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

2013 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Shenzhen International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results and consolidated interim balance sheet of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2013 (the "Period") together with comparative figures of consolidated results for the corresponding period in 2012 and consolidated balance sheet as of the year end of 2012 as follows:

CONSOLIDATED INTERIM INCOME STATEMENT

		Six months ended 30 June	
		2013	2012
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	(4), (5)	**2,797,125**	2,856,643
Cost of sales		**(1,456,472)**	(1,436,136)
Gross profit		**1,340,653**	1,420,507
Other gains – net		**315,452**	7,647
Other income		**49,379**	53,244
Distribution costs		**(25,001)**	(18,640)
Administrative expenses		**(132,031)**	(136,713)
Operating profit	(6)	**1,548,452**	1,326,045
Share of profit of joint ventures		**11,288**	7,681
Share of profit of associates	(12)	**239,535**	450,348
Profit before finance costs and tax		**1,799,275**	1,784,074
Finance income	(7)	**40,716**	35,031
Finance costs	(7)	**(405,558)**	(508,513)
Finance costs – net	(7)	**(364,842)**	(473,482)
Profit before income tax		**1,434,433**	1,310,592
Income tax expense	(8)	**(324,858)**	(247,530)
Profit for the period		**1,109,575**	1,063,062

CONSOLIDATED INTERIM INCOME STATEMENT (continued)

	Note	Six months ended 30 June 2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
Attributable to:			
Equity holders of the Company		**857,356**	804,656
Non-controlling interests		**252,219**	258,406
		1,109,575	1,063,062
Earnings per share attributable to equity holders of the Company (expressed in HK cents per share)			
– Basic	(9)	**5.21**	4.91
– Diluted	(9)	**5.19**	4.91
Dividends	(10)	–	–

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2013 (Unaudited) *HK$'000*	2012 (Unaudited) *HK$'000*
Profit for the period	**1,109,575**	1,063,062
Other comprehensive income		
Items that have been reclassified or may be reclassified subsequently to profit or loss:		
Fair value gains/(losses) on available-for-sale financial assets, net of tax	**113,566**	(4,591)
Transfer of fair value gain to income statement upon disposal of available-for-sale financial assets, net of tax	**(225,064)**	-
Fair value gains on derivative financial instruments, net of tax	**17,136**	2,117
Derecognition of cash flow hedges, net of tax	**-**	1,503
Share of other comprehensive (loss)/income of an associate	**(43)**	6
Currency translation differences	**352,287**	(123,907)
Other comprehensive income/(loss) for the period, net of tax	**257,882**	(124,872)
Total comprehensive income for the period	**1,367,457**	938,190
Total comprehensive income attributable to:		
Equity holders of the Company	**985,774**	735,342
Non-controlling interests	**381,683**	202,848
	1,367,457	938,190

CONSOLIDATED INTERIM BALANCE SHEET

	Note	As at 30 June 2013 (Unaudited) HK$'000	As at 31 December 2012 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**3,775,140**	3,829,067
Investment properties		**76,600**	72,000
Land use rights		**654,135**	651,750
Construction in progress		**489,859**	398,468
Intangible assets	(11)	**24,263,371**	24,188,532
Investments in associates	(12)	**5,059,318**	5,021,531
Investments in joint ventures		**314,888**	317,382
Available-for-sale financial assets	(13)	**101,404**	37,511
Deferred income tax assets		**90,465**	96,842
Other non-current assets		**125,846**	81,144
		34,951,026	34,694,227
Current assets			
Inventories		**413,440**	8,636
Available-for-sale financial assets	(13)	**1,433,987**	1,646,963
Trade and other receivables	(14)	**903,238**	1,165,060
Restricted bank deposits		**2,347**	2,302
Cash and cash equivalents		**4,969,126**	4,866,080
		7,722,138	7,689,041
Total assets		**42,673,164**	42,383,268
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital and share premium		**5,058,674**	4,952,487
Other reserves		**765,668**	637,250
Retained earnings			
- Proposed dividends		**-**	612,349
- Others		**7,297,513**	6,443,120
		13,121,855	12,645,206
Non-controlling interests		**7,563,313**	7,342,934
Total equity		**20,685,168**	19,988,140

CONSOLIDATED INTERIM BALANCE SHEET (continued)

	Note	As at **30 June 2013 (Unaudited)** *HK$'000*	 31 December 2012 (Audited) *HK$'000*
Liabilities			
Non-current liabilities			
Borrowings		**13,710,429**	14,072,020
Derivative financial instruments		**33,900**	36,003
Provision for maintenance/resurfacing obligations		**270,489**	243,556
Deferred income tax liabilities		**1,537,589**	1,547,673
		15,552,407	15,899,252
Current liabilities			
Trade and other payables	(15)	**1,916,822**	2,082,289
Income tax payable		**207,923**	123,412
Provision for maintenance/resurfacing obligations		**249,472**	377,447
Borrowings		**4,054,157**	3,897,663
Derivative financial instruments		**7,215**	15,065
		6,435,589	6,495,876
Total liabilities		**21,987,996**	22,395,128
Total equity and liabilities		**42,673,164**	42,383,268
Net current assets		**1,286,549**	1,193,165
Total assets less current liabilities		**36,237,575**	35,887,392

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 has operations mainly in the People's Republic of China ("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 primary listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(1) General Information (continued)

This condensed consolidated interim financial information ("Interim Financial Information") was approved for issue on 22 August 2013 and has not been audited.

Key events

On 7 June 2013, Xin Tong Chan Development (Shenzhen) Co., Ltd. ("Xin Tong Chan"), a subsidiary of the Group, entered into an agreement with Shenzhen Energy Group Co., Ltd ("SZ Energy"). According to the agreement, Xin Tong Chan disposed of its 2.3338% equity interests in Shenzhen Capital Group Co., Ltd. ("SZ Capital") to SZ Energy at a consideration of RMB200,000,000, which was satisfied in the form of cash. The above equity disposal was completed in June 2013. The excess of the consideration paid over the cost of investment in SZ Capital, amounting to HKD172,134,000, was recognised within 'other gains – net' in the income statement.

(2) Basis of preparation

This Interim Financial Information for the Period has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants. The Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2012 ("2012 Financial Statements"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

(3) Changes in accounting policies and disclosures

Except for described below, the accounting policies applied are consistent with those of the 2012 Financial Statements, as described therein.

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

Property under development

Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

(a) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2013 have no material impact on the Group or are not currently relevant to the Group.

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

(b) The following new standards and amendments to standards that are relevant to the Group have been issued but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendment to HKAS 32	Financial Instruments: Presentation on assets and liabilities offsetting	1 January 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities	1 January 2014
HKFRS 9	Financial instruments	1 January 2015
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date and transition disclosures	1 January 2015

The Group has assessed the impact of the above new and revised standards, and amendments to existing standards and based on the preliminary results of assessment, the Group currently does not expect the adoption of these standards and amendments would have a significant impact on the Group's results of operations and financial position.

