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

2018 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 2018 (the "Year") together with comparative figures for the year ended 31 December 2017 as follows:

Consolidated Income Statement:

	Note	Year ended 31 December 2018 HK$'000	 2017 HK$'000 (restated)
Revenue	(3), (4)	**11,581,036**	10,139,141
Cost of sales	(6)	**(7,005,626)**	(6,374,797)
Gross profit		**4,575,410**	3,764,344
Other income		**45,790**	53,788
Other gains - net	(5)	**4,703,184**	2,634,198
Distribution costs	(6)	**(87,234)**	(75,062)
Administrative expenses	(6)	**(592,761)**	(606,072)
Operating profit		**8,644,389**	5,771,196
Share of profit of joint ventures		**14,708**	19,363
Share of profit of associates	(12)	**1,126,361**	1,368,985
Profit before finance costs and income tax		**9,785,458**	7,159,544
Finance income	(7)	**116,860**	114,818
Finance costs	(7)	**(1,540,393)**	(1,125,114)
Finance costs - net	(7)	**(1,423,533)**	(1,010,296)
Profit before income tax		**8,361,925**	6,149,248
Income tax expense	(8)	**(1,835,228)**	(1,441,847)
Profit for the year		**6,526,697**	4,707,401

Consolidated Income Statement (continued):

	Note	Year ended 31 December 2018 HK$'000	 2017 HK$'000 (restated)
Attributable to:			
Ordinary shareholders of the Company		**4,212,652**	3,816,794
Perpetual securities holders of the Company		**92,969**	-
Non-controlling interests		**2,221,076**	890,607
		6,526,697	4,707,401
Earnings per share attributable to ordinary shareholders of the Company during the Year (expressed in HK dollars per share)			
- Basic	(9(a))	**2.03**	1.92
- Diluted	(9(b))	**2.02**	1.91

Consolidated Statement of Comprehensive Income:

	Year ended 31 December 2018 HK$'000	 2017 HK$'000 (restated)
Profit for the year	**6,526,697**	4,707,401
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Share of other comprehensive income of associates	**(19,845)**	74,539
Net movement in fair value reserve on available-for-sale financial assets (recycling)	**-**	(37,926)
Sub-total	**(19,845)**	36,613
Items that will not be reclassified to profit or loss:		
Currency translation differences	**(1,901,022)**	2,220,269
Net movement in the fair value reserve on other financial assets (Non-recycling)	**(141)**	-
Sub-total	**(1,901,163)**	2,220,269
Other comprehensive income for the year , net of tax	**(1,921,008)**	2,256,882
Total comprehensive income for the year	**4,605,689**	6,964,283

Consolidated Statement of Comprehensive Income (continued):

	Note	Year ended 31 December 2018 HK$'000	2017 HK$'000 (restated)
Total comprehensive income attributable to:			
Ordinary shareholders of the Company		**2,894,098**	5,315,974
Perpetual securities holders of the Company		**92,969**	-
Non-controlling interests		**1,618,622**	1,648,309
Total comprehensive income for the year		**4,605,689**	6,964,283

Consolidated Balance Sheet:

	Note	As at 31 December 2018 HK$'000	2017 HK$'000 (restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**5,273,283**	5,246,181
Investment properties		**93,930**	93,330
Land use rights		**2,932,326**	1,959,033
Construction in progress		**2,424,315**	1,980,103
Intangible assets	(11)	**27,020,690**	33,624,346
Goodwill		**11,324**	-
Interests in associates	(12)	**14,244,696**	14,284,887
Interests in joint ventures		**75,304**	248,748
Other financial assets	(13)	**485,949**	186,912
Deferred tax assets		**787,782**	245,319
Other non-current assets	(14)	**1,224,961**	1,506,966
		54,574,560	59,375,825
Current assets			
Inventories	(15)	**8,055,405**	7,594,199
Contract assets		**190,481**	-
Other financial assets	(13)	**550,396**	312,405
Trade and other receivables	(16)	**3,976,525**	2,102,554
Derivative financial instruments		**51,494**	-
Restricted bank deposits		**2,088,989**	2,893,219
Deposits in banks with original maturities over 3 months		**874,168**	813,956
Cash and cash equivalents		**13,663,906**	5,703,342
Disposal group held for sale	(18)	**338,670**	-
		29,790,034	19,419,675
Total assets		**84,364,594**	78,795,500

Consolidated Balance Sheet (continued):

	Note	As at 31 December 2018 HK$'000	2017 HK$'000 (restated)
EQUITY AND LIABILITIES			
Share capital and share premium		**10,552,228**	9,159,662
Other reserves and retained earnings		**17,445,704**	14,766,686
Equity attributable to ordinary shareholders of the Company		**27,997,932**	23,926,348
Perpetual securities		**2,330,939**	2,330,939
Non-controlling interests		**14,030,974**	11,071,046
Total equity		**44,359,845**	37,328,333
Liabilities			
Non-current liabilities			
Borrowings		**24,474,131**	16,287,668
Provision for maintenance/resurfacing obligations		**-**	163,311
Deferred tax liabilities		**1,808,509**	2,211,827
Other non-current liabilities		**1,298,862**	9,720,788
		27,581,502	28,383,594
Current liabilities			
Trade and other payables	(17)	**6,097,906**	7,150,842
Contract liabilities		**1,825,004**	-
Income tax payable		**2,362,608**	771,937
Provision for maintenance/resurfacing obligations		**-**	28,617
Borrowings		**2,137,729**	5,046,967
Derivative financial instruments		**-**	85,210
		12,423,247	13,083,573
Total liabilities		**40,004,749**	41,467,167
Total equity and liabilities		**84,364,594**	78,795,500

Notes：

(1) General and major development

(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 Hong Kong Institution of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The consolidated financial statements have been prepared under the historical cost basis, as modified by the revaluation of other financial assets, derivative financial instruments and investment properties, which are carried at fair value. Non-current assets held for sale are stated at the lower of their carrying amount and fair value less cost to sell.

