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

2018 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Shenzhen International Holdings Limited (the "Company") is pleased to announce the unaudited interim consolidated results and interim consolidated balance sheet of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018 (the "Period") together with comparative figures of consolidated results for the corresponding period in 2017 and consolidated balance sheet as of the year end of 2017 as follows:

INTERIM CONSOLIDATED INCOME STATEMENT-UNAUDITED

		Six months ended 30 June	
		2018	2017
	Note	***HK$'000***	*HK$'000*
			(restated)
Revenue	(4), (5)	**5,346,077**	4,418,436
Cost of sales		**(3,078,811)**	(2,654,602)
Gross profit		**2,267,266**	1,763,834
Other (losses)/gains – net		**(105,540)**	110,031
Other income		**26,011**	20,459
Distribution costs		**(33,558)**	(35,173)
Administrative expenses		**(180,770)**	(201,745)
Operating profit	(6)	**1,973,409**	1,657,406
Share of profit of joint ventures		**7,690**	12,960
Share of profit of associates	(12)	**677,889**	706,402
Profit before finance costs and income tax		**2,658,988**	2,376,768
Finance income	(7)	**59,325**	58,201
Finance costs	(7)	**(789,250)**	(520,312)
Finance costs – net	(7)	**(729,925)**	(462,111)
Profit before income tax		**1,929,063**	1,914,657
Income tax expense	(8)	**(381,339)**	(360,680)
Profit for the period		**1,547,724**	1,553,977

INTERIM CONSOLIDATED INCOME STATEMENT-UNAUDITED (continued)

	Note	Six months ended 30 June 2018 HK$'000	2017 HK$'000 (restated)
Attributable to:			
Ordinary shareholders of the Company		**890,757**	1,082,852
Perpetual securities holders of the Company		**46,500**	-
Non-controlling interests		**610,467**	471,125
		1,547,724	1,553,977
Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)			
– Basic	(9)	**0.44**	0.55
– Diluted	(9)	**0.43**	0.55

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME-UNAUDITED

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

INTERIM CONSOLIDATED BALANCE SHEET - UNAUDITED

	Note	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**5,187,136**	5,246,181
Investment properties		**94,000**	93,330
Land use rights		**2,109,423**	1,959,033
Construction in progress		**2,379,637**	1,980,103
Intangible assets	(11)	**32,822,229**	33,624,346
Interests in associates	(12)	**14,695,193**	14,284,887
Interests in joint ventures		**83,669**	248,748
Other financial assets	(13)	**251,034**	186,912
Deferred tax assets		**195,302**	245,319
Other non-current assets	(14)	**1,685,141**	1,506,966
		59,502,764	59,375,825
Current assets			
Inventories and other contract costs	(15)	**8,331,385**	7,594,199
Contract assets		**110,001**	-
Other financial assets	(13)	**761,471**	312,405
Trade and other receivables	(16)	**1,994,294**	2,102,554
Restricted bank deposits		**3,031,948**	2,893,219
Deposits in banks with original maturities over 3 months		**519,782**	813,956
Cash and cash equivalents		**6,749,998**	5,703,342
		21,498,879	19,419,675
Total assets		**81,001,643**	78,795,500
EQUITY AND LIABILITIES			
Equity attributable to ordinary shareholders of the Company			
Share capital and share premium		**10,442,927**	9,159,662
Other reserves and retained earnings		**13,460,605**	14,766,686
Equity attributable to ordinary shareholders of the Company		**23,903,532**	23,926,348
Perpetual securities		**2,330,939**	2,330,939
Non-controlling interests		**11,256,736**	11,071,046
Total equity		**37,491,207**	37,328,333

INTERIM CONSOLIDATED BALANCE SHEET – UNAUDITED (continued)

	Note	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000 (restated)
Liabilities			
Non-current liabilities			
Borrowings		**19,088,801**	16,287,668
Provision for maintenance/resurfacing obligations		**159,683**	163,311
Deferred tax liabilities		**2,101,489**	2,211,827
Other non-current liabilities		**9,848,771**	9,720,788
		31,198,744	28,383,594
Current liabilities			
Trade and other payables	(17)	**6,404,768**	7,150,842
Contract liabilities		**811,271**	-
Income tax payable		**312,323**	771,937
Provision for maintenance/resurfacing obligations		**28,407**	28,617
Borrowings		**4,682,387**	5,046,967
Derivative financial instruments		**72,536**	85,210
		12,311,692	13,083,573
Total liabilities		**43,510,436**	41,467,167
Total equity and liabilities		**81,001,643**	78,795,500

Notes:

(All amounts in HK dollar thousands unless otherwise stated)

(1) General Information

The principal activities of the Group, its associates and joint ventures include the following businesses:

- Toll roads; and
- Logistic business.

