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

2017 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 2017 (the "Period") together with comparative figures of consolidated results for the corresponding period in 2016 and consolidated balance sheet as of the year end of 2016 as follows:

INTERIM CONSOLIDATED INCOME STATEMENT-UNAUDITED

		Six months ended 30 June	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Revenue	(4), (5)	**4,205,179**	3,578,014
Cost of sales		**(2,530,536)**	(2,011,481)
Gross profit		**1,674,643**	1,566,533
Other gains/ (losses)– net		**110,031**	(122,287)
Other income		**20,459**	85,034
Distribution costs		**(35,173)**	(35,792)
Administrative expenses		**(201,745)**	(201,214)
Operating profit	(6)	**1,568,215**	1,292,274
Share of profit of joint ventures		**12,960**	20,417
Share of profit of associates	(12)	**706,402**	539,831
Profit before finance costs and tax		**2,287,577**	1,852,522
Finance income	(7)	**58,201**	136,269
Finance costs	(7)	**(389,311)**	(611,737)
Finance costs – net	(7)	**(331,110)**	(475,468)
Profit before income tax		**1,956,467**	1,377,054
Income tax expense	(8)	**(360,680)**	(319,806)
Profit for the period		**1,595,787**	1,057,248

INTERIM CONSOLIDATED INCOME STATEMENT-UNAUDITED (continued)

	Note	Six months ended 30 June 2017 HK$'000	Six months ended 30 June 2016 HK$'000
Attributable to:			
Equity holders of the Company		**1,104,129**	632,223
Non-controlling interests		**491,658**	425,025
		1,595,787	1,057,248
Earnings per share attributable to equity holders of the Company (expressed in HK dollars per share)			
– Basic	(9)	**0.56**	0.33
– Diluted	(9)	**0.56**	0.33
Dividends	(10)	—	—

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME-UNAUDITED

	Six months ended 30 June 2017 HK$'000	Six months ended 30 June 2016 HK$'000
Profit for the period	**1,595,787**	1,057,248
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss:		
Fair value losses on available-for-sale financial assets, net of tax	**(46,061)**	(85,223)
Fair value gains on derivative financial instruments, net of tax	—	1,007
Share of other comprehensive income/(loss) of associates	**44,643**	(22,665)
Currency translation differences	**943,267**	(672,169)
Other comprehensive income/(loss) for the period, net of tax	**941,849**	(779,050)
Total comprehensive income for the period	**2,537,636**	278,198
Total comprehensive income attributable to:		
Equity holders of the Company	**1,725,714**	103,022
Non-controlling interests	**811,922**	175,176
	2,537,636	278,198

INTERIM CONSOLIDATED BALANCE SHEET-UNAUDITED

		As at	
		30 June 2017	31 December 2016
	Note	***HK$'000***	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**4,507,539**	4,234,225
Investment properties		**91,300**	87,390
Land use rights		**1,806,439**	1,784,514
Construction in progress		**2,208,166**	2,056,347
Intangible assets	(11)	**25,396,218**	21,286,881
Interests in associates	(12)	**13,280,158**	7,490,060
Interests in joint ventures		**82,192**	260,234
Available-for-sale financial assets	(13)	**222,966**	104,353
Deferred tax assets		**536,557**	144,189
Other non-current assets	(14)	**1,394,509**	1,284,155
		49,526,044	38,732,348
Current assets			
Inventories	(15)	**3,064,622**	2,919,482
Available-for-sale financial assets	(13)	**289,509**	954,751
Derivative financial instruments		**15,915**	113,233
Trade and other receivables	(16)	**2,342,110**	2,242,728
Restricted bank deposits		**1,449,138**	1,629,804
Deposit in banks with original maturities over 3 months		**1,374,474**	1,540,195
Cash and cash equivalents		**5,503,550**	8,253,937
		14,039,318	17,654,130
Assets of disposal group classified as held for sale	(17)	**4,494,176**	4,354,416
		18,533,494	22,008,546
Total assets		**68,059,538**	60,740,894
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital and share premium		**9,034,360**	8,323,602
Other reserves and retained earnings		**11,194,305**	10,310,529
		20,228,665	18,634,131
Non-controlling interests		**10,478,403**	9,801,512
Total equity		**30,707,068**	28,435,643

INTERIM CONSOLIDATED BALANCE SHEET-UNAUDITED (continued)

		As at	
		30 June 2017	31 December 2016
	Note	***HK$'000***	*HK$'000*
Liabilities			
Non-current liabilities			
Borrowings		**10,087,638**	7,574,893
Provision for maintenance/resurfacing obligations		**131,914**	142,286
Deferred tax liabilities		**2,210,304**	1,759,275
Other non-current liabilities		**9,881,099**	10,009,736
		22,310,955	19,486,190
Current liabilities			
Trade and other payables	(18)	**7,793,429**	7,447,749
Income tax payable		**475,349**	525,885
Provision for maintenance/resurfacing obligations		**37,992**	36,801
Borrowings		**6,734,745**	4,808,626
		15,041,515	12,819,061
Total liabilities		**37,352,470**	32,305,251
Total equity and liabilities		**68,059,538**	60,740,894

Notes:

(All amounts in HK dollar thousands unless otherwise stated)

(1) General Information

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

- Toll roads; and
- Logistic business.

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

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

The Company has its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(1) General Information (continued)

This unaudited interim financial information was authorised for issue on 23 August 2017 and has been reviewed, but not audited, 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 2017 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities 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 2016 ("2016 Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

(3) Changes in accounting policies and disclosures

The accounting policies applied are consistent with those of the 2016 Financial Statements as described therein, except for the accounting policy changes that are expected to be reflected in the financial statements of 2017.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Amendments to standards adopted by the Group

		Effective for annual periods beginning on or after
Amendments to HKAS 7	Statement of cash flows: Disclosure initiative	1 January 2017
Amendments to HKAS 12	Income taxes: Recognition of deferred tax assets for unrealised losses	1 January 2017
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of interests in other entities	1 January 2017

The amendments had no material impact on this interim financial information of the Group.

There are no other amendments or interpretations that are effective for the first time during the period and are expected to have a material impact on the Group.

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

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

		Effective for annual periods beginning on or after
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 16	Leases	1 January 2019

The Group has made a preliminary assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. As the Group has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards. At this stage, the Group does not intend to adopt the above standards before its effective date.

<u>HKFRS 9 'Financial Instruments'</u>

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial Instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, calculation of impairment of financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification of financial liabilities. Expected impacts of the new requirements on the Group's financial statements are as follows:

i. Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI) as follows:

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then effective interest, impairments and gains/losses on disposal will be recognised in profit or loss.

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

(b) Impact of standards issued but not yet adopted by the Group (continued)

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity securities are not held for trading and the entity irrevocably elects to designate that securities as FVTOCI. If equity securities are designated as FVTOCI then only dividend income on that securities will be recognised in profit or loss. Gains, losses and impairments on that securities will be recognised in other comprehensive income without recycling.

Based on the preliminary assessment, the Group expects that its financial assets currently measured at FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9. However, further analysis is required.

With respect to the Group's financial assets currently classified as available-for-sale, these are investments in equity securities which the Group may classify as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as the current accounting policy for available-for-sale equity investments is to recognise fair value changes in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss. This change in policy will have no impact on the Group's net assets and total comprehensive income but will impact on reported amounts such as profit and earnings per share.

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's own credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement may not have any impact on the Group on adoption of HKFRS 9.

ii. Impairment

The new impairment model in HKFRS 9 replaces the 'incurred loss' model in HKAS 39 with an 'expected credit loss' model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure expected credit losses as either 12-month expected credit losses or lifetime expected credit losses, depending on the asset and the facts and circumstances. This new impairment model may result in an earlier recognition of credit losses on the Group's trade and other receivables and other financial assets. However, a more detailed analysis is required to determine the extent of the impact.

