



Shenzhen International
深國際



2017



共同創造
共享價值

Building
Value,
Sharing
Future

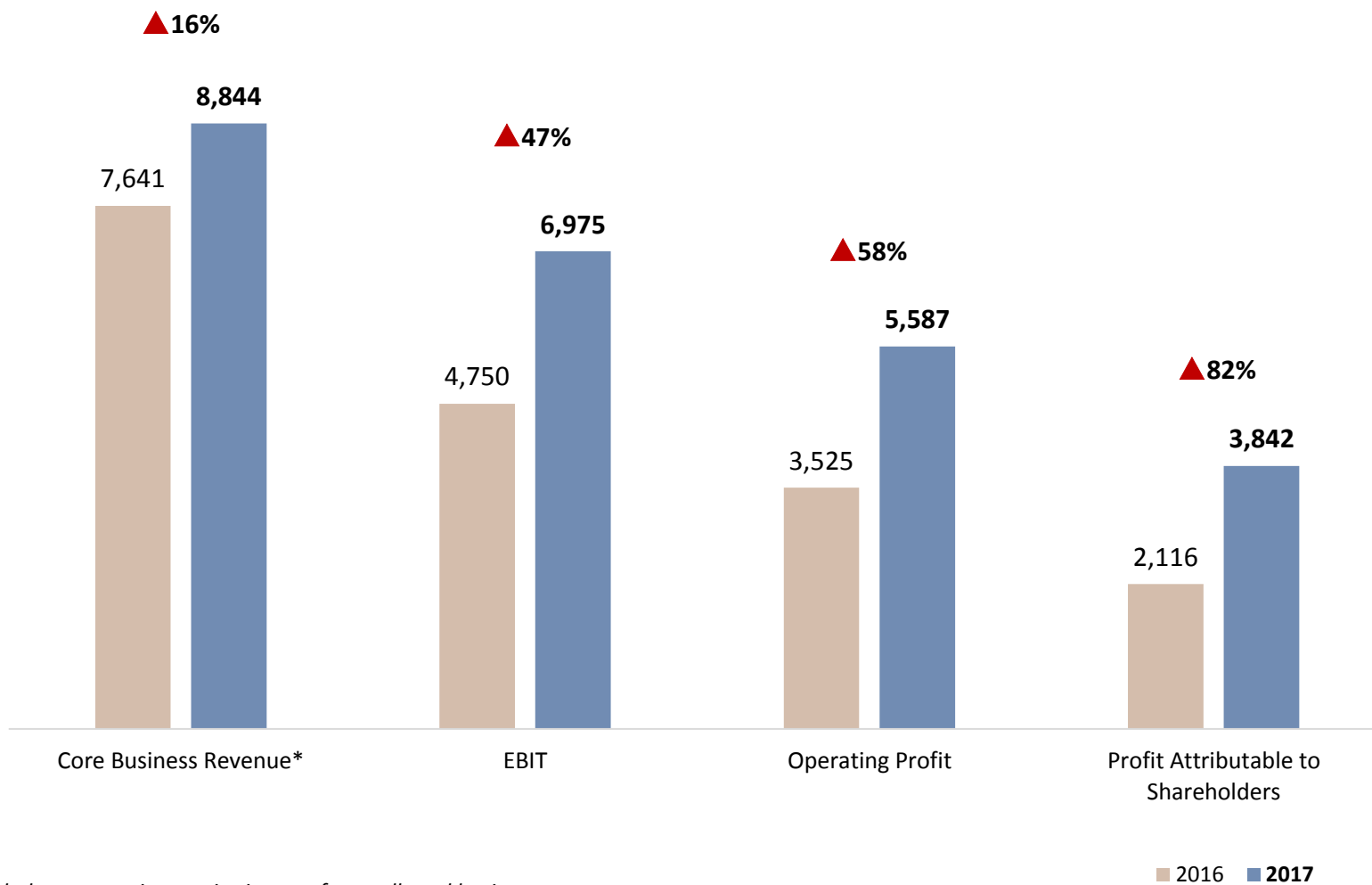
2017

Annual Results Investor Presentation

March 2018

1. Results Highlights

HK\$ Million

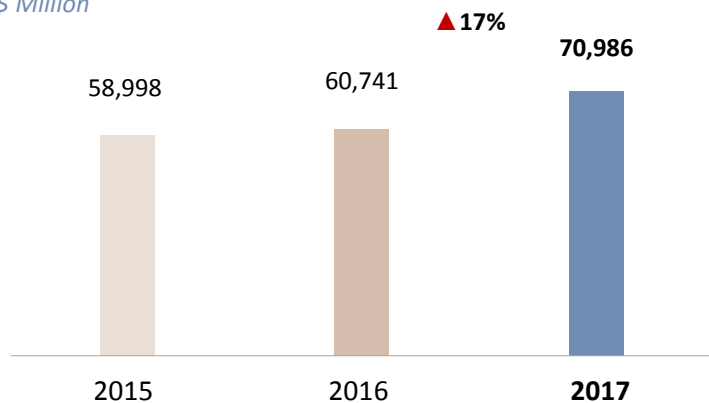


* Exclude construction service income from toll road business

1. Results Highlights

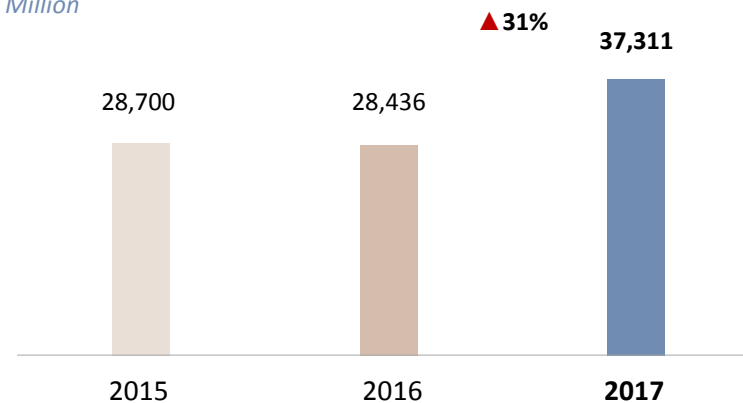
Total Assets

HK\$ Million



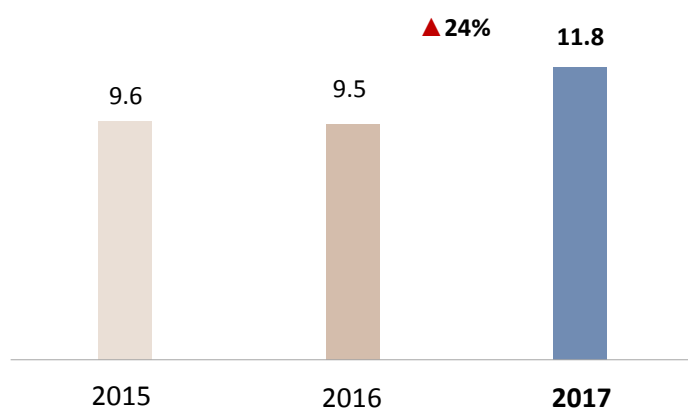
Total Equity

HK\$ Million



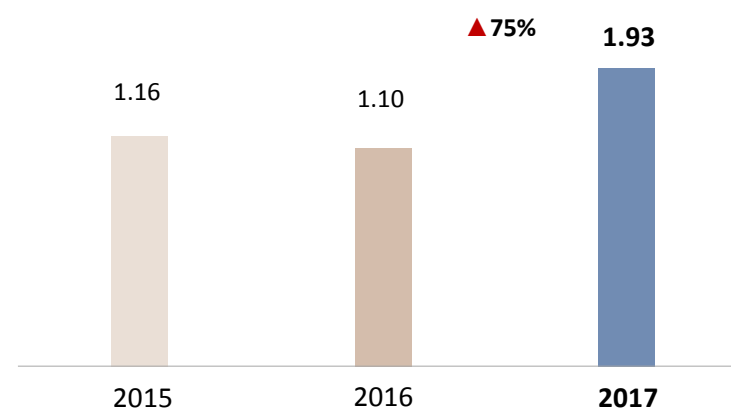
Shareholders' Value Per Share

HK\$



Earnings Per Share

HK\$



1. Results Highlights

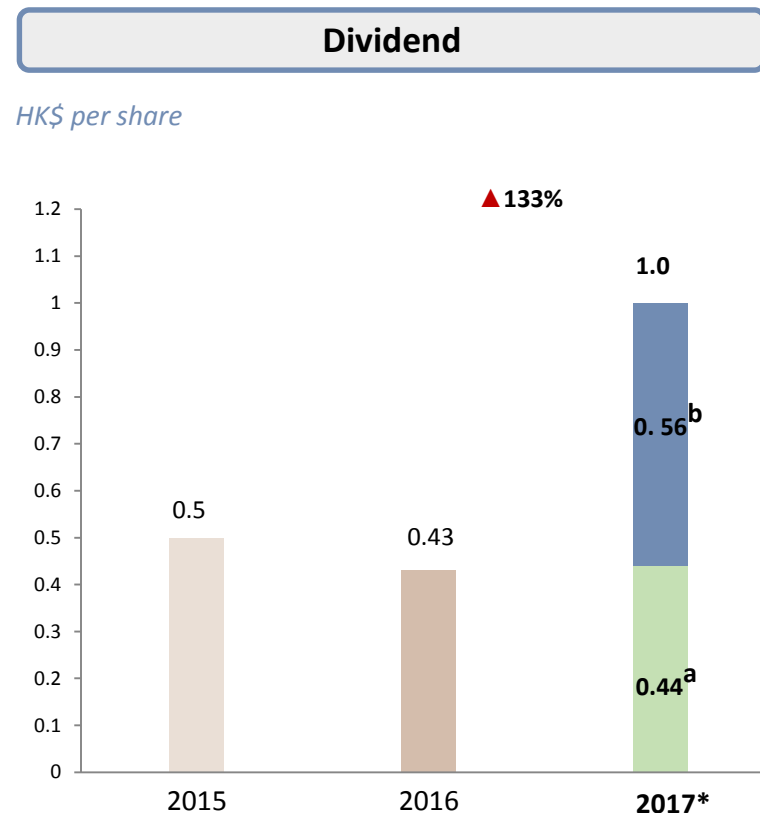
Operating Performance

- **Core Business Revenue*** amounted to HK\$8,844M, ▲ 16%
- **Operating Profit** was HK\$5,587M, ▲ 58%
 - Core business ▲ 17% to HK\$3,098M
- **EBIT** was HK\$6,975M, ▲ 47%
 - Core business ▲ 16% to HK\$4,487M
- **Profit attributable to shareholders** was HK\$3,842, ▲ 82%
 - Core business ▲ 28% to HK\$2,245M
- **Basic EPS** were HK\$1.93, ▲ 75%
- **Shareholders' value per share** was HK\$11.8, ▲ 24%

* Exclude construction service income from toll road business

2. Dividend

- Total dividend per share for the year was HK\$1.0 (2016: HK\$0.43), increased by 133%
 - Final dividend: HK\$0.44 (2016: HK\$0.43) per share, representing a 40% payout ratio of core business, which is the same as last year
 - Special Dividend: Qianhai Phase 1 Project land parcel recorded one-off compensation which contributed profit attributable to shareholders of HK\$2,122M, special dividend was HK\$0.56 per share
- Total dividend HK\$2,029M (2016: HK\$842M), increased by 1.4 times
- Dividend be satisfied in the form of allotment of new shares; shareholders also have the rights to receive dividend wholly in cash in lieu of shares allotment, or partly in cash and partly in scrip shares
- Maintains stable core business dividend payout policy and share most one-off gains with shareholders



* (a) final dividend, (b) special dividend

3. Business Review

- In 2017, China's economy has grown steadily and demand for logistics infrastructure facilities and quality logistics services continued to grow
- The Group seized market opportunities and further enhanced overall strength, operating performance was satisfactory
- **Logistic Business**
 - [China Urban Integrated Logistics Hub] is established in 20 major logistics gateway cities with 22 projects; in which 6 first phase projects have commenced operation and recorded revenue of HK\$66.79M, with overall occupancy rate at 80%
 - Benefitted from significant growth in port business volume, expansion of third-party logistics and logistics financial services business, logistics business revenue ▲49%
- **Qianhai Project**