On 11 December 2017, Shenzhen Expressway Company Limited ("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 Shenzhen Investment Holdings Company Limited ("SIHCL"), the controlling shareholder of the Company, at a consideration of RMB1,472 million (approximately HKD1,712 million). On 8 February 2018, such agreement was approved by the independent shareholders of Shenzhen Expressway in its extraordinary general meeting. Accordingly, the acquisition was completed on 8 February 2018, and Coastal Company has become a subsidiary of the Group since then. As both the Company and Coastal Company are controlled by SIHCL before and after the acquisition and the control is not transitory, the acquisition has been regarded as business combination under common control. The acquisition has been accounted for based on the principles of merger accounting in accordance with Accounting Guideline 5, *Merger Accounting for Common Control Combinations* ("AG 5") issued by the HKICPA.

The financial report of the Group has been prepared using the merger basis of accounting as if the current group structure had been in existence throughout the periods presented. The opening balance at 1 January 2017 have been restated, with consequential adjustments to comparatives for the year ended 31 December 2017. The final consideration of RMB1,472 million (approximately HKD1,712 million) payable by the Group has been treated as an equity transaction.

The details of the restated balances have been disclosed in Note 19.

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

On 30 November 2015, Shenzhen Expressway and Shenzhen Longda Expressway Company Limited ("Longda Company", a subsidiary of Group), and the Transport Commission of Shenzhen Municipality ("SZ Transport Commission") entered into the toll adjustment and compensation agreements regarding the 4 Toll Roads (the "Adjustment Agreements"), pursuant to which Nanguang Expressway, Yanpai Expressway, Yanba Expressway (together operated by Shenzhen Expressway) and Longda Expressway Shenzhen Section (namely, the 23.8 km section of the Longda Expressway from the starting point of the Longda Expressway to the Nanguang ramp, operated by Longda Company) became toll-free from 00:00 on 7 February 2016 in two phases in exchange for cash compensation calculated based on adjustment mechanism by SZ Transport Commission. During Phase 1, the Group will retain its toll fee right and be responsible for the maintenance and repair of the 4 Toll Roads. SZ Transport Commission will engage the services of the Group and implement toll-free for the 4 Toll Roads in exchange for an amount of cash compensation. During Phase 2, SZ Transport Commission may, within 10 months before the end of Phase 1, elect to adopt either Option 1 or Option 2 to be effective from 00:00 on 1 January 2019. Under Option 1, the parties will continue to operate in the same manner as in Phase 1. Under Option 2, toll fee right of the 4 Toll Roads will be returned to SZ Transport Commission in exchange for cash compensation and SZ Transport Commission will implement toll-free for the 4 Toll Roads, the Group will no longer retain its toll fee rights nor be responsible for the maintenance and repair of the 4 Toll Roads.

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

As at 31 December 2018, the Group recognised an one-off gain (before taxation) amounted to HKD4.72 billion (Note 5).

(2) Changes in accounting policies and disclosures

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

(a) New and amended standards adopted by the Group

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

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC) 22	Foreign currency transactions and advance consideration

(2) Changes in accounting policies and disclosures (continued)

(a) New and amended standards adopted by the Group (continued)

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

The adoption of HK(IFRIC) 22 does not have any material impact on the financial statements of the Group. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

(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)

(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.

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

(2) Changes in accounting policies and disclosures (continued)

(a) New and amended standards adopted by the Group (continued)

(ii) HKFRS 15, Revenue from contracts with customers (continued)

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

(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; and (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)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the board of directors, the chief operating decision-maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2018 and 2017 is set out below:

For the year ended 31 December 2018

	Toll roads	*Logistic business*				*Head Office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related service*	*Sub-total*		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15							
- Point in time	7,185,367	143,387	801,530	1,318,457	2,263,374	-	9,448,741
- Over time	1,617,986	-	-	-	-	-	1,617,986
Subtotal	8,803,353	143,387	801,530	1,318,457	2,263,374	-	11,066,727
Revenue from other sources	-	514,309	-	-	514,309	-	514,309
Revenue	8,803,353	657,696	801,530	1,318,457	2,777,683	-	11,581,036
Operating profit/(loss)	8,570,452	167,413	67,879	165,813	401,105	(327,168)	8,644,389
Share of profit/(loss) of joint ventures	-	14,733	-	-	14,733	(25)	14,708
Share of profit/(loss) of associates	611,524	(145)	1,028	(532)	351	514,486	1,126,361
Finance income	47,762	7,733	3,816	779	12,328	56,770	116,860
Finance costs	(1,365,788)	(15,857)	(1,420)	(5,393)	(22,670)	(151,935)	(1,540,393)
Profit before income tax	7,863,950	173,877	71,303	160,667	405,847	92,128	8,361,925
Income tax expense	(1,783,540)	(31,525)	(15,463)	(26,421)	(73,409)	21,721	(1,835,228)
Profit for the year	6,080,410	142,352	55,840	134,246	332,438	113,849	6,526,697
Non-controlling interests	(2,184,341)	14,499	(16,484)	(37,072)	(39,057)	2,322	(2,221,076)
Subtotal	3,896,069	156,851	39,356	97,174	293,381	116,171	4,305,621
Profit attributable to perpetual securities holders	-	-	-	-	-	(92,969)	(92,969)
Profit attributable to ordinary shareholders of the Company	3,896,069	156,851	39,356	97,174	293,381	23,202	4,212,652
Depreciation and amortisation	2,035,212	178,756	13,163	61,857	253,776	22,271	2,311,259
Capital expenditure							
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	1,359,195	870,854	42,687	33,011	946,552	1,654,389	3,960,136
- Additions in interests in associates	67,743	-	-	-	-	-	67,743