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

(b) Impact of standards issued but not yet adopted by the Group (continued)

HKFRS 15 'Revenue from contracts with customers'

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts. The Group has made a preliminary assessment for the impacts of adopting HKFRS 15 on its financial statements. Based on the preliminary assessment, the Group has identified the following area which is likely to be affected:

i. Timing of revenue recognition

Currently, revenue from the sale of goods/services are generally recognised when the significant risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised goods/ services in the contract. At contract inception, an entity evaluates whether it transfers the control to the customer over time and therefore revenue should be recognised over time – if not, then it transfers control at a point in time and revenue will be recognised at that single point in time.

Based on a preliminary assessment, the Group expects that revenue from sales of goods/services will continue to be recognised at a point in time. However, as a result of the change from the risk-and-reward approach to the transfer-of-control approach, the point in time at which revenue will be recognised may change upon the adoption of HKFRS 15. Further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

ii. Significant financing component

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred, which is currently not common in the Group's arrangements with its customers.

Currently, the Group does not apply such a policy when payments are received in advance. But there was the toll adjustment and compensation agreements between the Group and local governments. The relevant payments were received in advance and revenues were recognised during the period of agreements while interest was recognised to reflect the time value of the compensation for the period between the basis date of valuation and the date of payment. Based on a preliminary assessment, adoption of HKFRS 15 may not have material impact on the relevant revenues of the Group. However, further analysis is required.

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

(b) Impact of standards issued but not yet adopted by the Group (continued)

HKFRS 16 'Lease'

The Group enters into some leases as the lessor and others as the lessee. HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 affects primarily the accounting for the Group's operating leases. At 30 June 2017, the Group's future minimum lease payments under non-cancellable operating leases amounted to HK$7,738,000 for certain land and buildings, the majority of which has a lease term of 12 months or less and therefore are short-term leases and leases of low-value. It is expected that no lease liability is recognised. Currently, an agreement for operating right of advertising billboards exists in the Group. Whether such agreement may have a material impact on the amounts reported in any given financial reporting period under HKFRS 16 is not yet to be determined. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16.

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

(c) Estimates

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

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2016 Financial Statements.

Fair value estimation of the identifiable assets and liabilities acquired

On 15 June 2017, the Group completed the acquisition of 100% equity interest in Hunan Yichang Expressway Development Company Limited ("Yichang Company").

The Group adopted valuation technique to assess the fair value of identifiable assets and liabilities of Yichang Company on the acquisition date by reference to the independent valuer's valuation report. Major assets of Yichang Company at the acquisition date were concession intangible assets, property, plant and equipment and cash and cash equivalents. The fair values of cash and cash equivalents and property, plant and equipment were assessed to approximate their respective carrying amounts, while the fair value of concession intangible assets were determined using income approach in which the discount rate 8.58% was applied as key assumption.

On 6 June 2017, the Group completed the acquisition of 20% equity interest in Chongqing Derun Environment Company Limited ("Derun Company") and there was significant influence on the financial, production and operation decisions. Therefore, Derun Company is an associate of the Group and is accounted for using the equity method.

The Group adopted valuation technique to assess the fair value of identifiable assets and liabilities of Derun Company on the completion date by reference to the independent valuer's valuation report in which the market comparison approach was adopted. The key estimations were no material changes in the existing fiscal or economics conditions, which might adversely affect the business of Derun Company.

(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. 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, 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.

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

For the six months ended 30 June 2017

	Toll roads	**Logistic business**				**Head office functions**	**Total**
		Logistic parks	**Logistic services**	**Port and related services**[b]	**Subtotal**		
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
Revenue	2,939,105 [a]	264,447	483,804	517,823	1,266,074	-	4,205,179
Operating profit/(loss)	1,443,004	79,050	30,276	52,144	161,470	(36,259)	1,568,215
Share of profit/(loss) of joint ventures	8,033	5,691	-	-	5,691	(764)	12,960
Share of profit/(loss) of associates	238,088	(200)	2,376	-	2,176	466,138	706,402
Finance income	39,970	753	1,814	261	2,828	15,403	58,201
Finance costs	(445,343)	(721)	(868)	(5,520)	(7,109)	63,141	(389,311)
Profit before income tax	1,283,752	84,573	33,598	46,885	165,056	507,659	1,956,467
Income tax expense	(264,921)	(19,263)	(7,202)	(6,066)	(32,531)	(63,228)	(360,680)
Profit for the Period	1,018,831	65,310	26,396	40,819	132,525	444,431	1,595,787
Non-controlling interests	(489,990)	3,665	(1,521)	(10,750)	(8,606)	6,938	(491,658)
Profit attributable to equity holders of the Company	528,841	68,975	24,875	30,069	123,919	451,369	1,104,129
Depreciation and amortisation	784,130	44,736	6,145	28,913	79,794	34,134	898,058
Capital expenditure							
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	255,123	392,498	5,408	5,073	402,979	37,519	695,621
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets arising from acquisition of subsidiaries	3,894,966	-	-	-	-	-	3,894,966
- Additions in interests in associates	5,010,306	-	-	-	-	-	5,010,306

(4) Segment information (continued)

For the six months ended 30 June 2016

	Toll roads	Logistic business				Head office functions	Total
		Logistic parks	Logistic services	Port	Subtotal		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	2,801,650 [a]	238,105	447,685	90,574	776,364	-	3,578,014
Operating profit/(loss)	1,353,922	90,017	10,341	37,974	138,332	(199,980)	1,292,274
Share of profit/(loss) of joint ventures	14,199	8,015	(29)	-	7,986	(1,768)	20,417
Share of profit of associates	101,246	-	2,136	-	2,136	436,449	539,831
Finance income	62,044	728	3,844	273	4,845	69,380	136,269
Finance costs	(473,232)	(4,447)	(242)	(3,415)	(8,104)	(130,401)	(611,737)
Profit before income tax	1,058,179	94,313	16,050	34,832	145,195	173,680	1,377,054
Income tax expense	(243,330)	(22,009)	(2,436)	(3,881)	(28,326)	(48,150)	(319,806)
Profit for the Period	814,849	72,304	13,614	30,951	116,869	125,530	1,057,248
Non-controlling interests	(420,633)	4,729	(1,249)	(8,992)	(5,512)	1,120	(425,025)
Profit attributable to equity holders of the Company	394,216	77,033	12,365	21,959	111,357	126,650	632,223
Depreciation and amortisation	737,398	33,307	3,104	24,572	60,983	17,153	815,534
Capital expenditure							
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	69,888	908,249	9,048	67,873	985,170	67,656	1,122,714
- Additions in interests in associates	787,673	-	-	-	-	-	787,673

(a) The revenue from toll roads included construction service revenue under service concession arrangements of HK$242,400,000 (2016 interim: HK$37,268,000) for the Period.

(b) Port and related services in 2017 included operation and management of wharf and logistic centres at Xiba Port in Nanjing, and port related supply chain management services business. The revenue and profit before income tax from port related services were HK$387,359,000 and HK$12,502,000 respectively for the Period.