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

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

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

(1) General Information (continued)

As at 30 June 2018, Ultrarich International Limited ("Ultrarich") owns 952,010,090 ordinary shares of the Company directly, representing approximately 45.143% of the issued share capital of the Company. As Shenzhen Investment Holdings Company Limited ("SIHCL") held the 100% equity interests in Ultrarich, SIHCL has a deemed interest of 45.143% of the equity in the Company held by Ultrarich and it was the largest shareholder of the Company. SIHCL is supervised and managed by Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission ("Shenzhen SASAC"). The directors of the Company regard that Shenzhen SASAC can control the Company's relevant activities with its voting power held and is the de facto controller of the Company.

This unaudited interim financial information was authorised for issue on 22 August 2018 and has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute Certified Public Accountants ("HKICPA").

(2) Basis of preparation

This interim financial information for the six months ended 30 June 2018 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the HKICPA. This interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017 ("2017 Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

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

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

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

The details of the restated balances have been disclosed in Note 18.

(3) Accounting policies

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

(a) Amendments to standards adopted by the Group

		Effective for annual periods beginning on or after
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HK(IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to timing of revenue recognition, capitalisation of contract costs, significant financing benefit obtained from customers and presentation of contract assets and contract liabilities.

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

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

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

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

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

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

(3) Accounting policies (continued)

(ii)HKFRS 15, Revenue from contracts with customers

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

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

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

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

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

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

The Group has updated the information provided in the last annual financial statements in respect of HKFRS 16, Leases. The impact of the initial adoption of HKFRS 16 would not be significantly different from the Group's expectation at the time when the 2017 annual financial statements were prepared.

(c) Estimates

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

(4) Segment information

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

– Toll roads; and

– Logistic business.

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

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

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

(4) Segment information (continued)

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

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

For the six months ended 30 June 2018

	Toll roads	*Logistic business*				*Head office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related services*	*Subtotal*		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	4,028,713[(a)]	323,437	339,032	654,895	1,317,364	-	5,346,077
Operating profit/(loss)	1,929,286	108,292	30,110	103,405	241,807	(197,684)	1,973,409
Share of profit/(loss) of joint ventures	-	8,036	-	-	8,036	(346)	7,690
Share of profit/(loss) of associates	349,189	(180)	816	-	636	328,064	677,889
Finance income	25,579	6,217	5,012	535	11,764	21,982	59,325
Finance costs	(731,742)	(6,848)	(561)	(1,227)	(8,636)	(48,872)	(789,250)
Profit before income tax	1,572,312	115,517	35,377	102,713	253,607	103,144	1,929,063
Income tax expense	(341,150)	(20,178)	(5,433)	(16,888)	(42,499)	2,310	(381,339)
Profit for the period	1,231,162	95,339	29,944	85,825	211,108	105,454	1,547,724
Non-controlling interests	(586,282)	2,719	(4,542)	(22,472)	(24,295)	110	(610,467)
	644,880	98,058	25,402	63,353	186,813	105,564	937,257
Profit attributable to perpetual securities holders	-	-	-	-	-	(46,500)	(46,500)
Profit attributable to ordinary shareholders of the Company	644,880	98,058	25,402	63,353	186,813	59,064	890,757
Depreciation and amortisation	1,043,049	84,112	6,758	32,108	122,978	8,760	1,174,787
Capital expenditure							
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	420,716	667,091	19,746	8,958	695,795	148,629	1,265,140
– Additions in property, plant and equipment, construction in progress, land use rights, and intangible assets arising from acquisition of a subsidiary	7,780,543	-	-	-	-	-	7,780,543
– Additions in interests in associates	70,587	-	-	-	-	-	70,587