(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 2012 Financial Statements except for the followings:

The Department of Transport of Guangdong Province recently published a notice that the toll collection period should be a maximum of 20 years for those toll roads transferred from government-financed nature to profit-basis nature pursuant to the requirement by ‘About Accelerating the Special Rectification on Toll Roads of the Province’ (Yue Jiao Ming Dian (2013) No.56). According to the notice, the toll collection on National Highway No. 107 (Qinglian Section) owned by Guangdong Qinglian Highway Development Company Limited (“Qinglian Company”), a subsidiary of the Group, has been cancelled with effect from 30 June 2013. The originally approved toll collection period for National Highway No. 107 (Qinglian Section) will end in February 2028. As at 30 June 2013, the net book value of the related concession intangible assets and property, plant and equipment of National Highway No. 107 (Qinglian Section) were HKD313,597,000 and HKD183,000 respectively. Since the toll collection right of National Highway No. 107 (Qinglian Section) was obtained by Qinglian Company through authorised investment and with formal approvals, the Group has started to negotiate with the relevant government authorities regarding to the Group’s legal rights and potential compensation as a result of the cancellation of the toll collection on National Highway No. 107 (Qinglian Section). Based on the preliminary communication with the relevant government authorities, the directors of the Company considered that no accounting treatment relating to this issue was necessary to make in this Interim Financial Information.

(4) Segment information

The Group assessed its operations to be organised in two main business segments:

- Toll roads; and
- Logistic business.

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

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

Toll roads include development, operation and management of toll highway; logistic business includes: (i) logistic parks mainly include the construction, operation and management of logistic centres; (ii) logistic services include the provision of third party logistic and logistic information services to customers; and (iii) port includes construction, operation and management of wharf and logistic centres at Xiba Port in Nanjing.

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

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

For the six months ended 30 June 2013

	Toll roads	Logistic business				Head office functions	Total
		Logistic parks	Logistic services	Port	Subtotal		
Revenue	2,310,466 [a]	234,084	180,583	71,992	486,659	-	2,797,125
Operating profit	1,109,998	94,703	9,294	31,177	135,174	303,280	1,548,452
Share of profit of joint ventures	4,090	6,999	199	-	7,198	-	11,288
Share of profit of associates	107,808	-	675	-	675	131,052	239,535
Finance income	23,652	723	602	74	1,399	15,665	40,716
Finance costs	(385,944)	(6,752)	(194)	(10,067)	(17,013)	(2,601)	(405,558)
Profit before income tax	859,604	95,673	10,576	21,184	127,433	447,396	1,434,433
Income tax expense	(189,510)	(20,616)	(2,667)	(2,649)	(25,932)	(109,416)	(324,858)
Profit for the period	670,094	75,057	7,909	18,535	101,501	337,980	1,109,575
Non-controlling interests	(241,509)	(4,419)	(728)	(5,563)	(10,710)	-	(252,219)
Profit attributable to equity holders of the Company	428,585	70,638	7,181	12,972	90,791	337,980	857,356
Depreciation and amortisation	589,806	39,243	5,970	18,554	63,767	7,037	660,610
Capital expenditure							
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	178,106	84,489	8,839	14,538	107,866	8,516	294,488

(4) Segment information (continued)

For the six months ended 30 June 2012

	Toll roads	Logistic business				Head office functions	Total
		Logistic parks	Logistic services	Port	Subtotal		
Revenue	2,403,011 (a)	234,378	162,084	57,170	453,632	-	2,856,643
Operating profit	1,215,805	86,068	3,863	20,372	110,303	(63)	1,326,045
Share of profit /(loss) of joint ventures	2,696	5,190	(205)	-	4,985	-	7,681
Share of profit of associates	81,434	-	282	-	282	368,632	450,348
Finance income	24,616	710	460	290	1,460	8,955	35,031
Finance costs	(404,826)	(7,279)	(70)	(12,503)	(19,852)	(83,835)	(508,513)
Profit before income tax	919,725	84,689	4,330	8,159	97,178	293,689	1,310,592
Income tax expense	(221,320)	(18,574)	(1,554)	-	(20,128)	(6,082)	(247,530)
Profit for the period	698,405	66,115	2,776	8,159	77,050	287,607	1,063,062
Non-controlling interests	(252,171)	(3,869)	79	(2,445)	(6,235)	-	(258,406)
Profit attributable to equity holders of the Company	446,234	62,246	2,855	5,714	70,815	287,607	804,656
Depreciation and amortisation	485,631	32,620	5,705	18,026	56,351	11,661	553,643
Capital expenditure							
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	222,357	118,921	18,008	4,404	141,333	7,258	370,948
- Additions in investments in associates	-	-	-	-	-	97,266	97,266

(a) The revenue from toll roads included construction service revenue under service concession arrangements of HKD168,459,000 (2012 interim: HKD204,923,000) for the Period.

(b) The Group has a number of customers. Revenue of approximately HKD123,263,000 (2012 interim: HKD99,816,000) was derived from a single external customer. The related revenue was attributable to construction service revenue.

(c) The Group's non-current assets are mainly located in the PRC.

(5) Revenue

	Six months ended 30 June	
	2013	2012
Toll roads		
— Toll revenue	**2,142,007**	2,198,088
— Construction service revenue under service concession arrangements	**168,459**	204,923
Logistic business		
— Logistic parks	**234,084**	234,378
— Logistic services	**180,583**	162,084
— Port	**71,992**	57,170
	2,797,125	2,856,643

(6) Operating profit

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

	Six months ended 30 June	
	2013	2012
Crediting		
Gain on disposals of available-for-sale financial assets (Note 13)	**307,852**	-
Government subsidies	**2,979**	1,534
Charging		
Depreciation and amortisation	**660,610**	553,643

(7) Finance income and costs

	Six months ended 30 June	
	2013	2012
Interest income from bank deposits	**(40,716)**	(35,031)
Interest expenses		
- Bank borrowings wholly repayable within 5 years	**94,202**	104,152
- Bank borrowings wholly repayable after 5 years	**166,679**	187,811
- Convertible bond wholly repayable within 5 years	**43,064**	41,015
- Medium-term notes wholly repayable within 5 years	**10,024**	21,568
- Corporate bond and other notes wholly repayable within 5 years	**90,776**	67,176
- Corporate bond wholly repayable after 5 years	**27,981**	28,730
- Senior notes wholly repayable within 5 years	**51,834**	20,145
- Others interest expense	**15,953**	22,925
Net foreign exchange (gains)/losses directly attributable to borrowings	**(76,609)**	27,872
Less: interest expenses capitalised in construction in progress	**(18,346)**	(12,881)
	405,558	508,513
Net finance costs	**364,842**	473,482

(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% (2012 interim: 25%) applicable to the respective companies.