 - Signed land consolidation and preparation supplemental agreement; Phase 1 Project's 38,800 sqm land swap compensation recorded profit before tax of HK\$2.83 billion
- **Meilin Checkpoint Urban Renewal Project**
 - Determined development model and introduced a leading property developer as the entrusted construction entity; project expects to start generating profit in 2019
- **Toll Road**
 - Acquisition of Yichang Expressway and Coastal project increased the Group's total toll mileage by over 100 km to approximately 650 km, providing strong support for sustainable toll road business
- **Shenzhen Airlines**
 - Demand in domestic aviation market continued to grow, revenue ▲6%
 - Profit decreased slightly due to increase in fuel costs

4. China Urban Integrated Logistics Hub

- Established presence in 20 major logistics gateway cities with 22 projects and total planned site area of 6.08M sqm
 - Signed investment agreements for 3 projects in Yiwu, Wuhan and Chengdu respectively, with total planned site area of 836,000 sqm
 - Signed investment agreements for 2 projects in Jinan and Kunming in early 2018, with total planned site area of 352,000 sqm

- 6 first phase projects in Shenyang, Kunshan, Wuhan, Hefei, Shijiazhuang and Nanchang commenced operation, with total operating area of 550,000 sqm and overall occupancy rate at 80%
 - Contributed revenue of HK\$66.79M and profit attributable to shareholders of HK\$3.56M

- Wuxi and Hangzhou projects have commenced trial operation with total operating area of 73,000 sqm
 - Hangzhou project already fully occupied; Wuxi project occupancy rate at 56%

- More new projects expected to complete construction and commence operation in 2018

5. Qianhai Project and Meilin Checkpoint Urban Renewal Project

■ Qianhai project

- Signed the Group's 380,000 sqm land consolidation and preparation supplemental agreement, under the new land arrangement the Group is entitled to land compensation amounted to HK\$9,690M
 - 38,800 sqm Phase 1 Project land compensation recorded profit before tax of HK\$2,830M
 - The remaining land compensation will be received based on Government's overall planning
- **Phase 1 project:**
 - The 35,000 sqm GFA office area will be positioned as [One Belt One Road] Information Port, focused as Logistic Information Industry Base
 - Jointly developing the 50,000 sqm GFA Residential Project with a leading property developer; expects for presale in 2019

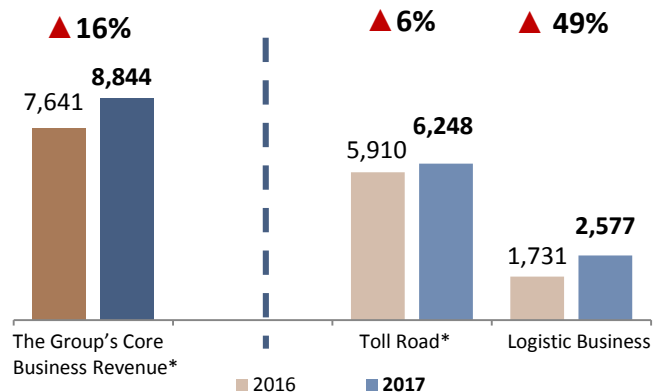
■ Meilin Checkpoint Urban Renewal Project

- Relevant land parcel to be transformed and upgraded into a comprehensive development project with 486,000 sqm GFA
 - Comprising properties for commercial, office, residential, public and ancillary usage
- Signed entrusted construction agreement with a leading property developer
- Started to commence construction and expect to start generating profit in 2019

