THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Shenzhen International Holdings Limited**, you should at once hand this circular and the accompanying proxy form to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an offer to acquire, purchase or subscribe for any securities of the Company.

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

(incorporated in Bermuda with limited liability)

(Stock Code: 00152)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED AMENDMENTS TO THE TERMS OF THE ZERO COUPON HK$1,727,500,000 CONVERTIBLE BOND AND (2) WHITEWASH WAIVER APPLICATION

Financial Adviser

UBS

Independent Financial Adviser to the Independent Board Committee, the Whitewash Independent Board Committee and the Independent Shareholders

粵海證券有限公司
GUANGDONG SECURITIES LIMITED

A notice convening a special general meeting of Shenzhen International Holdings Limited (the "Company") to be held at the conference room of the Company at Rooms 2206-2208, 22nd Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong on Monday, 20 December 2010 at 11:00 a.m. or any adjournment thereof is set out on pages 157 to 158 of this circular. Whether or not you are able to attend and vote at the meeting, you are requested to complete the accompanying proxy form and return it to the branch share registrar of the Company, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

3 December 2010

CONTENTS

In this circular, unless the context requires otherwise, the following terms shall have the following meanings:

"acting in concert"	has the meaning ascribed to it under the Takeovers Code
"Announcement"	the announcement of the Company dated 16 November 2010 relating to, among other things, the Modification Deed and the Whitewash Waiver
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Company"	Shenzhen International Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Conversion Right(s)"	the right(s) of the holder of the Convertible Bond to convert the whole or part of (as the case may be) the outstanding principal amount of the Convertible Bond into Shares subject to the terms and conditions of the Convertible Bond
"Conversion Share(s)"	the Share(s) to be issued upon conversion of the Convertible Bond
"Convertible Bond"	the zero coupon convertible bond in the principal amount of HK$1,727,500,000 issued by the Company to SIHCL on 29 December 2007 (and where the context requires, as amended by the Modification Deed)
"Director(s)"	director(s) of the Company
"Effective Date"	the date on which all conditions to the Proposed Amendments, details of which are set out in the paragraph headed "Conditions to the Proposed Amendments" in the "Letter from the Board" of this circular have been fulfilled
"Executive"	the executive director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong or his delegates
"Group"	the Company and its subsidiaries

"Guangdong Securities" or "Independent Financial Adviser"	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Whitewash Independent Board Committee (as the case may be) and the Independent Shareholders in respect of the Modification Deed and the Whitewash Waiver
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"Independent Board Committee"	an independent committee of the Board comprising all the independent non-executive Directors (namely, Messrs. Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing) to advise the Independent Shareholders in respect of the Modification Deed
"Independent Shareholders"	the Shareholders other than (i) SIHCL and parties acting in concert with it and (ii) those who are involved in or interested in the Convertible Bond, the Modification Deed and/or the Whitewash Waiver
"Initial Conversion Price"	HK$1.20 (subject to adjustment in accordance with the terms of the Convertible Bond)
"Last Trading Day"	10 November 2010, being the last trading day prior to the date of the Modification Deed
"Latest Practicable Date"	30 November 2010, being the latest practicable date for ascertaining certain information for the purpose of inclusion in this circular
"Listing Rules"	The Rules Governing the Listing of the Securities on the Stock Exchange
"Long Stop Date"	31 January 2011 (or such later date as parties to the Modification Deed may agree in writing)
"Modification Deed"	a conditional modification deed dated 11 November 2010 entered into between the Company and SIHCL to amend certain terms of the Convertible Bond
"New Conversion Share(s)"	2,214,743,589 Shares, being the Share(s) to be issued upon full conversion of the Convertible Bond as amended by the Modification Deed

"Options Grant"	the grant of 286,600,000 options to subscribe for up to a total of 286,600,000 Shares by the Company on 28 September 2010 under the Share Option Scheme, among which 17,900,000 options were granted to Mr. Guo Yuan, 17,000,000 options were granted to Mr. Li Jing Qi, 14,300,000 options were granted to Mr. Liu Jun and 14,300,000 options were granted to Mr. Yang Hai, all being executive Directors
"PRC"	The People's Republic of China, and for the purpose of this circular only, excluding Hong Kong, Macau Special Administrative Region of the People's Republic of China and Taiwan
"Proposed Amendments"	the proposed amendments to the Convertible Bond pursuant to the terms of the Modification Deed, the principal terms of which are set out in the paragraph headed "Principal Amendments to the Terms of the Convertible Bond" in the "Letter from the Board" of this circular
"Relevant Period"	the period commencing on the date falling six months prior to the publication of the Announcement and ending on the Latest Practicable Date
"Revised Conversion Price"	HK$0.78 (subject to adjustment in accordance with the terms of the Convertible Bond)
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"SGM"	a special general meeting of the Company to be convened and held on 20 December 2010 for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Modification Deed, the transactions contemplated thereunder and the Whitewash Waiver
"Share(s)"	share(s) of HK$0.10 each in the share capital of the Company
"Share Option Scheme"	the share option scheme of the Company adopted on 30 April 2004
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen SASAB"	深圳市國有資產監督管理局 (Shenzhen State-owned Assets Supervision and Administration Bureau*)
"SIHC"	深圳市投資管理公司 (Shenzhen Investment Holding Corporation*), an enterprise owned by the whole people established in the PRC and is supervised and managed by Shenzhen SASAB

"SIHC Transfer"	the transfer of 904,109,589 Shares from SIHC to Ultrarich on 17 November 2010 pursuant to and in accordance with the terms and conditions of a share transfer agreement entered into between SIHC and Ultrarich dated 17 November 2010
"SIHCL"	深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited*), a limited liability company established in the PRC and is wholly-owned by Shenzhen SASAB
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers
"Ultrarich"	Ultrarich International Limited, a company incorporated in the British Virgin Islands with limited liability and as at the Latest Practicable Date, a wholly-owned subsidiary of SIHCL
"Ultrarich Transfer"	the transfer of the entire issued share capital of Ultrarich from SIHC to SIHCL on 17 November 2010 pursuant to and in accordance with the terms and conditions of a share transfer agreement entered into between SIHC and SIHCL dated 15 October 2009
"Whitewash Independent Board Committee"	an independent committee of the Board comprising Messrs. To Chi Keung, Simon (non-executive Director), Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing (all being independent non-executive Directors) to advise the Independent Shareholders in respect of the Whitewash Waiver
"Whitewash Waiver"	a waiver from the obligation of SIHCL and parties acting in concert with it to make a mandatory offer under Rule 26 of the Takeovers Code pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code as a result of the issue of the New Conversion Shares upon full conversion of the Convertible Bond at the Revised Conversion Price
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"RMB"	Renminbi, the lawful currency of the PRC
"%"	per cent.

* *for identification purpose only*

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

Executive Directors
Guo Yuan
Li Jing Qi
Liu Jun
Yang Hai

Non-executive Directors
To Chi Keung, Simon
Wang Dao Hai

Independent Non-executive Directors
Leung Ming Yuen, Simon
Ding Xun
Nip Yun Wing

Registered Office
Clarendon House
2 Church Street
Hamilton HM 11, Bermuda

Head Office and Principal Place of Business
Rooms 2206-2208, 22nd Floor
Greenfield Tower
Concordia Plaza
No.1 Science Museum Road
Tsimshatsui East
Kowloon, Hong Kong

3 December 2010

To the Shareholders

Dear Sir or Madam,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED AMENDMENTS TO THE TERMS OF THE ZERO COUPON HK$1,727,500,000 CONVERTIBLE BOND AND (2) WHITEWASH WAIVER APPLICATION

In the Announcement, the Company announced that on 11 November 2010, the Company entered into the Modification Deed with SIHCL to amend certain terms of the Convertible Bond.

The purpose of this circular is to give you further information of the Modification Deed and the Whitewash Waiver.

INTRODUCTION

Reference is made to the announcement of the Company dated 16 October 2007 and the circular of the Company dated 14 November 2007 in relation to, among other things, the issue of the Convertible Bond to SIHCL in consideration of the acquisition of 100% equity interest in Shenzhen Bao Tong Highway Construction and Development Limited by a wholly-owned subsidiary of the Company (namely Yibin Industry (Shenzhen) Co., Ltd. (怡賓實業(深圳)有限公司)).

The above acquisition was completed on 29 December 2007 and the Convertible Bond in the principal amount of HK$1,727,500,000 was issued to SIHCL on the same date. As at the Latest Practicable Date, the principal amount of HK$1,727,500,000, pursuant to which 1,439,583,333 Conversion Shares may be allotted and issued upon exercise of the Conversion Rights in full at the Initial Conversion Price of HK$1.20 attached, remains outstanding under the Convertible Bond.

Pursuant to the existing terms of the Convertible Bond, SIHCL may convert the outstanding principal amount under the Convertible Bond in whole or in part at any time on or before 29 December 2010, pursuant to which the Conversion Shares will be allotted and issued to SIHCL at the Initial Conversion Price.

With reference to the recent price performance of the Shares, the Directors noted that the Initial Conversion Price is significantly higher than the current market price of the Shares (being approximately 182% of the closing price as quoted on the Stock Exchange on the Last Trading Day, and approximately 214% of the average closing price of HK$0.562 as quoted on the Stock Exchange on the last trading day in each calendar month for the past twelve months), and understand from SIHCL that it is unlikely the Convertible Bond would be converted into Shares at the Initial Conversion Price.

Pursuant to the existing terms of the Convertible Bond, the Company would be required to repay the outstanding principal amount under the Convertible Bond on 29 December 2010 if SIHCL elects not to convert the same.

The Directors consider that the liquidity position of the Group would be tightened as a result of the repayment of the outstanding principal amount of the Convertible Bond in cash on 29 December 2010. In order to retain capital for the Group's future business development and strengthen the capital base of the Company, the Directors proposed to amend certain terms of the Convertible Bond to provide incentive for SIHCL to convert the Convertible Bond through the entering into of the Modification Deed.

THE MODIFICATION DEED

On 11 November 2010, the Company entered into the Modification Deed with SIHCL to amend certain terms of the Convertible Bond. The principal amendments to the terms of the Convertible Bonds are as follows:

Principal Amendments to the Terms of the Convertible Bond

On the Effective Date, the following terms of the Convertible Bond shall be amended as follow:

(A) ***Revised Conversion Price***

The conversion price of the Convertible Bond shall be changed from the Initial Conversion Price of HK$1.20 to the Revised Conversion Price of HK$0.78.

(B) ***Compulsory Conversion***

Commencing from the Effective Date to the Long Stop Date, SIHCL shall exercise the Conversion Rights attached to the outstanding principal amount of HK$1,727,500,000 in full at the Revised Conversion Price. Such compulsory conversion shall take place upon the fulfilment of all the conditions set out in the paragraph headed "Conditions to Conversion of the Convertible Bond" below.

SIHCL may nominate Ultrarich, which has become its wholly-owned subsidiary after the Ultrarich Transfer, to hold the New Conversion Shares.

(C) ***Lock-up of the New Conversion Shares***

Subject to the terms and conditions of the Modification Deed, SIHCL has undertaken to the Company that it shall not, and shall procure Ultrarich (where applicable) not to, sell, pledge or otherwise dispose of any of the New Conversion Shares within 2 years after the date when SIHCL (or Ultrarich) becomes the holder of the New Conversion Shares without the prior written consent of the Company.

(D) ***Validity Period***

The validity period of the Convertible Bond shall be changed to end on the Long Stop Date accordingly. With effect from the Effective Date and subject to fulfilment of all the conditions as set out in the paragraph headed "Conditions to Conversion of the Convertible Bond" below, SIHCL shall compulsorily convert the Convertible Bond in full at the Revised Conversion Price.

Conditions to the Proposed Amendments

The Proposed Amendments are conditional upon fulfilment of all the following conditions:

(i) the Independent Shareholders passing all necessary resolutions at the SGM approving, among other things:

   a. the Modification Deed and the transactions contemplated thereunder;

   b. the allotment and issue of the New Conversion Shares pursuant to the exercise of the Conversion Rights attached to the Convertible Bond in full at the Revised Conversion Price; and

   c. the Whitewash Waiver;

(ii) where applicable, the shareholders of SIHCL approving the execution of the Modification Deed and performance of its obligations thereunder by SIHCL;

(iii) the Stock Exchange having approved the proposed amendments contemplated under the Modification Deed pursuant to Rule 28.05 of the Listing Rules; and

(iv) where applicable, all consents, licences or other approvals from the relevant government, courts or other third parties as may be required for the implementation of the Modification Deed having been obtained, and such consents, licences and other approvals remaining in full force and effect.

If any of the above conditions is not fulfilled on or before 29 December 2010, the Modification Deed shall cease to have any effect. None of the conditions detailed above can be waived by the parties to the Modification Deed.

To the best knowledge, information and belief of the Directors, no governmental nor regulatory approvals are required in the PRC in relation to the Modification Deed and the transactions contemplated thereunder.

Conditions to Conversion of the Convertible Bond

The above proposed compulsory conversion of the amended Conversion Bond shall take place upon fulfilment of all the following conditions:

(i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the New Conversion Shares (either unconditionally, or subject only to conditions as the Company and SIHCL may consider reasonable and acceptable, and all such conditions having been fulfilled);

(ii) the Bermuda Monetary Authority having approved the issue of the New Conversion Shares, where applicable;

(iii) the granting of the Whitewash Waiver by the Executive and such Whitewash Waiver not being revoked or revised;

(iv) where applicable, all consents, licences or other approvals from the relevant government, courts or other third parties as may be required for the implementation of the Modification Deed having been obtained, and such consents, licences and other approvals remaining in full force and effect; and

(v) the approval and/or waiver stipulated in the paragraph headed “Conditions to the Proposed Amendments” above not being revoked or revised.

If any of the above conditions is not fulfilled on or before the Long Stop Date, the Company shall repay the outstanding principal amount under the Convertible Bond to SIHCL on the Long Stop Date. None of the conditions detailed above can be waived by the parties to the Modification Deed.

The Conversion Rights shall be exercised within five business days (but in any event, on or before the Long Stop Date) after all the above conditions having been fulfilled, pursuant to which the Company will allot and issue to SIHCL (or Ultrarich) the New Conversion Shares within seven business days thereafter. SIHCL may hold, or may nominate Ultrarich to hold, the New Conversion Shares.

The New Conversion Shares

The 2,214,743,589 New Conversion Shares to be allotted and issued by the Company upon full conversion of the Convertible Bond by SIHCL at the Revised Conversion Price represent approximately 15.64% of the issued share capital of the Company as at the Latest Practicable Date, and approximately 13.53% of the issued share capital of the Company as enlarged by the allotment and issue of the New Conversion Shares, respectively (assuming no other changes in the issued share capital of the Company from the Latest Practicable Date up to full conversion of the Convertible Bond by SIHCL).

Approval was granted by the Stock Exchange on 5 December 2007 for the listing of, and permission to deal in, 1,439,583,333 Conversion Shares, being the Conversion Shares to be issued upon full conversion of the Convertible Bond at the Initial Conversion Price. Accordingly, the Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in 2,214,743,589 New Conversion Shares which may be allotted and issued by the Company upon full conversion of the Convertible Bond at the Revised Conversion Price. Such approval, if granted, would supersede the approval granted by the Stock Exchange on 5 December 2007.

The Revised Conversion Price

The Revised Conversion Price of HK$0.78 for each New Conversion Share was determined after arm's length negotiations between the Company and SIHCL with reference to the higher of (i) the closing price of HK$0.66 per Share as quoted on the Stock Exchange on the Last Trading Day and (ii) the average closing price of HK$0.666 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day, with a premium of approximately 17.12%.

The Revised Conversion Price represents:

(i) a premium of approximately 18.18% over the closing price of HK$0.66 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a premium of approximately 17.12% over the average closing price of HK$0.666 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day; and

(iii) a premium of approximately 21.50% over the average closing price of HK$0.642 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day.

EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming no other changes in the issued share capital of the Company from the Latest Practicable Date up to the full conversion of the Convertible Bond by SIHCL at the Revised Conversion Price, the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after full conversion of the Convertible Bond at the Revised Conversion Price are illustrated as follows:

	As at the Latest Practicable Date		**Immediately after full conversion of the Convertible Bond at the Revised Conversion Price**	
Name of Shareholder	*Number of Shares*	*Approximate %*	*Number of Shares*	*Approximate %*
SIHCL and its subsidiary(ies)	5,740,473,225 *(note 1)*	40.55%	7,955,216,814 *(note 2)*	48.59%
Other parties acting in concert with SIHCL:				
- Mr. Li Jing Qi *(note 3)*	20,000,000	0.14%	20,000,000	0.12%
- Mr. Liu Jun *(note 4)*	19,000,000	0.13%	19,000,000	0.12%
SIHCL and parties acting in concert with it	5,779,473,225	40.82%	7,994,216,814	48.83%
Public Shareholders	8,377,956,250	59.18%	8,377,956,250	51.17%
Total	14,157,429,475	100%	16,372,173,064	100%

Notes:

(1) These Shares are held by Ultrarich, a wholly-owned subsidiary of SIHCL.

On 15 October 2009, SIHC (as vendor) and SIHCL (as purchaser) entered into the Ultrarich Transfer. Ultrarich is the beneficial owner of 4,836,363,636 Shares, representing approximately 34.16% of the issued share capital of the Company before the SIHC Transfer. The Ultrarich Transfer was completed on 17 November 2010 after which Ultrarich became a wholly-owned subsidiary of SIHCL.

Immediately after the Ultrarich Transfer and on 17 November 2010, SIHC (as vendor) and Ultrarich (as purchaser) entered into the SIHC Transfer in relation to the transfer of 904,109,589 Shares, representing approximately 6.39% of the issued share capital of the Company as at the Latest Practicable Date and the SIHC Transfer was completed on the same date.

After the completion of the Ultrarich Transfer and the SIHC Transfer, SIHCL is indirectly, through Ultrarich (its wholly-owned subsidiary), interested in 5,740,473,225 Shares, representing approximately 40.55% of the issued share capital of the Company as at the Latest Practicable Date.

SIHCL is also deemed to be interested in 1,439,583,333 Conversion Shares to be issued to it as a result of being a holder of the Convertible Bond as at the Latest Practicable Date. These Shares represent the Conversion Shares to be issued to SIHCL upon the exercise of the entire Conversion Rights attached to the Convertible Bond at the Initial Conversion Price.

(2) These Shares represent (i) the New Conversion Shares to be issued to SIHCL (or Ultrarich) upon full conversion of the Convertible Bond at the Revised Conversion Price and (ii) 5,740,473,225 Shares held by Ultrarich.

(3) Mr. Li Jing Qi is an executive Director and a director of Ultrarich. In addition, Mr. Li Jing Qi is also interested in options to subscribe for 17,000,000 Shares granted to Mr. Li Jing Qi by the Company on 28 September 2010 pursuant to the Share Option Scheme.

(4) Mr. Liu Jun is an executive Director and a director of Ultrarich. In addition, Mr. Liu Jun is also interested in options to subscribe for 14,300,000 Shares granted to Mr. Liu Jun by the Company on 28 September 2010 pursuant to the Share Option Scheme.

As at the Latest Practicable Date, options to subscribe for an aggregate of 321,600,000 Shares granted pursuant to the Share Option Scheme were outstanding, details of which are illustrated as follows:

Name of grantee	**Position held with the Company**	**Number of share options held**
Mr. Guo Yuan *(note 1)*	Executive Director and Chairman	17,900,000 *(note 2)* 35,000,000 *(note 3)*
Mr. Li Jing Qi *(note 1)*	Executive Director and Chief Executive Officer	17,000,000 *(note 2)*
Mr. Liu Jun *(note 1)*	Executive Director and Vice President	14,300,000 *(note 2)*
Mr. Yang Hai	Executive Director	14,300,000 *(note 2)*
Other Employees		223,100,000 *(note 2)*
	Total	321,600,000

Notes:

(1) Each of Mr. Guo Yuan, Mr. Li Jing Qi and Mr. Liu Jun is an executive Director and a director of Ultrarich. All of them comprise the board of directors of Ultrarich.

(2) 40% of these share options granted will be vested on the date which is 24 months after 28 September 2010 ("Date of Grant"); another 30% of the these share options granted will be vested on the date which is 36 months after the Date of Grant; and the remaining 30% of these share options will be vested on the date which is 48 months after the Date of Grant. Vesting of these share options is subject to the individual performance of these employees and their achievement of certain performance targets of the Group.

(3) These share options have no vesting period and were granted on 6 February 2007.

Other than the Convertible Bond and the aforesaid options to subscribe for an aggregate of 321,600,000 Shares granted under the Share Option Scheme, the Company had no convertible securities, options, warrants or derivatives outstanding and had not entered into any agreement for the issue of any convertible securities, options, warrants or derivatives of the Company as at the Latest Practicable Date.

Save for (i) the 5,779,473,225 Shares; (ii) the Convertible Bond; and (iii) the options to subscribe for an aggregate of 84,200,000 Shares held by Mr. Guo Yuan, Mr. Li Jing Qi and Mr. Liu Jun described above, SIHCL and parties acting in concert with it did not have any interest in any securities, shares, options, warrants, derivatives or convertible securities in the Company as at the Latest Practicable Date.

INFORMATION OF SIHCL

SIHCL is a limited liability company established in the PRC and is wholly-owned by Shenzhen SASAB. The principal activities of SIHCL are investment holding of stated-owned enterprises in Shenzhen and engagement in other businesses as authorised by Shenzhen SASAB.

It is the intention of SIHCL that the Company will maintain its existing business. SIHCL has no intention to introduce any major change to the existing operation of the Company. As at the Latest Practicable Date, SIHCL has no intention in the future to re-deploy the fixed assets, or to discontinue the employment of the employees of the Group other than in the ordinary course of business of the Group.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MODIFICATION DEED

The Group is principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as the provision of relevant logistic services, including third party logistic services and logistic information services.

The Directors consider that the amendment of the terms of the Convertible Bond under the Modification Deed would provide incentive for SIHCL to convert the Convertible Bond, and would relieve the Company from the obligation to repay the outstanding principal amount under the Convertible Bond in cash on 29 December 2010. This will allow the Company to retain capital and strengthen its equity base for its future business development.

In the event that the Company is required to repay the outstanding principal amount of the Conversion Bond, the repayment is to be made in RMB at the amount of RMB1,670,577,710 (being the outstanding principal amount of HK$1,727,500,000 converted into RMB at the agreed exchange rate at inception of the Convertible Bond). This would imply an additional Hong Kong dollar cash for repayment to the Company as a result of the appreciation of the RMB currency in the past three years. In addition, with the additional capital upon conversion of the Convertible Bond at the Revised Conversion Price, the Company's future financing ability and shareholders' value would be further enhanced.

In recent years, the Company has shown strong growth in both asset scale and profitability through mergers and acquisitions and other new investments which have taken the Company to a new level, offering more opportunities for future investment and development. Further, the proposed compulsory conversion of the Convertible Bond by SIHCL under the Modification Deed is expected to reduce the Group's overall debt level and at the same time strengthen the Company's capital base. This will provide a solid foundation for expansion of existing logistic resources and logistic infrastructure projects.

The Directors consider that the proposed compulsory conversion of the Convertible Bond by SIHCL under the Modification Deed would increase SIHCL and its parties acting in concert in the shareholding in the Company and is expected to further strengthen the relationship between SIHCL and the Company. The Directors also consider, given the Group is involved in the logistic infrastructure business and facilities, that it would be in the interest of the Group and the Shareholders as a whole to strengthen the shareholding relationship with the controlling shareholder that has governmental background.

The Board (including the independent non-executive Directors) considers the terms of the Modification Deed are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

IMPLICATION UNDER THE LISTING RULES

As the applicable ratios for the transactions contemplated under the Modification Deed are higher than 5% but below 25%, the entering into of the Modification Deed by the Company constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, SIHCL is a controlling shareholder of the Company interested in an aggregate of 5,740,473,225 Shares, representing approximately 40.55% of the issued share capital of the Company, indirectly and through Ultrarich, its wholly-owned subsidiary. SIHCL is thus a connected person of the Company under Chapter 14A of the Listing Rules.

Accordingly, the entering into of the Modification Deed by the Company with SIHCL constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, and is subject to approval by the Independent Shareholders at the SGM.

In addition, the Proposed Amendments are subject to, among other things, approval by the Stock Exchange pursuant to Rule 28.05 of the Listing Rules. Application will be made by the Company to the Stock Exchange for its approval of the Proposed Amendments, and for the listing of, and permission to deal in, the New Conversion Shares on the Stock Exchange.

IMPLICATION UNDER THE TAKEOVERS CODE AND APPLICATION FOR WHITEWASH WAIVER

As at the Latest Practicable Date, SIHCL and parties acting in concert with it, including Shenzhen SASAB, Ultrarich, Mr. Li Jing Qi and Mr. Liu Jun, hold an aggregate of 5,779,473,225 Shares, representing approximately 40.82% of the issued share capital of the Company.

If the Modification Deed becomes fully unconditional, SIHCL shall exercise the Conversion Rights attached to the entire outstanding principal amount of HK$1,727,500,000 under the Convertible Bond in full at the Revised Conversion Price in accordance with the terms and conditions of the Modification Deed. Accordingly, SIHCL and parties acting in concert with it would be interested in 7,994,216,814 Shares, representing approximately 48.83% of the issued share capital of the Company as enlarged by the allotment and issue of 2,214,743,589 New Conversion Shares upon full conversion of the Convertible Bond by SIHCL (assuming no other changes in the issued share capital of the Company from the Latest Practicable Date up to full conversion of the Convertible Bond by SIHCL).

In the absence of the Whitewash Waiver, SIHCL and parties acting in concert with it would be obliged to make a mandatory offer under Rule 26 of the Takeovers Code for all the 8,377,956,250 Shares not already owned or agreed to be acquired by SIHCL or parties acting in concert with it in accordance with the Takeovers Code. An application has been made by SIHCL to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code as a result of the issue of the New Conversion Shares upon full conversion of the Convertible Bond at the Revised Conversion Price. The Modification Deed shall cease to have any effect if the Whitewash Waiver is not granted by the Executive.

SIHCL has confirmed that none of SIHCL or any person acting or presumed to be acting in concert with it has acquired voting rights in the Company in the Relevant Period which would constitute disqualifying transaction under the Takeovers Code.