	Six months ended 30 June	
	2013	2012
Current income tax		
- PRC corporate income tax	**313,051**	296,466
Deferred income tax	**11,807**	(48,936)
	324,858	247,530

(9) Earnings per share

(a) Basic

Basic earnings per share are 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	
	2013	2012
Profit attributable to equity holders of the Company	**857,356**	804,656
Weighted average number of ordinary shares in issue (thousands)	**16,442,156**	16,372,173
Basic earnings per share (HK cents)	**5.21**	4.91

(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.

(9) Earnings per share (continued)

	Six months ended 30 June	
	2013	2012
Profit attributable to equity holders of the Company	**857,356**	804,656
Profit used to determine diluted earnings per share	**857,356**	804,656
Weighted average number of ordinary shares in issue (thousands)	**16,442,156**	16,372,173
Adjustments – share options (thousands)	**82,149**	-
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**16,524,305**	16,372,173
Diluted earnings per share (HK cents)	**5.19**	4.91

(10) Dividends

The board of directors has resolved not to declare an interim dividend in respect of the Period (2012 interim: Nil). The 2012 final dividend of HKD615,312,000 (HK cents 3.74 per ordinary share) was paid on 26 June 2013. According to the approved scrip dividend scheme in the annual general meeting held on 20 May 2013, 53,549,881 new shares were issued at a price of HKD1.038 per share, totalling HKD55,585,000. The remaining dividend totalling HKD559,727,000 was paid in cash.

(11) Intangible assets

	Intangible assets - concession intangible assets
Six months ended 30 June 2013	
Net book amount as at 1 January 2013	24,188,532
Additions	170,079
Exchange difference	412,364
Amortisation	(507,604)
Net book amount as at 30 June 2013	24,263,371
Six months ended 30 June 2012	
Net book amount as at 1 January 2012	24,386,045
Additions	196,983
Transfers	7,038
Exchange difference	(175,244)
Amortisation	(403,858)
Net book amount as at 30 June 2012	24,010,964

(11) Intangible assets (continued)

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 9 to 21 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any considerations payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

(12) Investments in associates

	Six months ended 30 June	
	2013	2012
Beginning of the period	**5,021,531**	2,829,232
Transfer from other non-current assets	**-**	875,394
Additions	**-**	97,266
Share of post-tax profit of associates	**239,535**	450,348
Share of other comprehensive (loss)/income of associates	**(43)**	6
Dividends received	**(288,253)**	(48,654)
Exchange difference	**86,548**	(31,333)
End of the period	**5,059,318**	4,172,259

The ending balance comprises the following:

	As at	
	30 June 2013	31 December 2012
Unlisted investments, at cost		
Share of net assets other than goodwill	**3,984,342**	3,964,866
Goodwill on acquisition	**1,074,976**	1,056,665
	5,059,318	5,021,531

(a) Based on the assessment made by the directors of the Company, there were no impairment losses for the goodwill as at 30 June 2013.

(13) Available-for-sale financial assets

	Six months ended 30 June	
	2013	2012
Beginning of the period	**1,684,474**	1,734,940
Addition [(a)]	**63,243**	-
Net fair value gains/(losses)	**157,785**	(9,778)
Disposals [(b)]	**(394,432)**	-
Exchange differences	**24,321**	(13,586)
End of the period	**1,535,391**	1,711,576
Less: non-current portion	**(101,404)**	(244,946)
Current portion	**1,433,987**	1,466,630

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

	As at	
	30 June 2013	31 December 2012
Listed securities in the PRC, at fair value [(c)]	**1,433,987**	1,365,974
Unlisted equity investments :		
at fair value	**63,243**	280,989
at cost less impairment		
- Cost	**62,256**	61,606
- Provision for impairment	**(24,095)**	(24,095)
	38,161	37,511
	101,404	318,500
	1,535,391	1,684,474

(a) On 17 January 2013, Shenzhen Shen Guang Hui Highway Development Company（“SZ SGH Highway”), a subsidiary of the Group, together with ten other companies including Shenzhen Investment Holdings Company Limited established Kashi Shenzhen City Company Limited (“Kashi SZ City”) to expand the Group’s logistics business to Kashi, Xinjiang. Accordingly, SZ SGH Highway made a capital contribution of RMB50,000,000 (approximately HKD63,243,000) in cash for the investment in Kashi SZ City, representing approximately 7.58% of the total registered capital of Kashi SZ City. As at 30 June 2013, the fair value of the investment in Kashi SZ City approximates its carrying value.

(b) On 7 June 2013, Xin Tong Chan, a subsidiary of the Group, entered into an agreement with SZ Energy. According to the agreement, Xin Tong Chan disposed of its 2.3338% equity interest in SZ Capital to SZ Energy at a consideration of RMB200,000,000, which was satisfied in the form of cash. The above equity disposal was completed in June 2013. The excess of the consideration over the cost of investment in SZ Capital, amounting to HKD172,134,000, was recognised within ‘other gains – net’ in the income statement.

(c) As at 30 June 2013, listed equity investments stated at market price represent 5.89% interest (equivalent to 122,298,813 shares) in CSG Holding Co., Ltd. (“CSG”). During the period, the Group disposed of 10,871,187 shares in CSG and recorded a gain of approximately HKD135,718,000.

(14) Trade and other receivables

The income from toll road operations is mainly received in cash and it usually does not maintain any trade receivable balances related to toll road operations. Accordingly, the Group does not have any specified credit period for its customers related to toll road operations. Trade receivables other than toll road income generally have credit terms of 30 to 120 days. The ageing analysis of the trade receivables of the Group based on revenue recognition date is as follows:

	As at	
	30 June 2013	31 December 2012
0-90 days	**332,459**	413,009
91-180 days	**49,006**	19,564
181-365 days	**138,514**	117,495
Over 365 days (i)	**150,355**	102,255
	670,334	652,323

(i) Trade receivables due over 365 days mainly comprised the amount of HKD144,197,000 (31 December 2012: HKD97,532,000) arising from the Group's development and management of certain toll road projects administrated for Shenzhen Traffic and Transportation Committee.

