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

2019 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Shenzhen International Holdings Limited (the "Company") is pleased to announce the unaudited interim consolidated results and interim consolidated balance sheet of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2019 (the "Period") together with comparative figures of consolidated results for the corresponding period in 2018 and consolidated balance sheet as of the year end of 2018 as follows:

INTERIM CONSOLIDATED INCOME STATEMENT-UNAUDITED

	Note	**Six months ended 30 June**	
		2019	2018
		HK$'000	*HK$'000*
Revenue	(4), (5)	**5,711,592**	5,346,077
Cost of sales		**(3,825,185)**	(3,078,811)
Gross profit		**1,886,407**	2,267,266
Other gains/(losses) – net		**341,425**	(105,540)
Other income		**48,151**	26,011
Distribution costs		**(53,261)**	(33,558)
Administrative expenses		**(288,950)**	(180,770)
Operating profit	(6)	**1,933,772**	1,973,409
Share of profit of joint ventures		**5,979**	7,690
Share of profit of associates	(12)	**618,104**	677,889
Profit before finance costs and income tax		**2,557,855**	2,658,988
Finance income	(7)	**113,157**	59,325
Finance costs	(7)	**(446,463)**	(789,250)
Finance costs – net	(7)	**(333,306)**	(729,925)
Profit before income tax		**2,224,549**	1,929,063
Income tax benefit/(expense)	(8)	**137,823**	(381,339)
Profit for the period		**2,362,372**	1,547,724

INTERIM CONSOLIDATED INCOME STATEMENT-UNAUDITED (continued)

	Note	Six months ended 30 June 2019 HK$'000	2018 HK$'000
Attributable to:			
Ordinary shareholders of the Company		**1,238,971**	890,757
Perpetual securities holders of the Company		**46,511**	46,500
Non-controlling interests		**1,076,890**	610,467
		2,362,372	1,547,724
Earnings per share attributable to ordinary shareholders of the Company (expressed in HK dollars per share)			
– Basic	(9(a))	**0.58**	0.44
– Diluted	(9(b))	**0.58**	0.43

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME-UNAUDITED

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

INTERIM CONSOLIDATED BALANCE SHEET - UNAUDITED

		As at	
		30 June 2019	31 December 2018
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Investment properties		**614,925**	93,930
Property, plant and equipment		**7,667,182**	5,273,283
Land use rights		**3,236,581**	2,932,326
Construction in progress		**988,199**	2,424,315
Intangible assets	(11)	**27,016,373**	27,020,690
Goodwill		**188,675**	11,324
Interests in associates	(12)	**14,081,720**	14,244,696
Interests in joint ventures		**58,115**	75,304
Other financial assets	(13)	**470,016**	485,949
Deferred tax assets		**1,441,483**	787,782
Other non-current assets	(14)	**1,040,132**	1,224,961
		56,803,401	54,574,560
Current assets			
Inventories and other contract costs	(15)	**8,743,809**	8,055,405
Contract assets		**396,790**	190,481
Other financial assets	(13)	**410,176**	550,396
Trade and other receivables	(16)	**3,155,690**	3,976,525
Derivative financial instruments		**68,170**	51,494
Restricted bank deposits		**2,270,347**	2,088,989
Deposits in banks with original maturities over 3 months		**309,392**	874,168
Cash and cash equivalents		**14,029,862**	13,663,906
Disposal group held for sale		**-**	338,670
		29,384,236	29,790,034
Total assets		**86,187,637**	84,364,594
EQUITY AND LIABILITIES			
Equity attributable to ordinary shareholders of the Company			
Share capital and share premium		**11,019,937**	10,552,228
Other reserves and retained earnings		**15,852,367**	17,445,704
Equity attributable to ordinary shareholders of the Company		**26,872,304**	27,997,932
Perpetual securities		**2,330,939**	2,330,939
Non-controlling interests		**14,316,014**	14,030,974
Total equity		**43,519,257**	44,359,845

INTERIM CONSOLIDATED BALANCE SHEET – UNAUDITED (continued)

