity interests in Nanjing Wind Power Technology Co., Ltd ("Nanjing Wind Power") at a consideration of RMB510,000,000 (approximately HKD595,725,000).

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

Recognised amounts of identifiable assets acquired and liabilities assumed at the date of acquisition	
Cash and cash equivalents	353,193
Trade and other receivables	526,519
Inventories and other contract costs	52,419
Contract assets	157,302
Property, plant and equipment	7,975
Intangibles assets	93,225
Trade and other payables	(353,890)
Contract liabilities	(3,830)
Other non-current liabilities	(9,543)
Deferred tax liabilities	(12,670)
Total identifiable net assets	810,700
Total consideration	595,725
Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities	397,243
Fair value of identifiable net assets	(810,700)
Goodwill	182,268
Total consideration	
– Cash paid during six months ended 30 June 2019	350,427
– Increase in restricted bank deposits relating to the acquisition	245,298
Cash and cash equivalent acquired	(353,193)
Net cash outflow in the acquisition including in the investing activities	242,532

The revenue included in the consolidated income statement since the acquisition date contributed by Nanjing Wind Power was nil. Nanjing Wind Power also contributed loss of HKD13,791,000 over the same period.

Had Nanjing Wind Power been consolidated from 1 January 2019, the consolidated income statement for the period would show pro-forma revenue of HKD5,712,830,000 and a profit of HKD2,336,656,000.

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

29. DISPOSAL OF SUBSIDIARIES

During the six months ended 30 June 2019, the Group disposed of its entire interests in certain subsidiaries which held lands for future development to third parties. Subsequent to the disposals, these entities were no longer subsidiaries of the Group.

The combined effect of such disposals on the Group's assets and liabilities is set out below:

Inventories and other contract costs	346,749
Trade and other payables	(342,182)
Non-controlling interests	(1,370)
Net assets attributable to the Group disposed of	3,197
Consideration received for disposal of equity interests, satisfied in cash	314,192
Cash received for settlement of payable due to the Group	342,182
Total cash received from disposal of subsidiaries	656,374

30. RELATED-PARTY TRANSACTIONS

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

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

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

(a) On 1 December 2016, Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company") became an associate of Shenzhen Expressway, and Shenzhen Expressway and Consulting Company entered into a service agreement pursuant to which Consulting Company provides engineering consulting, management and testing service. During the period, Shenzhen Expressway paid service fee to Consulting Company amounting to RMB7,709,000 (HKD8,934,000) (six months ended 30 June 2018: RMB14,154,000 (HKD17,375,000)).

(b) On 30 June 2019, the Group's investment commitments to related parties was RMB588,336,000 (HKD668,868,000) (31 December 2018: RMB698,500,000 (HKD797,465,000), which are provided to increase the capital of Guangdong Yangmao Expressway Company Limited ("Yangmao Company") renovation and expansion project.

(c) United Land Company, a non-wholly owned subsidiary of the Group, provided cash advance to its shareholders pro rata to their shareholdings in United Land Company during the six months ended 30 June 2019. During the six months ended 30 June 2019, RMB240,000,000 (HKD276,000,000) (six months ended 30 June 2018: nil) was advanced to its non-controlling shareholder, with an initial interest rate at 3.65% per annum. The interest is repayable annually.

31. EVENTS AFTER THE BALANCE SHEET DATE

On 9 August 2019, Nanjing Xiba Port Co., Ltd. ("Nanjing Xiba Port Co."), a subsidiary of the Company and Nanjing Jiangbei New District Management Committee (南京市江北新區管理委員會) (the "**Jiangbei Committee**") entered into an expropriation and compensation agreement, pursuant to which Jiangbei Committee will expropriate certain properties (including port terminals and their ancillary facilities, depots and their ancillary facilities, etc.) of Nanjing Xiba Port Co. for a total compensation amount of RMB1,500 million (approximately HK$1,685 million). The transfer of properties will be completed in two stages: stage 1 transfer will be completed within 60 days after receipt of the first installment payment (i.e. 30% of the total compensation amount), and stage 2 transfer will be completed on or before 31 July 2020 subject to the receipt by 30 June 2020 of the second installment payment (i.e. 40% of the total compensation amount). The remaining 30% of the total compensation amount shall be payable on or before 31 August 2020, subject to the completion of the stage 1 transfer and the stage 2 transfer.