(4) Segment information (continued)

For the six months ended 30 June 2017 (restated)

	Toll roads	*Logistic business*				*Head office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related services*	*Subtotal*		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	3,152,362[(a)]	264,447	483,804	517,823	1,266,074	-	4,418,436
Operating profit/(loss)	1,532,196	79,050	30,276	52,144	161,470	(36,260)	1,657,406
Share of profit/(loss) of joint ventures	8,033	5,691	-	-	5,691	(764)	12,960
Share of profit/(loss) of associates	238,088	(200)	2,376	-	2,176	466,138	706,402
Finance income	39,970	753	1,814	261	2,828	15,403	58,201
Finance costs	(576,345)	(721)	(868)	(5,520)	(7,109)	63,142	(520,312)
Profit before income tax	1,241,942	84,573	33,598	46,885	165,056	507,659	1,914,657
Income tax expense	(264,921)	(19,263)	(7,202)	(6,066)	(32,531)	(63,228)	(360,680)
Profit for the period	977,021	65,310	26,396	40,819	132,525	444,431	1,553,977
Non-controlling interests	(469,457)	3,665	(1,521)	(10,750)	(8,606)	6,938	(471,125)
Profit attributable to ordinary shareholders of the Company	507,564	68,975	24,875	30,069	123,919	451,369	1,082,852
Depreciation and amortisation	865,723	44,736	6,145	28,913	79,794	34,134	979,651
Capital expenditure							
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	257,582	392,498	5,408	5,073	402,979	37,519	698,080
– Additions in property, plant and equipment, construction in progress, land use rights, and intangible assets arising from acquisition of subsidiaries	3,894,966	-	-	-	-	-	3,894,966
– Additions in interests in associates	5,010,306	-	-	-	-	-	5,010,306

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

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

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

(5) Revenue

	Six months ended 30 June	
	2018	*2017*
	HK$'000	*HK$'000*
		(restated)
Revenue from contracts with customers within the scope of HKFRS 15		
Toll Roads		
− Toll revenue	**3,370,157**	2,817,245
− Entrusted construction management service and construction consulting service revenue	**47,839**	29,421
− Construction service revenue under Service Concession	**401,388**	242,400
− Others	**209,329**	63,296
	4,028,713	3,152,362
Logistic Business		
− Logistic parks	**55,031**	42,340
− Logistic services	**339,032**	483,804
− Port and related services	**654,895**	517,823
	1,048,958	1,043,967
	5,077,671	4,196,329
Revenue from other sources		
Logistic Business		
− Logistic parks	**268,406**	222,107
	5,346,077	4,418,436

(6) Operating profit

The Group's operating profit is mainly arrived after crediting and charging the following:

	Six months ended 30 June	
	2018	*2017*
	HK$'000	*HK$'000*
		(restated)
Crediting		
Gains on disposals of available-for-sale financial assets	-	8,603
Gains on disposals of other financial assets	**4,086**	-
Loss on CSG A shares fair value	**(104,826)**	-
Gain on disposal of a subsidiary	-	51,834
Gains on land compensation	-	28,014
Gains on revaluation on equity interests in a joint venture previously held arising from business combinations with change of control-net	-	31,209
Government subsidies	**19,774**	16,633
Charging		
Depreciation and amortisation	**1,174,787**	979,651

(7) Finance income and costs

	Six months ended 30 June	
	2018	*2017*
	HK$'000	*HK$'000*
		(restated)
Finance income		
Interest income from bank deposits	**48,070**	53,785
Interest income from other receivables	**2,738**	4,416
Other interest income	**8,517**	-
Total finance income	**59,325**	58,201
Finance costs		
Interest expenses		
– Bank borrowings	**455,376**	256,414
– Medium-term notes	**23,134**	42,964
– Corporate bonds	**8,139**	63,058
– Senior notes	**73,814**	32,024
– Other interest costs	**-**	4,227
– Interest costs for other financial liabilities	**243,998**	245,086
Net foreign exchange losses/(gains)	**106,303**	(155,241)
(Gains)/losses on derivative financial instruments directly attributable to borrowings	**(12,479)**	78,123
Less: finance costs capitalised on qualified assets	**(109,035)**	(46,343)
Total finance costs	**789,250**	520,312
Net finance costs	**729,925**	462,111

(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 Period. Taxes on overseas profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The PRC Corporate income tax charged to the consolidated income statement was calculated based on the assessable profits of the Group's subsidiaries located in the PRC for the Period at a rate of 25% (2017 interim: 25%) applicable to the respective companies.

