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

*(incorporated in Bermuda with limited liability)*
**(Stock Code: 00152)**

# 2009 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Shenzhen International Holdings Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (the "Group"), and its jointly controlled entities and associates for the year ended 31 December 2009 (the "Year") together with comparative figures for the year ended 31 December 2008 as follows:

**Consolidated Income Statement:**

| | | **Year ended 31 December** | |
|---|---|---|---|
| | | **2009** | 2008 |
| | **Note** | ***HK$'000*** | *HK$'000* |
| **Revenue** | (4) | **4,080,949** | 5,951,614 |
| Cost of sales | (7) | **(2,635,576)** | (4,665,236) |
| **Gross profit** | | **1,445,373** | 1,286,378 |
| Other gains - net | (5) | **391,840** | 160,150 |
| Other income | (6) | **86,059** | 104,782 |
| Distribution costs | (7) | **(23,052)** | (21,757) |
| Administrative expenses | (7) | **(201,637)** | (214,332) |
| Other operating expenses | (7) | **(10,774)** | (1,499) |
| **Operating profit** | | **1,687,809** | 1,313,722 |
| Share of profit of jointly controlled entities | | **204,763** | 244,439 |
| Share of profit/(loss) of associates | | **92,506** | (17,601) |
| **Profit before finance costs and tax** | | **1,985,078** | 1,540,560 |
| Finance income | (8) | **27,952** | 61,866 |
| Finance costs | (8) | **(569,047)** | (445,761) |
| Finance costs - net | (8) | **(541,095)** | (383,895) |
| **Profit before income tax** | | **1,443,983** | 1,156,665 |
| Income tax expense | (9) | **(266,885)** | (190,043) |
| **Profit for the Year** | | **1,177,098** | 966,622 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **865,859** | 574,986 |
| Minority interests | | **311,239** | 391,636 |
| | | **1,177,098** | 966,622 |

## Consolidated Income Statement (CONTINUED):

| | Note | **2009** *HK$'000* | 2008 *HK$'000* |
|---|---|---|---|
| | | **Year ended 31 December** | |
| **Earnings per share for the profit attributable to the equity holders of the Company during the Year** (expressed in HK cents per share) | | | |
| – Basic | (10) | **6.17** | 4.06 |
| – Diluted | (10) | **6.03** | 4.04 |
| **Dividends** | | | |
| Proposed final dividend of HKD0.0146 (2008: HKD0.0145) per ordinary share | (11) | **206,472** | 203,398 |
| Proposed special dividend of HKD0.0071 (2008: Nil) per ordinary share | (11) | **100,408** | - |

## Consolidated Statement of Comprehensive Income:

| | **2009** *HK$'000* | 2008 *HK$'000* |
|---|---|---|
| | **Year ended 31 December** | |
| **Profit for the Year** | **1,177,098** | 966,622 |
| **Other comprehensive income:** | | |
| Fair value gains on available-for-sale financial assets, net of tax | **1,005,013** | 28,391 |
| Transfer of fair value gains to income statement upon disposal of available-for-sale financial assets, net of tax | **(81,410)** | - |
| Fair value losses on derivative financial instruments, net of tax | **(5,640)** | (49,211) |
| Derecognition of cash flow hedge, net of tax | **5,210** | - |
| Revaluation surplus arising from business combination, net of tax | **978,170** | - |
| Currency translation differences | **10,013** | 643,845 |
| | **1,911,356** | 623,025 |
| **Total comprehensive income for the Year** | **3,088,454** | 1,589,647 |
| **Total comprehensive income attributable to:** | | |
| Equity holders of the Company | **2,266,520** | 1,011,983 |
| Minority interests | **821,934** | 577,664 |
| | **3,088,454** | 1,589,647 |

**Consolidated Balance Sheet:**

| | Note | As at 31 December 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,214,359** | 1,636,136 |
| Investment properties | | **44,443** | 49,183 |
| Leasehold land, land use rights and other leased assets | | **670,262** | 509,656 |
| Construction in progress | | **636,456** | 341,542 |
| Intangible assets | | **22,463,694** | 18,125,699 |
| Investments in associates | | **1,455,216** | 1,441,731 |
| Investments in jointly controlled entities | | **300,350** | 773,559 |
| Available-for-sale financial assets | | **142,366** | 95,726 |
| Deferred tax assets | | **45,923** | - |
| Other non-current assets | | **53,247** | - |
| | | **28,026,316** | 22,973,232 |
| **Current assets** | | | |
| Available-for-sale financial assets | | **2,311,475** | 1,134,638 |
| Financial assets at fair value through profit or loss | | **-** | 149,827 |
| Assets held for sale | | **14,528** | 14,717 |
| Trade and other receivables | (12) | **412,421** | 573,899 |
| Restricted bank deposits | | **556,920** | 160,168 |
| Cash and cash equivalents | | **1,126,402** | 1,901,000 |
| Derivative financial instruments | | **-** | 7,143 |
| | | **4,421,746** | 3,941,392 |
| **Total assets** | | **32,448,062** | 26,914,624 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | | **2,973,698** | 2,941,407 |
| Other reserves | | **252,447** | (1,374,813) |
| Retained earnings | | | |
| – Proposed dividends | | **306,880** | 203,398 |
| – Others | | **3,492,111** | 3,139,929 |
| | | **7,025,136** | 4,909,921 |
| **Minority interests** | | **5,694,554** | 4,972,684 |
| **Total equity** | | **12,719,690** | 9,882,605 |

## Consolidated Balance Sheet (CONTINUED):

| | | As at 31 December | |
|---|---|---|---|
| | | **2009** | 2008 |
| | **Note** | ***HK$'000*** | *HK$'000* |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **9,604,665** | 7,302,217 |
| Derivative financial instruments | | **51,608** | 51,460 |
| Provision for maintenance/resurfacing obligations | | **829,180** | 366,426 |
| Convertible bonds | | **1,426,402** | 3,066,685 |
| Deferred income tax liabilities | | **1,684,619** | 875,921 |
| Deferred income | | **-** | 33,608 |
| Other non-current liabilities | | **9,087** | - |
| | | **13,605,561** | 11,696,317 |
| **Current liabilities** | | | |
| Trade and other payables | (13) | **2,086,141** | 3,233,979 |
| Income tax payable | | **172,718** | 159,875 |
| Convertible bonds | | **1,776,430** | - |
| Borrowings | | **2,084,829** | 1,941,848 |
| Derivative financial instruments | | **2,693** | - |
| | | **6,122,811** | 5,335,702 |
| **Total liabilities** | | **19,728,372** | 17,032,019 |
| **Total equity and liabilities** | | **32,448,062** | 26,914,624 |
| **Net current liabilities** | | **(1,701,065)** | (1,394,310) |
| **Total assets less current liabilities** | | **26,325,251** | 21,578,922 |

*Notes:*

**(1) Basis of preparation**

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS). They have been prepared under the historical cost convention, as modified by the revaluation of the available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, and investment properties, which are carried at fair value.

The Group reported net current liabilities of approximately HKD1,701 million as at 31 December 2009. On the basis that the Group has unutilised banking facilities of approximately HKD11,934 million as at 31 December 2009, including facilities of approximately HKD7,388 million expiring beyond one year, and has been generating positive operating cash flows, the directors of the Company believe that the Group operates as a going concern and is able to meet its financial obligations as and when they fall due. Consequently, the financial statements have been prepared by the directors of the Company on a going concern basis.

