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Shenzhen International Holdings Limited
深圳國際控股有限公司
(incorporated in Bermuda with limited liability)
(Stock Code: 00152)

2017 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Shenzhen International Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group"), and its joint ventures and associates for the year ended 31 December 2017 (the "Year") together with comparative figures for the year ended 31 December 2016 as follows:

Consolidated Income Statement:

	Note	Year ended 31 December 2017 HK$'000	2016 HK$'000
Revenue	(3), (4)	**9,706,528**	7,787,180
Cost of sales	(6)	**(6,126,220)**	(4,656,733)
Gross profit		**3,580,308**	3,130,447
Other income		**53,662**	110,821
Other gains - net	(5)	**2,634,198**	866,660
Distribution costs	(6)	**(75,062)**	(73,101)
Administrative expenses	(6)	**(606,072)**	(509,560)
Operating profit		**5,587,034**	3,525,267
Share of profit of joint ventures		**19,363**	42,688
Share of profit of associates	(12)	**1,368,985**	1,182,461
Profit before finance costs and income tax		**6,975,382**	4,750,416
Finance income	(7)	**113,593**	195,076
Finance costs	(7)	**(902,033)**	(1,190,687)
Finance costs - net	(7)	**(788,440)**	(995,611)
Profit before income tax		**6,186,942**	3,754,805
Income tax expense	(8)	**(1,430,450)**	(837,623)
Profit for the Year		**4,756,492**	2,917,182
Attributable to:			
Ordinary shareholders of the Company		**3,841,776**	2,115,695
Non-controlling interests		**914,716**	801,487
		4,756,492	2,917,182

Consolidated Income Statement (continued):

	Note	Year ended 31 December 2017 HK$'000	2016 HK$'000
Earnings per share attributable to ordinary shareholders of the Company during the Year (expressed in HK dollars per share)			
- Basic	(9(a))	**1.93**	1.10
- Diluted	(9(b))	**1.92**	1.09

Consolidated Statement of Comprehensive Income:

	Year ended 31 December 2017 HK$'000	2016 HK$'000
Profit for the year	**4,756,492**	2,917,182
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss:		
Fair value losses on available-for-sale financial assets, net of tax	**(37,926)**	(47,196)
Reclassification of fair value gains to consolidated income statement upon disposal of available-for-sale financial assets, net of tax	**-**	(261,317)
Fair value gains on derivative financial instruments, net of tax	**-**	1,483
Share of other comprehensive income/(loss) of associates	**74,539**	(8,267)
Currency translation differences	**2,122,933**	(1,832,200)
Other comprehensive income/(loss) for the year, net of tax	**2,159,546**	(2,147,497)
Total comprehensive income for the year	**6,916,038**	769,685
Total comprehensive income attributable to:		
Ordinary shareholders of the Company	**5,291,360**	656,758
Non-controlling interests	**1,624,678**	112,927
Total comprehensive income for the year	**6,916,038**	769,685

Consolidated Balance Sheet:

	Note	As at 31 December 2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**5,008,054**	4,234,225
Investment properties		**93,330**	87,390
Land use rights		**1,959,033**	1,784,514
Construction in progress		**1,972,151**	2,056,347
Intangible assets	(11)	**26,089,882**	21,286,881
Interests in associates	(12)	**14,284,887**	7,490,060
Interests in joint ventures		**248,748**	260,234
Available-for-sale financial assets	(13)	**186,912**	104,353
Deferred tax assets		**257,075**	144,189
Other non-current assets	(14)	**3,553,132**	1,284,155
		53,653,204	38,732,348
Current assets			
Inventories	(15)	**7,593,884**	2,919,482
Available-for-sale financial assets	(13)	**312,405**	954,751
Derivative financial instruments		**-**	113,233
Trade and other receivables	(16)	**2,091,574**	2,242,728
Restricted bank deposits		**1,054,193**	1,629,804
Deposits in banks with original maturities over three months		**813,956**	1,540,195
Cash and cash equivalents		**5,466,878**	8,253,937
		17,332,890	17,654,130
Assets of disposal group classified as held for sale	(18)	**-**	4,354,416
		17,332,890	22,008,546
Total assets		**70,986,094**	60,740,894
EQUITY AND LIABILITIES			
Share capital and share premium		**9,159,662**	8,323,602
Other reserves and retained earnings		**14,757,551**	10,310,529
Equity attributable to ordinary shareholders of the Company		**23,917,213**	18,634,131
Perpetual securities		**2,330,939**	-
Non-controlling interests		**11,062,354**	9,801,512
Total equity		**37,310,506**	28,435,643

Consolidated Balance Sheet (continued):

	Note	As at 31 December 2017 HK$'000	2016 HK$'000
Liabilities			
Non-current liabilities			
Borrowings		**10,893,496**	7,574,893
Provision for maintenance/resurfacing obligations		**163,311**	142,286
Deferred tax liabilities		**2,211,827**	1,759,275
Other non-current liabilities		**9,720,788**	10,009,736
		22,989,422	19,486,190
Current liabilities			
Trade and other payables	(17)	**4,870,522**	7,447,749
Income tax payable		**769,998**	525,885
Provision for maintenance/resurfacing obligations		**28,617**	36,801
Borrowings		**4,931,819**	4,808,626
Derivative financial instruments		**85,210**	-
		10,686,166	12,819,061
Total liabilities		**33,675,588**	32,305,251
Total equity and liabilities		**70,986,094**	60,740,894

Note：

(1) General

(a) Statement of compliance and basis of preparation

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

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

(1) General (continued)

(b) Land development in Qianhai, Shenzhen for the Group

Shenzhen International West Logistics Co., Ltd. ("West Logistics"), a wholly-owned subsidiary of the Group, owned 5 land parcels with an aggregate site area of approximately 380,000 square metres for logistics purpose in Qianhai, Shenzhen. On 5 October 2015, the Group entered into a land consolidation and preparation framework agreement with Urban Planning Land and Resources Commission of the Shenzhen Municipality ("Shenzhen UPLRC") and Authority of Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone of Shenzhen ("Qianhai Authority") in respect of the Group's land parcels in Qianhai. The parties had agreed to conduct consolidation and preparation work in respect of 5 land parcels owned by West Logistics in Qianhai by way of land swap, monetary compensation and profit sharing. Pursuant to the framework agreement, Shenzhen UPLRC and Qianhai Authority have agreed to arrange a land site with an area of approximately 38,800 square metres at Qianhai Shenzhen-Hong Kong Cooperation Zone as the site for the Group's first phase project. The gross floor area of the first phase project will be approximately 100,000 square metres.

As at 31 December 2016, according to the relevant land agreement, the Group is not required to pay the land value (net of the cost of land parcel No. T102-0069 previously owned by West Logistics) of the three land sites for Qianhai first phase project totaling RMB2,440 million (equivalent to HK$2,830 million) to the relevant government department for the time being.

On 13 October 2017, the Group entered into a supplemental agreement with Shenzhen UPLRC and Qianhai Authority relating to the land consolidation and preparation of all five land parcels owned by the Group in respect of the following principal matters:

- The benchmark date for assessing the land values shall be 1 January 2015, which shall also be the commencement date of the term of land use under the new land use arrangements. The term of land use shall be the maximum term of years permissible under national regulations.

- Entitlements to the assessed land values:

  - the land value in relation to the previous land use arrangements assessed by reference to the above benchmark date shall be attributed to the Group in full.

  - the remaining balance of the assessed land value under the new land use arrangements in excess of such assessed land value of the previous land use arrangements by reference to the above benchmark date shall be shared as to 60% to the Qianhai Authority and 40% to the Group, after deduction of 5% of land appreciation gains as fixed costs pursuant to governmental policy requirements.

In accordance with the principles set out in the abovementioned supplemental agreement and based on the assessments conducted by the parties thereby under the new and previous land use arrangements, the aggregate value of land sites under the new land use arrangements in Qianhai to which the Group is entitled to compensation amounted to approximately RMB8,370 million (approximately HK$9,690 million). It shall be compensated through the obtaining of land sites in Qianhai under the new land use arrangements by way of swap of land sites in equivalent values, with 1 January 2015 as the benchmark date for ascertaining land prices.

(1) General (continued)

(b) Land development in Qianhai, Shenzhen for the Group (continued)

In connection therewith, the aforementioned profit-oriented land site with an area of approximately 38,800 square metres at Qianhai Shenzhen-Hong Kong Cooperation Area obtained by the Group in 2016 represents the Group's first compensated land site under the new land use arrangements, being a part of the swap of land sites in respect of the aforesaid aggregate amounts of land compensation. Therefore, land value (net of the cost of land parcel No. T102-0069 previously owned by West Logistics) of the three land sites for Qianhai first phase project totaling RMB2,440 million (equivalent to HK$2,830 million) was no longer required to be paid to the Qianhai Authority, and was recognised as other gain-net in the consolidated income statement for the year ended 31 December 2017. Compensation for the consolidation and preparation of the Group's remaining land sites in Qianhai will be received as and when appropriate in accordance with the overall planning of the Qianhai Authority.

(2) Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these has significant impact on the accounting policies of the Group. However, additional disclosure has been included to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

(b) New standards and interpretations that are not yet effective and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKFRS 2	Share-based payment: Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
Amendments to HKAS 40	Investment Property: Transfers of investment property	1 January 2018
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group is in the process of assessing the impact of the above new standards and amendments to existing standards. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

(3) Segment information

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

- Toll roads; and
- Logistic business.

