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

2014 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 2014 (the “Period”) together with comparative figures of consolidated results for the corresponding period in 2013 and consolidated balance sheet as of the year end of 2013 as follows:

CONSOLIDATED INTERIM INCOME STATEMENT

	Note	Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Revenue	(4), (5)	3,271,077	2,797,125
Cost of sales		(1,646,899)	(1,456,472)
Gross profit		1,624,178	1,340,653
Other gains – net		1,937,940	315,452
Other income		76,730	49,379
Distribution costs		(29,983)	(25,001)
Administrative expenses		(149,981)	(132,031)
Operating profit	(6)	3,458,884	1,548,452
Share of profits of joint ventures		14,252	11,288
Share of profits of associates	(12)	130,000	239,535
Profit before finance costs and tax		3,603,136	1,799,275
Finance income	(7)	76,714	40,716
Finance costs	(7)	(580,358)	(405,558)
Finance costs – net	(7)	(503,644)	(364,842)
Profit before income tax		3,099,492	1,434,433
Income tax expense	(8)	(787,230)	(324,858)
Profit for the period		2,312,262	1,109,575

CONSOLIDATED INTERIM INCOME STATEMENT (continued)

	Note	Six months ended 30 June	
		2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Attributable to:			
Equity holders of the Company		1,190,573	857,356
Non-controlling interests		1,121,689	252,219
		<u>2,312,262</u>	<u>1,109,575</u>
Earnings per share attributable to equity holders of the Company (expressed in HK dollars per share)			
– Basic	(9)	<u>0.72</u>	<u>0.52</u>
– Diluted	(9)	<u>0.72</u>	<u>0.52</u>
Dividends	(10)	<u>—</u>	<u>—</u>

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014 (Unaudited) HK\$'000	2013 (Unaudited) HK\$'000
Profit for the period	2,312,262	1,109,575
Other comprehensive (loss)/income:		
Items that may be reclassified subsequently to profit or loss:		
Fair value (losses)/gains on available-for-sale financial assets, net of tax	(149,578)	113,566
Reclassification of fair value gains 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	1,921	17,136
Share of other comprehensive income/(loss) of an associate	31	(43)
Currency translation differences	(570,110)	352,287
Other comprehensive (loss)/income for the period, net of tax	<u>(717,736)</u>	<u>257,882</u>
Total comprehensive income for the period	<u>1,594,526</u>	<u>1,367,457</u>
Total comprehensive income attributable to:		
Equity holders of the Company	685,771	985,774
Non-controlling interests	908,755	381,683
	<u>1,594,526</u>	<u>1,367,457</u>

CONSOLIDATED INTERIM BALANCE SHEET

		As at	
		30 June 2014 (Unaudited) <i>HK\$'000</i>	31 December 2013 (Audited) <i>HK\$'000</i>
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment		4,204,240	4,404,108
Investment properties		79,600	77,700
Land use rights		912,763	653,711
Construction in progress		191,038	121,917
Intangible assets	(11)	21,530,924	23,617,718
Investments in associates	(12)	5,302,244	5,505,921
Investments in joint ventures		341,277	335,905
Available-for-sale financial assets	(13)	100,050	102,743
Deferred income tax assets		59,629	78,474
Other non-current assets		2,692,425	310,914
		35,414,190	35,209,111
Current assets			
Inventories		448,475	446,740
Available-for-sale financial assets	(13)	1,038,450	1,270,934
Trade and other receivables	(14)	2,381,906	1,339,532
Restricted bank deposits		81,171	6,613
Cash and cash equivalents		6,717,574	4,950,409
		10,667,576	8,014,228
Total assets		46,081,766	43,223,339
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital and share premium		5,572,052	5,100,212
Other reserves		418,942	895,044
Retained earnings			
- Proposed dividends		-	619,755
- Others		8,536,554	7,374,728
		14,527,548	13,989,739
Non-controlling interests		8,719,471	7,918,366
Total equity		23,247,019	21,908,105

CONSOLIDATED INTERIM BALANCE SHEET (continued)

	Note	As at	
		30 June 2014 (Unaudited) HK\$'000	31 December 2013 (Audited) HK\$'000
Liabilities			
Non-current liabilities			
Borrowings		15,949,314	15,024,790
Derivative financial instruments		7,271	9,134
Provision for maintenance/resurfacing obligations		261,889	294,430
Deferred income tax liabilities		1,313,522	1,431,702
Other non-current liabilities		334,129	-
		<u>17,866,125</u>	<u>16,760,056</u>
Current liabilities			
Trade and other payables	(15)	2,269,792	1,918,239
Income tax payable		668,863	173,495
Provision for maintenance/resurfacing obligations		89,420	134,996
Borrowings		1,913,208	2,296,824
Derivative financial instruments		27,339	31,624
		<u>4,968,622</u>	<u>4,555,178</u>
Total liabilities		<u>22,834,747</u>	<u>21,315,234</u>
Total equity and liabilities		<u>46,081,766</u>	<u>43,223,339</u>
Net current assets		<u>5,698,954</u>	<u>3,459,050</u>
Total assets less current liabilities		<u>41,113,144</u>	<u>38,668,161</u>

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 ("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 condensed consolidated interim financial information (“Interim Financial Information”) was approved for issue on 26 August 2014 and has been reviewed, not audited.

Key events

On 27 January 2014, the Group’s subsidiaries, Shenzhen Expressway Company Limited (“Shenzhen Expressway”) and its wholly-owned subsidiary Shenzhen Meiguan Expressway Company Limited (“Meiguan Company”) entered into the “Agreement on the compensation in respect of the Toll Adjustment of Meiguan Expressway and Transfer of Related Assets” (the “Adjustment Agreement”) with Shenzhen Traffic and Transportation Committee (the “SZ Transportation Committee”) and Shenzhen Longhua New Area Administrative Committee. Pursuant to the Adjustment Agreement, Shenzhen Expressway and Meiguan Company had agreed to implement toll-free passage for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km (“Toll Free Section”) from 24:00 on 31 March 2014. Shenzhen Government Authorities agreed to make cash compensation to Shenzhen Expressway and Meiguan Company.