Save as disclosed in the paragraph headed "Effect on the Shareholding Structure of the Company" above, none of SIHCL or any person acting or presumed to be acting in concert with it owns or has control or direction over any voting right in or rights over any Shares or any convertible securities, warrants or options in respect of the Shares, or any outstanding derivative in respect of any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; nor is there any arrangement (whether by way of option, indemnity or otherwise) in relation to the Shares or shares of SIHCL and which might be material to the transactions contemplated under the Modification Deed and the Whitewash Waiver, or any agreements or arrangements to which SIHCL is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the Modification Deed and the Whitewash Waiver. None of SIHCL or any persons acting or presumed to be acting in concert with it has received an irrevocable commitment to vote for or against the resolutions relating to the Modification Deed and the Whitewash Waiver. Further none of SIHCL or any persons acting or presumed to be acting in concert with it has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

SGM

The SGM will be convened and held at the conference room of the Company at Rooms 2206-2208, 22nd Floor, Greenfield Tower, Concordia Plaza, No.1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong on Monday, 20 December 2010 at 11:00 a.m. for the Independent Shareholders to consider and, if thought fit, approve the Modification Deed, the transactions contemplated thereunder and the Whitewash Waiver.

Any connected person with a material interest, and any Shareholder with a material interest, and its associates shall abstain from voting on the relevant resolutions. Accordingly, SIHCL, its associates and parties acting in concert with it (including Shenzhen SASAB, Ultrarich, Mr. Li Jing Qi and Mr. Liu Jun) who hold an aggregate of 5,779,473,225 Shares, representing approximately 40.82% of the issued share capital of the Company as at the Latest Practicable Date, will abstain from voting at the SGM on all the resolutions in relation to the Modification Deed, the transactions contemplated thereunder, and the Whitewash Waiver.

GENERAL

Mr. Guo Yuan, Mr. Li Jing Qi and Mr. Liu Jun, each being an executive Director, comprise the board of directors of Ultrarich. Accordingly, each of Mr. Guo Yuan, Mr. Li Jing Qi and Mr. Liu Jun is a party acting in concert with SIHCL.

Each of Mr. Guo Yuan, Mr. Li Jing Qi and Mr. Liu Jun is a party acting in concert with SIHCL, and Mr. Wang Dao Hai, a non-executive Director, is the financial controller and head of finance department of Shenzhen Yuanzhi Investment Co., Ltd., a wholly-owned subsidiary of Shenzhen SASAB. Accordingly, each of Mr. Guo Yuan, Mr. Li Jing Qi, Mr. Liu Jun and Mr. Wang Dao Hai has a material interest in the Modification Deed, the transactions contemplated thereunder and the Whitewash Waiver, and has abstained from voting on the board resolutions approving the Modification Deed, the transactions contemplated thereunder and the Whitewash Waiver.

The Independent Board Committee comprising all the independent non-executive Directors (namely, Messrs. Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing) has been established to advise the Independent Shareholders in respect of the Modification Deed. The letter of advice and recommendation from the Independent Board Committee is set out on page 17 of this circular.

The Whitewash Independent Board Committee comprising Messrs. To Chi Keung, Simon (non-executive Director), Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing (all being independent non-executive Directors) has also been established to advise the Independent Shareholders in respect of the Whitewash Waiver. As Mr. Wang Dao Hai, the other non-executive Director, is the financial controller and head of finance department of Shenzhen Yuanzhi Investment Co., Ltd., a wholly-owned subsidiary of Shenzhen SASAB, he has not been appointed as a member of the Whitewash Independent Board Committee. The letter of advice and recommendation from the Whitewash Independent Board Committee is set out on page 18 of this circular.

Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Whitewash Independent Board Committee (as the case may be) and the Independent Shareholders in relation to the Modification Deed and the Whitewash Waiver. The letter from Guangdong Securities is set out on pages 19 to 30 of this circular.

RECOMMENDATION

As set out in its letter on page 17 of this circular, the Independent Board Committee, having taken into account the advice from Guangdong Securities in relation to the Modification Deed, considers that the terms of the Modification Deed are fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee has recommended the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Modification Deed and the transactions contemplated under the Modification Deed.

As set out in its letter on page 18 of this circular, the Whitewash Independent Board Committee, having taken into account the advice from Guangdong Securities in relation to the Whitewash Waiver, considers that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned and are in the interest of the Company and the Shareholders as a whole. Accordingly, the Whitewash Independent Board Committee has recommended the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Whitewash Waiver.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices of this circular and the notice of the SGM as set out on pages 157 to 158, which form part of this circular.

By order of the Board
Shenzhen International Holdings Limited
Guo Yuan
Chairman

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

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED AMENDMENTS TO THE TERMS OF THE ZERO COUPON HK$1,727,500,000 CONVERTIBLE BOND AND (2) WHITEWASH WAIVER APPLICATION

3 December 2010

To the Independent Shareholders

Dear Sirs or Madams,

We refer to the circular of Shenzhen International Holdings Limited dated 3 December 2010 (the "**Circular**") of which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on whether the terms of the Modification Deed and the transactions contemplated under the Modification Deed are fair and reasonable so far as the Independent Shareholders are concerned, and whether the Modification Deed is in the interest of the Company and the Shareholders taken as a whole. Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the terms of the Modification Deed and the transactions contemplated thereunder.

We wish to draw your attention to the letter of advice issued by Guangdong Securities set out on pages 19 to 30 of the Circular.

Having considered the terms of the Modification Deed, and having taken into account the advice given by Guangdong Securities, we are of the opinion that the terms of the Modification Deed and the transactions contemplated under the Modification Deed are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interest of the Company and the Shareholders taken as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions approving the Modification Deed and the transactions contemplated under the Modification Deed to be proposed at the SGM.

Yours faithfully
For and on behalf of the Independent Board Committee
Leung Ming Yuen, Simon
Ding Xun
Nip Yun Wing
Independent non-executive Directors

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

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED AMENDMENTS TO THE TERMS OF THE ZERO COUPON HK$1,727,500,000 CONVERTIBLE BOND AND (2) WHITEWASH WAIVER APPLICATION

3 December 2010

To the Independent Shareholders

Dear Sirs or Madams,

We refer to the circular of Shenzhen International Holdings Limited dated 3 December 2010 (the "**Circular**") of which this letter forms part. Unless the context requires otherwise, terms and expressions defined in the Circular shall have the same meanings when used in this letter.

We have been appointed as members of the Whitewash Independent Board Committee to advise the Independent Shareholders in respect of the Whitewash Waiver, Guangdong Securities has been appointed as the Independent Financial Adviser to advise the Whitewash Independent Board Committee in respect of the Whitewash Waiver.

We wish to draw your attention to the letter of advice issued by Guangdong Securities set out on pages 19 to 30 of the Circular.

Having considered the terms of the Modification Deed and the Whitewash Waiver, and having taken into account the advice given by Guangdong Securities, we are of the opinion that the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned, and are in the interest of the Company and the Shareholders taken as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution approving the Whitewash Waiver to be proposed at the SGM.

Yours faithfully
For and on behalf of the Whitewash Independent Board Committee
To Chi Keung, Simon
Non-executive Director
Leung Ming Yuen, Simon
Ding Xun
Nip Yun Wing
Independent non-executive Directors

Set out below is the text of a letter received from Guangdong Securities, the Independent Financial Adviser to the Independent Board Committee and the Whitewash Independent Board Committee (as the case may be) and the Independent Shareholders in respect of the Modification Deed and the Whitewash Waiver for the purpose of inclusion in this circular.

粵海證券有限公司
GUANGDONG SECURITIES LIMITED

Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

3 December 2010

To: The independent board committee, the whitewash independent board committee and the independent shareholders of Shenzhen International Holdings Limited

Dear Sirs,

(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RESPECT OF THE PROPOSED AMENDMENTS TO THE TERMS OF THE ZERO COUPON HK$1,727,500,000 CONVERTIBLE BOND AND (2) WHITEWASH WAIVER APPLICATION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Whitewash Independent Board Committee (as the case may be) and the Independent Shareholders in respect of the Modification Deed and the Whitewash Waiver, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 3 December 2010 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 16 November 2010, the Board announced that on 11 November 2010, the Company entered into the Modification Deed with SIHCL to amend certain existing terms of the Convertible Bond. Subject to the fulfilment of the conditions prescribed under the Modification Deed, SIHCL shall exercise the Conversion Rights attached to the remaining outstanding Convertible Bond in the principal amount of HK$1,727,500,000 at the Revised Conversion Price of HK$0.78. Based on the Revised Conversion Price, 2,214,743,589 New Conversion Shares will be allotted and issued to SIHCL, or Ultrarich (a wholly-owned subsidiary of SIHCL upon completion of the Ultrarich Transfer on 17 November 2010), by the Company when the Modification Deed becomes unconditional.

As at the Latest Practicable Date, SIHCL and parties acting in concert with it (including Shenzhen SASAB, SIHC, Ultrarich, Mr. Li Jing Qi and Mr. Liu Jun) were interested in an aggregate of 5,779,473,225 Shares, representing approximately 40.82% of the entire issued share capital of the

Company. Accordingly, if the Modification Deed becomes unconditional, SIHCL and parties acting in concert with it will be interested in 7,994,216,814 Shares, representing approximately 48.83% of the enlarged issued share capital of the Company immediately after the allotment and issue of the 2,214,743,589 New Conversion Shares.

In the absence of the Whitewash Waiver, SIHCL and parties acting in concert with it would be obliged to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by SIHCL or parties acting in concert with it in accordance with the Takeovers Code. An application has been made by SIHCL to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code as a result of the issue of the New Conversion Shares upon full conversion of the Convertible Bond at the Revised Conversion Price.

The entering into of the Modification Deed by the Company with SIHCL constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, and is subject to approval by the Independent Shareholders at the SGM. SIHCL, its associates and parties acting in concert with it (including Shenzhen SASAB, SIHC, Ultrarich, Mr. Li Jing Qi and Mr. Liu Jun) will abstain from voting at the SGM approving, among other things, the Modification Deed and the transactions contemplated thereunder, and the Whitewash Waiver.

An Independent Board Committee comprising Messrs. Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing (all being independent non-executive Directors) has been formed to advise the Independent Shareholders on (i) whether the terms of the Modification Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Modification Deed is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Modification Deed and the transactions contemplated thereunder at the SGM.

A Whitewash Independent Board Committee comprising Messrs. To Chi Keung, Simon (a non-executive Director), Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing (all being independent non-executive Directors) has been formed to advise the Independent Shareholders in respect of the Whitewash Waiver. As Mr. Wang Dao Hai, the other non-executive Director, is the financial controller and head of the finance department of Shenzhen Yuanzhi Investment Co., Ltd., being a wholly-owned subsidiary of Shenzhen SASAB, he has not been appointed as a member of the Whitewash Independent Board Committee.

We, Guangdong Securities Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Whitewash Independent Board Committee (as the case may be) and the Independent Shareholders in this respect. The appointment of Guangdong Securities has been approved by the Independent Board Committee and the Whitewash Independent Board Committee.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee, the Whitewash Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date, and should there be any material changes to our opinion after the despatch of the Circular, Shareholders would be notified as soon as possible. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, SIHCL, Shenzhen SASAB, SIHC, Ultrarich, Mr. Li Jing Qi and Mr. Liu Jun or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Modification Deed and the Whitewash Waiver. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

I. THE MODIFICATION DEED

In arriving at our opinion in respect of the Modification Deed, we have taken into consideration the following principal factors and reasons:

Background of and reasons for the Modification Deed

Business overview of the Group

The Group is principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as the provision of relevant logistic services, including third party logistic services and logistic information services.

Set out below are the financial information of the Group for the six months ended 30 June 2010 and each of the two years ended 31 December 2009 as extracted from the Company's interim report for the six months ended 30 June 2010 (the "**Interim Report**") and its annual report for the year ended 31 December 2009 (the "**Annual Report**") respectively:

	For the six months ended 30 June 2010 *HK$'000* *(unaudited)*	**For the year ended 31 December 2009** *HK$'000* *(audited)*	**For the year ended 31 December 2008** *HK$'000* *(audited)*	**% change from 2008 to 2009**
Revenue	2,266,006	4,080,949	5,951,614	(31.43)
Revenue (excluding construction service income)	1,898,546	2,869,253	2,306,887	24.38
Gross profit	1,010,497	1,445,373	1,286,378	12.36
Profit for the period/year	913,844	1,177,098	966,622	21.77

	As at 30 June 2010 *HK$'000* *(unaudited)*	**As at 31 December 2009** *HK$'000* *(audited)*	**As at 31 December 2008** *HK$'000* *(audited)*	**% change from 2008 to 2009**
Total assets	33,114,071	32,448,062	26,914,624	20.56
Total liabilities	(20,388,806)	(19,728,372)	(17,032,019)	15.83
Net assets value ("**NAV**")	12,725,265	12,719,690	9,882,605	28.71
Total borrowings	15,453,663	14,892,326	12,310,750	20.97
Cash and bank balances	1,677,358	1,683,322	2,061,168	(18.33)
Gearing ratio	108%	104%	104%	Nil

From the above table, we noted that the total revenue of the Group decreased by approximately 31.43% from approximately HK$5,952 million for the year ended 31 December 2008 to approximately HK$4,081 million for the year ended 31 December 2009. According to the Annual Report, such decrease was entirely due to the reduction in the revenue generated from the Group's construction service income from the toll roads segment. Nevertheless, the Group's total revenue (excluding construction service income) increased by approximately 24.38% from approximately HK$2,307 million for the year ended 31 December 2008 to approximately HK$2,869 million for the year ended 31 December 2009. Moreover, leveraging on the substantial drop in the cost of sales for the year ended 31 December 2009, the Group recorded growth in gross profit for the year ended 31 December 2009 of approximately 12.36% as compared to the year ended 31 December 2008.

In addition, we noted from the above table that the Group's NAV increased by approximately 28.71% from approximately HK$9,883 million as at 31 December 2008 to approximately HK$12,720 million as at 31 December 2009. The gearing ratio of the Group (as calculated by net debt over total equity of the Group) had been relatively stable for the six months ended 30 June 2010 and the two years ended 31 December 2009. According to the Annual Report, it is the Group's strategy to maintain its gearing ratio at below 120%. Upon our enquiry, the Directors also confirmed that the Group had cash and bank balances and unutilised banking facilities (excluding those of Shenzhen Expressway Company Limited (stock code: 548)) of approximately HK$610 million and HK$1,710 million respectively as at 29 October 2010.

Information on SIHCL

With reference to the Board Letter, SIHCL is a limited liability company incorporated in the PRC and is wholly-owned by Shenzhen SASAB. The principal activities of SIHCL are investment holding of state-owned enterprises in Shenzhen, the PRC and to engage in other businesses as authorised by Shenzhen SASAB.

Reasons for the Modification Deed

With reference to the Annual Report, on 29 December 2007, the Company issued the Convertible Bond in the principal amount of HK$1,727,500,000 to SIHCL as the consideration for acquisition of 100% equity interest in Shenzhen Bao Tong Highway Construction and Development Limited. The Convertible Bond is interest free and has a maturity period of three years from 29 December 2007 (being the date of issue of the Convertible Bond) to 29 December 2010. The Initial Conversion Price is HK$1.20 per Conversion Share. To the extent that the Convertible Bond has not been converted on or before 29 December 2010, the Company shall repay the remaining outstanding principal amount of the Convertible Bond to SIHCL and the repayment shall be made in RMB based on the agreed exchange rate under the Convertible Bond (being RMB1: HK$1.03407341643) on 29 December 2010.

Given that the Initial Conversion Price is substantially higher than the prevailing market price of the Share as illustrated under the section headed "Review on Share prices" below, the Directors understand that it is unlikely that SIHCL will exercise the Conversion Rights on or before 29 December 2010. In this case, the Company will be required to repay the remaining outstanding principal amount of the Convertible Bond as converted into RMB in cash on 29 December 2010. Since the offer price of Shares in equity financing exercises is likely to be set at discount to the prevailing market price of the Shares, the use of equity financing for such repayment is not preferred. As aforementioned, the Group's cash and bank balances and unutilised banking facilities (excluding those of Shenzhen Expressway Company Limited (stock code: 548)) as at 29 October 2010 were approximately HK$610 million and HK$1,710 million respectively. The Directors advised us that the Group would finance the repayment of the Convertible Bond in full on 29 December 2010 by its existing cash and additional debt financing in the event that the Modification Deed cannot be completed. According to the Directors, it is expected that the repayment of the Convertible Bond partly by the Group's internal resources and partly by debt financing would tighten the liquidity position of the Group and we concur with the Directors in this respect.

The Directors are of the view that the Proposed Amendments would provide incentive for SIHCL to convert the Convertible Bond. Through the entering into of the Modification Deed, the Company will be relieved from the obligation to repay the remaining outstanding principal amount of the Convertible Bond as converted into RMB in cash on 29 December 2010. This will allow the Company to retain its capital for the future business development of the Group and strengthen the capital base of the Company. In recent years, the Company has shown strong growth in both asset scale and profitability through mergers and acquisitions and other new investments which have taken the Company to a new level, offering more opportunities for future investment and development. Furthermore, the compulsory conversion of the Convertible Bond by SIHCL under the Modification Deed would reduce the Group's overall debt level and at the same time strengthen the Company's capital base. This will provide a solid foundation for expansion of the existing logistic resources and logistic infrastructure projects of the Group. With the additional capital upon conversion of the Convertible Bond at the Revised Conversion Price, the Directors believe that the future financing ability of the Group and the Shareholders' value would be further enhanced.

Based on the agreed exchange rate of RMB1: HK$1.03407341643 under the Convertible Bond, the Company is required to repay approximately RMB1,670,577,710 to SIHCL. Such repayment amount is equivalent to approximately HK$1,954 million, (calculated by using the prevailing exchange rate of approximately RMB1:HK$1.1699 as at 11 November 2010, being the date of the Modification Deed), and represents an additional cash repayment of approximately HK$226.5 million to the Company when compared to the original consideration, i.e. HK$1,727,500,000. The entering into of the Modification Deed would thus also prevent the Company from incurring such additional cash repayment as a result of the appreciation of RMB against HK$ in the past three years.

As also referred to in the Board Letter, the Company considers that the compulsory conversion of the Convertible Bond by SIHCL under the Modification Deed would increase the interest of SIHCL and its parties acting in concert in the shareholding in the Company and would further strengthen the relationship between SIHCL and the Company. The Directors also consider that, given that the Group is involved in the logistic infrastructure and facilities business, it would be in the interests of the Company and the Shareholders as a whole to strengthen the shareholding relationship with the controlling shareholder which has governmental background.

In view of the reasons for and possible benefits of the Modification Deed as presented above, we concur with the Directors that the Modification Deed is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Modification Deed

As confirmed by the Directors, the Proposed Amendments under the Modification Deed were agreed after arm's length negotiations between the Company and SIHCL.

On the Effective Date, certain existing terms of the Convertible Bond shall be amended as follows:

(a) *The Revised Conversion Price*

The conversion price of the Convertible Bond shall be changed from the Initial Conversion Price of HK$1.20 to the Revised Conversion Price of HK$0.78.

The Revised Conversion Price was determined after arm's length negotiations between the Company and SIHCL with reference to the higher of (i) the closing price of HK$0.660 per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) the average closing price of HK$0.666 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day, with a premium of approximately 17.12%. The Revised Conversion Price represents:

(i) a premium of approximately 25.81% over the closing price of HK$0.620 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(ii) a premium of approximately 18.18% over the closing price of HK$0.660 per Share as quoted on the Stock Exchange on the Last Trading Day (the "**LTD Premium**");

(iii) a premium of approximately 17.12% over the average closing prices of approximately HK$0.666 per Share as quoted on the Stock Exchange for the five trading days of the Shares up to and including the Last Trading Day; and

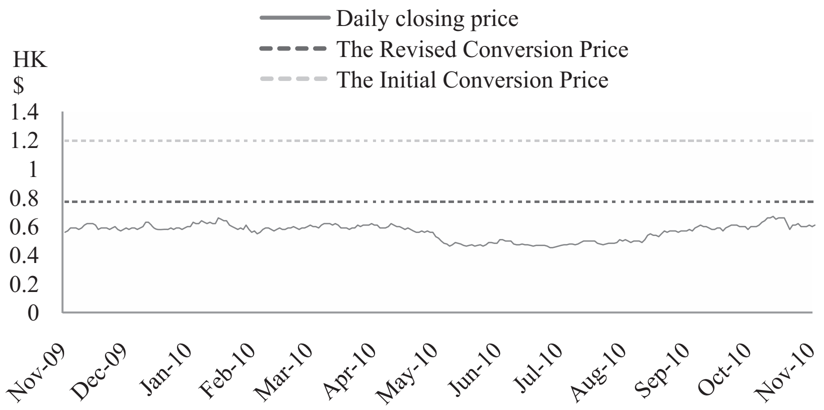
(iv) a premium of approximately 21.50% over the average closing prices of approximately HK$0.642 per Share as quoted on the Stock Exchange for the ten trading days of the Shares up to and including the Last Trading Day.

To further assess the fairness and reasonableness of the Revised Conversion Price of HK$0.78, we set out the following informative analyses for illustrative purpose:

(i) **Review on Share prices**

Set out below is a chart showing the movement of the daily closing prices of the Shares as quoted on the Stock Exchange from 1 November 2009 up to and including the Latest Practicable Date (the "**Review Period**"):

Shenzhen International Holdings Limited (Stock code: 152)



Source: the Stock Exchange web-site (www.hkex.com.hk)

As depicted by the above chart, the daily closing prices of the Shares were constantly at or below HK$0.68 per Share during the Review Period. The maximum and minimum daily closing prices of the Shares were HK$0.68 (the "**Maximum Price**") and HK$0.465 respectively. Thus, the Revised Conversion Price is above the market price of the Shares over the entire Review Period and represents a premium of approximately 14.71% over the Maximum Price.

Having taken into account that the Revised Conversion Price represents premiums over the most recent closing prices of the Shares, and is above the market price of the Shares over the entire Review Period, we consider that the Revised Conversion Price is fair and reasonable so far as the Independent Shareholders are concerned.

(ii) **Comparison with issues of convertible notes/bonds**

As part of our analysis, we have identified those transactions involving issue and/or subscription of convertible notes/bonds (holders of which are not restricted to connected persons) from 1 October 2010 up to the Latest Practicable Date as announced by companies listed on the Main Board of the Stock Exchange (the "**Comparables**"). Given that the Comparables were transacted recently and are hence likely to be subject to market conditions and sentiments which are more similar as the Proposed Amendments in this ever-changing stock market environment, we are of the view that the Comparables are fair and representative. To the best of our knowledge and as far as we are aware of, we found 19 transactions which are exhaustive to meet the said criteria. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and thus the Comparables are only used to provide a general reference for the recent common market practice of Hong Kong listed companies on the Main Board of the Stock Exchange in transactions involving issue and/or subscription of convertible notes/bonds. Summarised below is our relevant finding:

Date of announcement	**Company name**	**Stock code**	**Premium/ (Discount) of the conversion price over/(to) closing price per share on last trading days prior to/on the date of the relevant announcements in relation to the transactions**	**Term**
			%	*Year*
4 October 2010	Vitop Bioenergy Holdings Limited	1178	20.77	1.5
5 October 2010	Chinasoft International Limited	354	(2.90)	3
8 October 2010	Sino-Tech International Holdings Limited	724	(16.67)	5
8 October 2010	GR Vietnam Holdings Limited	139	7.76	3
13 October 2010	China HealthCare Holdings Limited	673	(52.94)	10
14 October 2010	Capital Estate Limited	193	5.90	3
19 October 2010	China Nickel Resources Holdings Company Limited	2889	3.40	Up to 12 December 2012
25 October 2010	Hua Lien International (Holding) Company Limited	969	(14.29)	5
29 October 2010	North Asia Resources Holdings Limited	61	24.09	3
2 November 2010	Asia Coal Limited	835	(24.53)	5
3 November 2010	Mongolia Energy Corporation Limited	276	11.48	3
4 November 2010	Sino Dragon New Energy Holdings Limited	395	(15.09)	5
4 November 2010	King Stone Energy Group Limited	663	(10.26)	5
4 November 2010	Zhongda International Holdings Limited	909	28.21	1.5
9 November 2010	Solargiga Energy Holdings Limited	757	6.08	2
12 November 2010	Mayer Holdings Limited	1116	3.77	3
23 November 2010	China Mandarin Holdings Limited	9	(19.77)	5
25 November 2010	Mingfa Group (International) Company Limited	846	16.94	5
26 November 2010	China Agrotech Holdings Limited	1073	28.21	5
Minimum			(52.94)	
Maximum			28.21	
Average			0.01	
			The LTD Premium	
16 November 2010	**The Company**	**152**	**18.18**	

Source: website of the Stock Exchange (www.hkex.com.hk)

As shown by the above table, the conversion prices of the Comparables ranged from a discount of approximately 52.94% to a premium of approximately 28.21% to/over the respective closing prices of their shares on the last trading days prior to/on the date of the relevant announcements in relation to the transactions (the "**Market Range**"). Hence, the LTD Premium is within the Market Range.

(b) *Compulsory conversion*

Commencing from the Effective Date to the Long Stop Date, SIHCL shall exercise the Conversion Rights attached to the remaining outstanding principal amount of the Convertible Bond of HK$1,727,500,000 at the Revised Conversion Price, such compulsory conversion shall take place upon the fulfillment of all the conditions as set out under the paragraph headed "Conditions to Conversion of the Convertible Bond" in the Board Letter. SIHCL may nominate Ultrarich to hold the New Conversion Shares after the conversion.

(c) *Lock-up of the New Conversion Shares*

Subject to the terms and conditions of the Modification Deed, SIHCL has undertaken to the Company that it shall not, and shall procure Ultrarich (where applicable) not to, sell, pledge or otherwise dispose of any of the New Conversion Shares within two years after the date when SIHCL (or Ultrarich) becomes the holder of the New Conversion Shares without the prior consent of the Company.

As mentioned, the compulsory conversion by SIHCL could eliminate the repayment obligation of the Company for the remaining outstanding principal amount of the Convertible Bond and the Convertible Bond would be converted at the Revised Conversion Price which represents premiums over the most recent closing prices of the Shares. On the other hand, the Directors are of the view that the lock-up of the New Conversion Shares as aforesaid would not only demonstrate SIHCL's continuous future support towards the Group but also further strengthen the relationship between SIHCL and the Company.

