



Shenzhen International
深國際

2014

Interim Results Investor Presentation

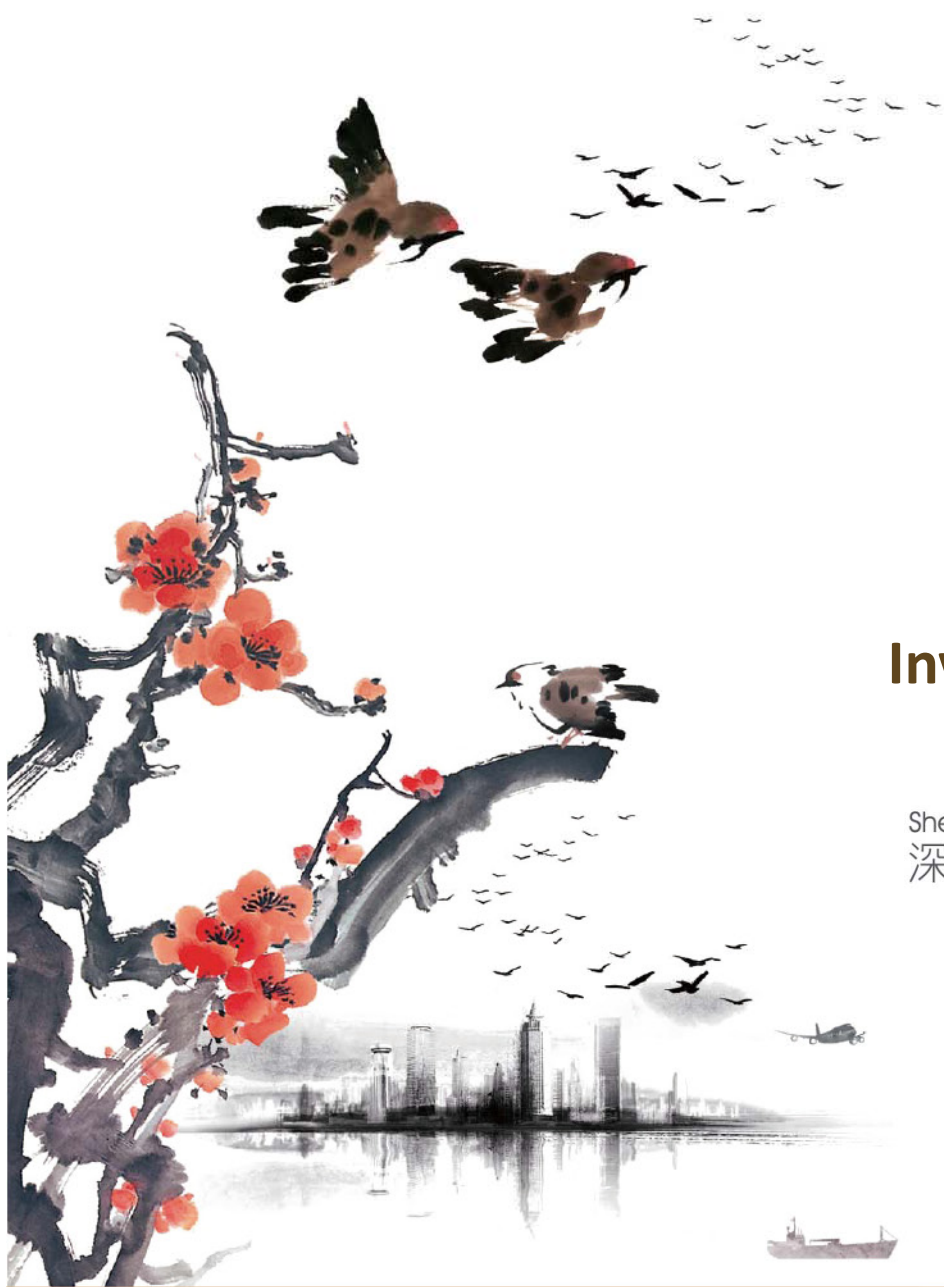
August 2014

Shenzhen International Holdings Limited
深圳國際控股有限公司



共同進步
分享快樂

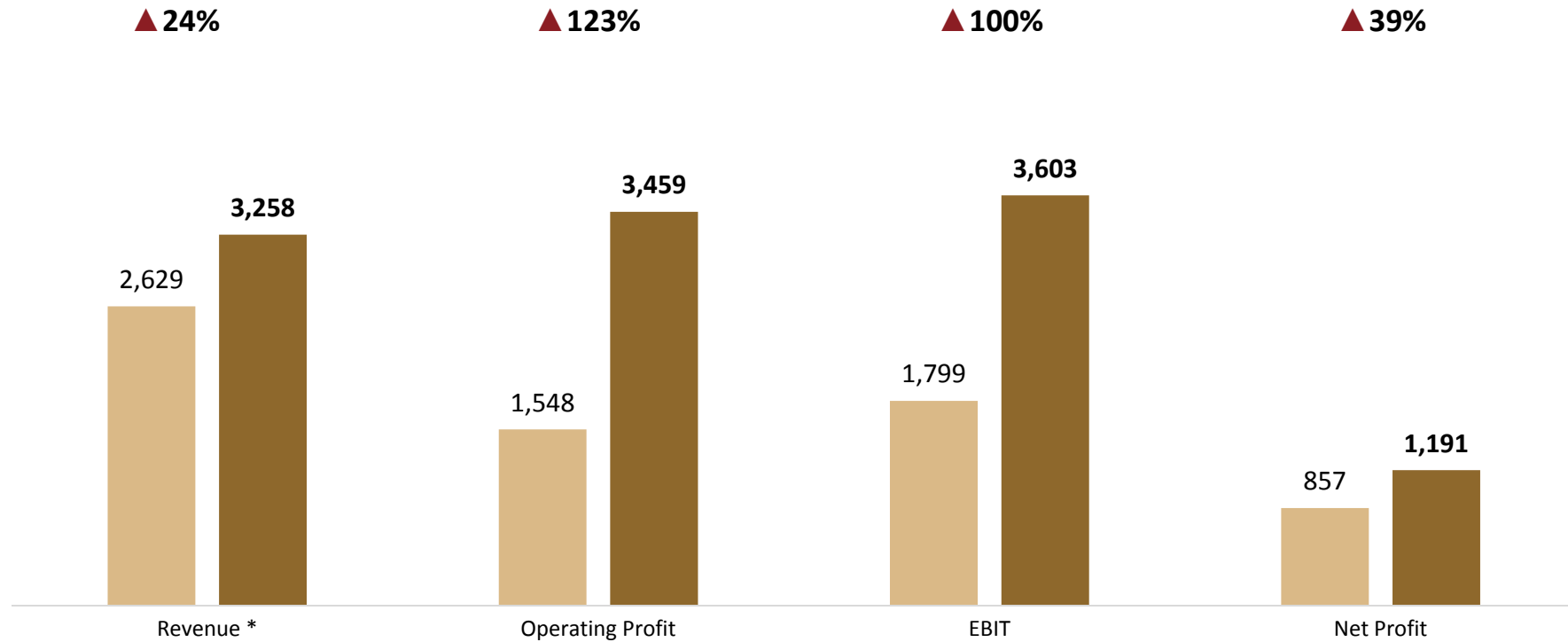
Advancing
Together,
Harvesting
Together



1. Results Highlights



HK\$ Million



* Exclude construction service income from toll road business

■ 1H2013

■ 1H2014

1. Results Highlights



Operating Performance

- **Revenue** amounted to HK\$3,271M (2013: HK\$2,797M), ▲ 17% ;
exclude construction service income, **revenue** was HK\$3,258M (2013: HK\$2,629M), ▲ 24%
- **Operating Profit** was HK\$3,459M, ▲ 123% ;
- **EBITDA** was HK\$4,333M, ▲ 76% ;
- **EBIT** was HK\$3,603M, ▲ 100% ;
- **Profit attributable to shareholders** was HK\$1,191M (2013: HK\$857M), ▲ 39%
- **Basic EPS*** was HK\$0.72(2013: HK\$0.52), ▲ 38%
- **Shareholders' NAV per share*** was HK\$ 8.5 (2013: HK\$8.4), ▲ 1%



* The consolidation of every ten issued or unissued Shares with a par value of HK\$0.10 into one share with a par value of HK\$1.00 in the share capital of the Company came into effect on 13 February 2014; the weighted average number of ordinary shares of respective years have been retrospectively adjusted to reflect the effect of share consolidation.

2. Business Review



- Despite challenging economy and market conditions, the Group actively expanded its business and strengthened cost control