Head office functions include corporate management functions and investment and financial activities of the Group. It also includes one-off and non-recurring activities of the Group.

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

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

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

(3) Segment information (continued)

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

For the year ended 31 December 2017

	Toll roads	*Logistic business*				*Head Office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related service*[b]	*Sub-total*		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	7,110,588[a]	564,021	1,045,553	967,768	2,577,342	18,598	9,706,528
Operating profit	2,893,563	159,553	51,138	97,038	307,729	2,385,742	5,587,034
Share of profit/(loss) of joint ventures	8,194	12,215	-	-	12,215	(1,046)	19,363
Share of profit/(loss) of associates	563,108	(375)	5,990	-	5,615	800,262	1,368,985
Finance income	48,604	5,167	4,901	730	10,798	54,191	113,593
Finance costs	(1,015,481)	(15,954)	(1,103)	(2,049)	(19,106)	132,554	(902,033)
Profit before income tax	2,497,988	160,606	60,926	95,719	317,251	3,371,703	6,186,942
Income tax expense	(500,185)	(34,102)	(17,077)	(10,146)	(61,325)	(868,940)	(1,430,450)
Profit for the year	1,997,803	126,504	43,849	85,573	255,926	2,502,763	4,756,492
Non-controlling interests	(965,457)	4,725	(5,592)	(20,358)	(21,225)	71,966	(914,716)
Profit attributable to ordinary shareholders of the Company	1,032,346	131,229	38,257	65,215	234,701	2,574,729	3,841,776
Depreciation and amortisation	1,718,442	91,753	29,043	58,761	179,557	37,871	1,935,870
Capital expenditure							
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	997,479	262,554	30,758	9,641	302,953	593,825	1,894,257
- Additions in property, plant and equipment, construction in progress, land use rights, and intangible assets arising from acquisition of subsidiaries	3,894,966	-	-	-	-	-	3,894,966
- Additions in interests in associates	5,010,306	-	-	1,157	1,157	115,741	5,127,204

(3) Segment information (continued)

For the year ended 31 December 2016

	Toll roads	*Logistic business*				*Head Office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related service*[b]	*Sub-total*		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	6,056,504[a]	571,880	629,701	529,095	1,730,676	-	7,787,180
Operating profit	2,548,648	165,517	36,208	84,809	286,534	690,085	3,525,267
Share of profit/(loss) of joint ventures	29,136	15,625	(28)	-	15,597	(2,045)	42,688
Share of profit/(loss) of associates	299,197	(385)	6,290	-	5,905	877,359	1,182,461
Finance income	124,953	1,595	6,274	986	8,855	61,268	195,076
Finance costs	(924,711)	(11,717)	(801)	(7,214)	(19,732)	(246,244)	(1,190,687)
Profit before income tax	2,077,223	170,635	47,943	78,581	297,159	1,380,423	3,754,805
Income tax expense	(436,782)	(26,849)	(7,127)	(9,435)	(43,411)	(357,430)	(837,623)
Profit for the year	1,640,441	143,786	40,816	69,146	253,748	1,022,993	2,917,182
Non-controlling interests	(794,253)	590	(2,544)	(19,303)	(21,257)	14,023	(801,487)
Profit attributable to ordinary shareholders of the Company	846,188	144,376	38,272	49,843	232,491	1,037,016	2,115,695
Depreciation and amortisation	1,495,089	81,864	10,060	51,651	143,575	34,590	1,673,254
Capital expenditure							
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	219,032	1,416,375	15,980	199,079	1,631,434	1,492,874	3,343,340
- Additions in interests in associates	79,805	-	-	-	-	653,928	733,733

(a) The revenue from toll roads included construction service revenue under service concession arrangements of HK$862,303,000 for the Year (2016: HK$146,487,000).

(b) Port and related services included operation and management of wharf and logistic centres at Xiba Port in Nanjing, and port related supply chain management service business. The revenue and profit before income tax from port related services were HK$699,295,000 and HK$25,112,000 respectively for the Year (2016: HK$322,868,000 and HK$10,655,000).

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

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

(4) Revenue

	2017	*2016*
	HK$'000	HK$'000
Toll Roads		
- Toll revenue	**5,634,244**	5,106,600
- Entrusted construction management service and construction consulting service revenue	**94,520**	508,469
- Construction service revenue under service concession	**862,303**	146,487
- Others	**519,521**	294,948
	7,110,588	6,056,504
Logistic Business		
- Logistic parks	**564,021**	571,880
- Logistic services	**1,045,553**	629,701
- Port and related services	**967,768**	529,095
	2,577,342	1,730,676
Head Office Functions	**18,598**	-
	9,706,528	7,787,180

(5) Other gains - net

	2017	*2016*
	HK$'000	HK$'000
Gain on replacement of land	**2,829,605**	-
Gains on land compensation	**28,575**	-
Losses on impairment of certain property, plant and equipment	**(89,342)**	-
Losses on impairment of certain inventories	**(251,611)**	-
Gain on disposal of a subsidiary	**51,834**	-
Gains on revaluation on equity interests in a joint venture previously held arising from business combinations with change of control - net	**31,209**	-
Losses on disposal of Meiguan Expressway's toll free section related assets	**(50,579)**	(31,113)
Gains on disposal of available-for-sale financial assets	**61,412**	238,558
Gain on disposal of land assets in Qianhai	**-**	648,246
Others	**23,095**	10,969
	2,634,198	866,660

(6) Expenses by nature

Expenses included in cost of sales, distribution costs and administrative expenses are：

	2017	*2016*
	HK$'000	HK$'000
Construction services cost under Service Concession	**862,303**	146,487
Provision for maintenance/resurfacing obligations-net	**34,545**	32,179
Depreciation and amortisation	**1,935,870**	1,673,254
Employee benefit expenses	**970,803**	942,262
Transportation expenses and contractors' costs	**649,761**	407,319
Rental charges	**63,707**	26,741
Other tax expenses	**81,745**	107,417
Commission, management fee and maintenance expenses for toll roads	**345,037**	352,347
Entrusted construction management service costs	**12,487**	73,619
Net provision/(write back) for impairment of trade receivables	**24,473**	(2,261)
Auditors' remuneration		
- Audit services	**7,234**	5,759
- Non-audit services	**7,416**	3,285
Legal and consultancy fees	**40,006**	45,117
Costs for logistic and supply chain management business	**702,060**	394,185
Others	**1,069,907**	1,031,684
	6,807,354	5,239,394

(7) Finance income and costs

	2017	*2016*
	HK$'000	HK$'000
Interest income from bank deposits	**(96,182)**	(186,643)
Interest income from other receivables	**(5,069)**	(6,772)
Other interest income	**(12,342)**	(1,661)
Total finance income	**(113,593)**	(195,076)
Interest expense		
- Bank borrowings	**422,876**	189,100
- Medium-term notes	**65,634**	110,115
- Senior notes	**32,665**	103,165
- Corporate bonds	**128,448**	146,513
- Other interest costs	**8,624**	6,087
- Interest costs for other financial liabilities	**494,488**	532,371
Net foreign exchange (gains)/losses	**(312,629)**	368,072
Losses/(gains) on derivative financial instruments directly attributable to borrowings	**169,402**	(117,946)
Less: finance costs capitalised on qualified assets	**(107,475)**	(146,790)
Total finance costs	**902,033**	1,190,687
Net finance costs	**788,440**	995,611

(8) Income tax expense

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

The PRC Corporate Income Tax charged to the consolidated income statement was calculated based on the assessable profits of the Company's subsidiaries located in the PRC of the year at a rate of 25% (2016: 25%) applicable to the respective companies.

	2017	*2016*
	HK$'000	HK$'000
Current income tax		
- PRC Corporate Income Tax	**1,593,609**	946,700
Deferred tax	**(163,159)**	(109,077)
	1,430,450	837,623

(9) Earnings per share

(a) Basic

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

	2017	*2016*
	HK$'000	HK$'000
Profit attributable to ordinary shareholders of the Company	**3,841,776**	2,115,695
Weighted average number of ordinary shares in issue (thousands)	**1,992,748**	1,929,847
Basic earnings per share (HK$ per share)	**1.93**	1.10

(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.

(9) Earnings per share (continued)

(b) Diluted (continued)

	2017 HK$'000	*2016* HK$'000
Profit attributable to ordinary shareholders of the Company	**3,841,776**	2,115,695
Weighted average number of ordinary shares in issue (thousands)	**1,992,748**	1,929,847
Adjustments - share options (thousands)	**10,251**	4,197
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,002,999**	1,934,044
Diluted earnings per share (HK$ per share)	**1.92**	1.09

(10) Dividends

At the board meeting on 27 March 2018, the board recommended the payment of final dividend and special dividend for the year of 2017 of HK$0.44 per ordinary share and HK$0.56 per ordinary share respectively. Such dividends are to be approved by the shareholders at the forthcoming annual general meeting of the Company in 2018 ("Annual General Meeting"). These consolidated financial statements do not reflect this as dividend payable.

