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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)

## 2016 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of Shenzhen International Holdings Limited (the “Company”) is pleased to announce the unaudited interim consolidated results and interim consolidated balance sheet of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2016 (the “Period”) together with comparative figures of consolidated results for the corresponding period in 2015 and consolidated balance sheet as of the year end of 2015 as follows:

### INTERIM CONSOLIDATED INCOME STATEMENT-UNAUDITED

	Note	Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
<b>Revenue</b>	(4), (5)	<b>3,578,014</b>	2,930,596
Cost of sales		<b>(2,011,481)</b>	(1,531,164)
<b>Gross profit</b>		<b>1,566,533</b>	1,399,432
Other (losses) /gains– net		<b>(122,287)</b>	683,378
Other income		<b>85,034</b>	61,858
Distribution costs		<b>(35,792)</b>	(34,231)
Administrative expenses		<b>(201,214)</b>	(173,805)
<b>Operating profit</b>	(6)	<b>1,292,274</b>	1,936,632
Share of profits of joint ventures		<b>20,417</b>	19,973
Share of profits of associates	(12)	<b>539,831</b>	487,485
<b>Profit before finance costs and tax</b>		<b>1,852,522</b>	2,444,090
Finance income	(7)	<b>136,269</b>	156,828
Finance costs	(7)	<b>(611,737)</b>	(387,268)
Finance costs – net	(7)	<b>(475,468)</b>	(230,440)
<b>Profit before income tax</b>		<b>1,377,054</b>	2,213,650
Income tax expense	(8)	<b>(319,806)</b>	(489,292)
<b>Profit for the period</b>		<b>1,057,248</b>	1,724,358

**INTERIM CONSOLIDATED INCOME STATEMENT-UNAUDITED (continued)**

	Note	Six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
<b>Attributable to:</b>			
Equity holders of the Company		632,223	1,368,708
Non-controlling interests		425,025	355,650
		<u>1,057,248</u>	<u>1,724,358</u>
<b>Earnings per share attributable to equity holders of the Company</b> (expressed in HK dollars per share)			
– Basic	(9)	<u>0.33</u>	<u>0.72</u>
– Diluted	(9)	<u>0.33</u>	<u>0.72</u>
<b>Dividends</b>	(10)	<u>—</u>	<u>—</u>

**INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME-UNAUDITED**

	Six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
<b>Profit for the period</b>	<b>1,057,248</b>	<b>1,724,358</b>
<b>Other comprehensive income/(loss):</b>		
<b>Items that may be reclassified to profit or loss:</b>		
Fair value (losses) /gains on available-for-sale financial assets, net of tax	(85,223)	292,391
Reclassification of fair value gains to income statement upon disposal of available-for-sale financial assets, net of tax	—	(337,187)
Fair value gains on derivative financial instruments, net of tax	1,007	1,365
Share of other comprehensive (loss) /income of an associate	(22,665)	23,560
Currency translation differences	(672,169)	13,793
<b>Other comprehensive loss for the period, net of tax</b>	<b>(779,050)</b>	<b>(6,078)</b>
<b>Total comprehensive income for the period</b>	<b>278,198</b>	<b>1,718,280</b>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Company	103,022	1,363,379
Non-controlling interests	175,176	354,901
	<u>278,198</u>	<u>1,718,280</u>

## INTERIM CONSOLIDATED BALANCE SHEET-UNAUDITED

		As at	
		30 June 2016	31 December 2015
		<i>HK\$'000</i>	<i>HK\$'000</i>
	Note		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3,969,786	3,962,495
Investment properties		82,300	81,450
Land use rights		1,820,459	977,827
Construction in progress		911,189	768,314
Intangible assets	(11)	22,696,926	23,833,564
Investments in associates	(12)	6,566,717	5,673,459
Investments in joint ventures		267,310	281,325
Available-for-sale financial assets	(13)	109,000	95,748
Deferred tax assets		87,779	89,618
Other non-current assets		1,790,491	1,573,271
		38,301,957	37,337,071
<b>Current assets</b>			
Inventories		1,358,075	1,398,527
Available-for-sale financial assets	(13)	1,912,313	1,119,702
Trade and other receivables	(14)	2,149,205	1,879,161
Restricted bank deposits		450,470	288,291
Deposit in banks with original maturities over 3 months		1,341,086	2,092,911
Cash and cash equivalents		6,907,895	13,253,721
		14,119,044	20,032,313
Assets of disposal group classified as held for sale	(15)	4,546,186	1,628,469
		18,665,230	21,660,782
<b>Total assets</b>		<b>56,967,187</b>	<b>58,997,853</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital and share premium		8,309,456	7,625,528
Other reserves		(647,506)	(118,221)
Retained earnings		10,335,183	10,652,736
		17,997,133	18,160,043
<b>Non-controlling interests</b>		<b>10,244,915</b>	<b>10,539,424</b>
<b>Total equity</b>		<b>28,242,048</b>	<b>28,699,467</b>

**INTERIM CONSOLIDATED BALANCE SHEET-UNAUDITED (continued)**

	Note	As at	
		30 June 2016 HK\$'000	31 December 2015 HK\$'000
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings		4,550,858	9,161,033
Provision for maintenance/resurfacing obligations		145,940	149,577
Deferred tax liabilities		1,921,874	1,998,819
Other non-current liabilities		10,895,472	10,930,123
		<u>17,514,144</u>	<u>22,239,552</u>
<b>Current liabilities</b>			
Trade and other payables	(16)	3,780,547	3,613,211
Income tax payable		172,907	477,299
Provision for maintenance/resurfacing obligations		88,117	90,264
Borrowings		7,168,551	3,876,162
Derivative financial instruments		873	1,898
		<u>11,210,995</u>	<u>8,058,834</u>
<b>Total liabilities</b>		<u>28,725,139</u>	<u>30,298,386</u>
<b>Total equity and liabilities</b>		<u>56,967,187</u>	<u>58,997,853</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 (the "PRC").

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

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

**(1) General Information (continued)**

This unaudited interim financial information was authorised for issue on 25 August 2016 and has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the Hong Kong Institute Certified Public Accountants (“HKICPA”).

**(2) Basis of preparation**

This interim financial information for the six months ended 30 June 2016 has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the HKICPA. This interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2015 (“2015 Financial Statements”), which have been prepared in accordance with Hong Kong Financial Reporting Standards.

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

The accounting policies applied are consistent with those of the 2015 Financial Statements, except for the accounting policy changes that are expected to be reflected in the financial statement of 2016.

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

- (a) New and revised standards, amendments and interpretations to the existing standards that are mandatory for the first time for the financial year beginning on 1 January 2016 had no material impact to the Group.
- (b) New and revised standards, amendments and interpretations have been issued and are relevant to the Group but are not effective for the financial year beginning on 1 January 2016 and have not been early adopted.

The Group is in the process of assessing the impact of such new and revised standards, amendments and interpretations to the Group.

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

#### **(c) Estimates**

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

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the 2015 Financial Statements.