	Note	As at 30 June 2019 HK$'000	As at 31 December 2018 HK$'000
Liabilities			
Non-current liabilities			
Borrowings		**24,095,739**	24,474,131
Lease liabilities		**730,931**	-
Deferred tax liabilities		**1,713,025**	1,808,509
Other non-current liabilities		**1,272,814**	1,298,862
		27,812,509	27,581,502
Current liabilities			
Trade and other payables	(17)	**6,843,975**	6,097,906
Contract liabilities		**4,848,232**	1,825,004
Income tax payable		**481,868**	2,362,608
Borrowings		**2,618,054**	2,137,729
Lease liabilities		**63,742**	-
		14,855,871	12,423,247
Total liabilities		**42,668,380**	40,004,749
Total equity and liabilities		**86,187,637**	84,364,594

Notes:

(1) General Information

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

- Toll roads; and
- Logistic business.

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

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

(1) General Information (continued)

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

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

This unaudited interim financial information was authorised for issue on 28 August 2019 and has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute Certified Public Accountants ("HKICPA").

(2) Basis of preparation

This interim financial information for the six months ended 30 June 2019 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, including compliance with Hong Kong Accounting Standard ("HKAS") 34, Interim financial reporting, issued by the HKICPA. This interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018 ("2018 Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

(3) Changes in accounting policies

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

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

HKFRS 16, *Leases*

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

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

(3) Changes in accounting policies (continued)

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

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

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

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

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

(4) Segment information

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

- Toll roads; and
- Logistic business.

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

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

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

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

(4) Segment information (continued)

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

For the six months ended 30 June 2019

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

(4) Segment information (continued)

For the six months ended 30 June 2018

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

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

(5) Revenue

	Six months ended 30 June	
	2019	*2018*
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15		
Toll Roads		
− Toll revenue	**2,659,878**	3,370,157
− Entrusted construction management service and construction consulting service revenue	**94,129**	47,839
− Construction service revenue under Service Concession	**782,539**	401,388
− Others	**474,602**	209,329
	4,011,148	4,028,713
Logistic Business		
− Logistic parks	**129,852**	55,031
− Logistic services	**369,225**	339,032
− Port and related services	**897,681**	654,895
	1,396,758	1,048,958
	5,407,906	5,077,671
Revenue from other sources		
Logistic Business		
− Logistic parks	**303,686**	268,406
	5,711,592	5,346,077

(6) Operating profit

The Group's operating profit is mainly arrived after charging / (crediting) the following:

	Six months ended 30 June	
	2019	*2018*
	HK$'000	*HK$'000*
Gain on disposal of subsidiaries	**(309,625)**	-
Gains on disposals of other financial assets	**(6,790)**	(4,086)
Fair value changes on investment properties	**(47,426)**	(670)
Change in fair value of CSG	**(24,184)**	104,826
Dividend income	**(34,605)**	(1,830)
Government grants	**(10,874)**	(19,774)
Depreciation and amortisation	**1,026,655**	1,174,787

(7) Finance income and costs

	Six months ended 30 June	
	2019	*2018*
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**112,467**	48,070
Interest income from other receivables	**-**	2,738
Other interest income	**690**	8,517
Total finance income	**113,157**	59,325
Finance costs		
Interest expenses		
– Bank borrowings	**340,896**	455,376
– Medium-term notes	**45,682**	23,134
– Corporate bonds	**63,779**	65,472
– Panda bonds	**119,500**	8,342
– Senior notes	**14,069**	8,139
– Interest on contract liabilities	**19,199**	-
– Interest on lease liabilities	**16,710**	-
– Interest costs for other financial liabilities	**33,149**	243,998
Net foreign exchange (gains)/losses	**(29,042)**	106,303
Gains on derivative financial instruments directly attributable to borrowings	**(17,220)**	(12,479)
Less: finance costs capitalised on qualified assets	**(160,259)**	(109,035)
Total finance costs	**446,463**	789,250
Net finance costs	**333,306**	729,925

(8) Income tax benefit/(expense)

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

The PRC Corporate Income Tax charged to the consolidated income statement was calculated based on the assessable profits of the Group's subsidiaries located in the PRC for the period at a rate of 25% (six months ended 30 June 2018: 25%) applicable to the respective companies.