In light of the above, we are of the view that the arrangements (b) and (c) above are in the interests of the Company and the Shareholders as a whole.

(d) *Validity period*

The validity period of the Convertible Bond shall be changed to end on the Long Stop Date accordingly. With effect from the Effective Date and subject to the fulfillment of the condition as set out under the paragraph headed "Conditions to Conversion of the Convertible Bond" in the Board Letter, SIHCL shall compulsorily convert the Convertible Bond in full at the Revised Conversion Price.

Conclusion

In conclusion, we consider that the terms of the Modification Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

Possible dilution effect on the shareholding interests of the existing public Shareholders

The 2,214,743,589 New Conversion Shares to be allotted and issued by the Company upon full conversion of the Convertible Bond by SIHCL at the Revised Conversion Price represents: (i) approximately 15.64% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 13.53% of the issued share capital of the Company as enlarged by the allotment and issue of the New Conversion Shares.

The table below demonstrates the possible shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after full conversion of the Convertible Bond at the Revised Conversion Price:

Name of Shareholder	**As at the Latest Practicable Date**		**Immediately after full conversion of the Convertible Bond at the Revised Conversion Price**	
	No. of Shares	%	*No. of Shares*	%
SIHCL and parties acting in concert with it	5,779,473,225	40.82	7,994,216,814	48.83
Public Shareholders	8,377,956,250	59.18	8,377,956,250	51.17
Total	14,157,429,475	100	16,372,173,064	100

As depicted by the above table, after full conversion of the Convertible Bond at the Revised Conversion Price, the shareholding interests of the existing public Shareholders would be reduced by approximately 8.01 percentage point. Nonetheless, in view of (i) the reasons for and the possible benefits of the Modification Deed to the Company as set forth under the section headed "Reasons for the Modification Deed" of this letter; and (ii) the terms of the Modification Deed being fair and reasonable, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

Shareholders should note that the above table is for illustrative purpose only and demonstrates the possible effect on the shareholding structure of the Company as a result of the full conversion of the Convertible Bond at the Revised Conversion Price.

Financial effects of the Modification Deed

Effect on NAV

As extracted from the Interim Report, the unaudited consolidated NAV of the Group was approximately HK$12,725 million as at 30 June 2010. The Directors expect that compulsory conversion of the Convertible Bond by SIHCL under the Modification Deed would expand the NAV of the Group by reducing the current liabilities of the Group being attributable to the Convertible Bond.

Effect on gearing

Based on the Interim Report, the gearing ratio of the Group (as calculated by net debt over total equity of the Group) was approximately 108% as at 30 June 2010. The Directors expect that the gearing ratio of the Group would be reduced upon completion of the compulsory conversion of the Convertible Bond by SIHCL under the Modification Deed.

Effect on working capital

As advised by the Directors, the Modification Deed would increase the Group's working capital (as calculated by current assets minus current liabilities) level by reducing the current liabilities of the Group being attibutable to the Convertible Bond.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Modification Deed.

RECOMMENDATION ON THE MODIFICATION DEED

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Modification Deed are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Modification Deed is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the SGM to approve the Modification Deed and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

II. THE WHITEWASH WAIVER

As at the Latest Practicable Date, SIHCL and parties acting in concert with it (including Shenzhen SASAB, SIHC, Ultrarich, Mr. Li Jing Qi and Mr. Liu Jun) were interested in an aggregate of 5,779,473,225 Shares, representing approximately 40.82% of the entire issued share capital of the Company. If the Modification Deed becomes unconditional, SIHCL would be obliged to exercise the Conversion Rights attached to the remaining outstanding principal amount of the Convertible Bond of HK$1,727,500,000 at the Revised Conversion Price. Accordingly, SIHCL and parties acting in concert with it would be interested in 7,994,216,814 Shares, representing approximately 48.83% of the issued share capital of the Company as enlarged by the allotment and issue of the 2,214,743,589 New Conversion Shares. In the absence of the Whitewash Waiver, SIHCL and parties acting in concert with it would be obliged to make a mandatory offer under Rule 26 of the Takeovers Code for all the Shares not already owned or agreed to be acquired by SIHCL or parties acting in concert with it in accordance with the Takeovers Code.

In this regard, an application has been made by SIHCL to the Executive for the Whitewash Waiver pursuant to Note 1 on dispensations from Rule 26 of the Takeovers Code as a result of the issue of the New Conversion Shares upon full conversion of the Convertible Bond at the Revised Conversion Price.

It is a condition precedent to the Modification Deed that the Whitewash Waiver is granted by the Executive. If the Whitewash Waiver is not granted by the Executive or if any of the conditions precedent of the Modification Deed is not fulfilled, the Modification Deed will cease to have any effect.

Given (i) the reasons for and the possible benefits of the Modification Deed to the Company as set forth under the section headed “Reasons for the Modification Deed” of this letter; and (ii) the terms of the Modification Deed being fair and reasonable so far as the Independent Shareholders are concerned, we are of the opinion that the approval of the Whitewash Waiver, which is a prerequisite for the completion of the Modification Deed, is in the interests of the Company and the Shareholders as a whole and is fair and reasonable for the purpose of proceeding with the Modification Deed.

RECOMMENDATION ON THE WHITEWASH WAIVER

Taking into consideration the reasons for and possible benefits of the Modification Deed, and that the Modification Deed is conditional upon the grant of the Whitewash Waiver, we consider that the Whitewash Waiver is in the interests of the Company and the Shareholders as a whole and is fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Whitewash Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution(s) at the SGM to approve the Whitewash Waiver. We also recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to approve the Whitewash Waiver at the SGM.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

A summary of the results of the Group for the last three financial years and the six months ended 30 June 2009 and 2010 is depicted below. The 2009 figures are extracted from the Group's audited financial statements for the year ended 31 December 2009. The 2008 figures are extracted from the Group's audited financial statements for the year ended 31 December 2008. The 2007 figures are extracted from the comparatives in the Group's audited financial statements for the year ended 31 December 2008, and restated for changes in accounting policies and merger accounting for common control combinations adopted by the Group in 2008, details of which are disclosed in notes 2.2 and 2.3(b) of the Group's audited financial statements for the year ended 31 December 2008. The interim figures are extracted from the Group's unaudited financial statements for the six months ended 30 June 2010.

Set out below is a summary of the assets and liabilities of the Group for the two financial years ended 31 December 2009, extracted from the relevant published annual reports of the Group without taking into account the change in accounting policy and the adoption of an amendment to Hong Kong Financial Reporting Standards during the six months ended 30 June 2010 as explained below. The accounting policies currently adopted by the Group are set out in note 3 of the unaudited condensed consolidated interim financial information of the Company for the six months ended 30 June 2010 as included in section 3 of this appendix.

The auditor's reports issued by PricewaterhouseCoopers, the independent auditors of the Company, in respect of the consolidated financial statements of the Company for the years ended 31 December 2007, 2008 and 2009 were unqualified.

For the three financial years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, there were no exceptional items because of size, nature and incidence.

Results of operations

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited) (Restated)	*(Audited)*	*(Audited)*	*(Unaudited)*	*(Unaudited)*
Revenue	4,984,600	5,951,614	4,080,949	1,693,578	2,266,006
Cost of sales	(3,792,932)	(4,665,236)	(2,635,576)	(1,069,638)	(1,255,509)
Gross profit	1,191,668	1,286,378	1,445,373	623,940	1,010,497
Other gains — net	2,214,710	160,150	391,840	290,791	379,572
Other income	114,869	104,782	86,059	29,883	50,302
Distribution costs	(19,621)	(21,757)	(23,052)	(9,533)	(12,331)
Administrative expenses	(203,760)	(214,332)	(201,637)	(79,247)	(85,524)
Other operating expenses	(6,190)	(1,499)	(10,774)	(10,839)	—
Operating profit	3,291,676	1,313,722	1,687,809	844,995	1,342,516
Share of profit of jointly controlled entities	142,059	244,439	204,763	152,219	3,869
Share of profit/(loss) of associates	17,842	(17,601)	92,506	44,858	139,474
Profit before finance costs and tax	3,451,577	1,540,560	1,985,078	1,042,072	1,485,859
Finance costs — net	(449,126)	(383,895)	(541,095)	(217,171)	(323,552)
Profit before income tax	3,002,451	1,156,665	1,443,983	824,901	1,162,307
Income tax expense	(550,900)	(190,043)	(266,885)	(131,405)	(248,463)
Profit for the year/period	2,451,551	966,622	1,177,098	693,496	913,844
Attributable to:					
Equity holders of the Company	2,122,541	574,986	865,859	503,262	712,337
Non-controlling interests	329,010	391,636	311,239	190,234	201,507
	2,451,551	966,622	1,177,098	693,496	913,844
Earnings per share for profit attributable to equity holders of the Company during the year/period (expressed in HK cents per share)					
— Basic	15.69	4.06	6.17	3.59	5.03
— Diluted	14.88	4.04	6.03	3.46	4.79
Dividends	639,818	203,398	306,880	—	—

Financial position

	As at 31 December	
	2008	**2009**
	HK$'000	*HK$'000*
	(Audited)	*(Audited)*
Total non-current assets	22,973,232	28,026,316
Total current assets	3,941,392	4,421,746
Total assets	26,914,624	32,448,062
Total non-current liabilities	11,696,317	13,605,561
Total current liabilities	5,335,702	6,122,811
Total liabilities	17,032,019	19,728,372
Shareholders' equity	4,909,921	7,025,136
Non-controlling interests	4,972,684	5,694,554
Total equity	9,882,605	12,719,690

During the six months ended 30 June 2010, the Group changed its accounting policy for leasehold land and land use rights under Hong Kong Accounting Standard ("HKAS") 17.

HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest title of which is not expected to be passed to the Group by the end of the lease term was classified as operating lease under "Leasehold land, land use rights and other leased assets", and amortised over the lease term.

HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

If the property interest is held for own use, that land interest classified as finance lease is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful live of the asset and the lease term.

The change in accounting policy has been accounted for retrospectively and the effect of the adoption of this amendment is as below:

	As at 31 December	
	2008	**2009**
	HK$'000	*HK$'000*
Decrease in land use rights and other leased assets	(70,390)	(66,250)
Increase in property, plant and equipment	70,390	66,250

There is no impact in retained earnings at 31 December 2008 and 2009 from the adoption of this amendment.

2. AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

The following are the audited financial statements of the Group together with the accompanying notes as extracted from the annual report of the Company for the year ended 31 December 2009.

CONSOLIDATED BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	Note	As at 31 December 2009	2008
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,214,359	1,636,136
Investment properties	7	44,443	49,183
Leasehold land, land use rights and other leased assets	8	670,262	509,656
Construction in progress	9	636,456	341,542
Intangible assets	10	22,463,694	18,125,699
Investments in associates	12	1,455,216	1,441,731
Investments in jointly controlled entities	13	300,350	773,559
Available-for-sale financial assets	14	142,366	95,726
Deferred tax assets	25	45,923	—
Other non-current assets	15	53,247	—
		28,026,316	22,973,232
Current assets			
Available-for-sale financial assets	14	2,311,475	1,134,638
Financial assets at fair value through profit or loss		—	149,827
Assets held for sale	16	14,528	14,717
Trade and other receivables	17	412,421	573,899
Restricted bank deposits	18	556,920	160,168
Cash and cash equivalents	18	1,126,402	1,901,000
Derivative financial instruments	22	—	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	19	2,973,698	2,941,407
Other reserves	20	252,447	(1,374,813)
Retained earnings			
— Proposed dividends	37	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

	Note	As at 31 December 2009	2008
LIABILITIES			
Non-current liabilities			
Borrowings	21	9,604,665	7,302,217
Derivative financial instruments	22	51,608	51,460
Provision for maintenance/resurfacing obligations	23	829,180	366,426
Convertible bonds	24	1,426,402	3,066,685
Deferred income tax liabilities	25	1,684,619	875,921
Deferred income	26	—	33,608
Other non-current liabilities		9,087	—
		13,605,561	11,696,317
Current liabilities			
Trade and other payables	27	2,086,141	3,233,979
Income tax payable		172,718	159,875
Convertible bonds	24	1,776,430	—
Borrowings	21	2,084,829	1,941,848
Derivative financial instruments	22	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

BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	Note	As at 31 December 2009	2008
ASSETS			
Non-current assets			
Investments in subsidiaries	11	6,147,943	4,781,734
Current assets			
Other receivables	17	1,019	1,265
Dividends due from subsidiaries	11	2,842,923	2,842,923
Cash and cash equivalents	18	48,136	94,872
		2,892,078	2,939,060
Total assets		9,040,021	7,720,794
EQUITY			
Share capital	19	2,973,698	2,941,407
Other reserves	20	651,690	657,330
Retained earnings	35		
— Proposed dividends	37	306,880	203,398
— Others		1,582,337	1,970,855
Total equity		5,514,605	5,772,990
LIABILITIES			
Non-current liabilities			
Borrowings	21	1,478,750	47,894
Derivative financial instruments	22	51,608	45,968
Convertible bonds	24	—	1,706,676
		1,530,358	1,800,538
Current liabilities			
Other payables	27	10,070	2,458
Borrowings	21	205,625	141,875
Convertible bonds	24	1,776,430	—
Amount due to a subsidiary	11	2,933	2,933
		1,995,058	147,266
Total liabilities		3,525,416	1,947,804
Total equity and liabilities		9,040,021	7,720,794
Net current assets		897,020	2,791,794
Total assets less current liabilities		7,044,963	7,573,528

CONSOLIDATED INCOME STATEMENT

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2009	2008
Revenue	28	4,080,949	5,951,614
Cost of sales	31	(2,635,576)	(4,665,236)
Gross profit		1,445,373	1,286,378
Other gains — net	29	391,840	160,150
Other income	30	86,059	104,782
Distribution costs	31	(23,052)	(21,757)
Administrative expenses	31	(201,637)	(214,332)
Other operating expenses	31	(10,774)	(1,499)
Operating profit		1,687,809	1,313,722
Share of profit of jointly controlled entities	13	204,763	244,439
Share of profit/(loss) of associates	12	92,506	(17,601)
Profit before finance costs and tax		1,985,078	1,540,560
Finance income	33	27,952	61,866
Finance costs	33	(569,047)	(445,761)
Finance costs — net	33	(541,095)	(383,895)
Profit before income tax		1,443,983	1,156,665
Income tax expense	34	(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
Earnings per share for the profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
— Basic	36	6.17	4.06
— Diluted	36	6.03	4.04
Dividends	37	306,880	203,398

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HK dollar thousands unless otherwise stated)

		Year ended 31 December	
	Note	**2009**	**2008**
Profit for the year		1,177,098	966,622
Other comprehensive income:			
Fair value gains on available-for-sale financial assets, net of tax	20	1,005,013	28,391
Transfer of fair value gains to income statement upon disposal of available-for-sale financial assets, net of tax	20	(81,410)	—
Fair value losses on derivative financial instruments, net of tax	20	(5,640)	(49,211)
Derecognition of cash flow hedge, net of tax	20	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 STATEMENT OF CHANGES IN EQUITY

(All amounts in HK dollar thousands unless otherwise stated)

	Attributable to equity holders of the Company				
	Share capital and share premium	Other reserves	Retained earnings	Minority interests	Total equity
Balance at 1 January 2008	3,043,104	368,589	3,474,650	4,647,839	11,534,182
Comprehensive income					
Profit for the year	—	—	574,986	391,636	966,622
Other comprehensive income					
Fair value gains on available-for-sale financial assets, net of tax	—	28,391	—	—	28,391
Fair value losses on derivative financial instruments, net of tax	—	(49,211)	—	—	(49,211)
Currency translation differences	—	457,817	—	186,028	643,845
Total other comprehensive income	—	436,997	—	186,028	623,025
Total comprehensive income	—	436,997	574,986	577,664	1,589,647
Transaction with owners					
Employee share options — proceeds from shares issued	1,692	—	—	—	1,692
Merger reserve arising from common control combinations	—	(2,181,643)	—	—	(2,181,643)
Transfer to reserves	—	66,221	(66,221)	—	—
Dividend relating to 2007	—	—	(640,088)	—	(640,088)
Dividend paid to minority shareholders by subsidiaries	—	—	—	(15,194)	(15,194)
Repurchase and cancellation of shares	(103,389)	—	—	—	(103,389)
Acquisition of minority interests	—	(64,977)	—	(333,649)	(398,626)
Minority interest arising on business combination	—	—	—	46,674	46,674
Injection by minority shareholders	—	—	—	49,350	49,350
Total transaction with owners	(101,697)	(2,180,399)	(706,309)	(252,819)	(3,241,224)
Balance at 31 December 2008	2,941,407	(1,374,813)	3,343,327	4,972,684	9,882,605

	Attributable to equity holders of the Company				
	Share capital and share premium	**Other reserves**	**Retained earnings**	**Minority interests**	**Total equity**
Balance at 1 January 2009	2,941,407	(1,374,813)	3,343,327	4,972,684	9,882,605
Comprehensive income					
Profit for the year	—	—	865,859	311,239	1,177,098
Other comprehensive income					
Fair value gains on available-for-sale financial assets, net of tax	—	1,005,013	—	—	1,005,013
Transfer of fair value gain to income statement upon disposal of available-for-sale financial assets, net of tax	—	(81,410)	—	—	(81,410)
Fair value losses on derivative financial instruments, net of tax	—	(5,640)	—	—	(5,640)
Derecognition of cash flow hedge, net of tax	—	5,210	—	—	5,210
Revaluation surplus arising from business combination, net of tax	—	471,385	—	506,785	978,170
Currency translation differences	—	6,103	—	3,910	10,013
Total other comprehensive income	—	1,400,661	—	510,695	1,911,356
Total comprehensive income	—	1,400,661	865,859	821,934	3,088,454
Transaction with owners					
Employee share options — proceeds from shares issued	32,291	—	—	—	32,291
Transfer to reserves	—	206,786	(206,786)	—	—
Dividend relating to 2008	—	—	(203,409)	—	(203,409)
Dividend paid to minority shareholders by subsidiaries	—	—	—	(171,058)	(171,058)
Acquisition of minority interests	—	19,316	—	(88,041)	(68,725)
Minority interest arising on business combination *(Note 41(a))*	—	—	—	50,036	50,036
Injection by minority shareholders	—	497	—	108,999	109,496
Total transaction with owners	32,291	226,599	(410,195)	(100,064)	(251,369)
Balance at 31 December 2009	2,973,698	252,447	3,798,991	5,694,554	12,719,690

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2009	2008
Cash flows from operating activities			
Cash generated from operations	38(a)	1,834,500	1,376,947
Proceeds from disposals of financial assets at fair value through profit or loss		246,405	277,376
Interest paid		(404,407)	(238,820)
Income tax paid		(373,622)	(294,872)
Net cash generated from operating activities		1,302,876	1,120,631
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired	38(c)	(2,131,521)	10,666
Acquisition of minority interests		(68,725)	(398,626)
Purchases of property, plant and equipment, construction in progress, and intangible assets		(2,078,015)	(3,177,318)
Purchases of leasehold land, land use rights and other leased assets		(195,122)	(59,661)
Increase in investments in associates and jointly controlled entities		(51,119)	(1,246,210)
Purchases of available-for-sale financial assets		(46,564)	—
Proceeds from disposals of property, plant and equipment	38(b)	11,643	29,920
Proceeds from disposals of investment properties		4,040	—
Proceeds from disposals of leasehold land, land use rights and other leased assets		37,547	19,530
Proceeds from disposal of associates		—	532,160
Proceeds from disposal of available-for-sale financial assets		288,677	—
Interest received		27,952	61,866
Dividends received		310,281	381,372
Net cash used in investing activities		(3,890,926)	(3,846,301)
Cash flows from financing activities			
Proceeds from derivative financial instruments		4,117	—
Payment for shares repurchased	19	—	(103,389)
Proceeds from issuance of ordinary shares	19	32,291	1,692
Capital contribution by minority interests		109,496	49,350
Proceeds from borrowings		6,474,860	6,543,311
Repayments of borrowings		(4,036,054)	(4,460,847)
Increase in restricted bank deposits for guarantee		(396,752)	(142,719)
Dividends paid to the Company and subsidiaries' shareholders		(374,467)	(655,282)
Net cash generated from financing activities		1,813,491	1,232,116
Net decrease in cash and cash equivalents		(774,559)	(1,493,554)
Cash and cash equivalents at beginning of year		1,901,000	3,319,744
Exchange (loss)/gain		(39)	74,810
Cash and cash equivalents at end of year	18	1,126,402	1,901,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in HK dollar thousands unless otherwise stated)

1. **General information**

Shenzhen International Holdings Limited (the "Company") is an investment holding company. The principal activities of the Company and its subsidiaries (collectively the "Group"), and its associates and jointly controlled entities include the following logistic businesses:

— Toll Roads;

— Logistic Parks; and

— Provision of Logistic Service

The Company is a limited liability company incorporated in Bermuda. The address of its registered office is Bank of Bermuda Building, 6 Front Street, Hamilton HM11, Bermuda.

The Company has its listing on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). One of the major subsidiaries of the Company, Shenzhen Expressway Company Limited ("Shenzhen Expressway") is listed on Stock Exchange and Shanghai Stock Exchange.

Shenzhen Investment Holding Corporation ("SIHC") is the largest shareholder of the Company. SIHC is supervised and managed by Shenzhen Municipal State-owned Assets Supervision and Administration Bureau ("Shenzhen SASAB"), which is a state-owned authority of the People's Republic of China ("PRC"). SIHC owned approximately 40.59% interest of the Company as at 31 December 2009. As SIHC controls the financial and operating policies of the Company, the directors of the Company regard SIHC as the de facto controller of the Company. Since Shenzhen SASAB supervises and manages SIHC, it controls the financial and operating policies of SIHC. As a result, the Company is also de facto controlled by Shenzhen SASAB.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars ("HKD"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 23 March 2010.

2. **Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 ***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.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Changes in accounting policy 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.

- HKFRS 7 (amendment) 'Financial instruments — Disclosures' — 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.

- 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.

- 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.

- 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.

- 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.

- 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.

- 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.

- 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) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following new standards and amendments to existing standards have been published and mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- HKAS 27 (revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2010.

- HKFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair vale or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) prospectively to all business combinations from 1 January 2010.

- HKAS 38 (amendment), 'Intangible Assets'. The Group and Company will apply HKAS 38 (amendment) from the date HKFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

- HKFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'. The amendment provides clarification that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of HKAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. The Group and Company will apply HKFRS 5 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group or Company's financial statements.

- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply HKAS 1 (amendment) from 1 January 2010. It is not expected to have a material impact on the Group or Company's financial statements.

- HKFRS 2 (amendments), 'Group cash-settled share-based payment transactions' (effective from 1 January 2010). In addition to incorporating HK(IFRIC)-Int 8, 'Scope of HKFRS 2', and HK(IFRIC)-Int 11, 'HKFRS 2 — Group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC)-Int 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance is not expected to have a material impact on the Group's or Company's financial statements.

2.2 ***Consolidation***

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December.

(a) *Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Apart from the application of merger accounting on the common control business combinations, the purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the consolidated income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(b) *Common control combination*

Merger accounting is accounted for the acquisition of subsidiaries under common control by the Group.

Under merger accounting, the consolidated financial statements include the financial position, results and cash flows of the companies comprising the Group as if the current group structure had been in existence since their respective dates of under common control.

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated on consolidation.

Transaction costs, including professional fees, registration fees, costs of furnishing information to shareholders, costs or losses incurred in combining operations of the previously separate businesses, etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred.

The adjustment to eliminate the share capital of entities combined and investment cost has been recorded as merger reserve in consolidated financial statements.

(c) *Transactions with minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is deducted from equity. Gains or losses on disposals to minority interests are also recorded in equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recorded in equity.

(d) *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

(e) *Jointly controlled entities*

A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The entity operates in the same way as other entities, except that a contractual arrangement between the venturers establishes joint control over the economic activity of the entity.

Investments in jointly controlled entities are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investments in jointly controlled entities include goodwill (net of accumulated impairment losses) identified on acquisition.

The Group's share of its jointly controlled entities' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 ***Segment reporting***

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that makes strategic decisions.

2.4 ***Foreign currency translation***

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in HKD as the Company is listed on Stock Exchange.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other gains — net'.

Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale are included in the available-for-sale reserve in equity.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

ii) income and expenses for each consolidated income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

iii) all resulting exchange differences are recognised as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 ***Property, plant and equipment***

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in the income statement during the financial period in which they are incurred.

Depreciation of buildings and structures relating to the toll roads is calculated to write off their costs to their estimated residual values on a straight-line basis over the unexpired periods of the leases or toll road operating right, whichever is shorter.

Depreciation on other property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Buildings	10-50 years or over the term of the unexpired leases, whichever is shorter
Leasehold improvements	4 years or over the term of the unexpired leases, whichever is shorter
Motor vehicles	5-8 years
Furniture, fixtures and equipment	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other gains — net', in the income statement.

2.6 ***Construction in progress***

Construction in progress represents the direct costs of construction incurred plus interest capitalised up to the date of completion of the construction of property, plant and equipment less any impairment losses. No provision for depreciation is made on construction in progress until the relevant assets are completed and put into use. Construction in progress is reclassified to the appropriate category of property, plant and equipment and intangible assets when completed and ready for use.

2.7 ***Investment properties***

Investment property, principally comprising commercial buildings and carpark spaces, is held for long-term rental yields and is not occupied by the Group. Investment property is measured initially at its cost, including related transaction costs. Investment property is carried at fair value, representing open market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by valuers. Changes in fair values are recorded in the income statement as part of 'other gains — net'.

2.8 ***Leasehold land, land use rights and other leased assets***

Leasehold land, land use rights and other leased assets are up-front payments to acquire long-term interests in the usage of land. They are stated at cost and charged to the income statement over the remaining period of the lease on a straight-line basis, net of any impairment losses.

2.9 ***Intangible assets***

(a) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, associate and jointly controlled entity at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates and jointly controlled entities is included in investments in associates and jointly controlled entities and is tested annually for impairment as part of the overall balance. Goodwill is tested for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) *Concession intangible assets*

Where the Group has entered into contractual service concession arrangements ("Service Concessions") with local government authorities for its participation in the development, financing, operation and maintenance of various toll road infrastructures, the Group carries out the construction or upgrade work of toll roads for the granting authorities and receives in exchange of a right to operate the toll roads concerned and the entitlement to the toll fees collected from users of the toll road services. Concession intangible assets correspond to the right granted by the respective concession grantors to the Group to charge users of the toll road services and the fact that the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable.