#### **Change in accounting estimates in respect of the amortisation of concession intangible assets**

The directors of the Company perform periodic assessments of the total projected traffic volume. The Group appoints independent professional traffic consultants to perform independent professional traffic studies and makes appropriate adjustment if there is a material difference between projected traffic volume and actual traffic volume. By the end of 2015, the Group appointed an independent professional traffic consultant to reassess the aggregate future traffic volume of Nanguang Expressway, Yanba Expressway, Yanpai Expressway and Qinglian Expressway. The Group has adjusted the amortisation unit for the related concession intangible assets according to the revised total projected traffic volume since 1 January 2016 on a prospective basis. Such change in accounting estimate has resulted in decrease in profit attributable to equity holders of the Company amounting to HKD7,237,000 for the six-month ended 30 June 2016 and will affect the amortisation charges of the Group in the future.

#### (4) Segment information

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

- Toll roads; and
- Logistic business.

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

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

Toll roads include development, operation and management of toll highway; logistic business includes: (i) logistic parks 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 assesses the performance of the operating segments based on a measure of profit for the Period.

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

##### For the six months ended 30 June 2016

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

#### (4) Segment information (continued)

For the six months ended 30 June 2015

	Toll roads	Logistic business			Head office functions	Total	
		Logistic parks	Logistic services	Port	Subtotal		
Revenue	2,154,256 <sup>(a)</sup>	318,793	361,530	96,017	776,340	-	2,930,596
Operating profit	1,103,291	123,713	13,646	41,604	178,963	654,378	1,936,632
Share of profits of joint ventures	8,542	10,530	901	-	11,431	-	19,973
Share of profits of associates	159,383	-	1,501	-	1,501	326,601	487,485
Finance income	101,843	2,132	1,052	251	3,435	51,550	156,828
Finance costs	(300,548)	(6,732)	(40)	(5,225)	(11,997)	(74,723)	(387,268)
Profit before income tax	1,072,511	129,643	17,060	36,630	183,333	957,806	2,213,650
Income tax expense	(226,501)	(26,392)	(3,090)	(4,084)	(33,566)	(229,225)	(489,292)
Profit for the Period	846,010	103,251	13,970	32,546	149,767	728,581	1,724,358
Non-controlling interests	(341,668)	(3,806)	(1,466)	(9,763)	(15,035)	1,053	(355,650)
Profit attributable to equity holders of the Company	504,342	99,445	12,504	22,783	134,732	729,634	1,368,708
Depreciation and amortisation	539,844	45,368	4,572	21,964	71,904	11,756	623,504
Capital expenditure							
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	63,960	130,191	7,214	105,466	242,871	13,002	319,833
- Additions in investments in associates	-	2,625	-	-	2,625	-	2,625

- (a) The revenue from toll roads included construction service revenue under service concession arrangements of HKD37,268,000 (2015 interim: HKD515,000) for the Period.
- (b) The Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue.
- (c) All revenues are derived from external customers located in the PRC. The Group's non-current assets, other than financial instruments and deferred tax assets, are mainly located in the PRC. Revenues derived from and value of non-current assets located in other countries and regions are not material.



**(5) Revenue**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
Toll roads		
— Toll revenue	<b>2,498,611</b>	2,097,029
— Entrusted construction management service and construction consulting service revenue	<b>265,771</b>	56,712
— Construction service revenue under concession arrangements	<b>37,268</b>	515
	<b>2,801,650</b>	2,154,256
Logistic business		
— Logistic parks	<b>238,105</b>	318,793
— Logistic services	<b>447,685</b>	361,530
— Port	<b>90,574</b>	96,017
	<b>776,364</b>	776,340
	<b>3,578,014</b>	2,930,596

**(6) Operating profit**

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

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
<u>Crediting</u>		
(Tax expenses)/gains on disposals of available-for-sale financial assets (Note (a))	<b>(125,518)</b>	689,165
Government subsidies	<b>9,988</b>	1,165
<u>Charging</u>		
Depreciation and amortisation	<b>815,534</b>	623,504

- (a) During the period, tax expenses in respect of the disposals of available-for-sale financial assets represents the relevant business taxes and surcharges arising from the disposal of shares of CSG Holding Co., Ltd. ("CSG") in previous years.

**(7) Finance income and costs**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
<u>Finance income</u>		
Interest income from bank deposits	<b>126,392</b>	75,305
Interest income from other receivables	<b>7,383</b>	81,523
Other interest income	<b>2,494</b>	-
Total finance income	<b>136,269</b>	156,828
<u>Finance cost</u>		
Interest expenses		
- Bank borrowings	<b>98,246</b>	192,199
- Medium-term notes	<b>56,103</b>	35,468
- Corporate bond	<b>79,808</b>	114,414
- Senior notes	<b>51,864</b>	51,851
- Other interest expense	<b>3,103</b>	5,310
- Interest expense on financial liabilities	<b>273,837</b>	-
Net foreign exchange losses directly attributable to borrowings	<b>119,713</b>	3,220
Less: financial costs capitalised on qualified assets	<b>(70,937)</b>	(15,194)
Total finance costs	<b>611,737</b>	387,268
Net finance costs	<b>475,468</b>	230,440

**(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% (2015 interim: 25%) applicable to the respective companies.

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
Current income tax		
- PRC corporate income tax	<b>321,286</b>	455,358
Deferred tax	<b>(1,480)</b>	33,934
	<b>319,806</b>	489,292

**(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.

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
Profit attributable to equity holders of the Company	<b>632,223</b>	1,368,708
Weighted average number of ordinary shares in issue (thousands)	<b>1,901,787</b>	1,892,613
Basic earnings per share (HKD per share)	<b>0.33</b>	0.72

(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.

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
Profit attributable to equity holders of the Company	<b>632,223</b>	1,368,708
Profit used to determine diluted earnings per share	<b>632,223</b>	1,368,708
Weighted average number of ordinary shares in issue (thousands)	<b>1,901,787</b>	1,892,613
Adjustments – share options (thousands)	<b>3,743</b>	7,192
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<b>1,905,530</b>	1,899,805
Diluted earnings per share (HKD per share)	<b>0.33</b>	0.72

**(10) Dividends**

The Board has resolved not to declare an interim dividend in respect of the Period (2015 interim: Nil). The 2015 final dividend of HKD949,860,000 (HKD0.5 per ordinary share) were settled in June 2016. According to the approved scrip dividend scheme for final dividend in the annual general meeting held on 13 May 2016, 57,517,897 new shares were issued at a price of approximately HKD11.512 per share, totalling HKD662,152,000. The remaining dividend totalling HKD287,708,000 was paid in cash in June 2016.

**(11) Intangible assets****Six months ended 30 June 2016**

<b>Net book amount as at 1 January 2016</b>	23,833,564
Additions	38,453
Transfers	5,921
Exchange difference	(547,871)
Amortisation	(633,141)
<b>Net book amount as at 30 June 2016</b>	<u>22,696,926</u>

**Six months ended 30 June 2015**

<b>Net book amount as at 1 January 2015</b>	21,066,291
Additions	516
Disposals	(5,360)
Exchange difference	1,511
Amortisation	(449,673)
<b>Net book amount as at 30 June 2015</b>	<u>20,613,285</u>

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

**(12) Investments in associates**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	<b>2015</b>
Beginning of the period	<b>5,673,459</b>	5,845,699
Additions	<b>81,356</b>	2,625
Transfer from other non-current assets	<b>706,317</b>	-
Share of profits of associates	<b>539,831</b>	487,485
Share of other comprehensive (loss)/ income of an associate	<b>(22,665)</b>	23,560
Dividends received	<b>(259,203)</b>	(211,957)
Exchange difference	<b>(152,378)</b>	1,416
End of the period	<u><b>6,566,717</b></u>	<u>6,148,828</u>

## (12) Investments in associates (continued)

The ending balance comprises the following:

	As at	
	30 June 2016	31 December 2015
Unlisted investments, at cost		
Share of net assets other than goodwill	5,575,607	4,660,392
Goodwill on acquisition	991,110	1,013,067
	<u>6,566,717</u>	<u>5,673,459</u>

Based on the assessment made by the directors of the Company, there were no impairment losses for the goodwill as at 30 June 2016 (31 December 2015: Nil).