	2017 HK$'000	*2016* HK$'000
Proposed final and total dividend of HK$0.44 (2016: HK$0.43) per ordinary share	**892,665**	841,806
Proposed special dividend of HK$0.56 (2016: Nil) per ordinary share	**1,136,118**	-
	2,028,783	841,806

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

(11) Intangible assets

Concession intangible assets

	2017	*2016*
	HK$'000	HK$'000
Cost	**36,965,645**	29,327,597
Accumulated amortisation and impairment	**(10,875,763)**	(8,040,716)
Net book value	**26,089,882**	21,286,881

	2017	*2016*
	HK$'000	HK$'000
Opening net book value	**21,286,881**	23,831,721
Acquisition of subsidiaries	**3,820,754**	-
Additions	**943,889**	147,649
Transfer from construction in progress	**-**	5,808
Disposals	**(9,669)**	-
Amortisation	**(1,540,500)**	(1,297,664)
Exchange difference	**1,588,527**	(1,400,633)
Closing net book value	**26,089,882**	21,286,881

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 5 to 18 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any considerations payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options. Amortisation of concession intangible assets has all been charged in the consolidated income statement within "Cost of sales".

(12) Interests in associates

	2017	*2016*
	HK$'000	HK$'000
Beginning of year	**7,490,060**	5,673,459
Additions	**5,127,204**	733,733
Transfer from other non-current assets	**-**	692,850
Transfer from investments in subsidiary	**-**	50,863
Share of profit of associates	**1,368,985**	1,182,461
Share of other comprehensive income/(loss) of associates	**74,539**	(8,267)
Dividends received	**(589,250)**	(363,321)
Exchange difference	**813,349**	(471,718)
End of year	**14,284,887**	7,490,060

(13) Available-for-sale financial asset

	2017	*2016*
	HK$'000	HK$'000
Beginning of year	**1,059,104**	1,215,450
Additions	**72,994**	654,947
Net change in fair value	**(50,568)**	(62,928)
Disposals	**(624,078)**	(672,062)
Exchange difference	**41,865**	(76,303)
End of year	**499,317**	1,059,104
Less: non-current portion	**(186,912)**	(104,353)
Current portion	**312,405**	954,751

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

	2017	2016
	HK$'000	HK$'000
Listed securities in the PRC, at fair value (Note (a))	**312,405**	340,843
Unlisted yield-enhancement products: at fair value	**-**	613,908
Unlisted equity investments: at cost less impairment		
- Cost (Note (b))	**211,007**	128,448
- Provision for impairment	**(24,095)**	(24,095)
	186,912	104,353
	499,317	1,059,104

(a) As at 31 December 2017, listed equity investments stated at market price represented 1.30% (2016: 1.30%) equity interest in CSG Holding Co., Ltd.

(b) The Group's unlisted equity investments do not have quoted market prices in an active market and their fair values cannot be reliably measured.

(14) Other non-current assets

As at 31 December 2017, other non-current assets mainly represented prepayments for acquisition of a subsidiary, prepayments for land use rights, project funds and other long-term receivables.

(15) Inventories

	2017	*2016*
	HK$'000	HK$'000
In the PRC		
Land in Qianhai held for future development	**1,634,830**	1,506,024
Other land held for future development	**5,226,047**	58,298
Land and properties under development for sale	**251,595**	652,466
Completed properties for sale	**682,015**	560,974
Others	**51,008**	141,720
Impairment	**(251,611)**	-
	7,593,884	2,919,482

(16) Trade and other receivables

The settlement period of the toll revenue from toll road operations is normally within a month due to the implementation of unified toll collection policy on expressways of the Group in the PRC. Trade receivables other than toll revenue generally have credit terms of 30 to 120 days. As at 31 December 2017 and 2016, the ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

	2017	*2016*
	HK$'000	HK$'000
0 - 90 days	**847,057**	607,419
91 - 180 days	**31,701**	98,829
181 - 365 days	**29,413**	29,231
Over 365 days (a)	**83,356**	485,281
	991,527	1,220,760

(a) Trade receivables due over 365 days mainly comprised the amount of HK$66,404,000 (2016: HK$146,955,000) arising from the Group's development and management of certain toll road projects administrated for Shenzhen Traffic and Transportation Committee (the "SZ Transportation Committee").

(17) Trade and other payables

As at 31 December 2017 and 2016, the ageing analysis of the trade payables based on the date of invoices was as follows:

	2017	*2016*
	HK$'000	HK$'000
0-90 days	**93,357**	92,636
91-180 days	**2,892**	8,944
181-365 days	**18,308**	4,638
Over 365 days	**794**	936
	115,351	107,154

(18) Assets of disposal group classified as held for sale

In June 2015, Shenzhen International United Land Co., Ltd. ("United Land Company"), a subsidiary of the Group, entered into various land transfer agreements (the "Land Transfer Agreements") with Longhua Management Bureau under Urban Planning Land and Resources Commission of the Shenzhen Municipal to acquire the land use rights of the Meilin checkpoint land parcels at a total consideration of RMB3,566,700,000 (equivalent to HK$3,981,136,000). Pursuant to the Land Transfer Agreements, United Land Company paid 30% of the total land premium by 30 June 2015 and the remaining land premium was paid before 23 June 2016. Prior to the above transaction, the Group had possessed these land use rights for logistic business operation. The directors of Company had approved a plan to dispose of not less than 50% equity interest in United Land Company to third-party real estate developers within one year. As such, as at 31 December 2016, the related group of assets which mainly includes the prepayment for land premium of HK$3,981,136,000, the carrying values of the original land use rights of HK$49,280,000 and the buildings and fixtures attached to the land use rights of HK$324,000,000, were reclassified to assets held for sale.

In October 2017, the directors of the Group decided to rescind the original plan of disposal of not less than 50% equity for logistic business operation. Meanwhile, United Land Company entered into a construction agreement with a third party. According to the agreement, the third party was responsible for the whole process of the project development, construction management and sales management. As such, the aforementioned related group of assets was no longer reclassified as assets held for sale, and the assets and liabilities of United Land Company were consolidated in the consolidated balance sheet of the Group in 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Operating Results	**2017** ***HK$'000***	2016 *HK$'000*	Increase
Core Business Revenue	**8,844,225**	7,640,693	16%
Construction service revenue from toll roads	**862,303**	146,487	489%
Total revenue	**9,706,528**	7,787,180	25%
Operating profit	**5,587,034**	3,525,267	58%
of which: Core Business	**3,098,381**	2,657,626	17%
Profit before finance costs and tax	**6,975,382**	4,750,416	47%
of which: Core Business	**4,486,729**	3,882,775	16%
Profit attributable to shareholders	**3,841,776**	2,115,695	82%
of which: Core Business	**2,245,333**	1,750,557	28%
Basic earnings per share (HK dollars)	**1.93**	1.10	75%
Dividend per share (HK dollar) (in aggregate)	**1.00**	0.43	133%
- Final dividend (HK dollar)	**0.44**	0.43	2%
- Special dividend (HK dollar)	**0.56**	-	N/A

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

The Group seized the major opportunities of conversion of land use of its logistics parks in Shenzhen and vigorously advanced its transformation and upgrade work. In view of significant progress made for the land consolidation and preparation of the Qianhai Project in 2017, 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) ("Shenzhen UPLRC") 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") further entered into a supplemental agreement to the land consolidation and preparation framework agreement (the "Supplemental Agreement") in October 2017 in respect of all five land parcels with an aggregate site area of approximately 380,000 square metres in Qianhai owned by the Group.

In accordance with the principles set out in the Supplemental Agreement and based on the land value assessments, the aggregate value of land sites under the new land use arrangements in Qianhai to which the Group is entitled compensation amounted to approximately HK$9,690 million (approximately RMB8,370 million). It shall be compensated through the obtaining of land sites in Qianhai under the new land use arrangements by way of swap of land sites in equivalent values, with 1 January 2015 as the benchmark date for assessing land prices. In connection therewith, the land site for the first phase of the Qianhai Project with an area of approximately 38,800 square metres obtained by the Group in December 2016 represented the Group's first compensated land site under the new land use arrangements, being the first part of the swap of land sites in respect of the aforesaid aggregate amounts of land compensation. Therefore, the land value of approximately HK$2,860 million (approximately RMB2,470 million) was no longer required to be paid to the Qianhai Authority, pursuant to which the Group recognised a profit before taxation for the year ended 31 December 2017 (the "Year") amounting to approximately HK$2,830 million (approximately RMB2,440 million), leading to a profit attributable to shareholders of approximately HK$2,122 million. Benefitting from the profit recognition mentioned above, the Group recorded an increase in profit attributable to shareholders of 82% to HK$3,842 million for the Year.

In 2017, while continuing to focus at implementing the strategic deployment of "China Urban Integrated Logistics Hub", the Group also steadily advanced land acquisition and construction, and actively increased its marketing efforts. Affected by the positioning deviation of the Shenyang Integrated Logistics Hub project and the weak economy in the northeast region, the leasing and sales of the project fell short of expectations. Therefore, the Group accrued a provision for impairment of approximately HK$341 million in respect of the Shenyang Integrated Logistics Hub project during the Year. The Group is in the course of strengthening its marketing and business development efforts in order to improve the operating performance of the Shenyang project. The Group believes that the operating results of the Shenyang Integrated Logistics Hub project will continue to improve along with the recovery of the economy in the northeast region. The Group's other integrated logistics hub projects that have been put into operation did not encounter similar circumstances. As of the date of this announcement, the Group has established its presence in 20 major logistics gateway cities and executed investment agreements for China Urban Integrated Logistics Hub projects, involving a planned site area of approximately 6.08 million square metres, of which approximately 2.70 million square metres are currently owned by the Group. A total of eight projects have been put into operation, with an operating area of 620,000 square metres. With the release of efficiency in the integrated logistics hub projects, it is expected that such projects will become another major driving force of the Group's business growth.