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Current income tax		
- PRC Corporate Income Tax	**(510,934)**	(447,432)
- Land appreciation tax	**(14,736)**	(10,906)
Deferred tax	**663,493**	76,999
	137,823	(381,339)

(9) Earnings per share

(a) Basic

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

	Six months ended 30 June	
	2019	*2018*
Profit attributable to ordinary shareholders of the Company (HK$'000)	**1,238,971**	890,757
Weighted average number of ordinary shares in issue (thousands)	**2,125,371**	2,036,783
Basic earnings per share (HK dollars per share)	**0.58**	0.44

(b) Diluted

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

	Six months ended 30 June	
	2019	*2018*
Profit attributable to ordinary shareholders of the Company (HK$'000)	**1,238,971**	890,757
Profit used in the calculation of diluted earnings per share (HK$'000)	**1,238,971**	890,757
Weighted average number of ordinary shares in issue (thousands)	**2,125,371**	2,036,783
Adjustments - share options (thousands)	**8,999**	16,717
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**2,134,370**	2,053,500
Diluted earnings per share (HK dollars per share)	**0.58**	0.43

(10) Dividends

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

(11) Intangible assets

	Six months ended 30 June	
	2019	*2018*
	HK$'000	*HK$'000*
Opening net book amount	**27,020,690**	33,624,346
Acquisition of a subsidiary	**93,225**	-
Additions	**809,238**	401,388
Disposals	**(11,559)**	-
Exchange difference	**(116,512)**	(245,161)
Depreciation/amortisation	**(778,709)**	(958,344)
Closing net book value	**27,016,373**	32,822,229

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

(12) Interests in associates

	Six months ended 30 June	
	2019	*2018*
	HK$'000	*HK$'000*
Beginning of the period	**14,244,696**	14,311,220
Impact on initial application of HKFRS 16	**(433,592)**	-
Adjusted balance at beginning of the period	**13,811,104**	14,311,220
Additions	**66,636**	70,587
Share of profit of associates	**618,104**	677,889
Share of other comprehensive income of associates	**(17,362)**	(8,174)
Dividends	**(332,303)**	(233,640)
Exchange difference	**(64,459)**	(122,689)
End of the period	**14,081,720**	14,695,193

The ending balance comprises the following:

	As at	
	30 June 2019	*31 December 2018*
	HK$'000	*HK$'000*
Unlisted investments		
Share of net assets, other than goodwill	**11,452,668**	11,604,539
Goodwill on acquisition	**2,629,052**	2,640,157
	14,081,720	14,244,696

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

(13) Other financial assets

	As at	
	30 June 2019 HK$'000	*31 December 2018 HK$'000*
Equity securities designated at FVOCI (non-recycling)		
- Unlisted equity securities	**56,645**	56,902
Financial assets measured at FVPL		
- Wealth management products (Note (a))	**224,909**	388,172
- Listed securities in the PRC (Note (b))	**185,267**	162,224
- Unlisted equity securities	**215,756**	206,004
- Unlisted fund investments (Note (c))	**197,615**	223,043
	880,192	1,036,345
Less: non-current portion	**(470,016)**	(485,949)
Current portion	**410,176**	550,396

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

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

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

(14) Other non-current assets

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

(15) Inventories and other contract costs

	As at	
	30 June 2019 HK$'000	*31 December 2018 HK$'000*
In the PRC		
Land held for future development	**191,271**	1,815,644
Land and properties under development for sale	**7,711,324**	5,556,197
Completed properties for sale	**497,722**	642,838
Contract costs	**14,885**	-
Trading goods	**328,607**	40,726
	8,743,809	8,055,405

(16) Trade and other receivables

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

	As at	
	30 June 2019 HK$'000	*31 December 2018 HK$'000*
0 - 90 days	**778,134**	859,044
91 - 180 days	**114,881**	60,217
181 - 365 days	**168,200**	73,260
Over 365 days	**151,781**	79,559
	1,212,996	1,072,080