 - Two core businesses: logistic business and toll road business both recorded satisfactory business growth, revenue ▲ 24%

- **Logistic Business:** Increased in operating area of logistic park and sound operating performance of Xiba Port
 - Revenue and net profit ▲ 13% and ▲ 40% respectively

- **Toll Road Business:** Increased in private car ownership in Guangdong Province and revenue from entrusted construction management services
 - Revenue and net profit ▲ 26% and ▲ 33% respectively

- **Meiguan Expressway toll adjustment agreement:**
 - Recorded a one-off profit attributable to shareholders of HK\$730M

- **Other Investments:**
 - Despite intense competition, growth in demand for domestic civil aviation market continued; revenue of Shenzhen Airlines ▲ 7%, operating profit ▲ 4%
 - Due to fluctuation of RMB exchange rate during the period, Shenzhen Airlines recorded net profit of RMB 9.91M (2013: RMB 220M)
 - Adding the Group's various acquisition costs, SZA brought a loss of HK\$27.08M to the Group

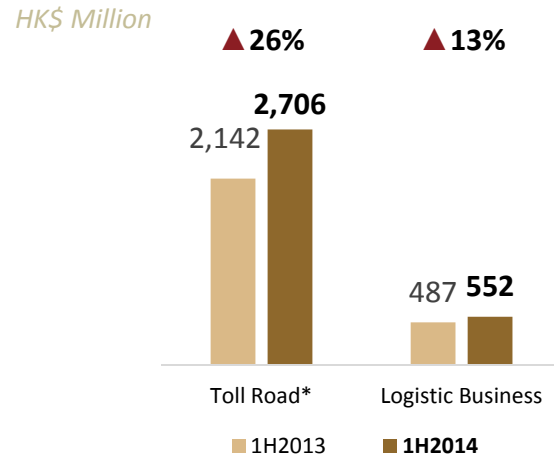
 - The Group did not divest any CSG A shares due to weak local stock market



3. Core Business – Revenue and Net Profit

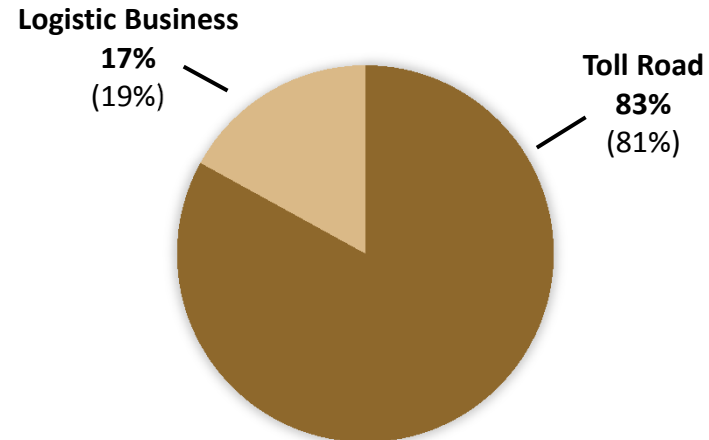


Revenue HK\$3,258M ▲ 24%

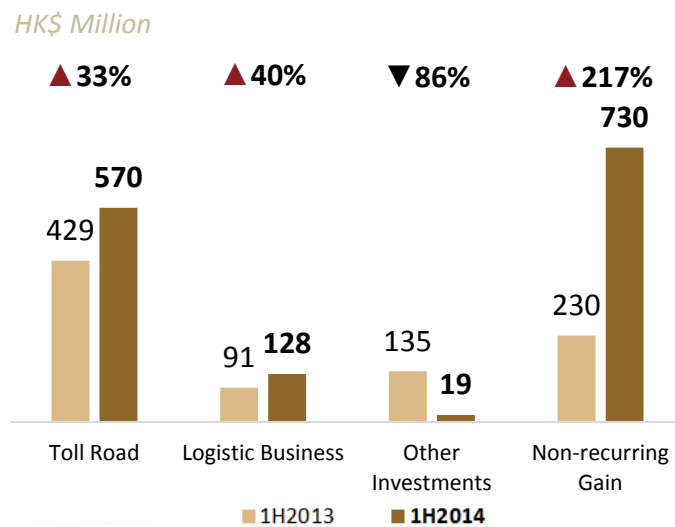


* Exclude construction service income from toll road business

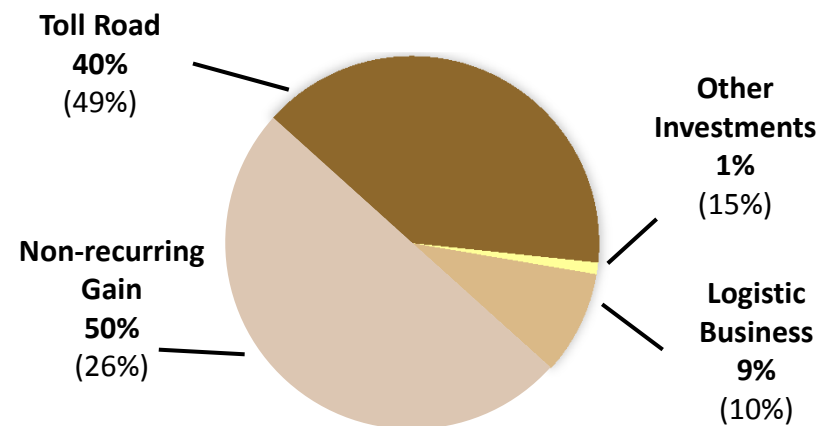
1H2014 Revenue Contribution (2013)