6. Revenue & Profit Attributable to Shareholders

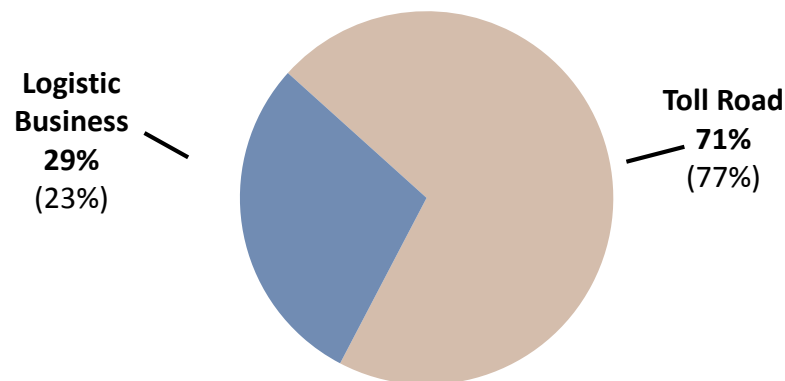
Core Business Revenue* HK\$8,844M ▲ 16%

HK\$ Million



* Exclude construction service income from toll road business

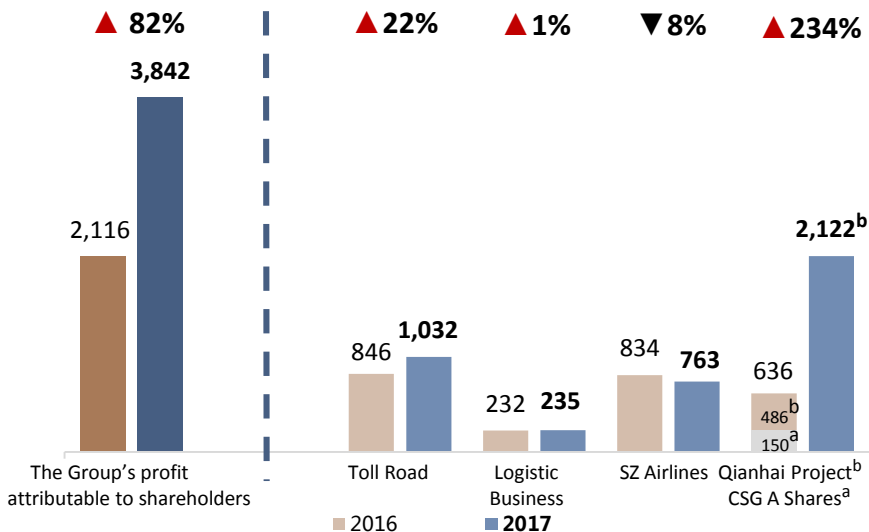
2017 Revenue Contribution (2016)



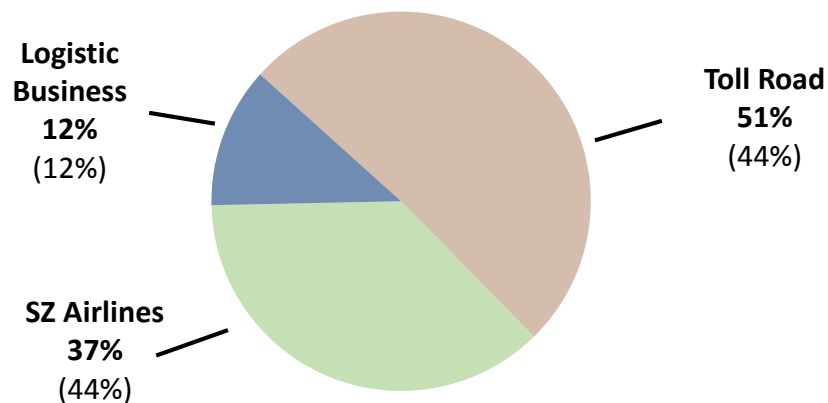
Profit Attributable to Shareholders

HK\$3,842M ▲ 82%

HK\$ Million

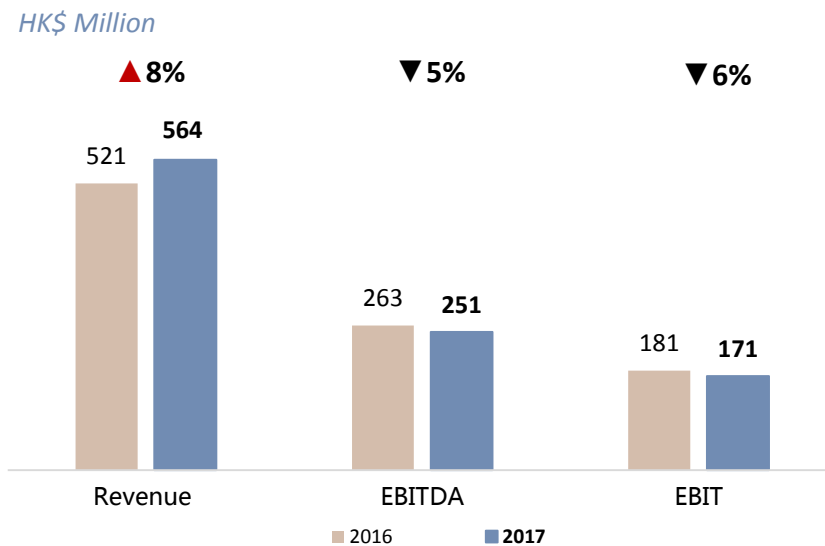


2017 Core Business Profit Attributable to Shareholders Contribution (2016)



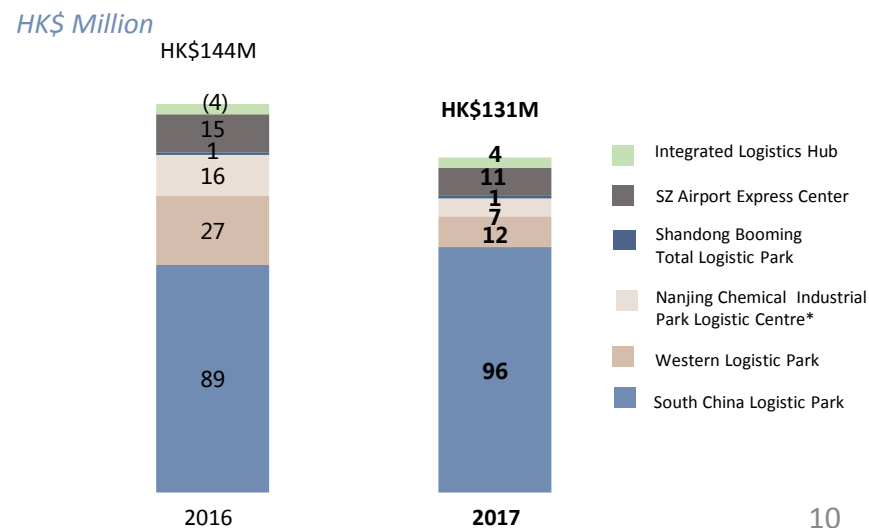
7. Logistic Business – Logistic Park

- Stable operating performance with average occupancy rate at 96%
- **South China Logistic Park:** Sound operating performance, revenue ▲ 23% to HK\$310M(2016: HK\$251M), mainly benefitted from effective logistic supply chain business market expansion
 - Transformation and upgrading work in progress , develop innovative businesses such as smart e-commerce cloud warehouse to increase quality and efficiency
 - Phase 2 with site area of 77,000 sqm commenced construction
 - Plan to construct supply chain management, logistics company’s headquarters and e-commerce industry base with 200,000 sqm GFA