(17) Trade and other payables

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

	As at	
	30 June 2019 HK$'000	*31 December 2018 HK$'000*
0 - 90 days	**315,474**	221,591
91 - 180 days	**33,447**	2,023
181 - 365 days	**76,405**	2,417
Over 365 days	**54,398**	3,221
	479,724	229,252

(18) Business combination

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

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

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

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

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

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

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

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

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

LOGISTICS BUSINESS

Analysis of Operating Performance

Logistic Park Business

I. Integrated Logistics Hubs Business

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

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

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

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

II. Shenzhen (Greater Bay Area) Logistic Park Business

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

The Group has been actively driving the planning and construction of the Phase 2 project of South China Logistic Park. With a site area of 77,000 square meters, Phase 2 of the park will be developed and constructed in two stages, and the construction of stage 1 has commenced. Phase 2 of the project will be developed into a multi-functional cluster zone for integrated high-end modern 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, with an operating area of approximately 138,000 square meters. It was officially put into operation in January 2018. At present, the business services provided in the park include warehouse services, large-data center, office buildings, dormitories, restaurants, supermarket, etc. The park achieved satisfactory operating results and successfully attracted a number of branded logistics enterprises. The operation is stable with an overall occupancy rate of 88% as at the end of June 2019.

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

Logistic Service Business

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

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

Port and Related Service Business

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

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

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

Financial Analysis

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

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

For the six months ended 30 June

	Revenue		Profit attributable to shareholders	
	2019 ***HK$'000***	Change over Year 2018 *Increase/ (decrease)*	**2019** ***HK$'000***	Change over Year 2018 *Increase/ (decrease)*
Logistic Park Business	**433,538**	34%	**95,603***	(3%)
Logistic Service Business	**369,225**	9%	**15,479**	(39%)
Port and Related Service Business	**897,681**	37%	**64,974**	3%
Total	**1,700,444**	29%	**176,056**	(6%)

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

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

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

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

Logistic Park Transformation and Upgrading Business

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

Qianhai Project

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

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

Meilin Checkpoint Urban Renewal Project

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

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

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

TOLL ROAD BUSINESS

Analysis of Operating Performance

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

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

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

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

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

Financial Analysis

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

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

Longda Expressway

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

Shenzhen Expressway Company Limited ("Shenzhen Expressway") and its expressway projects

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

Development of the Environmental Protection Business of Shenzhen Expressway

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

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

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

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

OTHER INVESTMENTS

Shenzhen Airlines

During the Period, passenger transport volume of Shenzhen Airlines continued to grow, with total revenue increased by 4% to approximately RMB15,610 million (equivalent to approximately HK$18,090 million) (2018: RMB15,053 million (equivalent to approximately HK$18,479 million)) as compared to the corresponding period of the previous year. Shenzhen Airlines recorded an exchange gain of approximately RMB8.03 million (2018: an exchange loss of RMB196 million) during the Period. Although the prices of aviation fuel dropped slightly during the Period, the cost of aviation fuel of Shenzhen Airlines for the Period increased by approximately RMB239 million, as compared to the corresponding period of the previous year, this was mainly due to the rise in fuel consumption as a result of expansion in its fleet and the introduction of wide-body aircraft. Together with the rise in finance cost, net profit of Shenzhen Airlines for the Period decreased by 17% to approximately RMB463 million (equivalent to approximately HK$536 million) (2018: RMB559 million (equivalent to approximately HK$686 million)) as compared to the corresponding period of the previous year. During the Period, Shenzhen Airlines contributed profit of approximately HK$231 million (2018: HK$309 million) to the Group, representing a decrease of 25% as compared to the corresponding period of the previous year.