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Current income tax		
- PRC Corporate income tax	**458,338**	709,046
Deferred tax	**(76,999)**	(348,366)
	381,339	360,680

(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 Period.

	Six months ended 30 June	
	2018	*2017* (restated)
Profit attributable to ordinary shareholders of the Company (HK$'000)	**890,757**	1,082,852
Weighted average number of ordinary shares in issue (thousands)	**2,036,783**	1,959,980
Basic earnings per share (HK dollars per share)	**0.44**	0.55

(b) Diluted

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

	Six months ended 30 June	
	2018	*2017* (restated)
Profit attributable to ordinary shareholders of the Company (HK$'000)	**890,757**	1,082,852
Profit used in the calculation of diluted earnings per share (HK$'000)	**890,757**	1,082,852
Weighted average number of ordinary shares in issue (thousands)	**2,036,783**	1,959,980
Adjustments - share options (thousands)	**16,717**	5,831
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,053,500**	1,965,811
Diluted earnings per share (HK dollars per share)	**0.43**	0.55

(10) Dividends

The board of directors has resolved not to declare any interim dividend in respect of the period (2017 interim: Nil). The 2017 final dividend and special dividend totaling HKD 2,035,647,000 (HKD 0.44 per ordinary share of final dividend and HKD 0.56 per ordinary share of special dividend respectively) were settled in June 2018. According to the scrip dividend scheme approved by shareholders in the annual general meeting held on 16 May 2018, 72,984,000 new shares were issued at a price of approximately HKD 16.3476 per share, totaling HKD 1,193,116,000. The remaining dividend totaling HKD 842,531,000 was paid in cash in June 2018.

(11) Intangible assets

	Six months ended 30 June	
	2018	*2017*
	HK$'000	*HK$'000*
		(restated)
Opening net book amount, as previously reported	**26,089,882**	21,286,881
Business combination under common control	**7,534,464**	7,192,841
Opening net book amount as restated	**33,624,346**	28,479,722
Acquisition of subsidiaries	**-**	3,820,754
Additions	**401,775**	242,400
Disposals	**-**	(2,825)
Exchange difference	**(245,548)**	975,792
Depreciation/amortisation	**(958,344)**	(766,257)
Closing net book value	**32,822,229**	32,749,586

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 4 to 20 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any consideration payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

(12) Interests in associates

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
Beginning of the period	**14,284,887**	7,490,060
Impact on initial application of HKFRS 15	**26,333**	-
Adjusted balance at beginning of the period	**14,311,220**	7,490,060
Additions	**70,587**	5,010,306
Share of profit of associates	**677,889**	706,402
Share of other comprehensive (loss)/income of associates	**(8,174)**	44,643
Dividends received	**(233,640)**	(298,857)
Exchange difference	**(122,689)**	327,604
End of the period	**14,695,193**	13,280,158

The ending balance comprises the following:

	As at	
	30 June 2018	31 December 2017
	HK$'000	HK$'000
Unlisted investments		
Share of net assets, other than goodwill	**11,954,598**	11,524,006
Goodwill on acquisition	**2,740,595**	2,760,881
	14,695,193	14,284,887

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

(13) Other financial assets

	As at	
	30 June 2018 HK$'000	*31 December 2017 HK$'000*
Financial assets measured at amortised cost		
- Loan to third parties (Note (a))	**374,793**	-
- Wealth management products (Note (a))	**177,767**	-
Financial assets measured at FVPL		
- Listed securities in the PRC (Note (b))	**208,911**	-
- Unlisted equity investments (Note (c))	**192,593**	-
Equity securities designated at FVOCI (non-recycling)		
- Unlisted equity investments (Note (c))	**58,441**	-
Available-for-sale financial assets		
- Listed securities in the PRC, at fair value (Note (b))	-	312,405
- Unlisted equity investments at cost less impairment (Note (c))	-	186,912
	1,012,505	499,317
Less: non-current portion	**(251,034)**	(186,912)
Current portion	**761,471**	312,405

(a) Loan to third parties with principal amount of USD50 million at the rate of 5.3% will be matured on 26 March 2019.