(15) Trade and other payables

The ageing analysis of the trade payables was as follows:

	As at	
	30 June 2013	31 December 2012
0-90 days	**77,154**	77,375
91-180 days	**1,261**	741
181-365 days	**189**	128
Over 365 days	**378**	430
	78,982	78,674

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Review

Operating Results	For the six months ended 30 June 2013 *HK$'000*	2012 *HK$'000*	Increase/ (decrease)
Revenue (excluding construction service revenue from toll roads)	**2,628,666**	2,651,720	(1%)
Construction service revenue from toll roads	**168,459**	204,923	(18%)
Total Revenue	**2,797,125**	2,856,643	(2%)
Operating profit	**1,548,452**	1,326,045	17%
Profit before finance costs and tax	**1,799,275**	1,784,074	1%
Profit attributable to shareholders	**857,356**	804,656	7%
Basic earnings per share (HK cents)	**5.21**	4.91	6%

In the first half of 2013, China experienced sluggish economic growth, along with rising operating costs and the policy adjustments in the toll road business posed pressure on the Group's core business operations to a certain extent. In response to these challenging market conditions, the Group adapted to changes in market trends and focused on enhancing operational efficiency and cost controls. As a result, the Group achieved its operating target for the first half of the year on the whole. During the Period, the overall performance of the Group's core business remained resilient, with revenue and profit before finance costs and tax amounted to HK$2,629 million and HK$1,799 million respectively, remained at levels similar to those of the corresponding period of the previous year. Profit attributable to shareholders rose 7% over the corresponding period of the previous year to HK$857 million.

The Group's logistic business maintained stable revenue growth in the first half of 2013, with an increase of 7% as compared to the corresponding period of the previous year to HK$487 million, which was primarily attributable to the stable average occupancy rate and revenue of logistic park business, as well as the significant increases in cargo loading and unloading volume of the port business and business volume of the logistic service business. Benefitted from the economies of scale and effective cost controls, the logistic business recorded a growth in overall gross profit, which led to an increase in profit attributable to shareholders of 28% to HK$90.79 million as compared to the corresponding period of the previous year.

During the Period, the Group's toll revenue inevitably declined due to the continuing impact brought by policy adjustments in the toll road business, including the implementation of the unified standardisation of toll fees for all expressways in Guangdong Province (the "Standardisation Scheme") since 1 June 2012 and the toll-free policy for passenger cars in key holiday periods (the "Holiday Toll-Free Scheme") in the second half of 2012. Nevertheless, the growth in automobile ownership, as well as the proactive marketing campaign carried out by the Group based on the competitive edge and features of each of its expressway projects boosted the traffic volume of most of the expressway projects to grow faster than expected, which helped to partly offset the negative impact brought by the policy adjustments mentioned above. As a result, the impact of these adjustments in toll policies on the Group's overall performance during the Period were lower than expected. Toll revenue from the Group's toll road business declined by 3% to HK$2,142 million while net profit decreased by 4% to HK$429 million as compared to the corresponding period of the previous year.

In the first half of 2013, slow growth in the domestic aviation market and intensifying industry competition have made it more difficult for the operators in the civil aviation industry to operate, which led to a transportation loss in the industry as a whole. During the Period, Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate in which the Group holds a 49% equity interest, took an initiative to face market changes through strengthened marketing efforts and stringent cost controls, recorded a 4% increase in operating revenue as compared to the corresponding period of the previous year, with its average passenger load factor reached 82.4% (2012: 80.8%). However, due to heavy competition, the average airfares declined by 4% as compared to the corresponding period of the previous year, along with the rising operating costs, transportation profit of Shenzhen Airlines amounted to RMB152 million (2012: RMB347 million). Despite the decline in profit, performance of Shenzhen Airlines is outstanding among its peers. During the Period, Shenzhen Airlines contributed a profit of HK$101 million (2012: HK$341 million) to the Group.

During the Period, the Group grasped a rare opportunity in the market to dispose of approximately 10.87 million A shares of CSG at an average selling price of RMB11.18 (HK$14.01) per share to realise a gain after tax of approximately HK$101 million (2012: nil). In addition, in order to focus its resources on the logistic business, the Group disposed of its 2.3338% equity interest in SZ Capital during the Period and recorded a gain after tax of approximately HK$129 million.

The Group is in a solid and healthy financial position and has sufficient cash flow. During the Period, net cash inflow generated from operations rose 11% to HK$1,233 million as compared to the corresponding period of the previous year. At the same time, the Group is committed to reducing its total borrowings, and recorded net cash outflow for debt repayment of HK$508 million during the Period (first half of 2012: net cash inflow from borrowings of HK$1,575 million). In the second half of 2013, the Group will continue to reduce the total borrowings so as to further reduce its gearing ratio with the aim of building a solid foundation on which it will achieve sustainable development while guarding against the risks arising in the capital market.

Progress of the Qianhai Area Development Plan

In the first half of 2013, significant progress was made in the development of the Qianhai Cooperation Zone. Among the 22 pilot policies approved by the State Council in 2012, 19 have been put into practice or will be implemented soon. The Shenzhen Municipal Government officially approved the "Consolidated Plan on Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone" (前海深港現代服務業合作區綜合規劃) in June 2013, which is a key milestone in Qianhai development. With a total land area of 1,492 hectares and a total construction area of around 26 to 30 million square metres, the Qianhai area will focus on developing the financial, information services, modern logistics and technology services industries. Infrastructure construction at Qianhai is scheduled for completion in 2015, and the Qianhai area is expected to achieve a total GDP of RMB150,000 million by 2020. According to the Consolidated Plan, sites currently designated for industrial or storage use will be converted to commercial, office and residential uses, and that the original land users can apply to the Urban Planning Land and Resources Department of Shenzhen Municipality for change in land usage if their new land rezoning development is in line with the overall Qianhai development plan. This Consolidated Plan demonstrates policy support for the Group's land rezoning preparation in Qianhai.

On 25 June 2013, the Qianhai Management Bureau announced an "Interim Guidance for Land Supply in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen", and released three pieces of land in the Guiwan Area for public auction. The three pieces of land comprise a total land area of 170,000 square metres with plot ratios between 6.5 and 8.1 times, with a gross floor area reaching 1,270,000 square metres. On 26 July 2013, the first two pieces of land, with a gross floor area of 770,000 square metres, were sold at a total consideration of RMB12,370 million. On 16 August 2013, the third piece of land was sold at a consideration of RMB10,900 million, 62% higher than the reserve price.

The Group has been closely monitoring the progress of development of the Qianhai area, and will maintain sound communications with the Qianhai Management Bureau and Urban Planning Land and Resources Department of Shenzhen Municipality in preparation for the Group's land rezoning development in Qianhai area. To achieve this, the Group has been active in establishing a project company for the Qianhai project, setting up a professional team, and developing the project in cooperation with large-scale enterprises that are experienced in this area. The Group has signed strategic collaboration MOUs with several renowned large-scale enterprises, and has signed Qianhai cross-border bilateral Renminbi loan agreements with an aggregate facility amount of RMB200 million with banks in Hong Kong that work closely with the Company. The Group is prepared for the future construction, business development and operation of the Group's Qianhai project.

Logistic Business

Analysis of Operating Performance

Logistic Parks

Given the Group's enhanced marketing efforts and its efforts to establish long term relationships with its major customers, the performance of the Group's logistic park business remained stable with the overall average occupancy rate maintained at 94% to 95% in the first half of 2013.