Net Profit HK\$1,191M ▲ 39%



1H2014 Net Profit Contribution (2013)

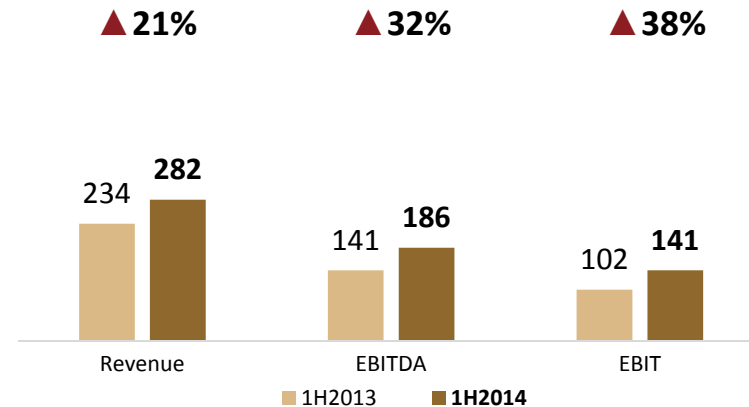


4. Logistic Business – Logistic Park



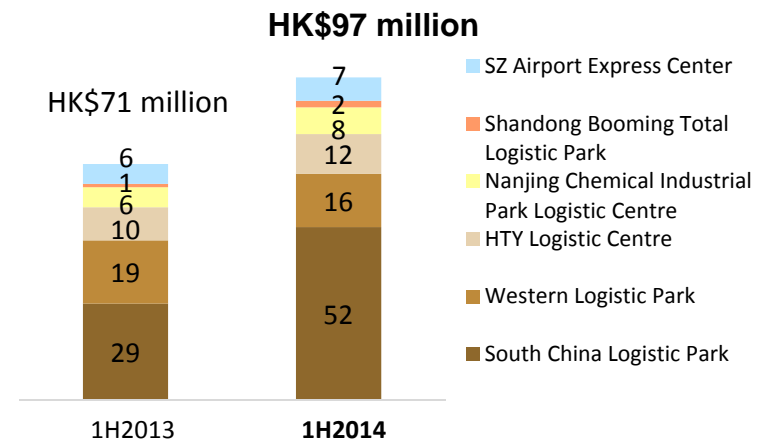
- Increased in operating area and effective cost control, revenue and net profit ▲ 21% and ▲ 37% respectively
- Overall average occupancy rate maintained at 95%
- 125,000 square meters of new operating area built in 2H2013 fully occupied. Revenue and net profit of South China Logistic Park ▲ 44% and ▲ 79% respectively
- HTY Logistic Centre, which focused on highway logistic transportation, delivered stable performance. Occupancy rate maintained at 99%, revenue and net profit ▲ 9% and ▲ 13% respectively

HK\$ Million



Net profit contribution ▲ 37%

HK\$ Million



4. China Urban Integrated Logistics Hub



- Actively developing China Urban Integrated Logistics Hub projects
- Signed strategic cooperation agreements with Shentong Express, China Construction Third Engineering Bureau, and Man Wah Holdings since the beginning of 2014
 - Speed up projects development with respective advantages and sharing of resources
- Shijiazhuang project signed in 1H2014
 - Have signed 5 investment projects since nationwide development plan was implemented in 2012

Shenzhen International Integrated Logistics Hub	Planned Site Area (sqm)	Progress
1. Northeast China - Shenyang project	700,000	First phase comprising of 240,000 sqm of land has started construction and expects to commence operation by 2H2015
2. Eastern China - Wuxi project	350,000	Project positioning and design has started; target completion by 2016 – 2017
3. Central China - Wuhan project	130,000	Project positioning and design has started; target completion by 2016 – 2017
4. Northern China - Shijiazhuang project	330,000	Project positioning and design has started; target completion by 2016 – 2017
5. Northern China - Tianjin project	300,000	Project positioning and design has started; target completion by 2016 - 2017
Total Planned Site Area	1.81 M	

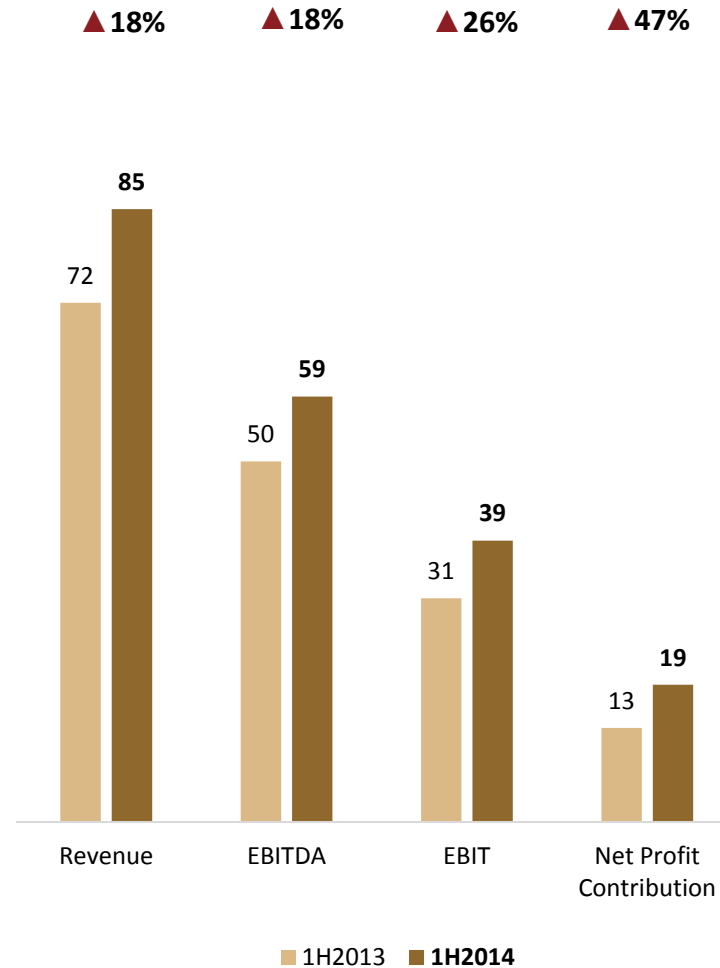


4. Logistic Business – Nanjing Xiba Port



- Leveraging on its 70,000 tons berthing capacity, operation efficiency and effective marketing efforts, Xiba Port recorded sound business growth in 1H2014
- Total of 136 vessels berthed, throughput reached 7.8M tons, ▲23%
- Revenue and net profit contribution ▲18% and ▲47% respectively
- Nanjing Xiba Port phase 2 project
 - In progress as scheduled, expects to complete by the end of 2014
 - To provide 3 berths with berthing capacity of 50,000 to 70,000 tons.
 - Operation scale to further enhance