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 listed securities of the Company during the six months ended 30 June 2019 (the "Period").

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2019, 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") are set out as follows and in the section headed "**SHARE OPTION SCHEME**" below:

Long positions in ordinary shares of the Company

Name of Directors	*Number of ordinary shares held*	*Capacity*	*Nature of interest*	*Approximate % of issued shares of the Company*
Gao Lei	748,678	beneficial owner	personal	0.035%
Li Hai Tao	37,477	beneficial owner	personal	0.002%
Zhong Shan Qun	423,170	beneficial owner	personal	0.020%
Liu Jun	1,080,000	beneficial owner	personal	0.050%
Hu Wei	130,315	beneficial owner	personal	0.006%

Save as disclosed above and in the section headed "**SHARE OPTION SCHEME**" below, as at 30 June 2019, none of the directors or chief executives of the Company had any other interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

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

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

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

The following table lists the details of the movements of the share options granted under the Expired Scheme and the New Scheme during the Period *(Note 1)*:

				Number of unlisted share options (physically settled equity derivatives)						*Share price of the Company (Note 7)*	
Name and category of participants	***Date of grant of share options***	***Exercise period of share options***	***Exercise price of share options** (Note 6)*	***As at 1 January 2019***	***Granted during the Period***	***Adjusted during the Period** (Note 6)*	***Exercised during the Period***	***Cancelled/ lapsed during the Period***	***As at 30 June 2019***	***As at the date of the grant of the share options***	***As at the date of the exercise of the share options***
			HK$							*HK$*	*HK$*
Directors											
Mr. Gao Lei	29 January 2014 *(Notes 2, 3)*	29 January 2016 to 28 January 2019	8.408	256,371	–	–	–	256,371	–	9.70	N/A
	26 May 2017 *(Notes 4, 5)*	26 May 2019 to 25 May 2022	11.100	1,347,216	–	97,538	–	–	1,444,754	12.56	N/A
Mr. Li Hai Tao	22 June 2016 *(Notes 2, 5)*	22 June 2016 to 28 January 2019	10.553	11,372	–	–	11,372	–	–	11.66	14.94
	26 May 2017 *(Notes 4, 5)*	26 May 2019 to 25 May 2022	11.100	1,283,568	–	92,930	–	–	1,376,498	12.56	N/A
Mr. Zhong Shan Qun	29 January 2014 *(Notes 2, 3)*	29 January 2016 to 28 January 2019	8.408	179,112	–	–	–	179,112	–	9.70	N/A
	26 May 2017 *(Notes 4, 5)*	26 May 2019 to 25 May 2022	11.100	1,007,760	–	72,962	–	–	1,080,722	12.56	N/A
Mr. Liu Jun	29 January 2014 *(Notes 2, 3)*	29 January 2016 to 28 January 2019	8.408	173,954	–	–	20,000	153,954	–	9.70	14.58
	26 May 2017 *(Notes 4, 5)*	26 May 2019 to 25 May 2022	11.100	1,007,760	–	72,962	–	–	1,080,722	12.56	N/A
Mr. Hu Wei	29 January 2014 *(Notes 2, 3)*	29 January 2016 to 28 January 2019	8.408	278	–	–	–	278	–	9.70	N/A
	26 May 2017 *(Notes 4, 5)*	26 May 2019 to 25 May 2022	11.100	1,007,760	–	72,962	–	–	1,080,722	12.56	N/A
				6,275,151	–	409,354	31,372	589,715	6,063,418		
Other employees											
In aggregate	29 January 2014 *(Notes 2, 3)*	29 January 2016 to 28 January 2019	8.408	3,282,356	–	–	3,037,801	244,555	–	9.70	15.13
	22 June 2016 *(Notes 2, 5)*	22 June 2016 to 28 January 2019	10.553	1,826,335	–	–	1,767,728	58,607	–	11.66	15.13
	26 May 2017 *(Notes 4, 5)*	26 May 2019 to 25 May 2022	11.100	30,625,296	–	2,158,902	–	806,208	31,977,990	12.56	N/A
				35,733,987	–	2,158,902	4,805,529	1,109,370	31,977,990		
				42,009,138	–	2,568,256	4,836,901	1,699,085	38,041,408		

Notes:

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

(2) These share options have been vested on or before 29 January 2018.

(3) Granted under the Expired Scheme.