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

(b) As at 30 June 2018, listed equity investments stated at market price represent 1.31% (31 December 2017: 1.30%) equity interest in CSG Holding Co., Ltd ("CSG"). During the period, the Group did not dispose of any shares in CSG (2017 interim: Nil).

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

(14) Other non-current assets

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

(15) Inventories and other contract costs

	As at	
	30 June 2018 HK$'000	*31 December 2017 HK$'000* (restated)
In the PRC		
Land in Qianhai held for future development	**1,660,227**	1,634,830
Other land held for future development	**5,892,751**	5,226,047
Land and properties under development for sale	**339,254**	252,745
Completed properties for sale	**595,440**	680,864
Other contract costs	**3,340**	-
Others	**91,984**	51,324
Impairment	**(251,611)**	(251,611)
	8,331,385	7,594,199

(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. The ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

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

(17) Trade and other payables

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

	As at	
	30 June 2018 HK$'000	*31 December 2017 HK$'000* (restated)
0 - 90 days	**194,389**	486,140
91 - 180 days	**15,574**	2,892
181 - 365 days	**15,718**	18,308
Over 365 days	**2,392**	794
	228,073	508,134

(18) Business combination

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

	As previously reported HK$'000	*Yanjiang Company* HK$'000	*Elimination* HK$'000	*As restated* HK$'000
Results of operations for six months ended 30 June 2017:				
Operating profit	1,568,215	89,191	-	1,657,406
Profit for the period	1,595,787	(41,810)	-	1,553,977
Profit attributable to:				
– Ordinary shareholders of the Company	1,104,129	(21,277)	-	1,082,852
– Non-controlling interests	491,658	(20,533)	-	471,125
Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)				
Basic	0.56	(0.01)	-	0.55
Diluted	0.56	(0.01)	-	0.55
Consolidated balance sheet as at 31 December 2017:				
Non-current assets	53,653,204	7,780,543	(2,057,922)	59,375,825
Current assets	17,332,890	2,086,785	-	19,419,675
Non-current liabilities	22,989,422	5,405,928	(11,756)	28,383,594
Current liabilities	10,686,166	2,686,171	(288,764)	13,083,573
Total equity attributable to the ordinary shareholders of the Company	23,917,213	1,775,229	(1,766,094)	23,926,348
Perpetual securities	2,330,939	-	-	2,330,939
Non-controlling interests	11,062,354	-	8,692	11,071,046

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

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

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

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

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

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

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

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

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

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

LOGISTIC BUSINESS

Analysis of Operating Performance

Logistic Parks

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

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

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

China Urban Integrated Logistics Hub

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

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

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

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

Port and related Services

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

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

Logistic Services Business

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

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

Financial Analysis

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

Revenue and Profit attributable to shareholders of each business unit of the logistic business

For the six months ended 30 June

	Revenue		Profit attributable to shareholders	
	2018 ***HK$'000***	**Change over Year 2017**	**2018** ***HK$'000***	Change over Year 2017
Logistic Park Business				
South China Logistic Park	**158,427**	23%	**59,051**	34%
Western Logistic Park	**39,775**	(15%)	**5,413**	(42%)
Integrated Logistics Hubs	**66,836**	175%	**24,362**	861%
Shandong Booming Total Logistic Park	**17,098**	(48%)	**367**	(24%)
Shenzhen International Kanghuai E-commerce Centre	**41,301**	N/A	**1,283**	N/A
SZ Airport Express Center*	**N/A**	N/A	**7,582**	46%
Sub-total	**323,437**	22%	**98,058**	42%
Port and Related Service Business	**654,895**	26%	**63,353**	111%
Logistic Service Business	**339,032**	(30%)	**25,402**	2%
Total	**1,317,364**	4%	**186,813**	51%

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

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

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

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

Updates on the Qianhai Project and Meilin Checkpoint Urban Renewal Project

Qianhai Project

Further to entering into the tripartite cooperation agreement by the Company, the Centre for Software and Integrated Circuit Promotion of the Ministry of Industry and Information Technology (工業和信息化部軟件與集成電路促進中心)("CSIP") and China Center for Information Industry Development (中國電子信息產業發展研究院)("CCID") in 2017, the industrial office property project in the first phase of Qianhai Project was positioned as an information port for "One Belt, One Road" initiative to build an information technology base for logistic and supply chain sectors. To further implement this project, the Company, CSIP and CCID entered into a Memorandum of Cooperation in April 2018 to further outline the development model of the "One Belt, One Road" information port and laid the foundation for the construction and operation of the information port.