HK\$ Million



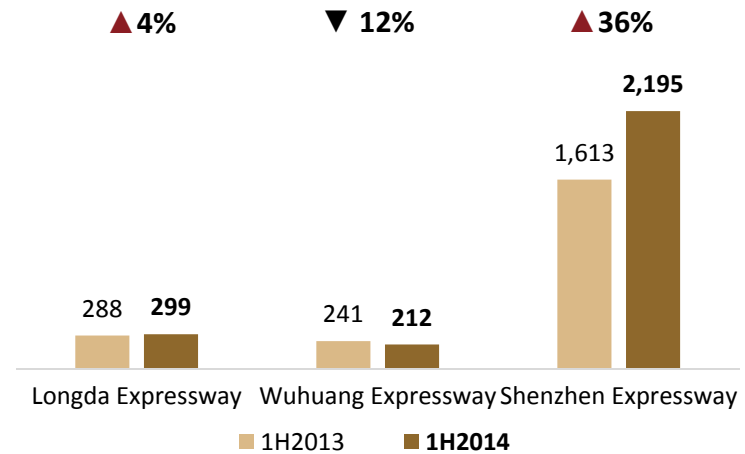
5. Toll Road



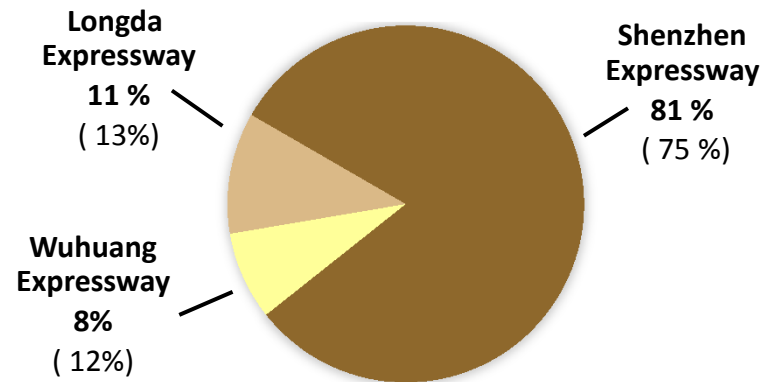
- Stable economic growth of Guangdong Province and improving living standards of local citizens contributed to a steady growth in traffic volume. Also strong growth in entrusted construction management service revenue to HK\$504M
 - Revenue ▲ 26% , exceeded estimate at beginning of the year.
- Daily average revenue of Qinglian Expressway ▲ 19% to HK\$2.81M
- Improvement of connecting highway networks boosted performance of various expressways:
 - Daily mix traffic volume of Jihe East and Nanguang Expressway ▲ 24% and ▲ 18% respectively

Revenue: HK\$2,706M ▲ 26%

HK\$ Million



Revenue Contribution in 1H2014 (2013)



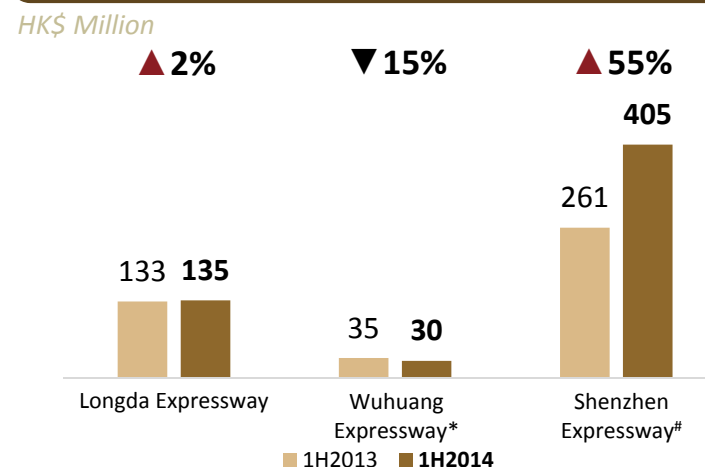
5. Toll Road



- Entrusted construction management services contributed profit after tax of HK\$245M, in particular
 - Coastal Expressway (Shenzhen Section) contributed profit after tax of HK\$89.85M
- Total consideration of RMB 2,700M from Meiguan Expressway toll adjustment agreement, contributed to the Group's profit attributable to shareholders of HK\$730M
 - The consideration will be used to repay debts and as working capital
 - Further enhance the capability and room of sustainable development

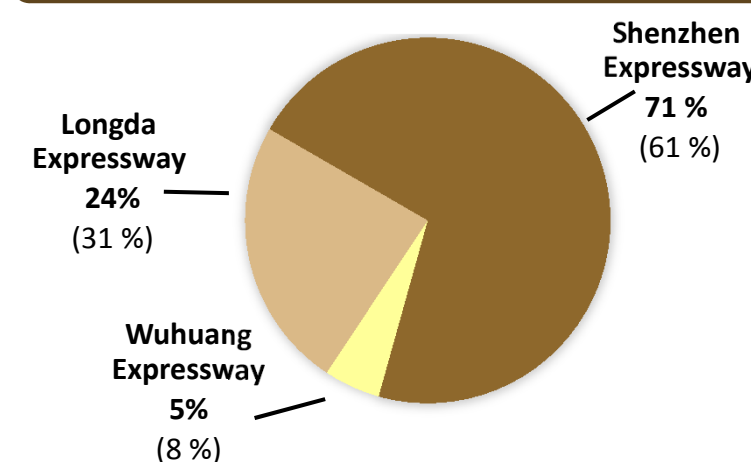


Net Profit Contribution: HK\$570M ▲ 33%



* The Group's direct 45% share only # Exclude one-off gain from Meiguan

Net Profit Contribution in 1H2014 (2013)



6. Other Investment – Shenzhen Airlines and CSG A Shares



- Despite growth in demand for domestic civil aviation market, average airfares declined by 2% due to intense competition
- During the period
 - Revenue ▲ 7% to RMB 10,812M
 - Passenger load factor maintained at 82.1% (2013: 82.4%)
 - Passenger traffic and passenger carried ▲ 9% and ▲ 8% respectively
 - 140 passenger aircrafts and 160 routes (including 149 domestic routes)
- Operating profit ▲ 4% to RMB527M
 - Due to fluctuation of RMB exchange rate, recorded exchange loss of RMB 126M (2013: exchange gain of RMB 181M)
 - SZA net profit amounted to RMB 9.91M (2013: RMB 220M)
 - With apportionment of various acquisition costs, SZA brought a loss of HK\$27.08M to the Group
- The Group received cash dividend amounted to RMB 116M (2013: RMB 113M) during the period
- Third quarter is traditional peak season of domestic civil aviation market, business performance in 2H are expected to improve, in addition to the expected reduction in RMB exchange loss in the second half
 - Shenzhen Airlines will continue to contribute profit to the Group throughout the whole year



- The Group still owns 122M CSG A shares, accounts for 5.87% of total equity
- As at 30 June 2014, market price of HK\$8.52 (RMB 6.83) per share; total market value amounted to around HK\$1B
- Maintains divestment strategy on CSG A shares in accordance with the Group's plan