The Adjustment Agreement was approved at an extraordinary general meeting of Shenzhen Expressway held on 28 March 2014. On 31 March 2014, Shenzhen Expressway received a notice from SZ Transportation Committee that the matters contemplated under the Adjustment Agreement have been approved and authorised by Shenzhen Municipal People’s Government.

Given that since 1 April 2014, the ownership of Meiguan Expressway’s Toll Free Section related assets was transferred to Shenzhen Municipal People’s Government, the Group disposed of Meiguan Expressway’s Toll Free Section related assets on book value during the second quarter of 2014 and recorded a disposal gain of HKD1,925,655,000, which was recognised within ‘other gains - net’ in the income statement. The total consideration includes the compensation of the present value of future income of the Toll Free Section of approximately HKD1,994,197,000 (RMB1,597,950,000) and other relevant costs/expenses of approximately HKD1,375,727,000 (RMB1,102,370,000) (preliminary figure, subject to the actual amount or audit figure of the relevant governmental audit department). Up to 30 June 2014, the Group has received the first payment of the compensation amounting to HKD998,378,000 (RMB800,000,000).

(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 Hong Kong Institute of Certified Public Accountants. This Interim Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2013 (“2013 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 2013 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.

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

- (a) New and amended standards, and interpretations mandatory for the first time for the financial year beginning on 1 January 2014 have no material impact on the Group or are not currently relevant to the Group.
- (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 on 1 January 2014 and have not been early adopted:

		Effective for annual periods beginning on or after
Annual improvements 2012	Changes from the 2010-2012 cycle of the annual improvements project	1 July 2014
Annual improvements 2013	Changes from the 2011-2013 cycle of the annual improvements project	1 July 2014
Amendment to HKFRS 11	Accounting for acquisitions of interests in joint operation	1 January 2016
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
HKFRS 9	Financial instruments	1 January 2018

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 its 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 2013 Financial Statements.

(4) Segment information

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

- Toll roads; and
- Logistic business.

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

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

Toll roads include development, operation and management of toll highway; logistic business includes: (i) logistic parks 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 2014

	Toll roads	Logistic business			Head office functions	Total	
		Logistic parks	Logistic services	Port	Subtotal		
Revenue	2,719,576 ^(a)	282,330	184,291	84,880	551,501	-	3,271,077
Operating profit/(loss)	3,279,895	132,698	13,855	39,612	186,165	(7,176)	3,458,884
Share of profits of joint ventures	5,598	8,201	453	-	8,654	-	14,252
Share of profits/(losses) of associates	130,288	-	1,098	-	1,098	(1,386)	130,000
Finance income	52,811	563	708	150	1,421	22,482	76,714
Finance costs	(350,496)	(8,315)	-	(8,608)	(16,923)	(212,939)	(580,358)
Profit/(loss) before income tax	3,118,096	133,147	16,114	31,154	180,415	(199,019)	3,099,492
Income tax expense	(712,333)	(29,695)	(3,094)	(3,902)	(36,691)	(38,206)	(787,230)
Profit/(loss) for the period	2,405,763	103,452	13,020	27,252	143,724	(237,225)	2,312,262
Non-controlling interests	(1,105,491)	(6,609)	(1,415)	(8,174)	(16,198)	-	(1,121,689)
Profit/(loss) attributable to equity holders of the Company	1,300,272	96,843	11,605	19,078	127,526	(237,225)	1,190,573
Depreciation and amortisation	651,271	44,289	4,886	18,967	68,142	10,207	729,620
Capital expenditure							
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	64,961	335,969	7,672	100,734	444,375	2,262	511,598
- Additions in investments in associates	-	-	-	-	-	3,744	3,744

(4) Segment information (continued)

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 profits of joint ventures	4,090	6,999	199	-	7,198	-	11,288
Share of profits 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

- (a) The revenue from toll roads included construction service revenue under service concession arrangements of HKD13,154,000 (2013 interim: HKD168,459,000) for the Period.
- (b) The Group has a number of customers. Revenue of approximately HKD283,799,000 (2013 interim: HKD123,263,000) was derived from a single external customer. The related revenue was attributable to entrusted construction management services revenue (2013 interim: construction service revenue).
- (c) The Group's non-current assets are mainly located in the PRC.

(5) Revenue

	Six months ended 30 June	
	2014	2013
Toll roads		
— Toll revenue	2,202,037	2,057,553
— Entrusted construction management services revenue	504,385	84,454
— Construction service revenue under concession arrangements	13,154	168,459
Logistic business		
— Logistic parks	282,330	234,084
— Logistic services	184,291	180,583
— Port	84,880	71,992
	3,271,077	2,797,125

(6) Operating profit

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

	Six months ended 30 June	
	2014	2013
<u>Crediting</u>		
Gain on disposal of Meiguan Expressway's Toll Free Section related assets	1,925,655	-
Government subsidies	12,356	2,979
Gain on disposals of available-for-sale financial assets	-	307,852
<u>Charging</u>		
Depreciation and amortisation	729,620	660,610

(7) Finance income and costs

	Six months ended 30 June	
	2014	2013
Interest income from bank deposits	(36,364)	(40,716)
Interest income from other non-current assets	(40,350)	-
Total finance income	(76,714)	(40,716)
Interest expenses		
- Bank borrowings wholly repayable within 5 years	84,594	94,202
- Bank borrowings wholly repayable after 5 years	177,480	166,679
- Medium-term notes wholly repayable within 5 years	10,607	10,024
- Corporate bond and other notes wholly repayable within 5 years	91,129	90,776
- Corporate bond wholly repayable after 5 years	28,023	27,981
- Senior notes wholly repayable within 5 years	51,608	51,834
- Other interest expense	6,813	15,953
- Convertible bond wholly repayable within 5 years	-	43,064
Net foreign exchange losses/(gains) directly attributable to borrowings	132,267	(76,609)
Less: interest expenses capitalised in construction in progress	(2,163)	(18,346)
Total finance costs	580,358	405,558
Net finance costs	503,644	364,842

(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% (2013 interim: 25%) applicable to the respective companies.