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

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

Meilin Checkpoint Urban Renewal Project

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

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

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

TOLL ROAD BUSINESS

Analysis of Operating Performance

During the Period, traffic volume and toll revenue of most of the Group's expressway projects maintained growth. The operating performance of each expressway project is affected to a different extent by factors including policy changes, competitive or synergic change in surrounding road networks, and economic developments along the routes:

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

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

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

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

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

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

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

Financial Analysis

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

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

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

Longda Expressway

During the Period, Longda Expressway recorded a toll revenue of approximately HK$347 million (2017: HK$315 million), representing an increase of approximately 10% as compared to the corresponding period of the previous year. Profit before finance costs and tax amounted to approximately HK$269 million (2017: HK$209 million), representing an increase of approximately 29% as compared to the corresponding period of the previous year and earnings before interest, tax, depreciation and amortization amounted to approximately HK$311 million (2017: HK$253 million), representing an increase of approximately 23% as compared to the corresponding period of the previous year.

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

Shenzhen Expressway and its expressway projects

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

Development of the Environmental Protection Business of Shenzhen Expressway

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

OTHER INVESTMENTS

Shenzhen Airlines

During the Period, passenger transport volume of Shenzhen Airlines continued to grow, with total revenue increased by approximately 14% to approximately RMB15,053 million (equivalent to approximately HK$18,479 million) (2017: RMB13,197 million (equivalent to approximately HK$14,974 million)) as compared to the corresponding period of the previous year. Affected by the increase in aviation fuel price, the fuel cost of Shenzhen Airlines increased by approximately 29% as compared to the corresponding period of the previous year. Nonetheless, the operating profit of Shenzhen Airlines still increased by approximately 14% to approximately RMB1,377 million (equivalent to approximately HK$1,691 million) as compared to the corresponding period of the previous year. However, as affected by the fluctuations in the exchange rate of Renminbi, Shenzhen Airlines recorded an exchange loss of approximately RMB196 million for the Period (2017: an exchange gain of approximately RMB334 million). Accordingly, net profit decreased by approximately 34% to approximately RMB559 million (equivalent to approximately HK$686 million) as compared to the corresponding period of the previous year (2017: RMB846 million (equivalent to approximately HK$960 million)). Shenzhen Airlines contributed a profit of approximately HK$309 million (2017: HK$447 million) to the Group during the Period, representing a decrease of approximately 31% as compared to the corresponding period of the previous year.

OUTLOOK FOR THE SECOND HALF OF 2018

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

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

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

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

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

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

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

FINANCIAL POSITION

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

Change in percentage points

Key Financial Indicators

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

Cash Flow and Financial Ratios

During the Period, the Group's cash flow generated from operations remained stable. Net cash inflow generated from operating activities amounted to HK$1,032 million; net cash outflow used in investment activities amounted to HK$1,272 million; and net cash inflow generated from financing activities amounted to HK$1,283 million. The Group's core businesses maintained a stable cash inflow, and the Group has been closely monitoring changes in total borrowings with a view to maintaining its financial ratios at a healthy level.