7. Financial Position



	Group			Excl. SZ Expressway [#]			
	<i>HK\$ Million</i>	30/6/2014	31/12/2013	Increase/ (Decrease)	30/6/2014	31/12/2013	Increase/ (Decrease)
Total Assets		46,082	43,223	7%	21,423	20,478	5%
Total Equity		23,247	21,908	6%	14,588	13,901	5%
NAV attributable to shareholders		14,528	13,990	4%	14,528	13,890	5%
Shareholders' NAV Per Share (HK\$)		8.50	8.40	1%	8.50	8.40	1%
Cash		6,799	4,957	37%	4,016	3,597	12%
Bank Borrowings		10,436	11,040	(5%)	3,413	3,083	11%
Notes & Bonds		7,426	6,282	18%	2,326	2,323	-
Total Borrowings		17,862	17,322	3%	5,739	5,406	6%
Net Borrowings		11,063	12,365	(11%)	1,723	1,809	(5%)
Debt-asset Ratio (Total Liabilities / Total Assets)		49%	49%	-*	32%	32%	-*
Ratio of Total Borrowings to Total Assets		39%	40%	(1%)*	27%	26%	1%*
Ratio of Net Borrowings to Total Equity		48%	56%	(8%)*	12%	13%	(1%)*
Ratio of Total Borrowings to Total Equity		77%	79%	(2%)*	39%	39%	-*

[#]Excl. consolidation of SZ Expressway & use equity accounting. Figures are unaudited and for reference only.

*Change in percentage point

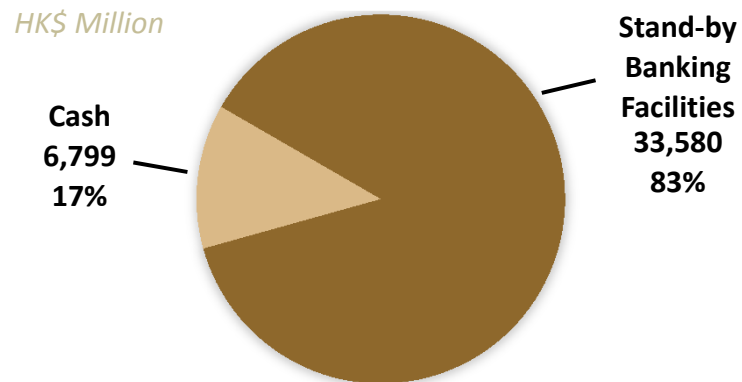


7. Financial Position

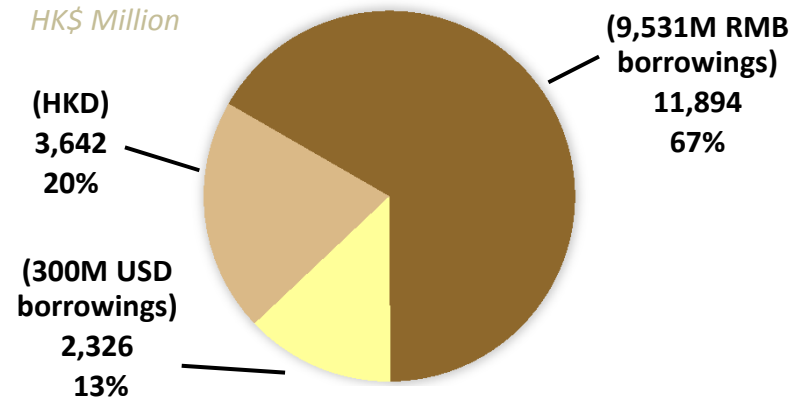


The Group's Borrowing Profile
 As at 30 June 2014

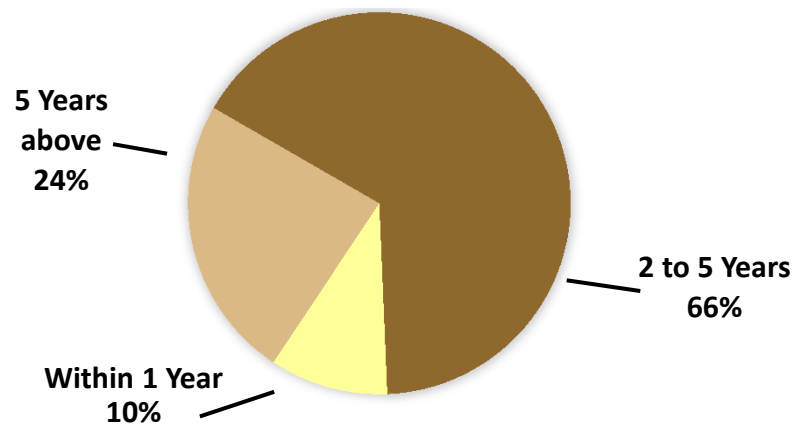
Cash & Banking Facilities



Total Borrowings: HK\$17,862M in Currency



Total Borrowings: HK\$17,862M – Repayment Period

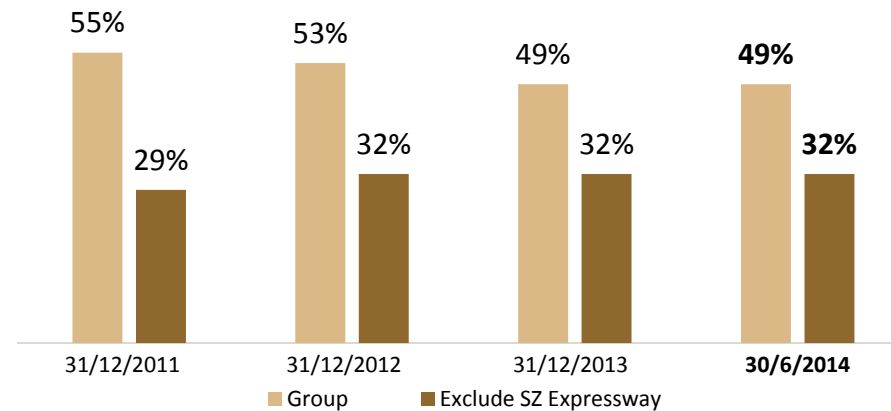


7. Financial Position

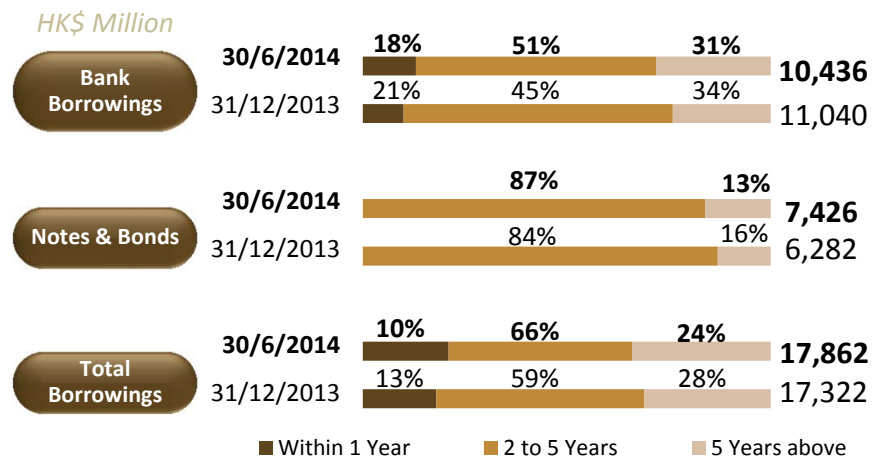


- Shareholders' NAV ▲ 4%
- Continue to optimize borrowing structure
 - Debt-asset ratio maintained at 49%
 - Ratio of net borrowings to total equity decreased to 48% (2013: 56%)
 - Borrowings to be repaid within one year further reduced to 10% (2013: 13%)
- Net cash inflow generated from operations amounted to HK\$1,225M
- Fixed vs floating rate borrowings at 45%:55% (2013: 44%:56%)
- In 1H2014, RMB experienced unprecedented depreciation against USD since exchange rate reform in 2005. The Group recorded foreign exchange loss of HK\$132M
 - Rebound of approx. 1% of RMB against USD since July 2014; the Group expects RMB will appreciate moderately in long term.