For certain Service Concessions contracts, the Group receives from the concession grantors certain monetary grants (the "Grants") in addition to the entitlements and rights to receive the toll fees from users of the toll road services. The consideration receivable is divided into two components, financial assets recognised based on the amount of Grants payable by the concession grantors, and the residual balance is recognised as intangible assets.

Land use rights acquired in conjunction with the Service Concessions which the Group has no discretion or latitude to deploy for other services other than the use in the Service Concessions are treated as intangible assets acquired under the Service Concessions.

Amortisation of concession intangible assets is calculated to write off their costs on an units-of-usage basis according to the HK Int-1, 'The Appropriate Accounting Policies for Infrastructure Facilities', issued by the Hong Kong Institute of Certified Public Accountants, whereby amortisation is provided based on the proportion of actual traffic volume for a particular period over the total projected traffic volume throughout the periods within which the Group is granted the rights to operate those roads (the "Traffic Flow Amortisation Method"). It is the Group's policy to review regularly the total projected traffic volume throughout the operating periods of the respective toll roads. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustments will be made should there be a material change.

2.10 ***Impairment of non-financial assets***

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries or associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary or associate in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.11 ***Financial assets***

2.11.1 *Classification*

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determine the classification of its financial assets at initial recognition and re-evaluate their classification at each balance sheet date.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables', 'bank deposits' and 'cash and cash equivalents' in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

2.11.2 *Recognition and measurement*

Regular purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other gains — net', in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of 'other income' when the Group's right to receive payments is established.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'other gains-net'.

Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of 'other income' when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. For unlisted equity investment, if there is no active market, the Group states these investments at cost less impairment provision when the unlisted equity investments do not have a quoted market price in an active market and whose fair value cannot be reliably measured.

2.12 ***Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

2.13 ***Impairment of financial assets***

(a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio; or

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(b) *Assets classified as available for sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in the separate income statement. Impairment losses recognised in the separate income statement on equity instruments are not reversed through the separate income statement.

2.14 ***Derivative financial instruments and hedging activities***

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designed as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised liability or a highly probable forecast transaction (cash flow hedges).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 22. Movements on the hedging reserve in shareholders' equity are shown in Note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months. Trading derivatives are classified as a current asset or liability.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other gains — net'.

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'finance costs'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other gains — net'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other gains — net'.

2.15 ***Trade and other receivables***

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.16 ***Cash and cash equivalents***

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet date.

2.17 ***Share capital***

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.18 ***Trade payables***

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 ***Borrowings***

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

2.20 ***Compound financial instruments***

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.21 ***Borrowing costs***

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed when incurred.

2.22 ***Current and deferred income tax***

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or equity. In this case, the tax is also recognised in other comprehensive income or equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 ***Employee benefits***

(a) *Pension obligations*

The Group operates a defined contribution retirement benefits scheme, Mandatory Provident Fund (the "MPF Scheme"), under the Mandatory Provident Fund Ordinance in Hong Kong for all Hong Kong employees who are eligible to participate in the MPF Scheme. Besides, the Group participates in defined contribution retirement schemes organised by the local government authorities in the PRC. Apart from these, the Group has no legal or constructive obligations for further payments.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate scheme. Contributions payable or paid by the Group and employees are calculated as a percentage of employees' basic salaries. The amounts of employee benefit expenses charged to the income statement represent the contribution payable or paid by the Group to the scheme during the year.

(b) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market service (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) *Profit-sharing and bonus plans*

The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.24 ***Provisions***

Provisions for environmental restoration, restructuring costs, legal claims and the resulting maintenance and resurfacing cost, except for upgrade services under the respective service concessions, are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.25 ***Revenue recognition***

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of value added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) *Toll revenue*

Toll revenue from operation of toll roads is recognised on a receipt basis.

(b) *Construction revenue under Service Concessions*

Revenue generated by construction and upgrade services rendered by the Group is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably. The consideration may be rights to attain a financial asset or an intangible asset.

The Group uses the percentage of completion method to determine the appropriate amount of income and expenses to be recognised in a given period. The stage of completion is measured by reference to the construction costs of the related infrastructures incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

(c) *Interest income*

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(d) *Logistic service revenue*

Revenue from the provision of logistic services is recognised when the services are rendered.

(e) *Dividend income*

Dividend income is recognised when the right to receive payment is established with reasonable certainty.

2.26 ***Operating leases***

(a) *When a group company is the lessee*

Leases where a significant portion of the risks and rewards of certain, ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(b) *When a group company is the lessor*

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income from operating lease is recognised over the term of the lease on a straight-line basis.

2.27 ***Government grants***

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

2.28 ***Contingent liabilities***

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

2.29 ***Dividend distribution***

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

3. **Financial risk management**

3.1 ***Financial risk factors***

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out under policies approved by the Board of Directors. The Group identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest-rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excessive liquidity.

(a) *Market risk*

(i) Currency risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. As at 31 December 2009, the Group has cash and bank balances of HKD75,396,000 (2008: HKD241,481,000) and bank borrowings of HKD3,040,681,000 (2008: HKD625,614,000) denominated in HKD, and the Company has cash and bank balances of HKD48,094,000 (2008: HKD94,301,000), and bank borrowings of HKD1,684,375,000 (2008: HKD189,769,000) denominated in HKD. Apart from these, the Group and the Company did not have significant exposure to foreign exchange risk. Nevertheless, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2009, should RMB be weakened/strengthened by 5% against HKD, with all other factors remain unchanged, the profit after taxation for the year would be affected as follows:

	Change of profit after income tax — increase/(decrease)			
	Group		**Company**	
	2009	**2008**	**2009**	**2008**
RMB against HKD				
— Weakened by 5%	(118,492)	(15,597)	(68,246)	(3,900)
— Strengthened by 5%	118,492	15,597	68,246	3,900

(ii) Cash flow and fair value interest rate risk

Apart from cash and cash equivalents, the Group has no significant interest-bearing assets.

The Group's and Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2009 and 2008, the Group's borrowings at variable rates were mainly denominated in HKD, RMB and USD. For bank borrowings in the PRC, the interest rate would be adjusted accordingly should the lending rate promulgated by the People's Bank of China be changed.

The Group manages its cash flow interest rate risk of long-term loans by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional amounts.

As at 31 December 2009, the balance of bank borrowings of the Group which were issued at floating rates and not covered by the interest rate swaps, amounted to approximately HKD3,830,000,000 (2008: HKD3,017,000,000). As at 31 December 2009, should the interest rate be increased/decreased by 50 basis points, the financial cost of the Group would be increased/decreased by approximately HKD19,150,000 (2008: HKD15,085,000) respectively.

The Company's balances with subsidiaries are mainly interest-free or bear interest at market rates.

(iii) Price risk

The Group is exposed to equity securities price risk because of shares of CSG Holding Co, Ltd., ("CSG"), a company listed in the Shenzhen Stock Exchange held by the Group and classified as available for sale. The Group is not exposed to commodity price risk.

The table below summarises the impact of increases/decrease of share price of CSG on equity. The analysis is based on the assumptions that the share price of CSG had increased/decreased by 5% as of year end with all other factors remain unchanged:

	Impact on post-tax profit — increase/(decrease)		Impact on other reserves, net of tax — increase/(decrease)	
	2009	2008	2009	2008
Share price				
— Increased by 5%	—	6,143	92,459	46,520
— Decreased by 5%	—	(6,143)	(92,459)	(46,520)

(b) *Credit risk*

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Transactions are limited to high credit quality banks and financial institutions. No significant credit risk is expected as the banks in PRC, Hong Kong and other financial institutions are listed banks or large/medium sized commercial banks. Individual credit limits granted to customers would be set with reference to internal and external ratings as determined by the directors. The credit limits are reviewed periodically.

No credit limits were exceeded during the year. Management does not expect any losses from non-performance by these counterparties.

Both the Group and the Company does not have significant credit concentration risk. The carrying amounts of cash and cash equivalents and trade and other receivables, and amounts due from subsidiaries substantially represent the Group and the Company's maximum exposure to credit risk.

(c) *Liquidity risk*

Cash flow forecasting is performed in the operating entities of the Group. The Company monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 21) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements — for example, currency restrictions.

The table below analyses the Group's and the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31 December 2009				
Bank borrowings	2,153,416	796,510	3,476,987	5,966,940
Other borrowings	—	41,105	—	—
Derivative financial instruments	2,693	6,068	45,540	—
Bonds	1,915,454	67,023	1,887,993	1,308,645
Trade and other payables	2,081,935	—	—	—
At 31 December 2008				
Bank borrowings	2,004,503	1,136,725	2,596,582	6,830,335
Derivative financial instruments	—	5,492	45,968	—
Bonds	66,977	1,915,408	1,903,735	1,357,702
Trade and other payables	3,233,979	—	—	—

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Company			
At 31 December 2009			
Bank borrowings	213,445	337,520	1,193,654
Derivative financial instruments	2,693	6,068	45,540
Convertible bonds	1,848,431	—	—
Other payables	10,070	—	—
Amounts due to subsidiaries	2,933	—	—
At 31 December 2008			
Bank borrowings	143,865	48,512	—
Derivative financial instruments	—	—	45,968
Convertible bonds	—	1,848,431	—
Other payables	2,458	—	—
Amounts due to subsidiaries	2,933	—	—

As at 31 December 2009, the Group and the Company have undrawn banking facilities of HKD11,933,567,000 (2008: HKD11,221,110,000) and HKD1,024,787,000 (2008: HKD1,640,000,000) respectively.

3.2 ***Capital risk management***

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, capital returned to shareholders, new shares issued or assets sold to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current, non-current borrowings and convertible bonds) less cash and bank balances. Total capital is calculated as 'equity', as shown in the consolidated balance sheet.

The Group maintained a consistent strategy to maintain the gearing ratio within 120%. The gearing ratios at 31 December 2009 and 2008 were as follows:

	2009	**2008**
Total borrowings	14,892,326	12,310,750
Less: cash and bank balances	(1,683,322)	(2,061,168)
Net debt	13,209,004	10,249,582
Total capital	12,719,690	9,882,605
Gearing ratio	104%	104%

3.3 ***Fair value estimation***

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009:

	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale financial assets				
— Equity securities	2,311,475	—	38,992	2,350,467
Liabilities				
Derivatives — interest rate swaps	—	54,301	—	54,301

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments which are included in level 1 comprise primarily shares of CSG classified as available for sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Instruments included in level 2 comprise primarily interest rate swaps.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All the resulting fair value estimates are included in level 2 except for the unlisted equity investment as explained below.

The following table presents the changes in level 3 instruments for the year ended 31 December 2009.

	Unlisted equity investments
Opening balance	—
Transfers into level 3	38,992
Closing balance	38,992
Total gains or losses for the year including in profit or loss for assets held at the end of year	—

4. **Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 ***Critical accounting estimates and assumptions***

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) *Construction revenue recognition relating to concession contracts*

Income and expenses associated with construction services and upgrade services provided under the concession service arrangements are recognised in accordance with HKAS 11 using the percentage of completion method. Revenue generated by construction services rendered by the Group is measured at the fair value of the consideration received or receivable.

Due to the fact there was no real cash flow realised/realisable during the construction phase of the infrastructure during the Service Concessions, in order to determine the construction revenue to be recognised during the reporting period, the directors of the Company made estimates of the respective amounts by making reference to the provision of project management services by the Group for construction of toll roads for respective PRC local governments without the corresponding grants of the toll road operating rights and entitlement to future toll revenues in return for management service fees. The directors of the Company have drawn an analogy of the construction of toll roads under the Service Concessions as if the Group were providing construction and project management services. Accordingly, construction revenue under the respective Service Concessions is recognised at the total expected construction costs of the related toll roads plus management fees, computed at a percentage of the costs.

The directors of the Company estimated that the construction costs are close to the revenue, and gross profit derived from the construction activities was insignificant.

(b) *Amortisation of concession intangible assets*

The Group applied HK(IFRIC)-Int 12 'Service Concession arrangements' ("IFRIC 12") and recognised concession intangible assets under the service concession arrangements and provides amortisation thereon.

Amortisation of concession intangible assets is provided under the Traffic Flow Amortisation Method. Material adjustments may need to be made to the carrying amounts of concession intangible assets should there be a material difference between total projected traffic volume and the actual results.

The directors of the Company performed a periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies and make an appropriate adjustment if there is a material difference.

To facilitate the acquisition of Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ("Jihe East Company") during the year, the Group appointed an independent professional traffic consultant and reassessed its future traffic volume. The Group has adjusted the amortisation unit for concession intangible assets according to the revised total projected traffic volume since 1 October 2009 on prospective basis. Such change in accounting estimate has resulted in an increase of net profit for the period from 1 October 2009 to 31 December 2009 amounting to HKD1,703,000 and will impact the amortisation charges of Jihe East Company in the future periods.

Except the above change of the estimate of the total projected traffic volume for the concession intangible assets in Jihe East Company, there was no significant change in the directors' estimate of the total projected traffic volume for other concession intangible assets during the year.

(c) *Provisions for maintenance/resurfacing obligations*

The Group has contractual obligations under the Service Concessions to maintain the toll road infrastructure to a specified level of serviceability. These obligations to maintain or restore the infrastructure, except for upgrade services, are to be recognised and measured as a provision.

The expenditures expected to be required to settle the obligations at the balance sheet date is determined based on the number of major maintenance and resurfacing to be undertaken throughout the allowed operating periods of each toll roads operated by the Group under the Service Concessions and the expected costs to be incurred for each event.

The expected costs for maintenance and resurfacing and the timing of such events to take place involve estimates made by the directors of the Company, which were based on the Group's resurfacing plan and historical costs incurred for similar activities. The costs are then discounted to the present value based on a pre-tax discount rate estimated by the director which reflects the time value of money and the risks specific to the obligation.

If the expected expenditures, resurfacing plan and discount rate were different from management's current estimates, the change in provision for maintenance/resurfacing is required to be accounted for prospectively.

In the second quarter of 2009, the Group has reviewed the amounts and timing of expenditures expected to incur for the major maintenance and resurfacing to be undertaken throughout the allowed operating periods of certain 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.

(d) *Fair value estimation of the identifiable assets and liabilities acquired*

On the acquisition date on 30 September 2009, the Group completed the acquisition of the 45% equity interest in 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. Details of the acquisition are specified in Note 41(b). In accordance with the accounting policy set out in Note 2.2(a), 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. Please refer to Note 41(b) for detailed information.

4.2 ***Critical judgements in applying the entity's accounting policies***

(a) *Dividends policy of subsidiaries*

On 16 March 2007, National People's Congress approved the Corporate Income Tax Laws of the PRC (hereinafter "the new CIT Laws") which was effective from 1 January 2008. According to the relevant regulations of the new CIT Laws, when a foreign investment enterprise distributed dividends out of the profits earned from 1 January 2008 onwards to its overseas investors, it is subject to corporate income tax. The applicable corporate income tax rate varies with the origin of the overseas investors.

The Group has significant amount of distributable profits prior to 31 December 2007. Therefore the directors of the Company believe that the Company will not require its PRC subsidiaries to declare dividends out of their profits earned from 1 January 2008 onwards in the foreseeable future. Accordingly, the Group has no need to provide tax liability for profits of its PRC subsidiaries earned for the years of 2008 and 2009. The directors of the Company will regularly review the liquidity position and dividend distribution policy of its subsidiaries from time to time.

(b) *Impairment provision for the investment in a jointly controlled entity*

In prior years, since there was indication that the toll road assets of Changsha Shenchang Expressway Company Limited ("Shenchang Company"), a jointly controlled entity of the Group, were subject to impairment losses, the Group performed impairment tests on the recoverable amount of the relevant assets. The Group had recognised its share of such impairment loss, amounting to RMB223,000,000 (HKD253,323,000) cumulatively up to 31 December 2009, and the amount was reflected in the Group's Investments in Shenchang Company.

In determining whether an asset is impaired or the event previously causing impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value has not been in existence; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognising; and (3) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate.

5. **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 review 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.

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
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
Investments in associates	51,119	—	—	—	51,119

For the year ended 31 December 2008

	Toll roads	Logistic parks	Logistic services	Head office functions	Total
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
Investments in associates	42,570	—	—	—	42,570
Investments 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.

6. **Property, plant and equipment — Group**

	Buildings	Leasehold improvements	Motor vehicles	Furniture, fixtures, and equipment	Total
At 1 January 2008					
Cost	654,020	7,377	46,388	503,309	1,211,094
Accumulated depreciation and impairment	(101,774)	(5,778)	(24,539)	(209,500)	(341,591)
Net book amount	552,246	1,599	21,849	293,809	869,503
Year ended 31 December 2008					
Opening net book amount	552,246	1,599	21,849	293,809	869,503
Acquisition of a subsidiary	28,317	—	188	6,737	35,242
Additions	5,099	898	16,105	31,806	53,908
Transfer from construction in progress *(Note 9)*	482,017	—	—	255,321	737,338
Disposals	(4,652)	—	(740)	(5,847)	(11,239)
Impairment	(1,691)	—	—	—	(1,691)
Exchange difference	43,282	127	1,738	22,705	67,852
Depreciation	(32,583)	—	(10,757)	(71,437)	(114,777)
Closing net book amount	1,072,035	2,624	28,383	533,094	1,636,136
At 31 December 2008					
Cost	1,209,557	6,873	59,953	828,678	2,105,061
Accumulated depreciation and impairment	(137,522)	(4,249)	(31,570)	(295,584)	(468,925)
Net book amount	1,072,035	2,624	28,383	533,094	1,636,136
Year ended 31 December 2009					
Opening net book amount	1,072,035	2,624	28,383	533,094	1,636,136
Acquisition of subsidiaries *(Note 41)*	33,651	—	1,689	20,120	55,460
Additions	11,513	4,244	10,724	30,567	57,048
Transfer from construction in progress *(Note 9)*	242,231	52,271	325	312,895	607,722
Disposals	(3,608)	(179)	(361)	(2,984)	(7,132)
Exchange difference	711	2	12	277	1,002
Reversal of impairment	660	—	—	—	660
Depreciation	(36,457)	(14)	(8,414)	(91,652)	(136,537)
Closing net book amount	1,320,736	58,948	32,358	802,317	2,214,359
At 31 December 2009					
Cost	1,507,502	62,163	69,032	1,188,685	2,827,382
Accumulated depreciation and impairment	(186,766)	(3,215)	(36,674)	(386,368)	(613,023)
Net book amount	1,320,736	58,948	32,358	802,317	2,214,359

Property ownership certificates for buildings and structures with net book amount of HKD441,402,000 (2008: HKD275,264,000) are not procured. Due to the unique feature of the Group's operation of toll roads, the affiliated buildings and structures should be reverted to the government when the approved operating periods expire. Thus, the Group does not work out a related plan of procuring the property ownership certificates.

7. **Investment properties — Group**

At fair value, outside Hong Kong with remaining lease periods over 50 years:

	2009	**2008**
Beginning of year	49,183	32,580
Fair value gains/(losses)	347	(4,035)
Disposals	(5,100)	—
Exchange differences	13	—
Transfer from construction in progress *(Note 9)*	—	20,638
End of year	44,443	49,183

(a) ***Amounts recognised in profit and loss for investments properties***

	2009	**2008**
Rental income	1,302	1,525
Direct operating expenses arising from investment properties that generate rental income	(276)	(296)
	1,026	1,229

(b) ***Valuation basis***

The basis of the valuations of investment properties is the fair amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties.

(c) ***Leasing arrangements***

The investment properties are leased to tenants under operating leases ranges from 1 to 15 years with rental payable monthly. Minimum lease payments under non-cancellable operating leases of investment properties are receivable as follows:

	2009	**2008**
Within one year	1,576	1,389
Later than one year but not later than 5 years	7,308	5,558
Later than 5 years	2,109	2,779
	10,993	9,726

8. **Leasehold land, land use rights and other leased assets — Group**

	2009	2008
Beginning of year	509,656	433,502
Additions	195,122	59,661
Acquisition of subsidiaries	—	25,311
Impairment	—	(6,766)
Transfer from construction in progress *(Note 9)*	1,853	—
Reversal of impairment	2,640	—
Disposals	(16,370)	(19,530)
Amortisation	(22,924)	(12,672)
Exchange difference	285	30,150
End of year	670,262	509,656

The amounts represent prepaid operating lease payments and their net book values are analysed as follows:

	2009	2008
In Hong Kong held on:		
Leases of between 10 to 50 years	63,231	67,347
Leases of over 50 years	3,019	3,043
	66,250	70,390
Outside Hong Kong — PRC, held on:		
Leases of less than 10 years	13,757	18,062
Leases of between 10 to 50 years	515,797	344,653
Leases of more than 50 years	70,550	72,505
Leases with unspecified periods*	3,908	4,046
	604,012	439,266
	670,262	509,656

* *As at 31 December 2008 and 2009, legal procedures for procuring certificates of these land use rights are not yet completed.*

9. **Construction in progress — Group**

	2009	2008
Beginning of year	341,542	584,228
Additions	822,478	563,190
Acquisition of a subsidiary *(Note 41)*	83,820	466
Transfer to property, plant and equipment *(Note 6)*	(607,722)	(737,338)
Transfer to leasehold land, land use rights and other leased assets *(Note 8)*	(1,853)	—
Transfer to investment properties *(Note 7)*	—	(20,638)
Other transfers	(2,218)	(90,353)
Exchange difference	409	41,987
End of year	636,456	341,542

10. **Intangible assets — Group**

	Concession intangible assets	Goodwill	Total
At 1 January 2008			
Cost	14,343,059	—	14,343,059
Accumulated amortisation	(626,990)	—	(626,990)
Net book amount	13,716,069	—	13,716,069
Year ended 31 December 2008			
Opening net book amount	13,716,069	—	13,716,069
Additions	3,682,294	—	3,682,294
Acquisition of a subsidiary	—	1,388	1,388
Exchange difference	1,010,247	—	1,010,247
Amortisation	(282,911)	—	(282,911)
Write-off	—	(1,388)	(1,388)
Closing net book amount	18,125,699	—	18,125,699
At 31 December 2008			
Cost	19,152,980	—	19,152,980
Accumulated amortisation	(1,027,281)	—	(1,027,281)
Net book amount	18,125,699	—	18,125,699
Year ended 31 December 2009			
Opening net book amount	18,125,699	—	18,125,699
Additions	1,212,920	—	1,212,920
Acquisition of a subsidiary *(Note 41(b))*	3,513,823	—	3,513,823
Exchange difference	13,339	—	13,339
Amortisation	(402,087)	—	(402,087)
Closing net book amount	22,463,694	—	22,463,694
At 31 December 2009			
Cost	23,915,344	—	23,915,344
Accumulated amortisation	(1,451,650)	—	(1,451,650)
Net book amount	22,463,694	—	22,463,694

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

Included in the concession intangible assets were the operating rights of Qinglian Class I Highway, Qinglian Class II Highway and Qinglian Expressway (upon completion of its reconstruction) with net book value of HKD9,796,280,000 (2008: HKD8,921,675,000)of Guangdong Qianlian Highway Development Company Limited ("Qinglian Company"), a subsidiary of the Group, pledged for the secured bank borrowings totaling to HKD4,685,085,000 (RMB4,124,280,000) (2008: HKD3,706,824,000 (RMB3,265,240,000)) *(Note 21(a))*.

Amortisation of HKD402,087,000 (2008: HKD282,911,000) has all been charged in 'cost of sales' in 2009.

11. **Investments in and due from/to subsidiaries — Company**

	2009	**2008**
Non-current assets		
Unlisted investments, at cost	98,515	98,515
Amounts due from subsidiaries	6,049,428	4,683,219
	6,147,943	4,781,734
Current assets		
Dividends due from subsidiaries	2,842,923	2,842,923
Current liabilities		
Amount due to a subsidiary	2,933	2,933
Market value of listed shares	7,360,974	5,404,435

Particulars of the principal subsidiaries are set out in Note 44.

Balances with subsidiaries are unsecured and have no fixed repayment term. Except for a receivable amount of HKD414,195,000 (2008: HKD153,734,000) which bears interest at prevailing borrowing rates in Hong Kong, the remaining balances are interest-free.

12. **Investments in associates — Group**

	2009	**2008**
Beginning of year	1,441,731	1,423,285
Transfer from jointly controlled entities *(Note 13)*	—	141,026
Additions *(Note (b))*	51,119	42,570
Disposals	—	(241,950)
Share of profit/(loss) of associates	92,506	(17,601)
Dividends received	(131,217)	(25,491)
Exchange difference	1,077	119,892
End of year	1,455,216	1,441,731

The year end balance comprises the following:

	2009	2008
Unlisted investments, at cost		
Share of net assets other than goodwill	1,367,819	1,354,393
Goodwill on acquisition *(Note(c))*	87,397	87,338
	1,455,216	1,441,731

(a) All associates have 31 December as year end. The Group's share of results and aggregated assets (including goodwill) and liabilities of its principal associates, all of which are limited liability companies incorporated in the PRC, are as follows:

Name	Assets	Liabilities	Revenue	Profit/ (Loss)	% Interest indirectly held
2009					
Shenzhen Qinglong Expressway Company Limited ("Qinglong Company")	582,146	452,105	180,367	91,196	40%
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	866,227	574,739	76,216	(2,917)	25%
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company") *(Note (b))*	772,701	557,718	48,773	(15,103)	25%
Shenzhen Huayu Expressway Investment Company Limited	251,219	180,376	34,079	5,401	40%
Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company")	24,935	15,709	35,598	2,207	30%
Nanjing Yangzi River Third Bridge Company Limited ("Nanjing Third Bridge Company")	955,964	683,230	69,596	(3,160)	25%
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	658,170	387,851	101,196	14,115	25%
Yunfu Guangyun Expressway Company Limited	469,422	280,579	38,013	95	30%
Other associate	7,673	934	8,763	672	
Total	4,588,457	3,133,241	592,601	92,506	

Name	Assets	Liabilities	Revenue	Profit/ (Loss)	% Interest indirectly held
2008					
Qinglong Company	446,287	305,261	—	—	40%
Jiangzhong Company	833,576	539,369	67,049	(6,969)	25%
GZ W2 Company	810,880	632,020	32,003	(24,472)	25%
Shenzhen Huayu Expressway Investment Company Limited	260,722	187,085	29,727	288	40%
Consulting Company	17,276	9,549	22,675	1,713	30%
Nanjing Third Bridge Company	966,069	690,358	65,850	(7,609)	25%
Yangmao Company	690,082	414,200	93,813	21,636	25%
Yunfu Guangyun Expressway Company Limited	485,908	297,289	32,710	(3,843)	30%
Other associate	7,200	1,138	11,983	1,655	
Total	4,518,000	3,076,269	355,810	(17,601)	

(b) According to the provisions of the investment agreements of GZ W2 Company, the Group has made further capital contributions amounting to HKD51,119,000 (2008: HKD42,570,000) to this associate based on the funding requirements determined based on the progress of construction of the toll road projects undertaken by the associate.