Profit Attributable to Shareholders ▼ 9%

- **Western Logistic Park:** operating performance affected by the development of Qianhai Project
- **Integrated Logistics Hub:** 6 projects commenced operation with overall occupancy rate at 80%
 - Revenue was HK\$66.79M (2016: HK\$31.65M from 4 projects)
- To further optimize overall resources allocation
 - In May 2017, disposed all equity interests of Nanjing Chemical Industrial Logistic Centre and recorded after tax disposal gain of RMB34.26M
 - No relevant revenue and profit contribution in 2H2017



* Disposed on June 1, 2017

7. Logistic Business – Port and Logistic Service

Port and Related Business

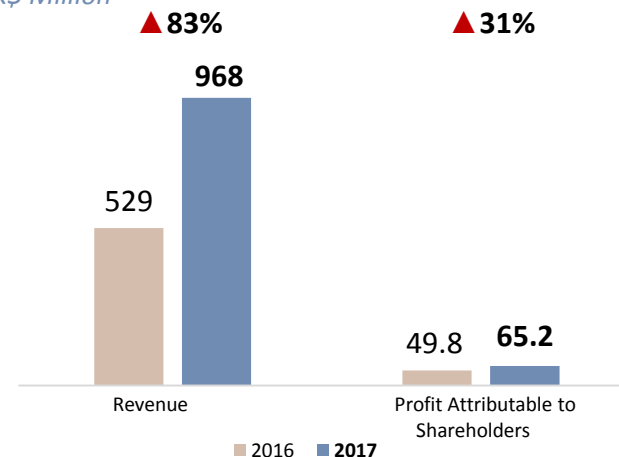
- 389 vessels berthed and total throughput reached 26.26M tons, ▲38%, benefitted from
 - Improving Supply Chain Management Service provides better customer service and attracts new customers
 - Xiba Port phase 2 capacity release
- By effective integration of port and supply chain management service business
 - Sound increase in both revenue and profit attributable to shareholders

Logistic Service

- Benefitted from expansion of third party logistics and logistics finance service business
 - revenue was HK\$1,046M, ▲54%
- Due to lower profit margin in third party logistic service and increased in operating cost
 - Revenue growth was offset
- Exploring logistics financial services such as micro-financing, financial leasing to improve the competitiveness of logistics service business

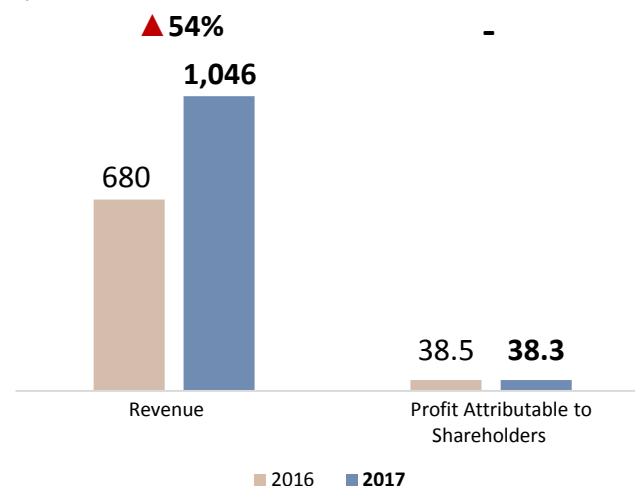
Port and Related Business

HK\$ Million



Logistic Service

HK\$ Million

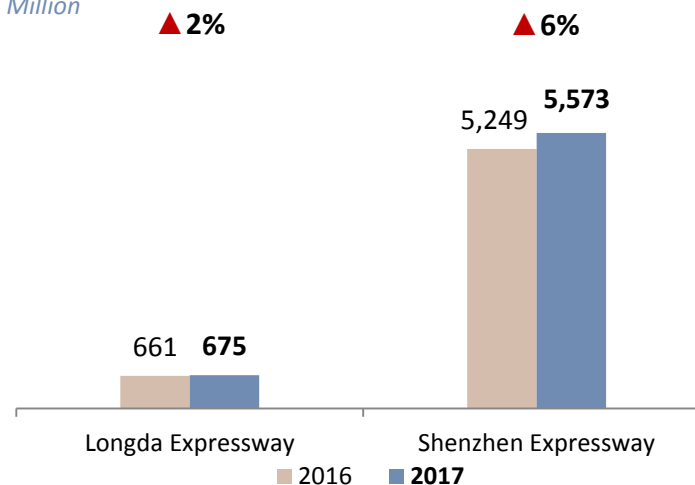


8. Toll Road

- Most toll road projects recorded operating growth
- **Shenzhen Expressway:**
 - Two new acquisition projects contributed additional toll income, toll revenue ▲ 23% to HK\$4,959M
 - Profit attributable to shareholders ▲ 27% to HK\$826M, benefitted from investment and acquisition projects
 - Acquisition of Derun Environment and Shenzhen Water Planning and Design's partial stake during the year, in which Derun Environment contributed profit of HK\$128M
 - Acquisition of Coastal Expressway project and Yichang project increased the Group's toll mileage by 100 km, further strengthen the Group's core business

Revenue* : HK\$6,248M ▲ 6%

HK\$ Million

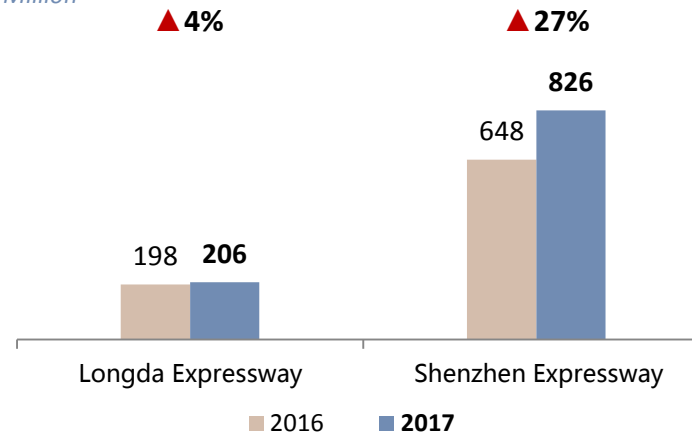


* Exclude construction service income from toll road business

Profit Attributable to Shareholders

HK\$1,032M ▲ 22%

HK\$ Million



9. Other Investments – Shenzhen Airlines

- Passenger volume growth continued
 - Passenger traffic and passenger carried ▲ 3 % and ▲ 3% respectively
 - Total of 180 passenger aircrafts (2016: 171 aircrafts)
 - Total of 208 routes including 180 domestic routes
- Revenue was RMB27.6 billion (2016: RMB26 billion), ▲ 6%
- Shenzhen Airlines fuel cost increased by 23% compared to last year
 - Operating profit decreased by 52% to RMB1,941M (2016: RMB4,035M)
- Shenzhen Airlines recorded foreign exchange gain of RMB822M (2016: foreign exchange loss of RMB1,095M)
- Net profit of Shenzhen Airlines amounted to RMB1,439M (2016: RMB1,573M), ▼ 9%
- 49% profit attributable to the Group amounted to HK\$763M (2016: HK\$834M), ▼ 8 %
- The Group will receive RMB126M cash dividend



10. Financial Position

	The Group		
	2017	2016	Increase/ (Decrease)
<i>HK\$ Million</i>			
Total Assets	70,986	60,741	17%
Total Equity	37,311	28,436	31%
NAV Attributable to Shareholders	23,917	18,634	28%
Shareholders' NAV Per Share (HK\$)	11.8	9.5	24%
Cash	7,335	11,424	(36%)
Bank Borrowings	11,490	4,746	142%
Notes & Bonds	4,335	7,637	(43%)
Total Borrowings	15,825	12,383	28%
Net Borrowings	8,490	959	785%
Debt-asset Ratio (Total Liabilities / Total Assets)	47%	53%	(6)*
Ratio of Total Borrowings to Total Assets	22%	20%	2*
Ratio of Net Borrowings to Total Equity	23%	3%	20*
Ratio of Total Borrowings to Total Equity	42%	44%	(2)*