Debt-Asset Ratio



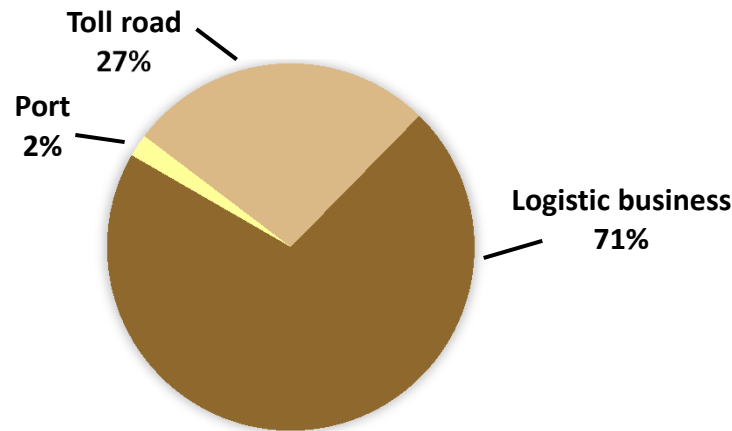
Debt Maturity Profile



7. 2014 Revised Capex – HK\$2,537M (RMB 2,033M)



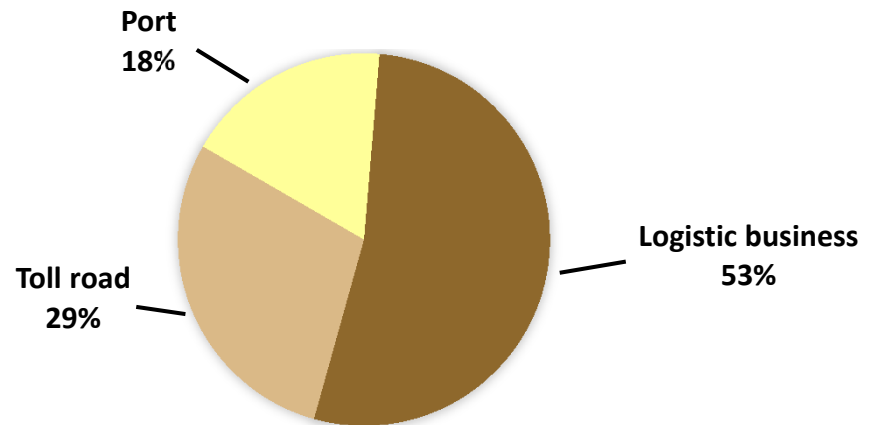
**2H2014 Capex Estimate:
 HK\$1,710M (RMB 1,370M)**



Estimate major Capex items:

- Logistic business: mainly Integrated Logistics Hub projects' construction and land costs amounted to RMB 973M
- Toll road: Remaining balance for Qinglian Project and expansion work in Meiguan amounted to RMB 160M
- Port: Phase 2 of Nanjing Xiba Port

**1H2014 Actual:
 HK\$827M (RMB 663M)**



Major Capex items:

- Logistic business: mainly Integrated Logistics Hub projects amounted to RMB 351M
- Toll road: Remaining balance for Qinglian Project and expansion work in Meiguan amounted to RMB 139M
- Port: Phase 2 of Nanjing Xiba Port of RMB 119M

8. 2014 Outlook and Major Plans



■ Logistic Business

■ China Urban Integrated Logistics Hub

- Current projects implementing as planned. The Group are also in discussion with more than ten cities' government authorities
- Strive to sign investment agreements with Nanchang, Hefei and Changsha in second half of the year

■ Logistic Park: Speed up rezoning and upgrading of existing logistic parks in Shenzhen, including

➤ HTY Logistic Center:

- Established a project company in August 2014 to explore the opportunities of upgrading the Meilin Checkpoint land parcels in Longhua New Area
- New logistic park project planning and construction in Longhua New Area is also in progress; actively seeking other logistic parks, enterprise cooperation opportunities in the area

- **South China Logistic Park:** Has engaged consultants to study relevant overall transformation and upgrading plan; actively propel phase 2 land development (77,000 square meters)

■ Xiba Port: Construction of phase 2 of Nanjing Xiba Port

8. 2014 Outlook and Major Plans



■ Toll Road

- Local government to advocate on domestic demand, traffic expects to maintain steady growth