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

	Six months ended 30 June	
	2016	2015
Beginning of the period	1,215,450	1,388,711
Additions	963,992	-
Net change in fair value	(113,484)	389,883
Disposals (Note (a))	-	(509,795)
Exchange differences	(44,645)	174
End of the period	<u>2,021,313</u>	<u>1,268,973</u>
Less: non-current portion	<u>(109,000)</u>	<u>(100,200)</u>
Current portion	<u>1,912,313</u>	<u>1,168,773</u>

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

	As at	
	30 June 2016	31 December 2015
Listed securities in the PRC, at fair value (Note (a))	<u>688,109</u>	<u>821,123</u>
Unlisted yield-enhancement products, at fair value (Note (b))	<u>1,224,204</u>	<u>298,579</u>
Unlisted equity investments :		
at fair value	-	59,716
at cost less impairment		
- Cost (Note (c))	133,095	60,127
- Provision for impairment	(24,095)	(24,095)
	<u>109,000</u>	<u>36,032</u>
	<u>109,000</u>	<u>95,748</u>
	<u>2,021,313</u>	<u>1,215,450</u>

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

- (a) As at 30 June 2016, listed equity investments stated at market price represent 2.48% (31 December 2015: 2.48%) equity interest in CSG. During the Period, the Group did not dispose of any shares in CSG (2015 interim: a gain of approximately HKD689,165,000 from the disposal of shares in CSG).
- (b) The balance represented the Group's investments in certain structured yield-enhancement products managed by high credit quality fund management companies in the PRC.
- (c) The Group's unlisted equity investments do not have quoted market prices in an active market and their fair values cannot be reliably measured.

### (14) Trade and other receivables

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

	<b>As at</b>	
	<b>30 June 2016</b>	31 December 2015
0-90 days	<b>615,366</b>	485,916
91-180 days	<b>69,802</b>	17,579
181-365 days	<b>37,883</b>	47,163
Over 365 days <sup>(a)</sup>	<b>537,748</b>	516,089
	<b>1,260,799</b>	1,066,747

- (a) Trade receivables due over 365 days mainly comprised the amount of HKD503,181,000 (31 December 2015: HKD492,750,000) arising from the Group's development and management of certain toll road projects administrated for Shenzhen Traffic and Transportation Committee and entrusted construction management services of Guangshen Coastal Expressway (Shenzhen Section) Project.

### (15) Assets of disposal group classified as held for sale

In June 2015, Shenzhen International United Land Co., Ltd. (“United Land Company”), a subsidiary of the Group, entered into various land transfer agreements (the “Land Transfer Agreements”) with Longhua Management Bureau under Urban Planning Land and Resources Commission of the Shenzhen Municipal to acquire the land use rights of the Meilin checkpoint land parcels at a total consideration of RMB3,566,700,000 (equivalent to HKD4,158,447,000). Pursuant to the Land Transfer Agreements, United Land Company paid 30% of the total land premium by 30 June 2015 and the remaining land premium was paid before 23 June 2016. Prior to the above transaction, the Group had possessed these land use rights for logistic business operation. The directors of Company had approved a plan to dispose of not less than 50% equity interest in United Land Company to third-party real estate developers within one year. As such, the related group of assets which mainly includes the prepayment for land premium of HKD4,158,447,000 (31 December 2015: HKD1,277,929,000), the carrying values of the original land use rights of HKD51,474,000 (31 December 2015: HKD52,728,000) and the buildings and fixtures attached to the land use rights of HKD298,010,000 (31 December 2015: HKD297,812,000), were reclassified to assets held for sale.

### (16) Trade and other payables

The ageing analysis of the trade payables was as follows:

	<b>As at</b>	
	<b>30 June 2016</b>	31 December 2015
0-90 days	<b>144,480</b>	138,164
91-180 days	<b>1,882</b>	1,375
181-365 days	<b>737</b>	744
Over 365 days	-	253
	<b>147,099</b>	140,536

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERALL REVIEW

Operating Results	For the six months ended 30 June		
	2016 HK\$'000	2015 HK\$'000	Increase/ (Decrease)
<b>Revenue</b>	<b>3,578,014</b>	2,930,596	22%
<b>Operating profit</b>	<b>1,292,274</b>	1,936,632	(33%)
of which : Core Business	<b>1,417,792</b>	1,247,467	14%
<b>Profit before finance costs and tax</b>	<b>1,852,522</b>	2,444,090	(24%)
of which : Core Business	<b>1,978,040</b>	1,754,925	13%
<b>Profit attributable to shareholders</b>	<b>632,223</b>	1,368,708	(54%)
of which : Core Business	<b>888,458</b>	854,818	4%
<b>Basic earnings per share (HK dollars)</b>	<b>0.33</b>	0.72	(54%)

The first half of 2016 was full of opportunities as well as challenges, the volatility in the global market and the economic transformation of China brought challenges to the growth of the Group's core business. Nevertheless, given the stable development of the Chinese economy and the immense potential for the increasing demand for logistic infrastructure facilities and quality logistic services, there were extensive opportunities for the Group's development. The Group actively identified and seized opportunities to expedite the building of a network of "China Urban Integrated Logistics Hub" for achieving sustainable development.

During the Period, the Group's total revenue increased by 22% to HK\$3,578 million as compared to the corresponding period of the previous year. During the Period, most of the toll road projects of the Group maintained steady growth in traffic volume and toll revenue and the completion of the acquisition of certain projects in the second half of 2015 brought in new revenue to the Group. Toll road business recorded a total revenue of HK\$2,764 million, representing an increase of 28% as compared to the corresponding period of the previous year, and an operating profit of HK\$1,354 million, representing an increase of 23% as compared to the corresponding period of the previous year.

During the Period, the Group focused on strategic deployment of "China Urban Integrated Logistics Hub" as well as transformation and upgrade of the existing logistic park business. During the Period, acquisition of the Kunshan project was completed and investment agreements for the Guizhou project, Chongqing project and Zhengzhou project were executed. As at the date of this announcement, the Group has established its presence in 15 major logistic gateway cities and executed relevant investment agreements involving a planned land site area of approximately 4.21 million square metres. In 2016, five projects will be put into operation. Benefitting from the strong market demand for modern and premium logistic facilities, the average occupancy rate based on pre-leasing for each of the Wuhan project, Hefei project and Wuxi project, which are expected to commence operation in the second half of 2016, reached an encouraging level of 65%, underpinning the initial success of "China Urban Integrated Logistics Hub".



Moreover, steady progress has been seen in respect of the transformation and upgrade of the existing logistic parks. The Qianhai Project has been progressing smoothly according to plans since its official implementation in late 2015, with prospects of realising appreciation in value for certain land parcels by the end of this year. The balance of the land premium for the Meilin Checkpoint Urban Renewal Project (the “Meilin Checkpoint Project”) was settled in June 2016. The Group will actively procure the relocation of Huatongyuan Logistic Centre to timely realise the commercial value of the land parcels of the Meilin Checkpoint Project.