(c) The balance represents the goodwill arising from the acquisition of equity interests in Jiangzhong Company, Yangmao Company and Qinglong Company amounting to RMB30,135,000 (HKD34,233,000), RMB45,165,000 (HKD51,306,000) and RMB1,636,000 (HKD1,858,000), respectively. After the assessment made by the directors of the Company, there was no impairment loss incurred as at 31 December 2009.

13. **Investments in jointly controlled entities — Group**

	2009	2008
Beginning of year	773,559	923,679
Additions	—	1,628
Share of profit of jointly controlled entities	204,763	244,439
Dividends declared and appropriation made by jointly controlled entities	(161,165)	(328,961)
Transfer to associates *(Note 12)*	—	(141,026)
Transfer to investment in subsidiaries	(517,711)	—
Exchange difference	904	73,800
End of year	300,350	773,559

The year end balance comprises the following:

	2009	2008
Unlisted investments, at cost		
Share of net assets	11,671	316,891
Advances to jointly controlled entities *(Note (c))*	288,679	456,668
	300,350	773,559

(a) The following is a list of all jointly controlled entities of the Group at 31 December 2009, all of which are limited liability companies incorporated in the PRC:

Name	Interest indirectly held
Shenzhen Airport International Express Supervision Center Co., Ltd. ("SZ Airport Express Center")	50%
Citic Logistics Fritz Co., Ltd. ("Citic Logistics Fritz")	43%
Shenzhen Longzhuo Logistics Co., Ltd. ("Longzhuo Logistics")	50%
Shenchang Company	51%

(b) The Group's share of results and aggregated assets (including goodwill) and liabilities of its jointly controlled entities are as follows:

	2009					
	SZ Airport Express Center	Citic Logistics Fritz	Longzhuo Logistics	Jihe East Company *(Note 41(b))*	Shenchang Company	Total
Non-current assets	23,748	15,831	60	—	219,161	258,800
Current assets	31,311	18,627	2,156	—	4,072	56,166
Total assets	55,059	34,458	2,216	—	223,233	314,966
Non-current liabilities	—	675	—	—	288,679	289,354
Current liabilities	4,793	3,665	1,153	—	4,330	13,941
Total liabilities	4,793	4,340	1,153	—	293,009	303,295
Revenue	15,730	39,573	6,351	208,090	14,165	283,909
Cost and expenses	(14,103)	(40,180)	(5,579)	(8,625)	(10,659)	(79,146)
Profit/(loss) after income tax	1,627	(607)	772	199,465	3,506	204,763

	2008						
	SZ Airport Express Center	**Citic Logistics Fritz**	**Longzhuo Logistics**	**Jihe East Company**	**Shenchang Company**	**Qinglong Company**	**Total**
Non-current assets	28,487	20,630	58	719,901	224,108	—	993,184
Current assets	29,139	12,252	1,153	56,366	3,158	—	102,068
Total assets	57,626	32,882	1,211	776,267	227,266	—	1,095,252
Non-current liabilities	—	1,413	—	433,839	296,345	—	731,597
Current liabilities	5,982	2,708	921	32,996	4,157	—	46,764
Total liabilities	5,982	4,121	921	466,835	300,502	—	778,361
Revenue	14,775	44,590	2,450	278,309	13,590	166,808	520,522
Cost and expenses	(14,473)	(39,695)	(3,850)	(134,219)	(10,986)	(72,860)	(276,083)
Profit/(loss) after income tax	302	4,895	(1,400)	144,090	2,604	93,948	244,439

(c) The amounts represented advances made to Shenchang Company (2008: advance made to Jihe East Company of RMB141,229,000 (HKD160,323,000) and to Shenchang Company of RMB261,050,000 (HKD296,345,000)). The advances were made by the Shenzhen Expressway as part of its investment commitments in these jointly controlled entities as stipulated in the provisions under the relevant investment agreements. In the opinion of the directors of the Company, these advances are investment in nature and are therefore stated at cost.

The advances are unsecured, non-interest bearing and are repayable out of the funds to be generated from the operations of the respective toll road projects. The directors of the Company considered that there was no recoverability problem associated with the amount as at 31 December 2009.

14. **Available-for-sale financial assets — Group**

	2009	**2008**
Beginning of year	1,230,364	1,076,880
Additions	46,564	—
Net fair value gains	1,309,157	67,751
Disposals	(133,094)	—
Exchange difference	850	85,733
End of year	2,453,841	1,230,364
Less: non-current portion	(142,366)	(95,726)
Current portion	2,311,475	1,134,638

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

Listed securities in PRC, at fair value (a) *(Note 3.3)*:		
— Freely tradeable	2,311,475	979,843
— With lock-up period	—	154,795
	2,311,475	1,134,638
Unlisted equity investments:		
at fair value *(Note 3.3)*	38,992	—
at cost less impairment *(Note (b))*		
— Cost	127,469	119,821
— Provision for impairment	(24,095)	(24,095)
	142,366	95,726
	2,453,841	1,230,364

During the year, the Group removed profit of HKD102,662,000 (2008: Nil) from equity into the income statement.

(a) As at 31 December 2009, listed equity investments stated at market price represent 8.48% interest (equivalent to 103,815,881 shares) in CSG.

(b) The unlisted equity investments stated at cost less impairment comprise passive investments by the Group in entities operating in various industries. In light of the minority shareholdings held by the Group, there exists a wide range of possible discounts arising from potential disposals of the investments. Moreover, there is no open market for these instruments and the directors consider that the marketability of the Group's shareholdings is low. The probabilities of the range of possible fair values of these investments cannot be reliably assessed. These investments are therefore stated at cost less impairment. The Group assessed where there is objective evidence that the available-for-sale financial assets are impaired in accordance with the guidelines in HKAS 39. The assessment requires the directors of the Company to make these judgements. In making these judgements, the Group has assessed various factors, including financial operation of the investees, prospect of their operations in short to medium terms, etc; and consideration of the prospect of the industries the investees operate, their performance and change in their operating environment.

15. **Other non-current assets — Group**

As at 31 December 2009, the other non-current assets represent the prepayment for construction in progress (2008: Nil).

16. **Assets held for sale — Group**

As at 31 December 2009, assets held for sale mainly represented equity investments held for sale after the management approved the disposal plan of such equity investments.

17. **Trade and other receivables**

	Group		Company	
	2009	**2008**	**2009**	**2008**
Trade receivables	315,849	259,182	—	—
Less: Provision for impairment of receivables	(195)	(194)	—	—
Trade receivables — net	315,654	258,988	—	—
Other receivables and prepayments	96,767	314,911	1,019	1,265
	412,421	573,899	1,019	1,265

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

	2009	**2008**
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

* *Trade receivables due over 365 days mainly comprised the amount of HKD156,293,000 (2008:HKD151,821,000) arising from the development and management of certain toll road projects administrated for Shenzhen Communications Bureau.*

As of 31 December 2009, trade receivables of HKD21,325,000 (2008:HKD1,197,000) were past due but not impaired. There is no recent history of default for these balances. The ageing analysis of these trade receivables is as follows:

	2009	**2008**
121-180 days	7,167	516
181-365 days	13,888	596
Over 365 days	270	85
	21,325	1,197

As at 31 December 2009, trade receivables of HKD195,000 (2008: HKD194,000) were fully impaired. These individually impaired trade receivables mainly relate to customers which are under unexpected difficult economic situations. For other overdue trade receivables, the directors of the Company consider that they are not impaired, after assessing those customers' repayment history.

There is no significant change in impairment provision during the year. The other classes within trade and other receivables do not contain impaired assets. There is no material default history for amounts not past due.

The creation and release of provision for impaired receivables has been included in administrative expenses in the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recoveries of additional cash.

The carrying amounts of the Group's trade and other receivables are mainly denominated in RMB. As at 31 December 2009, the fair value of the trade and other receivables approximates their carrying values.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Credit quality of trade receivables neither past due nor impaired can be assessed by reference to historical information about counterparty default rates:

	2009	**2008**
Counterparty		
— Government authorities in the PRC	162,226	169,304
— Existing customers with no defaults in the past	116,398	75,684
— New customers	15,705	12,803
	294,329	257,791

18. **Cash and cash equivalents**

	Group		**Company**	
	2009	**2008**	**2009**	**2008**
Cash at bank and in hand (i)	1,683,322	2,061,168	48,136	94,872
Less: Restricted bank deposits (ii)	(556,920)	(160,168)	—	—
	1,126,402	1,901,000	48,136	94,872

(i) As at 31 December 2009 and 2008, the effective interest rates on bank balances are 0.91% per annum and 2.03% per annum respectively. The balances are denominated in the following currencies:

	Group		**Company**	
	2009	**2008**	**2009**	**2008**
RMB	1,607,058	1,818,075	—	—
HKD	75,396	241,481	48,094	94,301
Other currencies	868	1,612	42	571
	1,683,322	2,061,168	48,136	94,872

(ii) Restricted bank deposits are as follows:

	Group 2009	Group 2008
Bank fixed deposit denominated in RMB with a maturity of one year *(Note 21(e))*	511,189	131,992
Project funds retained for construction management contracts	45,731	27,595
Other pledged deposits	—	581
	556,920	160,168

(iii) As at 31 December 2009, the maximum exposure of the Group's and the Company's cash and cash equivalent to credit risk is the carrying value.

19. **Share capital and premium — Group and Company**

	Number of issued shares (thousands)	Ordinary share capital	Share premium	Total
At 1 January 2008	14,218,183	1,421,818	1,621,286	3,043,104
Repurchase and cancellation of shares	(196,763)	(19,676)	(83,713)	(103,389)
Employee share option scheme — proceeds from share issued	6,000	600	1,092	1,692
At 31 December 2008	14,027,420	1,402,742	1,538,665	2,941,407
Employee share option scheme — proceeds from share issued	114,510	11,451	20,840	32,291
At 31 December 2009	14,141,930	1,414,193	1,559,505	2,973,698

The total authorised number of ordinary shares is 20,000 million shares (2008: 20,000 million shares) with par value of HKD0.1 per share (2008: HKD0.1 per share). All issued shares are fully paid.

The share options granted to certain directors and employees are unconditional and vested immediately.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2009		2008	
	Average exercise price (HKD per share)	Number of share options (thousands)	Average exercise price (HKD per share)	Number of share options (thousands)
At 1 January	0.335	165,010	0.333	171,010
Exercised	0.282	(114,510)	0.282	(6,000)
At 31 December	0.455	50,500	0.335	165,010

All share options outstanding as at 31 December 2009 are exercisable. 15,500,000 share options will be expired on 11 January 2010 and 35,000,000 share options will be expired on 5 February 2012.

20. Other reserves

(a) *Group*

	Equity component of convertible bonds	Fair value reserve	Reserve funds	Capital reserve	Goodwill reserve	Hedging reserve	Merger reserves	Revaluation surplus	Other reserves	Currency translation reserve	Contributed surplus	Total
			(Note (ii))						*(Note (iii))*		*(Note (i))*	
At 1 January 2008	343,501	586,870	1,123,221	59,723	(159,583)	(1,869)	(1,864,636)	—	(119,879)	388,236	13,005	368,589
Merger reserve arising from common control combinations	—	—	—	—	—	—	(2,181,643)	—	—	—	—	(2,181,643)
Transfer from retained earnings to reserve funds	—	—	66,221	—	—	—	—	—	—	—	—	66,221
Changes in fair value of available-for-sale financial assets, net of tax	—	28,391	—	—	—	—	—	—	—	—	—	28,391
Acquisition of minority interests	—	—	—	—	—	—	—	—	(64,977)	—	—	(64,977)
Changes in fair value of derivative financial instruments, net of tax	—	—	—	—	—	(49,211)	—	—	—	—	—	(49,211)
Currency translation difference	—	78,677	—	—	—	—	—	—	—	379,140	—	457,817
At 31 December 2008	343,501	693,938	1,189,442	59,723	(159,583)	(51,080)	(4,046,279)	—	(184,856)	767,376	13,005	(1,374,813)
At 1 January 2009	343,501	693,938	1,189,442	59,723	(159,583)	(51,080)	(4,046,279)	—	(184,856)	767,376	13,005	(1,374,813)
Injection by minority shareholders	—	—	—	—	—	—	—	—	497	—	—	497
Transfer from retained earnings to reserve funds	—	—	206,786	—	—	—	—	—	—	—	—	206,786
Fair value gains on available-for-sale financial assets, net of tax	—	1,005,013	—	—	—	—	—	—	—	—	—	1,005,013
Transfer of fair value gain to income statement upon disposal of available-for-sale financial assets, net of tax	—	(81,410)	—	—	—	—	—	—	—	—	—	(81,410)
Fair value losses on derivative financial instruments, net of tax	—	—	—	—	—	(5,640)	—	—	—	—	—	(5,640)
Derecognition of cash flow hedge, net of tax	—	—	—	—	—	5,210	—	—	—	—	—	5,210
Acquisition of minority interests	—	—	—	—	—	—	—	—	19,316	—	—	19,316
Revaluation surplus arising from business combination, net of tax *(Note 41)*	—	—	—	—	—	—	(35,831)	507,216	—	—	—	471,385
Currency translation difference	—	—	—	—	—	—	—	—	—	6,103	—	6,103
At 31 December 2009	343,501	1,617,541	1,396,228	59,723	(159,583)	(51,510)	(4,082,110)	507,216	(165,043)	773,479	13,005	252,447

(b) ***Company***

	Equity component of convertible bonds	Contributed surplus *(Note (i))*	Hedging reserve	Currency translation reserve	Total
At 1 January 2008	209,523	58,515	—	—	268,038
Fair value losses on derivative financial instruments	—	—	(45,870)	—	(45,870)
Currency translation difference	—	—	—	435,162	435,162
At 31 December 2008	209,523	58,515	(45,870)	435,162	657,330
Fair value losses on derivative financial instruments	—	—	(5,640)	—	(5,640)
At 31 December 2009	209,523	58,515	(51,510)	435,162	651,690

(i) The contributed surplus of the Group represents the difference between the nominal value of the shares of the former group holding company, acquired pursuant to the Group reorganisation on 9 January 1990, over the nominal value of the Company's shares issued in exchange thereof.

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the same group reorganisation, over the nominal value of the Company's shares issued in exchange thereform.

(ii) In accordance with the PRC regulations, certain companies of the Group in the PRC are required to transfer part of their profits after taxation to various reserve funds, which are non-distributable, before profit distributions are made. The amounts of the transfers are subject to the approval of the boards of directors of these companies, in accordance with their joint venture agreements and/or articles of association.

(iii) Other reserves mainly represent the differences between the considerations paid/received and the relevant carrying value of net assets of the subsidiaries acquired/disposed of for the transactions with minority interests.

(iv) Distributable reserve of the Company at 31 December 2009 amounted to HKD 2,157,255,000 (2008: HKD2,442,291,000).

21. **Borrowings**

	Group		Company	
	2009	**2008**	**2009**	**2008**
Non-current				
Long-term bank borrowings				
— Secured (a)	5,820,844	4,009,308	—	—
— Unsecured	3,301,392	3,029,546	1,684,375	89,769
Other borrowings				
— Secured (b)	5,199	11,556	—	—
— Unsecured (c)	38,999	—	—	—
Bonds (d)	899,230	897,859	—	—
Less: Current portion	(460,999)	(646,052)	(205,625)	(41,875)
	9,604,665	7,302,217	1,478,750	47,894
Current				
Short-term bank borrowings				
— Secured (e)	510,116	133,246	—	—
— Unsecured	1,113,714	1,162,550	—	100,000
Current portion of long-term borrowings				
Bank borrowings				
— Secured	—	73,500	—	—
— Unsecured	457,534	566,196	205,625	41,875
Other borrowings — secured (b)	3,465	6,356	—	—
	2,084,829	1,941,848	205,625	141,875
Total borrowings	11,689,494	9,244,065	1,684,375	189,769

(a) For the secured bank borrowings, HKD102,000,000 (2008: HKD302,484,000) are secured by the Group's equity interest in Jade Emperor Limited ("JEL"), a wholly owned subsidiary. In addition, borrowing of HKD4,685,085,000 (RMB4,124,280,000) (2008: HKD3,706,824,000 (RMB3,265,240,000)) is secured by a pledge of the operating rights of Qinglian Class I Highway, Qinglian Class II Highway and Qinglian Expressway (upon completion of its reconstruction) of Qinglian Company , and HKD1,033,759,000 (RMB910,000,000) is secured by a pledge of the 40% equity rights of Qinglong Company, a subsidiary of the Group.

(b) Other borrowings totalling USD670,000 (HKD5,199,000) (2008: USD1,489,000 (HKD11,556,000)) were extended by the Spanish Government through the China Construction Bank Corporation with interest-bearing of 1.8% per annum.

(c) Other unsecured borrowings of the Group included an amount of HKD38,999,000 (2008: Nil) being advances from a minority shareholder of a subsidiary, bearing prevailing market interest rate.

(d) Shenzhen Expressway issued long-term corporate bonds of RMB800 million for a term of 15 years bearing interest at 5.5% per annum in August 2007. Interest is payable annually and the principal is repayable in full upon maturity. The full amount of principal and interest of the bonds is unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by the Shenzhen Expressway's 100% equity interest in Shenzhen Meiguan Expressway Company Limited ("Meiguan Company").

(e) The bank loan was secured by a fixed deposit of RMB450,000,000 (HKD511,189,000) (2008: RMB116,272,000 (HKD131,992,000)) with a maturity of one year *(Note 18(ii))*.

At 31 December 2009, the borrowings were repayable as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
Within 1 year	2,084,829	1,941,848	205,625	141,875
Between 1 and 2 years	916,883	761,170	329,375	47,894
Between 2 and 5 years	3,044,922	1,626,728	1,149,375	—
Wholly repayable within 5 years	6,046,634	4,329,746	1,684,375	189,769
Over 5 years	5,642,860	4,914,319	—	—
	11,689,494	9,244,065	1,684,375	189,769

The carrying amounts of the borrowings are denominated in the following currencies:

	Group		Company	
	2009	**2008**	**2009**	**2008**
HKD	3,040,681	625,614	1,684,375	189,769
RMB	8,640,466	8,601,618	—	—
USD	8,347	16,833	—	—
	11,689,494	9,244,065	1,684,375	189,769

The ranges of interest rates at the balance sheet date were as follows:

	2009			2008		
	HKD	*RMB*	*USD*	*HKD*	*RMB*	*USD*
Bank borrowings and other borrowings	1.7%-4.3%	4.4%-6.12%	1.5%-7.17%	1.3%-4.2%	4.5%-7.0%	1.5%-7.17%

The undrawn banking facilities are as follows:

	Group		Company	
	2009	**2008**	**2009**	**2008**
Floating rate				
— Expiring within one year	4,545,177	3,542,967	400,000	—
— Expiring beyond one year	7,093,036	7,382,990	624,787	1,640,000
	11,638,213	10,925,957	1,024,787	1,640,000
Fixed rate				
— Expiring beyond one year	295,354	295,153	—	—
	11,933,567	11,221,110	1,024,787	1,640,000

The carrying amounts and fair values of the non-current borrowings are as follows:

	Group				Company			
	Carrying amounts		Fair values		Carrying amounts		Fair values	
	2009	2008	2009	2008	2009	2008	2009	2008
Bank borrowings	8,664,702	6,399,161	8,634,371	6,485,620	1,478,750	47,894	1,478,750	47,894
Other borrowings	40,733	5,197	40,699	5,002	—	—	—	—
Corporate bonds	899,230	897,859	904,412	897,859	—	—	—	—
	9,604,665	7,302,217	9,579,482	7,388,481	1,478,750	47,894	1,478,750	47,894

The fair values of bank borrowings and other borrowings are determined based on cash flows discounted using effective interest rates ascertained based on the rates of general bank borrowings at 1.50% to 5.94% (2008: 1.50% to 5.94%) per annum.

The fair value of the corporate bonds is calculated using cash flows discounted at a rate based on a market interest rate of a comparable corporate bond at 5.21% (2008: 5.50%) per annum.

The fair values of current borrowings approximate their respective carrying amounts as the effect of discounting is not significant.

The exposure of the borrowings to interest rate changes and the contractual repricing dates at the end balance sheet date are as follows:

	Group		Company	
	2009	2008	2009	2008
Borrowings with fixed rate subject to repricing date as:				
6 months or less	713,251	759,227	—	—
6 months to 12 months	581,479	3,181	—	—
1 to 5 years	1,104,856	342,009	—	—
Over 5 years	4,067,582	4,826,428	—	—
	6,467,168	5,930,845	—	—
Borrowings with floating rate as:				
6 months or less	5,222,326	3,313,220	1,684,375	189,769
	11,689,494	9,244,065	1,684,375	189,769

22. **Derivative financial instruments**

	Group		Company	
	2009	2008	2009	2008
Interest rate swaps				
— non-current liabilities — cash flow hedges (a)	(51,608)	(51,460)	(51,608)	(45,968)
— current assets — held for trading	—	1,374	—	—
— current liabilities — held for trading	(2,693)	—	—	—
Foreign exchange forward contract				
— current assets — held for trading	—	5,769	—	—

For the year ended 31 December 2009, the fair value change of derivative financial instruments recognised in the equity and income statement amounted to HKD430,000 (2008: HKD49,211,000) and HKD5,057,000 (2008: HKD7,143,000) respectively.

At 31 December 2009, the fixed interest rates vary from 1.8% to 2.9% (2008: 2.7% to 2.9%), and the main floating rates are Hong Kong Interbank Offer Rate. Gains and losses recognised in the hedging reserve in equity (Note 20) on interest rate swap contracts as of 31 December 2009 will be continuously released to the income statement until the repayment of the bank borrowings.

(a) As at 31 December 2009, the aggregate notional amount of the interest rate swaps for cash flow hedge purpose amounted to HKD3,396,250,000 (2008: HKD1,841,500,000).

Outstanding notional principal amount *HKD*	**31 December 2009 balance of the derivative financial instruments** *HKD*	**Maturity date**
200,000,000	6,157,000	28 November 2011
100,000,000	1,001,000	30 March 2012
1,298,125,000	41,964,000	31 July 2013
100,000,000	2,450,000	30 March 2012
1,298,125,000	(21,000)	29 July 2011
200,000,000	(68,000)	31 August 2011
200,000,000	125,000	30 March 2012
3,396,250,000	51,608,000	

23. **Provision for maintenance/resurfacing obligations — Group**

	2009	**2008**
Opening net book amount	366,426	261,855
Acquisition of a subsidiary *(Note 41(b))*	285,809	—
Charged to the income statement:		
Additions *(Note 31)*	143,706	54,929
Increase due to passage of time *(Note 33)*	32,648	27,997
Exchange difference	591	21,645
Closing net book amount	829,180	366,426

As part of its obligations under the Service Concessions, the Group assumes responsibility for maintenance and resurfacing of the toll roads it manages.

Provision for maintenance/resurfacing obligations are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

No provision is expected to be utilised in the next year.

24. **Convertible bonds**

		Group		Company	
		2009	**2008**	**2009**	**2008**
Issuer					
The Company	(i)	1,776,430	1,706,676	1,776,430	1,706,676
Shenzhen Expressway	(ii)	1,426,402	1,360,009	—	—
		3,202,832	3,066,685	1,776,430	1,706,676
Less: current portion	(i)	(1,776,430)	—	(1,776,430)	—
Non-current portion		1,426,402	3,066,685	—	1,706,676

(i) The movement of convertible bonds of the Company during the year is as follows:

		2009		
	Face value	**Liability component**	**Equity component**	**Total**
Beginning of year	1,727,500	1,706,676	209,523	1,916,199
Interest expense *(Note 33)*	—	69,754	—	69,754
End of year	1,727,500	1,776,430	209,523	1,985,953

		2008		
	Face value	**Liability component**	**Equity component**	**Total**
Beginning of year	1,727,500	1,517,977	209,523	1,727,500
Interest expense *(Note 33)*	—	67,352	—	67,352
Exchange difference	—	121,347	—	121,347
End of year	1,727,500	1,706,676	209,523	1,916,199

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 SASAB as the consideration for acquisition of 100% equity interest in Shenzhen Bao Tong Highway Construction and Development Limited ("Baotong Company"). SIHCL can convert the bonds from 29 December 2007 for a period of 3 years up to 29 December 2010 (the "maturity date") into ordinary shares with a par value of HKD0.1 each of the Company at an initial conversion price of HKD1.2 per share. If the convertible bond will not be converted at the maturity date, the Company shall repay the remaining principals at a predetermined fixed amount of RMB.

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest of 4.40% to the liability component. The fair values of liability component of convertible bonds approximate their carrying values.

(ii) The movement of convertible bonds of Shenzhen Expressway during the year is as follows:

		2009		
	Face value	Liability component	Equity component	Total
Beginning of year	1,702,804	1,360,009	344,810	1,704,819
Interest expense *(Note 33)*	—	65,399	—	65,399
Exchange difference	—	994	—	994
End of year	1,702,804	1,426,402	344,810	1,771,212

		2008		
	Face value	Liability component	Equity component	Total
Beginning of year	1,577,287	1,202,028	344,810	1,546,838
Interest expense *(Note 33)*	—	61,725	—	61,725
Exchange difference	125,517	96,256	—	96,256
End of year	1,702,804	1,360,009	344,810	1,704,819

On 9 October 2007, Shenzhen Expressway issued 15,000,000 convertible bonds at a par value of RMB1,500,000,000. The bonds bear face interest of 1% per annum and mature in 6 years from the issue date. Interest is paid annually and the principal is repayable in full upon maturity. The bonds are attached with warrants subscription rights which entitle the holders of the bonds subscribe newly issued A shares of the Shenzhen Expressway at the rate of 7.2 shares per bond. The fair values of the liability component and the equity conversion component embedded in the bond were determined at the date of issuance of the bonds.