■ Qianhai Project

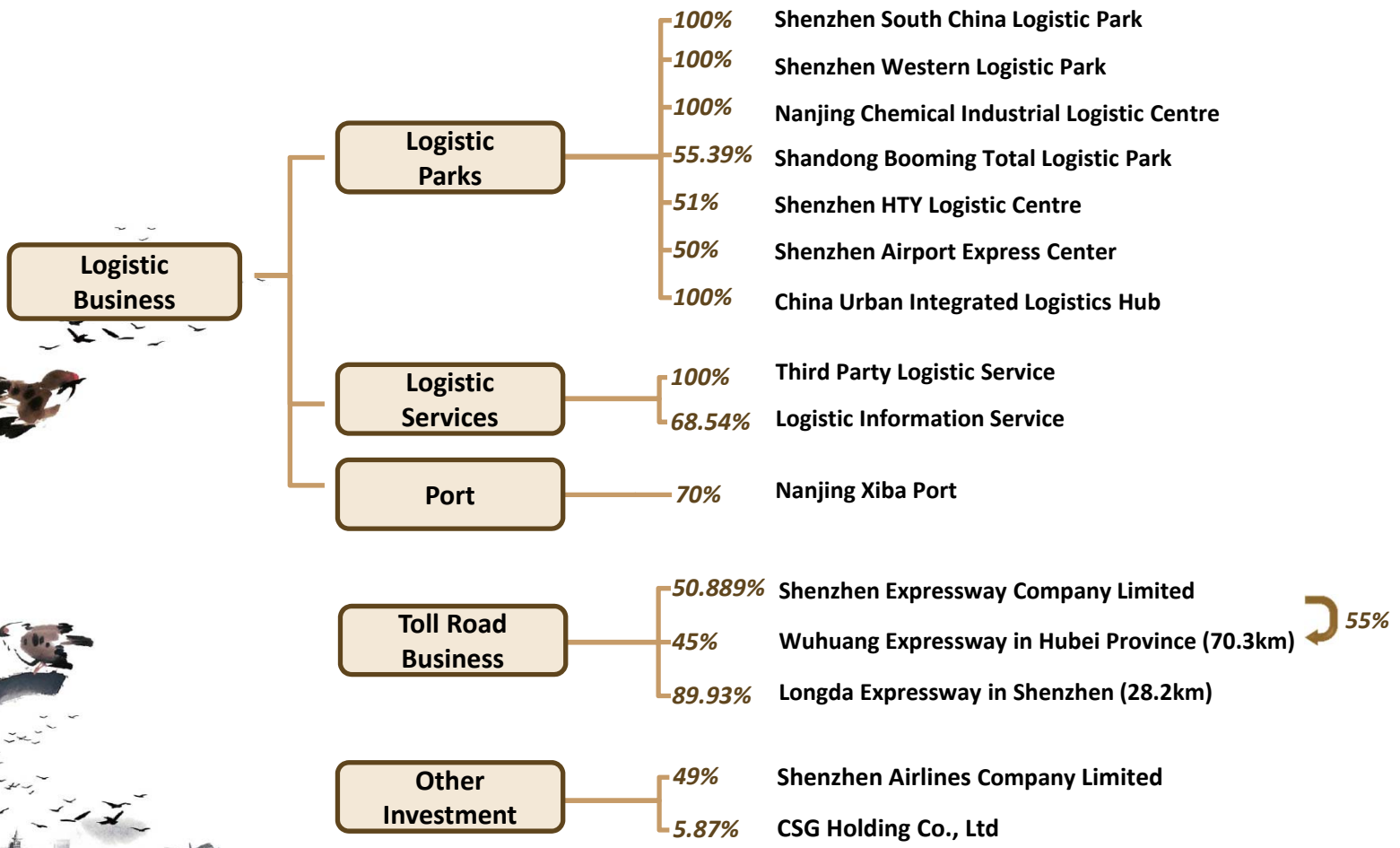
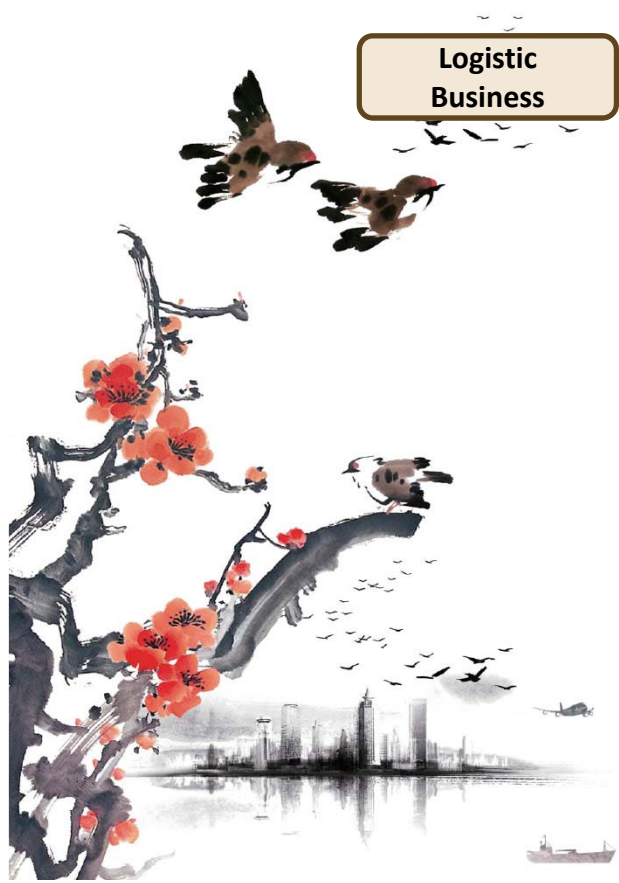
- Continue to communicate with relevant government authorities actively
- Carry out preparatory work such as planning and business development; revising the project development plan
- Getting well-prepared for next phase

Appendix

Shenzhen International Holdings Limited
深圳國際控股有限公司



Appendix 1 – Corporate Chart



Appendix 2-

Illustration of “China Urban Integrated Logistics Hub”

Shenzhen International Holdings Limited
深圳國際控股有限公司



Appendix 3 – Geographical location of Qianhai



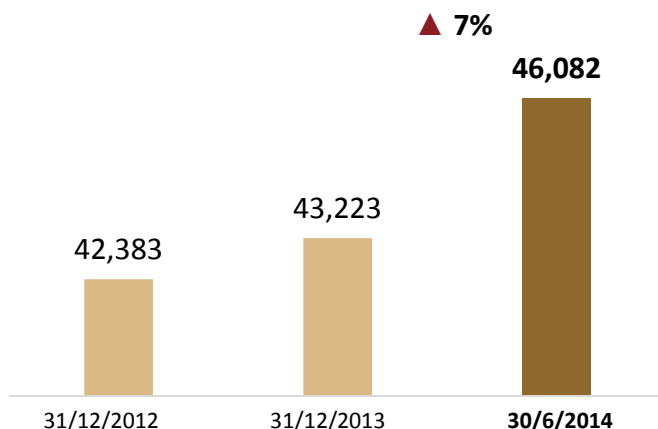
- Guiwan Area** – Core Commercial District, focus on financial sector
- Qianwan Area** – Integrated Development District, focus on technology and information services sector
- Mawan Area** – Bonded Port District, focus on modern logistic sector
- Area in Orange** – Shenzhen International Western Logistic Park (380K sqm)