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

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

(5) Revenue

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Toll roads		
— Toll revenue	**2,603,988**	2,498,611
— Entrusted construction management service and construction consulting service revenue	**29,421**	265,771
— Construction service revenue under service concession	**242,400**	37,268
—Other	**63,296**	-
	2,939,105	2,801,650
Logistic business		
— Logistic parks	**264,447**	238,105
— Logistic services	**483,804**	447,685
— Port and related services	**517,823**	90,574
	1,266,074	776,364
	4,205,179	3,578,014

(6) Operating profit

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Crediting		
Gains/(tax expenses) on disposals of available-for-sale financial assets	**8,603**	(125,518)
Gain on disposal of a subsidiary	**51,834**	-
Gain on land compensation	**28,014**	-
Gains on revaluation on equity interests in a joint venture previously held arising from business combinations with change of control-net	**31,209**	-
Government grants	**16,633**	9,988
Charging		
Depreciation and amortisation	**898,058**	815,534

(7) Finance income and costs

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Finance income		
Interest income from bank deposits	**53,785**	126,392
Interest income from other receivables	**4,416**	7,383
Other interest income	**-**	2,494
Total finance income	**58,201**	136,269
Finance cost		
Interest expenses		
- Bank borrowings	**125,413**	98,246
- Medium-term notes	**42,964**	56,103
- Corporate bonds	**63,058**	79,808
- Senior notes	**32,024**	51,864
- Other interest costs	**4,227**	3,103
- Interest costs for other financial liabilities	**245,086**	273,837
Net foreign exchange (gains)/ losses	**(155,241)**	119,713
Losses on derivative financial instruments directly attributable to borrowings	**78,123**	-
Less: financial costs capitalised on qualified assets	**(46,343)**	(70,937)
Total finance costs	**389,311**	611,737
Net finance costs	**331,110**	475,468

(8) Income tax expense

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

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Current income tax		
- PRC Corporate Income Tax	**709,046**	321,286
Deferred tax	**(348,366)**	(1,480)
	360,680	319,806

(9) Earnings per share

(a) Basic

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

	Six months ended 30 June	
	2017	2016
Profit attributable to equity holders of the Company (HK$'000)	**1,104,129**	632,223
Weighted average number of ordinary shares in issue (thousands)	**1,959,980**	1,901,787
Basic earnings per share (HK dollars per share)	**0.56**	0.33

(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	
	2017	2016
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**1,104,129**	632,223
Profit used to determine diluted earnings per share	**1,104,129**	632,223
Weighted average number of ordinary shares in issue (thousands)	**1,959,980**	1,901,787
Adjustments – share options (thousands)	**5,831**	3,743
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,965,811**	1,905,530
Diluted earnings per share (HK dollars per share)	**0.56**	0.33

(10) Dividends

The Board has resolved not to declare an interim dividend in respect of the Period (2016 interim: Nil). The 2016 final dividend of HK$841,938,000 (HK$0.43 per ordinary share) were settled in June 2017. According to the approved scrip dividend scheme for final dividend in the annual general meeting held on 17 May 2017, 55,338,274 new shares were issued at a price of approximately HK$11.9852 per share, totalling HK$663,245,000. The remaining dividend totalling HK$178,693,000 was paid in cash in June 2017.

(11) Intangible assets

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Opening net book value	**21,286,881**	23,833,564
Acquisition of subsidiaries	**3,820,754**	-
Additions	**242,400**	38,453
Disposals	**(2,825)**	-
Transfer	**-**	5,921
Amortisation	**(694,983)**	(633,141)
Exchange difference	**743,991**	(547,871)
Closing net book value	**25,396,218**	22,696,926

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 5 to 18 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any 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	
	2017	2016
	HK$'000	*HK$'000*
Beginning of the period	**7,490,060**	5,673,459
Additions	**5,010,306**	81,356
Transfer from other non-current assets	**-**	706,317
Share of profit of associates	**706,402**	539,831
Share of other comprehensive income /(loss) of associates	**44,643**	(22,665)
Dividends received	**(298,857)**	(259,203)
Exchange difference	**327,604**	(152,378)
End of the period	**13,280,158**	6,566,717

(12) Interests in associates (continued)

The ending balance comprises the following:

	As at	
	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
Unlisted investments		
Share of net assets other than goodwill	**10,615,358**	6,541,785
Goodwill on acquisition	**2,664,800**	948,275
	13,280,158	7,490,060

Based on the assessment made by the directors of the Company, there were no impairment losses for the goodwill as at 30 June 2017 (31 December 2016: Nil).

(13) Available-for-sale financial assets

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
Beginning of the period	**1,059,104**	1,215,450
Additions	**115,234**	963,992
Net change in fair value	**(61,415)**	(113,484)
Disposals	**(624,078)**	-
Exchange differences	**23,630**	(44,645)
End of the period	**512,475**	2,021,313
Less: non-current portion	**(222,966)**	(109,000)
Current portion	**289,509**	1,912,313

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

	As at	
	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
Listed securities in the PRC, at fair value (Note (a))	**289,509**	340,843
Unlisted yield-enhancement products, at fair value (Note (b))	**-**	613,908
Unlisted equity investments :		
at cost less impairment		
- Cost (Note (c))	**247,061**	128,448
- Provision for impairment	**(24,095)**	(24,095)
	222,966	104,353
	512,475	1,059,104

(13) Available-for-sale financial assets (continued)

(a) As at 30 June 2017, listed equity investments stated at market price represent 1.30% (31 December 2016: 1.30%) equity interest in CSG Holding Co., Ltd. ("CSG"). During the Period, the Group did not dispose of any shares in CSG (2016 interim: Nil).

(b) The balance represented the Group's investments in certain structured yield-enhancement products managed by high credit quality fund management companies in the PRC.

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

(14) Other non-current assets

As at 30 June 2017, other non-current assets mainly represented prepayments for land use rights, project funds, other long-term receivables and advances to non-controlling interests.

(15) Inventories

	As at	
	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
In the PRC		
Land in Qianhai held for future development	**1,561,323**	1,506,024
Other land held for future development	**60,186**	58,298
Land and properties under development for sale	**721,748**	652,466
Completed properties for sale	**525,949**	560,974
Others	**195,416**	141,720
	3,064,622	2,919,482

(16) Trade and other receivables

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

	As at	
	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
0-90 days	**579,196**	607,419
91-180 days	**138,828**	98,829
181-365 days	**20,638**	29,231
Over 365 days [(a)]	**384,710**	485,281
	1,123,372	1,220,760

(16) Trade and other receivables (continued)

(a) Trade receivables due over 365 days mainly comprised the amount of HK$340,020,000 (31 December 2016: HK$435,719,000) arising from the Group's development and management of certain toll road projects administrated for Shenzhen Traffic and Transportation Committee and entrusted construction management services of Guangshen Coastal Expressway (Shenzhen Section) Project.

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

In June 2015, Shenzhen International United Land Co., Ltd. ("United Land Company"), a subsidiary of the Group, entered into various land transfer agreements (the "Land Transfer Agreements") with Longhua Management Bureau under Urban Planning Land and Resources Commission of the Shenzhen Municipal to acquire the land use rights of the Meilin checkpoint land parcels at a total consideration of RMB3,566,700,000 (equivalent to HK$4,110,048,000). Pursuant to the Land Transfer Agreements, United Land Company paid 30% of the total land premium by 30 June 2015 and the remaining land premium was paid before 23 June 2016. Prior to the above transaction, the Group had possessed these land use rights for logistic business operation. The directors of Company had approved a plan to dispose of not less than 50% equity interest in United Land Company to third-party real estate developers within one year. As such, the related group of assets which mainly includes the prepayment for land premium of HK$4,110,048,000 (31 December 2016: HK$3,981,136,000), the carrying values of the original land use rights of HK$50,875,000 (31 December 2016: HK$49,280,000) and the buildings and fixtures attached to the land use rights of HK$333,253,000 (31 December 2016: HK$324,000,000), were reclassified to assets held for sale.

During the period, the time of completion of sale was extended due to delay of land relocation process.

(18) Trade and other payables

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

	As at	
	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
0-90 days	**109,245**	92,636
91-180 days	**20,113**	8,944
181-365 days	**16,482**	4,638
Over 365 days	**2,005**	936
	147,845	107,154

MANAGEMENT DISCUSSION AND ANALYSIS

OVERALL REVIEW

Operating Results	For the six months ended 30 June **2017** ***HK$'000***	 2016 *HK$'000*	 Increase
Revenue from core business	**3,962,779**	3,540,746	12%
Construction service revenue from toll roads	**242,400**	37,268	550%
Total revenue	**4,205,179**	3,578,014	18%
Operating profit	**1,568,215**	1,292,274	21%
Profit before finance costs and tax	**2,287,577**	1,852,522	23%
Profit attributable to shareholders	**1,104,129**	632,223	75%
Basic earnings per share (HK dollars)	**0.56**	0.33	70%

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

During the Period, the Group's revenue from its core business and profit before finance costs and tax increased by approximately 12% and 23%, to approximately HK$3,963 million and HK$2,288 million, respectively, as compared to the corresponding period of the previous year. The Group achieved satisfactory growth in profit attributable to shareholders, which amounted to approximately HK$1,104 million, representing an increase of approximately 75%, as compared to the corresponding period of the previous year. This was mainly driven by the increase in profits from its two core business segments (logistics business and toll road business) coupled with the steady profit growth of Shenzhen Airlines Company Limited ("Shenzhen Airlines"). While the exchange rate of Renminbi appreciated against US Dollar during the Period also resulted in a decrease in finance costs for the Group.