The fair value of the liability component, included in non-current liabilities, was calculated using a market interest rate for a non-convertible bond in the market with equivalent terms. The residual amount, representing the carrying value of the bonds after deduction of the fair value of the liability component, represents fair value of the equity conversion option, was included in shareholders' equity under other reserves, net of the attributable transaction costs. The full amount of the principal and related interests of the bonds is guaranteed by the Shenzhen Branch of the Agricultural Bank of China, which is in turn secured by the 47.30% of the operating rights of Nanguang Expressway.

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest of 5.50% to the liability components. The fair value of liability components of convertible bonds is HKD1,426,402,000 (2008: HKD1,360,009,000) as at 31 December 2009. The fair value of the convertible bonds is calculated using cash flows discounted at a rate based on a market interest rate for an equivalent bond at 4.55% (2008: 5.50%) per annum.

The warrants subscription rights attached to the convertible bonds issued by Shenzhen Expressway matured on 29 October 2009. Up to 29 October 2009, there were totally 70,326 warrants successfully exercised, with an exercise price of RMB13.23 per share. Shenzhen Expressway received RMB930,000 for warrant exercise.

25. **Deferred income tax — Group**

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2009	2008
Deferred tax assets		
— to be recovered after more than 12 months	235,052	118,527
— to be recovered within 12 months	14,340	1,813
	249,392	120,340
Offset within the same tax jurisdiction	(203,469)	(120,340)
Net deferred tax assets	45,923	—
Deferred tax liabilities		
— to be settled after more than 12 months	1,283,171	978,299
— to be settled within 12 months	604,917	17,962
	1,888,088	996,261
Offset within the same tax jurisdiction	(203,469)	(120,340)
Net deferred tax liabilities	1,684,619	875,921

The gross movement on the deferred income tax account is as follows:

	2009	2008
At 1 January	875,921	937,783
Tax charge relating to components of other comprehensive income	282,892	39,360
Income statement credit *(Note 34)*	(119,578)	(137,461)
Acquisition of subsidiary *(Note 41(b))*	598,461	—
Exchange difference	1,000	36,239
At 31 December	1,638,696	875,921

The movements in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

	Deferred tax assets			
	Provision for maintenance/ resurfacing obligations	**Taxable financial subsidies** *(Note (a))*	**Payroll accrued but not paid**	**Total**
Balance at 1 January 2008	65,463	—	—	65,463
Credited to the income statement	20,413	28,458	—	48,871
Exchange differences	5,729	277	—	6,006
Balance at 31 December 2008	91,605	28,735	—	120,340
Balance at 1 January 2009	91,605	28,735	—	120,340
Credited/(charged) to the income statement	44,556	(487)	13,361	57,430
Acquisition of subsidiary	71,452	—	—	71,452
Exchange differences	140	19	11	170
Balance at 31 December 2009	207,753	28,267	13,372	249,392

	Deferred tax liabilities					
	Fair value gains/(losses) of financial assets at fair value through profit or loss	**Fair value gains of available-for-sale financial assets**	**Concession intangible assets**	**Convertible bonds**	**Others**	**Total**
Balance at 1 January 2008	97,856	141,984	686,440	76,966	—	1,003,246
Charged to equity						
— Change of fair value of available-for-sale financial assets	—	39,360	—	—	—	39,360
Charged to/(credited in) income statement						
— Change of fair value of financial assets at fair value through profit or loss	(73,915)	—	—	—	—	(73,915)
— Others	—	—	(8,921)	—	4,277	(4,644)
Convertible bonds	—	—	—	(10,031)	—	(10,031)
Exchange differences	—	—	36,217	6,028	—	42,245
Balance at 31 December 2008	23,941	181,344	713,736	72,963	4,277	996,261
Balance at 1 January 2009	23,941	181,344	713,736	72,963	4,277	996,261
Charged to equity						
— Change of fair value of available-for-sale financial assets	—	304,144	—	—	—	304,144
— Transfer out upon disposal of available-for-sale financial assets	—	(21,252)	—	—	—	(21,252)
Charged to/(credited in) income statement						
— Change of fair value of financial assets at fair value through profit or loss	(23,941)	—	—	—	—	(23,941)
— Others	—	—	(56,323)	—	29,984	(26,339)
Convertible bonds	—	—	—	(11,868)	—	(11,868)
Acquisition of a subsidiary	—	—	669,913	—	—	669,913
Exchange differences	—	—	663	38	469	1,170
Balance at 31 December 2009	—	464,236	1,327,989	61,133	34,730	1,888,088

The tax charge relating to components of other comprehensive income is as follows:

	2009			2008		
	Before tax	**Tax charge**	**After tax**	**Before tax**	**Tax charge**	**After tax**
Fair value gains on available-for-sale financial assets	1,309,157	(304,144)	1,005,013	67,751	(39,360)	28,391
Transfer of fair value gain to income statement upon disposal of available-for-sale financial assets	(102,662)	21,252	(81,410)	—	—	—
Fair value losses on derivative financial instruments	(5,640)	—	(5,640)	(49,211)	—	(49,211)
Derecognition of cash flow hedge	5,210	—	5,210	—	—	—
Revaluation surplus arising from business combination	1,316,175	(338,005)	978,170	—	—	—
Currency translation differences	10,013	—	10,013	643,845	—	643,845
	2,532,253	(620,897)	1,911,356	662,385	(39,360)	623,025

(a) As explained in further details in Note 34(a), Shenzhen Expressway, Meiguan Company and Jihe East Company became liable to pay PRC corporate income tax of RMB39,236,000 (HKD44,541,000) during 2008 for certain financial subsidies and incentives granted by local governments and received by the Group in prior years. They were initially exempt from taxation according to the provisions of certain policies promulgated by the local government authorities. The Group was advised by the relevant local tax authorities that after settlement of these tax charges, any future amortisation of the related financial subsidies, which have been deferred on the balance sheet of the Group, would be allowed to claim tax deductions for income tax reporting purposes in the future.

Accordingly, deferred tax assets of RMB24,884,000 (HKD28,267,000) (2008:RMB25,313,000 (HKD28,458,000)) had been recognised on such deductible temporary differences originating from the accounting base and tax base of these subsidies based on a tax rate of 25%, which is the tax rate expected to enact when a substantial portion of such temporary differences reverse.

26. **Deferred income — Group**

	2009	**2008**
Opening net book amount	33,608	65,805
Recognised in the income statement *(Note 30)*	(33,575)	(31,886)
Exchange difference	(33)	(311)
Closing net book amount	—	33,608

Deferred income represents the amounts granted by the PRC local government authorities, which are applied to designated logistic projects and recognised in the income statement on a systematic basis over the period to match with the cost being subsidised.

27. **Trade and other payables**

	Group		Company	
	2009	**2008**	**2009**	**2008**
Trade payables (a)	110,162	45,592	—	—
Payables for construction projects and quality deposits	1,218,891	1,109,237	—	—
Guaranteed deposits for construction projects contracts	160,613	230,514	—	—
Project funds retained for construction management contracts	35,081	27,595	—	—
Accrued expenses	4,206	9,477	—	—
Payable for the acquisition (b)	—	979,631	—	—
Advance from an associate (c)	52,823	52,787	—	—
Payables relating to Guangshen Yanjiang Expressway (Shenzhen Section) Project ("Yanjiang Project") (d)	10,650	340,561	—	—
Other payables	493,715	438,585	10,070	2,458
	2,086,141	3,233,979	10,070	2,458

(a) The ageing analysis of the trade payables was follows:

	Group	
	2009	**2008**
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

(b) The balance at 31 December 2008 represented the remaining acquisition consideration owed to Shenzhen SASAB for the acquisition of 100% equity interest in Shen Guang Hui Highway Development Company ("Shen Guang Hui Company"). The amount was settled in 2009.

(c) These represent the interest-free advance from Nanjing Third Bridge Company, an associate of the Group.

(d) The balances related to the Yanjiang Project managed by Shenzhen Expressway under a management service contract (the "Contract"). Under the Contract, Shenzhen Expressway provides project management services for the construction, operation and maintenance of the Yanjiang Project to the government authority.

At 31 December 2008, the balance represented 6-month loan of RMB300,000,000 (HKD340,561,000) received from SIHCL, which acts on behalf of the government authority. After Shenzhen Expressway entered into the Contract with SIHCL in November 2009, Shenzhen Expressway offset the loans received against the construction advances made for the Yanjiang Project. As at 31 December 2009, the balance represented the net payable relating to the Yanjiang Project. The management service revenue of Yanjiang Project is 1.5% of the construction budget.

28. **Revenue**

	2009	2008
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

29. **Other gains — net**

	2009	2008
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 investments 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

30. **Other income**

	2009	2008
Government grants *(Note 26)*	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

31. **Expenses by nature**

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

	2009	**2008**
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 *(Note 32)*	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

32. **Employee benefit expenses**

	2009	**2008**
Wages and salaries	201,270	141,693
Pension costs — defined contribution plans	13,420	12,531
Others	24,652	28,278
	239,342	182,502

From 1 December 2000, a MPF scheme is set up for eligible employees in Hong Kong of the Group. Contributions to the MPF Scheme by the Group and employees are calculated at rates specified in the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group by an independently administered fund.

The Group also contributes to employee retirement schemes established by the PRC local governments in respect of certain subsidiaries in the PRC. The PRC local governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group. Contributions to these schemes are charged to the consolidated income statement as incurred.

No forfeited contributions (2008: Nil) were utilised during the year and none is available at the year-end to reduce future contribution.

(a) ***Directors' and senior management's emoluments***

The remuneration of every Director for the year ended 31 December 2009 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
Guo Yuan	—	272	636	—	90	—	998
Li Jing Qi	—	272	604	—	90	—	966
Liu Jun	—	693	124	12	75	—	904
Yang Hai	—	861	226	17	59	—	1,163
To Chi Keung, Simon	—	—	—	—	—	—	—
Wang Dao Hai	—	—	—	—	—	—	—
Leung Ming Yuen, Simon	300	—	—	—	—	—	300
Ding Xun	300	—	—	—	—	—	300
Nip Yun Wing	300	—	—	—	—	—	300
							4,931

The remuneration of every Director for the year ended 31 December 2008 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Compensation for loss of office as director	Total
Guo Yuan	—	276	529	—	89	—	894
Li Jing Qi	—	276	489	—	89	—	854
Liu Jun	—	703	22	13	74	—	812
Yang Hai	—	811	205	17	61	—	1,094
To Chi Keung, Simon	—	—	—	—	—	—	—
Wang Dao Hai	—	—	—	—	—	—	—
Zhang Hua Qiao	—	—	—	—	—	—	—
Wang Hang Jun	—	—	—	—	—	—	—
Leung Ming Yuen, Simon	300	—	—	—	—	—	300
Ding Xun	300	—	—	—	—	—	300
Nip Yun Wing	300	—	—	—	—	—	300
							4,554

During the year ended 31 December 2009, Messrs Guo Yuan, Li Jing Qi and Liu Jun have waived directors' emoluments of HKD442,500 (2008: HKD545,000), HKD474,300 (2008: HKD586,000) and HKD295,500 (2008: HKD388,000) respectively.

During the years ended 31 December 2009 and 2008, no emoluments had been paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office.

(b) ***Five highest paid individuals***

The five individuals whose emoluments were the highest in the Group for the year include one (2008: one) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2008: four) individuals during the year are as follows:

	2009	**2008**
Basic salaries and allowances	4,502	4,376
Bonuses	1,715	1,615
Contributions to the retirement scheme	142	146
Other benefits	82	83
	6,441	6,220

The emoluments fell within the following bands:

	Number of individuals	
	2009	**2008**
Emolument band		
HKD1,000,001 — HKD1,500,000	3	3
HKD2,500,001 — HKD3,000,000	—	1
HKD3,000,001 — HKD3,500,000	1	—

33. **Finance income and costs**

	2009	**2008**
Interest expense		
— Bank borrowings and other borrowings	500,482	437,121
— Convertible bonds *(Note 24)*	135,153	129,077
— Bonds	66,538	66,194
— Other interest expense *(Note 23)*	32,648	27,997
Less: interest expenses capitalised in construction in progress	(165,774)	(214,628)
	569,047	445,761
Interest income from bank deposits	(27,952)	(61,866)
Net finance costs	541,095	383,895

Borrowing costs of HKD165,774,000 (2008: HKD214,628,000) have been capitalised for the construction of toll roads and related facilities and other construction in progress in 2009. Borrowing costs arising on financing specifically arranged for the construction of toll roads and related facilities were capitalised using the rates ranged from 5.35 % to 6.12% (2008: 5.93% to 7.05%) per annum, and other borrowing costs were capitalised using an average interest rate of 3.63% (2008: Nil) per annum.

34. **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.

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

	2009	**2008**
Current income tax		
PRC corporate income tax	386,463	327,504
Deferred income tax *(Note 25)*	(119,578)	(137,461)
	266,885	190,043

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the preferential tax rate in Shenzhen, the PRC, the location in which the Group's major subsidiaries operate as follows:

	2009	**2008**
Profit before income tax	1,443,983	1,156,665
Tax calculated at a tax rate of 20% (2008: 18%)	288,797	208,200
Tax impact of:		
— Different tax rates in other locations	4,487	10,638
— Profit earned during tax holidays	(2,267)	(2,438)
— Income not subject to tax	(37,936)	(49,945)
— Expenses not deductible for tax purposes	37,174	27,706
— Unrecognised tax loss	14,358	9,063
— Share of profit of jointly controlled entities and associates	(59,454)	(40,831)
— Share of losses of jointly controlled entities and associates	—	7,720
— Withholding tax on dividend	21,726	4,277
— Additional levies on certain local financial subsidies received in previous years	—	44,111
— Deferred income tax asset arising from PRC corporate income tax paid on local financial subsidies received in previous years	—	(28,458)
Income tax expense	266,885	190,043

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. At 31 December 2009, the Group did not recognise deferred income tax assets of HKD14,358,000 (2008: HKD9,063,000) in respect of losses amounting to HKD71,789,000 (2008:HKD39,936,000) that can be carried forward against future taxable income.

(a) Pursuant to the results of a special examination performed on the local tax bureau of Shenzhen, which was conducted by the Shenzhen Finance Supervision Commissioner's Office of the Ministry of Finance in 2008, Shenzhen Expressway, Meiguan Company and Jihe East Company were collectively demanded by the Futian Tax Bureau in the Notice to pay PRC corporate income tax amounting to approximately RMB60,472,000 (HKD67,986,000). The amount attributable to the Group is RMB57,986,000 (HKD65,192,000) (the "Back Taxes"). The Back Taxes were levied on certain local financial subsidies and incentives granted by local government authorities, obtained and received by the Group in previous years, which were initially exempt from income taxes according to the provisions of certain policies promulgated by the local government authorities. Such exemptions were revoked by the authorities as a result of the examination.

The Group had lodged an application to the Futian Tax Bureau for a reassessment of the computation basis of the Back Taxes, a waiver of the related penalty, as well as a deferral of the payment. Subsequently, several rounds of discussion were held between the Group and the Futian Tax Bureau. According to these communications, the Group consider that the final amount of the Back Taxes would highly probable be reduced by RMB18,750,000 (HKD21,080,000). Accordingly, the Group had recognised a provision for the Back Taxes as current year income tax expense in the consolidated income statement for the year ended 31 December 2008 *(Note 25(a))*.

As at the date of approval of these financial statements, the amount of the Back Taxes, the related penalty and the exact settlement arrangements had not yet been finalised. The directors of the Company considered that the amount of provision for the Back Taxes recognised was sufficient and thus no additional provision has been made during 2009.

35. **Profit attributable to equity holders of the Company**

The loss attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HKD 81,627,000 (2008: profit HKD 17,525,000). As described in Note 4.2(a), the Group has significant amount of distributable profits from its PRC subsidiaries prior to 31 December 2007. The directors of the Company do not require its PRC subsidiaries to declare dividends in the year. Distributable reserve of the Company at 31 December 2009 amounted to HKD2,157,255,000 (2008: HKD2,442,291,000) *(Note 20(iv))*.

The movement of the retained earnings of the Company is as below:

	Company	
	2009	**2008**
Beginning of year	2,174,253	2,796,816
(Loss)/profit for the year	(81,627)	17,525
Dividends	(203,409)	(640,088)
End of year	1,889,217	2,174,253

36. **Earnings per share**

(a) ***Basic***

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009	**2008**
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

(b) ***Diluted***

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has 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**
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

The impact of conversion of convertible bonds to earnings per share is anti-dilutive for the year ended 31 December 2008.

37. **Dividends**

The year of 2008 final dividend paid in 2009 amounted to HKD203,398,000 (HKD0.0145 per share). The year of 2007 final dividend and special dividend paid in 2008 were HKD142,182,000 (HKD0.01 per share) and HKD497,636,000 (HKD0.035 per share), respectively. At the meeting dated 23 March 2010, the directors recommend the payment of the year of 2009 final dividend of HKD0.0146 per ordinary share and special dividend of HKD0.0071 per ordinary share, totalling 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**
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

38. **Cash generated from operations**

(a) Reconciliation of profit before income tax to cash used in operations is set out as below:

	2009	**2008**
Profit before income tax	1,443,983	1,156,665
Adjustments for:		
— Depreciation *(Note 6)*	136,537	114,777
— Amortisation of leasehold land, land use rights and other leased assets *(Note 8)*	22,924	12,672
— Amortisation of intangible assets *(Note 10)*	402,087	282,911
— (Reversal of impairment)/impairment of property, plant and equipment *(Note 6)*	(660)	1,691
— Write off intangible assets *(Note 10)*	—	1,388
— (Reversal of impairment)/impairment of leasehold land, land use rights and other leased assets *(Note 8)*	(2,640)	6,766
— Deferred income recognised in the income statement *(Note 26)*	(33,575)	(31,886)
— Provision for maintenance/resurfacing obligations *(Note 23)*	143,706	54,929
— Provision for impairment of trade receivables *(Note 17)*	—	158
— Gain on disposals of available-for-sale financial assets *(Note 29)*	(258,245)	—
— Loss on disposals of investment properties *(Note 29)*	1,060	—
— Gain on disposals of property, plant and equipment *(Note 29)*	(4,511)	(18,681)
— Gain on disposals of investments in associates *(Note 29)*	—	(290,210)
— Gain on net compensation on land resumption *(Note 29)*	(21,177)	—
— Gain on disposals of financial assets at fair value through profit or loss *(Note 29)*	(96,578)	(34,080)
— Fair value losses on financial assets at fair value through profit or loss *(Note 29)*	—	197,946
— Fair value (gains)/losses on investment properties *(Note 7)*	(347)	4,035
— Interest income *(Note 33)*	(27,952)	(61,866)
— Interest expense *(Note 33)*	569,047	445,761
— Fair value losses/(gains) of derivative financial instruments *(Note 22)*	5,057	(7,143)
— Share of profit of associates/jointly controlled entities *(Note 12 and Note 13)*	(297,269)	(226,838)
— Dividend received	(17,899)	—
Changes in working capital (excluding the effect of exchange differences on consolidation):		
— Trade and other receivables	259,375	(155,398)
— Trade and other payables	(388,423)	(76,650)
Cash generated from operations	1,834,500	1,376,947

(b) In the statement of cash flow, proceeds from disposals of property, plant and equipment comprise:

	2009	**2008**
Net book amount *(Note 6)*	7,132	11,239
Gain on disposal *(Note 29)*	4,511	18,681
Proceeds from disposal	11,643	29,920

(c) The amount represented net cash outflows on the acquisitions of Shenzhen International Huatongyuan Logistics Co., Ltd. ("Huatongyuan"), of HKD22,767,000 *(Note 41(a))* and Jihe East Company of HKD1,124,286,000 *(Note 41(b))* and the settlements of outstanding considerations arising from the acquisition of Shen Guang Hui Company of HKD979,631,000 and the acquisition of Qinglian Company of HKD4,837,000 which both were completed in 2008.

39. **Financial guarantees and contingencies**

(a) As at 31 December 2009, the Group has the following financial guarantees:

	Group		Company	
	2009	**2008**	**2009**	**2008**
Irrevocable banking guarantee:				
— Related parties (i)	57,935	74,923	—	—

	Group		Company	
	2009	**2008**	**2009**	**2008**
Corporate guarantees for bank facilities utilised by:				
— Subsidiaries	—	—	—	200,484

(i) ***Project Construction Management Contracts***

In associated with Nanping (Phase II) Project and the renovation project of the Shenyun-North Ring Interchange in Shenzhen, Shenzhen Expressway had arranged with banks to issue irrevocable performance guarantees on its behalf to the Shenzhen Communications Bureau amounting to RMB50,000,000 (HKD56,799,000) and RMB1,000,000 (HKD1,136,000) respectively.

(b) At 8 December 2004, the Shenzhen Expressway signed a construction contract with Shenzhen Pengcheng Construction Company Limited ("Shenzhen Pengcheng") for Nanping (Phase I) Project. As disputes concerning the unit prices of some items under the construction contract arose that were not resolved by mutual agreement, Shenzhen Pengcheng applied for arbitration to Shenzhen Arbitration Commission against the Shenzhen Expressway in 2007. As at the date of approval of these financial statements, the arbitration process was still in progress. The directors of the Company had sought advice from the legal counsel and concluded that the result of the arbitration would not lead to any significant adverse impact on the Group's operating results.

On 1 June 2004, Shenzhen Expressway signed a construction contract with Jilin Great Wall Construction Company Limited ("Great Wall") for Nanping (Phase I) Project. As disputes concerning construction volume and the unit prices of some items under the contract arose that were not resolved by mutual agreement, Great Wall applied for arbitration to Shenzhen Arbitration Commission against Shenzhen Expressway in December 2009. As at the date of approval of these financial statements, the arbitration process was still in progress. The directors had sought advice from the legal counsel and concluded that the result of the arbitration would not lead to any significant adverse impact on the Group's operating results.

(c) **Penalty on Back Taxes**

As mentioned in Note 25(a), the Group had made a provision for the Back Taxes liabilities in the amount of RMB39,236,000 (HKD44,571,000) as at 31 December 2009. As at the date of approval of these financial statements, the amount of the Back Taxes, the related penalty and the exact settlement arrangements had not yet been finalised.

40. **Commitments**

(a) ***Capital commitments***

Capital expenditure contracted for at the balance sheet date but not yet incurred is as follows:

	2009	**2008**
Capital commitments — expenditure of property, plant and equipment and concession intangible assets		
— Contracted but not provided for	904,848	560,181
— Authorised but not contracted for	2,162,894	2,395,499
	3,067,742	2,955,680
Investment commitments		
— Contracted but not provided for	—	318,970
— Authorised but not contracted for	149,949	—
	3,217,691	3,274,650

(b) ***Operating lease commitments — the Group as the lessee***

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2009	**2008**
Land and buildings:		
Not later than 1 year	4,592	2,956
Later than 1 year and not later than 5 years	3,294	479
Over 5 years	1,325	13
	9,211	3,448

(c) ***Operating lease commitments — the Group as the lessor***

The future aggregate minimum lease receipts under non-cancellable operating leases are as follows:

	2009	**2008**
Land and buildings:		
Not later than 1 year	51,505	26,274
Later than 1 year and not later than 5 years	20,600	27,092
Over 5 years	3,136	7,508
	75,241	60,874

41. **Business combinations**

(a) ***Acquisition of 51% equity interest in Huatongyuan***

On 9 January 2009, the Group completed the acquisition of 51% equity interest in Huatongyuan for a cash consideration of HKD50,949,000. As Huatongyuan has not commenced its operation as at 31 December 2009, the business acquired has not contributed any revenue or net profit from the date of acquisition to 31 December 2009.

(i) Details of net assets acquired are as follows:

Purchase consideration:	
— Cash paid in 2009	50,949
— Direct cost relating to acquisition	828
Fair value of 51% net assets acquired	(52,079)
Negative goodwill credited to income statement	(302)

(ii) The fair value and carrying amount of the assets and liabilities arising from the acquisition are as follows:

	Fair value	**Acquiree's carrying amount**
Cash and cash equivalents	29,010	29,010
Property, plant and equipment	444	444
Construction in progress	82,846	69,505
Other non-current assets	464	464
Prepayment for construction	34,243	34,243
Payables for construction and other payables	(44,892)	(44,892)
Net assets	102,115	88,774
Less: 49% minority interests	(50,036)	
51% of net assets acquired	52,079	

(iii) Cash outflow on acquisition

Direct cost relating to acquisition	(828)
Purchase consideration settled in cash in 2009	(50,949)
Cash and cash equivalents in the subsidiary acquired	29,010
	(22,767)

(b) ***Acquisition of 45% equity interest in Jihe East Company***

Jihe East Company was a jointly controlled entity of the Group, which the Group owned 55% equity interest before 30 September 2009. During this year, the Group acquired the remaining 45% equity interest in Jihe East Company. The acquired business contributed revenue of HKD136,770,000 and net profit of HKD64,214,000 to the Group from the acquisition date to 31 December 2009. If the acquisition occurred on 1 January 2009, the Group's share of revenue and net profit would have been increased by HKD208,090,000 and HKD89,759,000, respectively for the year ended 31 December 2009. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2009, together with the consequential tax effects.

(i) Details of net assets acquired are as follows:

— Purchase consideration as specified in equity transfer agreement	1,213,443
— Distribution derived from Jihe East Company originally attributable to the seller	(82,288)
— Direct cost relating to acquisition	92,747
Total cost of acquisition	1,223,902
Fair value of net assets acquired	(1,223,902)
Goodwill	—

In accordance with the equity transfer agreement, the Group is entitled to all cash distribution derived from Jihe East Company since 1 April 2009 when the acquisition is completed. Since the acquisition was completed on 30 September 2009, the proportion of cash distribution generated from 1 April to 30 September, which is originally attributable to the seller is entitled owned by the Group. Therefore, it has been treated as a deduction item to the cost of acquisition.

(ii) The revaluation surplus of original 55% equity interest owned by the Group amounting to HKD1,014,001,000 was credited to the other reserve on the date of acquisition.