The Group continued to focus on investing in and developing logistic infrastructure facilities in order to expand the scale of its operations and support future revenue growth momentum. During the Period, construction of the new logistic centre and exhibition centre at South China Logistic Park progressed as scheduled, and is slated for completion and launch for operation in the second half of the year. Meanwhile, the Group is also pushing forward marketing work for the project. Upon completion of construction, the operating area of the Group's logistic parks will increase by approximately 24% from 540,000 square metres to 670,000 square metres.

China Urban Integrated Logistics Hub

The "China Urban Integrated Logistics Hub" is an enhanced business model of the Group's logistic business. It is a service platform focusing on highway transport logistic centres which also integrates the functions of warehousing, transfer, distribution and logistic information centre. With a logistic information platform established on the basis of logistic infrastructure facilities, it delivers highly efficient one-stop services to customers and business partners.

At the end of 2012, the Group launched the investment in and construction of the "Shenzhen International Shenyang Modern Integrated Logistic Hub", signifying that the Group is stepping up efforts to implement its "China Urban Integrated Logistics Hub" development plan. In the first half of 2013, the Group actively pushed forward preparation work for the implementation of the plan, and will continue to strive to complete the planning and design for the first phase of the project in the second half of the year.

The Group has explored opportunities for expansion with local government departments and enterprises in various cities in China, including Tianjin, Chengdu, Xi'an, Wuxi, Guangzhou and Changsha. More project investment agreements for some of these cities are expected to be entered into in the second half of 2013.

Port Business

With berthing capacity increased to 70,000-tonnage since May last year, there has been a growing number of large vessels being berthed at Nanjing Xiba Port. In the first half of 2013, a total of 111 vessels berthed at Nanjing Xiba Port, of which 56 vessels were of over 40,000 tonnes, doubles the number in the corresponding period of the previous year. During the Period, the total throughput of Nanjing Xiba Port reached 6.35 million tonnes, representing an increase of 20% over the corresponding period of the previous year.

Logistic Service Business

In the first half of 2013, benefitted from the rising production volume of its existing key customers as well as its active and strengthened efforts in business expansion, the Group was able to offset the adverse impact of the weak economic environment on the revenue of the logistic service business. In order to continuously strengthen the competitive edge of its logistic service business and the overall profitability, the Group is committed to cost controls, enhancing operating efficiency and optimising its customer mix.

Financial Analysis

During the Period, revenue and profit before finance costs and tax of the logistic business of the Group amounted to approximately HK$487 million (2012: HK$454 million) and HK$143 million (2012: HK$115 million) respectively, representing increases of 7% and 24% respectively over the corresponding period of the previous year. In addition, profit attributable to shareholders amounted to HK$90.79 million (2012: HK$70.82 million), representing an increase of 28% over the corresponding period of the previous year.

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

For the six months ended 30 June

	Revenue		Profit attributable to shareholders	
	2013 ***HK$'000***	Change over Year 2012	**2013** ***HK$'000***	Change over Year 2012
Logistic Park Business				
South China Logistic Park	**82,145**	+1%	**28,924**	+19%
Western Logistic Park	**45,463**	-2%	**18,693**	+7%
Huatongyuan Logistic Centre	**54,889**	+12%	**10,516**	+17%
Nanjing Chemical Industrial Park	**24,747**	+5%	**5,659**	-6%
Shandong Booming Total Logistic Park	**26,840**	-21%	**487**	-41%
SZ Airport Express Center*	**N/A**	N/A	**6,359**	+39%
Sub-total	**234,084**	-	**70,638**	+13%
Logistic Service Business	**180,583**	+11%	**7,181**	+152%
Port Business	**71,992**	+26%	**12,972**	+127%
Total	**486,659**	+7%	**90,791**	+28%

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

During the Period, resulted from enhanced marketing and business development efforts, the average occupancy rate of logistic park business remained stable. The logistic park business recorded a revenue of HK$234 million, which is at a similar level as that of the corresponding period of the previous year. In addition, benefitted from the economies of scale and effective control of operating costs, profit attributable to shareholders of the logistic park business was driven to increase by 13% to reach HK$70.64 million.

During the Period, revenue and profit from the port business increased by 26% to HK$71.99 million and 1.3 times to HK$12.97 million respectively, as compared to the corresponding period of the previous year. This was mainly attributable to the increase in berthing capacity of Nanjing Xiba Port to 70,000-tonnage since mid-2012 which led to an increase in loading and unloading volume and the successful expansion into international vessel market with higher profitability.

Revenue from the logistic service business for the Period amounted to HK$181 million, representing an increase of 11% over the corresponding period of the previous year, while profit attributable to shareholders increased by 1.5 times to HK$7.18 million. This was mainly driven by an increase in business volume of major customers, which boosted growth in revenue as well as the effective control over operating costs.

Toll Road Business

Analysis of Operating Performance

During the Period, the Group's toll road business faced with continuing impact brought by policy adjustments. Nevertheless, the growth in automobile ownership, as well as the proactive marketing campaign carried out by the Group based on the competitive edge and features of each of its expressway projects, boosted the traffic volume of most of the expressway projects to grow faster than expected, which helped to partly offset the negative impact brought by the policy adjustments mentioned above.

During the Period, the operating performance of each expressway project of the Group was influenced to varying degrees by the economic environment, policy environment, as well as the conditions of the projects and surrounding road network:

- The implementation of the Standardisation Scheme had a greater negative impact on the operating performance of Jihe Expressway, Meiguan Expressway and Yanpai Expressway;

- Most of the expressway projects saw a significant decline in toll revenue during the implementation period of the Holiday Toll-Free Scheme as compared to the corresponding period of the previous year;

- At the end of 2012, with various expressways commenced operation in Hunan Province, including Yonglan Expressway and Hengwu Expressway, Qinglian Expressway saw new growth in traffic volume as there has been further improvement in the connecting road network. As major maintenance work has been carried out on Leiyi Section of G4 National Expressway (Leiyang to Yizhang in Hunan) since late May 2013, the related traffic diversion measures led to a rapid increase in traffic volume and toll revenue of Qinglian Expressway as compared to the corresponding period of the previous year. However, as the measure to restrict the passage of large vehicles is still being implemented for Guangqing Expressway (Guangzhou to Qingyuan), which connects to the southern end of Qinglian Expressway, growth in traffic volume of Qinglian Expressway will continue to be affected for a certain period of time.

- Extension work on the northern section of Meiguan Expressway and maintenance and resurfacing work on Jihe West brought adverse impact on the traffic conditions and operating performance of both projects and their connecting roads; and

- Marketing activities carried out in respective projects contributed to the increase in traffic volume of Nanguang Expressway, Yanpai Expressway and Qinglian Expressway.