During the Period, most of the toll road projects of the Group maintained steady growth in traffic volume and toll revenue. In addition, two toll road projects namely Changsha Ring Road and Yichang Expressway were consolidated in the Group's financial statements for the first time during the Period. These investment and acquisition projects also brought in new sources of revenue for the Group. Toll road business recorded a profit attributable to shareholders of approximately HK$529 million (2016: HK$394 million), representing an increase of approximately 34% as compared to the corresponding period of the previous year, which in turn contributed to the increase in the Group's profit attributable to shareholders.

During the Period, logistics business achieved satisfactory growth in its performance. Revenue and profit attributable to shareholders increased by approximately 63% and approximately 11%, to approximately HK$1,266 million and approximately HK$124 million, respectively, as compared to the corresponding period of the previous year, mainly benefiting from the significant growth of the business volume of port business and being driven by the successful expansion of the third-party logistics service business and logistics financial service business.

As several transformation and upgrade projects of the Group's existing logistics parks were undergoing an incubation stage or the early phases of construction, revenue and profit growth of the Group's logistics business was limited. Nevertheless, with the transformation and upgrade of logistics parks progressing steadily and with more China Urban Integrated Logistics Hub projects commencing operations, the growth of the Group's logistics business will be improved.

In addition, during the Period, while focusing on executing the strategic deployment of "China Urban Integrated Logistics Hub", the Group also steadily advanced the projects under construction and planning, and actively increased its marketing efforts. As of the date of this announcement, the Group has established its presence in 18 major logistics gateway cities and executed investment agreements for China Urban Integrated Logistics Hub projects, involving a planned site area of approximately 5.34 million square metres, of which approximately 2.17 million square metres are currently owned by the Group. A total of six projects have been put into operation and trial operation, with an operating area of approximately 453,000 square metres. It is expected that three more China Urban Integrated Logistics Hub projects will be put into trial operation in the fourth quarter of 2017. With the benefit of strong market demand for modern premium logistics facilities, as of 30 June 2017, the Group's logistics facilities projects in Shenyang, Kunshan, Wuhan and Hefei (which are in operation) had in aggregate an operating area of approximately 345,000 square metres and an overall occupancy rate of approximately 72%, performing satisfactorily and contributing new operating revenue and profits of approximately HK$24.26 million and HK$2.54 million, respectively, to the Group.

During the Period, the Group seized the opportunities of conversion of land use of its logistics parks in Shenzhen and vigorously advanced its transformation and upgrade work. The land consolidation and preparation of the Qianhai Project and the construction of the first phase of the Qianhai Project are progressing smoothly in accordance as planned. The Group strives to complete the land consolidation and preparation work of the Qianhai Project by the end of 2017. The Meilin Checkpoint Urban Renewal Project is also progressing steadily. Currently, the Group is making every effort to speed up the preparatory work for the development of the Meilin Checkpoint Urban Renewal Project and strives to commence construction within 2017.

During the Period, Shenzhen Airlines, an associate in which the Group holds a 49% equity interest, maintained a good growth in the number of passengers carried and recorded a total revenue of approximately RMB13,197 million (equivalent to approximately HK$14,974 million), representing an increase of approximately 7% as compared to the corresponding period of the previous year. Despite the increase in aviation oil prices, net profit of Shenzhen Airlines still increased by approximately 7%, to approximately RMB846 million (equivalent to approximately HK$960 million), as compared to the corresponding period of the previous year, contributing profit of approximately HK$447 million (2016: HK$413 million) to the Group, representing an increase of approximately 8% as compared to the corresponding period of the previous year.

LOGISTIC BUSINESS

Analysis of Operating Performance

Logistic Parks

During the Period, the Group's logistics parks maintained a relatively stable occupancy rate, with an average of approximately 98%. In the first half of 2017, the Group actively engaged in innovative business and enhanced value-added business to strengthen its relationships with existing customers and also attracted new customers. In June 2017, the Group entered into a strategic cooperation agreement with Evergrande Agri-husbandry Group (恒大農牧集團), which is engaged in the production and distribution of spring water, grain, oil and dairy products, to provide comprehensive logistics management and operation services for its core business segments. This created a cooperation model for the outsourcing of logistics management and business operations, and was important to the transformation and upgrade of the Group's business in the third-party logistics service sector. In addition, the Group took into account the strategic development needs and further optimized its overall resource allocation. In May 2017, the Group disposed of all its equity interest in Nanjing UT Logistics Co., Ltd., a wholly-owned subsidiary which held and operated Nanjing Chemical Industrial Park Logistic Centre, for approximately RMB156 million, and recorded a gain from disposal of approximately RMB34.26 million.

In recent years, e-commerce, internet finance and technological innovations have provided opportunities as well as challenges to modern logistics industry. Western Logistic Park has been awarded by the Ministry of Commerce of the People's Republic of China, as the second batch, the status of a "National Exemplary e-Commerce Base", while South China Logistic Park has been listed as a pilot enterprise in cross-border e-commerce business in Shenzhen. The construction of the South China Logistic Cross-border E-commerce Exhibition Centre was completed in December 2016 and marketing was progressing well. It is expected that the centre will be put into operation in second half of 2017. In addition, the construction of phase 2 of South China Logistic Park, with a site area of 77,000 square metres, has been commenced in late 2016 and is being carried out in accordance with the schedule. The phase 2 project has been planned for development into an integrated high-end modern logistics service hub bringing together supply chain management and logistics headquarters, logistics information centre, e-commerce industrial base, e-commerce network storage centre and integrated ancillary service platforms.

China Urban Integrated Logistics Hub

In the first half of 2017, the Group entered into an investment agreement for the "China Urban Integrated Logistics Hub" project with the relevant local government authority of Yiwu (義烏) to further expand the network coverage of the Group. 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 late June and mid-July 2017, the "China Urban Integrated Logistics Hub" projects in Nanchang and Shijiazhuang were put into trial operation, respectively. Benefiting from the strong market demand for modern high-quality logistics facilities and effective marketing effort, the Nanchang project has been fully leased out. The occupancy rate of the project in Shijiazhuang was approximately 77%. The projects in Nanchang and Shijiazhuang have operating areas of approximately 45,000 square metres and approximately 63,000 square metres, respectively. The projects in Hangzhou, Guizhou and Wuxi have all commenced construction as planned and are expected to be completed and put into operation in the fourth quarter of 2017.

The 4 China Urban Integrated Logistics Hub projects with an aggregate operating area of 345,000 square metres located in Shenyang, Kunshan, Wuhan and Hefei have been successively put into operation since April 2016, with an overall occupancy rate of approximately 72% as at 30 June 2017.

In the first half of 2017, new land parcels with an aggregate site area of approximately 150,000 square metres were acquired for the projects in Wuxi and Ningbo.

As at the date of this announcement, the Group had established strategic presence in a total of 18 major logistics gateway cities, namely, Shenyang, Wuxi, Wuhan, Tianjin, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Chengdu, Guizhou, Kunshan, Chongqing, Zhengzhou, Xi'an, Jurong and Yiwu, covering a planned site area of approximately 5.34 million square metres in aggregate. Relevant investment agreements have been entered into with the respective local government authorities. Among these cities, the Group has obtained the land use rights of land parcels with an aggregate site area of approximately 2.17 million square metres for 11 projects in Shenyang, Wuxi, Wuhan, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Guizhou and Kunshan.