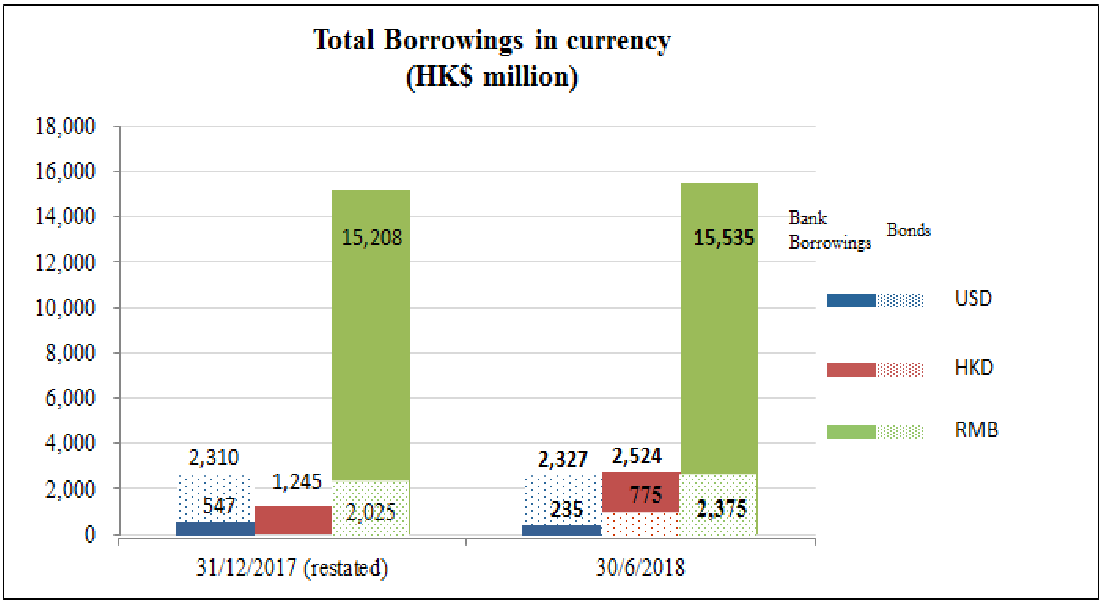
Cash Balance

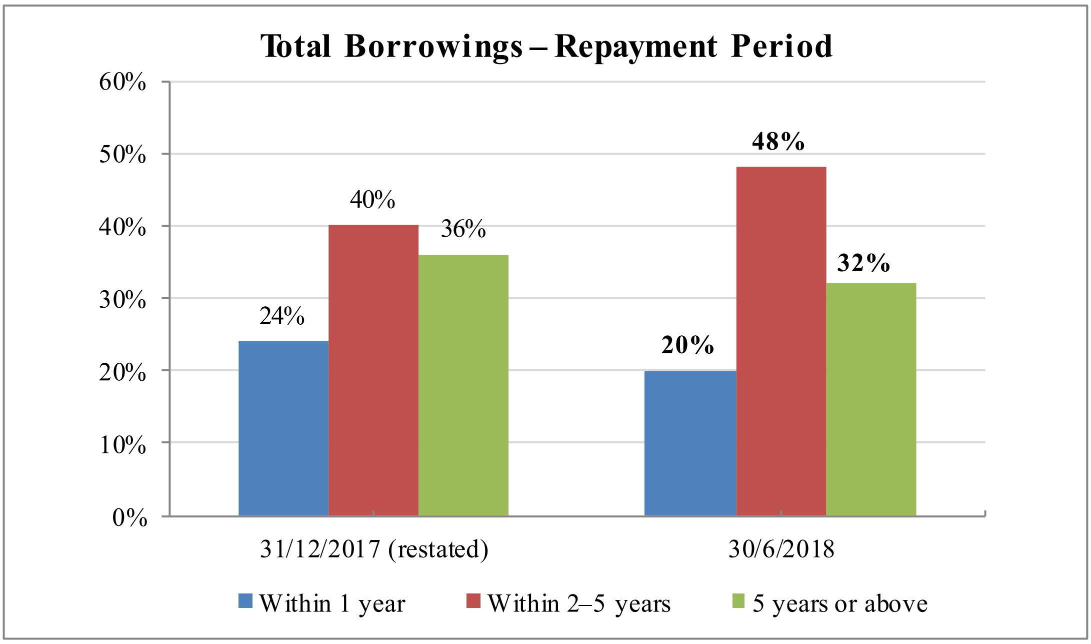
As at 30 June 2018, the cash balance held by the Group amounted to HK$10,302 million (31 December 2017: HK$9,411 million), representing an increase of 9% as compared to the end of last year. Cash held by the Group is primarily denominated in Renminbi to facilitate the Group's operation and development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