(4) 40% of these share options granted have been vested on 26 May 2019; another 30% will be vested on 26 May 2020; and the remaining 30% will be vested on 26 May 2021. Vesting of the share options is conditional upon the achievement of certain performance targets by the respective individual grantees and the Group.

(5) Granted under the New Scheme.

(6) The exercise prices of the share options are subject to adjustment in the event of rights or bonus issues or other similar changes in the share capital of the Company. In view of the distribution of the final dividend and special dividend for the year ended 2018 in scrip form, the Company made an adjustment to the exercise price and the number of the outstanding share options during the Period. As a result, the exercise price per share of the share options granted on 26 May 2017 was adjusted to HK\$11.100 from HK\$11.904 with effect from 24 June 2019.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2019, the interests and short positions of the substantial shareholders of the Company (other than the directors or chief executives of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO are set out below:

Long positions in ordinary shares of the Company

Name of Shareholders	*Number of ordinary shares held*	*Capacity*	*Approximate % of issued shares of the Company*
Shenzhen Investment Holdings Company Limited ("SIHCL") – *Note (1)*	952,010,090	interest of controlled corporation	44.16%
Ultrarich International Limited ("Ultrarich")	952,010,090	beneficial owner	44.16%
UBS Group AG	21,548,312 201,108,402 *Note (2)*	person having a security interest in shares interest of controlled corporation	0.999% 9.330%
Chan See Ting – *Note (3)*	167,979,158	interest of controlled corporation	7.79%
Lai Hoi Man – *Note (3)*	167,979,158	interest of controlled corporation	7.79%
Horoy Enterprise Holdings Limited ("Horoy Enterprise Holdings")	167,979,158	beneficial owner	7.79%

Notes:

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

(2) UBS AG, UBS Financial Services Inc., UBS Switzerland AG, UBS Asset Management (Americas) Inc., UBS Asset Management (Australia) Ltd, UBS Asset Management (Deutschland) GmbH, UBS Asset Management (Hong Kong) Ltd, UBS Asset Management (Singapore) Ltd, UBS Asset Management Switzerland AG, UBS Asset Management Trust Company, UBS Asset Management (UK) Limited, UBS Fund Management (Luxembourg) S.A. and UBS Fund Management (Switzerland) AG are wholly-owned by UBS Group AG. Accordingly, UBS Group AG was deemed to be interested in the long position of an aggregate of 201,108,402 shares of the Company held by these companies.

(3) Horoy Enterprise Holdings was held by Chan See Ting and Lai Hoi Man as to 40% and 60%, respectively. Accordingly, Chan See Ting and Lai Hoi Man were deemed to be interested in the long position of 167,979,158 shares of the Company held by Horoy Enterprise Holdings.

Save as disclosed above, as at 30 June 2019, the Company was not aware that any substantial shareholders of the Company (other than the directors or chief executives of the Company) had interests or short positions in the shares and underlying shares of the Company which are as required to be 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 of the Company. The corporate governance principles adopted by the Company emphasise a highly efficient Board, sound internal control and transparency and accountability to all shareholders of the Company. During the Period, the Company has complied with the requirements of the code provisions set out in the Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Listing Rules.

The Board

As at the date of this report, the Board consisted of eleven directors, including five executive directors: Messrs. Gao Lei, Li Hai Tao, Zhong Shan Qun, Liu Jun and Hu Wei; two non-executive directors: Messrs. Xie Chu Dao and Liu Xiao Dong; and four independent non-executive directors: Messrs. Ding Xun, Nip Yun Wing*, Dr. Yim Fung and Professor Cheng Tai Chiu, Edwin.

* *Mr. Nip Yun Wing was appointed as an independent non-executive director of K. Wah International Holdings Limited (the shares of which are listed on the Main Board of the Stock Exchange (stock code: 00173)) on 12 July 2019.*

During the Period, major issues considered by the Board included the followings:

(1) approved the 2018 annual results and considered the payment of dividends;

(2) reviewed the results and business operations for the first quarter of 2019;

(3) approved and adopted the Nomination Policy of the Company; and

(4) approved and adopted the Dividend Policy of the Company.

Audit Committee

Established in 1995, the audit committee of the Company (the "Audit Committee") consists of three independent non-executive directors, including Mr. Nip Yun Wing (Chairman), Mr. Ding Xun and Professor Cheng Tai Chiu, Edwin. In formulating and adopting the terms of reference of the Audit Committee, the Board had made reference to the "Guide for the Formation of an Audit Committee" issued by the Hong Kong Institute of Certified Public Accountants.