In respect of toll road business, the Group completed the acquisition of Hunan Yichang Expressway and signed an acquisition agreement to acquire the Shenzhen section of Guangshen Coastal Expressway (Guangzhou to Shenzhen) during the Year. As of the date of this announcement, the acquisition has been completed. Such acquisitions have provided strong support for the sustainable development of toll road business of the Group in the long run.

During the Year, both the Group's revenue and profit before finance costs and tax from its core business raised 16%, to HK$8,844 million and HK$4,487 million, respectively, as compared to the corresponding period of the previous year. The Group achieved satisfactory growth in profit attributable to shareholders from its core business, which amounted to HK$2,245 million, representing an increase of 28%, as compared to the corresponding period of the previous year. This was mainly driven by the increase in profits from toll road business and a decrease in finance costs of the Group as a result of appreciation of Renminbi.

During the Year, most of the toll road projects of the Group maintained growth in traffic volume and toll revenue. In addition, two toll road projects, namely Changsha Ring Road and Yichang Expressway, were consolidated in the Group's financial statements during the Year. New investment and acquisition projects also contributed profit for the Group. As a result, toll road business recorded a total revenue of HK$6,248 million, representing an increase of 6% as compared to the corresponding period of the previous year, and a profit attributable to shareholders of HK$1,032 million representing an increase of 22% as compared to the corresponding period of the previous year, which in turn contributed to the increase in the Group's profit attributable to shareholders.

Logistics business sustained stable operation during the Year. Revenue increased by 49% to HK$2,577 million, as compared to the corresponding period of the previous year, benefiting from the significant growth of the business volume of port business and being driven by the successful expansion of the third-party logistics service business and logistics financial service business. As the Group's existing logistics parks were under transformation and upgrading and China Urban Integrated Logistics Hub projects were undergoing an incubation stage, profit growth of the Group's logistics business was under pressure, which, coupled with a relatively low gross profit margin of the third party logistics service, partly offset the increase in revenue of the logistic business. Therefore, profit attributable to shareholders of logistics business amounted to HK$235 million, similar with that of the corresponding period of the previous year. Nevertheless, with the transformation and upgrade of logistics parks progressing steadily and with more China Urban Integrated Logistics Hub projects commencing operations, the growth of the Group's logistics business will be improved.

During the Year, Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate in which the Group holds a 49% equity interest, maintained a growth in the number of carried passengers and recorded a total revenue of RMB27,646 million (equivalent to HK$31,998 million), representing an increase of 6% as compared to the corresponding period of the previous year. However, affected by the increase in aviation fuel prices, cost of aviation fuel increased significantly as compared to the corresponding period of the previous year, net profit of Shenzhen Airlines therefore decreased by 9%, to RMB1,439 million (equivalent to HK$1,665 million), as compared to the corresponding period of the previous year. Shenzhen Airline contributed a profit of approximately HK$763 million to the Group during the Year, representing a decrease of 8% as compared to the corresponding period of the previous year.

Successful Issuance of US Dollar Denominated Senior Perpetual Capital Securities and Panda Bonds

The Company's successful issuance of US$300 million senior perpetual capital securities bearing an interest rate of 3.95% per annum on 29 November 2017 was rated "Baa2" by Moody's. The positive response by market demonstrated the market's recognition of both the Group's business development and profitability.

In early 2017, the Group obtained the approval from the China Securities Regulatory Commission for the issuance of corporate bonds in an aggregate principal amount not exceeding RMB5,000 million in the PRC and successfully issued the RMB300 million first tranche of bonds in early 2018.

The issuance of US dollar denominated senior perpetual capital securities and panda bonds have played an active role in optimising the capital structure and lowering the funding cost of the Group, and also provided more favourable conditions for the Group's future business development.

Dividend

Having considered the composition of the profit and cash flows of the Group, the board of directors of the Company (the "Board") recommended a final dividend of HK$0.44 per share for the Year, representing a 40% payout ratio of profit generated from the Group's core business attributable to shareholders, which is the same as that of 2016. The Board also proposed the payment of a special dividend of HK$0.56 per share to the shareholders. The total dividend per share is HK$1.00 (2016: final dividend of HK$0.43; special dividend: Nil), representing an increase of 133%, as compared to the previous year. Total dividend amounted to HK$2,029 million (2016: HK$842 million), representing an increase of 141%, as compared to the previous year. The Board is committed to maintaining a stable dividend policy of the Company and shares most of its one-off gain with the shareholders.

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

LOGISTIC BUSINESS

Analysis of Operating Performance

Logistic Parks

During the Year, the Group's logistic parks maintained a relatively stable occupancy rate, with an average of approximately 96%. In 2017, the Group actively explored ways to transform and upgrade its business, so as to strengthen its relationships with existing customers and to attract new customers. The Group entered into a strategic cooperation agreement with Evergrande Agri-husbandry Group (恒大農牧集團), which is engaged in the production and distribution of spring water, grain, oil and dairy products, to provide comprehensive logistics management and operation services for its core business segments. This established a cooperation model for the outsourcing of logistics management and business operations, and was important to the transformation and upgrade of the Group's business in the third-party logistics service sector.

In 2017, South China Logistic Park made a strong effort in developing smart e-commerce cloud storage and other innovative business, which have effectively increased the storage capacity and reduced logistics costs, promoted the transformation and upgrading and achieved quality and efficiency.

Shenzhen International Kanghuai E-commerce Centre is the Group's first asset-light project operated through leasing. The project occupies a site area of approximately 38,000 square meters and a gross floor area of approximately 143,000 square meters. The construction of the project was completed at the end of 2017 and will commence full operation in 2018. Property leasing contracts have been signed in respect of nearly 90,000 square metrrs, and the overall occupancy rate is over 65%.

The "Pan-Bohai Rim-Shandong-Liaoning Multimodal Transportation (by means of road, railway, sea and Ro-Ro vessels) Project" led by the Group was formally recognised as the second batch of the National Multimodal Transportation Demonstration Projects. The project represents one of the specific measures of the Group in seizing opportunities to actively participate in the "One Belt, One Road" initiative.

In addition, taking into account of the strategic development needs and further optimising its overall resource allocation, the Group has disposed of all its equity interest in Nanjing UT Logistics Co., Ltd., a wholly-owned subsidiary which held and operated Nanjing Chemical Industrial Park Logistic Centre, for approximately RMB156 million in May 2017, and recorded a gain from disposal of approximately RMB34.26 million.

China Urban Integrated Logistics Hub

The Group strived to promote the network and construction of "China Urban Integrated Logistics Hub" projects aiming at a nationwide coverage. The Group entered into investment agreements for the "China Urban Integrated Logistics Hub" projects with relevant government authorities of Yiwu, Wuhan Caidian and Chengdu Qingbaijiang respectively in 2017, and subsequently with the relevant government authority of Jinan in early 2018. In addition, the Group acquired Kunming project by way of merger and acquisition in early 2018.

While continuing with its efforts in developing new projects, the Group has also advanced its projects under construction or planning in a steady pace to ensure compliance with work schedules and preparation for marketing are actively underway. In the second half of 2017, the "China Urban Integrated Logistics Hub" projects in Shijiazhuang, Nanchang, Hangzhou and Wuxi were completed and put into operation or trial operation respectively, resulting in an increase of operation area of 180,000 square metres. Benefiting from the strong market demand for modern high-quality logistics facilities and effective marketing effort, the Group succeeded in maintaining remarkable occupancy rate for each project. As of 31 December, 2017, a total of eight "China Urban Integrated Logistics Hub" projects were put into operation or trial operation, with a total operating area of 623,000 square metres and an overall occupancy rate of approximately 81%.

The land acquisition work for the integrated logistics hubs has been in steady progress. In 2017, there are an addition of approximately 250,000 square meters of new land area in total for the projects in Wuxi, Ningbo and Chongqing. In addition, construction period of a number of new and continual construction projects such as those in Guizhou, Ningbo and Hangzhou have been commenced as planned during the Year, and are expected to complete and commence operation in 2018, which will result in an increase of operating area of 350,000 square meters. At the same time, construction of projects in Kunming, Chongqing, Jurong and Xi'an will commence in 2018.

As at the date of this announcement, the Group had established strategic presence in a total of 20 major logistics gateway cities, namely Shenyang, Wuxi, Wuhan, Tianjin, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Chengdu, Guizhou, Kunshan, Chongqing, Zhengzhou, Xi'an, Jurong, Yiwu, Kunming and Jinan, covering a planned site area of approximately 6.08 million square metres in aggregate. Relevant investment agreements have been entered into with the respective local government authorities. Among these cities, the Group has obtained the land use rights of land parcels with an aggregate site area of approximately 2.70 million square metres for 15 projects in Shenyang, Wuxi, Wuhan, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Guizhou, Kunshan, Jurong Chongqing, Xi'an and Kunming.

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

Port and Related Services

In 2017, through consolidation of the Group's relationships with its existing customers, the attraction of more new customers by enhancing value-added services provided to customers and the releases of production capacity of Phase 2 project of Nanjing Xiba Port, the growth of the port business was strengthened. Meanwhile, leveraging the advantage of port resources, the Group actively expanded the port-related supply chain management service business, which further optimised the structure and drove the business volume of the port business through effective integration of the supply chain business and the traditional port business. In 2017, a total of 389 seagoing vessels berthed at Nanjing Xiba Port, total throughput of which reached 26.26 million tonnes, representing an increase of 38% as compared to the corresponding period of the previous year.