The strong demand for large-sized and modern logistic infrastructure facilities in the domestic logistics market affected the business of traditional logistic warehouses, especially logistic centres of a smaller scale to a certain extent. Excluding the impact of Huatongyuan Logistic Centre which is in the process of relocation, revenue from the logistic business increased by 8% to HK\$776 million as compared to the corresponding period of the previous year and profit attributable to shareholders decreased by 7% to HK\$114 million as compared to the corresponding period of the previous year.

During the Period, passenger transport volume of Shenzhen Airlines Company Limited (“Shenzhen Airlines”), an associate in which the Group holds a 49% equity interest, continued to grow and recorded a total revenue of RMB12,299 million (HK\$14,577 million), representing an increase of 9% as compared to the corresponding period of the previous year. The substantial decrease in aviation oil costs during the Period as a result of the sharp reduction in aviation oil price has driven prominent growth in the net profit of Shenzhen Airlines. Shenzhen Airlines contributed a profit of approximately HK\$413 million (2015: HK\$302 million) to the Group, representing an increase of 37% as compared to the corresponding period of the previous year. Driven by the growth of contribution from Shenzhen Airlines, profit before finance costs and tax from the Group’s core business recorded a 13% increase to HK\$1,978 million while profit attributable to shareholders from the core business increased by 4% to HK\$888 million, as compared to the corresponding period of the previous year.

Although the Group recorded a remarkable non-recurring gain after tax of approximately HK\$514 million from the disposal of A shares of CSG during the first half of 2015, the Group did not dispose of any A shares of CSG during the Period. Meanwhile, the Group has made a business tax payment of approximately HK\$126 million during the Period for the disposal of CSG A shares in the previous years. On the other hand, the Group entered into toll adjustment and compensation agreements with the relevant government department of Shenzhen in November 2015 in relation to toll adjustments for four toll roads in Shenzhen, pursuant to which the Group received the first payment of the compensation totalling RMB9,713 million in December 2015. In accordance with these toll adjustment and compensation agreements and the relevant accounting standard, the Group was required to make a provision for nominal interest amounting to approximately HK\$274 million for the Period (which would not have any impact on the Group’s cash flow). This resulted in a significant increase in the finance costs of the Group for the Period and reduced the profit attributable to shareholders by approximately HK\$131 million. The above factors have led to a reduction of profit attributable to shareholders for the Period by HK\$771 million in aggregate when compared to the corresponding period of the previous year.

## **LOGISTIC BUSINESS**

### **Analysis of Operating Performance**

#### ***Logistic Parks***

During the Period, the Group succeeded in maintaining a stable average occupancy rate of 97% for logistic parks (excluding Huatongyuan Logistic Centre, which is in the process of relocation). In order to accommodate the Meilin Checkpoint Project, the relocation process of Huatongyuan Logistic Centre commenced and its leasing activities ceased in 2015.

The construction of the South China Logistic Cross-border E-commerce Exhibition Centre commenced in June 2016 and completion is scheduled in the second half of the year. Research on project business models and preparation for marketing are actively underway. Initial discussions have been conducted with a number of interested corporations. Progress of the project has been satisfactory.

#### ***China Urban Integrated Logistics Hub***

During the first half of 2016, the Group entered into investment agreements for the “China Urban Integrated Logistics Hub” projects with relevant local government authorities of Guizhou, Chongqing and Zhengzhou while completing the acquisition of the Kunshan project, accelerating the building of a nationwide network. Such projects are expected to further extend the network coverage of the Group.

While continuing with its efforts in developing new projects, the Group has also advanced its projects under construction or planning in steady pace to ensure compliance with work schedules and has actively prepared for marketing.

During the first half of 2016, land sites with an aggregate area of approximately 914,000 square metres in Hangzhou, Changsha, Shijiazhuang, Kunshan and Guizhou were acquired under the “China Urban Integrated Logistics Hub” projects. The first phase with a site area of approximately 240,000 square metres of Shenzhen International Shenyang Integrated Logistic Hub, the first “China Urban Integrated Logistics Hub” project of the Group, has commenced operation. Projects in Wuxi, Wuhan and Hefei have commenced construction according to plans and are scheduled for completion in the second half of 2016. Thanks to effective marketing strategies, as at 30 June 2016, the three projects reported an encouraging average occupancy rate of 65% based on pre-leasing. The upgrade of the park area of the Kunshan project was completed in June 2016. In addition, project construction in Shijiazhuang, Changsha, Hangzhou, Guizhou and Nanchang will be rolled out as planned.

As at the date of this announcement, the Group extended its “China Urban Integrated Logistics Hub” network to cover 15 major logistic gateway cities and entered into investment agreements with the respective government authorities, namely Shenyang, Wuxi, Wuhan, Tianjin, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Chengdu, Guizhou, Kunshan, Chongqing and Zhengzhou, covering a planned site area of approximately 4.21 million square metres. Among these cities, the Group has acquired full or partial land use rights for 11 projects in Shenyang, Wuxi, Wuhan, Shijiazhuang, Changsha, Nanchang, Hefei, Ningbo, Hangzhou, Guizhou and Kunshan, covering an aggregate site area of approximately 1.86 million square metres.

## Port Business

For the first half of 2016, despite the challenging economic and business conditions, Nanjing Xiba Port reported stable growth in business volume by retaining existing major customers and embarking on effective market expansion. During the Period, a total of 136 vessels berthed at Nanjing Xiba Port and the total throughput of Nanjing Xiba Port reached 8.49 million tonnes, representing an increase of 10% as compared to the corresponding period of the previous year.

With commencement of operation of phase 2, Nanjing Xiba Port becomes one of the largest and most influential general bulk cargo terminals along the middle and lower reaches of Yangtze River, and its overall handling capacity and efficiency will further enhance in a steady manner. Moreover, the opening of the 12.5-metre deep-water passage in lower Yangtze River down from Nanjing in July 2016 which allows vessels of 50,000 tonnes or above to sail to Nanjing will further strengthen the core competitive strengths of Nanjing Xiba Port and drive the growth of its business.

## Financial Analysis

During the Period, excluding the impact of Huatongyuan Logistic Centre which is in the process of relocation, revenue from the logistic business increased by 8% to HK\$776 million (2015: HK\$716 million) as compared to the corresponding period of the previous year. Profit attributable to shareholders decreased by 7% to HK\$114 million (2015: HK\$122 million) as compared to the corresponding period of the previous year.