## (2) Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The Group has adopted the following new and amended HKFRSs as of 1 January 2009, all of these have no impact on earnings per share.

i) HKFRS 7 'Financial instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The change in accounting policy only results in additional disclosures.

ii) HKAS 1 (revised) 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. The change in accounting policy only impacts presentation aspects.

iii) HKFRS 2 (amendment), 'Share-based payment' (effective 1 January 2009) deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group and Company has adopted HKFRS 2 (amendment) from 1 January 2009. The amendment does not have a material impact on the Group or Company's financial statements.

iv) HKAS 23 (revised) 'Borrowing Costs' (effective 1 January 2009) requires capitalisation of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. As the Group previously applied a policy of capitalising borrowing costs which is similar to the requirements. This amendment does not have a material impact on the Group or Company's financial statements.

v) HKFRS 8, 'Operating segments' (effective 1 January 2009). HKFRS 8 replaces HKAS 14, 'Segment reporting'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in the change of the reportable segments presented. The segments have already been reported in a manner that is consistent with the internal reporting provided to the chief operating decision-marker. The chief operating decision-maker has been identified as the board of directors that make strategic decisions.

In addition, the Group also early adopted the amendment to HKFRS 8 in the annual improvement projects published in May 2009, which allows that the total segment assets are to be disclosed only when such information is regularly provided to the chief operation decision makers, like segment liabilities under current HKFRS 8. Since the segment assets and liabilities of the Group are not regularly provided to its chief operation decision makers, no such information has been disclosed in these consolidated financial statements.

**(2) Changes in accounting policies and disclosures (cont'd)**

(a) New and amended standards adopted by the Group (cont'd)

vi) HKAS 24 (revised) 'Related party disclosures' (effective 1 January 2011). The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government-related entities and the government.

Those disclosures are replaced with a requirement to disclose:
- the nature of the government and the nature of their relationship; and
- the nature and amount of any individually – significant transactions; and
- the extent of any collectively-significant transactions qualitatively or quantitatively.

It also clarifies and simplifies the definition of a related party. Early adoption is permitted, for either the entire standard or the government-related entity exemption. The management has decided to early adopt HKAS 24 (revised) for the entire standard from 1 January 2009. The change in accounting policy only impacts presentation aspects.

vii) HKAS 36 (amendment) 'Impairment of assets' (effective 1 January 2009). The amendment requires enhance the disclosure of estimates used to determine recoverable amount. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The amendment only results in additional disclosures.

viii) HKAS 40 (amendment) 'Investment property' (effective 1 January 2009). Property that is under construction or development for future use as investment property is within the scope of HKAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. Where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed or the date at which fair value becomes reliably measurable. The amendment does not have a material impact on the Group or the Company's financial statements.

(b) Critical accounting estimates and assumptions changed for the Year:

i) Provisions for maintenance/resurfacing obligations

In the second quarter of 2009, the Group has reviewed amounts and timing of expenditures expected to incur for the major maintenance and resurfacing to be undertaken throughout the allowed operating periods of some principal toll roads operated by the Group. As affected by the downward trend of the market interest, the Group has adjusted the discount rate adopted in calculating provision for maintenance/resurfacing obligations from 10% to 6.62% in order to reflect the time value of the provision on a more reasonable basis. The provision for maintenance/resurfacing obligations has been adjusted prospectively based on the updated maintenance/resurfacing plans and updated discount rate since 1 April 2009. This change in accounting estimate resulted in an increase of net profit for the year ended 31 December 2009 amounting to HKD20,943,000.

**(2) Changes in accounting policies and disclosures (cont'd)**

(b) Critical accounting estimates and assumptions changed for the Year: (cont'd)

ii) Fair value estimation of the identifiable assets and liabilities acquired

On acquisition date 30 September 2009, the Group completed the acquisition of the 45% equity interest in Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ("Jihe East Company") at a purchase consideration of RMB1,068,800,000 (HKD1,213,443,000). Jihe East Company became a wholly-owned subsidiary of the Group. In accordance with the accounting policy, the net identifiable assets acquired in the business combination are recorded at fair value at the acquisition date.

As there is no active market existing for the net identifiable assets acquired in the business combination, the directors of the Company have considered a wide range of measures including engaging the independent professional traffic consultant to evaluate the fair value of the principal assets – concession intangible assets of Jihe East Company based on discounted cash flow method.

The fair value assessment process involves a number of key assumptions, including traffic volume, toll prices, applicable tax rates and the discount rate and so on.

**(3) Segment information**

The Group reassessed its operations to be organised in 3 main business segments:

- Toll roads;
- Logistic parks; and
- Provision of logistic service.

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

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

The board of directors considers the business from a business activities perspective, and assesses the performance of toll roads, logistic parks and logistic services segments. Toll roads include development, operation and management of toll highway; logistic parks mainly include the construction operation and management of logistic centres; logistic services include the provision of third party logistic and logistic information services to customers.

Substantial businesses of the Group are carried out in the PRC.

## (3) Segment information (cont'd)

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

For the year ended 31 December 2009

| | Toll roads | Logistic parks | Logistic services | Head office functions | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | 3,725,438 [a] | 176,761 | 178,173 | 577 | 4,080,949 |
| Operating profit | 1,241,899 | 51,336 | 7,437 | 387,137 | 1,687,809 |
| Share of profit/(loss) of jointly controlled entities | 202,971 | 2,399 | (607) | - | 204,763 |
| Share of profit of associates | 91,834 | - | 672 | - | 92,506 |
| Finance income | 16,398 | 1,548 | 1,676 | 8,330 | 27,952 |
| Finance costs | (452,835) | (6) | (11) | (116,195) | (569,047) |
| Profit before tax | 1,100,267 | 55,277 | 9,167 | 279,272 | 1,443,983 |
| Income tax expense | (175,441) | (6,095) | (1,120) | (84,229) | (266,885) |
| Profit for the Year | 924,826 | 49,182 | 8,047 | 195,043 | 1,177,098 |
| Minority interests | (310,722) | (34) | (1,566) | 1,083 | (311,239) |
| Profit attributable to equity holders of the Company | 614,104 | 49,148 | 6,481 | 196,126 | 865,859 |
| Depreciation and amortisation | 512,253 | 35,400 | 12,115 | 1,780 | 561,548 |
| Capital expenditure | | | | | |
| - Addition in property, plant and equipment, construction in progress , leasehold land, land use rights and other leased assets and intangible assets | 1,458,610 | 326,217 | 40,760 | 461,981 | 2,287,568 |
| - Addition in property, plant and equipment, construction in progress , leasehold land, land use rights and other leased assets and intangible assets arising from acquisition of subsidiaries | 3,569,813 | - | - | 83,290 | 3,653,103 |
| - Investment in associates | 51,119 | - | - | - | 51,119 |