	Six months ended 30 June	
	2014	2013
Current income tax		
- PRC corporate income tax	806,606	313,051
Deferred income tax	(19,376)	11,807
	787,230	324,858

(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	
	2014	2013
Profit attributable to equity holders of the Company	1,190,573	857,356
Weighted average number of ordinary shares in issue (thousands)	1,660,159	1,644,216
Basic earnings per share (HKD per share)	0.72	0.52

The weighted average number of ordinary shares and basic earnings per share for the six months ended 30 June 2014 and 2013 have been adjusted to reflect the effect of share consolidation.

(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	
	2014	2013
Profit attributable to equity holders of the Company	1,190,573	857,356
Profit used to determine diluted earnings per share	1,190,573	857,356
Weighted average number of ordinary shares in issue (thousands)	1,660,159	1,644,216
Adjustments – share options (thousands)	4,228	8,215
Weighted average number of ordinary shares for diluted earnings per share (thousands)	1,664,387	1,652,431
Diluted earnings per share (HKD per share)	0.72	0.52

(10) Dividends

The board of directors has resolved not to declare an interim dividend in respect of the Period (2013 interim: Nil). The 2013 final dividend of HKD620,488,000 (HKD 0.374 per ordinary share) was settled in June 2014. According to the approved scrip dividend scheme in the annual general meeting held on 16 May 2014, 52,264,132 new shares were issued at a price of HKD8.528 per share, totalling HKD445,713,000. The remaining dividend totalling HKD174,775,000 was paid in cash in June 2014.

(11) Intangible assets

	Intangible assets - concession intangible assets
Six months ended 30 June 2014	
Net book amount as at 1 January 2014	23,617,718
Additions	13,083
Disposal of Meiguan Expressway's Toll Free Section related assets	(945,589)
Other disposals	(100)
Exchange difference	(592,680)
Amortisation	(561,508)
Net book amount as at 30 June 2014	21,530,924
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

(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 8 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	
	2014	2013
Beginning of the period	5,505,921	5,021,531
Additions	3,744	-
Share of profits of associates	130,000	239,535
Share of other comprehensive income/(loss) of an associate	31	(43)
Dividends received	(193,493)	(288,253)
Exchange difference	(143,959)	86,548
End of the period	5,302,244	5,059,318

The ending balance comprises the following:

	As at	
	30 June 2014	31 December 2013
Unlisted investments, at cost		
Share of net assets other than goodwill	4,241,621	4,416,754
Goodwill on acquisition	1,060,623	1,089,167
	5,302,244	5,505,921

- (a) Based on the assessment made by the directors of the Company, there were no impairment losses for the goodwill as at 30 June 2014 (31 December 2013: Nil).

(13) Available-for-sale financial assets

	Six months ended 30 June	
	2014	2013
Beginning of the period	1,373,677	1,684,474
Additions	-	63,243
Net fair value (losses)/gains	(199,176)	157,785
Disposals	-	(394,432)
Exchange differences	(36,001)	24,321
End of the period	1,138,500	1,535,391
Less: non-current portion	(100,050)	(101,404)
Current portion	1,038,450	1,433,987

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

	As at	
	30 June 2014	31 December 2013
Listed securities in the PRC, at fair value ^(a)	1,038,450	1,270,934
Unlisted equity investments :		
at fair value	62,399	64,078
at cost less impairment		
- Cost	61,746	62,760
- Provision for impairment	(24,095)	(24,095)
	37,651	38,665
	100,050	102,743
	1,138,500	1,373,677

(a) As at 30 June 2014, listed equity investments stated at market price represent 5.87% interest (equivalent to 121,831,658 shares) in CSG Holding Co., Ltd. ("CSG"). During the period, the Group did not dispose of shares in CSG (2013 interim: disposed of 10,871,187 shares).

(14) Trade receivables

The toll revenue 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 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 is as follows:

	As at	
	30 June 2014	31 December 2013
0-90 days	784,378	504,878
91-180 days	109,343	15,380
181-365 days	145,904	73,411
Over 365 days ^(a)	262,626	263,079
	<u>1,302,251</u>	<u>856,748</u>

(a) Trade receivables due over 365 days mainly comprised the amount of HKD253,441,000 (31 December 2013: HKD259,381,000) arising from the Group's development and management of certain toll road projects administrated for SZ Transportation Committee and entrusted construction management services of Guangshen Coastal Expressway (Shenzhen Section) Project .

(15) Trade payables

The ageing analysis of the trade payables was as follows:

	As at	
	30 June 2014	31 December 2013
0-90 days	93,713	79,487
91-180 days	1,870	376
181-365 days	563	106
Over 365 days	214	141
	<u>96,360</u>	<u>80,110</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Review

Operating Results	For the six months ended 30 June		Increase/ (decrease)
	2014 HK\$'000	2013 HK\$'000	
Revenue (excluding construction service revenue from toll roads)	3,257,923	2,628,666	24%
Construction service revenue from toll roads	13,154	168,459	(92%)
Total Revenue	3,271,077	2,797,125	17%
Operating profit	3,458,884	1,548,452	123%
Profit before finance costs and tax	3,603,136	1,799,275	100%
Profit attributable to shareholders	1,190,573	857,356	39%
Basic earnings per share (HK dollars)	0.72	0.52 [#]	38%

The weighted average number of ordinary shares in 2013 have been retrospectively adjusted to reflect the effect of share consolidation, which came into effect on 13 February 2014

Amid challenging economic and market conditions in the first half of 2014, the Group stepped up its effort to develop its business, strictly controlled its costs and expenses and enhanced its profitability. Revenue of the Group for the Period amounted to HK\$3,258 million, representing a growth of 24% as compared with the corresponding period of the previous year. The increase was mainly due to the satisfactory income growth from the logistic business and toll road business, being the Group's two core businesses.