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

For the six months ended 30 June

	Revenue		Profit attributable to shareholders	
	2016 HK\$'000	Change over Year 2015	2016 HK\$'000	Change over Year 2015
<b>Logistic Park Business</b>				
South China Logistic Park	120,190	(1%)	48,035	-
Western Logistic Park	49,941	(12%)	17,995	-
Nanjing Chemical Industrial Park Logistic Centre	39,149	2%	6,568	(38%)
Shandong Booming Total Logistic Park	28,825	(32%)	164	(78%)
SZ Airport Express Center*	N/A	N/A	7,497	(24%)
<b>Sub-total (Normal operation)</b>	<b>238,105</b>	<b>(8%)</b>	<b>80,259</b>	<b>(8%)</b>
Huatongyuan Logistic Centre <sup>Δ</sup>	-	N/A	(3,226)	N/A
<b>Sub-total</b>	<b>238,105</b>	<b>(25%)</b>	<b>77,033</b>	<b>(23%)</b>
<b>Port Business</b>	<b>90,574</b>	<b>(6%)</b>	<b>21,959</b>	<b>(4%)</b>
<b>Logistic Service Business</b>	<b>447,685</b>	<b>24%</b>	<b>12,365</b>	<b>(1%)</b>
<b>Total</b>	<b>776,364</b>	<b>-</b>	<b>111,357</b>	<b>(17%)</b>

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

Δ Huatongyuan Logistic Centre started the relocation process in 2015

Affected by the decreasing market demand for traditional logistic warehouses, revenue and profit attributable to shareholders from the Group's logistic park business for the Period (excluding Huatongyuan Logistic Centre which is in the relocation process) amounted to approximately HK\$238 million and HK\$80.26 million respectively, both representing a decrease of 8% as compared to the corresponding period of the previous year.

In the first half of 2016, Nanjing Xiba Port was confronted with the most severe business environment since the commencement of its operation. However, Nanjing Xiba Port responded in a proactive manner and achieved stable overall performance through effective marketing initiatives to retain existing major customers and solicit new customers, as well as cost control measures. During the Period, the port business recorded a revenue and profit of HK\$90.57 million and HK\$21.96 million, respectively, representing a decrease of 6% and 4% as compared to the corresponding period of the previous year.

Revenue from the logistic service business for the Period amounted to HK\$448 million, representing an increase of 24% as compared to the corresponding period of the previous year. Profit attributable to shareholders amounted to HK\$12.37 million, maintaining at a similar level to that of the corresponding period of the previous year.

## **Progress of Qianhai Project and Meilin Checkpoint Urban Renewal Project**

### ***Qianhai Project***

According to the overall development plan of the Qianhai area, logistics and information services are the preponderant businesses that the Qianhai area focuses on. Recently, the Shenzhen Government has announced certain policies for the promotion of technological innovation and attracting talents, while the Authority of Qianhai Shenzhen-Hongkong Modern Service Industry Cooperation Zone (深圳市前海深港現代服務業合作區管理局) ("Qianhai Authority") has also introduced measures offering government subsidies to key industries. With the successive implementation of relevant schemes and policies and the kick-off of some early and pilot schemes, the in-depth cooperation between Shenzhen and Hong Kong in modern logistics will be advanced and a high-end logistic cluster will be formed, thus fostering a favourable policy environment for the future development of the Group's Qianhai Project.

The Group maintained effective sound coordination and communication with the relevant Shenzhen government authorities in respect of land consolidation and preparation for the Qianhai Project. In 2015, the Group and the Qianhai Authority entered into a framework agreement in respect of the consolidation and preparation work for the Qianhai Project by way of land swap, monetary compensation and profit sharing. The first phase of the Qianhai Project is a multi-use project comprising office, commercial and residential buildings with a site area of approximately 38,800 square metres and a total gross floor area of approximately 160,000 square metres. It has been listed as a key construction project for Qianhai Free Trade New City by the Qianhai Authority.

Since the official commencement of its construction work in the end of 2015, the Qianhai Project has been progressing smoothly according to its planning. During the first half of the year, the Group made diligent efforts to advance preliminary work for the project, such as land value appraisal and land consolidation and preparation, and actively communicating with relevant government authorities in connection with the execution of the land consolidation and preparation agreement. The Group is in the final-stage negotiation with the government for land consolidation and preparation of the Qianhai Project. Referring to a similar and major case recently completed, the Group will strive for a good return for shareholders with regard to monetary compensation and profit sharing for the Qianhai Project, with prospects of realising appreciation in value for certain land parcels by the end of the year. Moreover, marketing for the project has been actively underway. Currently, the Group is expediting communication and effective discussion on matters such as the mode of cooperation and customer needs.

### ***Meilin Checkpoint Urban Renewal Project***

The Group entered into land transfer agreements with Longhua Management Bureau under Urban Planning Land and Resources Commission of the Shenzhen Municipal (深圳市規劃和國土資源委員會龍華管理局) in respect of the Meilin Checkpoint Project in late June of 2015. The land premium for the land parcels of the project has been settled in full following the payment of the balance of RMB2,497 million in June 2016 in accordance with the agreements. The Group has secured steady progress for the transformation of the project.

The Meilin Checkpoint Project is adjacent to the Futian District in downtown Shenzhen, located at a site where Huatongyuan Logistic Centre was previously situated, and is a functional development area in the city centre and a key development zone of the city. It is situated at a geographically advantageous location with good investment value and potential for appreciation. The Meilin Checkpoint land parcels have been re-designated as a comprehensive development project with a total gross floor area of approximately 486,000 square metres, comprising properties for residential, commercial, office, business apartments and public and ancillary uses. Benefitting from the surge of residential property prices in Shenzhen in recent years, the land parcels of Meilin Checkpoint Project is set to enjoy further growth in value.

## **TOLL ROAD BUSINESS**

### **Analysis of Operating Performance**

During the Period, the operating performance of each expressway project of the Group was influenced in varying degrees by the changes in surrounding road network, conditions of each individual project and renovation work of their connecting or parallel roads:

- according to the toll adjustment and compensation agreements entered into between the Group and the relevant government department of Shenzhen on 30 November 2015 in relation to the toll adjustments of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the 23.8 km section of Longda Expressway from the starting point of Longda Expressway to the Nanguang ramp (the “Longda Shenzhen Section”), toll adjustments of these road sections are implemented in two phases. During Phase 1 (from 00:00 on 7 February 2016 to 24:00 on 31 December 2018), the Group has implemented toll-free for these road sections in exchange for cash compensation by the relevant government department based on the specified adjustment mechanism. During Phase 2 (from 00:00 on 1 January 2019), the relevant government department will elect to either continue to implement toll-free as in Phase 1, or have the fee entitlement rights of these road sections returned to it at an earlier stage in exchange of the payment of compensation accordingly.

Since the implementation of toll-free policy at 0:00 on 7 February 2016 for Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Shenzhen Section, these toll-free road sections had experienced faster growth in traffic volume and had boosted traffic volume of the adjacent Jihe Expressway and Shuiguan Expressway;

- the westbound direction of Pinghu Bianzuzhan Bridge of Jihe Expressway had been closed for construction since mid-May 2016, resulting in the decrease in toll revenue of Jihe East as compared to the corresponding period of the previous year. The construction project was completed in mid-July 2016; and

- the marketing strategies carried out by Qinglian Expressway were starting to show effect, while the impact of diversion from Guangle Expressway and Erguang Expressway had stabilised. The conversion and expansion works of Guangqing Expressway (which connects to Qinglian Expressway) and the construction works of the connecting lanes between these two expressways are scheduled for completion in 2016 and 2017, respectively. In addition, the connecting lanes between Erguang Expressway and Qinglian Expressway are under construction. Such project works, when completed, are expected to enable the passage as a whole to function fully as the artery of Hunan-Guangdong traffic, thereby enhancing the competitiveness and operating performance of Qinglian Expressway.