## (3) Segment information (cont'd)

For the year ended 31 December 2008

| | Toll roads | Logistic parks | Logistic services | Head office functions | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | 5,681,892 [(a)] | 147,441 | 122,281 | - | 5,951,614 |
| Operating profit/(loss) | 1,121,716 | 47,255 | (1,450) | 146,201 | 1,313,722 |
| Share of profit/(loss) of jointly controlled entities | 240,642 | (1,098) | 4,895 | - | 244,439 |
| Share of profit/(loss) of associates | (19,255) | - | 1,654 | - | (17,601) |
| Finance income | 28,861 | 1,328 | 1,431 | 30,246 | 61,866 |
| Finance costs | (324,075) | (491) | (217) | (120,978) | (445,761) |
| Profit before tax | 1,047,889 | 46,994 | 6,313 | 55,469 | 1,156,665 |
| Income tax expense | (160,892) | (6,210) | (705) | (22,236) | (190,043) |
| Profit for the Year | 886,997 | 40,784 | 5,608 | 33,233 | 966,622 |
| Minority interests | (292,051) | (3,895) | (502) | (95,188) | (391,636) |
| Profit/(loss) attributable to equity holders of the Company | 594,946 | 36,889 | 5,106 | (61,955) | 574,986 |
| Depreciation and amortisation | 362,607 | 29,976 | 9,754 | 8,023 | 410,360 |
| Capital expenditure | | | | | |
| - Addition in property, plant and equipment, construction in progress , leasehold land, land use rights and other leased assets and intangible assets | 4,192,208 | 56,410 | 50,087 | 60,348 | 4,359,053 |
| - Addition in property, plant and equipment, construction in progress , leasehold land, land use rights and other leased assets and intangible assets arising from acquisition of subsidiaries | - | - | 62,407 | - | 62,407 |
| - Investment in associates | 42,570 | - | - | - | 42,570 |
| - Investment in jointly controlled entities | - | 1,628 | - | - | 1,628 |

(a) The revenue from toll roads includes construction revenue: for the year ended 31 December 2009: HKD1,211,696,000; for the year ended 31 December 2008: HKD3,644,727,000.

## (4) Revenue

| | 2009 | 2008 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Toll Road | | |
| - Toll revenue | **2,513,742** | 2,037,165 |
| - Construction revenue under Service Concession | **1,211,696** | 3,644,727 |
| Logistic Parks | **176,761** | 147,441 |
| Logistic Service | **178,173** | 122,281 |
| Head office | **577** | - |
| | **4,080,949** | 5,951,614 |

## (5) Other gains – net

| | 2009 | 2008 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Gain on disposals of financial assets at fair value through profit or loss | **96,578** | 34,080 |
| Fair value losses on financial assets at fair value through profit or loss | **-** | (197,946) |
| Fair value losses on derivative financial instruments | **(5,057)** | - |
| Gain on disposals of interest in associates | **-** | 290,210 |
| Reversal of impairment of property, plant and equipment , leasehold land, land use rights and other leased assets | **3,300** | - |
| Gain on disposals of available-for-sale financial assets | **258,245** | - |
| Gain on disposals of property, plant and equipment | **4,511** | 18,681 |
| Loss on disposals of investment properties | **(1,060)** | - |
| Net compensation on land resumption | **21,177** | - |
| Others | **14,146** | 15,125 |
| | **391,840** | 160,150 |

## (6) Other income

| | 2009 | 2008 |
|---|---|---|
| | *HK$'000* | *HK$'000* |
| Government grants | **33,575** | 31,886 |
| Rental income | **18,352** | 31,114 |
| Dividend income | **17,899** | 26,920 |
| Others | **16,233** | 14,862 |
| | **86,059** | 104,782 |

**(7) Expenses by nature**

Expenses included in cost of sales, distribution costs, administrative expenses and other operating expenses are analysed as follows:

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Construction cost under Service Concession | **1,210,811** | 3,643,105 |
| Provision for maintenance/resurfacing obligations | **143,706** | 54,929 |
| Depreciation, amortisation and impairment losses | **561,548** | 422,852 |
| Employee benefit expenses | **239,342** | 182,502 |
| Transportation expenses | **169,479** | 115,942 |
| Rental charges | **26,507** | 15,400 |
| Other tax expenses | **92,749** | 76,347 |
| Commission and management fee for toll roads | **222,294** | 196,911 |
| Auditors' remuneration | **8,048** | 8,718 |
| Legal and consultancy fees | **12,757** | 27,537 |
| Others | **183,798** | 158,581 |
| | **2,871,039** | 4,902,824 |

**(8) Finance income and costs**

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Interest expense | | |
| - Bank borrowings and other borrowings | **500,482** | 437,121 |
| - Convertible bonds | **135,153** | 129,077 |
| - Bonds | **66,538** | 66,194 |
| - Other interest expense | **32,648** | 27,997 |
| Less: interest expenses capitalised in construction in progress | **(165,774)** | (214,628) |
| | **569,047** | 445,761 |
| Interest income bank deposits | **(27,952)** | (61,866) |
| Net finance costs | **541,095** | 383,895 |

**(9) 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 Year. 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.

## (9) Income tax expense (cont'd)

The PRC corporate income tax charged to the consolidated income statement was calculated based on the assessable profits of the Company's subsidiaries located in the PRC of the year at a progressive rate of 20% (2008: 18%) applicable to the respective companies.

| | **2009** | 2008 |
|---|---|---|
| | ***HK\$'000*** | *HK\$'000* |
| Current income tax | | |
| PRC corporate income tax | **386,463** | 327,504 |
| Deferred income tax | **(119,578)** | (137,461) |
| | **266,885** | 190,043 |

## (10) Earnings per share

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 Year.

| | **2009** | 2008 |
|---|---|---|
| | ***HK\$'000*** | *HK\$'000* |
| Profit attributable to equity holders of the Company | **865,859** | 574,986 |
| Weighted average number of ordinary shares in issue (thousands) | **14,037,374** | 14,154,014 |
| Basic earnings per share (HK cents per share) | **6.17** | 4.06 |

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 two categories of dilutive potential ordinary shares: convertible bonds and share options. The convertible bonds are assumed to have converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the 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.

| | **2009** | 2008 |
|---|---|---|
| | ***HK\$'000*** | *HK\$'000* |
| Profit attributable to equity holders of the Company | **865,859** | 574,986 |
| Interest expense on convertible bonds | **69,754** | - |
| Profit used to determine diluted earnings per share | **935,613** | 574,986 |
| Weighted average number of ordinary shares in issue (thousands) | **14,037,374** | 14,154,014 |
| Adjustments – share options (thousands) | **51,586** | 69,954 |
| Adjustments – conversion of convertible bonds (thousands) | **1,439,583** | - |
| Weighted average number of ordinary shares for diluted earnings per share (thousands) | **15,528,543** | 14,223,968 |
| Diluted earnings per share (HK cents per share) | **6.03** | 4.04 |

**(11) Dividends**

At the meeting dated 23 March 2010, the directors recommend the payment of a final dividend of HKD0.0146 per ordinary share and special dividend of HKD0.0071 per ordinary share, totaling HKD306,880,000. Such dividends are to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this as dividend payable.