The Group's operating profit and profit before finance costs and tax for the Period recorded a significant increase by 123% and 100% to HK\$3,459 million and HK\$3,603 million, respectively as compared with the corresponding period of the previous year. Profit attributable to shareholders for the Period recorded an increase of 39% to HK\$1,191 million as compared with the corresponding period of the previous year.

In the first half of 2014, revenue of the Group's logistic business recorded an increase of 13% to HK\$552 million as compared with the corresponding period of the previous year. This was mainly attributable to the increase in operating area and business volume of the logistic parks as well as the increase in operating volume of the port business. Meanwhile, by implementing effective cost control initiatives, the Group recorded a growth in gross profit of its logistic park business, which led to an increase in profit attributable to shareholders of the logistic business of 40% to HK\$128 million as compared to the corresponding period of the previous year.

During the Period, the Group's toll revenue from the toll road business recorded a year-on-year increase of 7% to HK\$2,202 million and was attributable to the increasing traffic volume of its toll road projects and proactive implementation of the marketing activities. In addition, revenue from the entrusted construction management services for the Period increased by five times to HK\$504 million as compared to the corresponding period of the previous year, which has further contributed to the respective increase in the overall revenue and net profit from the toll road business by 26% and 33% to HK\$2,706 million and HK\$570 million as compared to the corresponding period of the previous year.

The Group and the relevant government authorities in Shenzhen entered into an agreement in January 2014 in relation to toll adjustment for a section with a mileage of 13.8 kilometres of Meiguan Expressway owned by the Group and the transfer of related assets. Pursuant to the terms of the agreement, the government authorities shall make cash compensation for the future income and costs in respect of the Toll Free Section. As a result, the Group recorded a profit before finance costs and tax of approximately HK\$1,926 million. This one-off gain contributed approximately HK\$730 million to the Group's profit attributable to shareholders during the Period.

During the first half of 2014, Shenzhen Airlines Company Limited ("Shenzhen Airlines"), an associate in which the Group holds a 49% equity interest, recorded a growth in passenger transport volume, with the passenger traffic up by 9% as compared to the corresponding period of the previous year. Its total revenue amounted to RMB10,812 million (HK\$13,566 million), representing an increase of 7% as compared with the corresponding period of previous year, and its operating profit amounted to RMB527 million (HK\$661 million), representing an increase of 4% as compared with the corresponding period of previous year. However, affected by the considerable fluctuations in RMB exchange rate during the Period, Shenzhen Airlines recorded an exchange loss of RMB126 million (while foreign exchange gain was recorded for the previous corresponding period) and brought a loss of approximately HK\$27.08 million to the Group during the Period (2013: profit of HK\$101 million). However, it is expected that the traditional peak season of the airlines industry in the second half of the year will enable Shenzhen Airlines to generate higher revenue and profit than the first half of the year. Besides, the exchange loss is expected to be reduced in the second half of the year given the rebound of RMB exchange rate against USD since 1 July 2014. As such, it is expected that Shenzhen Airlines will continue to make profit contributions to the Group for the full year of 2014.

Net finance costs of the Group for the Period represented an increase of 38% as compared with the corresponding period of previous year. The increase was mainly due to the depreciation of 2.7% of RMB exchange rate against USD during the Period which led to the Group recording a foreign exchange loss of HK\$132 million. However, it is believed that the fluctuation of RMB exchange rate for the first half of 2014 was short term in nature and RMB would appreciate moderately in the long term. In particular, a rebound of approximately 1% has been recorded in respect of RMB exchange rate against USD since 1 July 2014 up to the present. The Group will continue to closely monitor the trend of the RMB exchange rate and take measures to control exchange rate risks according to market conditions as and when appropriate.

Logistic Business

Analysis of Operating Performance

Logistic Parks

In the first half of 2014, by proactively expanding markets and building long-term cooperation relationship with key customers, the average occupancy rate of logistic parks as a whole maintained at a stable level of 95%.

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. The newly-built logistic centre and the exhibition centre with an operating area of approximately 125,000 square metres at South China Logistic Park were put into operation in the second half of 2013. During the Period, these two centres brought new source of revenue to the Group.

China Urban Integrated Logistics Hub

The Group endeavoured to carry out the existing China Urban Integrated Logistics Hub projects and strived to seek the expansion and development of its logistic business operations. The preliminary work for the projects in Shijiazhuang, Wuhan, Wuxi, etc., including functional positioning and project construction design, has been conducted by the Group with an aim to acquire the relevant land in 2014.

In the first half of 2014, the Group successfully signed an investment agreement with the government of the Zhengding District of Shijiazhuang City in relation to the China Urban Integrated Logistics Hub project. In addition, the Group carried on substantive contact with the government authorities of more than 10 cities and strives to sign investment agreements with the relevant governmental authorities of Nanchang, Hefei, Changsha and other cities in the second half of 2014. The existing “China Urban Integrated Logistics Hub” project is intensely progressing. In particular, following the acquisition of approximately 240,000 square metres of land for the development of the first phase in 2013, relevant building design and preliminary marketing activities of the “Shenzhen International Shenyang Integrated Logistic Hub” project were carried out as scheduled. The “Shenzhen International Shenyang Integrated Logistic Hub” project is expected to commence operation in 2015.