In 2017, the Group formulated a sub-strategy for "Shenzhen International Ports and Supply Chain", mapping out the direction of the development for the Group's port business. In addition, the Group has signed a cooperative framework agreement of "Shenzhen International Fengcheng Rail-water intermodal Transport Logistic Base" project with the relevant government authority of Fengcheng city, Jiangxi province. The project plays a key role in implementing the sub-strategy of "Shenzhen International Ports and Supply Chain", and has marked the first step of the port business towards outward investment and expansion, which would bring new opportunities to its future development.

Logistics Services

Relying on its existing logistics infrastructure facilities and abundance in resources and capital, the Group orchestrated a gradual transformation of its traditional logistics business and actively explored supply chain management, value chain integration and logistics finance services. In 2017, the information service business faced fierce market competition. The Group committed more resources on research and development by introducing innovative products such as data information service system. The product structure and comprehensive profitability, as a result, were further improved and strengthened. Meanwhile, the Group actively explored logistics financial service models such as small loans and finance lease and enhanced overall competitiveness of its logistics service business by optimising its operations on an ongoing basis so as to attract more new customers.

Financial Analysis

Revenue from the logistic business for the Year increased by 49% to HK$2,577 million, as compared to the corresponding period of the previous year, which was mainly driven by a significant growth in the business volume of the Group's port business and the successful expansion of its third-party logistics service business and the logistics financial service business. Profit attributable to shareholders amounted to HK$235 million, maintained at a similar level with that in 2016.

Revenue and Profit Attributable to Shareholders of Each Logistic Business Unit

For the year ended 31 December

	Revenue			Profit Attributable to Shareholders		
	2017 ***HK$'000***	2016 *HK$'000*	*Increase/ (Decrease)*	**2017** ***HK$'000***	2016 *HK$'000*	*Increase/ (Decrease)*
Logistic Park Business						
South China Logistic Park	**309,749**	251,474	23%	**96,820**	89,257	8%
Western Logistic Park	**96,369**	98,568	(2%)	**11,608**	26,953	(57%)
Integrated Logistics Hubs	**66,790**	31,646	111%	**3,559**	(4,074)	N/A
Shandong Booming Total Logistic Park^	**58,641**	60,972	(4%)	**508**	997	(49%)
Nanjing Chemical Industrial Park Logistic Centre #	**32,472**	78,540	(59%)	**7,394**	16,310	(55%)
SZ Airport Express Center*	**N/A**	N/A	N/A	**11,340**	14,721	(23%)
Sub Total	**564,021**	521,200	8%	**131,229**	144,164	(9%)
Port and Related Service Business +	**967,768**	529,095	83%	**65,215**	49,843	31%
Logistic Service Business	**1,045,553**	680,381	54%	**38,257**	38,484	(1%)
Total	**2,577,342**	1,730,676	49%	**234,701**	232,491	1%

^ *Shandong Booming Total Logistic Park started conducting third-party logistics business at the end of 2016, relevant revenue and profits have been reclassified to logistic service business for comparison purpose*
# *Nanjing Chemical Industrial Park Logistic Centre was sold on 1 June 2017*
* *SZ Airport Express Center is a joint venture and is accounted for using the equity accounting method*
+*Port and related services in 2017 included operation and management of wharf and logistic centres at Xiba Port in Nanjing, and provision of port related supply chain management services business*

During the Year, revenue from the logistic park business increased by 8%, to HK$564 million, as compared to the corresponding period of the previous year, which was mainly attributable to effective marketing efforts of South China Logistic Park and new revenue source contributed by the integrated logistics hubs. Profit attributable to shareholders decreased by 9%, to HK$131 million, as compared to the corresponding period of the previous year. This was mainly due to the impact from the disposal of Nanjing Chemical Industrial Park Logistic Centre in the first half of 2017 and certain logistics parks were undergoing transformation and upgrading, resulting in a decline in profit growth. As of the end of 2017, a total of 8 China Urban Integrated Logistics Hub projects were put into operation or trial operation. As these projects were still at their incubation stage, profit contribution to the Group was relatively low. Revenue and profit contribution from the integrated logistics hubs to the Group were approximately HK$66.79 million and HK$3.56 million, respectively, during the Year.

The port and related service business recorded a revenue of HK$968 million for the Year, representing a considerable increase of 83% as compared to the corresponding period of the previous year. Benefiting from effective marketing efforts, both business volume of the port and supply chain management service businesses achieved significant growth. Profit contribution of the port business for the Year amounted to approximately HK$65.22 million, representing an increase of 31% as compared to the corresponding period of the previous year.

The logistics service business recorded a revenue of HK$1,046 million for the Year, representing an increase of 54% as compared to the corresponding period of the previous year, which was mainly driven by the new third-party logistics service and logistics financial service businesses. Profit attributable to shareholders was HK$38.26 million, maintained at a similar level as compared to the corresponding period of the previous year, this was mainly due to a relatively low gross profit from the third-party logistics service business, and the increase in revenue was offset by the continually rising operating costs.

Updates on the Qianhai Project and Meilin Checkpoint Urban Renewal Project

Qianhai Project

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

In October 2017, the Group further entered into a supplemental agreement of the land consolidation and preparation framework agreement with Shenzhen UPLRC and Qianhai Authority in respect of all five land parcels with an aggregate site area of approximately 380,000 square metres in Qianhai owned by the Group. The entering into of the supplemental agreement marked a substantial progress of the Group's land consolidation and preparation work in Qianhai in land value appraisal and sharing, and drove the implementation and development of industrial businesses of Qianhai project.

In accordance with the principles set out in the supplemental agreement and based on the outcome arrived in December 2017 in respect of land appraisal under the new and previous land use arrangements as conducted by the parties, the aggregate value of land sites under the new land use arrangements in Qianhai to which the Group is entitled compensation is amounted to approximately HK$9,690 million (equivalent to approximately RMB8,370 million). By way of land swap in equivalent values, with 1 January 2015 as the benchmark date for assessing land prices, the Group will be compensated with lands under the new land use arrangements in Qianhai.

In connection therewith, the land parcel of the first phase of Qianhai project with an area of approximately 38,800 square metres obtained by the Group on 2 December 2016 represented the Group's first compensated land site in Qianhai under the new land use arrangements, being the first part of the swap of land sites in respect of the aforesaid aggregate amounts of land compensation. Therefore, the land value of approximately HK$2,860 million (approximately RMB2,470 million) was no longer required to be paid to the Qianhai Authority, which satisfied the requirements of the applicable Hong Kong accounting standards for the recognition as compensation income. Accordingly, the Group recognised a profit before taxation of approximately HK$2,830 million (equivalent to approximately RMB2,440 million) in 2017.

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

The land price in the Qianhai area has increased substantially over a period of three years since 1 January 2015 and the Qianhai area holds out broad prospects for development in future as an important component of the nation's Bay Area development strategy. As such, in addition to the land appreciation gain of the land sites of the Qianhai Project, it is expected that considerable economic return will be generated for the shareholders through land development in the Qianhai Project in the future.

Meilin Checkpoint Urban Renewal Project

The Meilin Checkpoint Urban Renewal Project is adjacent to the Futian District in downtown Shenzhen, where Huatongyuan Logistic Centre was previously situated, and is a functional development area in the city centre and a key development zone of the city. It is situated at a geographically advantageous location with good investment value and appreciation potential. The Meilin Checkpoint land parcels have been re-designated as a comprehensive development project with a total gross floor area of approximately 486,000 square metres, comprising properties for residential, commercial, office, business apartment and public and ancillary uses. Benefitting from the surge of residential property prices in Shenzhen in recent years, the land parcels of Meilin Checkpoint Urban Renewal Project are set to enjoy further growth in value.

In 2017, the Group determined the development model of the Meilin Checkpoint Urban Renewal Project and introduced a leading enterprise in the property industry as the entrusted construction entity by way of public tender. All tendering works such as entrusted construction of projects, review of construction teams and project design have been completed. The introduction of the leading property developer can complement the inexperience of the Group in developing comprehensive large real estate projects, thereby an increase in the development value of the project is expected.

TOLL ROAD BUSINESS

Analysis of Operating Performance

During the Year, traffic volume and toll revenue of most of the Group's expressway projects increased. However, the operating performance of each expressway project was influenced in varying degrees by the continuous improvement in road network, modification of the surrounding network and the conditions of each individual project:

- Following the implementation of toll adjustment for Meiguan Expressway since 1 April 2014, the growth in traffic volume of the toll-free section has not only driven the traffic volume of its toll section but also stimulated the operating performance of the connecting Jihe Expressway.

  Toll-free for Yanpai Expressway, Yanba Expressway and Nanguang Expressway has been implemented from 7 February 2016 and the Group calculated and recognised revenue based on the method stipulated in the agreements. The growth in traffic volume of these toll-free expressways has driven the operating performance of the connecting Jihe Expressway and Shuiguan Expressway.

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

- Notwithstanding the commencement of operations of Guangle Expressway and the Lianhuai section of Erguang Expressway in recent years, and the construction of the lane connecting with Erguang Expressway is still in process which led to diversion, with the completion of expansion works of Guangqing Expressway which commenced operation at the end of September 2016, the network of Qinglian Expressway has been improved, which enhanced the overall traffic efficiency and service capacity of Qinglian Expressway. In addition, with the organic growth of the overall regional traffic volume and the effect of promotion and marketing strategies of Qinglian Expressway become obvious, the effect of diversion has been weakened gradually. Toll revenue of Qianlian Expressway achieved a stable growth compared with the corresponding period of the previous year.