Port and related services

In the first half of 2017, the domestic economy gradually improved. The increase in national power generation and the demand for coal drove the increase in business volume of the Group's port business. Coupled with the constant release of the capacity of phase 2 of Nanjing Xiba Port, the growth momentum of the Group's port business enhanced. Meanwhile, leveraging the advantage of port resources, the Group actively developed its port-related supply chain management service business, further enriched its port business structure and increased its business volume. In the first half of 2017, a total of 1,941 vessels berthed at Nanjing Xiba Port and total throughput of Nanjing Xiba Port reached approximately 13.40 million tonnes, representing an increase of approximately 58% as compared to the corresponding period in the previous year.

Logistics Services

Relying on its existing logistics infrastructure facilities and abundance in resources and capital, the Group orchestrated a gradual transformation of its traditional logistics business and actively explored supply chain management, value chain integration and logistics finance services. During the Period, the Group continued to commit more resources on information service business and introduced innovative products such as paperless application for container operations at the Shenzhen port to actively develop business in Shenzhen and the Pearl River Delta region in order to assure ongoing growth in its market share. Meanwhile, the Group actively explored logistics financial service models such as small loans and finance lease and enhanced overall competitiveness of its logistics service business by optimizing its operations on an ongoing basis so as to attract more new customers.

In order to further expand its third-party logistics business and enhance employee cohesion, Shenzhen Total Logistics Service Co., Ltd. ("Shenzhen Total Logistics"), a wholly-owned subsidiary of the Company, introduced a strategic investor through capital contribution and implemented the core employee shareholding scheme in late July 2017. After completion of the capital contribution, the Group's shareholding in Shenzhen Total Logistics was reduced to 51%.

Financial Analysis

During the Period, revenue from the logistics business increased by approximately 63%, to approximately HK$1,266 million, as compared to the corresponding period of the previous year and profit attributable to shareholders increased by approximately 11%, to approximately HK$124 million, as compared to the corresponding period of the previous year, which was mainly driven by a significant growth in the business volume of the Group's port business and the successful expansion of its third-party logistics service business and the logistics financial service business.

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**	
	2017 ***HK$'000***	**Change over Year 2016**	**2017** ***HK$'000***	Change over Year 2016
Logistic Park Business^				
South China Logistic Park	**128,910**	7%	**44,123**	(8%)
Western Logistic Park	**46,850**	(6%)	**9,386**	(48%)
Integrated Logistics Hubs	**24,262**	N/A	**2,536**	N/A
Shandong Booming Total Logistic Park	**32,591**	13%	**484**	195%
Nanjing Chemical Industrial Park Logistic Centre#	**31,834**	(19%)	**7,249**	10%
SZ Airport Express Center*	**N/A**	N/A	**5,197**	(31%)
Sub-total	**264,447**	11%	**68,975**	(10%)
Port and related service Business +	**517,823**	472%	**30,069**	37%
Logistic Service Business	**483,804**	8%	**24,875**	101%
Total	**1,266,074**	63%	**123,919**	11%

Nanjing Chemical Industrial Park Logistic Centre was disposed of on 1 June 2017.

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

^ *Huatongyuan Logistic Centre has suspended operations in 2016 owing to its relocation.*

\+ *Port and related services in 2017 included operation and management of wharf and logistic centres at Xiba Port in Nanjing, and port related supply chain management services business. Revenue from the port related services was HK$387,359,000 for the Period.*

During the Period, revenue from the logistics park business increased by approximately 11%, to approximately HK$264 million, as compared to the corresponding period of the previous year, which was mainly attributable to the new revenue source contributed by the integrated logistics hub business. Profit attributable to shareholders decreased by approximately 10%, to approximately HK$68.98 million, as compared to the corresponding period in the previous year, which was mainly attributable to the decline in profit as certain logistics parks were at a transitional stage being transformed and upgraded. The Group's China Urban Integrated Logistics Hub projects in Shenyang, Kunshan, Wuhan and Hefei have been put into operation since 2016. As these projects were still at their incubation stage, profit contribution was relatively low, revenue and profit contribution were approximately HK$24.26 million and HK$2.54 million, respectively, during the Period.

The port and related service business recorded a revenue of approximately HK$518 million for the Period, representing a significant increase of approximately 472%. Benefiting from effective marketing efforts, both business volume of the port and supply chain management service businesses achieved significant growth. Profit contribution of the port business for the Period amounted to approximately HK$30.07 million, representing an increase of approximately 37%, as compared to the corresponding period of the previous year.

Revenue from the logistics service business increased by approximately 8%, to approximately HK$484 million, as compared to the corresponding period of the previous year. Profit attributable to shareholders increased by approximately 101%, to approximately HK$24.87 million, as compared to the corresponding period of the previous year, which was mainly attributable to an increase in revenue and profit driven by the new third-party logistics service and logistics financial service businesses.

Updates on the Qianhai Project and Meilin Checkpoint Urban Renewal Project

Qianhai Project

The Group entered into new land use right agreements with Authority of Qianhai Shenzhen-Hongkong 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, "Qianhai Authority"), in respect of first phase of Qianhai Project in December 2016 to ascertain its ownership of the site for the first phase of Qianhai Project, which is an integrated land site primarily comprising office buildings complemented by high-end commercial and residential space. Of which, 35,000 square metres are land for office buildings, 25,000 square metres are commercial land and 50,000 square metres are residential land.

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

In 2017, the Group has prioritised the land consolidation and preparation of land parcels with an aggregate site area of approximately 380,000 square metres in Qianhai. Currently, the Group is in negotiations with Qianhai Authority and relevant government authorities regarding the land value assessment benchmark date under the new and previous land use arrangements, the assessment method, the percentage of rigid expenditure and the ratio of profit sharing in respect of the increase in the value of land under the new land use arrangements. The Group plans to complete the land consolidation and preparation work in Qianhai in the second half of 2017.

Meilin Checkpoint Urban Renewal Project

The Group entered into land transfer agreements with Longhua Management Bureau under Urban Planning Land and Resources Commission of the Shenzhen Municipal(深圳市規劃和國土資源委員會龍華管理局) in respect of the land parcels of the Meilin Checkpoint Project in late June of 2015. Land premium for the land parcels was settled in full following the payment of the balance of approximately RMB2,497 million in June 2016 in accordance with the agreements. The Meilin Checkpoint Urban Renewal Project is steadily progressing. Currently, the Group is stepping up its efforts in carrying forward the preparatory work for project development and strives to commence construction within 2017.

The Meilin Checkpoint land parcels have been re-designated as a comprehensive development project with a total gross floor area of approximately 486,000 square metres, comprising properties for residential, commercial, office, business apartment and public and ancillary uses. Benefiting from the surge of residential property prices in Shenzhen in recent years, the land parcels of Meilin Checkpoint Project are set to enjoy further growth in value.

TOLL ROAD BUSINESS

Analysis of Operating Performance

During the Period, traffic volume and toll revenue of most of the Group's expressway projects increased. The operating performance of each expressway project of the Group was influenced in varying degrees by the changes in surrounding road network, policy changes and economic development along the expressways:

- According to the toll adjustment and compensation agreements entered into between the Group and the relevant government department of Shenzhen on 30 November 2015 in relation to the toll adjustments of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the 23.8 km section of Longda Expressway from the starting point of Longda Expressway to the Nanguang Expressway ramp (the "Longda Shenzhen Section") (the "Toll Adjustment and Compensation Agreements"), toll adjustments of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Shenzhen Section would be implemented in two stages. During Stage 1 (i.e. from 00:00 on 7 February 2016 to 24:00 on 31 December 2018), toll-free has been implemented for these road sections. The Group calculates and recognizes revenue based on the method stipulated in the agreements. During Stage 2 (from 00:00 on 1 January 2019 onwards), the relevant government department will elect to either continue to implement toll-free as in Stage 1, or have the fee entitlement rights of these road sections returned to it at an earlier stage in exchange of the payment of compensation accordingly. Benefiting from the implementation of toll-free policy for the above mentioned road sections, these toll-free road sections continued to record growth in traffic volume during the Period and had driven traffic volume of Jihe Expressway and Shuiguan Expressway to increase.