OUTLOOK FOR THE SECOND HALF OF 2019

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

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

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

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

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

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

FINANCIAL POSITION

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

\# *Change in percentage points*

Key Financial Indicators

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

Cash Flow and Financial Ratios

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

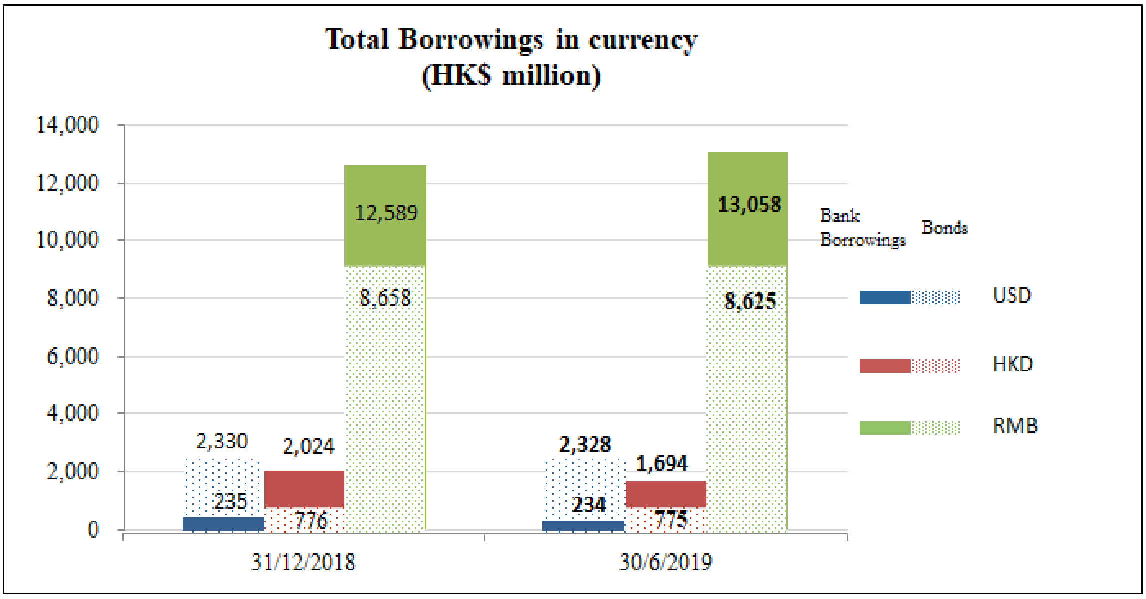
Cash Balance

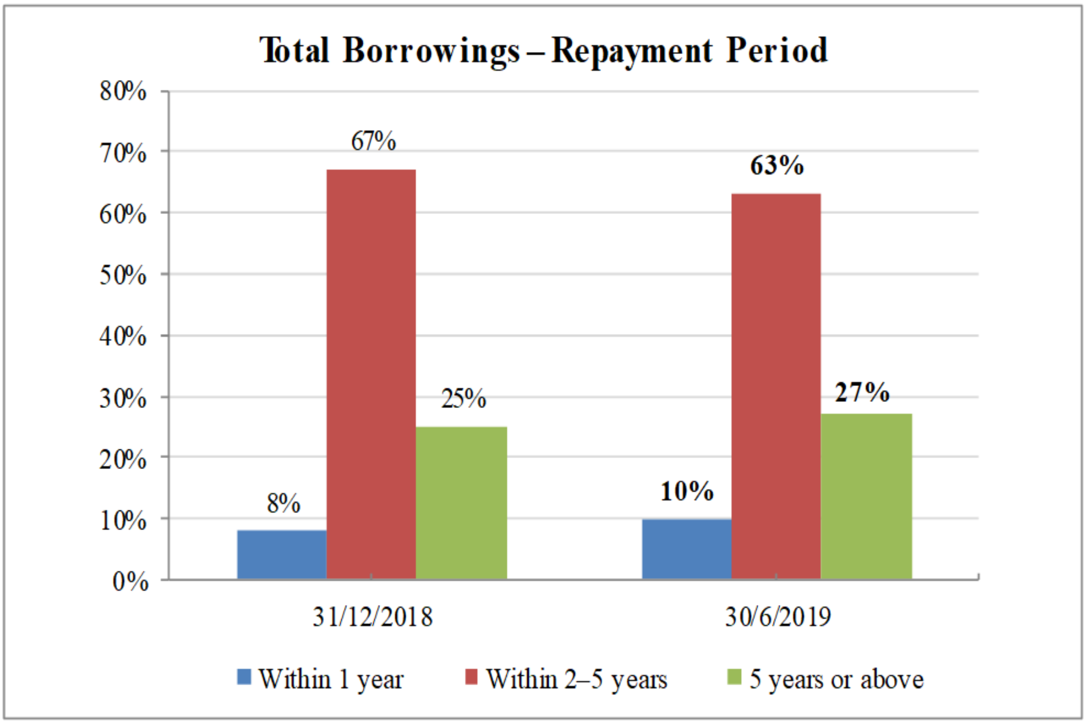
As at 30 June 2019, the cash balance held by the Group amounted to approximately HK$16,610 million, which was similar to the level as at the end of last year (31 December 2018: HK$16,627 million). To facilitate the Group's operation and development in the PRC, cash held by the Group is primarily denominated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