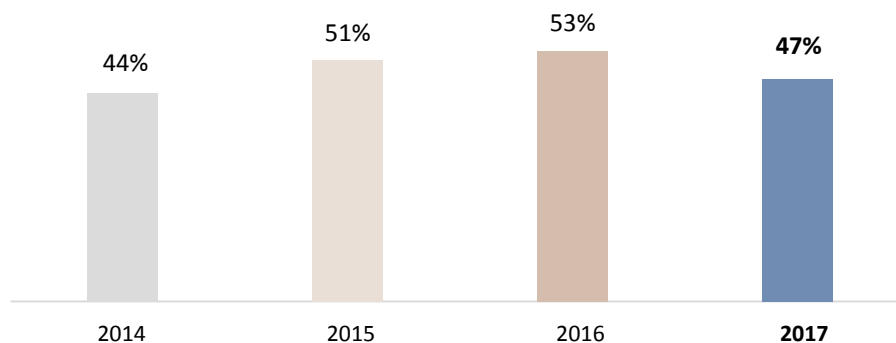
*Change in percentage point

10. Financial Position

- Maintained healthy financial position
 - Shareholder's NAV per share ▲ 24% to HK\$11.8
 - Debt-asset ratio decreased to 47% (2016 : 53%)
- 3 major international credit rating agencies maintained investment grade credit ratings, in addition
 - Domestic credit rating agencies assigned [AAA] rating , the highest credit rating in PRC
- RMB appreciated 6% during the year, the Group recorded foreign exchange gain of HK\$310M (2016 : foreign exchange loss of HK\$180M)
- To further expand financing channels, optimize capital structure and reduce capital costs
 - Issued USD \$300M senior perpetual bond with 3.95% interest rate in November 2017
 - Issued RMB ¥300M corporate bond in PRC (Panda Bond) with 5.2% interest rate in Feb 2018

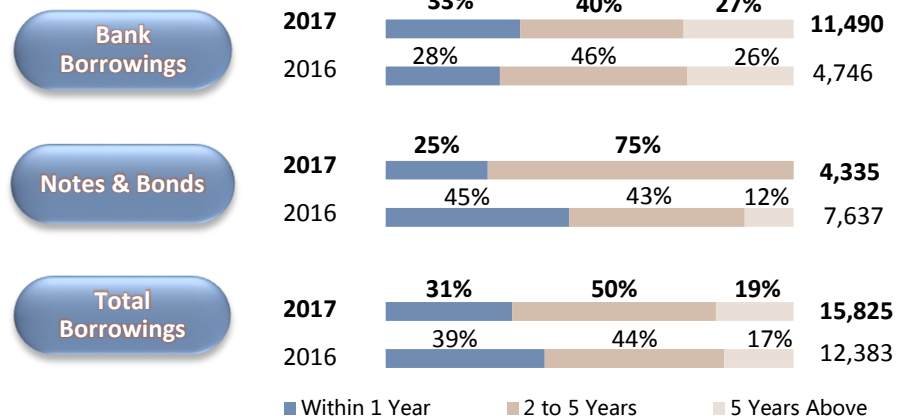
Debt-Asset Ratio

As of 31 Dec



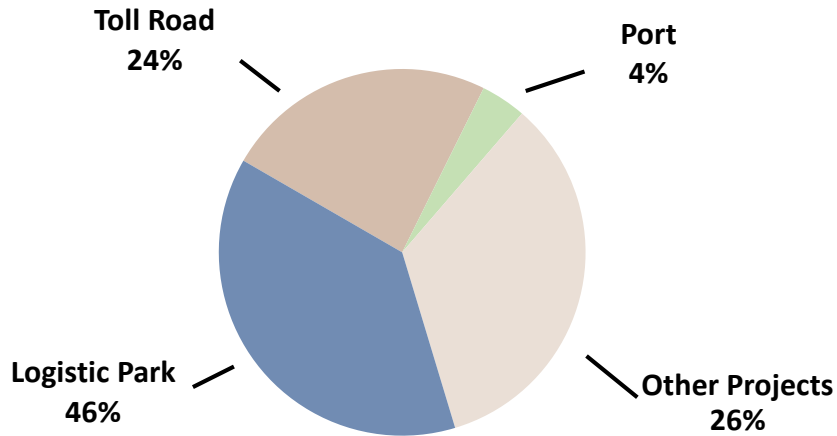
Debt Maturity Profile

HK\$ Million



11. 2018 Capex Estimate– HK\$8,400M (RMB7,000M)

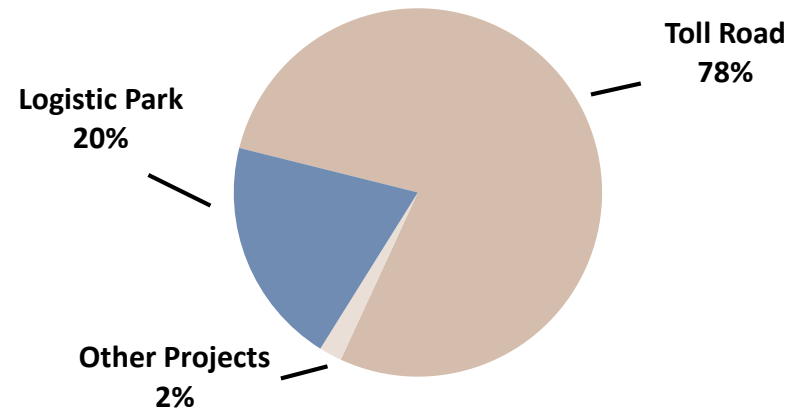
2018 Estimate
HK\$8,400M (RMB7,000M)



2018 Estimate Major Capex Items:

- China Urban Integrated Logistics Hub projects RMB2,400M
- Meilin Checkpoint Urban Renewal project RMB1,560M
- Outer Ring Expressway RMB1,650M

2017 Actual
HK\$5,595M (RMB4,694M)



2017 Major Capex Items :

- China Urban Integrated Logistics Hub projects RMB845M
- Toll road acquisition: Yichang Expressway, Coastal Expressway and Outer Ring Expressway total RMB3,619M

12. 2018 Outlook and Major Plans

- Seize opportunities arising from [One Belt One Road] , [Guangdong-Hong Kong-Macau Greater Bay Area] and Qianhai Free Trade Zone, implement [China Urban Integrated Logistics Hub] development strategy, accelerate the development of both integrated asset-light and asset-heavy business model and the combination of [Industry, Finance, Network] sectors through project constructing or merger and acquisition

■ Logistic business

■ 1) China Urban Integrated Logistics Hub

- Continue to drive the development of [China Urban Integrated Logistics Hub] nationwide network
 - Explore in Pearl River Delta region, Yangtze River Delta region and Pan-Bohai Rim region
 - Construction work of Guizhou, Ningbo, Hangzhou projects in progress, expect to increase operating area by 350,000 sqm in 2018
- Strive to acquire land use right and commence preparation work for project construction of the 250,000 sqm GFA Liguang land parcel in Shenzhen
 - Will be developed into the Shenzhen area node and strengthen the Group's logistics market share in Shenzhen

■ 2) Asset-light business operating platform, according to the Group's [13th Five-Year Development Plan] , drive logistic business development under both integrated asset-light and asset-heavy business models, and build an asset-light business operating platform

- **Position:** to provide third party logistics, supply chain management service and other value added services
- **Development:** to utilize the Group's asset-heavy resources, combine with logistic parks business to develop asset-light business to create more value and expand the Group's core logistic business scale
- **Outlook:** combine Group's heavy and light asset to better release the Group's existing logistic resources and create a [Logistic park +platform] logistic eco-business model
- **First Asset-light project:** Kanghuai E-commerce Centre with 143,000 sqm GFA will commence operation through leasing in 2018, representing a solid step into the Group's both integrated asset-heavy and asset-light strategy