Port Business

In the first half of 2014, taking advantage of its 70,000-tonnage berthing capacity and its high efficiency in loading and unloading, as well as by consolidating its relationship with the existing major customers and effective market expansion, Nanjing Xiba Port recorded an encouraging business growth. In the first half of 2014, a total of 136 vessels berthed at Nanjing Xiba Port and the total throughput of Nanjing Xiba Port reached 7.80 million tonnes, representing an increase of 23% over the corresponding period of the previous year.

Construction of Phase 2 of Nanjing Xiba Port has commenced in November 2013 and construction work has steadily progressed as scheduled, and is expected to be completed by the end of 2014 with three berths with berthing capacity ranging from 50,000 to 70,000 tonnage.

Financial Analysis

During the Period, revenue and profit before finance costs and tax from the logistic business maintained a steady growth and amounted to HK\$552 million (2013: HK\$487 million) and HK\$195 million (2013: HK\$143 million), representing an increase of 13% and 37% respectively over those of the corresponding period in the previous year. The growth was mainly attributable to the increase in the operating area of the logistic parks and a considerable increase in loading and unloading volume of the port business compared to those of the previous year. Meanwhile, profit attributable to shareholders increased by 40% to HK\$128 million (2013: HK\$90.79 million), benefitted from economies of scale and effective cost controls as well as efforts in enhancing profitability.

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	
	2014 HK\$'000	Change over Year 2013	2014 HK\$'000	Change over Year 2013
Logistic Park Business				
South China Logistic Park	118,097	+44%	51,718	+79%
Western Logistic Park	45,058	-1%	16,147	-14%
Huatongyuan Logistic Centre	59,770	+9%	11,849	+13%
Nanjing Chemical Industrial Park Logistic Centre	33,074	+34%	7,968	+41%
Shandong Booming Total Logistic Park	26,331	-2%	1,613	+231%
SZ Airport Express Center*	N/A	N/A	7,548	+19%
Sub-total	282,330	+21%	96,843	+37%
Port Business	84,880	+18%	19,078	+47%
Logistic Service Business	184,291	+2%	11,605	+62%
Total	551,501	+13%	127,526	+40%

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

During the Period, revenue from the logistic park business increased by 21% to HK\$282 million and profit attributable to shareholders increased by 37% to HK\$96.84 million as compared to the corresponding period of the previous year. During the Period, the average occupancy rate of the logistic park business remained stable. In addition, benefitted from the newly-built logistic centres which were put into operation at the end of 2013 and the effective cost controls, the Group's revenue and profits from the logistic park business recorded satisfactory growth during the Period.

During the Period, the port business recorded a revenue of HK\$84.88 million, up 18% as compared to the corresponding period of the previous year, and a profit of approximately HK\$19.08 million, representing an increase of 47% as compared to the corresponding period of the previous year. The increase was attributable to the growth in loading and unloading volume during the Period and stringent cost controls.

Revenue from the logistic service business for the Period amounted to HK\$184 million, representing an increase of 2% as compared to the corresponding period of the previous year, and profit attributable to shareholders amounted to HK\$11.61 million, representing an increase of 62% as compared to the corresponding period of the previous year, and was mainly attributable to an increase in gross profits as a result of effective cost controls and a decrease in research and development expenses.

Toll Road Business

Analysis of Operating Performance

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

- with the surrounding road network gradually improved and marketing measures continuously implemented, Qinglian Expressway continuously maintained relatively good growth momentum;
- the increase in traffic volume of Meiguan Expressway (which connects to Jihe Expressway) following the implementation of toll adjustment boosted the operating performance of Jihe Expressway; and
- the opening of the new terminal of Shenzhen Airport in November 2013 drove the traffic volume increase of both Jihe Expressway and Nanguang Expressway.

Financial Analysis

During the Period, total revenue of the Group's toll road business amounted to HK\$2,706 million (2013: HK\$2,142 million), representing an increase of 26% over the corresponding period of the previous year, profit before finance costs and tax amounted to HK\$1,490 million (2013: HK\$1,222 million), representing an increase of 22% over the corresponding period of the previous year. Net profit was HK\$570 million (2013: HK\$429 million), representing an increase of 33% year-on-year.

Benefitting from the growth in the overall traffic volume of the Group's expressway projects as well as active marketing campaign during the Period, toll revenue was up 7% as compared to the corresponding period of the previous year to HK\$2,202 million (2013: HK\$2,058 million). In addition, revenue recognised for the Period from the entrusted construction management services for entrusted construction projects, including Coastal Expressway (Shenzhen Section), amounted to HK\$504 million (2013: HK\$84.45 million), representing an increase of 5 times over the corresponding period of the previous year and contributed significantly to the overall revenue growth of the toll road business.

Pursuant to the terms of the Adjustment Agreement signed by the Group in January 2014, a section of Meiguan Expressway with a mileage of approximately 13.8 kilometres would become toll-free with effect from 1 April 2014. Although this section will no longer contribute toll revenue to the Group, it is expected that there will not be any material impact on the overall operating performance of the Group. The compensation income to the Group pursuant to the Adjustment Agreement can be used to repay the Group's debts and as working capital in the future, and will correspondingly reduce interest expenses or increase interest income of the Group, improve its financial position so as to further enhance the capability and room of sustainable development in the future.

Longda Expressway

During the Period, Longda Expressway recorded a toll revenue of HK\$299 million (2013: HK\$288 million), profit before finance costs and tax amounted to HK\$198 million (2013: HK\$191 million) and earnings before interest, tax, depreciation and amortisation ("EBITDA") amounted to HK\$233 million (2013: HK\$225 million), each representing an increase of 4% over the corresponding period of the previous year.

Benefitting from the development of Longhua New Area and Guangming New Area, the adjacent new developing areas, along with the stable growth in automobile ownership, the traffic volume of Longda Expressway was boosted, which led to an increase in both the toll revenue and profit before finance costs and tax as compared with the corresponding period of the previous year.