Appendix 4 – Results Highlights



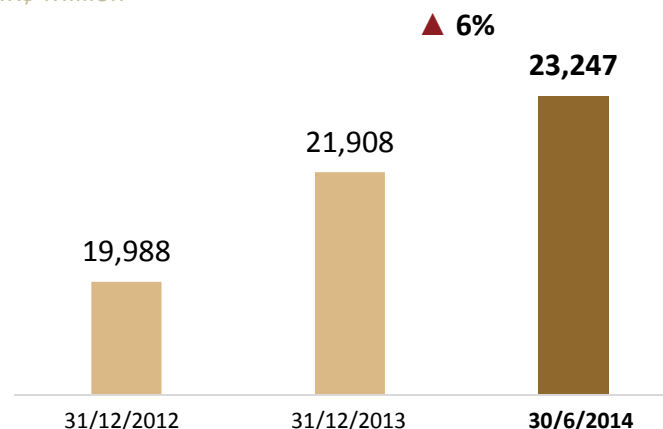
Total Assets

HK\$ Million



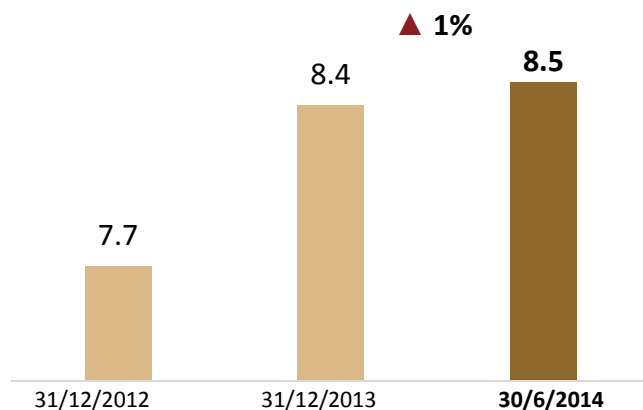
Total Equity

HK\$ Million



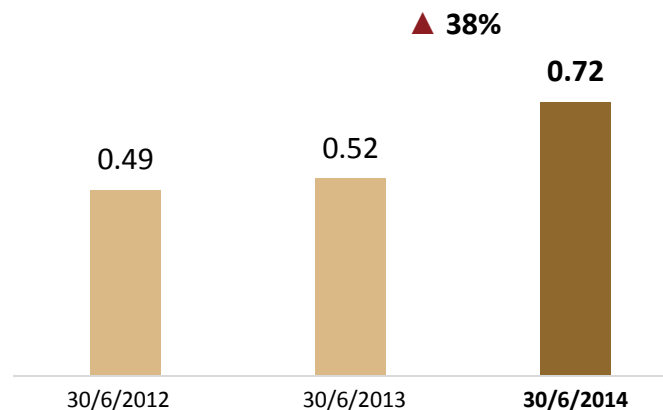
Shareholders' Value Per Share

HK\$



Earnings Per Share

HK\$



Appendix 5 – Income Statement



<i>HK\$ Million</i> <i>For the 6 months ended 30 June</i>	2014	2013	Change
Revenue	3,271	2,797	17%
Cost of sales	(1,647)	(1,456)	13%
Gross profit	1,624	1,341	21%
Other gain – net	1,938	315	514%
Other income	77	49	55%
Distribution costs	(30)	(25)	20%
Administrative expenses	(150)	(132)	14%
Operating profit	3,459	1,548	123%
Share of profit of joint ventures	14	11	26%
Share of profit of associates	130	240	(46%)
Profit before finance costs and tax	3,603	1,799	100%
Finance costs - net	(504)	(365)	38%
Profit before income tax	3,099	1,434	116%
Income tax expense	(787)	(325)	142%
Profit for the Period	2,312	1,109	108%
Non-controlling interests	(1,121)	(252)	345%
Equity holder of the Company	1,191	857	39%
Basic EPS (HK dollar per share)	0.72	0.52	38%



Appendix 6 – Segment Results



	Revenue		Operating Profit		Share of Results of Associates & JVs		EBIT	
	<i>HK\$ Million</i>							
	<i>For the 6 months ended 30 June</i>							
	2014	2013	2014	2013	2014	2013	2014	2013
Toll roads								
Revenue	2,706	2,142	3,280	1,110	136	112	3,416	1,222
Construction service revenue	13	168	-	-	-	-	-	-
Toll roads subtotal	2,719	2,310	3,280	1,110	136	112	3,416	1,222
Logistic business								
Logistic parks	282	234	133	95	8	7	141	102
Logistic services	185	181	14	9	1	1	15	10
Port	85	72	39	31	-	-	39	31
Logistic Business sub-total	552	487	186	135	9	8	195	143
Head office	-	-	(7)	303	(1)	131	(8)	434
	3,271	2,797	3,459	1,548	144	251	3,603	1,799
Finance income							76	41
Finance costs							(580)	(406)
Finance costs - net							(504)	(365)
Profit before income tax & NCI							3,099	1,434



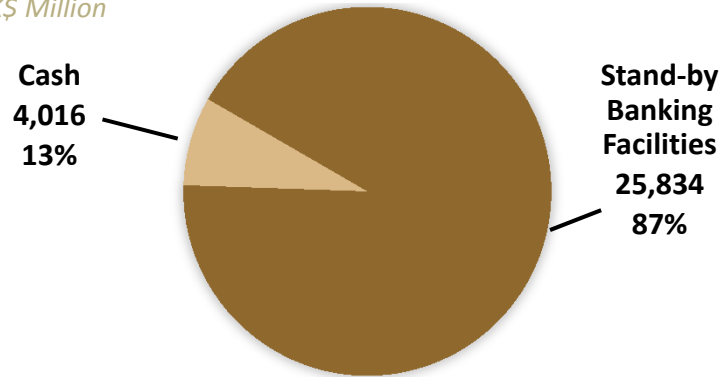
Appendix 7 – Financial Position



The Group's Borrowing Profile
 (Excl. Shenzhen Expressway)
 As at 30 June 2014

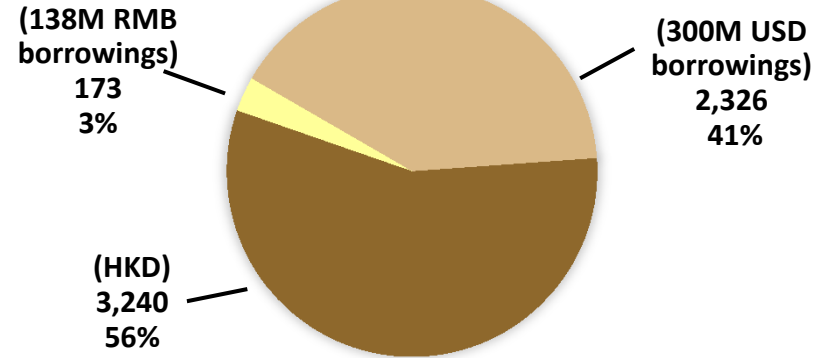
Cash & Banking Facilities

HK\$ Million

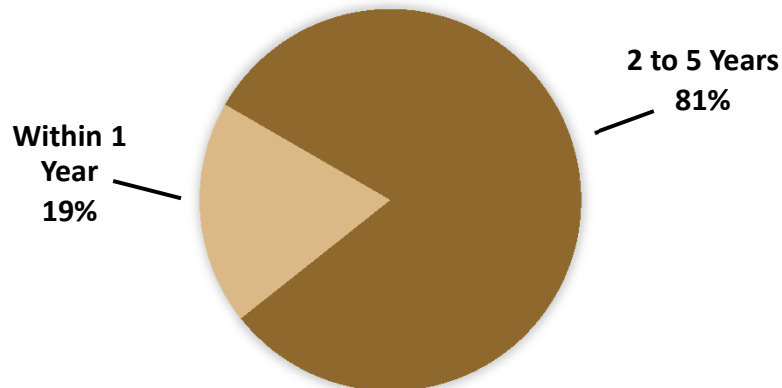


Total Borrowings: HK\$5,739M - In Currency

HK\$ Million



Total Borrowings: HK\$5,739M - Repayment Period



Disclaimer



- This presentation is prepared in good faith, based on unaudited financial data, management information, publicly available information, and management's outlook as of 30 June 2014. Macroeconomic parameters could change unexpectedly. The Group's operating environment and thus strategies could change as a result and without notice.
- This presentation does not constitute an invitation to trade this or any other stock. Stock price can go down as well as up. Historical performance is no guarantee for the future.





Thank You!

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