Financial Analysis

During the Period, toll revenue of the Group's toll road business amounted to HK$2,142 million (2012: HK$2,198 million), representing a decrease of 3% over the corresponding period of the previous year; profit before finance costs and tax amounted to HK$1,222 million (2012: HK$1,300 million), representing a decrease of 6% over the corresponding period of the previous year. Net profit was HK$429 million (2012: HK$446 million), representing a decrease of 4% year-on-year.

Although affected by various factors including toll policy adjustments and the 38% year-on-year decrease in revenue from the entrusted construction management services recognised for the Period, traffic volume of most of the expressway projects of the Group grew faster than expected, which helped to partly offset the negative impact brought by the toll policy adjustments and led to a lower than expected decrease in toll revenue and net profit of the Group during the Period.

Longda Expressway

During the Period, Longda Expressway recorded a toll revenue of HK$288 million (2012: HK$291 million), remained at a similar level as that of the corresponding period of the previous year. Earnings before interest, tax, depreciation and amortisation ("EBITDA") amounted to HK$225 million (2012: HK$234 million), representing a decrease of 4% over the corresponding period of the previous year and profit before finance costs and tax amounted to HK$191 million (2012: HK$201 million), representing a decrease of 5% over the corresponding period of the previous year.

Despite the increase in traffic volume of Longda Expressway during the Period, the implementation of the Standardisation Scheme and Holiday Toll-Free Scheme led to a decrease in toll revenue. In addition, as provision for road maintenance/resurfacing obligations increased significantly during the Period, EBITDA declined as compared to the corresponding period of the previous year, together with an increase in the amount of depreciation and amortisation due to the increased traffic volume during the Period, profit before finance costs and tax also declined as compared to the corresponding period of the previous year.

Wuhuang Expressway

During the Period, Wuhuang Expressway recorded a toll revenue of HK$241 million (2012: HK$258 million) and EBITDA of HK$170 million (2012: HK$182 million), both representing a decrease of 7% over the corresponding period of the previous year. Profit before finance costs and tax amounted to HK$119 million (2012: HK$129 million), representing a decrease of 8% over the corresponding period of the previous year.

Although the opening of the southern section of Daguang Expressway (Huangshi to Tongshan, Hubei) in May 2012 drove toll revenue of Wuhuang Expressway to increase, the Holiday Toll-Free Scheme and Green Passage Toll-Free Policy posed greater downward pressure on toll revenue of Wuhuang Expressway during the Period. Meanwhile, the opening of Han'e Expressway (Wuhan to Ezhou, which is basically adjacent to Wuhuang Expressway) at the end of last year as well as the tightening of restrictions on trucks by Wuhan Third Ring Road since early March 2013, posed negative effects on traffic volume and further reduced toll revenue of Wuhuang Expressway to a certain extent.

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

Traffic volume of most of Shenzhen Expressway's expressway projects continued to grow during the Period. However, affected by the implementation of toll policies including the Standardisation Scheme and the Holiday Toll-Free Scheme and changes in traffic distribution in the road network during the Period, toll revenue decreased slightly as compared with the corresponding period of the previous year. In addition, revenue from the entrusted construction management services recognised for the Period decreased as compared with the same period last year, Shenzhen Expressway recorded a toll revenue of HK$1,613 million (2012: HK$1,649 million), representing a year-on-year decrease of 2%. Profit before finance costs and tax amounted to HK$912 million (2012: HK$970 million), representing a decrease of 6% over the corresponding period of the previous year. The Group's share of profit in Shenzhen Expressway amounted to HK$261 million (2012: HK$272 million), representing a decrease of 4% over the corresponding period of the previous year.

Fuyong Interchange to Hong Kong-Shenzhen Western Corridor section of Coastal Expressway (Shenzhen Section), one of the projects of which construction management services were provided by Shenzhen Expressway, was completed and had undergone acceptance checks. It is expected to open for traffic in the second half of 2013. During the Period, Coastal Expressway (Shenzhen Section) contributed a profit after tax of HK$18.16 million to Shenzhen Expressway. Details for provision of the entrusted management services during the concession period of Coastal Expressway (Shenzhen Section) are still under negotiation and it is expected that the project will continue to make profit contributions to Shenzhen Expressway in the second half of 2013 and beyond.

Other Investments

During the Period, the operating revenue of Shenzhen Airlines increased by 4% compared to the corresponding period of the previous year. However, due to heavy competition, the average airfares declined by 4% as compared to the corresponding period of the previous year. Together with the significant increase in operating costs, including remuneration and depreciation, transportation profit amounted to RMB152 million (2012: RMB347 million). During the Period, Shenzhen Airlines contributed a profit of HK$101 million (2012: HK$341 million) to the Group.

Development Focus and Outlook for the Group

The global market condition is expected to turn more stable in the second half of 2013, though uncertainty will remain a challenge. The Group will be active in taking the appropriate measures and focusing on strengthening its business and operations.

With the ongoing urbanisation and continuous development of the Chinese economy, demand for integrated logistic hub is expected to increase rapidly. The business model of "China Urban Integrated Logistics Hub" has tremendous development potential. The Group will continue to seek for investment opportunities for "China Urban Integrated Logistics Hub" projects to expand its logistic network. The Group will strive to build the logistic business to make it become the key driver for its future growth as well as to achieve sustainable development.

Although the results of the Group for the second half of 2013 will still be affected by the implementation of the Standardisation Scheme and Holiday Toll-Free Scheme, powered by urbanisation and the transformation and upgrading of regional economies in China as well as the increase in automobile ownership, growth in traffic demand in China is expected to remain steady. Therefore, the impact of the abovementioned policy adjustments is expected to be lower than that originally estimated at the beginning of the year. The Group will continue to reinforce promotion on its road network and increase efforts to attract traffic volume, take marketing measures which are tailor-made for specific expressway projects and strengthen the management of construction projects, striving to enhance efficiency in road traffic and traffic capacity.

FINANCIAL POSITION

	30 June 2013 HK$ million	31 December 2012 HK$ million	**Increase/ (Decrease)**
Total Assets	**42,673**	42,383	**1%**
Total Liabilities	**21,988**	22,395	**(2%)**
Total Equity	**20,685**	19,988	**3%**
Net Asset Value attributable to shareholders	**13,122**	12,645	**4%**
Net Asset Value per share attributable to shareholders (HK dollar)	**0.79**	0.77	**3%**
Cash	**4,971**	4,868	**2%**
Bank borrowings	**9,669**	9,154	**6%**
Notes and bonds	**8,096**	8,816	**(8%)**
Total Borrowings	**17,765**	17,970	**(1%)**
Net Borrowings	**12,794**	13,102	**(2%)**
Debt-asset Ratio (Total Liabilities/Total Assets)	**52%**	53%	**(1%)** #
Ratio of Total Borrowings to Total Assets	**42%**	42%	**-**
Ratio of Net Borrowings to Total Equity	**62%**	66%	**(4%)** #
Ratio of Total Borrowings to Total Equity	**86%**	90%	**(4%)** #

Change in percentage points

Debt-Asset Ratio

The Group's debt-asset ratio as at 30 June 2013 was 52%, which decreased slightly by 1 percentage point as compared to that at the end of 2012. The Group is committed to reducing its total borrowings, which decreased 1% as compared to that at the end of last year. In addition, the disposal of a portion of A shares of CSG and the equity interest in SZ Capital increased cash in hand, and the increase in profit boosted total assets, thus bringing the ratio of net borrowings to total equity to drop by 4 percentage points to 62%.