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Proposed final dividend of HKD0.0146 (2008: HKD0.0145) per ordinary share | **206,472** | 203,398 |
| Proposed special dividend of HKD0.0071 (2008: Nil) per ordinary share | **100,408** | - |
| | **306,880** | 203,398 |

**(12) Trade and other receivables**

The income from toll road operation is mainly received in cash and it usually does not maintain any trade receivable balances related to toll road operations. Accordingly, the Group does not have any specified credit period for its customers related to toll road operations. Trade receivables other than toll road income generally have credit terms of 30 to 120 days. As at 31 December 2009 and 2008, the ageing analysis of the trade receivables of the Group is as follows:

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0-90 days | **127,903** | 102,534 |
| 91-180 days | **16,751** | 3,954 |
| 181-365 days | **13,889** | 727 |
| Over 365 days | **157,306** | 151,967 |
| | **315,849** | 259,182 |

**(13) Trade and other payables**

As at 31 December 2009 and 2008, the ageing analysis of the trade payables of the Group is as follows:

| | **2009** | 2008 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0-90 days | **99,300** | 39,434 |
| 91-180 days | **444** | 344 |
| 181-365 days | **9,415** | 5,144 |
| Over 365 days | **1,003** | 670 |
| | **110,162** | 45,592 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF RESULTS

| | 2009<br>HK$'000 | 2008<br>HK$'000 | Increase/<br>(Decrease)<br>% |
|---|---|---|---|
| Revenue (excluding construction revenue from toll roads) | **2,869,253** | 2,306,887 | 24 |
| Construction revenue from toll roads | **1,211,696** | 3,644,727 | (67) |
| Total Revenue | **4,080,949** | 5,951,614 | (31) |
| | | | |
| Profit before finance costs and tax | **1,985,078** | 1,540,560 | 29 |
| Core Business | **1,619,920** | 1,414,217 | 15 |
| Non-recurring items | **365,158** | 126,343 | 189 |
| | | | |
| Profit attributable to shareholders | **865,859** | 574,986 | 51 |
| Core Business | **576,975** | 568,341 | 2 |
| Non-recurring items | **288,884** | 6,645 | 4,247 |
| | | | |
| Basic earnings per share | **HK6.17 cents** | HK4.06 cents | 52 |
| Core Business | **HK4.11 cents** | HK4.02 cents | 2 |
| Non-recurring items | **HK2.06 cents** | HK0.04 cent | 5,050 |
| | | | |
| Dividend per share | | | |
| －Final dividend | **HK1.46 cents** | HK1.45cents | 1 |
| －Special dividend | **HK0.71 cent** | － | N/A |

### CORE BUSINESS

At the beginning of 2009, impacted by the global financial crisis, the externally oriented economies of Shenzhen and its nearby areas saw their economic activities and commerce and trade exchanges being significantly affected by sluggish external demands. In the second quarter of 2009, an array of stimulus measures implemented by governments of various countries started to take effect, and the global economy resumed growth in the second half of 2009. With a view to tackling the global financial crisis, the Chinese government has initiated a series of policies aimed at encouraging domestic demands, and rapidly arrested the significant decline of economic growth. Although for the whole year of 2009 China still registered a decrease of 13.9% in export value, such decrease was already a significant improvement compared to the decline of 23.5% for the first half of 2009.

Since the second half of 2009, international trade gradually rebounded, cargo transport volume also picked up, and private car ownership continued to rise due to the launch of revival plans for the car industry by the Chinese government. The opening of the Group's expressways in recent years has also led to a rapid growth in toll revenue, while the total operating area of logistic centres has increased substantially by 155,000 square metres from the second half of 2008 to the end of 2009, bringing a new revenue contribution for the Year. Meanwhile, the Group has also successfully expanded its market by introducing a number of new quality customers, thereby recording considerable growth in revenues from the logistic park business and the logistic service business.

The Group's revenue (excluding construction revenue from toll roads) in 2009 was up 24% over the previous year, with the growth rate being reflected mainly in the second half of the Year. Revenue in the second half of 2009 increased by 36% as compared to the corresponding period of the previous year, much higher than the year-on-year increase of 12% in the first half of the Year. Toll revenue and revenues from logistic park and logistic service businesses in the second half of 2009 went up by 41%, 19% and 26%, respectively, over the first half of the Year. Total revenue also increased by 39% over the first half of the Year.

This was a difficult year for the logistics industry. Under shrinking market conditions, we maintained revenue growth by increasing operating scale. However, this also increased fixed costs, resulting in a decrease in gross margin. We cut various expenses and controllable costs, thereby reducing the yearly management fees by 6% and maintaining year-by-year growth in operating profit. The Group's profit before finance costs and tax of the core business amounted to HK$1,620 million (2008: HK$1,414 million), representing an increase of 15% over the same period of previous year.

Nevertheless, with the Group's net finance costs significantly increased by 41% over the previous year and with the domestic income tax rate rising from 18% to 20%, the growth in operating profit was being offset to a certain extent. During the Year, profit attributable to shareholders of the core business amounted to HK$577 million (2008: HK$568 million), an increase of 2%.

**Non-Recurring Profit of HK$283 million from Disposal of A Shares of CSG Holding Co., Ltd. ("CSG")**

During the Year, the A share market in the PRC saw an improvement while the overall stock market witnessed a stable increase, leading to a quickened pace in the Group's disposal of shares in CSG as compared to 2008. During the Year, the Group disposed of a total of 29.31 million A shares of CSG at an average consideration of approximately RMB16.16 (HK$18.34) per share, and the Group realised a non-recurring profit of approximately HK$283 million.

**Final Dividend and Special Dividend were HK1.46 cents and HK0.71 cent respectively, with payout ratio maintained at 35%**

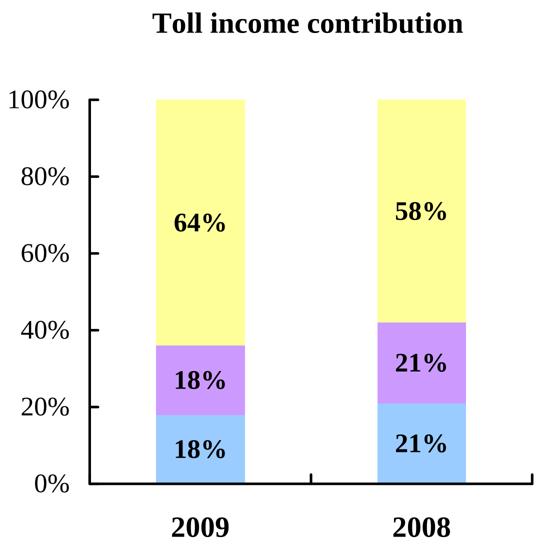
The Board recommended a final cash dividend of HK1.46 cents per share for the Year (2008: HK1.45 cents), representing an increase of 1% over the previous year. The Board also recommended the payment of a special cash dividend of HK0.71 cent per share (2008: Nil) for the profit from disposal of assets. Total cash dividend for the Year was HK2.17 cents per share, an increase of 50%, while total dividends amounted to HK$307 million (2008: HK$203 million), an increase of 51%, and representing 35% (2008: 35%) of net profit.

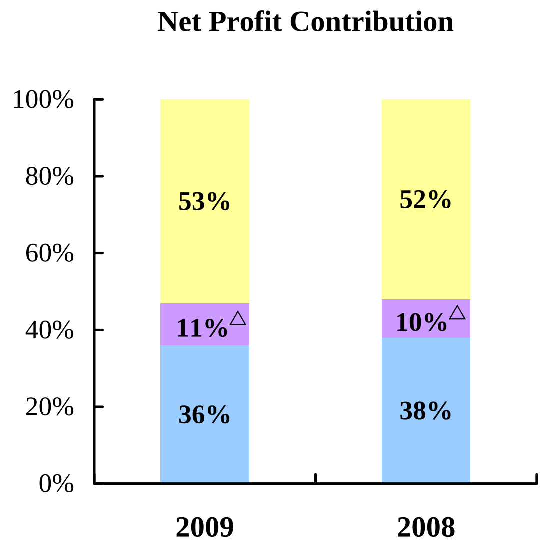
Such dividend shall be subject to approval by shareholders of the Company at the forthcoming annual general meeting. The final dividend and special dividend will be paid on 2 June 2010 to shareholders whose names appeared in the register of members of the Company on 19 May 2010.