On 30 September 2009, the acquisition date

Fair value of net assets and shareholders' loan of Jihe East Company	2,719,783
The fair value of original 55% equity interest and shareholders' loan	1,495,881
Less: the carrying value of original 55% equity interest and shareholders' loan	(481,880)
Revaluation surplus arising from the business combination	1,014,001

(iii) The assets and liabilities arising from the acquisition are as follows:

	Fair value	Acquiree's carrying amount
Cash and cash equivalents	181,694	181,694
Trade and other receivables	15,068	15,068
Inventory	259	259
Deferred tax assets	16,094	16,094
Other current assets	794	794
Property, plant and equipment	55,016	55,016
Construction in progress	974	974
Concession intangible assets	3,513,823	1,055,601
Trade and other payables	(140,585)	(140,585)
Provision for maintenance/resurfacing obligations	(285,809)	(285,809)
Current income tax liabilities	(22,990)	(22,990)
Deferred tax liabilities	(614,555)	—
Net assets	2,719,783	876,116
Net assets acquired	1,223,902	

(iv) The Group adopted valuation technique to assess the fair value of net assets of Jihe East Company on the acquisition date. Main assets of Jihe East Company are cash and cash equivalents and concession intangible assets. The fair value of cash and cash equivalents is equal to its carrying amount, while concession intangible assets are assessed using "Present Earning Value Method" based on the following key estimations:

- Assume that the toll rate of Jihe East Company would increase 20% from 2015;
- In order to realise the growth potential of the business and maintain the competitive edge, additional manpower, equipment and facilities are necessary to be employed. For this valuation exercise, the Group has assumed that the facilities and systems proposed are sufficient for future expansion;
- The Group has assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Jihe East Company;
- The Group has assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be complied;
- The Group has assumed that no flooding and other types of scurvy weather will occur which may extend closure of the expressway;

- Based on tax regulations applicable to the Jihe East Company, the Group has assumed the tax rate over the concession period of the expressway as follows:

  (1) Turnover tax and surtax

Tax item	Tax base	Tax rate
Business Tax -Toll Road	Toll road's revenue	3%
Business Tax -Rental Income	Rental income	5%
Urban Maintenance and Construction Tax	Business tax amount	1%
Educational Surtax and Surcharge	Business tax amount	3%

  (2) Income tax

Year	2009	2010	2011	2012-2027
Income tax rate	20%	22%	24%	25%

  In determining the discount rate for the operation adopted in the valuation, the Group has taken into account a number of factors including the current market condition and the underlying risks inherent in the business, such as uncertainty risk, etc. These risk factors have been considered in determining the appropriate discount rate, 13.2%, for the valuation.

(v) Cash outflow on acquisition

Purchase consideration settled in cash in 2009	(1,213,443)
Transaction costs	(92,537)
Cash and cash equivalents in the subsidiary company acquired	181,694
	(1,124,286)

42. **Related-party transactions**

As described in Note 1, the Company is de facto controlled by SIHC. The transactions as mentioned in Notes 17, 24, 27(b), 27(c) and 39(a) are related party transactions of the Group. Save as disclosed above, the Group has the following significant transactions with related parties during the year:

(a) During the year 2008 and 2009, the Group has bank deposits in and obtained borrowings from state-owned banks in normal commercial terms. Interests are earned and incurred on these deposits and borrowings respectively.

(b) The Group has capital expenditure incurred for service concession projects and construction in progress with state-owned contractors both in 2008 and 2009 and payable balances due to state-owned contractors for construction projects and guaranteed deposits as of 31 December 2009.

(c) ***Payment of project management service fee***

Shenzhen Expressway entered into project management service contracts with Consulting Company, another associate of Shenzhen Expressway, under which Consulting Company assumes the management of the reconstruction project of Shenzhen Expressway. The value of the management service contract is approximately HKD107,071,000. During the year, Shenzhen Expressway paid a management fee of approximately HKD27,445,000 (2008: HKD19,944,000) to Consulting Company. The cumulative management fee paid by Shenzhen Expressway to Consulting Company amounted to approximately HKD82,755,000 up to 31 December 2009.

(d) ***Toll income collection***

Due to the geographical layout of the toll roads operated by Shenzhen Expressway, certain toll gates of the toll roads of Shenzhen Expressway and Jihe East Company are overlapping. As a result, Shenzhen Expressway and Jihe East Company collect toll income for each other. During the year, the aggregate toll income collected by Shenzhen Expressway on behalf of Jihe East Company was HKD88,209,000 (2008: HKD155,399,000), while the aggregate toll income collected by Jihe East Company on behalf of the Group was HKD79,021,000 (2008: HKD141,949,000). All toll revenue collected was paid back to the counterparties within three days after collection without charging any handling fees.

(e) ***Key management compensation***

Details of key management compensation are set out in Note 32.

43. **Events after the balance sheet date**

(a) ***Disposal of CSG A shares***

From 1 January 2010 to the date of this report, the Group has disposed of a total of 4,706,833 CSG A shares via 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 report, 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 tradeable on the Shenzhen Stock Exchange.

(b) ***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, Total Logistics 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 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. For details of the Capital Injection, please refer to the announcement of the Company dated 21 March 2010.

(c) ***Issuance of medium term notes***

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.

44. **Particulars of principal subsidiaries**

Name	Nominal value of issued ordinary/ registered share capital	Interest held by the Company Direct	Indirect	Principal activities
Subsidiaries:				
深科實業發(深圳)有限公司△	HKD10,000,000	—	100	Investment holding
Shenzhen International Total Logistics (Shenzhen) Co., Ltd. (formerly known as Total Logistics (Shenzhen) Co., Ltd.) ◇	RMB200,000,000	—	100	Provision of total logistics and transportation ancillary services
Xin Tong Chan Development (Shenzhen) Co., Ltd.△	RMB200,000,000	—	100	Investment holding
Shenzhen International South-China Logistics Co., Ltd. (formerly known as Shenzhen South-China International Logistics Co., Ltd.) @	RMB240,000,000	—	100	Development, construction, operation and management of South China Logistic Park
Shenzhen International Holdings (SZ) Limited (formerly known as Yiwan Industry Development (Shenzhen) Co., Ltd.) △	HKD2,180,000,000	—	100	Investment holding
Nanjing UT Logistics Co., Ltd. @	RMB88,000,000	—	100	Logistic services and related warehouse facilities
Shenzhen EDI Co., Ltd. @	RMB22,760,000	—	68.54	Provision of electronic information exchange, transmission and value-added information sharing services
Shenzhen International West Logistics Co., Ltd. (formerly known as Shenzhen Western Logistics Co, Ltd.) @*	RMB450,000,000	—	100	Development, construction, operation and management of Western Logistic Park
Shenzhen Bao Tong Highway Construction and Development Limited@*	RMB1,533,800,000	—	100	Development, construction, investment, operation and management of toll highway
Shenzhen Longda Expressway Company Limited@*	RMB5,000,000	—	89.93	Operation and management of Longda Expressway
Shenzhen Expressway Company Limited^	RMB2,180,770,326	—	50.89	Investment, construction, operation and management of toll highways and roads

Name	Nominal value of issued ordinary/ registered share capital	Interest held by the Company Direct	Indirect	Principal activities
Hubei Magerk Expressway Management Private Limited △*	USD28,000,000	—	100	Operation and management of highways and expressways
Shandong Booming Logistics Co., Ltd. (formerly known as Yantai Beiming Logistics Co. Ltd.) @*	RMB90,000,000	—	55.39	Logistic services and related warehouse facilities
Shenzhen Shen Guang Hui Highway Development Company@*	RMB105,600,000	—	100	Investment holding
Nanjing Xiba Wharf Co., Ltd.@*	RMB455,000,000	—	70	Construction, operation and management of Warf and Logistics Centres at Xiba Port of Nanjing
Shenzhen Meiguan Expressway Company Limited@	RMB332,400,000	—	100	Construction, operation and management of an expressway
Shenzhen Expressway Advertising Company Limited@	RMB2,000,000	—	100	Advertising agency in the PRC
Guangdong Qinglian Highway Development Company Limited◇	RMB1,200,000,000	—	76.37	Development, operation and management of highways
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited @	RMB440,000,000	—	100	Construction, operation and management of an expressway
Shenzhen International Huatongyuan Logistics Co., Ltd. (formerly known as Shenzhen Huatongyuan Logistics Co., Ltd.) @*	RMB60,000,000	—	51	Logistic services and related warehouse facilities

△ *Foreign-owned enterprise*

◇ *Sino-foreign Joint Venture*

@ *Domestic enterprise*

^ *Foreign invested joint stock limited company*

* *For identification purpose only*

The above table lists the subsidiaries of the Group which, in opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net assets of the Group. These subsidiaries are incorporated and operating in the PRC. To give details of other subsidiaries would result in particulars of excessive length.

3. UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2010

The following financial information is extracted from the published unaudited condensed consolidated financial information of the Company for the six months ended 30 June 2010.

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

		As at	
		30 June 2010	**31 December 2009**
	Note	*(Unaudited)*	*(Restated)*
Assets			
Non-current assets			
Property, plant and equipment	6	2,892,153	2,280,609
Investment properties	6	45,667	44,443
Land use rights and other leased assets	6	602,400	604,012
Construction in progress	6	535,231	636,456
Intangible assets	6	22,776,396	22,463,694
Investments in associates	7	2,011,135	1,455,216
Investments in jointly controlled entities		303,050	300,350
Available-for-sale financial assets	8	104,694	142,366
Deferred income tax assets		69,753	45,923
Other non-current assets		27,183	53,247
		29,367,662	28,026,316
Current assets			
Available-for-sale financial assets	8	1,598,092	2,311,475
Assets held for sale		14,713	14,528
Trade and other receivables	9	456,246	412,421
Restricted bank deposits		537,762	556,920
Cash and cash equivalents		1,139,596	1,126,402
		3,746,409	4,421,746
Total assets		33,114,071	32,448,062

	Note	As at 30 June 2010 (Unaudited)	As at 31 December 2009 (Restated)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	10	2,978,069	2,973,698
Other reserves	11	(264,992)	252,447
Retained earnings			
— Proposed dividends		—	306,880
— Others		4,203,139	3,492,111
		6,916,216	7,025,136
Non-controlling interests		5,809,049	5,694,554
Total equity		12,725,265	12,719,690
Liabilities			
Non-current liabilities			
Borrowings	13	10,101,177	9,604,665
Derivative financial instruments	14	64,422	51,608
Provision for maintenance/resurfacing obligations	15	962,254	829,180
Convertible bonds	16	1,479,421	1,426,402
Deferred income tax liabilities		1,573,915	1,684,619
Other non-current liabilities		9,204	9,087
		14,190,393	13,605,561
Current liabilities			
Trade and other payables	12	2,103,538	2,086,141
Income tax payable		221,810	172,718
Convertible bonds	16	1,792,036	1,776,430
Borrowings	13	2,081,029	2,084,829
Derivative financial instruments	14	—	2,693
		6,198,413	6,122,811
Total liabilities		20,388,806	19,728,372
Total equity and liabilities		33,114,071	32,448,062
Net current liabilities		(2,452,004)	(1,701,065)
Total assets less current liabilities		26,915,658	26,325,251

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT
(All amounts in HK dollar thousands unless otherwise stated)

		Six months ended 30 June	
		2010	**2009**
	Note	*(Unaudited)*	*(Unaudited)*
Revenue	17	2,266,006	1,693,578
Cost of sales		(1,255,509)	(1,069,638)
Gross profit		1,010,497	623,940
Other gains — net	18	379,572	290,791
Other income	19	50,302	29,883
Distribution costs		(12,331)	(9,533)
Administrative expenses		(85,524)	(79,247)
Other operating expenses		—	(10,839)
Operating profit		1,342,516	844,995
Share of profit of jointly controlled entities		3,869	152,219
Share of profit of associates		139,474	44,858
Profit before finance costs and tax		1,485,859	1,042,072
Finance income	20	11,024	12,918
Finance costs	20	(334,576)	(230,089)
Finance costs — net	20	(323,552)	(217,171)
Profit before income tax		1,162,307	824,901
Income tax expense	21	(248,463)	(131,405)
Profit for the period		913,844	693,496
Attributable to:			
Equity holders of the Company		712,337	503,262
Non-controlling interests		201,507	190,234
		913,844	693,496
Earnings per share for the profit attributable to equity holders of the Company during the period (expressed in HK cents per share)			
— Basic	22	5.03	3.59
— Diluted	22	4.79	3.46
Dividend	23	—	—

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HK dollar thousands unless otherwise stated)

	Six months ended 30 June	
	2010	**2009**
	(Unaudited)	*(Unaudited)*
Profit for the period	913,844	693,496
Other comprehensive income:		
Fair value (losses)/gains on available-for-sale financial assets, net of tax	(357,704)	784,375
Transfer of fair value gain to income statement upon disposal of available-for-sale financial assets, net of tax	(230,374)	(141,082)
Fair value (losses)/gains on derivative financial instruments, net of tax	(17,210)	6,736
Share of other comprehensive income of an associate	(1)	—
Currency translation differences	158,041	6,866
	(447,248)	656,895
Total comprehensive income for the period	466,596	1,350,391
Total comprehensive income attributable to:		
Equity holders of the Company	193,925	1,160,034
Non-controlling interests	272,671	190,357
	466,596	1,350,391

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(All amounts in HK dollar thousands unless otherwise stated)

	(Unaudited)				
	Attributable to equity holders of the Company				
	Share capital and share premium	**Other reserves**	**Retained earnings**	**Non controlling interests**	**Total equity**
Balance as at 1 January 2009	2,941,407	(1,374,813)	3,343,327	4,972,684	9,882,605
Total comprehensive income for the six months ended 30 June 2009	—	656,772	503,262	190,357	1,350,391
Employee share options - proceeds from shares issued	225	—	—	—	225
Contribution by non-controlling interests	—	—	—	108,392	108,392
Transfer to reserve fund	—	100,609	(100,609)	—	—
Dividend relating to 2008	—	—	(203,409)	—	(203,409)
Dividend paid to the non-controlling interests by the subsidiaries	—	—	—	(158,686)	(158,686)
Acquisition of a subsidiary	—	—	—	50,036	50,036
Total transactions with owners	225	100,609	(304,018)	(258)	(203,442)
Balance as at 30 June 2009	2,941,632	(617,432)	3,542,571	5,162,783	11,029,554
Balance as at 1 January 2010	2,973,698	252,447	3,798,991	5,694,554	12,719,690
Total comprehensive income for the six months ended 30 June 2010	—	(518,412)	712,337	272,671	466,596
Employee share options - proceeds from shares issued	4,371	—	—	—	4,371
Transfer to reserve fund	—	973	(973)	—	—
Dividend relating to 2009	—	—	(307,216)	—	(307,216)
Dividend paid to the non-controlling interests by the subsidiaries	—	—	—	(158,176)	(158,176)
Total transactions with owners	4,371	973	(308,189)	(158,176)	(461,021)
Balance as at 30 June 2010	2,978,069	(264,992)	4,203,139	5,809,049	12,725,265

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

(All amounts in HK dollar thousands unless otherwise stated)

	Six months ended 30 June	
	2010	**2009**
	(Unaudited)	*(Unaudited)*
Cash generated from operations	1,356,184	1,319,434
Proceeds from disposals of financial assets at fair value through profit or loss	—	246,381
Interest paid	(193,536)	(153,404)
Income tax paid	(222,746)	(160,877)
Net cash inflows from operating activities	939,902	1,251,534
Net cash outflows from investing activities	(856,070)	(846,742)
Net cash (outflows)/inflows from financing activities	(70,638)	258,637
Net increase in cash and cash equivalents	13,194	663,429
Cash and cash equivalents at beginning of period	1,126,402	1,901,000
Cash and cash equivalents at end of period	1,139,596	2,564,429
Analysis of balances of cash and cash equivalents		
Cash at bank and in hand	517,161	1,489,174
Short-term bank deposits	622,435	1,075,255
	1,139,596	2,564,429

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(All amounts in HK dollar thousands unless otherwise stated)

1. **General information**

Shenzhen International Holdings Limited (the "Company") is an investment holding company. The principal activities of the Company and its subsidiaries (collectively the "Group"), and its associates and jointly controlled entities include the following businesses:

— Toll roads;

— Logistic parks;

— Logistic services; and

— Port

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

The Company has its primary listing on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"). One of the major subsidiaries of the Company, Shenzhen Expressway Company Limited ("Shenzhen Expressway") is listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange.

This condensed consolidated interim financial information ("Financial Information") is presented in thousands of units of HK dollar ("HKD'000"), unless otherwise stated.

This Financial Information was approved for issue on 24 August 2010 and has not been audited.

On 19 April 2010, the Group completed the capital increase to Shenzhen Airlines Limited ("Shenzhen Airlines"). The Group increased its equity interest in Shenzhen Airlines from 10% to 25% ("Capital Increase") and Shenzhen Airlines became an associate of the Group. Further details are given in Note 7.

2. **Basis of preparation**

This Financial Information for the six months ended 30 June 2010 (the "Period") has been prepared in accordance with Hong Kong Accounting Standard 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The Financial Information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The Group reported net current liabilities of approximately HKD2,452 million as at 30 June 2010. On the basis that the Group has unutilised banking facilities of approximately HKD10,832 million as at 30 June 2010, including facilities of approximately HKD6,397 million expiring beyond one year, and has been generating positive operating cash flows, the directors 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 Information has been prepared by the directors on a going concern basis.

3. **Accounting policies**

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

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

(a) The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

- HKFRS 3 (revised), 'Business combinations', and consequential amendments to HKAS 27, 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates', and HKAS 31, 'Interests in joint ventures', are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with HKFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed during the current period.

  As the Group has adopted HKFRS 3 (revised), it is required to adopt HKAS 27 (revised), 'consolidated and separate financial statements', at the same time. HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. These transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting treatment when control is lost. Any remaining interest in the entity need to be re-measured to fair value, and a gain or loss is recognised in profit or loss.

  The impact of this standard on the Group for the Period is set out in Note 7.

- HKAS 17 (amendment), 'Leases', deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest title of which is not expected to be passed to the Group by the end of the lease term was classified as operating lease under "Leasehold land, land use rights and other leased assets", and amortised over the lease term.

  HKAS 17 (amendment) has been applied retrospectively for annual periods beginning 1 January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1 January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance lease retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

  If the property interest is held for own use, that land interest classified as finance lease is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the shorter of the useful live of the asset and the lease term.

The effect of the adoption of this amendment is as below:

	As at	
	1 January 2010	**1 January 2009**
Decrease in land use rights and other leased assets	(66,250)	(70,390)
Increase in property, plant and equipment	66,250	70,390

There is no impact in opening retained earnings at 1 January 2009 and the profit for the Period from the adoption of this amendment.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

- HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners' is effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

- 'Additional exemptions for first-time adopters' (amendment to HKFRS 1) is effective for annual periods beginning on or after 1 January 2010. This amendment has no impact on the Group, as it is an existing HKFRS preparer.

- HKAS 39 (amendment), 'Eligible hedged items' is effective for annual period on or after 1 July 2009. There is no significant impact on the hedging of the Group.

- HKFRS 2 (amendment), 'Group cash-settled share-based payment transaction' is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Group, as it has no such share-based payment transactions.

- First improvements to Hong Kong Financial Reporting Standards (2008) were issued in October 2008 by the HKICPA. The improvement related to HKFRS 5 "Non-current assets held for sale and discontinued operations" is effective for annual period on or after 1 July 2009.

- Second improvements to Hong Kong Financial Reporting Standards (2009) were issued in May 2009 by the HKICPA. All improvements are effective in the financial year of 2010. Other than above HKAS 17 (amendment), other improvements are not relevant to the Group.

(c) **Property, plant and equipment**

Leasehold land classified as finance lease is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the land interest. Depreciation commences from the land interest becomes available for its intended use, and is calculated using straight-line method to allocate the cost over the remaining lease terms.

4. **Changes in critical accounting estimates and assumptions**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Other than those disclosed in the annual financial statements of the Group for the year ended 31 December 2009, the major changes in the critical accounting estimates and assumptions are as follows:

(a) ***Change in accounting estimates — amortisation of concession intangible assets***

The Group applied HK(IFRIC)-Int 12 'Service Concession arrangements' ("IFRIC 12") and recognised concession intangible assets under the service concession arrangements and provides amortisation thereon.

Amortisation of concession intangible assets is provided under the traffic flow amortisation method. Material adjustments may need to be made to the carrying amounts of concession intangible assets should there be a material difference between total projected traffic volume and the actual results.

The directors of the Company performed a periodic assessment of the total projected traffic volume. The Group will appoint independent professional traffic consultants to perform independent professional traffic studies and make appropriate adjustment if there is a material difference. In the first quarter of 2010, the Group appointed an independent professional traffic consultant to perform independent professional traffic studies or internally reassessed the future traffic volume of Airport-Heao western expressway, Yanpai expressway, Meiguan expressway and Qinglian class 2 highway. The Group has adjusted the amortisation unit for concession intangible assets according to the revised total projected traffic volume since 1 January 2010 on prospective basis. Such change in accounting estimate has resulted in a decrease of net profit for the Period amounted to HKD12,801,000 and will impact the amortisation charges of the Group in the future.

(b) ***New accounting estimates and assumptions — fair value estimation of the identifiable assets and liabilities acquired***

On 19 April 2010, the Group completed the Capital Increase. In accordance with the accounting policy of the Group, the net identifiable liabilities acquired in the Capital Increase are recorded at fair value at completion.

The Group adopted valuation technique to assess the fair value of identifiable assets and liabilities of Shenzhen Airlines on the completion date by reference to the independent valuer's valuation report. Major assets of Shenzhen Airlines are aircrafts, cash and cash equivalents, buildings and land use rights. The fair value of cash and cash equivalents is equal to its carrying amount, while aircrafts and buildings are assessed using a depreciated replacement cost basis and land use rights are assessed on quoted market price basis, based on the key estimations that there will be no material changes in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of Shenzhen Airlines.

5. **Segment information**

During the Period, the Group reassessed its operations to be organised in 4 main business segments:

— Toll roads;

— Logistic parks;

— Logistic services; and

— Port

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, logistic services and port 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; port includes construction, operation and management of wharf and logistic centres at Xiba Port in Nanjing, which is a new business segment in this Period.

Substantial businesses of the Group are carried out in the People's Republic of China ("PRC").

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

For the six months ended 30 June 2010

	Toll roads	Logistic parks	Logistic services	Port	Head office functions	Total
Revenue	2,069,947[(a)]	118,585	72,589	4,885	—	2,266,006
Operating profit/(loss)	927,447	26,619	4,255	(1,005)	385,200	1,342,516
Share of profit/(loss) of jointly controlled entities	1,519	2,817	(467)	—	—	3,869
Share of profit of associates	97,460	—	268	—	41,746	139,474
Finance income	8,913	676	413	140	882	11,024
Finance costs	(289,395)	(7)	(37)	(915)	(44,222)	(334,576)
Profit/(loss) before tax	745,944	30,105	4,432	(1,780)	383,606	1,162,307
Income tax expense	(155,375)	(6,121)	(262)	—	(86,705)	(248,463)
Profit/(loss) for the period	590,569	23,984	4,170	(1,780)	296,901	913,844
Non-controlling interests	(201,295)	(16)	(729)	533	—	(201,507)
Profit/(loss) attributable to equity holders of the Company	389,274	23,968	3,441	(1,247)	296,901	712,337
Depreciation and amortisation	413,114	19,526	5,784	5,122	2,138	445,684
Capital expenditure						
— Additions in property, plant and equipment, construction in progress, land use rights and other leased assets and intangible assets	408,728	213,622	14,516	278,047	66,982	981,895
Investments in associates	—	—	—	—	395,838	395,838

For the six months ended 30 June 2009

	Toll roads	Logistic parks	Logistic services	Port	Head office functions	Total
Revenue	1,534,234[(a)]	91,070	68,274	—	—	1,693,578
Operating profit	537,713	22,758	4,479	—	280,045	844,995
Share of profit of jointly controlled entities	151,542	285	392	—	—	152,219
Share of profit of associates	44,747	—	111	—	—	44,858
Finance income	7,495	1,431	727	—	3,265	12,918
Finance costs	(159,948)	(7)	(35)	—	(70,099)	(230,089)
Profit before tax	581,549	24,467	5,674	—	213,211	824,901
Income tax expense	(68,820)	(2,065)	(545)	—	(59,975)	(131,405)
Profit for the period	512,729	22,402	5,129	—	153,236	693,496
Non-controlling interests	(189,771)	(15)	(448)	—	—	(190,234)
Profit attributable to equity holders of the Company	322,958	22,387	4,681	—	153,236	503,262
Depreciation and amortisation	212,304	16,119	2,436	—	4,459	235,318
Capital expenditure						
— Additions in property, plant and equipment, construction in progress, land use rights and other leased assets and intangible assets	658,450	265,917	77,973	—	253	1,002,593
— Additions in property, plant and equipment, construction in progress, land use rights and other leased assets and intangible assets arising from acquisition of a subsidiary	—	83,290	—	—	—	83,290
Investments in associates	51,084	—	—	—	—	51,084

(a) The revenue from toll roads includes construction service revenue of HKD367,460,000 (2009 interim: HKD491,095,000) for the Period.