(3) Segment information (continued)

For the year ended 31 December 2017 (restated)

	Toll roads	*Logistic business*				*Head Office functions*	*Total*
		Logistic parks	*Logistic services*	*Port and related service*	*Sub-total*		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue from contracts with customers within the scope of HKFRS 15							
- Point in time	6,503,152	145,880	1,045,553	967,768	2,159,201	18,598	8,680,951
- Over time	1,040,049	-	-	-	-	-	1,040,049
Subtotal	7,543,201	145,880	1,045,553	967,768	2,159,201	18,598	9,721,000
Revenue from other sources	-	418,141	-	-	418,141	-	418,141
Revenue	7,543,201	564,021	1,045,553	967,768	2,577,342	18,598	10,139,141
Operating profit	3,077,725	159,553	51,138	97,038	307,729	2,385,742	5,771,196
Share of profit/(loss) of joint ventures	8,194	12,215	-	-	12,215	(1,046)	19,363
Share of profit/(loss) of associates	563,108	(375)	5,990	-	5,615	800,262	1,368,985
Finance income	49,829	5,167	4,901	730	10,798	54,191	114,818
Finance costs	(1,238,562)	(15,954)	(1,103)	(2,049)	(19,106)	132,554	(1,125,114)
Profit before income tax	2,460,294	160,606	60,926	95,719	317,251	3,371,703	6,149,248
Income tax expense	(511,582)	(34,102)	(17,077)	(10,146)	(61,325)	(868,940)	(1,441,847)
Profit for the year	1,948,712	126,504	43,849	85,573	255,926	2,502,763	4,707,401
Non-controlling interests	(941,348)	4,725	(5,592)	(20,358)	(21,225)	71,966	(890,607)
Profit attributable to ordinary shareholders of the Company	1,007,364	131,229	38,257	65,215	234,701	2,574,729	3,816,794
Depreciation and amortisation	1,899,530	91,753	29,043	58,761	179,557	37,871	2,116,958
Capital expenditure							
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	1,005,189	262,554	30,758	9,641	302,953	593,825	1,901,967
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets arising from acquisition of subsidiaries	3,894,966	-	-	-	-	-	3,894,966
- Additions in interests in associates	5,010,306	-	-	1,157	1,157	115,741	5,127,204

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

(3) Segment information (continued)

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

(4) Revenue

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2018	*2017*
	HK$'000	HK$'000 (restated)
Revenue from contracts with customers within the scope of HKFRS 15		
Toll Roads		
- Toll revenue	**6,712,430**	6,096,043
- Entrusted construction management service and construction consulting service revenue	**273,430**	62,403
- Construction service revenue under Service Concession	**1,234,194**	862,303
- Others	**583,299**	522,452
	8,803,353	7,543,201
Logistic Business		
- Logistic parks	**143,387**	145,880
- Logistic services	**801,530**	1,045,553
- Port and related services	**1,318,457**	967,768
	2,263,374	2,159,201
Head Office Functions	**-**	18,598
	11,066,727	9,721,000
Revenue from other sources		
Logistic Business		
- Gross rentals from logistic parks	**514,309**	418,141
	11,581,036	10,139,141

(5) Other gains - net

	2018	*2017*
	HK$'000	HK$'000 (restated)
Gain on disposal of 4 Toll Roads	**4,721,977**	-
Loss on disposal of derivative financial instruments	**(58,600)**	-
Loss on fair value of other financial assets	**(100,596)**	-
Gain on disposal of a subsidiary	**84,680**	51,834
Gain on bargain acquisition of a subsidiary	**8,056**	-
Gains on land compensation	**26,267**	28,575
Loss on impairment of trade receivables	**(6,012)**	-
Loss on impairment of finance lease receivables	**(7,224)**	-
Gain on replacement of land	**-**	2,829,605
Gain on revaluation on equity interests in a joint venture previously held arising from business combinations with change of control–net	**-**	31,209
Gain on disposal of available-for-sale financial assets	**-**	61,412
Gain on disposal of other financial assets	**12,877**	-
Loss on disposal of Meiguan Expressway's toll free section related assets	**-**	(50,579)
Loss on impairment of property, plant and equipment	**-**	(89,342)
Loss on impairment of inventories	**-**	(251,611)
Others	**21,759**	23,095
	4,703,184	2,634,198

(6) Expenses by nature

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

	2018	*2017*
	HK$'000	HK$'000 (restated)
Construction services cost under Service Concession	**1,234,194**	862,303
Provision for maintenance/resurfacing obligations-net	**(189,396)**	34,545
Depreciation and amortisation	**2,311,259**	2,116,958
Employee benefit expenses	**1,181,513**	1,003,414
Transportation expenses and contractors' costs	**466,635**	916,014
Rental charges	**107,101**	62,785
Other tax expenses	**80,496**	77,044
Commission, management fee and maintenance expenses for toll roads	**431,691**	369,571
Entrusted construction management service costs	**167,423**	25,625
Auditors' remuneration		
- Audit services	**7,340**	7,234
- Non-audit services	**5,475**	7,969
Legal and consultancy fees	**43,593**	43,192
Costs for logistic and supply chain management business	**1,030,776**	702,060
Property development cost	**210,303**	246,538
Others	**597,218**	580,679
	7,685,621	7,055,931

(7) Finance income and costs

	2018	*2017*
	HK$'000	HK$'000 (restated)
Finance income		
Interest income from bank deposits	**(92,036)**	(97,407)
Interest income from other receivables	**(10,141)**	(5,069)
Other interest income	**(14,683)**	(12,342)
Total finance income	**(116,860)**	(114,818)
Finance costs		
Interest expense		
- Bank borrowings	**790,818**	645,957
- Medium-term notes	**62,800**	65,634
- Senior notes	**23,793**	32,665
- Corporate bonds	**178,120**	128,448
- Other interest costs	**105,845**	8,624
- Interest costs for other financial liabilities	**468,024**	494,488
Net foreign exchange losses/(gains)	**288,965**	(312,629)
(Gains)/losses on derivative financial instruments directly attributable to borrowings	**(137,223)**	169,402
Less: finance costs capitalised on qualified assets	**(240,749)**	(107,475)
Total finance costs	**1,540,393**	1,125,114
Net finance costs	**1,423,533**	1,010,296

(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.