Wuhuang Expressway

During the Period, Wuhuang Expressway recorded a toll revenue of HK\$212 million (2013: HK\$241 million), representing a decrease of 12% over the corresponding period of the previous year, profit before finance costs and tax amounted to HK\$95 million (2013: HK\$119 million), representing a year-on-year decrease of 20% and EBITDA amounted to HK\$148 million (2013: HK\$170 million), representing a decrease of 13% over the corresponding period of the previous year.

Affecting by the diversion of Han'e Expressway (Wuhan to Ezhou), the opening of Hurong Trunk of National Highway (Shanghai to Chengdu, Sichuan) as well as the closure of Wuhan Third Ring Road for construction since November 2013, toll revenue of Wuhuang Expressway during the Period decreased as compared to the corresponding period of the previous year. Wuhuang Expressway will increase road signs and launch a new round of marketing campaign to boost the traffic volume and cope with the impact of diversion.

Shenzhen Expressway and its expressway projects

Driven by the organic growth in traffic volume of most of the expressway projects, road network improvement as well as the proactive implementation of marketing measures, toll revenue of Shenzhen Expressway amounted to HK\$1,691 million (2013: HK\$1,529 million), representing an increase of 11% over the corresponding period of the previous year. The increase, together with the significant increase in the revenue from entrusted construction management services during the Period, contributed to an increase in total revenue of Shenzhen Expressway by 36% to HK\$2,195 million (2013: HK\$1,613 million) as compared to the corresponding period of the previous year; profit before finance costs and tax amounted to HK\$1,197 million (2013: HK\$912 million), representing a year-on-year increase of 31%. The Group's share of profit from Shenzhen Expressway amounted to HK\$405 million (2013: HK\$261 million), representing an increase of 55% over the corresponding period of the previous year.

Other Investments

During the Period, despite the increasing demand coupled with intense competition in domestic aviation market and the decline of average airfares by 2% over the corresponding period of the previous year, Shenzhen Airlines recorded a total revenue of RMB10,812 million (HK\$13,566 million) (2013: RMB10,126 million (HK\$12,686 million)), representing an increase of 7% over the corresponding period of the previous year. Operating profit amounted to RMB527 million (HK\$661 million) (2013: RMB509 million (HK\$638 million)), up by 4% over the corresponding period of the previous year. However, affected by Renminbi exchange rate fluctuations during the Period, Shenzhen Airlines recorded a foreign exchange loss of approximately RMB126 million (HK\$158 million) (2013: foreign exchange gain of RMB181 million (HK\$227 million)). Shenzhen Airlines recorded a net profit of RMB9.91 million (HK\$12.43 million) during the Period (2013: RMB220 million (HK\$276 million)), representing a decrease of 96% as compared to the corresponding period of the previous year. With the apportionment of the Group's various acquisition costs, Shenzhen Airlines brought a loss of approximately HK\$27.08 million to the Group during the Period (2013: profit of HK\$101 million).

Development Focus and Outlook for the Group

For the second half of 2014, the Group will accelerate the upgrade and improvement of existing logistic parks and actively promote the construction and expansion of "China Urban Integrated Logistics Hub" projects, thus expanding the scale of the Group's logistic business and the coverage of domestic networks. It is expected that "China Urban Integrated Logistics Hub" will be the main driver of growth performance for the Group. By adhering to its strategic policies, the Group will realise the network-based operation of the project as soon as possible, therefore laying the solid foundation for the Group's long-term development.

The Group will constantly pay attention to the conditions of surrounding road network, while monitoring and analysing the traffic flow. The Group will also take the initiative to improve traffic conditions as well as implement targeted marketing, so as to attract traffic flow for its expressway projects, and in return keep improving the operating performance of the toll road business.

During the Period, the Group maintained sound communication with the relevant government authorities of Qianhai area in relation to its land project in Qianhai, proactively cooperating with the government on the overall planning of the Qianhai area and strived to achieve progress of land preparation for its project in Qianhai. For the second half of 2014, the Group will actively carry out the preparatory work, such as planning and business development, and will continue to communicate with relevant government departments and revise the development plan for its Qianhai project. In doing so, the Group will strive to make more efficient use of land parcels and fully prepare for the next phase of the project.

With the economic development in the PRC market and advancement of urbanisation process, the Group's logistic parks will be met with both challenges and opportunities arising from transformation and upgrades.

The Group has engaged consultants to study the relevant overall transformation, upgrading and planning scheme of South China Logistic Park, and has proactively propelled the development and construction of the land of Phase II of South China Logistic Park with an area of approximately 77,000 square metres.

In addition, as per the latest planning of Shenzhen government in respect of Longhua New Area, the planned function of Huatongyuan Logistic Centre land parcel and the western land parcel in Meilin Toll Station (the "Meilin Checkpoint Land Parcels") held by the Group will be adjusted. Pursuant to the relevant provisions, the Group, as the owner of these land parcels, may establish a project company to take charge of the relevant works relating to the land acquisition. The Group established a project company in August 2014, the purpose of which is to research and explore the possibilities and opportunities of upgrading the Meilin Checkpoint Land Parcels in Longhua New Area, Shenzhen. The land parcels are located in Longhua New Area in Shenzhen, which is one of the five identified sub city centres in Overall Planning for Shenzhen City (2007-2020) and a functional expansion of urban areas and key development areas, adjacent to Futian District, downtown area of Shenzhen City. The land parcels are situated at a geographically advantageous location with good investment value and potential for value appreciation. The Group will actively communicate with relevant government departments in order to create a higher economic value for the land parcels held by the Group, to capture the opportunities from urban development, renewal and redevelopment, and to timely realise the commercial value of the existing resources.