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

- The expansion works of Guangqing Expressway (which connects to Qinglian Expressway) were completed and commenced operation in the end of September 2016, which increased the traffic efficiency of Qinglian Expressway. In addition, through continuous analysis of the changes in traffic volume and vehicle type mix at each route gateway of Guangle Expressway and Erguang Expressway and adopting effective marketing measures correspondingly, the impact of diversion from these expressways on Qinglian Expressway gradually decreased. The operating performance of Qinglian Expressway was stable during the Period.

  According to public information, the lanes connecting Guangqing Expressway to Qinglian Expressway under construction is expected to be completed in June 2018. In addition, the connecting lanes between Erguang Expressway and Qinglian Expressway are under construction. Such project works, when completed, are expected to enable the passage as a whole to function fully as the artery of Hunan-Guangdong traffic, thereby enhancing the competitiveness and operating performance of Qinglian Expressway.

- Benefiting from the positive impacts of factors including road network improvement and business growth of enterprises along the expressway, Changsha Ring Road continued to record a faster growth in toll revenue during the Period.

Last year, the Group (through Shenzhen Expressway Company Limited ("Shenzhen Expressway")) entered into a concession agreement with the Shenzhen Government in respect of the investment, construction and management of the Shenzhen Section of Shenzhen Outer Ring Expressway (Coastal Expressway – Shenshan Expressway Section) ("Outer Ring Section A") according to the PPP model, for the acquisition of the concession rights of Outer Ring Section A. This project provided more room for development of the core business of Shenzhen Expressway in the future and consolidated the market share of the Group in the expressway network of Shenzhen. Subsequent to this, during the Period, the Group continued to step up its investment and acquisition efforts in the toll road business. In January 2017, Shenzhen Expressway, through the acquisition of 100% interest in Hunan Yichang Expressway, expanded its asset size and profit base, increased stable cash flow and further consolidated its core advantages in investment, management and operation of expressway. Yichang Expressway is a two-way expressway with four lanes which starts from Zijiang Second Bridge, Yiyang City, Hunan and ends in Deshan Tanshuping, Changde City, Hunan with a total length of approximately 73.1 km. It is a section of the connection line from Zhangjiajie to Changsha of the Erguang Expressway, and also a main component of the skeleton of the"Five Vertical and Seven Horizontal" Hunan Expressway Plan. The project company of Yichang Expressway has been consolidated into the Group since 15 June 2017. Benefiting from the economic growth in the northwest region of Hunan, the operating performance of Yichang Expressway was good during the Period. Its average daily mixed traffic volume and average daily toll revenue in June was 45,000 and RMB1,048,000, respectively.

Apart from consolidating and enhancing of its toll road business, Shenzhen Expressway, after carefully studied and taken into account the country's industry policies and its own advantages, adopted the strategies of having the large environmental protection industry that takes water environment treatment and solid waste treatment as the main content as its new direction for industry development. In the first half of 2017, Shenzhen Expressway subscribed for 15% equity interest in Shenzhen Water Planning & Design Institute Company Limited ("Water Planning Company") upon completion of a capital injection and acquired 20% equity interest in Derun Company. Water Planning Company is one of the first comprehensive water management survey and design organization in the PRC. It processes 7 A-grade qualifications in areas such as water conservancy industry, municipal water supply and drainage, comprehensive engineering survey and surveying etc. It is one of the top 500 PRC enterprises in the field of survey and design, and one of the top 50 PRC enterprises in the field of water conservancy survey and design. With two major business segments, water treatment and waste incineration power generation, Derun Company has stable profitability, abundant cash flow, strong scale advantages, regional competitive advantage and growth potentials. The investment in Water Planning Company and Derun Company by Shenzhen Expressway is conducive to expanding its environmental business, and at the same time, provides opportunities for accumulating management experience in the environmental industry and nurturing talents in the environmental sector.

Financial Analysis

During the Period, total revenue of the Group's toll road business was approximately HK$2,697 million (2016: HK$2,764 million), representing a decrease of approximately 2% as compared to the corresponding period of the previous year (excluding the impact of exchange rate, an increase of approximately 2% as compared to the corresponding period of the previous year). Profit before finance costs and tax amounted to approximately HK$1,689 million (2016: HK$1,470 million), representing an increase of approximately 15% as compared to the corresponding period of the previous year. Net profit increased by approximately 34%, to approximately HK$529 million (2016: HK$394 million), as compared to the corresponding period of the previous year.

The increase in revenue of the Group's toll road business during the Period was mainly attributable to the increase in both traffic volume and toll revenue of most expressway projects of the Group, coupled with the consolidation of both Changsha Ring Road and Yichang Expressway by the Group since April and June 2017, respectively. These project companies contributed new revenue to the Group. Driven by the increase in toll revenue and profit contribution by new investment and acquisition projects, net profit also recorded a growth.

Longda Expressway

During the Period, Longda Expressway recorded a toll revenue of approximately HK$315 million (2016: HK$330 million), representing a decrease of approximately 5% as compared to the corresponding period of the previous year. Profit before finance costs and tax amounted to approximately HK$209 million (2016: HK$227 million), representing a decrease of 8% as compared to the corresponding period of the previous year and earnings before interest, tax, depreciation and amortisation amounted to approximately HK$253 million (2016: HK$264 million), representing a decrease of approximately 4% as compared to the corresponding period of the previous year.

During the Period, traffic volume of the toll-free section of Longda Expressway recorded an increase as compared to the corresponding period in 2016 whereas that of the remaining 4.4 km section maintained at a similar level to that of the corresponding period in 2016. Excluding the impact of exchange rate, toll revenue from Longda Expressway for the Period maintained at a similar level to that of the corresponding period in 2016. The overall performance was stable.

Shenzhen Expressway and its expressway projects

During the Period, both traffic volume and toll revenue of most expressway projects of Shenzhen Expressway increased. Coupled with the new revenue contributed by the consolidation of the project companies of Changsha Ring Road and Yichang Expressway into the Group since April and June 2017, toll revenue increased by approximately 6%, to approximately HK$2,289 million (2016: HK$2,169 million), as compared to the corresponding period in 2016. During the Period, total revenue of Shenzhen Expressway decreased by approximately 2%, to approximately HK$2,382 million (2016: HK$2,434 million), as compared to the corresponding period in 2016. However, excluding the impact of exchange rate, total revenue for the Period still increased by approximately 2% as compared to the corresponding period in 2016. This was mainly attributable to the fact that Shenzhen Expressway Engineering Consulting Company Limited was no longer consolidated into the Group since 30 November 2016, which offset the increase in total revenue to a certain extent. Benefiting from the profit contribution by new investment and acquisition projects during the Period, profit before finance costs and tax of Shenzhen Expressway increased by approximately 19%, to approximately HK$1,480 million (2016: HK$1,243 million), as compared to the corresponding period of the previous year. The Group’s share of profit from Shenzhen Expressway increased by approximately 44%, to approximately HK$441 million (2016: HK$306 million), as compared to the corresponding period of the previous year.

OTHER INVESTMENTS

Shenzhen Airlines

During the Period, passenger transport volume of Shenzhen Airlines continued to grow, with total revenue increased by approximately 7%, to approximately RMB13,197 million (equivalent to approximately HK$14,974 million) (2016: RMB12,299 million (equivalent to approximately HK$14,577 million)), as compared to the corresponding period in 2016. Resulting from the increase in aviation fuel price, the operating profit of Shenzhen Airlines recorded a decrease of approximately 36% as compared to the corresponding period in 2016 to approximately RMB1,207 million (equivalent to approximately HK$1,370 million) due to the increase in aviation fuel cost by approximately 43%. Shenzhen Airlines, on the other hand, recorded an exchange gain of approximately RMB334 million for the Period, net profit for the Period thereby still increased by approximately 7%, to approximately RMB846 million (equivalent to approximately HK$960 million) (2016: RMB790 million (equivalent to approximately HK$936 million)), as compared to the corresponding period of the previous year. Shenzhen Airlines contributed a profit of approximately HK$447 million (2016: HK$413 million) to the Group during the Period, representing an increase of approximately 8% as compared to the corresponding period of the previous year.