12. 2018 Outlook and Major Plans

■ Toll road

- Toll road business :
 - The penetration of urbanization and demand for infrastructure facilities provides development opportunities, the Group will continue to strengthen and upgrade the core toll road business
- The Environmental Protection business of Shenzhen Expressway :
 - Determined the environmental protection industry as the new industry development for Shenzhen Expressway
 - Actively seek mergers and acquisitions opportunities

■ Other Projects

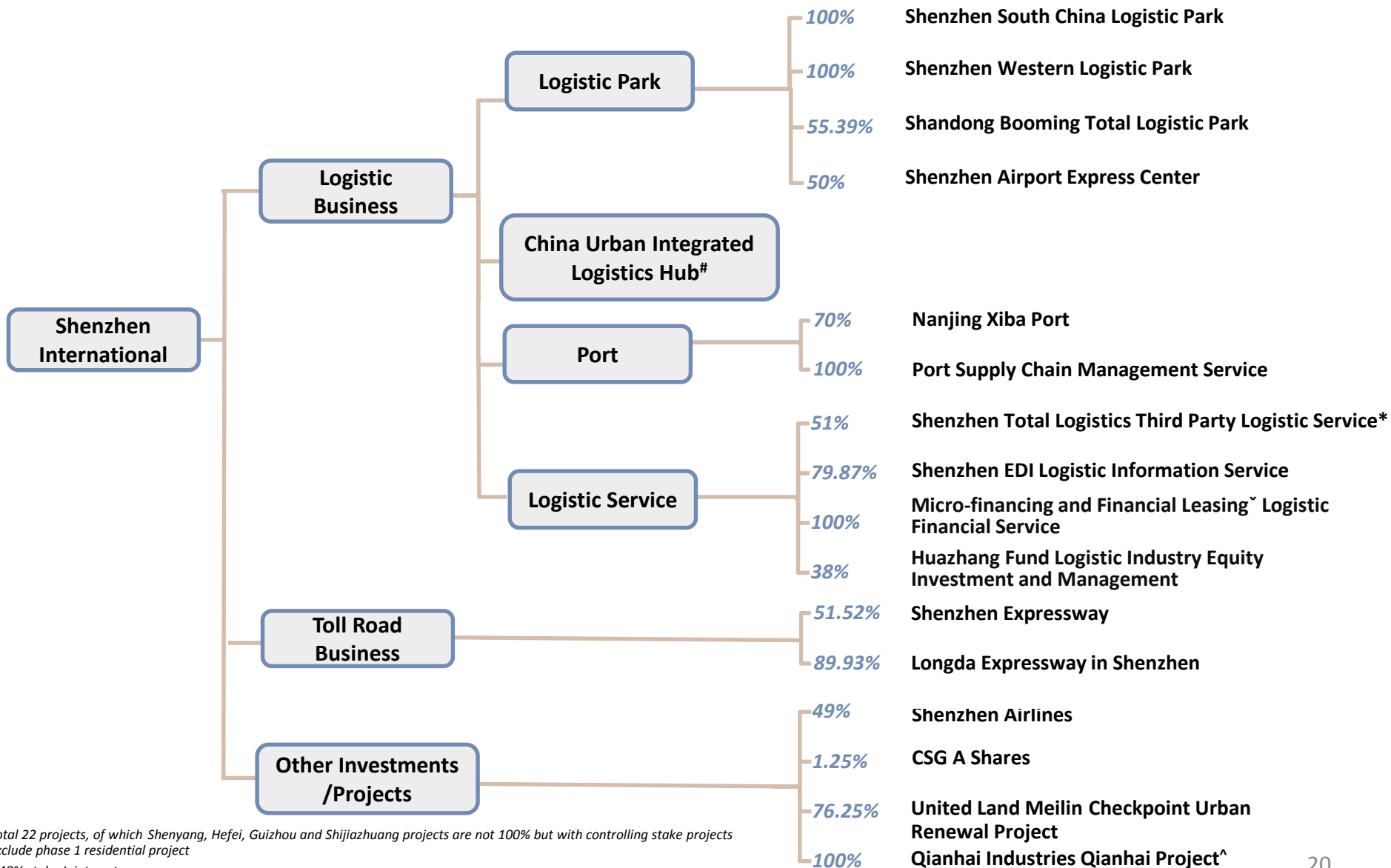
- **Qianhai Project**
 - Strive to sign the remaining land consolidation and preparation compensation agreement
 - Drive the construction work of Phase 1 project, project sales and operational value will arise in the next few years
- **Meilin Checkpoint Urban Renewal Project**
 - The surge of property prices in Shenzhen in recent years further enhanced the economic value of the project
 - Construction work commenced, expect to start generating profit in 2019



Appendix



Appendix 1 – Corporate Chart



[#] Total 22 projects, of which Shenyang, Hefei, Guizhou and Shijiazhuang projects are not 100% but with controlling stake projects

[^] Exclude phase 1 residential project

[˘] A 48% stake Joint venture

^{*} After introducing a strategic investor through capital injection and implemented core employee shareholding scheme in July 2017, the Group's shareholding was reduced to 51%,

Appendix 2 – Income Statement



<i>HK\$ Million</i> <i>For the 12 months ended</i> <i>at 31 December</i>	2017	2016	Increase/ (Decrease)
Revenue	9,707	7,787	25% ¹
Cost of sales	(6,127)	(4,657)	32%
Gross profit	3,580	3,130	14%
Other gain - net	2,634	867	204%
Other income	54	111	(51%)
Distribution costs	(75)	(73)	3%
Administrative expenses	(606)	(510)	19%
Operating profit	5,587	3,525	58% ²
Share of profit of joint ventures	19	43	(56%)
Share of profit of associates	1,369	1,182	16%
Profit before finance costs and tax	6,975	4,750	47%
Finance costs - net	(788)	(995)	(21%)
Profit before income tax	6,187	3,755	65%
Income tax expense	(1,430)	(838)	71%
Profit for the Year	4,757	2,917	63% ³
Non-controlling interests	(915)	(801)	14%
Profit attributable to shareholders	3,842	2,116	82%
Basic EPS (HK dollar per share)	1.93	1.10	75%

1. Mainly benefited from growth of the port and related business, logistics service business volume, plus the consolidation of Yichang Expressway and Changsha Ring Road.

2. In addition to revenue growth, Qianhai Phase 1 Project recorded compensation gain before tax of HK\$2.83 billion

3. In addition to operating profit growth, 1) SZ Expressway's Derun Environment and Bank of Guizhou increased profit Share of Associates; 2) the Group recorded foreign exchange gain of HK\$310M (2016: foreign exchange loss of HK\$180 million)

Appendix 3 – Segment Results



	Revenue		Operating Profit		Share of Results of Associates & JVs		EBIT	
	2017	2016	2017	2016	2017	2016	2017	2016
<i>HK\$ Million</i>								
<i>For the 12 months ended at 31 December</i>								
Toll Road								
Revenue	6,248	5,910	2,894	2,549	571	328	3,465	2,877
Construction service revenue	863	146	-	-	-	-	-	-
Toll road subtotal	7,111	6,056	2,894	2,549	571	328	3,465	2,877
Logistic Business								
Logistic park	564	521	160	165	12	16	171	181
Logistic service	1,045	681	51	36	6	6	57	42
Port and related services	968	529	97	85	-	-	97	85
Logistic business sub-total	2,577	1,731	308	286	18	22	325	308
Head Office	19	-	2,385	690	799	875	3,185	1,565
	9,707	7,787	5,587	3,525	1,388	1,225	6,975	4,750
Finance income							114	195
Finance cost							(902)	(1,190)
Finance cost - net							(788)	(995)
Profit before income tax & NCI							6,187	3,755