Financial Position

	30 June 2014 HK\$ million	31 December 2013 HK\$ million	Increase/ (Decrease)
Total Assets	46,082	43,223	7%
Total Liabilities	22,835	21,315	7%
Total Equity	23,247	21,908	6%
Net Asset Value attributable to shareholders	14,528	13,990	4%
Net Asset Value per share attributable to shareholders (HK dollar)	8.50	8.40	1%
Cash	6,799	4,957	37%
Bank borrowings	10,436	11,040	(5%)
Notes and bonds	7,426	6,282	18%
Total Borrowings	17,862	17,322	3%
Net Borrowings	11,063	12,365	(11%)
Debt-asset Ratio (Total Liabilities/Total Assets)	49%	49%	- #
Ratio of Total Borrowings to Total Assets	39%	40%	(1%) #
Ratio of Net Borrowings to Total Equity	48%	56%	(8%) #
Ratio of Total Borrowings to Total Equity	77%	79%	(2%) #

Change in percentage points

Key Financial Indicators

As at 30 June 2014, the net asset value attributable to shareholders and the net asset value per share increased by 4% and 1% to HK\$14,528 million and HK\$8.50 respectively. The debt-asset ratio was 49%, which was at the same level to the percentage recorded at the end of last year, reflecting that 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 operations amounted to HK\$1,225 million; net cash inflow generated from investment activities amounted to HK\$413 million, with net cash inflow generated from financing activities amounting to HK\$130 million. The Group's core businesses maintained a stable cash inflow, while the Group kept observing changes to total borrowings for the purposes of maintaining a healthy level of financial ratios of the Group. During the Period, the Group continued to optimise its borrowing structure, therefore the ratio of total borrowings to total equity and the ratio of net borrowings to total equity decreased by 2 percentage points and 8 percentage points to 77% and 48%, respectively.