Cash Flow and Financial Ratios

During the Period, net cash inflow generated from operations rose 11% to reach HK$1,233 million, while net cash inflow for investment activities reached HK$106 million, with net cash outflow generated from financing activities amounted to HK$1,237 million. The Group's core business consistently generates stable cash flow. According to changes in the external environment and capital market conditions during the Period, the Group made a timely disposal of a portion of its available-for-sale financial assets. To reduce the total borrowings, net cash outflow from debt repayment amounted to HK$508 million during the Period (first half of 2012: net cash inflow from borrowings of HK$1,575 million), thereby bringing down the ratio of net borrowings to total equity and ratio of total borrowings to total equity as compared to those at the end of 2012.

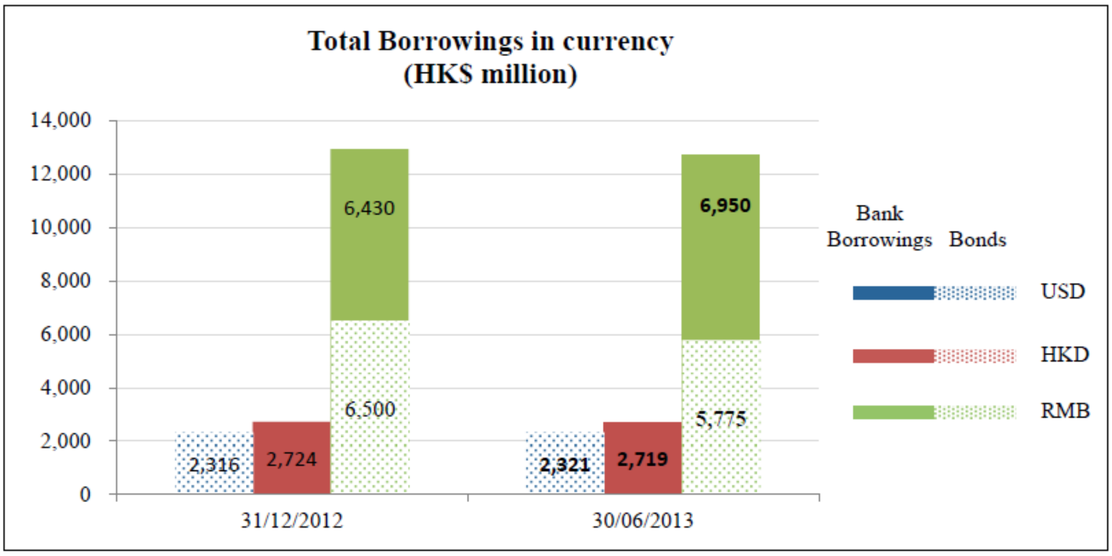
Cash Balance

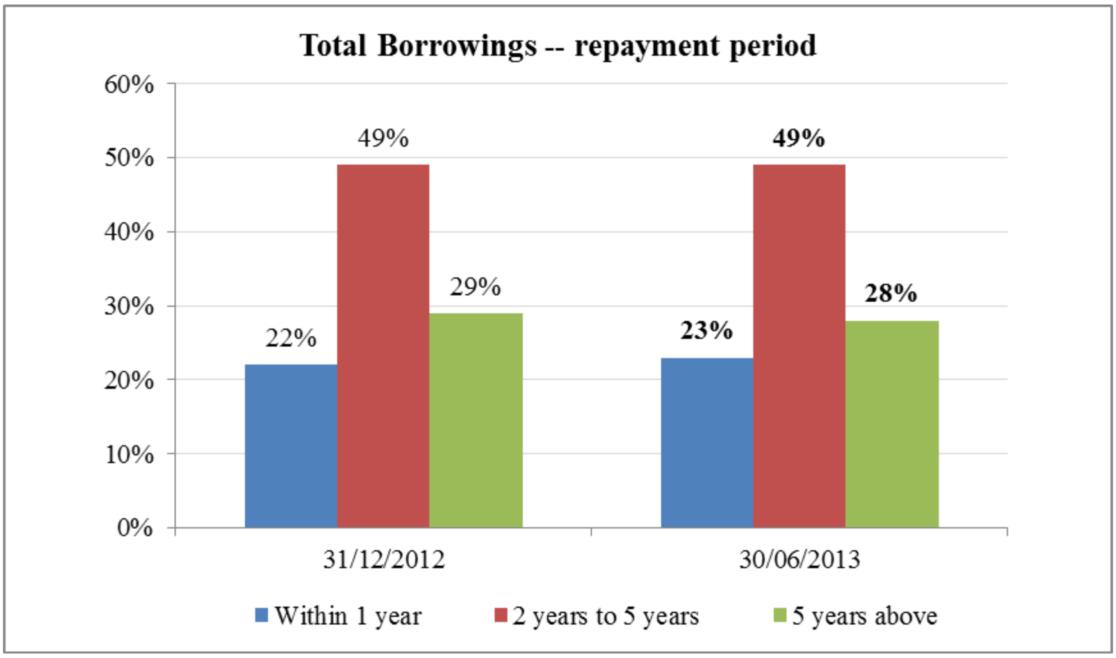
The Group maintained a stable cash position during the Period. As at 30 June 2013, the cash balance held by the Group amounted to HK$4,971 million (31 December 2012: HK$4,868 million), representing an increase of 2% as compared to that at the end of last year. Of the cash held by the Group, almost all was denominated in Renminbi. With sufficient cash on hand and adequate standby banking facilities, the Group is able to meet future debt repayment requirements and support its long term business development.