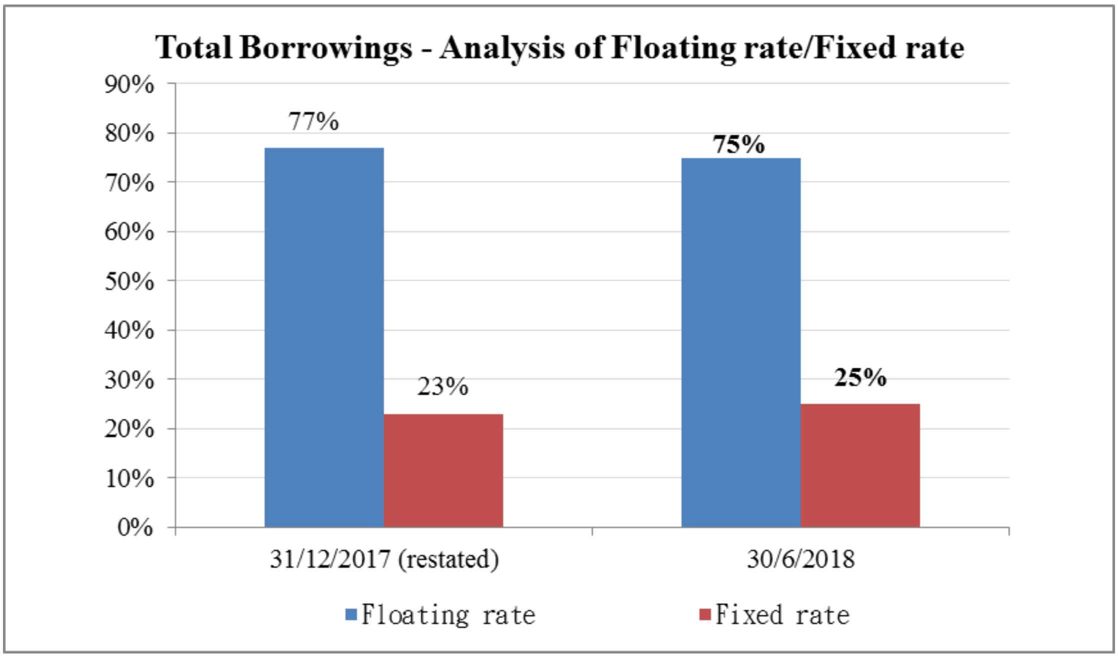
Capital Expenditures

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

Borrowings


Total Borrowings in currency
(HK$ million)
18,000
16,000
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
2,310
547
1,245
15,208
2,025
2,327
235
2,524
775
15,535
2,375
31/12/2017 (restated)
30/6/2018
Bank Borrowings
Bonds
USD
HKD
RMB


Total Borrowings – Repayment Period
60%
50%
40%
30%
20%
10%
0%
24%
40%
36%
20%
48%
32%
31/12/2017 (restated)
30/6/2018
Within 1 year
Within 2–5 years
5 years or above



As at 30 June 2018, the Group's total borrowings amounted to HK$23,771 million, representing an increase of 11% as compared to the end of last year, which was mainly attributable to an increase in total borrowings, including the issuance of RMB 300 million of 5-year panda bonds with a coupon rate of 5.2% and the issuance of HK$780 million of 5-year Hong Kong dollar senior notes with a coupon rate of 3.75% by the Company during the Period. Out of the total borrowings, 20%, 48% and 32% are due within 1 year, within 2-5 years and due in 5 years or above, respectively.

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

The Group's Financial Policy

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

Exchange Rate Risk

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

Liquidity Risk Management

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

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 Period.

CORPORATE GOVERNANCE

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

During the Period, the Company has complied with the code provisions set out in "Corporate Governance Code and Corporate Governance Report" of Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange.

OTHER INFORMATION

The Company has engaged KPMG, the Auditor of the Company, to review the unaudited Interim Financial Report of the Group for the six months ended 30 June 2018.

Before the date of this announcement, a meeting of the Audit Committee has been held with the Auditor of the Company for reviewing the unaudited interim financial report of the Group for the six months ended 30 June 2018. The review report will be included in the interim report to be despatched to the shareholders of the Company.

This announcement and other related information of the Company's 2018 interim 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, 22 August 2018

As at the date of this announcement, the board of directors of the Company 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.