OUTLOOK FOR THE SECOND HALF OF 2017

In the second half of 2017, the Group will seize opportunities arising from “One Belt, One Road”, “Guangdong-Hong Kong-Macao Greater Bay Area” and the Qianhai Free Trade Zone and the opportunity for the full deployment and market development of the China Urban Integrated Logistics Hub projects, enhance the consolidation of its resources and step up the development of both asset-light and asset-heavy businesses of the Group. The Group will make further efforts to promote the integration of its industry, finance and network, strengthen capital operations and optimize its incentive mechanism, in order to effectively facilitate the Group’s business growth.

Looking to the second half of 2017, in persistent implementation of our established strategies, the Group will vigorously advance investments in and constructions and operations of the “China Urban Integrated Logistics Hub” projects as well as the transformation, upgrade and resource integration of the Group’s existing logistics parks, while actively identifying opportunities for the acquisition of well-developed logistics assets to further expand the Group’s logistics business. The Group will focus on the “China Urban Integrated Logistics Hub” projects in the Pearl River Delta region, Yangtze River Delta region and Beijing region, as well as establishing its presence in other key logistics gateway cities where the Group has yet to establish its presence. At the same time, the Group will strive to acquire the land use rights for the Liguang land parcels in Longhua New Area in Shenzhen and commence preparatory work for the construction of the project. Offering a gross floor area of 250,000 square metres, the Liguang land parcels will be developed into the Shenzhen gateway for “China Urban Integrated Logistics Hub”, which will further strengthen the Group’s market share in the logistics market of Shenzhen.

In connection with the Qianhai Project, the Group is actively negotiating with Qianhai Authority and the relevant government authorities and will endeavor to drive the implementation of land consolidation and preparation of all five land parcels with an aggregate site area of approximately 380,000 square meters in Qianhai owned by the Group in the second half of the year, in order to make substantial progress in respect of land value appraisal and sharing. The start-up phase of the Qianhai Project includes industrial office land of approximately 35,000 square meters, commercial land of approximately 25,000 square meters and residential land of approximately 50,000 square meters, and the sales value will boom in the next few years.

Benefitting from surging land prices in Shenzhen in recent years, the land parcels of the Meilin Checkpoint Project are set to enjoy further growth in value. Currently, the Group is stepping up its efforts in carrying forward the preparatory work for project development. The Group will strive to commence the construction works in the second half of 2017 and achieve partial sales in 2019.

In connection with the toll road business, the Chinese government will vigorously advance regional urbanisation, expand cooperation of “One Belt, One Road”, a large number of PPP projects in the infrastructure construction area are expected to be implemented, which provides a new opportunity for the Group to develop its toll road business. The Group will continue to further study different business models and methods to effectively manage and control risks while gaining reasonable income and return. Apart from consolidating and enhancing of its toll road business, the Group will take environmental protection industry as its new direction for business development, and further expand the environmental protection business in line with the Group's strategy, in order to achieve an increase in the scale and efficiency of the environmental protection industry.

In the second half of 2017, the Group will closely monitor changes in the monetary policy and financing environment, strengthen the overall management of the Group’s financial resources, broaden financing channels, optimise its capital structure and reduce financing costs, to create favorable conditions for the implementation of the Group's strategy.

FINANCIAL POSITION

	30 June 2017 *HK$ million*	31 December 2016 *HK$ million*	Increase/ (Decrease)
Total Assets	**68,059**	60,741	**12%**
Total Liabilities	**37,352**	32,305	**16%**
Total Equity	**30,707**	28,436	**8%**
Net Asset Value attributable to shareholders	**20,229**	18,634	**9%**
Net Asset Value per share attributable to shareholders (HK dollar)	**10.0**	9.5	**5%**
Cash	**8,327**	11,424	**(27%)**
Bank borrowings	**12,561**	4,746	**165%**
Notes and bonds	**4,261**	7,637	**(44%)**
Total Borrowings	**16,822**	12,383	**36%**
Net Borrowings	**8,495**	959	**786%**
Debt-asset Ratio (Total Liabilities/Total Assets)	**55%**	53%	**2** #
Ratio of Total Borrowings to Total Assets	**25%**	20%	**5** #
Ratio of Net Borrowings to Total Equity	**28%**	3%	**25** #
Ratio of Total Borrowings to Total Equity	**55%**	44%	**11** #

Change in percentage points

Key Financial Indicators

As at 30 June 2017, the net asset value attributable to shareholders of the Group increased by 9% to HK$20,229 million, while net asset value per share amounted to HK$10, representing an increase of 5% as compared to that at the end of last year. Debt-asset ratio and the ratio of total borrowings to total assets were 55% and 25%, respectively. Despite a slight increase in these ratios, the Group maintained a healthy and stable financial position.

Cash Flow and Financial Ratios

During the Period, the Group's cash flow generated from operations remained stable. Net cash inflow generated from operating activities amounted to HK$1,048 million; net cash outflow used in investment activities amounted to HK$5,893 million; and net cash inflow generated from financing activities amounted to HK$2,118 million. The Group's core businesses maintained a stable cash inflow, and the Group has been closely monitoring changes in total borrowings with a view to maintaining its financial ratios at a healthy level.

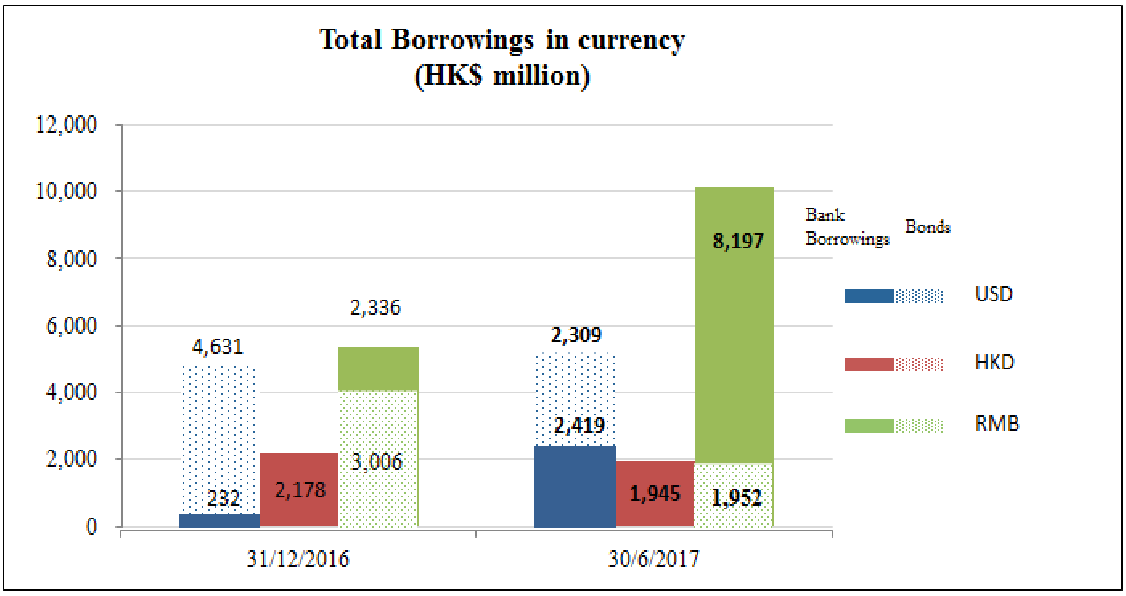
Cash Balance

As at 30 June 2017, cash held by the Group amounted to HK$8,327 million (31 December 2016: HK$11,424 million), representing a decrease of 27% as compared to that at the end of last year, which was mainly attributable to the aggregate consideration of approximately RMB5,600 million paid by Shenzhen Expressway, a subsidiary of the Group, for the acquisition of the equity interests in Yichang Company and Derun Company during the Period. Cash held by the Group is primarily denominated in Renminbi, which can support the Group's operation and development in the PRC. The Group will further strengthen its capital management by adopting a prudent treasury policy, aiming at a higher return on its cash portfolio which would provide strong support for the development of the business.