## ANALYSIS OF MAJOR BUSINESS OPERATIONS

### TOLL ROAD BUSINESS

During the Year, toll revenue from the Group's toll road business increased by 23% to HK$2,513 million (2008: HK$2,037 million); and profit before finance costs and tax increased by 14% to HK$1,537 million (2008: HK$1,343 million); profit attributable to shareholders increased by 3% to HK$614 million (2008: HK$595 million).




△ *Included only profit attributable to the 45% interest in Wuhuang Expressway directly held by the Company.*


Major factors affecting the operating performance of the Group's toll road business during the Year include:

1. **Domestic macro economy**: Due to the continuing impact of the global financial crisis in the first half of 2009, China's economic growth slowed down, thereby curbing consumption growth. In the second half of 2009, the stimulating effect from domestic demands gradually appeared, and growth in industrial production gradually re-climbed, thereby resulting in positive impact on the traffic volume and toll revenue of the toll road industry.

2. **National policies**: In early 2009, the PRC government implemented the revival plan for the automobile industry, including a temporary reduction in vehicle purchase tax and the provision of one-off financial subsidies for vehicle change, which has stimulated vehicle sales and has indirectly driven an increase in traffic volume on the toll road operation.

3. **Adjustment to "Green Passage Toll-Free Policy"**: In June 2009, the revised "Green Passage" policy was implemented in Hubei Province whereby the criteria for vehicles enjoying the policy were tightened, thereby directly boosting the toll revenue generated on Wuhuang Expressway.

4. **Industry competition**: The increase in transport capacity of railways and the decrease in shipping costs impacted the overall highway transportation industry. Widening and expansion works of nearby expressways and local roads, as well as openings of new roads, had hindered traffic growth to a certain extent. Meanwhile, upon the implementation of fuel tax reforms, prices of petroleum products sold in China have hit a record high. A surge in fuel costs could increase operating costs for vehicles, thereby further lowering the competitiveness of highway transportation as compared to railway and waterway transportation.

***Longda Expressway***

During the Year, Longda Expressway recorded a toll revenue of HK$443 million (2008: HK$423 million), up 5% over the previous year. Average daily toll revenue was HK$1.21 million and average daily mixed traffic volume was approximately 57,400 vehicles, representing increases of 5% and 8% respectively over the previous year. Profit before finance costs and tax amounted to HK$292 million (2008: HK$284 million), representing an increase of 3% over the previous year. Profit attributable to shareholders amounted to HK$220 million (2008: HK$224 million), representing a decrease of 2% over the previous year.

During the Year, as favorably impacted by a series of policies implemented for the automobile industry in China, the traffic volume of private cars (Class 1) on Longda Expressway increased by 17% over the previous year. However, affected by an overall decline in China's foreign exports, the travelling frequency of truck vehicles (Class 5) with a higher toll rate dropped, with their traffic volume decreasing by 15% over the previous year, thereby lowering the growth rate of toll revenue on Longda Expressway.

The widening project of the Longhua section on Longda Expressway commenced construction works in October 2009 and is expected to be completed at the end of 2010. The two-way 8-lane widened section will effectively ease traffic flows towards Buji, Longhua and Guanlan in Shenzhen and will play a positive role in growing the traffic volume on this section.

***Wuhuang Expressway***

During the Year, toll revenue on Wuhuang Expressway amounted to HK$451 million (2008: HK$419 million), representing an increase of 8% over the previous year. Average daily toll revenue amounted to HK$1.24 million and average daily mixed traffic volume was approximately 32,300 vehicles, representing increases of 8% and 11% respectively over the previous year. Profit before finance costs and tax amounted to HK$235 million (2008: HK$222 million), representing an increase of 6% over the previous year. Profit attributable to shareholders amounted to HK$65.29 million (2008: HK$59.77 million), representing an increase of 9% over the previous year.

Inland cities in general suffered less impact from the global financial crisis than coastal cities in China. With several expressways including Hanghong Expressway and Daguangbei Expressway in Hubei Province commenced operation in 2009, the traffic volume of Wuhuang Expressway was boosted by the resulting improvement in road networks.

In September 2009, construction of new electronic toll lanes at each toll gate of Wuhuang Expressway commenced and the whole project was completed in mid-December 2009. Equipment and passage software were tested successfully. Having met the requirements for traffic operation, electronic toll lanes were formally launched in January 2010.

***Shenzhen Expressway Company Limited ("Shenzhen Expressway")***

During the Year, Shenzhen Expressway recorded a toll revenue of HK$1,619 million (2008: HK$1,195 million), representing an increase of 35% over the previous year. Profit before finance costs and tax amounted to HK$1,009 million (2008: HK$837 million), representing an increase of 21% over the previous year. Profit attributable to the Group amounted to HK$329 million (2008: HK$311 million), representing an increase of 6% over the previous year.

During the Year, traffic volumes and toll revenues from a majority of highway projects operated and invested by Shenzhen Expressway recorded year-on-year growths. In particular, the growth rates on Nanguang Expressway and Guangzhou Western Second Ring Expressway, which were newly opened in recent years, exceeded 50%. Expressway toll standards have been applied to Qinglian Expressway since 1 July 2009, and a daily average toll revenue of HK$940,000 was achieved, which basically met expectations.

In the first half of 2009, the closure works for the main part of Qinglian Project's reconstruction into expressway (Fengtouling-Lianzhou section and Fengbu-Jingkou section), as well as sideway building and installation of electric equipment and traffic safety facilities, were completed, thereby enabling the project to make smooth transition as planned on 1 July 2009 and start operating and collecting toll at expressway toll standards. For Qianglian Project's Liannan section (Lianzhou-Fengbu section) that has commenced reconstruction into expressway since April 2009, road surface revamping works was completed and its operation resumed, whereas the works on sections involving line positions changes, as well as the closure works, were scheduled for completion at the beginning of 2011.

To further enlarge its scale of assets and profit base and to increase recurring cash revenue, Shenzhen Expressway contracted for the acquisition of 45% equity interest in Jihe East Company and related shareholders' loans of the transferor at a total consideration of RMB1,068.8 million (approximately HK$1,213.4 million) on 1 June 2009. Shenzhen Expressway currently owns 100% equity interest in Jihe East Company. The eastern section of Jihe Expressway, which has a sound operating record, is one of the toll roads with dense traffic in Shenzhen area. Increasing the interest in it will bring a stable cash revenue to Shenzhen Expressway while expanding the latter's quality asset scale. This will also facilitate Shenzhen Expressway's unified planning for project management and operation in the future.

In 2010, Shenzhen Expressway will aim to enhance its operation and management standards, and reinforce the marketing strategies for Nanguang Expressway, Yanba Expressway and Qinglian Expressway so as to achieve its target operating revenue. It will proactively proceed with various construction projects and entrusted construction projects.

## LOGISTIC PARK BUSINESS

During the Year, revenue and profit before finance costs and tax recorded on the logistic park business amounted to approximately HK$177 million (2008: HK$147 million) and HK$53.74 million (2008: HK$46.16 million) respectively, representing increases of 20% and 16% respectively over the previous year. In addition, profit attributable to shareholders amounted to HK$49.15 million (2008: HK$36.89 million), representing an increase of 33% over the previous year.

The increase in revenue was mainly due to the new income brought by an increase in total operation area of the Group's logistic centres. Total operation area increased by approximately 155,000 square metres from the second half of 2008 to the end of 2009. In addition, the Group achieved satisfactory results in respect of new business development, service qualify enhancements and strengthening the relationship of key customers. Together with stringent cost controls during the Year, a growth in profit before finance costs and tax was achieved.