The PRC Corporate Income Tax charged to the consolidated income statement was calculated based on the assessable profits of the Company's subsidiaries located in the PRC of the year at a rate of 25% (2017: 25%) applicable to the respective companies.

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

	2018	*2017*
	HK$'000	HK$'000 (restated)
Current income tax		
- PRC Corporate Income Tax	**2,731,288**	1,585,824
- Land appreciation tax	**18,619**	7,785
Deferred tax	**(914,679)**	(151,762)
	1,835,228	1,441,847

(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.

	2018	*2017*
	HK$'000	HK$'000 (restated)
Profit attributable to ordinary shareholders of the Company	**4,212,652**	3,816,794
Weighted average number of ordinary shares in issue (thousands)	**2,074,843**	1,992,748
Basic earnings per share (HK$ per share)	**2.03**	1.92

(b) Diluted

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

	2018	*2017*
	HK$'000	HK$'000 (restated)
Profit attributable to ordinary shareholders of the Company	**4,212,652**	3,816,794
Weighted average number of ordinary shares in issue (thousands)	**2,074,843**	1,992,748
Adjustments - share options (thousands)	**15,576**	10,251
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,090,419**	2,002,999
Diluted earnings per share (HK$ per share)	**2.02**	1.91

(10) Dividends

At the board meeting on 25 March 2019, the board recommended the payment of final dividend and special dividend for the year of 2018 of HKD0.36 per ordinary share and HKD0.70 per ordinary share respectively. Such dividends are to be approved by the shareholders at the forthcoming annual general meeting of the Company in 2019 ("Annual General Meeting"). These consolidated financial statements do not reflect this as dividend payable.

(10) Dividends (continued)

	2018	*2017*
	HK$'000	HK$'000
Proposed final and total dividend of HKD0.36 (2017: HKD0.44) per ordinary share	**763,154**	892,665
Proposed special dividend of HKD0.70 (2017: HKD0.56) per ordinary share	**1,483,911**	1,136,118
	2,247,065	2,028,783

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

	2018	*2017*
	HK$'000	HK$'000
		(restated)
Cost	**36,980,113**	44,659,134
Accumulated amortisation and impairment	**(9,959,423)**	(11,034,788)
Net book value	**27,020,690**	33,624,346

	2018	*2017*
	HK$'000	HK$'000
		(restated)
Net book value as at 1 January, as previously reported	**26,089,882**	21,286,881
Business combination under common control	**7,534,464**	7,192,841
Net book value as at 1 January, as restated	**33,624,346**	28,479,722
Acquisition of subsidiaries	**-**	3,820,754
Additions	**1,232,400**	943,889
Disposals	**(4,699,456)**	(9,669)
Amortisation	**(1,830,222)**	(1,694,665)
Exchange difference	**(1,306,378)**	2,084,315
Closing net book value	**27,020,690**	33,624,346

(11) Intangible assets (continued)

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 4 to 19 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any considerations payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options. Amortisation of concession intangible assets has all been charged in the consolidated income statement within "Cost of sales".

(12) Interests in associates

	2018	*2017*
	HK$'000	HK$'000 (restated)
Beginning of year	**14,284,887**	7,490,060
Impact on initial application of HKFRS 15	**26,333**	-
Adjusted balance at beginning of the year	**14,311,220**	7,490,060
Additions	**67,743**	5,127,204
Disposal	**(18,576)**	-
Share of profit of associates	**1,126,361**	1,368,985
Share of other comprehensive income of associates	**(19,845)**	74,539
Dividends received	**(578,573)**	(589,250)
Exchange difference	**(643,634)**	813,349
End of year	**14,244,696**	14,284,887

(13) Other financial assets

	31 December 2018	*1 January 2018*	*31 December 2017*
	HK$'000	HK$'000	HK$'000
Equity securities designated at FVOCI (non-recycling)			
- Unlisted equity securities (Note (c))	**56,902**	59,694	-
Financial assets measured at FVPL			
- Wealth management products (Note (a))	**388,172**	-	-
- Listed securities in the PRC (Note (b))	**162,224**	312,405	-
- Unlisted equity securities (Note (c))	**206,004**	194,019	-
- Unlisted fund investment (Note (d))	**223,043**	-	-
Available-for-sale financial assets			
- Unlisted equity securities (Note (c))	**-**	-	186,912
- Equity securities listed in the PRC (Note (b))	**-**	-	312,405
	1,036,345	566,118	499,317
Less: non-current portion	**(485,949)**	(253,713)	(186,912)
Current portion	**550,396**	312,405	312,405

(a) The wealth management products bear floating interest rates from 1.35% to 3.05% per annum and will both mature in 2019. Prior to January 2018, Wealth management products were classified under trade and other receivables and measured at amortised cost in accordance with HKAS 39.