During the Period, major issues discussed by the Audit Committee together with the management and the auditor of the Company (the "Auditor") included the followings:

(1) reviewed the financial report in respect of the 2018 annual results, and confirmed that the relevant disclosures in such financial report was complete, accurate and fair, and recommended the same to the Board for approval;

(2) approved the Auditor's fees for the audit of the 2018 annual financial report;

(3) made recommendation on the reappointment of the Auditor;

(4) reviewed the adequacy of the resources, staff qualifications and experience, training programmes and budget of the accounting, financial reporting and internal audit functions of the Group for the year 2018;

(5) reviewed the effectiveness of the risk management and internal control systems of the Group for the year 2018 with the management and the relevant departments; and

(6) approved the internal audit plan of the Group for the year 2019.

The Company engaged KPMG, the Auditor, to review the unaudited 2019 interim financial report of the Group. Before the approval of the interim financial report by the Board, the Audit Committee has held a meeting with the Auditor to review the unaudited interim financial report of the Group for the six months ended 30 June 2019. The Auditor's review report is set out on page 25 of this report.

Nomination Committee

Established in December 2003, the nomination committee of the Company (the "Nomination Committee") consists of three members, of whom two were independent non-executive directors. Current members of the Nomination Committee are Mr. Ding Xun (Chairman), Mr. Zhong Shan Qun and Mr. Nip Yun Wing.

During the Period, major issues considered by the Nomination Committee included the followings:

(1) evaluated as to the performance of the directors who were subject to retirement or retirement by rotation and re-election at the 2019 annual general meeting and made recommendations;

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

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

(4) considered and made recommendations to the Board as to the adoption of the Nomination Policy of the Company.

Remuneration and Appraisal Committee

Established in December 2003, the remuneration and appraisal committee of the Company (the "Remuneration and Appraisal Committee") consists of three members, of whom two were independent non-executive directors. Current members of the Remuneration and Appraisal Committee are Mr. Ding Xun (Chairman), Mr. Gao Lei and Dr. Yim Fung.

During the Period, major issues considered by the Remuneration and Appraisal Committee included the followings:

(1) evaluated and appraised the performance of the executive directors and senior management for 2018; and

(2) approved the bonus payment for 2018 of the senior management.

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

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

During the Period, major issues considered and discussed by the Executive Board Committee included: discussed and considered the 2018 annual results and dividend proposal; considered the 2019 annual budget, the Nomination Policy, the Dividend Policy and other matters; and discussed the business development plans, capital expenditures, loans and changes in the senior management of the subsidiaries of the Company.

Attendance records of the meetings of the Board and specialized committees of the Board

Details of the attendance of each director at the meetings of the Board and the specialized committees during the Period are set out in the following table:

	Number of Meetings Attended*/Number of Meetings Held*			
Directors	***Board***	***Audit Committee***	***Nomination Committee***	***Remuneration and Appraisal Committee***
Executive directors				
Mr. Gao Lei *(Chairman)*	**2**/2	N/A	N/A	**2**/2
Mr. Li Hai Tao	**2**/2	N/A	N/A	N/A
Mr. Zhong Shan Qun	**2**/2	N/A	**1**/1	N/A
Mr. Liu Jun	**2**/2	N/A	N/A	N/A
Mr. Hu Wei	**2**/2	N/A	N/A	N/A
Non-executive directors				
Mr. Xie Chu Dao	**2**/2	N/A	N/A	N/A
Mr. Liu Xiao Dong	**2**/2	N/A	N/A	N/A
Independent non-executive directors				
Mr. Ding Xun	**2**/2	**2**/2	**1**/1	**2**/2
Mr. Nip Yun Wing	**2**/2	**2**/2	**1**/1	N/A
Dr. Yim Fung	**1**/2	N/A	N/A	**2**/2
Professor Cheng Tai Chiu, Edwin	**2**/2	**2**/2	N/A	N/A

Model Code for Securities Transactions by Directors and Relevant Employees

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

According to specific enquiry to all directors made by the Company, all directors have complied with the standards set out in the Model Code and the Code of Conduct at all times throughout the Period.

Shenzhen International
深國際

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