- Benefiting from the positive influence of factors including improvement in road network, traffic control of the surrounding roads and business growth of the enterprises nearby, toll revenue of Changsha Ring Road, which has been consolidated into the Group since 1 April 2017, maintained a faster growth compared with the corresponding period of the previous year.

- Benefiting from the positive influence of factors including growth in economy in the northwest region of Hunan and construction of surrounding roads, Yichang Expressway, which has been consolidated into the Group since 15 June 2017, achieved good operating performance.

In January 2017, the Group, through Shenzhen Expressway, entered into an agreement for the acquisition of 100% equity interest of Yichang Project, being Yichang Expressway and its Changde connection line. Yichang Expressway is a two-way expressway with four lanes which starts from Zijiang Second Bridge, Yiyang City, Hunan and ends in Deshan Tanshuping, Changde City, Hunan with a total length of approximately 73.1 km. It is a section of the connection line from Zhangjiajie to Changsha of Erguang Expressway, and also a main component of the skeleton of the "Five Vertical and Seven Horizontal" Hunan Expressway Plan. Its Changde connection line which commenced from Tanshuping to the south connection line of Yuanshui Second Bridge of Changde City, has a length of 5.2 km with Class 1 highway standard. The project company of Yichang Project has been consolidated into the Group since 15 June 2017.

Moreover, in December 2017, Shenzhen Expressway entered into an agreement for the acquisition of 100% equity interest of Shenzhen Coastal Project. As of the date of this announcement, the acquisition was completed and the project company has been consolidated into the Group since February 2018. Shenzhen Coastal Project is the Shenzhen section of Guangshen Coastal Expressway (Guangzhou to Shenzhen), which comprises Shenzhen Coastal Phase I and Shenzhen Coastal Phase II. Shenzhen Coastal Phase I is the main line of Shenzhen Coastal Project with toll mileage of approximately 30.9 km and its construction was completed and commenced operation at the end of 2013. Shenzhen Coastal Phase II includes the connection line on the Shenzhen side of Shenzhen-Zhongshan Channel, Airport Interchange and International Convention and Exhibition Center Interchange, etc., with a total length of approximately 5.7 km. Its construction commenced in December 2015 and is scheduled to be opened to traffic by end of 2019.

The above two acquisitions increased the toll mileage of the Group by more than 100 km, expanded the asset scale and profit base of the toll road business and also enhanced the stability of cash flow. They further strengthened the core advantages in the investment, management and operation of the highways and provided a strong support for the sustainability of the toll road business of the Group.

Financial Analysis

During the Year, total revenue of the Group's toll road business was approximately HK$6,248 million (2016: HK$5,910 million), representing an increase of approximately 6% as compared to the corresponding period of the previous year. Profit before finance costs and tax amounted to approximately HK$3,465 million (2016: HK$2,877 million), representing an increase of approximately 20% as compared to the corresponding period of the previous year. Net profit increased by approximately 22%, to approximately HK$1,032 million (2016: HK$846 million), as compared to the corresponding period of the previous year.

The increase in revenue of the Group's toll road business during the Year was mainly attributable to the increase in both traffic volume and toll revenue of most expressway projects of the Group, coupled with the consolidation of the project companies of Changsha Ring Road and Yichang Expressway into the Group during the Year, which contributed new revenue to the Group. Net profit also recorded a growth, which was attributable by the increase in toll revenue, together with new profit contribution by investment and acquisition projects during the Year.

Longda Expressway

During the Year, Longda Expressway recorded a toll revenue of HK$675 million (2016: HK$661 million), representing an increase of 2% as compared to the corresponding period of the previous year. Profit before finance costs and tax amounted to HK$466 million (2016: HK$436 million), representing an increase of 7% as compared to the corresponding period of the previous year; earnings before interest, tax, depreciation and amortisation amounted to HK$557 million (2016: HK$526 million), representing an increase of 6% as compared to the corresponding period of the previous year.

With continuous benefits from the implementation of toll-free of the Shenzhen section of Longda Expressway and Nanguang Expressway since 00:00 on 7 February 2016, which significantly increased the traffic volume, toll revenue of Longda Expressway maintained a stable growth during the Year, as compared to the corresponding period of the previous year.

Shenzhen Expressway and its expressway projects

During the Year, both traffic volume and toll revenue of most expressway projects of Shenzhen Expressway increased. Coupled with new revenue contributed by the consolidation of the project companies of Changsha Ring Road and Yichang Expressway into the Group since April and June 2017 respectively, toll revenue increased by approximately 23%, to approximately HK$4,959 million (2016: HK$4,045 million), as compared to the corresponding period of the previous year. Notwithstanding that Shenzhen Expressway Engineering Consulting Company Limited was no longer consolidated into the Group since 30 November 2016, which offset the increase in total revenue to a certain extent, total revenue of Shenzhen Expressway increased by approximately 6% to approximately HK$5,573 million (2016: HK$5,249 million), as compared to the corresponding period of the previous year. Meanwhile, benefiting from the revenue contribution by new investment and acquisition projects during the Year, profit before finance costs and tax of Shenzhen Expressway for the Year increased by approximately 23%, to approximately HK$2,999 million (2016: HK$2,441 million), as compared to the corresponding period of the previous year. The Group’s share of profit from Shenzhen Expressway increased by approximately 27%, to approximately HK$826 million (2016: HK$648 million), as compared to the corresponding period of the previous year.

New Business Development of Shenzhen Expressway

While consolidating and enhancing the asset scale, quality and efficiency of its toll road business, and taking into account the Chinese industry policies and Shenzhen Expressway’s own advantages, Shenzhen Expressway has a new industry focus primarily in connection with water environment treatment and solid waste treatment, contributing towards the development of the macro environmental protection industry. During the Year, Shenzhen Expressway seized the good opportunity of injecting capital into Shenzhen Water Planning & Design Institute Company Limited (“Water Planning Company”) and participating at the public trading of equity interest in Chongqing Derun Environment Company Limited (“Derun Company”) at the relevant asset and equity exchange, and acquired 15% equity interest in Water Planning Company and 20% equity interest in Derun Company respectively.

Both Water Planning Company and Derun Company are the leading enterprises in the sub-segment of the environmental protection industry in which they are operating respectively. Water Planning Company is one of the first comprehensive water management survey and design organisation in the PRC. It possesses 7 A-grade qualifications in areas such as water conservation industry, municipal water supply and drainage, comprehensive engineering survey and surveying etc. It is one of the top 500 PRC enterprises in the field of survey and design, and one of the top 50 PRC enterprises in the field of water conservation survey and design. Shenzhen Expressway invested in Water Planning Company at a reasonable price and its tapping into the water environment treatment sector at high level is conducive to obtaining resources for technology research and development in respect of water environment treatment and municipal water supplies, which enhances its competitiveness in the water environment treatment market, while gaining reasonable return of investment.

With two major business segments, water treatment and waste incineration power generation, Derun Company is a comprehensive environmental enterprise with stable profitability, abundant cash flow, scale advantages, regional competitive advantage and growth potentials. The acquisition of equity interest in Derun Company by Shenzhen Expressway at a reasonable price is, on one hand, conducive to expanding its environment protection business for reasonable return of investment, and on the other hand, provides opportunities for profound cooperation with Derun Company with the advantages of complementing each other's mutual business development.

OTHER INVESTMENTS

Shenzhen Airlines

During the Year, passenger transport volume of Shenzhen Airlines continued to grow and recorded a total revenue of approximately RMB27,646 million (equivalent to approximately HK$31,998 million) (2016: RMB25,970 million (equivalent to approximately HK$30,194 million)), representing an increase of approximately 6% as compared to the corresponding period of the previous year. Affected by the increase in aviation fuel price, which increased the aviation fuel cost of Shenzhen Airlines significantly year-on-year by approximately 23%, and the increase in other operating costs, the operating profit of Shenzhen Airlines recorded a decrease of approximately 52% to approximately RMB1,941 million (equivalent to approximately HK$2,247 million), as compared to the corresponding period of the previous year. Although it was benefited from an exchange gain of approximately RMB822 million (equivalent to approximately HK$951 million) during the Year (2016: exchange loss of RMB1,095 million (equivalent to approximately HK$1,273 million)), Shenzhen Airlines' net profit for the Year decreased by approximately 9% to approximately RMB1,439 million (equivalent to approximately HK$1,665 million) (2016: RMB1,573 million (equivalent to approximately HK$1,829 million)), as compared to the corresponding period of the previous year. Shenzhen Airlines contributed a profit of approximately HK$763 million (2016: HK$834 million) to the Group during the Year, representing a decrease of approximately 8% as compared to the corresponding period of the previous year.

OUTLOOK FOR 2018

In recent years, the Chinese Government has introduced a series of policies and measures to promote the development of logistics business, actively advanced the construction and development of "One Belt, One Road", "Guangdong-Hong Kong-Macao Greater Bay Area" and the Qianhai Free Trade Zone, which, coupled with the increasing market demand and substantial potential growth of logistic infrastructure facilities and quality logistic services, has provided considerable room for the development of the Group. The Group will continue to strengthen, optimise and expand the logistics business through implementing the core strategy, "China Urban Integrated Logistics Hub", adhering to a combination of new construction as well as merger and acquisition, stepping up the development of both asset-light and asset-heavy businesses together, making further efforts to promote the integration of its industry, finance and network sectors, further strengthening operational capabilities, strictly controlling the cost and optimising its business and assets.