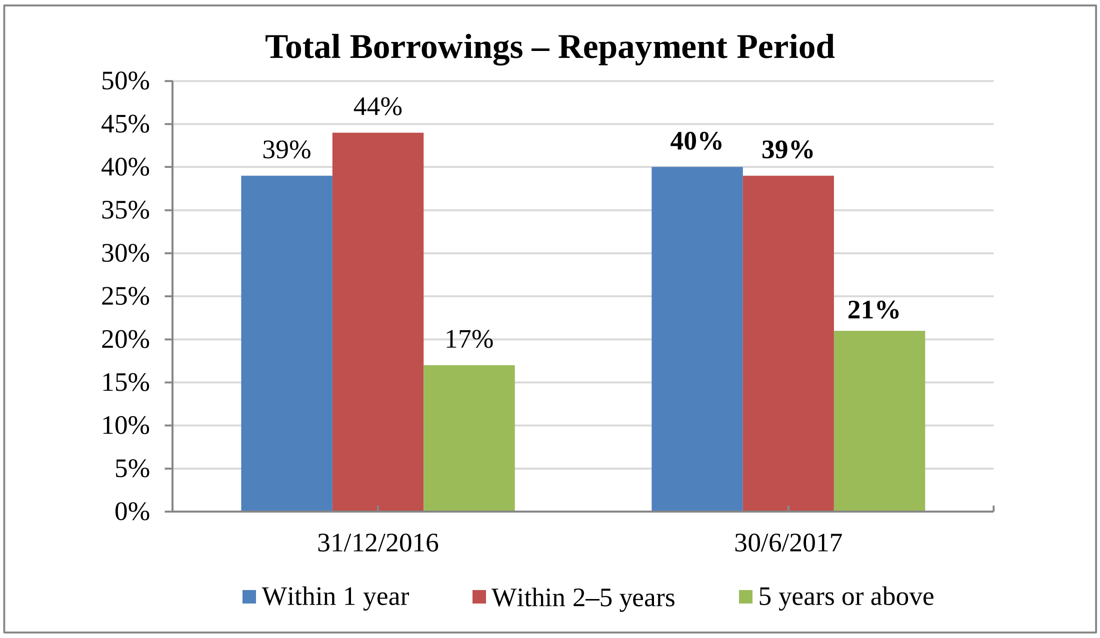
Capital Expenditures

During the Period, the Group's capital expenditure amounted to RMB1,890 million (HK$2,150 million), of which RMB1,270 million was utilised for the payment of the consideration for the acquisition of the equity interests in Yichang Company, and RMB300 million was utilised for construction works in respect of the "China Urban Integrated Logistics Hub". The Group expects the capital expenditure for the second half of 2017 to be approximately RMB2,910 million (HK$3,300 million), of which approximately RMB1,120 million will be utilised for "China Urban Integrated Logistics Hub" projects, and approximately RMB610 million will be utilised for the Outer Ring Expressway Project.

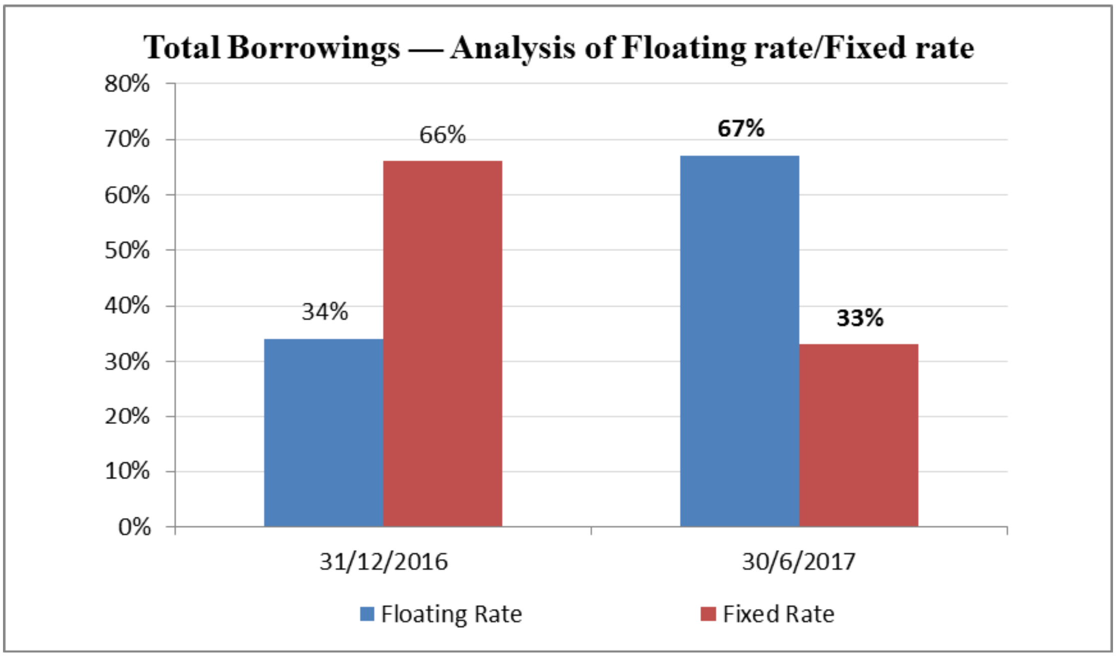
Borrowings



Total Borrowings in currency
(HK$ million)
12,000
10,000
8,000
6,000
4,000
2,000
0
4,631
232
2,178
2,336
3,006
2,309
2,419
1,945
8,197
1,952
31/12/2016
30/6/2017
Bank Borrowings
Bonds
USD
HKD
RMB



Total Borrowings – Repayment Period
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
39%
44%
17%
40%
39%
21%
31/12/2016
30/6/2017
Within 1 year
Within 2–5 years
5 years or above



As at 30 June 2017, the Group's total borrowings amounted to HK$16,822 million, representing an increase of 36% as compared to that at the end of last year. Out of the total borrowings, amounts due within 1 year, 2-5 years and 5 years or above accounted for 40%, 39% and 21%, respectively. Such increase of total borrowings was mainly attributable to consolidation of the borrowings of Yichang Company upon its acquisition by the Group and the increase in RMB-denominated bank borrowings in financing the new of investments and acquisitions during the Period.

The Group's Financial Policy

Save for those revised content as set out below, the Group's financial policy remains consistent with those as disclosed in the 2016 Annual Report, details of which are set out in the 2016 Financial Statements.

Exchange Rate Risk

Cash flows, cash on hand and assets held by the Group are primarily denominated in Renminbi, whereas borrowings are mainly denominated in Renminbi, Hong Kong Dollar and US Dollar. The management of the Group has been closely monitoring the fluctuation and movements of the Renminbi exchange rate during the Period. The Renminbi exchange rate in the second quarter of 2017 has relatively stablized and appreciated approximately 3% in value against the US Dollar during the Period, resulting in foreign exchange gains for the Group amounting to approximately HK$150 million. 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.

Liquidity Risk Management

The Group currently has cash on hand and standby banking facilities of approximately HK$63,100 million. The Group has signed agreements with major banks in Hong Kong and the PRC to secure credit facilities for the Group. The Group regularly monitors its cash flow forecasts and, taking into consideration of the Group's current asset level and funding needs, may enter into new financing arrangements to meet future cash flow requirements and to ensure our capability of ongoing operation and business expansion. The Group will also swap long-term financing for short-term borrowings when necessary to reduce liquidity risk.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE

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

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

OTHER INFORMATION

The Company has engaged KPMG, the Auditor of the Company, to review the unaudited Interim Financial Information of the Group for the six months ended 30 June 2017.

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 information of the Group for the six months ended 30 June 2017. 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 2017 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, 23 August 2017

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