(b) As at 31 December 2018, listed equity investments stated at market price represent 1.24% (31 December 2017: 1.30%) equity interest in CSG Holding Co., Ltd ("CSG"). During the year, the Group did not dispose of any shares in CSG (2017 : Nil).

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

(d) As at 31 December 2018, the Group has 41.18% share of Shenzhen Capital Lingxiu Logistics Facility Phase I Private Investment Fund. It was classified as financial assets measured at FVPL and measured at fair value at year end.

(14) Other non-current assets

As at 31 December 2018, other non-current assets mainly represented prepayments for land use rights, project funds and other long-term receivables.

(15) Inventories

	31 December 2018	*1 January 2018*	*31 December 2017*
	HK$'000	HK$'000	HK$'000
Land in Qianhai held for future development	**1,624,375**	1,634,830	1,634,830
Other land held for future development	**191,269**	5,226,047	5,226,047
Land and properties under development for sale	**5,556,197**	253,372	252,745
Completed properties for sale	**891,031**	680,864	680,864
Others	**40,726**	51,324	51,324
Impairment	**(248,193)**	(251,611)	(251,611)
	8,055,405	7,594,826	7,594,199

(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. Except for toll revenue, trade receivables are due within 120 days from the date of billing. As at 31 December 2018 and 2017, the ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

	2018	*2017*
	HK$'000	HK$'000 (restated)
0 - 90 days	**859,044**	856,370
91 - 180 days	**60,217**	31,701
181 - 365 days	**73,260**	29,413
Over 365 days	**79,559**	83,356
	1,072,080	1,000,840

(17) Trade and other payables

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

	2018	*2017*
	HK$'000	HK$'000 (restated)
0-90 days	**221,591**	486,140
91-180 days	**2,023**	2,892
181-365 days	**2,417**	18,308
Over 365 days	**3,221**	794
	229,252	508,134

(18) Disposal group held for sale

As at 9 November 2018, the two subsidiaries of the Company, Guizhou Guishen Investment Development Co., Ltd. (“Guishen Company”) and Guizhou Shenzhen Expressway Property Co., Ltd. (“Guizhou Property”), were preparing to sell 100% of the shares and the creditor's rights of their subsidiaries, Guizhou Shengbo Land Co., Ltd. ("Guizhou Shengbo"), Guizhou Hengfengxin Property Co., Ltd. ("Guizhou Hengfengxin"), Guizhou Henghongda Property Co., Ltd. ("Guizhou Henghongda") and Guizhou Yehengda Property Co., Ltd. ("Guizhou Yehengda"), publicly on Shenzhen United Property and Share Rights Exchange. As at 11 December 2018, Guizhou Xinhe Lifu Real Estate Development Co., Ltd. ("Xinhelifu") was the transferee, and paid a security deposit of RMB170,100,000. The share transfer has been approved by the management of Guishen Company and Guizhou Property at the shareholders’ meeting and the board of directors meeting, and the transfer is expected to be completed within one year. As a result, the underlying assets related to the share transfer agreement are transferred from inventories to assets held for sale. The book value and fair value less disposal cost of the asset as at 31 December 2018 is HKD338,670,000 and HKD646,590,000 respectively.

(19) Business combination

As mentioned in Note 1(a) to this announcement, 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$’000	*Coastal Company* HK$’000	*Elimination* HK$’000	*As restated* HK$’000
Results of operations for the year ended 31 December 2017:				
Operating profit	5,587,034	184,162	-	5,771,196
Profit for the year	4,756,492	(49,091)	-	4,707,401
Profit attributable to:				
- Ordinary shareholders of the Company	3,841,776	(24,982)	-	3,816,794
- Non-controlling interests	914,716	(24,109)	-	890,607
Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)				
Basic	1.93	(0.01)	-	1.92
Diluted	1.92	(0.01)	-	1.91

(19) Business combination (continued)

	As Previously reported HK$'000	*Coastal Company* HK$'000	*Elimination* HK$'000	*As restated* HK$'000
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
Equity attributable to ordinary shareholders of the Company	23,917,213	1,775,229	(1,766,094)	23,926,348
Perpetual securities	2,330,939	-	-	2,330,939
Non-controlling interests	11,062,354	-	8,692	11,071,046

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

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

* *In the first half of 2018, the Group completed the acquisition of 100% equity interest in Shenzhen Guangshen Coastal Expressway Investment Co., Ltd., the acquisition was regarded as a business combination under common control by the Group and merger accounting was used. The financial information of the Group for the year ended 31 December 2017 was restated accordingly to comply with the relevant accounting standards.*

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

For the year ended 31 December 2018 (the "Year"), the Group's core business revenue and operating profit of the core business rose by 12% to HK$10,347 million and 20% to HK$3,922 million respectively from the corresponding period of the previous year. This was mainly driven by the growth in revenue and profits from the Group's two core businesses, logistic business and toll road business.

During the Year, there was satisfactory growth in the logistic business, with revenue and profit attributable to shareholders increased by 8% to HK$2,778 million and 25% to HK$293 million respectively, as compared to the corresponding period of the previous year. The increase was mainly driven by the significant growth of the business volume of port business, the benefits from the economies of scales of the integrated logistics hub projects, as well as the new sources of revenue and profit contribution from Shenzhen International Kanghuai E-commerce Center.

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

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

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

During the Year, the Group's profit attributable to shareholders from the core business decreased by 15% to HK$1,890 million as compared to the corresponding period of the previous year, it was mainly due to the depreciation of Renminbi during the Year which resulted in an exchange loss of HK$289 million (2017: an exchange gain of HK$313 million), and led to a significant increase of 41% in the Group's net finance costs as compared to the corresponding period of the previous year. By excluding the effect of exchange rate fluctuations, profit attributable to shareholders from the core business of the Group increased by 14% to HK$2,178 million (2017: HK$1,908 million). Since it is anticipated that the exchange rate volatility of Renminbi will persist, the Group will continue to closely monitor the trend of Renminbi exchange rates and timely adopt feasible measures to reduce foreign exchange risks according to the foreign exchange market conditions.