In 2018, the Group will drive the investment in and construction of the "China Urban Integrated Logistics Hub" projects in the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim regions, as well as in logistic gateway cities where the Group has yet to establish its presence. New construction projects and existing construction projects in Guizhou, Ningbo and Hangzhou will be pushed forward. It is expected that additional operating area of approximately 350,000 square metres will be completed and put into operation in 2018.

At the same time, the Group will strive to acquire the land use rights for the Liguang land parcels in Longhua New Area in Shenzhen and commence preparatory work for construction of the project. Offering a gross floor area of 250,000 square metres, the Liguang land parcels will be developed into the Shenzhen gateway for "China Urban Integrated Logistics Hub", which will further strengthen the Group's market share in the logistics market of Shenzhen.

Benefiting from surging land prices in Shenzhen in recent years, the Meilin Checkpoint Urban Renewal Project are set to enjoy further growth in value. The Group has actively promoted the development and construction of the Meilin Checkpoint Urban Renewal Project, which commenced construction at the end of 2017 and will be put into full scale construction in 2018, striving for partial sales in 2019.

In connection with the Qianhai Project, the Group will step up its efforts in negotiating with Qianhai Authority and the relevant government authorities, aiming at the signing of land swap agreements in respect of compensation for land consolidation and preparation of the remaining land parcels. Meanwhile, the construction of the first phase of the Qianhai Project, which includes industrial office land of approximately 35,000 square metres, commercial land of approximately 25,000 square metres and residential land of approximately 50,000 square metres, will be actively promoted and the sales and operations value will boom in the next few years. Pre-sale of the residential project is expected to be conducted in 2019.

In connection with the toll road business, with the deepening of urbanisation and the rising of living standards in China, demand for infrastructure facilities (including urban traffic infrastructure facilities) by the society will maintain a sustainable growth, and thus the toll road industry still enjoys rooms for development. In connection with the expansion of the environmental protection industry, the Group will strive to pursue deeper cooperation with Water Planning Company, Derun Company and their shareholders through enhancing communication and cooperation with them. Meanwhile, the Group will follow up environmental projects with preliminary progress, study into new projects and actively seek the merger and acquisition opportunities in segments.

FINANCIAL POSITION

	31 December 2017 *HK$ million*	31 December 2016 *HK$ million*	Increase/ (Decrease)
Total Assets	**70,986**	60,741	**17%**
Total Liabilities	**33,675**	32,305	**4%**
Total Equity	**37,311**	28,436	**31%**
Net Asset Value attributable to shareholders	**23,917**	18,634	**28%**
Net Asset Value per share attributable to shareholders (HK dollar)	**11.8**	9.5	**24%**
Cash	**7,335**	11,424	**(36%)**
Bank borrowings	**11,490**	4,746	**142%**
Notes and bonds	**4,335**	7,637	**(43%)**
Total Borrowings	**15,825**	12,383	**28%**
Net Borrowings	**8,490**	959	**785%**
Debt-asset Ratio (Total Liabilities/Total Assets)	**47%**	53%	**(6)** #
Ratio of Total Borrowings to Total Assets	**22%**	20%	**2** #
Ratio of Net Borrowings to Total Equity	**23%**	3%	**20** #
Ratio of Total Borrowings to Total Equity	**42%**	44%	**(2)** #

Change in percentage points

Key Financial Indicators

As at 31 December 2017, the total assets and the total equity amounted to HK$70,986 million and HK$37,311 million, respectively; and the net asset value attributable to shareholders increased substantially by 28% to HK$23,917 million, while net asset value per share amounted to HK$11.8, representing an increase of 24% as compared to the end of last year. The debt-asset ratio and the ratio of total borrowings to total equity were 47% and 42%, respectively, representing 6 and 2 percentage points lower than the end of last year, respectively, underpinning the Group's continuous healthy and stable financial position.

Cash Flow and Financial Ratios

During the Year, the Group's cash flow generated from operations remained stable. Net cash inflow generated from operating activities amounted to HK$2,428 million; net cash outflow spent on investment activities amounted to HK$8,061 million; and net cash inflow generated from financing activities amounted to HK$2,908 million. The Group's core businesses maintained a stable cash inflow, while the Group closely monitored changes in total borrowings with a view to maintaining its financial ratios at a healthy level.

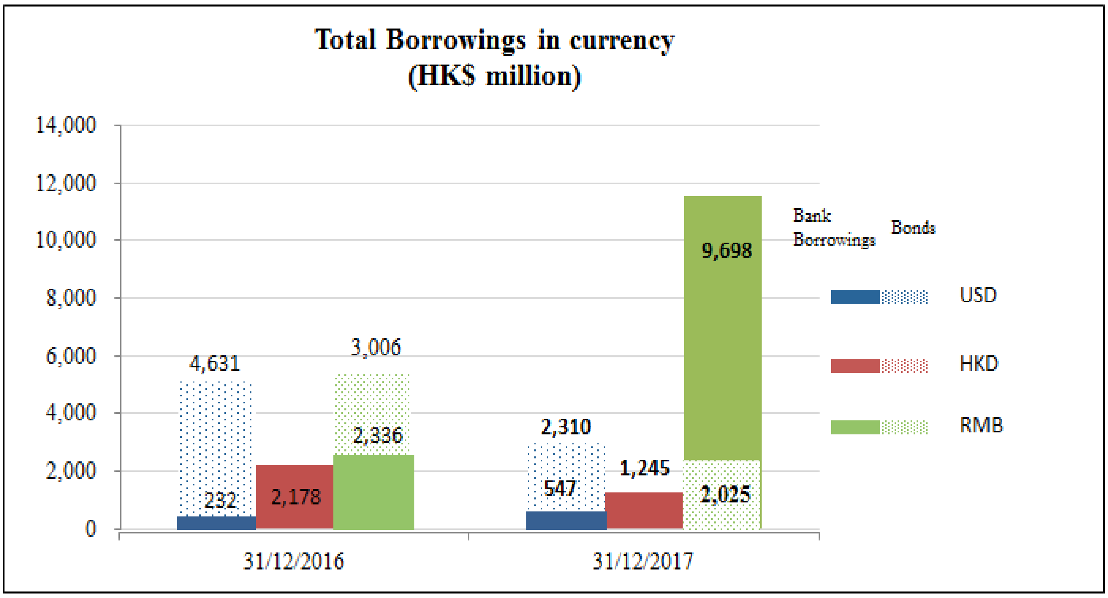
Cash Balance

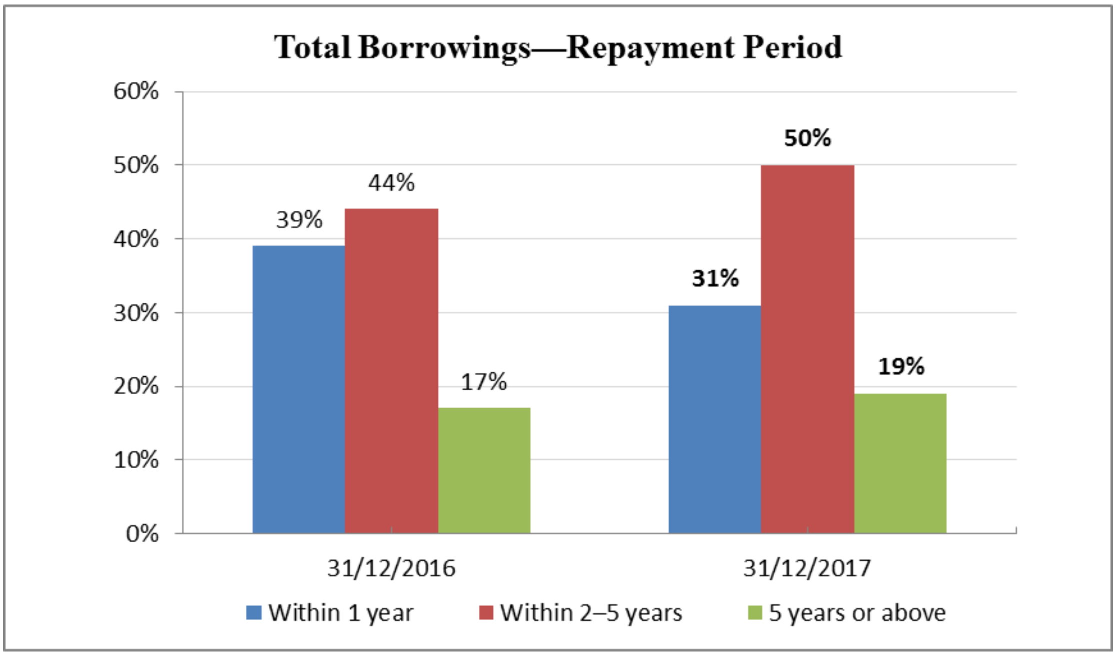
As at 31 December 2017, the cash balance held by the Group amounted to HK$7,335 million (31 December 2016: HK$11,424 million), representing a decrease of 36% as compared to the end of last year, which was mainly attributable to the aggregate consideration of approximately RMB7,000 million paid by Shenzhen Expressway, a subsidiary of the Group, for the acquisition of the equity interests in Hunan Yichang Expressway Development Company Limited ("Yichang Company"), Derun Company and Shenzhen Guangshen Coastal Expressway Investment Co., Ltd. ("Coastal Company") during the Year. To facilitate the Group's operation and development in the PRC, cash held by the Group is primarily denominated in Renminbi. The Group will further strengthen its capital management pursuant to a prudent treasury policy, aiming at a higher return on its cash portfolio which would provide strong support for the development of our business.