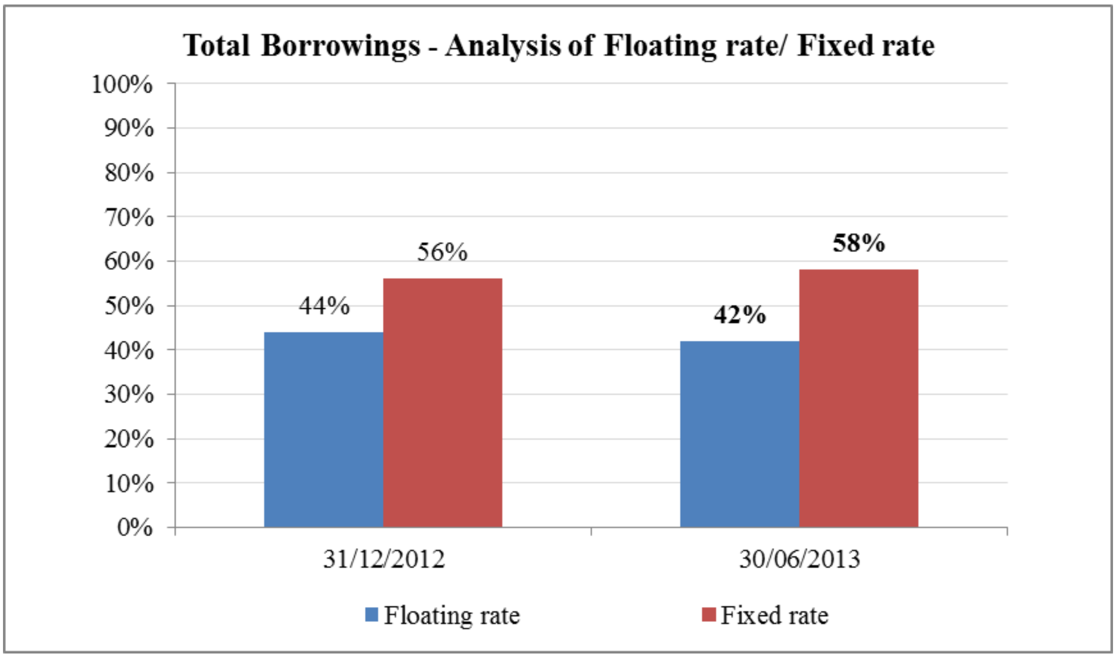
Capital Expenditures

During the Period, the Group's capital expenditures amounted to HK$598 million (RMB474 million), of which approximately RMB65 million was used to pay for construction of the logistic park and RMB398 million was used to pay for construction work of the Qinglian Expressway as well as the expansion of the Meiguan Expressway. Capital expenditures for the second half of 2013 are expected to amount to HK$1,163 million (RMB920 million).

Borrowings


Total Borrowings in currency
(HK$ million)
14,000
12,000
10,000
8,000
6,000
4,000
2,000
0
6,430
6,950
6,500
5,775
2,316
2,724
2,321
2,719
31/12/2012
30/06/2013
Bank Borrowings
Bonds
USD
HKD
RMB


Total Borrowings -- repayment period
60%
50%
40%
30%
20%
10%
0%
22%
49%
29%
23%
49%
28%
31/12/2012
30/06/2013
Within 1 year
2 years to 5 years
5 years above



Bank Loans

As at 30 June 2013, the Group's total bank loans amounted to approximately HK$9,700 million (31 December 2012: HK$9,200 million), representing an increase of 6% as compared to that at the end of last year. In this current low interest rate environment of Hong Kong dollar loans, the Group obtained Hong Kong dollar bank loans to satisfy its capital needs, which provided cost effective capital.

Notes and Bonds

As at 30 June 2013, the total carrying value of the Group's notes and bonds was approximately HK$8,100 million (31 December 2012: HK$8,800 million), representing a decline of 8% as compared to that at the end of last year. This was mainly due to the repayment of approximately RMB699 million (HK$870 million) upon the maturity of medium-term notes issued by Shenzhen Expressway, the Group's subsidiary, in March 2013.

The management closely monitors the trend of the interest rate market. With the aim of reducing financing risk and interest rate risk, and optimising its debt structure, the Group will continue to explore different financing channels, diversify its sources of capital and maintain its debt portfolio, which consists of short-term and long-term debts.

The Group's Financial Policy

Interest Rate Risk Management

In order to reduce its total borrowing costs and risks brought by fluctuating interest rates, the Group will utilise interest rate swaps when appropriate in order to manage its interest rate risk. Borrowings are a major source of interest rate risk for the Group. The interest rate swap agreements which the Group has entered into with financial institutions are all hedged to transform loans with floating rates into fixed rates. In this current low interest rate environment, the Group manages the ratio of fixed rate and floating rate bank loans, striking a balance between minimising interest expenses and volatility in interest rate hedging. The management regularly reviews the appropriate ratio of fixed rate and floating rate risks.

Exchange Rate Risk

Assets, cash flows and cash held for businesses operated by the Group are primarily denominated in Renminbi. Cash outflow, which mainly comprises cash dividend payments to shareholders, as well as interest and related expenses on bank loans and senior notes, are denominated in Hong Kong dollars and US dollars. Renminbi continues to appreciate during the Period, bringing to the Group a foreign exchange gain of HK$76.60 million. The Group closely monitors trends in the Renminbi exchange rate, and takes measures to minimise exchange rate risks in a timely manner according to market conditions.

Liquidity Risk Management

The Group is prudent in managing its cash flow and strives to maintain sufficient cash and standby banking facilities so as to consolidate the Group's capital reserves, secure sufficient funds for business expansion and provide flexibility to the Group to seize market opportunities. The Group's management procedures for its cash flow involve regular rolling cash flow forecasts and carrying out financing activities in a timely manner in order to prevent cash flow risk and to ensure that the Group has the capacity to carry out ongoing operations and business expansion so as to enhance shareholder value.

The Group currently has cash on hand and standby banking facilities of approximately HK$38,800 million. The Group has signed agreements with major banks in Hong Kong and mainland China in order to secure debt financing for its projects. The Group will pay close attention to conditions in the capital market and will continue to broaden its financing channels through different financing methods so as to minimise the adverse impact brought by fluctuations in the capital market on the costs of debt and liquidity.

Credit Rating

During the Period, the Company was maintained a credit rating of BBB by Standard & Poor's, a Baa3 rating by Moody's and a BBB rating by Fitch. With high quality assets, a steady and healthy financial position, strong cash flows and good financial leverage, the Group strives to adhere the long-term goal of maintaining its investment grading. The recognition from the three ratings institutions enables the Group to explore different financing channels which have helped the Group further optimise its capital structure and lower its financing costs.

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 the transparency and accountability to all shareholders.

During the Period, the Company has complied with the "Corporate Governance Code and Corporate Governance Report" as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange save that two executive directors and an independent non-executive director of the Company who had to handle business outside Hong Kong, were unable to attend the annual general meeting of the Company held on 20 May 2013.

OTHER INFORMATION

The Company has engaged PricewaterhouseCoopers, the Auditor of the Company, to review the unaudited Interim Financial Information of the Group for the six months ended 30 June 2013.

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 2013. 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 2013 interim results will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.szihl.com).

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

Hong Kong, 22 August 2013

As at the date of this announcement, the Board consists of Messrs. Gao Lei, Li Jing Qi, Li Lu Ning, Liu Jun and Yang Hai as executive directors, Professor Wong Yuk Shan, BBS, JP as non-executive director and Messrs. Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing as independent non-executive directors.