## **Financial Analysis**

During the Period, total revenue of the Group's toll road business increased by 28% to HK\$2,764 million (2015: HK\$2,154 million), as compared to the corresponding period of the previous year. Profit before finance costs and tax amounted to HK\$1,470 million (2015: HK\$1,271 million), representing an increase of 16% as compared to the corresponding period of the previous year. Net profit was HK\$525 million (2015: HK\$504 million), representing an increase of 4% as compared to the corresponding period of the previous year. During the Period, most of the Group's toll road projects reported growth in traffic volume and toll revenue. In addition, the project company of Shuiguan Expressway and Shenzhen Expressway Engineering Consulting Company Limited (the "Consulting Company") contributed significantly to the revenue after becoming subsidiaries of the Group upon completion of their acquisition by the Group in the second half of 2015.

### ***Longda Expressway***

During the Period, Longda Expressway recorded a toll revenue of HK\$330 million (2015: HK\$295 million), representing an increase of 12% as compared to the corresponding period of the previous year. Profit before finance costs and tax amounted to HK\$227 million (2015: HK\$187 million), representing a year-on-year increase of 21% and earnings before interest, tax, depreciation and amortisation ("EBITDA") amounted to HK\$264 million (2015: HK\$223 million), up 18% over the corresponding period of the previous year.

There was a notable growth in the traffic volume of Longda Expressway during the Period following the toll-free implementation at 0:00 on 7 February 2016 for road sections including Longda Shenzhen Section and Nanguang Expressway, which had attracted traffic flow and brought a positive impact on the overall toll revenue of Longda Expressway.

### ***Wuhuang Expressway***

During the Period, Wuhuang Expressway recorded a toll revenue of HK\$199 million (2015: HK\$201 million), maintained at a similar level to that of the corresponding period of the previous year. Profit before finance costs and tax amounted to HK\$77 million (2015: HK\$87 million), representing a decrease of 11% as compared to the corresponding period of the previous year and EBITDA amounted to HK\$133 million (2015: HK\$140 million), representing a decrease of 5% year-on-year.

During the Period, although Wuhuang Expressway continued to be affected by the link-up of the road network and the implementation of traffic control measures on municipal roads for construction, traffic volume of Wuhuang Expressway reported growth due to higher traffic volume of passenger vehicles as compared to the corresponding period of the previous year. Moreover, benefitting from the imposition of heavier penalty on overloaded trucks, which forms part of the adjustments to toll of expressways in Hubei Province in late June last year, toll revenue of Wuhuang Expressway from trucks increased. This has resulted in a positive impact on the overall toll revenue of Wuhuang Expressway. Accordingly, toll revenue of Wuhuang Expressway for the Period maintained at a similar level to that of the corresponding period of 2015. With an increase in the amount of amortisation due to the increased traffic volume during the Period, profit before finance costs and tax recorded a decrease as compared to the corresponding period of the previous year.

### ***Shenzhen Expressway Company Limited (“Shenzhen Expressway”) and its expressway projects***

During the Period, Shenzhen Expressway recorded an increase in toll revenue of 23% to HK\$1,970 million (2015: HK\$1,601 million). This was mainly attributable to the new toll revenue contributed by the project company of Shuiguan Expressway which has become a subsidiary of the Group since 30 October 2015. Together with the new construction consulting service revenue of HK\$160 million for the Period contributed by Consulting Company which has also become a subsidiary of the Group since 1 July 2015, total revenue of Shenzhen Expressway for the Period increased by 35% to approximately HK\$2,235 million (2015: HK\$1,658 million), as compared to the corresponding period of the previous year. Profit before finance costs and tax increased by 17% year-on-year to HK\$1,166 million (2015: HK\$997 million). The Group’s share of profit from Shenzhen Expressway increased by 2% to HK\$354 million (2015: HK\$348 million), as compared to the corresponding period of the previous year.

## **OTHER INVESTMENTS**

### ***Shenzhen Airlines***

During the Period, passenger transport volume of Shenzhen Airlines continued to grow and recorded a total revenue of RMB12,299 million (HK\$14,577 million) (2015: RMB11,295 million (HK\$14,082 million)), representing an increase of 9% as compared to the corresponding period of the previous year. In addition, benefitting from the substantial decrease in aviation oil costs as a result of the sharp reduction in aviation oil price during the Period, operating profit of Shenzhen Airlines increased by 60% to RMB1,888 million (HK\$2,238 million), as compared to the corresponding period of the previous year. Although Shenzhen Airlines recorded an exchange loss of RMB383 million (2015: RMB4.67 million) as affected by the fluctuation of Renminbi exchange rate, net profit for the Period amounted to RMB790 million (HK\$936 million) (2015: RMB560 million (HK\$698 million)), up 41% over the corresponding period of the previous year. Shenzhen Airlines contributed a profit of approximately HK\$413 million (2015: HK\$302 million) to the Group during the Period, representing an increase of 37% as compared to the corresponding period of the previous year.



## **DEVELOPMENT FOCUS AND OUTLOOK FOR THE GROUP**

Looking to the second half of 2016, more uncertainties are expected in the macroeconomic landscape, posing challenges in the business environment of the Group. Nonetheless, measures proposed by the State Council in its 13th Five-Year Strategic Plan, such as those relating to urbanisation, “Internet plus” and “One Belt, One Road”, present favourable opportunities for the Group. With a positive outlook for the future and in persistent implementation of our strategies, the Group will vigorously advance the investment in and construction and operation of the “China Urban Integrated Logistics Hub” projects, the transformation and upgrade of existing logistic parks, while actively identifying opportunities for acquisition of well-developed assets in logistics to further expand the Group’s logistic business.

In the second half of 2016, the Group will drive the investment in and construction of the “China Urban Integrated Logistics Hub” projects in logistic gateway cities including Xi’an, Nanning and Xiamen. It will also continue to advance the acquisition of land use rights for project sites and the commencement of project construction. At the same time, the Group will strive to confirm the land use rights for the Liguang land parcels in Longhua New Area in Shenzhen and commence preparatory work for project construction. Offering a total gross floor area of 250,000 square metres, the Liguang land parcels will be developed into the Shenzhen gateway for “China Urban Integrated Logistics Hub” and also used for the resettlement of certain tenants of Huatongyuan Logistic Centre, thereby strengthening the Group’s market share in the logistics market of Shenzhen. In addition, the Group will make vigorous efforts in the ongoing exploration and attempt in conducting innovative businesses such as cross-border e-commerce business at South China Logistic Park and Western Logistic Park.

The Group will seize opportunities arising from urban development and renewal by engaging in vigorous study of industry policies and exploring ways to realise the value of the land parcels of the Meilin Checkpoint Project, so as to timely realise the commercial value of these land parcels. Benefitting from the surge of land prices in Shenzhen in recent years, the land parcels of the Meilin Checkpoint Project is set to enjoy further growth in value. The Group will procure the completion of relevant land consolidation and preparation work within this year and target to generate first phase of returns in 2017 at the latest.

On the other hand, the Group will actively drive the implementation of land consolidation and preparation and related work for the Qianhai Project in order to accelerate execution of land use contracts for the first phase of the project. It is expected that the value of the Qianhai Project will be further enhanced and unlocked, and the Group will endeavour to provide certain preliminary returns to the shareholders within the year. Leveraging on the information industry in Qianhai area and the network of “China Urban Integrated Logistics Hub”, a supply chain system enabling mutual sharing of benefits will be created in the Qianhai Project. Currently, the Group is conducting in-depth research and negotiations with a number of famous branded enterprises and relevant government authorities in respect of strategic cooperation in multiple forms in connection with the Qianhai Project.