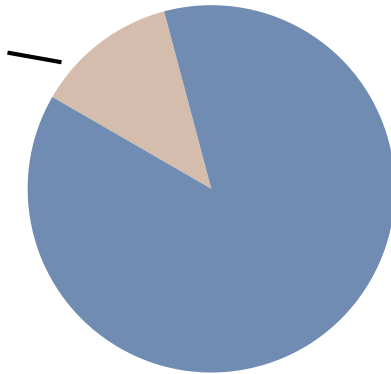
Appendix 4 – Financial Position

The Group's Borrowing Profile
As at 31 December 2017

Cash & Banking Facilities

HK\$ Million

Cash
7,335
11%



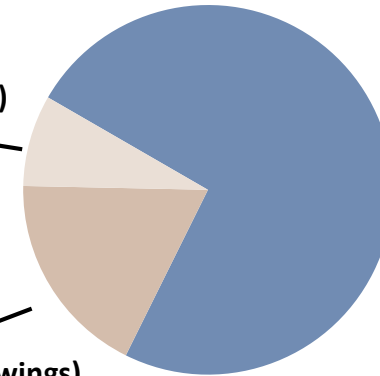
Stand-by
Banking Facilities
56,734
89%

Total Borrowings: HK\$15,825M – In Currency

(HKD Borrowings)
8%

(USD Borrowings)
18%

(RMB Borrowings)
74%

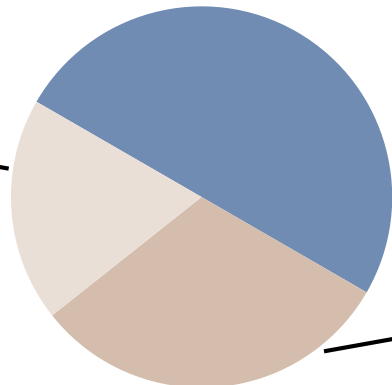


Total Borrowings: HK\$15,825M – Repayment Period

5 Years Above
19%

2 to 5 Years
50%

Within 1 Year
31%

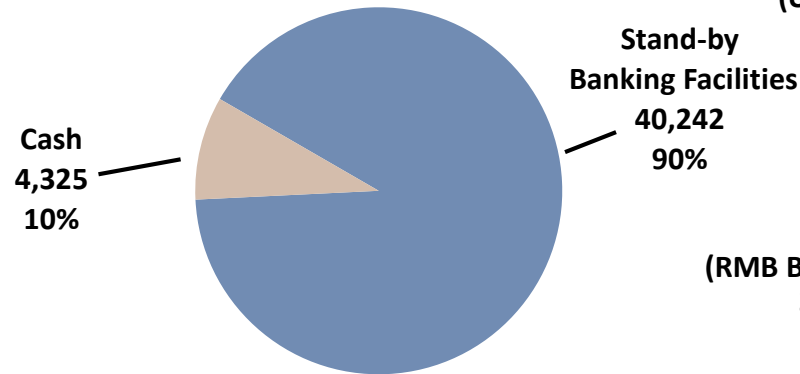


Appendix 4 – Financial Position (Excl. Shenzhen Expressway)

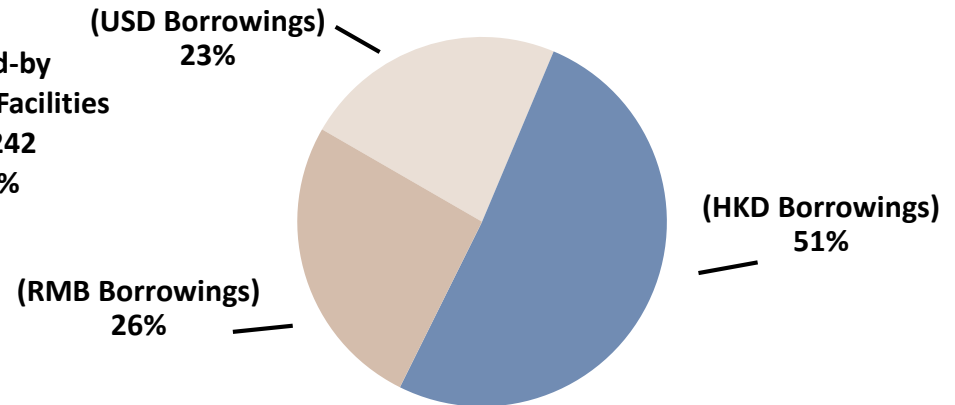
The Group's Borrowing Profile
(Excl. Shenzhen Expressway)
As at 31 December 2017

Cash & Banking Facilities

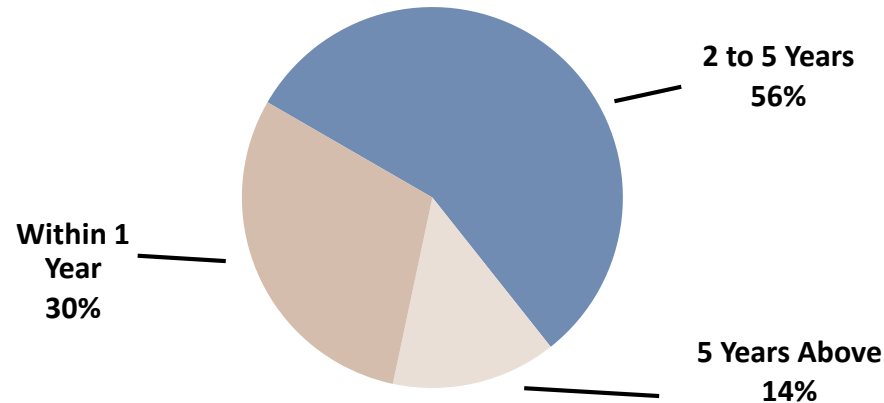
HK\$ Million



Total Borrowings: HK\$2,413M – In Currency



Total Borrowings: HK\$2,413M – Repayment Period



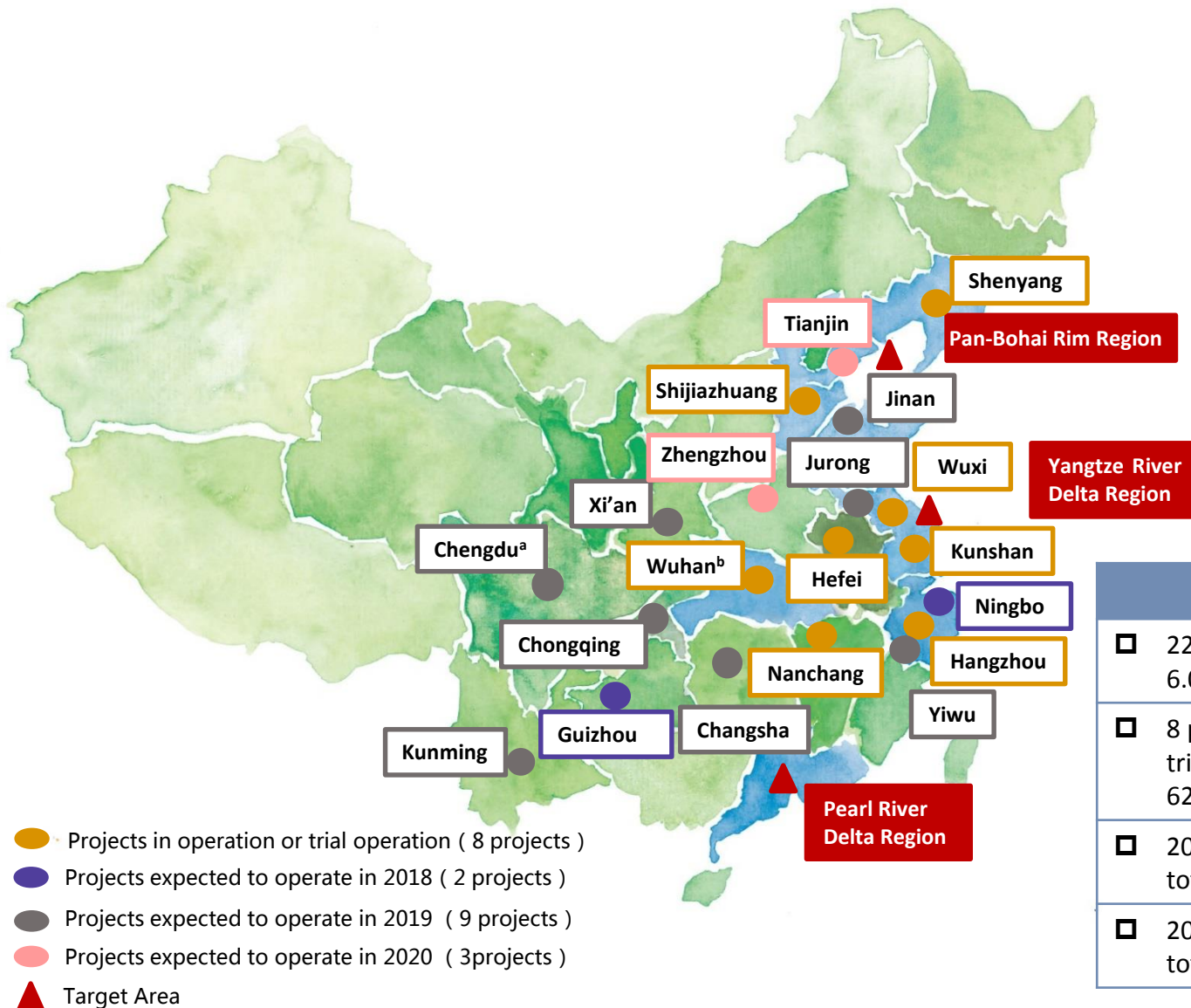
Appendix 5 – 「China Urban Integrated Logistics Hub」 – Illustration