In accordance with the agreements (the “Adjustment Agreements”) entered into by the Shenzhen Municipal Government and the Group at the end of November 2015 in relation to the toll adjustment and compensation arrangements regarding the four projects (with total mileage of approximately 100 km) namely, Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the 23.8 km section of Longda Expressway from its starting point to the Nanguang Expressway ramp (“Longda Expressway Toll-Free Section”), the Shenzhen Municipal Government notified the Group in October 2018 of its decision that the fee entitlement right of the above four projects will be returned to the Shenzhen Municipal Government, and the remaining cash compensation will be paid to the Group as agreed. In this regard, the Group has recognized a one-off gain on asset disposal attributable to shareholders of approximately RMB2,182 million (equivalent to approximately HK$2,571 million) during the Year. Benefitting from the above, the Group’s operating profit and profit attributable to shareholders increased by 50% and 10% to HK$8,644 million and HK$4,213 million respectively. In recent years, the Group has completed the acquisition of concession rights for high-quality projects such as Shuiguan Expressway, Yichang Expressway and Shenzhen Coastal Project, with an increase in total toll mileage of approximately 142 km, which successfully made up for the toll mileage of the four projects that were returned pursuant to the Adjustment Agreements.

Successful Issuance of Panda Bonds and Hong Kong Dollar Senior Notes

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

Dividend

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

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

LOGISTIC BUSINESS

Analysis of Operating Performance

Logistic Park Business

I. Integrated Logistics Hub Business

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

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

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

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

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

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

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

II. Shenzhen (Greater Bay Area) Logistic Park Business

South China Logistic Park has actively explored the potential of existing resources to increase its revenue and profits, with properties leased out at a significantly higher rent. While retaining its traditional logistic business, South China Logistic Park has been seeking integration with other industries to gradually realize synergistic development. The operation of transformation and upgrade projects, such as "No. 8 Warehouse Outlets", have become mature and generated stable income. Furthermore, the Group has been actively driving the planning and construction of the Phase 2 Project of South China Logistic Park. The project will be developed into a multi-functional cluster zone for integrated high-end modern logistic service industries.

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

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

Logistic Service Business

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

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

Port and Related Service Business

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

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

Financial Analysis

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

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

For the year ended 31 December

	Revenue		Profit attributable to shareholders	
	2018 ***HK$’000***	Change over Year 2017 Increase/ (decrease)	**2018** ***HK$’000***	Change over Year 2017 Increase/ (decrease)
Logistic Park Business	**657,696**	17%	**156,851***	20%
Logistic Service Business	**801,530**	(23%)	**39,356**	3%
Port and Related Service Business	**1,318,457**	36%	**97,174**	49%
Total	**2,777,683**	8%	**293,381**	25%

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

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

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

During the Year, the logistic service business recorded a revenue of HK$802 million, representing a decrease of 23% as compared to the corresponding period of the previous year, while profit attributable to shareholders increased by 3% to HK$39.36 million as compared to the corresponding period of the previous year, as the Group has been focusing on developing a quality customer base by optimizing resources allocation.

Logistic Park Transformation and Upgrading Business

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

Qianhai Project

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

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

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

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

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

Melin Checkpoint Urban Renewal Project

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

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

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

TOLL ROAD BUSINESS

Analysis of Operating Performance

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

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

- In December 2017, the Group signed an agreement through Shenzhen Expressway Company Limited ("Shenzhen Expressway") to acquire 100% equity interest of Shenzhen Coastal Project. The acquisition was completed within the Year. Shenzhen Coastal Project is the section of Guangshen Coastal Expressway (Guangzhou-Shenzhen) within Shenzhen, comprises Shenzhen Coastal Phase I and Shenzhen Coastal Phase II. Shenzhen Coastal Phase I is the main line of Shenzhen Coastal Project, which was completed and opened to traffic at the end of 2013. Shenzhen Coastal Phase II includes the connection line on the Shenzhen side of Shenzhen-Zhongshan Channel, Airport Interchange and International Convention and Exhibition Center Interchange, etc. Its construction commenced in December 2015 and is scheduled to be opened to traffic by end of 2019.

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

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

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

Financial Analysis

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

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

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

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

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

Longda Expressway

During the Year, Longda Expressway recorded a toll revenue of approximately HK$744 million (2017: HK$675 million), representing an increase of 10% as compared to the corresponding period of the previous year. Profit before finance costs and tax amounted to approximately HK$581 million (2017: HK$466 million), representing an increase of 25% as compared to the corresponding period of the previous year; earnings before interest, tax, depreciation and amortization amounted to approximately HK$662 million (2017: HK$557 million), representing an increase of 19% as compared to the corresponding period of the previous year.

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

Shenzhen Expressway and its expressway projects

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

Development of the Environmental Protection Business of Shenzhen Expressway

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

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

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

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

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

OTHER INVESTMENTS

Shenzhen Airlines

During the Year, passenger transport volume of Shenzhen Airlines continued to grow, total revenue for the Year increased by 13% to approximately RMB31,119 million (equivalent to approximately HK$36,662 million) (2017: RMB27,646 million (equivalent to approximately HK$31,998 million)) as compared to the corresponding period of the previous year. The fuel cost of Shenzhen Airlines increased by 23% as compared to the corresponding period of the previous year. Nonetheless, operating profit of Shenzhen Airlines still increased by 28% to approximately RMB2,482 million (equivalent to approximately HK$2,924 million) as compared to the corresponding period of the previous year. However, as affected by the fluctuations in the exchange rate of Renminbi, Shenzhen Airlines recorded an exchange loss of approximately RMB795 million for the Year (2017: an exchange gain of approximately RMB822 million). Accordingly, net profit decreased by 36% to approximately RMB919 million (equivalent to approximately HK$1,082 million) as compared to the corresponding period of the previous year (2017: RMB1,439 million (equivalent to approximately HK$1,665 million)). Shenzhen Airlines contributed a profit of approximately HK$469 million (2017: HK$763 million) to the Group during the Year, representing a decrease of 38% as compared to the corresponding period of the previous year.