During the Period, the Group entered into an agreement with the relevant government department of Shenzhen in respect of the investment in and construction and management of the Shenzhen Section of Shenzhen Outer Ring Expressway (Coastal Expressway - Shenshan Expressway Section) (the "Outer Ring Section A"), which was subsequently approved by the shareholders of the Company. As at the date of this announcement, land consolidation and preparation and the procedures for land use are underway, while construction has commenced for certain sections under the contract. Outer Ring Section A is an important component of the expressway network of Guangdong Province with distinct advantages in its routes and locations. As a toll road project of the Group operated on the PPP model, it is well-positioned to effectively strike a balance between the fulfillment of the public service function of infrastructure facilities and the demand for reasonable return on commercial investments, so that the community, the government as well as the enterprise will all benefit from the arrangement and the Group's core strengths in investment, management and operation of toll highways will be further strengthened.

## FINANCIAL POSITION

	<b>30 June 2016 <i>HK\$ million</i></b>	<b>31 December 2015 <i>HK\$ million</i></b>	<b>Increase/ (Decrease)</b>
Total Assets	<b>56,967</b>	58,998	<b>(3%)</b>
Total Liabilities	<b>28,725</b>	30,298	<b>(5%)</b>
Total Equity	<b>28,242</b>	28,700	<b>(2%)</b>
Net Asset Value attributable to shareholders	<b>17,997</b>	18,160	<b>(1%)</b>
Net Asset Value per share attributable to shareholders (HK dollar)	<b>9.2</b>	9.6	<b>(4%)</b>
Cash	<b>8,699</b>	15,635	<b>(44%)</b>
Bank borrowings	<b>4,490</b>	5,112	<b>(12%)</b>
Notes and bonds	<b>7,229</b>	7,925	<b>(9%)</b>
Total Borrowings	<b>11,719</b>	13,037	<b>(10%)</b>
Net Borrowings / (Cash)	<b>3,020</b>	(2,598)	<b>N/A</b>
Debt-asset Ratio (Total Liabilities/Total Assets)	<b>50%</b>	51%	<b>(1) #</b>
Ratio of Total Borrowings to Total Assets	<b>21%</b>	22%	<b>(1) #</b>
Ratio of Net Borrowings / (Cash) to Total Equity	<b>11%</b>	(9%)	<b>N/A</b>
Ratio of Total Borrowings to Total Equity	<b>41%</b>	45%	<b>(4) #</b>

# Change in percentage points

## **Key Financial Indicators**

As at 30 June 2016, the net asset value attributable to shareholders marginally decreased by 1% to HK\$17,997 million, while the net asset value per share amounted to HK\$9.2, representing a decrease of 4% as compared to that at the end of last year. The ratio of total borrowings to total assets was 21%, which was 1 percentage point lower than that 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 has maintained its ability to generate cash flow from operations. Net cash inflow generated from operating activities amounted to HK\$1,069 million; net cash outflow generated from investment activities amounted to HK\$5,579 million; and net cash outflow generated from financing activities amounted to HK\$1,837 million. The Group's core businesses continued to generate stable cash inflow, while the Group closely monitored the changes in total borrowings in order to maintain the Group's financial ratios at a healthy level. During the Period, the Group reduced its total borrowings by 10% and continued to optimise its borrowing structure, therefore the ratio of total borrowings to total equity was decreased by 4 percentage points to 41%, thereby further strengthening the financial position of the Group.

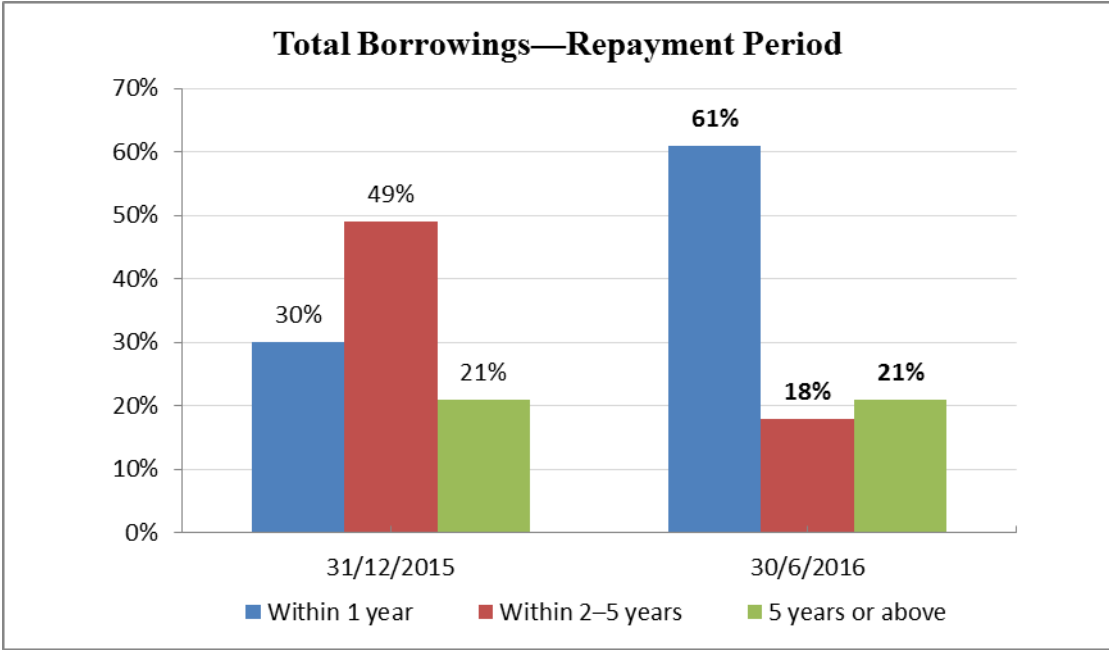
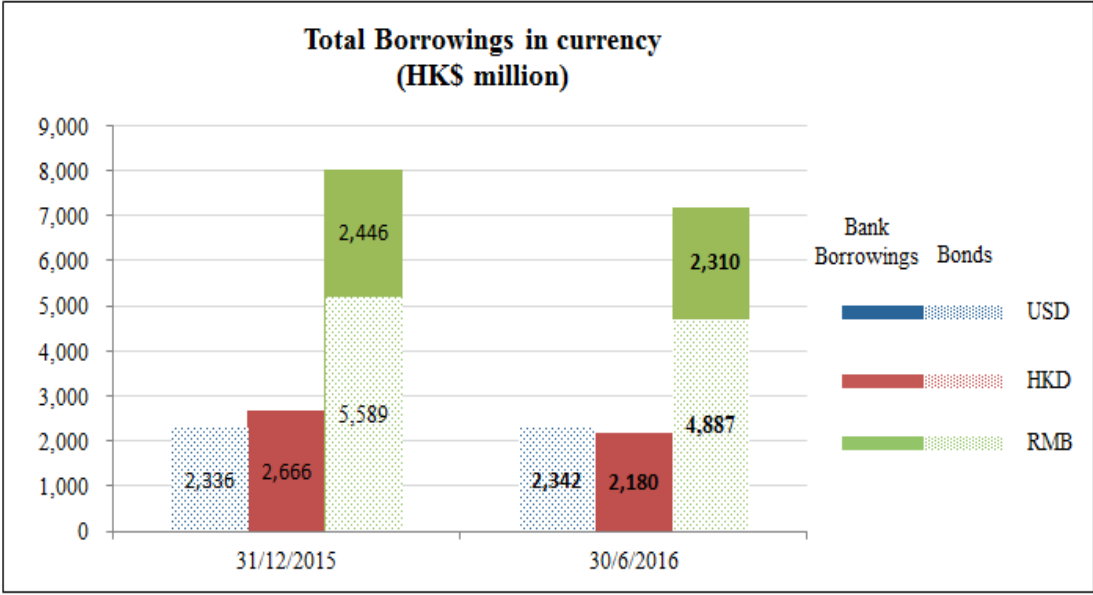
## **Cash Balance**