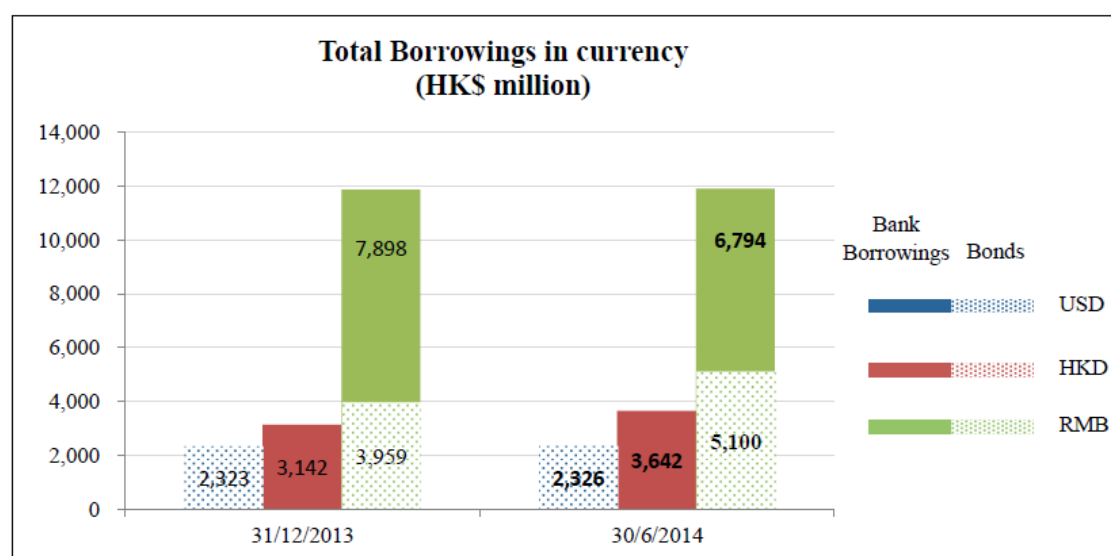
Cash Balance

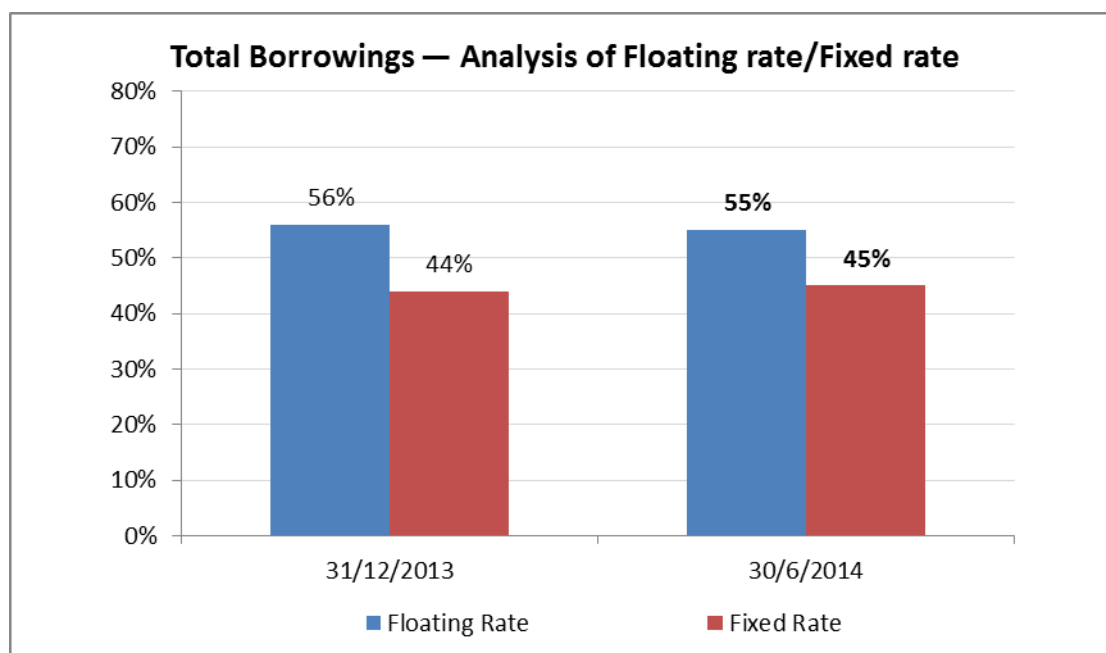
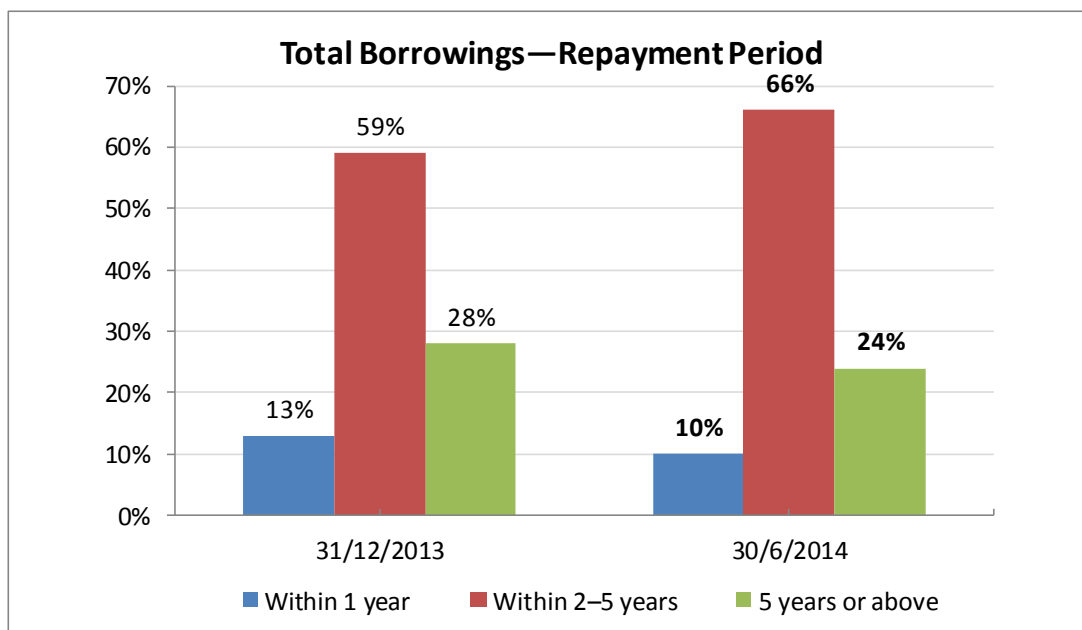
As at 30 June 2014, the cash balance held by the Group amounted to HK\$6,799 million (31 December 2013: HK\$4,957 million), representing an increase of 37% as compared to that at the end of last year. Such increase was attributable to the first phase of compensation of RMB800 million for toll-free passage of certain sections on Meiguan Expressway and net cash inflow generated from business operations. 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 the funding requirements for its operations and support its sustainable business development.

Capital Expenditures

During the Period, the Group's capital expenditures amounted to HK\$827 million (RMB663 million), of which RMB351 million was used to pay for the construction work of logistic parks and the land payment, and RMB139 million was used to pay for balances of construction costs of Qinglian Expressway as well as the expansion of Meiguan Expressway. Capital expenditures for the second half of 2014 are expected to amount to approximately HK\$1,710 million (RMB1,370 million).

Borrowings





As at 30 June 2014, the Group’s total borrowings amounted to HK\$17,862 million, representing an increase of 3% as compared with that at the end of last year. During the Period, Shenzhen Expressway, the Group’s subsidiary, issued a three-year medium term note of RMB1,000 million to re-finance matured loans, thus reducing the level of short-term borrowings. The ratio of borrowings with repayment within one year to the Group’s total borrowings was reduced to 10%, and the ratio for borrowings with repayment within 2-5 years and that of over 5 years or above were 66% and 24% respectively. The Group will continue to optimise its financial structure and maintain a satisfactory credit standing.

The Group's Financial Policy

Save for those as set out below, the Group's financial policy remains consistent with those as disclosed in the 2013 Annual Report, details of which are set out in the financial statements.

Exchange Rate Risk

Cash flows, cash on hand and assets for businesses operated by the Group are primarily denominated in Renminbi, whereas borrowings are mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group strives to reduce the impact of exchange rate fluctuations on its overall financial performance and financial risks. During the Period, RMB exchange rate experienced intense two-way fluctuations, and the exchange rate of Renminbi against US dollars recorded an unprecedented drop since the exchange rate reform in 2005, which led to the Group's foreign exchange loss of HK\$132 million. The management of the Group has been closely monitoring the fluctuations and movements of Renminbi exchange rate for the Period, and conducted detailed analysis and study on Renminbi exchange rate movements. It is believed that the fluctuations in the Renminbi exchange rate during the Period was of a short-term nature and that Renminbi in the long term will appreciate moderately. However, there are increasing chances of a two way movements, as compared to previous performances. The Group will manage the risks in a timely manner through the adjustment of loan structure in currency and by using appropriate hedging instruments.

Liquidity Risk Management

The Group currently has cash on hand and standby banking facilities of approximately HK\$40,400 million. The Group has signed agreements with major banks in Hong Kong and Mainland China in order to secure debt financing for the Group. The Group will closely monitor the conditions in the capital market and continue to adopt different financial instruments and optimising its financial structures. In doing so, the Group will strive to minimise the adverse impact brought by fluctuations in the capital market on the costs of debt and liquidity.

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 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 save that one non-executive director and one independent non-executive director of the Company, who had to handle business outside Hong Kong, were unable to attend the special general meeting held on 12 February 2014 and the annual general meeting held on 16 May 2014 of the Company.

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 2014.

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 2014. 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 2014 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, 26 August 2014

As at the date of this announcement, the board of directors of the Company consists of Messrs. Gao Lei, Li Jing Qi, Li Lu Ning, Liu Jun and Yang Hai as executive directors, Dr. Yim Fung, JP as non-executive director and Messrs. Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing as independent non-executive directors.