Appendix 5 – 「China Urban Integrated Logistics Hub」 – Wuhan Project



Appendix 5 – [China Urban Integrated Logistics Hub]



Overview	
□	22 projects, total planned site area 6.08M sqm
□	8 projects commenced operation or trial operation, total operating area 623K sqm
□	2018: 2 projects expected to operate, total planned site area 542K sqm
□	2019: 9 projects expected to operate, total planned site area 2.2M sqm

^a Including Chengdu Qingbaijiang Integrated Logistics Hub (to operate in 2019) and Chengdu Xinjin Integrated Logistics Hub (to operate in 2020)

^b Including Wuhan Dongxihu Integrated Logistics Hub (in operation in 2017) and Wuhan Caidian Integrated Logistics Hub (to operate in 2019)

Appendix 5 – 「China Urban Integrated Logistics Hub」 - Project Overview

Projects in operation or trial operation in 2017	
Shenyang Project	<ul style="list-style-type: none"> ▣ Planned site area: 700K sqm; ▣ Operating Area: 241K sqm
Kunshan Project	<ul style="list-style-type: none"> ▣ Planned site area: 117K sqm; ▣ Operating Area: 96K sqm
Wuhan Dongxihu Project	<ul style="list-style-type: none"> ▣ Planned site area: 126K sqm; ▣ Operating Area: 67K sqm
Hefei Project	<ul style="list-style-type: none"> ▣ Planned site area: 138K sqm; ▣ Operating Area: 38K sqm
Nanchang Project	<ul style="list-style-type: none"> ▣ Planned site area: 267K sqm; ▣ Operating Area: 44K sqm
Shijiazhuang Project	<ul style="list-style-type: none"> ▣ Planned site area: 467K sqm; ▣ Operating Area: 64K sqm
Wuxi Project (trial operation)	<ul style="list-style-type: none"> ▣ Planned site area: 347K sqm; ▣ Operating Area: 27K sqm
Hangzhou Project (trial operation)	<ul style="list-style-type: none"> ▣ Planned site area: 432K sqm; ▣ Operating Area: 46K sqm

Appendix 5 – 「China Urban Integrated Logistics Hub」 - Project Overview (Continued)

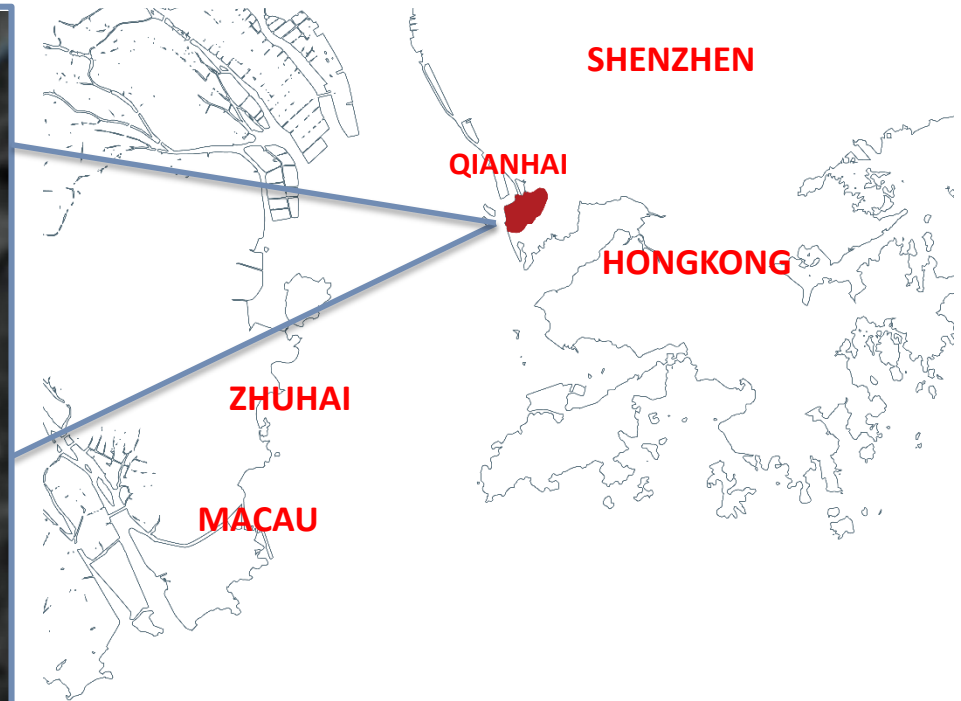


Project	Planned site area	Expected operation time
Guizhou Project	□ 348K sqm	2018
Ningbo Project	□ 194K sqm	2018
Changsha Project	□ 347K sqm	2019
Chongqing Project	□ 157K sqm	2019
Xi'an Project	□ 120K sqm	2019
Jurong Project	□ 400K sqm	2019
Yiwu Project	□ 440K sqm	2019
Wuhan Caidian Project	□ 267K sqm	2019
Chengdu Qingbaijiang Project	□ 129K sqm	2019
Kunming Project	□ 172K sqm	2019
Jinan Zhangqiu Project	□ 180K sqm	2019
Chengdu Xinjin Project	□ 173K sqm	2020
Tianjin Project	□ 295K sqm	2020
Zhengzhou Project	□ 267K sqm	2020

Appendix 6 – South China Logistic Park Phase 2 Project – Illustration



Appendix 7 – Qianhai Project – Geographical Location



Area in Orange—Shenzhen International Western Logistic Park (380K sqm)

Area in Blue—Qianhai Phase 1 Project (38.8K sqm)

Appendix 7 – Qianhai Project

**Qianhai (Global) Cross-border
E-commerce Industrial Park**



**Shenzhen International Qianhai
Intelligence Hub**



Appendix 7 – Qianhai Project– Phase 1 Project Illustration



Appendix 8 – Meilin Checkpoint Urban Renewal Project – Illustration



Appendix 9 – Nanjing Xiba Port



- This presentation is prepared in good faith, based on audited financial data, management information, publicly available information, and management's outlook as of 27th March 2018. Macroeconomic parameters could change unexpectedly. The Group's operating environment and thus strategies could change as a result and without notice.
- This presentation does not constitute an invitation to trade this or any other stock. Stock price can go down as well as up. Historical performance is no guarantee for the future.



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Thank You

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