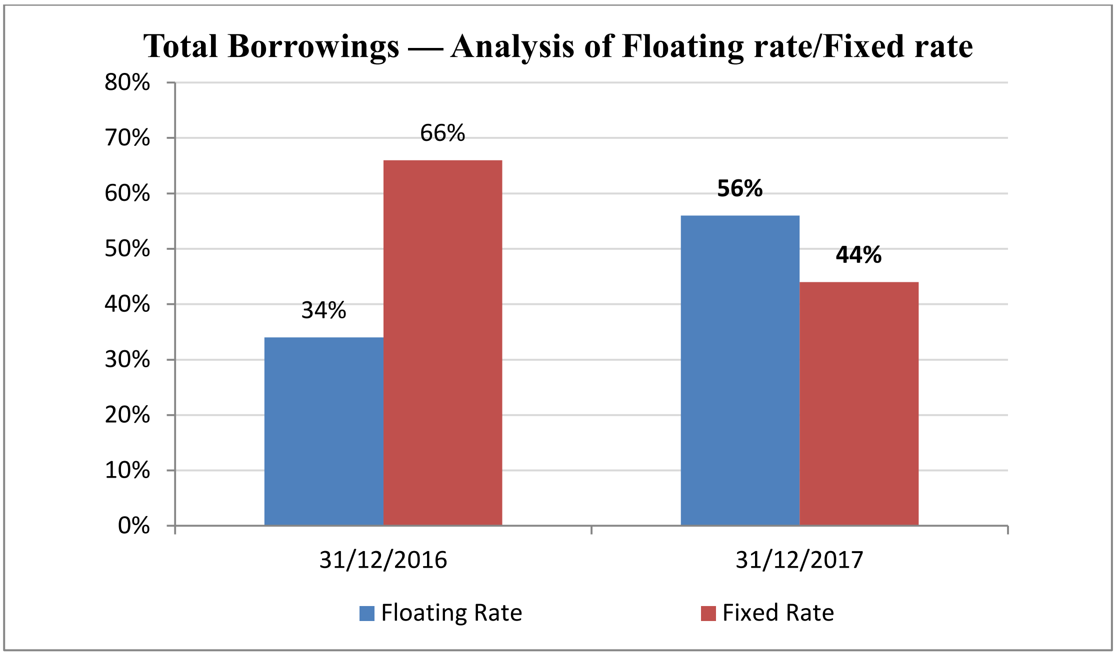
Capital Expenditures

During the Year, the Group's capital expenditure amounted to RMB4,694 million (HK$5,595 million), primarily including payment for consideration of RMB1,270 million and RMB1,472 million for acquisition of the equity interests in Yichang Company and Coastal Company, respectively, and investment into construction works for the "China Urban Integrated Logistics Hub" of RMB845 million and the Outer Ring Expressway Project of RMB877 million. The Group expects the capital expenditure for the year 2018 to be approximately RMB7,000 million (HK$8,400 million), of which RMB2,400 million for "China Urban Integrated Logistics Hub" projects, approximately RMB1,650 million for the Outer Ring Expressway Project and approximately RMB1,560 million for project of United Land Company.

Borrowings







As at 31 December 2017, the Group's total borrowings amounted to HK$15,825 million, representing an increase of 28% as compared to those at last year end. Such increase of total borrowings was mainly attributable to consolidation of the borrowings of Yichang Company upon its acquisition by the Group and the increase in RMB-denominated bank borrowings in financing the new of investments and acquisitions during the Year. During the Year, the Company issued US$300 million perpetual capital securities for refinancing of US$ senior notes, leading to a price decline of bonds in US dollars. Out of the Group's total borrowings, 31%, 50% and 19% are due within 1 year, 2-5 years and 5 years or above, respectively.

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

The Group's Financial Policy

Interest Rate Risk Management

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

Exchange Rate Risk

Cash flows, cash on hand and assets for business operated by the Group are primarily denominated in Renminbi, whereas borrowings are mainly denominated in Renminbi, Hong Kong Dollar and US Dollar. The management of the Group has been closely monitoring the fluctuation and movements of the Renminbi exchange rate. During the Year, the RMB exchange rate reversed its trend in the previous two years and appreciated 6% against the US Dollar, resulting in a foreign exchange gain of HK$310 million for the Group. Moreover, the Company issued US$300 million perpetual capital securities for refinancing of US$ senior notes in the Year. The monetary combination of our borrowings has been effectively adjusted and thus the Group's exchange rate risks are reduced. The management will continue to conduct detailed analyses and studies into the movement of Renminbi exchange rate from time to time. The Group will adopt appropriate hedging instruments to reduce the impact of fluctuation in the exchange rate of Renminbi.

Liquidity Risk Management

The Group currently has cash on hand and standby banking facilities of approximately HK$64,000 million. The Group has signed agreements with major banks in Hong Kong and Mainland China to secure credit facilities for the Group. We regularly monitor cash flow forecasts on a rolling basis and, taking into consideration our current asset level and funding needs to meet future cash flow requirements and ensure our capability to operate on an on-going basis and expand our business. The Group will also monitor the overall liability position on a timely basis in preparation for refinancing with an aim to prevent liquidity risk.

Credit Ratings

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

EVENTS AFTER THE BALANCE SHEET DATE

(a) Acquisition of Coastal Expressway

On 11 December 2017, Shenzhen Expressway entered into an acquisition agreement for the acquisition of 100% equity interest in Coastal Company from Shenzhen Investment Holdings Company Limited, the controlling shareholder of the Company, at a consideration of RMB1,472 million (approximately HK$1,712 million). On 8 February 2018, such agreement was approved by the independent shareholders of Shenzhen Expressway in its general meeting, and accordingly, the acquisition was completed.

(b) Issuance of the Panda Bonds

On 22 February 2017, the Company announced that it has received the approval from the China Securities Regulatory Commission (中國證券監督管理委員會, "CSRC") for the application of the issuance of corporate bonds in an aggregate principal amount not exceeding RMB5,000 million in the PRC (the "Panda Bonds"). The Company may issue the Panda Bonds in multiple tranches within a validity period of 24 months commencing from the date of the CSRC approval. In January 2018, the Company issued the first tranche of Panda Bonds of RMB300 million with a coupon rate of 5.2% per annum.

(c) Issuance of Hong Kong Dollar Senior Notes

The Company entered into a subscription agreement on 22 March 2018 in relation to the issue of a 5-years Hong Kong dollar senior notes in an amount of HK$780 million carrying a coupon rate of 3.75% ("HKD Senior Notes"). The HKD Senior Notes have been issued on 26 March 2018.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the Year, the Company has complied with the code provisions set out in "Corporate Governance Code and Corporate Governance Report" of Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange. The Company aims to continually enhance its corporate governance practices, thereby laying a good foundation for promoting the Company's sustainability and enhancing value for its shareholders.

CLOSURE OF REGISTER OF MEMBERS

To ensure the eligibility to attend and vote at the 2018 Annual General Meeting and the entitlement to the proposed final dividend and special dividend, the register of members of the Company will be closed on the following dates:

For ascertaining shareholders' right to attend and vote at the 2018 Annual General Meeting:

Latest time to lodge transfers	by 4:30 p.m. on Thursday, 10 May 2018
Book closure dates	Friday, 11 May 2018 to Wednesday, 16 May 2018 (both days inclusive)
Record date	Thursday, 10 May 2018

For ascertaining shareholders' entitlement to the proposed final dividend and special dividend:

Latest time to lodge transfers	by 4:30 p.m. on Monday, 21 May 2018
Book closure dates	Wednesday, 23 May 2018 to Thursday, 24 May 2018 (both days inclusive)
Record date	Thursday, 24 May 2018
Payment date of the final dividend and special dividend	on or about Friday, 22 June 2018

To be eligible to attend and vote at the 2018 Annual General Meeting and qualify for the final dividend and special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than the aforementioned latest time.

OTHER INFORMATION

Before the date of this announcement, the Audit Committee of the Company reviewed the annual results of the Group for the year ended 31 December 2017. A meeting of the Audit Committee of the Company has also been held with the Company's auditors in connection with the review of the annual results of the Group for the year ended 31 December 2017.

The figures in respect of the announcement of the Group's results for the year ended 31 December 2017 have been agreed by the Company's auditor, KPMG, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by KPMG on this announcement.

This announcement and other information including those of the Company's 2017 annual results will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.szihl.com).

By Order of the Board
Shenzhen International Holdings Limited
Gao Lei
Chairman

Hong Kong, 27 March 2018

As at the date of this announcement, the Board consists of Messrs. Gao Lei, Li Hai Tao, Zhong Shan Qun, Liu Jun and Hu Wei as executive directors, Messrs. Xie Chu Dao and Liu Xiao Dong as non-executive directors and Messrs. Leung Ming Yuen, Simon, Ding Xun, Nip Yun Wing and Dr. Yim Fung, JP as independent non-executive directors.