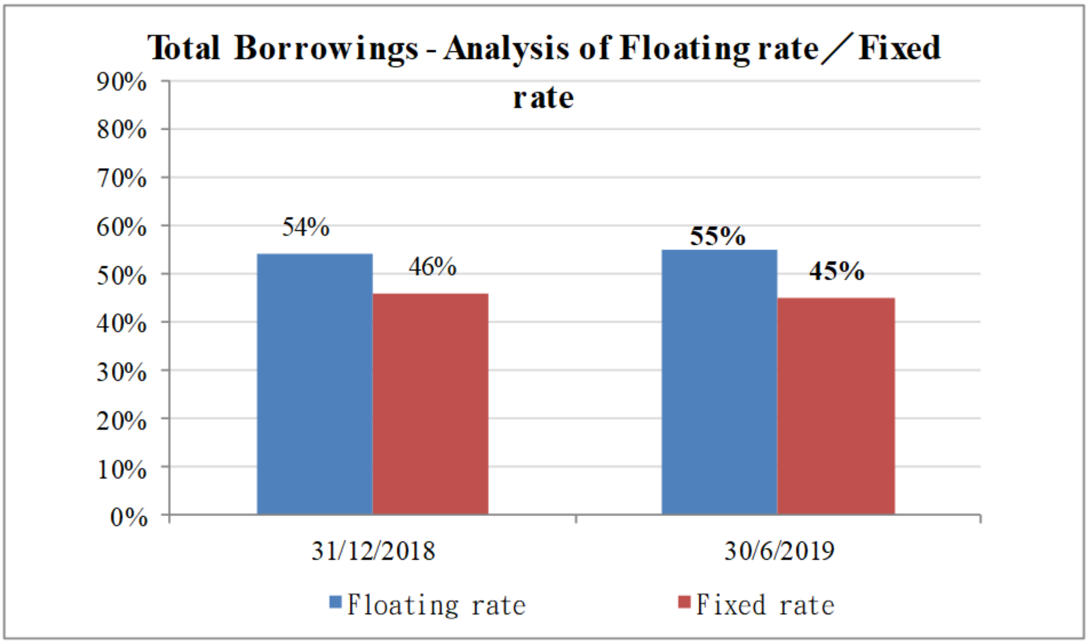
Capital Expenditures

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

Borrowings







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

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

The Group's Financial Policy

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

Exchange Rate Risk

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

Liquidity Risk Management

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

EVENTS AFTER THE BALANCE SHEET DATE

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

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

OTHER INFORMATION

The Company has engaged KPMG, the Auditor of the Company, to review the unaudited Interim Financial Report of the Group for the six months ended 30 June 2019.

Before the date of this announcement, a meeting of the Audit Committee has been held with the Auditor of the Company for reviewing the unaudited interim financial report of the Group for the six months ended 30 June 2019. The review report will be included in the interim report to be despatched to the shareholders of the Company.

This announcement and other related information of the Company's 2019 interim results will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.szihl.com).

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

Hong Kong, 28 August 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.