During the Year, major factors affecting the operating performance of the Group's logistic park business include:

1. **Domestic economy**: In the first half of 2009, impact from the financial crisis still lingered on, and China's foreign trade market remained sluggish. Particularly, foreign-oriented economies including the Pearl River Delta region and the Yangtze River Delta region were more significantly affected. Despite a rapid rebound in the logistics industry in the second half of 2009, demand for export-related logistics rebounded relatively more slowly. The logistics industry which is closely associated with foreign trade development could not make an exception. As logistic park customers reduced leased area at the logistic centres and cargo turnover at the logistic centres declined, an increase in the empty-load rate of international container ships led to a decline in the utilization rate of containers. The growth of the logistic park business of the Group was directly affected.

2. **Land Use Tax and Corporate Income Tax**: Logistic parks in Shenzhen shall pay land use taxes in accordance with the relevant provisions. During the Year, the Group has paid approximately HK$7.36 million in aggregate. Meanwhile, the PRC corporate income tax rate rose from 18% in 2008 to 20% in 2009, thereby affecting the profit growth of the logistic park business.

### *South China Logistic Park*

During the Year, revenue recorded by South China Logistic Park amounted to HK$95.75 million (2008: HK$95.12 million) and was in par with the previous year. Profit before finance costs and tax amounted to HK$29.71 million (2008: HK$28.08 million), representing an increase of 6% over the previous year.

Benefitting from two new logistic centres totalling 52,000 square metres which were put into operation in the second quarter of 2008, their annual revenues in full were brought to South China Logistic Park for the first time and total revenue from the logistic centre business increased by 8% over the previous year. However, impacted by the financial crisis, the manufacturing industry along the Pearl River Delta shrank with factories being re-allocated to other regions, and production volume and overall demand for foreign trade declined. Revenues from the empty-container business and the cross-border cargo transfer business decreased by 11% and 4%, respectively, over the previous year.

South China Logistic Park shall pay the land use tax during the Year in accordance with the relevant provisions. Supported by the government's policies aimed at supporting relevant industries, land use tax for the area where South China Logistic Park is located was lowered from RMB9 per square metre to RMB5 per square metre, thereby mitigating the tax costs of the logistic park. Such tax in an aggregate amount of HK$3.27 million was paid during the Year.

Despite the impact from declines in revenue from some businesses and increases in land use tax rates and corporate income tax rates, the scale of the logistic centre at South China Logistic Park expanded, thereby increasing operating profit to HK$27.14 million, while profit attributable to shareholders for the Year increased by 5% over the previous year.

During the Year, South China Logistic Park has successfully increased the plot ratio of its land area at the logistic park, doubling the ratio from 0.26 to 0.52. As a result, gross floor area of the logistic park increased by approximately 141,000 square metres, whereas the actual land premium was merely RMB18.02 million (HK$20.44 million). Meanwhile, South China Logistic Park successfully completed the second phase land usage planning in October 2009. The site area and the gross floor area of South China Logistic Park were thus increased by approximately 77,000 square metres and 120,900 square metres respectively, while the land premium was finalised at RMB32.7 million (HK$37.1 million). Currently, total site area and total gross floor area of South China Logistic Park reached 610,000 square metres and 400,000 square metres respectively, of which 114,000 square metres of logistic centres are in operation and will be developed successively in the coming years. For the increases in gross floor areas of the two above-mentioned site areas, the Shenzhen Municipal Government has agreed to waive a significant portion of the land premium, thereby saving substantial capital expenditures for South China Logistic Park and significantly reducing future operating costs.

***Western Logistic Park***

During the Year, revenue recorded by Western Logistic Park amounted to HK$42.11 million (2008: HK$29.12 million), representing an increase of 45% over the previous year. Profit before finance costs and tax amounted to HK$16.98 million (2008: HK$17.70 million), representing a decrease of 4% over the previous year.

During the Year, revenue from Western Logistic Park increased by 45% over the previous year, mainly as the first-phase logistic centre was put into operation in the second half of 2008, thereby bringing its annual revenue in full to Western Logistic Park for the first time. Meanwhile, the business expansion of the logistic centre in the second half of 2009 performed well. Western Logistic Park shall pay the land use tax in accordance with the relevant provisions during the Year. Supported by the government's policies aimed at supporting relevant industries, the land use tax for the area where Western Logistic Park is located was lowered from RMB13 per square metre to RMB9 per square metre, thereby mitigating the tax costs of the logistic park. Such tax in an aggregate amount of HK$4.09 million was paid during the Year.

Phase II of logistic centre of Western Logistic Park, a site area of approximately 150,000 square metres, commenced in July 2009 its first stage of construction works which pertains to a site area of approximately 73,000 square metres. The first stage is expected to be completed at the end of 2010. Upon completion, the operating site area of the logistic centre will increase from 37,000 square metres to approximately 110,000 square metres.

***Nanjing Chemical Industrial Park Logistic Centre***

During the Year, revenue recorded by Nanjing Chemical Industrial Park Logistic Centre amounted to HK$38.90 million (2008: HK$23.20 million), representing an increase of 68% over the previous year. Profit before finance costs and tax amounted to HK$5.41 million, up significantly over the previous year. The increase was mainly due to the fact that Nanjing Chemical Industrial Park Logistic Centre had successfully enlisted new customers. Meanwhile, the second phase of the logistic centre with an operating area of approximately 19,000 square metres was put into operation (total operating area was 40,000 square metres) with satisfactory leasing results. The occupancy rates of dangerous goods warehouse and ordinary warehouse were 100% and 68% respectively. Together with the progress made in the transportation industry, business of this operation grew steadily.

***Huatongyuan Logistic Centre***

The Group completed the acquisition of a 51% equity interest in Shenzhen Huatongyuan Logistics Co., Ltd. ("Huatongyuan") at a consideration of RMB44.88 million in January 2009. Huatongyuan is mainly engaged in the operation and development of "Huatongyuan Logistic Centre" located in the vicinity of Meilin gateway of Shenzhen, with a site area of approximately 116,000 square metres and a total gross floor area of 132,000 square metres. Total investment of the project amounted to approximately RMB260 million.

Huatongyuan Logistic Centre has three zones covering a site area of 116,300 square metres, of which project construction for approximately 85,000 square metres of operating site area in two zones was completed and accepted upon inspection, and the centre gradually became operational in the fourth quarter. The site area of five buildings totalling 44,800 square metres was topped out in November 2009 and internal construction is underway, which is expected to be completed in the second quarter of 2010. In December 2009, the occupancy rate of operational logistic centres and freight stores at Huatongyuan Logistic Centre reached 89% and 100% respectively. The initial leasing situation of Huatongyuan Logistic Centre was better than expected, and it is anticipated to bring another income contribution to the Group in 2010.

**PORT BUSINESS**

Nanjing Xiba Wharf Co. Ltd. ("Nanjing Xiba Wharf Company"), in which the Group holds a 70% equity interest, was jointly established by the Group, Nanjing Chemical Industry Park Co., Ltd and Nanjing Port Authority in April 2008, with an aim to construct and operate five dry bulk and general terminals for 50,000-ton vessels and depots at Nanjing Xiba Port.