OUTLOOK FOR 2019

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

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

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

The Group will actively seize the opportunities arising from the land function adjustment to the logistic parks in Shenzhen and vigorously promote the transformation work. The Group will actively negotiate with Qianhai Authority and relevant government authorities and endeavor to facilitate the signing of land swap agreements for the consolidation and compensation of the remaining land parcels in Qianhai. At the same time, the Group will actively promote the development and sales of Meilin Checkpoint Urban Renewal Project and the first phase of Qianhai Project, striving to unlock the value in the projects over the next few years.

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

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

FINANCIAL POSITION

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

Change in percentage points

Key Financial Indicators

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

Cash Flow and Financial Ratios

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

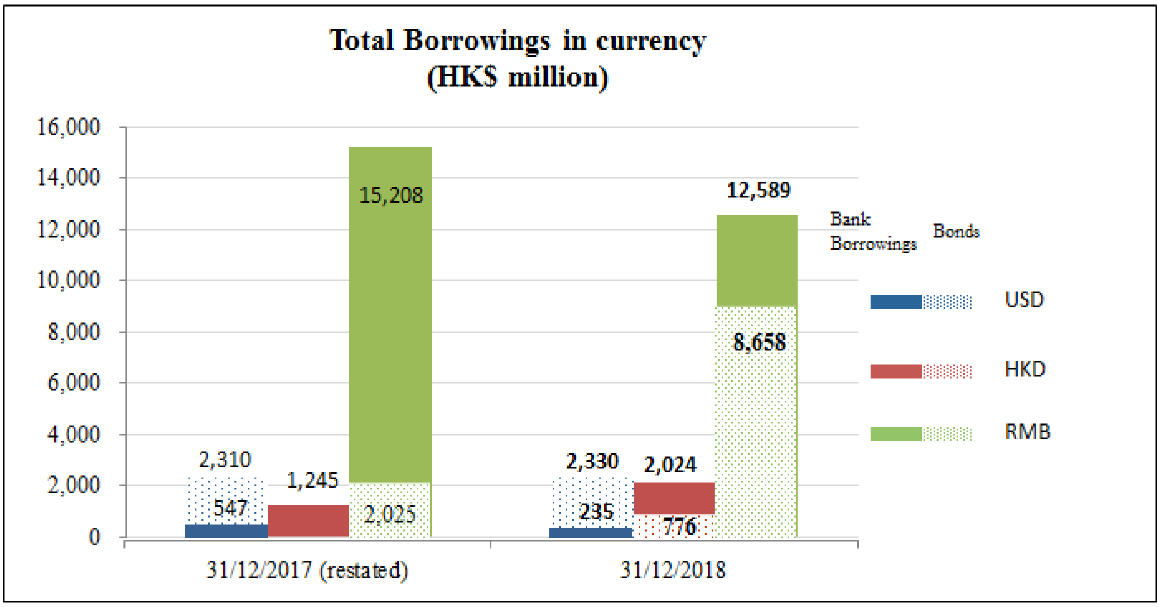
Cash Balance

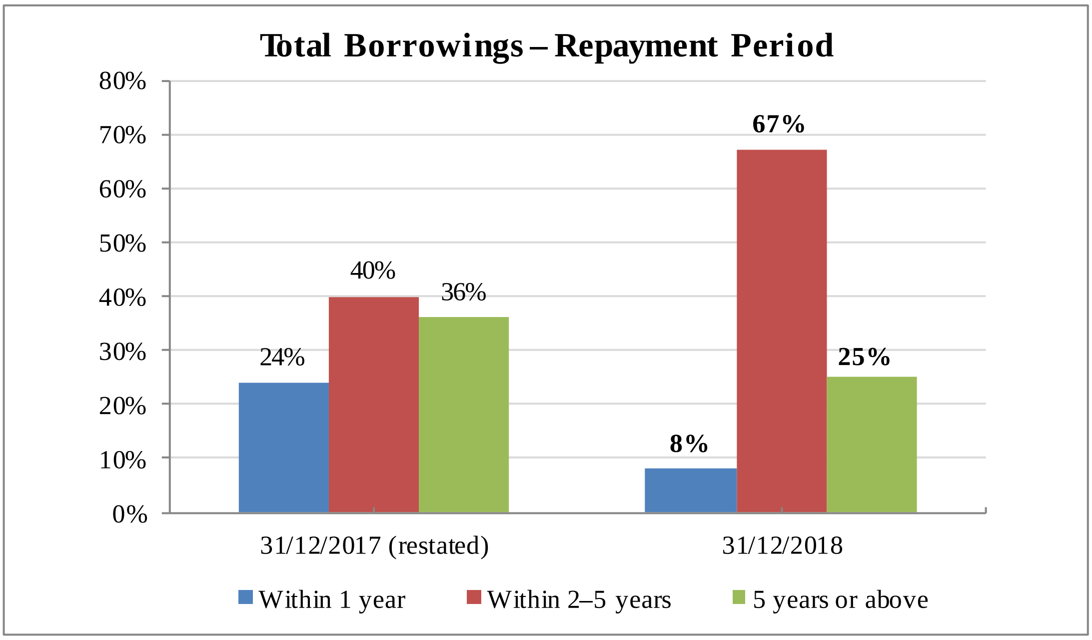
As at 31 December 2018, the cash balance held by the Group amounted to HK$16,627 million (31 December 2017: HK$9,411 million), representing an increase of 77% as compared to the end of last year, which was mainly attributable to the issuance of RMB 5,000 million of panda bonds by the Company during the year. To facilitate the Group's operation and development in the PRC, cash held by the Group is primarily denominated in Renminbi. The Group will further strengthen its capital management pursuant to a prudent treasury policy, aiming at a higher return on its cash portfolio which would provide strong support for the development of our business.