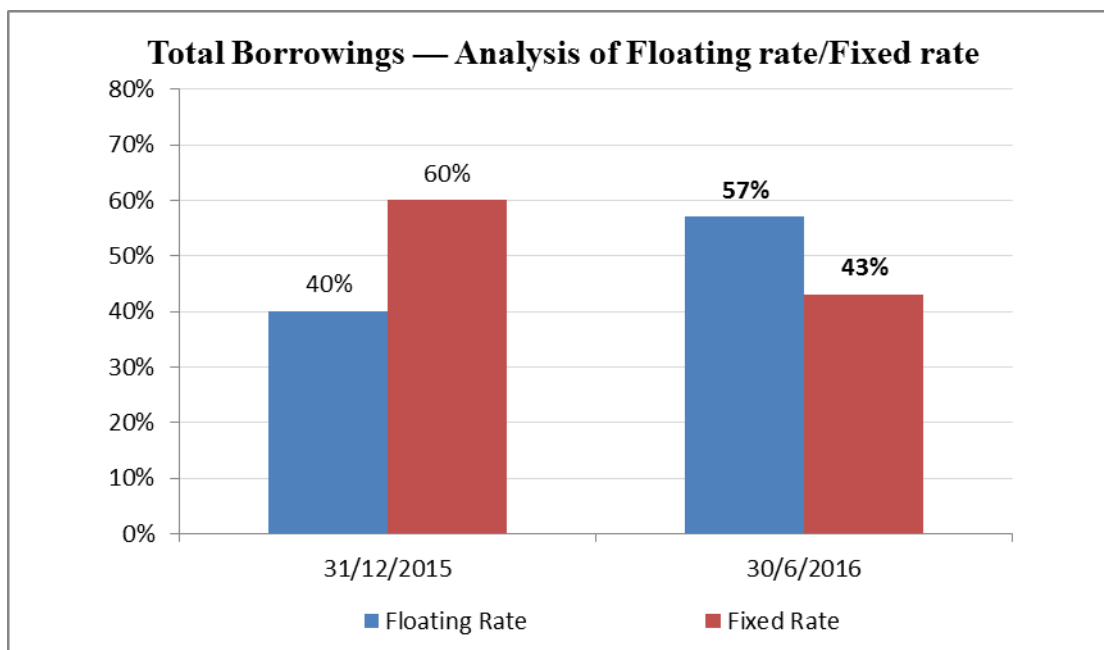
As at 30 June 2016, the cash balance held by the Group amounted to HK\$8,699 million (31 December 2015: HK\$15,635 million), representing a decrease of 44% as compared to that at the end of last year. Such decrease was mainly attributable to capital expenditures of RMB4,455 million and a decrease in loans of approximately HK\$1,340 million in the Period. Almost all cash held by the Group is denominated in Renminbi and this will facilitate the Group's operation and development in the PRC. The Group will further strengthen its capital management by adopting a prudent treasury policy to increase return of its cash portfolio, thereby providing strong support for the business development of urban integrated logistic hub.

## **Capital Expenditures**

During the Period, the Group's capital expenditures amounted to RMB4,455 million (HK\$5,214 million), of which RMB2,500 million was utilised for the payment of 70% of the land premium for the land parcels of the Meilin Checkpoint Urban Renewal Project, RMB766 million was utilised for construction works and land acquisition cost in respect of the "China Urban Integrated Logistics Hub", and RMB1,051 million was utilised for acquiring an office building as our head office. The Group expects the capital expenditures for the second half of 2016 to be approximately RMB2,356 million (HK\$2,747 million), of which approximately RMB695 million will be utilised for the "China Urban Integrated Logistics Hub" project and approximately RMB730 million will be utilised for the Outer Ring Expressway project.

# Borrowings





As at 30 June 2016, the Group's total borrowings amounted to HK\$11,719 million, of which 61% is due within one year, 18% is due within two to five years and 21% is due in five years or above, representing a decrease of 10% as compared to that at the end of last year. Part of the medium-term and long-term bonds of the Group will be due within one year, resulting in an increase in percentage of borrowings due within one year to 61%. With sufficient cash on hand, adequate standby banking facilities and strong international credit rating, the Group is able to repay the loan which will be due within one year by using various financing channels. During the Period, the Group has used its internal resources to repay loans upon maturity and reduce new loans, thereby decreasing the Group's total borrowings and effectively optimising the Group's debt structure and adjusting the currency structure of its borrowings.

### **The Group's Financial Policy**

Save for those revised content as set out below, the Group's financial policy remains consistent with those as disclosed in the 2015 Annual Report, details of which are set out in the 2015 Financial Statements.

#### ***Exchange Rate Risk***

Operating 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 management of the Group has been closely monitoring the fluctuation and movements of the Renminbi exchange rate and strives to mitigate the impact of exchange rate fluctuations on the Group's overall financial performance and to minimise financial risks. The management has conducted a detailed analysis and study into the movement of Renminbi exchange rate and expects that the Renminbi exchange rate will experience higher volatility in the future. During the Period, the Group repaid borrowings denominated in foreign currency, thus reducing the borrowings denominated in Hong Kong dollars by 18% as compared with that in the end of 2015. Since the referendum in the United Kingdom for leaving the European Union on 21 June 2016, a foreign exchange loss of HK\$120 million was incurred by the Group as at 30 June 2016 resulting from the aggravated fluctuation of Renminbi. The management of the Group has formulated policies, adjusted currency structure of its borrowings and adopted appropriate hedging instruments for managing exchange rate risk and reducing the impact of the fluctuation of Renminbi.

### ***Liquidity Risk Management***

The Group currently has cash on hand and standby banking facilities of approximately HK\$36,300 million. The Group has signed agreements with major banks in Hong Kong and the PRC to secure debt financing for the Group. The Group regularly monitors the cash flow forecast on a dynamic basis and makes appropriate financing arrangements in a timely manner with an aim to ensure the Group's ability to continue its business operation and expansion, thereby enhancing shareholders' value.

### **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

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

### **CORPORATE GOVERNANCE**

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

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

### **OTHER INFORMATION**

The Company has engaged KPMG, the Auditor of the Company, to review the unaudited Interim Financial Information of the Group for the six months ended 30 June 2016.

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 2016. 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 2016 interim results will be published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.szihl.com](http://www.szihl.com)).

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

Hong Kong, 25 August 2016

*As at the date of this announcement, the Board consists of Messrs. Gao Lei, Li Hai Tao, Zhong Shan Qun, Liu Jun and Li Lu Ning 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.*