During the Year, satisfactory progress was made in the construction of two solid dry bulk terminals of 50,000-ton vessels for the first phase project of Nanjing Xiba Wharf Company. The main construction project of civil facilities was basically completed at the end of the Year and was now under the phase of equipment commissioning. The two terminals are expected to commence trial operation in the second quarter of 2010. With its current equipment, the yearly handling capacity on these two terminals may reach 7 million tons (of which there are 4 million tons for ship unloading and 3 million tons for ship loading), and relevant equipment will be added to increase throughput capacity based on the supply and demand situation to be reviewed in the future.

Upon completion of the first phase project, five functions of bulk cargo operation will be realized: ship unloading, depot storage, ship loading, train loading and automobile loading. In 2010, it aims to accomplish a business volume of 3 million tons in cargo transfer, thereby achieving a breakeven in its first year of operation.

## LOGISTIC SERVICE BUSINESS

During the Year, revenue recorded by the logistic service business of the Group amounted to approximately HK$178 million (2008: HK$122 million), representing an increase of 46% over the previous year. Profit before finance costs and tax amounted to approximately HK$7.5 million (2008: HK$5.1 million), representing an increase of 47% over the previous year. Profit attributable to shareholders amounted to HK$6.48 million (2008: HK$5.11 million), representing an increase of 27% over the previous year. The increase in revenue was mainly due to the enlisting of new customers upon provision of comprehensive logistic services. The growth in business volume and the increase in profit before finance costs and tax were mainly due to the Group's reinforced control over its costs and expenses.

During the Year, the Group successfully introduced renowned manufacturers of consumer goods in the country and provided them with comprehensive logistic services. The Group accommodated customers' needs by offering personalized logistic services, including warehousing operation, trunk transport and regional delivery. During the Year, scopes of cooperation and businesses between the Group and its major customers had been expanded gradually.

## INTRODUCTION OF NEW CORPORATE BRANDS

With the continued expansion of the Group's business, there is a need to have the original varied brands of various subsidiaries integrated on a systematic basis. Therefore, the Company initiated an unified branding strategy in 2009, and a new corporate brand was launched in mid-March 2010. Through the creation of the Group's brand image, products of all subsidiaries are organically connected with the market, a distinct brand positioning and its identification system were set up, and an integrated brand culture with unique characteristics was formed. The Group will continuously enhance brand awareness and influence in the market, with the ultimate aim of recognition and trust from customers and partners.

## DEVELOPMENT FOCUS AND OUTLOOK OF THE GROUP

It is expected that China's economy will see moderate growth in 2010, with previous economic stimulus policies staying effective while focusing more on transformation of the economic development mode and its structural adjustments. However, uncertainties still exist in the macro-economy as the impact from the financial crisis will still remain for a short period. It will take a longer time for foreign demands to recover which will impose certain restrictions on the development of the logistics and highway industries.

Looking into 2010, relevant revitalization and support will be reinforced. Six special plans under the Adjustment and Revitalization Plan for the Logistics Industry (including coal, grain, agricultural product cold chain, logistic park, emergency logistics and trade logistics) are set to be promulgated with other detailed rules expected to be successively announced. This will offer a good assurance and opportunity for the development of the logistics industry.

As regards the highway industry, it is expected that traffic volume will gradually grow in 2010 as the country's economy recovers and regional economies become increasingly active. Meanwhile, with the gradual implementation of national or regional policies such as the Guiding Opinions on Further Promotion of Stable and Rapid Development of the Road and Waterway Transportation Industry, the Planning Outline on Reform and Development in the Pearl River

Delta Region and the Overall Plan on Comprehensive Ancillary Reforms in Shenzhen, positive stimulus will be provided to the development of the highway industry.

With a gradual recovery of the overall macro-economy, a gradual release of production capacity formed from the Group's investments in the logistics business at its early stage and its improved capabilities in logistic service and customer marketing, the Group's logistics business is expected to achieve a faster growth in 2010. The Group will redouble its efforts in respect of innovation of business mode, improvement of construction quality, and promotion of integration of brands with information resources, with a view to making the logistics business become another major source of profit contribution for the Group.

As to the toll road operation, the Group will, as always, give its support to the management and operation of Shenzhen Expressway, and assist them in improving financing structure and reducing finance costs, coordinate the arrangement of renovation plans, reasonably enhance finance management and operation management, and enhance efforts on new projects expansion and implementation, thereby maintaining stable operation and appropriate expansion of the toll road operation.

**FINANCIAL POSITION**

| | **31 December** | | |
|---|---|---|---|
| | **2009** ***HK$ million*** | **2008** ***HK$ million*** | **Increase/ (Decrease)** |
| Total Assets | 32,448 | 26,915 | 21% |
| Total Liabilities | 19,728 | 17,032 | 16% |
| Total Equity | 12,720 | 9,883 | 29% |
| Net Asset Value attributable to shareholders | 7,025 | 4,910 | 43% |
| Net Asset Value attributable to shareholders per share (HK dollar) | 0.50 | 0.35 | 43% |
| Cash | 1,683 | 2,061 | (18%) |
| Bank Borrowings | | | |
| Short Term Bank Loans | 1,624 | 1,296 | 25% |
| Long Term Bank Loans due for repayment within one year | 461 | 646 | (29%) |
| Long Term Bank Loans | 8,666 | 6,404 | 35% |
| | 10,751 | 8,346 | 29% |
| Other Borrowings | 39 | - | N/A |
| Bond | 899 | 898 | - |
| Convertible Bonds | 3,203 | 3,067 | 4% |
| Total Borrowings | 14,892 | 12,311 | 21% |
| Net Borrowings | 13,209 | 10,250 | 29% |
| Debt Asset Ratio (Total Liabilities / Total Assets) | 61% | 63% | (2%) # |
| Ratio of Total Borrowings to Total Assets | 46% | 46% | - |
| Net Borrowings to Total Equity | 104% | 104% | - |

*# Change in percentage point*

### *Cash Balance*

The cash of the Group as at 31 December 2009 amounted to HK$1,683 million (31 December 2008: HK$2,061 million). The Group maintained a strong operating net cash inflow during the Year at HK$1,303 million, Cash balance decreased as compared to the previous year, mainly due to payment for capital expenditures in 2009. The Group currently holds adequate capital with a sound financial position, and have sufficient financial resources to cope with an unstable economic environment. Cash held by the Group as at 31 December 2009 comprised an amount of approximately HK$1,607 million denominated in Renminbi and an amount of HK$75 million denominated in HK dollar.

### *Bank Loan*

As at 31 December 2009, total bank loans of the Group amounted to approximately HK$10,751 million (31 December 2008: HK$8,346 million), of which 19.4%, 8.5% and 72.1% were due for repayments within one year, the second year and the third year or afterwards respectively. Of such loans, approximately HK$3,041 million are repayable in Hong Kong dollars, HK$8.34 million are repayable in US dollars and the remaining balance of approximately HK$7,702 million are borrowings from banks in the PRC and repayable in Renminbi. Capital expenditures of the Group for the Year amounted to HK$3,267 million (RMB2,876 million), with another capital expenditure of HK$1,344 million (RMB1,183 million) spent on new projects acquisition, thereby resulting in a yearly total investment amount of HK$4,611 million (RMB4,059 million), which led to an increase in bank loans of approximately HK$2,400 million.

Currently, the Group has cash in hand and standing banking facilities of approximately HK$13,600 million, while utilized banking facilities amounted to HK$10,751 million. The Group has sufficient cash reserve and credit to cope with unexpected market changes.