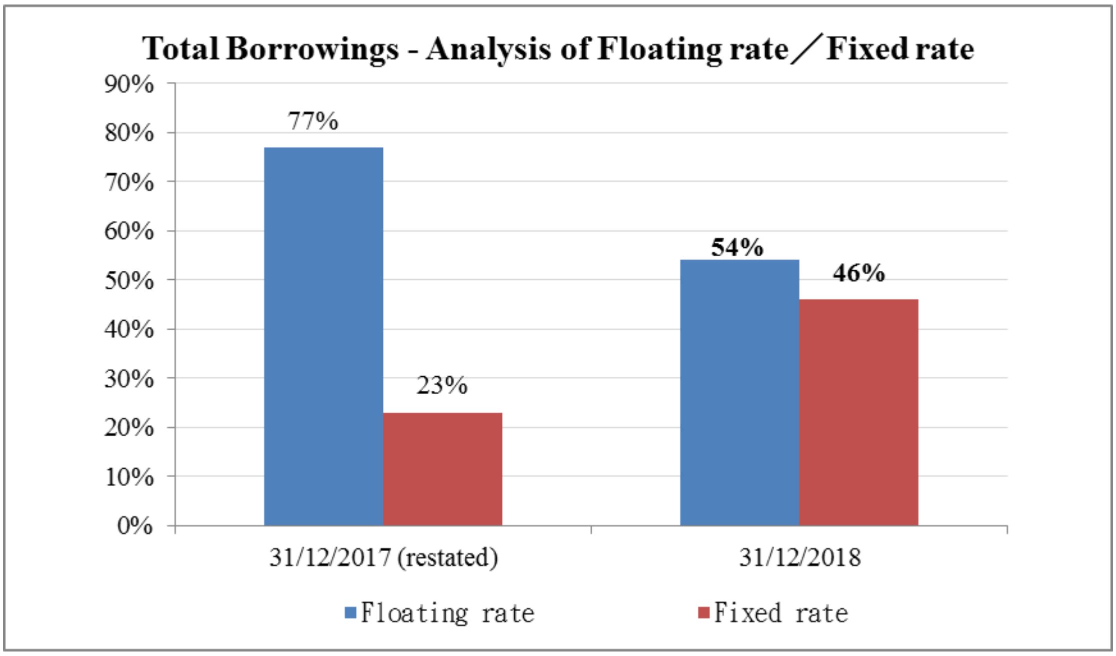
Capital Expenditures

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

Borrowings







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

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

The Group's Financial Policy

Interest Rate Risk Management

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

Exchange Rate Risk

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

Liquidity Risk Management

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

Credit Ratings

During the Year, three leading international credit rating agencies, namely Standard & Poor's, Moody's and Fitch Ratings, all maintained its BBB, Baa2, and BBB- investment grade credit to the Company, respectively. Domestic credit rating agencies United Credit Ratings Co., Ltd and Pengyuan Credit Rating Co., Ltd assigned a "AAA" rating to the Company. We are committed to maintaining a stable balance sheet, sound cash flows and good investment rating as long-run goals.

EVENTS AFTER THE BALANCE SHEET DATE

Acquisition and Capital Contribution of Nanjing Wind Power Technology Co., Ltd ("Nanjing Wind Power")

On 15 March 2019, Shenzhen Expressway Environmental Company Limited ("Environmental Company", a wholly-owned subsidiary of Shenzhen Expressway), Nanjing Wind Power and the shareholders of Nanjing Wind Power entered into an agreement, pursuant to which Environmental Company shall acquire 30% equity interest in Nanjing Wind Power at a consideration of RMB210,000,000 (approximately HK$247,000,000), and make a one-way capital contribution of RMB300,000,000 (approximately HK$353,000,000) into Nanjing Wind Power after completion of the acquisition. Upon completion of the transactions under the agreement, Environmental Company shall hold 51% equity interest in Nanjing Wind Power.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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

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 2019 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 2019 Annual General Meeting:

Latest time to lodge transfers	by 4:30 p.m. on Friday, 10 May 2019
Book closure dates	Tuesday, 14 May 2019 to Friday, 17 May 2019 (both days inclusive)
Record date	Friday, 17 May 2019

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

Latest time to lodge transfers	by 4:30 p.m. on Wednesday, 22 May 2019
Book closure dates	Thursday, 23 May 2019 to Friday, 24 May 2019 (both days inclusive)
Record date	Friday, 24 May 2019
Payment date of the final dividend and special dividend	on or about Monday, 24 June 2019

To be eligible to attend and vote at the 2019 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

The Audit Committee of the Company has reviewed the annual results of the Group for the year ended 31 December 2018. A meeting of the Audit Committee of the Company has also been held with the Company's auditor in connection with the review of the annual results of the Group for the year ended 31 December 2018.

The figures in respect of the announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Company's auditor, KPMG, to the amounts set out in the Group's draft 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 2018 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, 25 March 2019

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. Ding Xun, Nip Yun Wing, Dr. Yim Fung, JP and Professor Cheng Tai Chiu, Edwin as independent non-executive directors.