### *Convertible Bond*

On 29 December 2007, the Company issued zero coupon convertible bond of HKD1,727,500,000 to Shenzhen Investment Holdings Company Limited ("SIHCL"), a wholly owned subsidiary of Shenzhen State-owned Assets Supervision and Administration Bureau as consideration for the acquisition of 89.93% equity interest in Longda Expressway. SIHCL may convert the bonds into ordinary shares with a par value of HKD0.1 each of the Company at an initial conversion price of HKD1.2 per share for a period of three years from 29 December 2007. Such convertible bonds will mature on 29 December 2010. The Company will maintain close contact with SIHCL so as to understand its plan and intent towards such bonds and thus working out an appropriate maturity arrangement.

### *Gearing Ratio*

The Group's ratio of net borrowings to total equity was 104% as at 31 December 2009, in par with the corresponding period of the previous year. Cash outflow for investment activities amounted to HK$4,611 million during the Year, leading to an increase of HK$2,405 million in bank loans. Following the acquisition of the remaining 45% interest in Jihe East, the Group's then existing 55% interest was revalued to fair value of the transaction and resulted in a surplus to shareholders' equity. The value of the Group's interest in CSG A shares has also been increased as a result of the market upturn, offsetting the increase in debt and stabilizing the gearing ratio.

The Group has realized a strategic expansion of the core business through large-scale mergers and acquisitions as well as investments in new projects in the past few years. This has raisen the

Group's gearing ratio substantially. The major parts of such capital commitment were charged before the end of 2009. The level of capital expenditure of the Group is expected to slow down significantly from the year 2010. With the new projects gradually developing and contributing new cash inflow, the gearing ratio of the Group is expected to decrease gradually in the next few years.

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

***Locking up interest rates, lowering financial risks***

The logistic infrastructure industry of which the Group engages is a capital intensive business with stable return. New projects usually take a relatively longer time period from its initial investment and construction stage before generating revenue. Nonetheless, after years of development, such revenues can sustain steadily for a longer time. During such period, financial costs constitute a major part of the results of the project while the volatility of the market interest rate will directly affect the operating results, leading to a material investment risk on the project.

It is one of the important financial policies of the Group to stabilizing financial cost and mitigating the operating risk brought by the volatility of interest rates. To implement relevant policies, the management of the Company utilizes certain hedging instruments in the market, mainly the interest rate swaps, to turn the Group's bank borrowings from floating rate loans into fixed-rate loans in order to stabilise finance costs against revenue generated by the Group's businesses, facilitating the management's control for the impact on operating results arising from finance costs and mitigating investment risks. Management carried out interest rate hedge on medium to long term floating rate loans of the Group. As at 31 December 2009, the Group's has total bank loans of HK$10,751 million, of which approximately HK$7,141 million was fixed rate loans, accounting for approximately 66% of the total bank loans amount of the Group. The remaining 34% (approximately HK$3,610 million) was floating rate loans. The Group will closely monitor the fluctuation of market interest rates and analyse the impact on the Group in order to mitigating financial risks.

***Exchange Rate Risk***

The Group's cash inflow is primarily denominated in Renminbi, and cash outflow denominated in Hong Kong dollars mainly comprises cash dividend payment to shareholders and scheduled repayments of bank loans. The cash and assets held by the Group are primarily denominated in Renminbi, and the exchange rate of Renminbi continued to be stable in 2009 and had no significant impact on the net asset value of the Group. In the short run, the exchange rate risk between Renminbi and Hong Kong dollars is expected to be at a low level. The Group will review and monitor from time to time the risks relating to foreign exchanges.

***Abundant Capital, Increasing Shareholders' Return***

The Group maintained sufficient banking facilities to enhance liquidity of capital. It also aims to increase the overall returns for its shareholders through channels such as providing a steady growth in cash dividends.

## POST BALANCE SHEET EVENT

### Disposal of CSG A shares

From 1 January 2010 to the date of this announcement, the Group has disposed of a total of 4,706,833 CSG A shares on the Shenzhen Stock Exchange. The average selling price was RMB19.97 per share, giving a total consideration of approximately RMB94 million. As at the date of this announcement, the Group beneficially owned 99,109,048 CSG A shares, representing approximately 8.11% shares in the total issued share capital of CSG. All CSG A shares held by the Group are freely tradable on the Shenzhen Stock Exchange.

### Capital Injection to Shenzhen Airlines Limited ("Shenzhen Airlines")

On 21 March 2010, the Company, through its wholly-owned subsidiary, Shenzhen International Total Logistics (Shenzhen) Co., Ltd. ("Total Logistics"), entered into a capital increase agreement with Air China Limited ("Air China") and Shenzhen Huirun Investment Co., Ltd. ("Huirun"), pursuant to which Total Logistics and Air China have conditionally agreed to make a capital contribution totaling RMB1,030,125,000 to Shenzhen Airlines, of which, Total Logistics will contribute RMB347,981,250 and Air China will contribute RMB682,143,750 to subscribe for additional registered capital of Shenzhen Airlines (the "Capital Injection"). Upon completion of such capital increase, the Group will increase its equity interest in Shenzhen Airlines from 10% to 25%, and Air China and Huirun will own 51% and 24% equity interests in Shenzhen Airlines, respectively.

The Capital Injection constitutes a major transaction of the Company under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and is therefore subject to the approval by the shareholders of the Company at a general meeting. Details of the Capital Injection are set out in the announcement of the Company dated 21 March 2010.

### Issuance of medium term notes of Shenzhen Expressway

Shenzhen Expressway's application for the issuance of medium term notes (the "Notes") with principal amount of RMB700 million has been approved by the National Association of Financial Market Institutional Investors. The Notes would be issued in two phases, of which the first phase with principal amount of RMB400 million has been successfully issued on 15 March 2010. The Notes have terms of three years and bear floating interest rate. The applicable interest rate of the first phase notes is 3.72% per annum.

## 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 Year.

## CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the Year, the Company has been in full compliance with all the Code Provisions and certain Recommended Best Practices as set out in the Code on Corporate Governance Practices, Appendix 14 of the Listing Rules.

The board of directors of the Company considers that sound corporate governance goes beyond merely meeting the regulatory authorities' basic requirements for listed companies' operation. More importantly, it fulfils the Company's internal development needs. The Company establishes a corporate governance structure comprising the board of directors and the management, and continuously reviews and improves it through practice. Relevant details will be set out in the Corporate Governance Report contained in the 2009 Annual Report, which will be despatched to shareholders of the Company.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 17 May 2010 to 19 May 2010, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend and special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 14 May 2010. Subject to the approval of the final dividend and special dividend by shareholders at the forthcoming annual general meeting, the relevant dividend warrant will be despatched to shareholders on 2 June 2010.

## OTHER INFORMATION

Before the date of this announcement, a meeting of the Audit Committee of the Company has been held with the Company's auditors for reviewing the annual consolidated financial statements of the Group for the year ended 31 December 2009.

The figures set out in the annual results announcement of the Group for the year ended 31 December 2009 have been agreed upon by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this regard did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants, and consequently no assurance has been expressed by PricewaterhouseCoopers on the annual results announcement.

This announcement and other related information of the Company's 2009 annual results will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.szihl.com).

By Order of the Board
**Shenzhen International Holdings Limited**
**Guo Yuan**
*Chairman*

Hong Kong, 23 March 2010

*As at the date of this announcement, the Board consists of Messrs. Guo Yuan, Li Jing Qi, Liu Jun and Yang Hai as executive directors, Messrs. To Chi Keung, Simon and Wang Dao Hai as non-executive directors and Messrs. Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing as independent non-executive directors.*

**for identification purpose only*