6. **Capital expenditure**

	Concession intangible assets	Investment properties	Property, plant and equipment	Land use rights and other leased assets	Construction in progress
Six months ended 30 June 2010					
Net book amount as at 1 January 2010, as previously stated	22,463,694	44,443	2,214,359	670,262	636,456
Adjustments for the adoption of HKAS 17 (amendment) *(Note 3(a))*	—	—	66,250	(66,250)	—
Net book amount as at 1 January 2010, as restated	22,463,694	44,443	2,280,609	604,012	636,456
Fair value gain	—	1,224	—	—	—
Additions	370,716	—	40,237	258	570,684
Disposals	—	—	(29,633)	(413)	(5,355)
Transfers	7,002	—	659,883	—	(666,885)
Exchange difference	280,980	—	31,654	7,634	331
Depreciation/amortisation	(345,996)	—	(90,597)	(9,091)	—
Net book amount as at 30 June 2010	22,776,396	45,667	2,892,153	602,400	535,231
Six months ended 30 June 2009					
Net book amount as at 1 January 2009, as previously stated	18,125,699	49,183	1,636,136	509,656	341,542
Adjustments for the adoption of HKAS 17 (amendment) *(Note 3(a))*	—	—	70,390	(70,390)	—
Net book amount as at 1 January 2009, as restated	18,125,699	49,183	1,706,526	439,266	341,542
Acquisition of a subsidiary	—	—	444	—	82,846
Additions	491,367	—	32,022	20,478	458,726
Disposals	—	(5,100)	(6,985)	(13,237)	(1,350)
Transfers	—	—	416,755	1,851	(455,820)
Exchange difference	(83)	—	(37)	(2)	—
Depreciation/amortisation	(166,104)	(326)	(62,644)	(6,244)	—
Reversal of impairment	—	—	2,357	57	—
Net book amount as at 30 June 2009	18,450,879	43,757	2,088,438	442,169	425,944

7. **Investments in associates**

	Six months ended 30 June	
	2010	**2009**
Beginning of the period	1,455,216	1,441,731
Transfer from available-for-sale financial assets *(Note (a))*	68,538	—
Additions *(Note (a))*	395,838	51,084
Share of profit of associates	139,474	44,858
Dividends received	(73,004)	(51,819)
Exchange difference	25,073	26
End of the period	2,011,135	1,485,880

The ending balance comprises the following:

	As at	
	30 June 2010	**31 December 2009**
Unlisted investments, at cost		
Share of net assets other than goodwill	1,308,788	1,367,819
Goodwill on acquisition *(Notes (a) and (b))*	702,347	87,397
	2,011,135	1,455,216

(a) As at 31 December 2009, the Group, through its wholly-owned subsidiary, Shenzhen International Total Logistics (Shenzhen) Co., Ltd. ("Total Logistics"), held 10% equity interest in Shenzhen Airlines ("10% Previous Interest") and it was treated as available-for-sale financial asset of the Group. On 21 March 2010, the Group, through Total Logistics, entered into a capital increase agreement with other shareholders of Shenzhen Airlines, pursuant to which the Group agreed to contribute RMB347,981,000 (HKD395,838,000) to subscribe for additional registered capital of Shenzhen Airlines. The Capital Increase was completed on 19 April 2010. Upon completion of the Capital Increase, the Group increased its equity interest in Shenzhen Airlines from 10% to 25% and Shenzhen Airlines became an associate of the Group.

The fair value of the 10% Previous Interest is recorded as part of the cost of the investment in associate. The difference of HKD29,566,000 between the fair value and the carrying value of the 10% Previous Interest of the Capital Increase was treated as re-measurement gain and recognised in the income statement upon completion *(Note 18)*.

(b) After the assessment made by the directors of the Company, there was no impairment loss for the goodwill as at 30 June 2010.

8. **Available-for-sale financial assets**

	Six months ended 30 June	
	2010	**2009**
Beginning of the period	2,453,841	1,230,364
Net fair value (losses)/gains	(415,576)	803,457
Disposals	(327,325)	(21,800)
Transfer to investment in associates *(Note 7(a))*	(39,046)	—
Exchange differences	30,892	—
End of the period	1,702,786	2,012,021
Less: non-current portion	(104,694)	(95,726)
Current portion	1,598,092	1,916,295

Available-for-sale financial assets include the following:

	As at	
	30 June	**31 December**
	2010	**2009**
Listed securities in the PRC, at fair value *(Note (a))*	1,598,092	2,311,475
Unlisted equity investments:		
at fair value	—	38,992
at cost less impairment		
— Cost	128,789	127,469
— Provision for impairment	(24,095)	(24,095)
	104,694	142,366
	1,702,786	2,453,841

(a) As at 30 June 2010, listed equity investments stated at fair value represent 7.3% (equivalent to 151,810,000 shares) A share interest in CSG Holding Co., Ltd. held by the Group.

9. **Trade and other receivables**

	As at 30 June 2010	As at 31 December 2009
Trade receivables	356,477	315,849
Less: Provision for impairment of receivables	(469)	(195)
Trade receivables — net	356,008	315,654
Other receivables and prepayments	100,238	96,767
	456,246	412,421

The income from toll road operations is mainly received in cash and it usually does not maintain any trade receivable balances. Trade receivables other than toll road generally have credit terms of 30 to 120 days. The ageing analysis of the trade receivables of the Group based on invoice date or the time from the initial recognition of receivables is as follows:

	As at 30 June 2010	As at 31 December 2009
0-90 days	154,062	127,903
91-180 days	10,050	16,751
181-365 days	12,915	13,889
Over 365 days (i)	179,450	157,306
	356,477	315,849

(i) Trade receivables due over 365 days as at 30 June 2010 mainly comprised amounts due from Shenzhen Communications Bureau of HKD178,027,000 (31 December 2009: HKD156,293,000) for the construction management services income recognised for certain toll road projects. The directors consider that this receivable is not impaired.

10. **Share capital and share premium**

	Number of issued shares (thousands)	Ordinary shares	Share premium	Total
As at 1 January 2009	14,027,420	1,402,742	1,538,665	2,941,407
Employee share option scheme — proceeds from share issued	800	80	145	225
As at 30 June 2009	14,028,220	1,402,822	1,538,810	2,941,632
As at 1 January 2010	14,141,930	1,414,193	1,559,505	2,973,698
Employee share option scheme — proceeds from share issued	15,500	1,550	2,821	4,371
As at 30 June 2010	14,157,430	1,415,743	1,562,326	2,978,069

The total authorised number of ordinary shares is 20,000 million shares (31 December 2009: 20,000 million shares) with par value of HKD0.1 per share (31 December 2009: HKD0.1 per share). All issued shares are fully paid.

The share options granted to certain directors and employees are unconditional and vested immediately.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Six months ended 30 June 2010		Six months ended 30 June 2009	
	Average exercise price (HKD per share)	Number of share options (thousands)	Average exercise price (HKD per share)	Number of share options (thousands)
Beginning of the period	0.455	50,500	0.335	165,010
Exercised	0.282	(15,500)	0.282	(800)
End of the period	0.532	35,000	0.335	164,210

All share options outstanding as at 30 June 2010 are exercisable and will be expired on 5 February 2012.

11. Other reserves

	Equity component of convertible bonds	Fair value reserve	Reserve funds *(Note (a))*	Capital reserve	Goodwill reserve	Hedging reserve	Merger reserve	Revaluation surplus	Other reserves	Currency translation reserve	Contributed surplus	Total
At 1 January 2009	343,501	693,938	1,189,442	59,723	(159,583)	(51,080)	(4,046,279)	—	(184,856)	767,376	13,005	(1,374,813)
Fair value gain on available-for-sale financial assets, net of tax	—	784,375	—	—	—	—	—	—	—	—	—	784,375
Transfer of fair value gain to income statement upon disposal of available-for-sale financial assets, net of tax	—	(141,082)	—	—	—	—	—	—	—	—	—	(141,082)
Fair value gains on cash flow hedge derivative financial instruments, net of tax	—	—	—	—	—	6,736	—	—	—	—	—	6,736
Currency translation differences	—	—	—	—	—	—	—	—	—	6,743	—	6,743
Transfer from retained earnings to reserve funds	—	—	100,609	—	—	—	—	—	—	—	—	100,609
At 30 June 2009	343,501	1,337,231	1,290,051	59,723	(159,583)	(44,344)	(4,046,279)	—	(184,856)	774,119	13,005	(617,432)
At 1 January 2010	343,501	1,617,541	1,396,228	59,723	(159,583)	(51,510)	(4,082,110)	507,216	(165,043)	773,479	13,005	252,447
Fair value loss on available-for-sale financial assets, net of tax	—	(357,704)	—	—	—	—	—	—	—	—	—	(357,704)
Transfer of fair value gain to income statement upon disposal of available-for-sale financial assets, net of tax	—	(230,374)	—	—	—	—	—	—	—	—	—	(230,374)
Fair value losses on cash flow hedge derivative financial instruments, net of tax	—	—	—	—	—	(15,149)	—	—	—	—	—	(15,149)
Share of other comprehensive income of an associate	—	—	—	—	—	—	—	—	—	(1)	—	(1)
Currency translation differences	—	29,519	—	—	—	—	—	—	—	55,297	—	84,816
Transfer from retained earnings to reserve funds	—	—	973	—	—	—	—	—	—	—	—	973
At 30 June 2010	343,501	1,058,982	1,397,201	59,723	(159,583)	(66,659)	(4,082,110)	507,216	(165,043)	828,775	13,005	(264,992)

(a) In accordance with the PRC regulations, certain companies of the Group in the PRC are required to transfer part of their profits after taxation to various reserve funds, which are non-distributable, before profit distributions are made. The amounts of the transfers are subject to the approval of the boards of directors of these companies, in accordance with their joint venture agreements and/or articles of association.

12. **Trade and other payables**

	As at 30 June 2010	As at 31 December 2009
Trade payables *(Note (a))*	63,442	110,162
Payables relating to construction projects	1,527,689	1,425,235
Advance from an associate *(Note (b))*	53,497	52,823
Other payables and accrued expenses	458,910	497,921
	2,103,538	2,086,141

(a) The ageing analysis of the trade payables was as follows:

	As at 30 June 2010	As at 31 December 2009
0-90 days	56,434	99,300
91-180 days	3,394	444
181-365 days	103	9,415
Over 365 days	3,511	1,003
	63,442	110,162

(b) These represent the interest-free advances from Nanjing Yangzi River Third Bridge Company Limited, an associate of the Group.

13. **Borrowings**

	As at 30 June 2010	As at 31 December 2009
Non-current		
— Bank and other borrowings	8,386,621	8,705,435
— Medium-term notes *(Note (a))*	803,458	—
— Bonds	911,098	899,230
	10,101,177	9,604,665
Current		
— Bank and other borrowings	2,081,029	2,084,829
Total borrowings	12,182,206	11,689,494

Interest expense on borrowings and loans for the Period was HKD394,207,000 (2009 interim: HKD365,608,000).

Movement in borrowings is analysed as follows:

	Six months ended 30 June	
	2010	**2009**
Opening balance as at 1 January	11,689,494	9,244,065
Proceeds from borrowings	2,397,262	2,779,851
Repayments of borrowings	(2,019,665)	(2,308,573)
Exchange differences	115,115	(5)
Closing balance as at 30 June	12,182,206	9,715,338

The Group has the following undrawn banking facilities:

	As at	
	30 June 2010	**31 December 2009**
Floating rate		
— Expiring within one year	4,434,997	4,545,177
— Expiring beyond one year	6,097,561	7,093,036
	10,532,558	11,638,213
Fixed rate		
— Expiring beyond one year	299,126	295,354
	10,831,684	11,933,567

(a) The medium-term notes have terms of three years and bear floating rate interest. The applicable interest rate of the notes is 3.72% per annum.

14. **Derivative financial instruments**

	As at	
	30 June 2010	**31 December 2009**
Interest rate swaps		
— non-current liabilities - cash flow hedges *(Note (a))*	(64,186)	(51,608)
— current liabilities - held for trading	—	(2,693)
Cross currency and interest rate swap		
— non-current liabilities - cash flow hedges *(Note (b))*	(7,554)	—
Foreign exchange forward contract		
— non-current assets - cash flow hedges *(Note (c))*	7,318	—
	(64,422)	(54,301)

For the Period, the fair value change of derivative financial instruments recognised in the equity and income statement amounted to HKD15,149,000 (2009 interim: HKD6,736,000) and HKD2,411,000 (2009 interim: Nil) respectively.

(a) **Interest Rate Swaps**

At 30 June 2010, the fixed interest rates of interest rate swap contracts vary from 1.8% to 2.9% (2009: 1.8% to 2.9%), and the main floating rates are Hong Kong Interbank Offer Rate ("HIBOR"). Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 30 June 2010 will be continuously released to the income statement until the fully repayment of the bank borrowings.

As at 30 June 2010, the aggregate notional amount of the interest rate swaps for cash flow hedge purpose amounted to HKD3,272,500,000 (31 December 2009: HKD3,396,250,000).

Outstanding notional principal amount	**30 June 2010 balance of the derivative financial instruments**	**Maturity date**
HKD	*HKD*	
200,000,000	5,875,000	30 November 2011
90,000,000	1,201,000	30 March 2012
1,256,250,000	55,417,000	31 July 2013
90,000,000	2,242,000	30 March 2012
1,256,250,000	(526,000)	29 July 2011
200,000,000	(117,000)	31 August 2011
180,000,000	94,000	30 March 2012
3,272,500,000	64,186,000	

(b) **Cross Currency and Interest Rate Swap**

The Group uses a cross currency and interest rate swap contract to hedge its interest rate risk and exchange rate risk against one of its variable-rate foreign currency loans. The notional principal amount of the outstanding cross currency and interest rate swap contract at 30 June 2010 was HKD420,000,000 (31 December 2009: Nil). Through this arrangement, the Group pays an annually fixed interest at 1.8% and the principal at a fixed HKD/RMB exchange rate agreed in the contract while the original annual floating interest expense (3-month HIBOR+1.5%) and the floating principal payments (HKD/RMB exchange spot rate) attached in the loan is offset by the receivable leg of the cross currency and interest rate swap. Such a swap is settled on a quarterly basis from June 2010 to September 2014.

(c) **Foreign Exchange Forward Contract**

The Group uses a foreign exchange forward contract to hedge its exchange rate risk against one of its foreign currency loans. The notional principal amount of the outstanding foreign exchange forward contract at 30 June 2010 was HKD227,000,000 (31 December 2009: Nil). Through this arrangement, the Group will pay fixed principal in RMB at the contractual forward HKD/RMB exchange rate and will receive foreign currency principal. Such foreign exchange forward contract will be settled on 17 September 2012.

15. **Provision for maintenance/resurfacing obligations**

	Six months ended 30 June 2010	2009
Opening net book amount	829,180	366,426
Charged to the income statement:		
Additions	95,088	57,773
Increase due to passage of time *(Note 20)*	27,552	15,712
Exchange difference	10,434	11
Closing net book amount	962,254	439,922

16. **Convertible bonds**

		As at 30 June 2010	31 December 2009
Issuer			
The Company	(i)	1,792,036	1,776,430
Shenzhen Expressway	(ii)	1,479,421	1,426,402
		3,271,457	3,202,832
Less: current portion	(i)	(1,792,036)	(1,776,430)
Non-current portion		1,479,421	1,426,402

(i) The movement of convertible bonds of the Company during the Period is as follows:

	Face value	Liability component	Equity component	Total
At 1 January 2009	1,727,500	1,706,676	209,523	1,916,199
Interest expense *(Note 20)*	—	34,215	—	34,215
At 30 June 2009	1,727,500	1,740,891	209,523	1,950,414
At 1 January 2010	1,727,500	1,776,430	209,523	1,985,953
Interest expense *(Note 20)*	—	35,721	—	35,721
Exchange differences	—	(20,115)	—	(20,115)
At 30 June 2010	1,727,500	1,792,036	209,523	2,001,559

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

Municipal Stated-owned Assets Supervision and Administration Bureau ("Shenzhen SASAB") as the consideration for acquisition of 100% equity interest in Shenzhen Bao Tong Highway Construction and Development Limited. SIHCL can convert the bonds from 29 December 2007 for a period of 3 years up to 29 December 2010 (the "maturity date") into ordinary shares with a par value of HKD0.1 each of the Company at an initial conversion price of HKD1.2 per share. If the convertible bond will not be converted at the maturity date, the Company shall repay the remaining principals at a predetermined fixed amount of RMB.

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest of 4.40% to the liability component. The fair values of liability component of convertible bonds approximate their carrying values.

(ii) The movement of convertible bonds of Shenzhen Expressway during the Period is as follows:

	Face value	Liability component	Equity component	Total
At 1 January 2009	1,702,804	1,360,009	344,810	1,704,819
Interest expense *(Note 20)*	—	32,691	—	32,691
Exchange differences	—	19	—	19
At 30 June 2009	1,702,804	1,392,719	344,810	1,737,529
At 1 January 2010	1,702,804	1,426,402	344,810	1,771,212
Interest expense *(Note 20)*	—	34,499	—	34,499
Exchange differences	—	18,520	—	18,520
At 30 June 2010	1,702,804	1,479,421	344,810	1,824,231

17. **Revenue**

	Six months ended 30 June	
	2010	**2009**
Toll roads		
— Toll revenue	1,702,487	1,043,139
— Construction service revenue	367,460	491,095
Logistic parks	118,585	91,070
Logistic services	72,589	68,274
Port	4,885	—
	2,266,006	1,693,578

18. **Other gains — net**

	Six months ended 30 June 2010	2009
Gain on disposals of available-for-sale financial assets	330,544	176,352
Gain on disposals of financial assets at fair value through profit or loss	—	96,554
Gain on re-measurement of the fair value of available-for-sale financial assets *(Note 7(a))*	29,566	—
Gain/(loss) on disposals of property, plant and equipment	7,027	(2,087)
Gain on compensation on land resumption	—	19,987
Others	12,435	(15)
	379,572	290,791

19. **Other income**

	Six months ended 30 June 2010	2009
Dividend income	42,965	5,674
Rental income	7,337	8,120
Government subsidies	—	16,089
	50,302	29,883

20. **Finance income and costs**

	Six months ended 30 June 2010	2009
Interest expenses on		
— Bank and other borrowings	254,100	248,820
— Convertible bonds	70,220	66,906
— Medium-term notes	8,403	—
— Bonds	33,932	33,849
— Others *(Note 15)*	27,552	15,712
Other borrowing costs	—	321
Net exchange gains	(37,276)	—
Less: interest expenses capitalised in construction in progress	(22,355)	(135,519)
	334,576	230,089
Interest income on bank deposits	(11,024)	(12,918)
Net finance costs	323,552	217,171

21. **Income tax expense**

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the Period. Taxes on overseas profits have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The PRC corporate income tax charged to the consolidated income statement was calculated based on theassessable profits of the Group's subsidiaries located in the PRC for the Period at a rate of 22% (2009 interim: 20%) applicable to the respective companies.

	Six months ended 30 June	
	2010	**2009**
Current income tax		
— The PRC corporate income tax	271,838	185,294
Deferred income tax	(23,375)	(53,889)
	248,463	131,405

22. **Earnings per share**

(a) **Basic**

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the Period.

	Six months ended 30 June	
	2010	**2009**
Profit attributable to equity holders of the Company	712,337	503,262
Weighted average number of ordinary shares in issue (thousands)	14,156,993	14,027,663
Basic earnings per share (HK cents)	5.03	3.59

(b) **Diluted**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has 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 tax effect. For 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.

	Six months ended 30 June 2010	2009
Profit attributable to equity holders of the Company	712,337	503,262
Interest expense on convertible bonds	35,721	34,215
Profit used to determine diluted earnings per share	748,058	537,477
Weighted average number of ordinary shares in issue (thousands)	14,156,993	14,027,663
Adjustments — share options (thousands)	4,276	44,957
Adjustments — conversion of convertible bonds (thousands)	1,439,583	1,439,583
Weighted average number of ordinary shares for diluted earnings per share (thousands)	15,600,852	15,512,203
Diluted earnings per share (HK cents)	4.79	3.46

23. **Dividends**

The board of directors has resolved not to declare an interim dividend in respect of the Period (2009 interim: Nil). The 2009 final dividend of HKD0.0146 per ordinary share and special dividend of HKD0.0071 per share totalling HKD306,880,000 was paid on 2 June 2010 (2009 interim: HKD203,398,000).

24. **Financial guarantees and contingencies**

(a) **Projects Construction Management Contracts**

The subsidiary of the Group, Shenzhen Expressway had arranged with banks to issue irrevocable performance guarantees for two projects' construction management on its behalf to the Shenzhen Communications Bureau totalling to HKD58,674,000 (31 December 2009: HKD57,935,000).

(b) **Contingent Liabilities Relating to Enterprise Income Tax**

As explained in more details in the 2009 annual financial statements, according to the demand by the Shenzhen Local Tax Bureau (the "Local Tax Bureau"), the Group had made a provision for enterprise income tax at 31 December 2009 in the amount of HKD44,571,000. As of the date of approval of this Financial Information, no formal notice of reassessment/waiver had been issued by the Local Tax Bureau and other relevant authorities. The amount of any related penalty could not be ascertained with reasonably certainty. Thus no change has been made to the provision for the enterprise income tax liabilities and no provision has been made for the potential penalty.

(c) **Arbitration in Progress**

On 8 December 2004, Shenzhen Expressway signed a construction contract with Shenzhen Pengcheng Construction Company Limited ("Shenzhen Pengcheng") for Nanping Freeway (Phase I) Project. As disputes concerning the unit prices of some items under the construction contract arose that were not resolved by mutual agreement, Shenzhen Pengcheng applied for arbitration to Shenzhen Arbitration Commission against Shenzhen Expressway in 2007. As of the date of approval of this Financial Information, the arbitration process was still in progress. According to the relevant provisions and the views of the lawyer, the directors of the Group considered that the result of the arbitration would not lead to any significant adverse impact on the Group's operating results.

On 1 June 2004, Shenzhen Expressway signed a construction contract with Jilin Great Wall Construction Company Limited ("Great Wall") for Nanping (Phase I) Project. As disputes concerning construction volume and the unit prices of some items under the contract arose that were not resolved by mutual agreement, Great Wall applied for arbitration to Shenzhen Arbitration Commission against Shenzhen Expressway in December 2009. As at 30 June 2010, the arbitration has been revoked, and Shenzhen Expressway is still in the negotiation with the Great Wall on the quantities and unit price of the project. According to the relevant provisions and the views of the lawyer, the directors of the Group considered that the outcome of the negotiation will have no significant adverse impact on the Group's operating results.

25. **Commitments**

Save as disclosed elsewhere in this condensed Financial Information, the Group has the following capital expenditure committed but not yet incurred:

	As at	
	30 June 2010	**31 December 2009**
Capital commitments — expenditure of property, plant and equipment and concession intangible assets		
— Contracted but not provided for	339,342	904,848
— Authorised but not contracted for	2,894,677	2,162,894
	3,234,019	3,067,742
Investment commitments		
— Authorised but not contracted for	698,343	149,949
	3,932,362	3,217,691

26. **Related-party transactions**

Shenzhen Investment Holding Corporation ("SIHC") owns 40.55% interest of the Company as at 30 June 2010 and is the largest shareholder of the Company. SIHC is supervised and managed by Shenzhen SASAB, which is a state-owned authority. The directors of the Company considered that the 40.55% equity interest is indirectly held by Shenzhen government authority.

Apart from the related party transactions and balances already disclosed in Notes 9, 12(b) and 24(a) to these Financial Information, the following material transactions were carried out with related parties during the Period:

(a) The Group has bank deposits in and obtained borrowings from state-owned banks in normal commercial terms. Interests are earned and incurred on these deposits and borrowings respectively.

(b) The Group has capital expenditure incurred for service concession projects and construction in progress with state-owned contractors and payable balances due to state-owned contractors for construction projects and guaranteed deposits placed.

(c) Payment of project management service fee

The Group entered into project management service contracts with Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company"), an associate of the Group. The total value of the management service contract is approximately HKD108,672,000, which mainly relates to the management service provided to Qinglian Class I Highway reconstruction project. During the six months ended 30 June 2010, the Group paid a management fee of approximately HKD18,633,000 (2009 interim: HKD6,933,000) to Consulting Company.

4. INDEBTEDNESS OF THE GROUP

At the close of business on 30 September 2010, being the latest practicable date for the purpose of this indebtedness statement, the Group had the following indebtedness totalling approximately HK$15,520,348,000:

(1) secured non-current bank borrowings of approximately HK$5,467,821,000, which were secured by the toll collection rights of Qinglian Project as to HK$4,329,645,000, the Group's 40% equity interest of Shenzhen Qinglong Expressway Company Limited, an associate of the Group, as to HK$927,859,000 and the Group's 55% equity interest in Jade Emperor Limited, a subsidiary of the Company, as to HK$210,317,000;

(2) unsecured bank borrowings of approximately HK$4,547,948,000;

(3) secured current bank borrowings of approximately HK$423,637,000 which was secured by a one-year fixed deposit of HK$318,952,000 as to HK$316,476,000 and the Group's 55% equity interest in Jade Emperor Limited, a subsidiary of the Company, as to HK$107,161,000;

(4) unsecured loans from a minority shareholder of a subsidiary of the Group with an amount of HK$41,301,000；

(5) zero coupon convertible bonds due on 29 December 2010 with carrying value of approximately HK$1,797,832,000 and a principal amount of HK$1,727,500,000;

(6) secured convertible bonds (in which bonds and subscription warrants are tradable separately) for a term of 6 years from 9 October 2007 with carrying value of RMB1,301,039,000 (equivalent to HK$1,508,976,000) and a nominal value of RMB1,500,000,000 (equivalent to HK$1,739,736,000) which were guaranteed by Agricultural Bank of China, Shenzhen Branch with a pledge of the 47.3% toll collection rights of Nanguang Expressway by Shenzhen Expressway Company Limited ("Shenzhen Expressway"), a subsidiary of the Company, as counter-guarantee;

(7) secured corporate bonds with carrying value of approximately RMB792,093,000 (equivalent to HK$918,688,000) and a nominal value of RMB800,000,000 (equivalent to HK$927,859,000) for a term of 15 years from August 2007 which were guaranteed by China Construction Bank, Shenzhen Branch with a pledge of Shenzhen Expressway's 100% equity interest in Shenzhen Meiguan Expressway Company Limited ("Meiguan Company") as counter-guarantee;

(8) medium-term notes of RMB698,932,000 (equivalent to HK$810,637,000) and a nominal value of RMB700,000,000 (equivalent to HK$811,877,000) for a term of 3 years; and

(9) unsecured and unguaranteed notes payables of HK$3,508,000.

At the close of business on 30 September 2010, contingent liabilities of the Group comprised the following:

(1) In association with Nanping (Phase II) Project and the renovation project of the Shenyun-North Ring Interchange in Shenzhen, Shenzhen Expressway had arranged with banks to issue irrevocable performance guarantees on its behalf to the Shenzhen Communications Bureau amounting to RMB50,000,000 (equivalent to HK$57,991,000) and RMB1,000,000 (equivalent to HK$1,160,000) respectively.

(2) Pursuant to the results of a special examination performed on the local tax bureau of Shenzhen, which was conducted by the Shenzhen Finance Supervision Commissioner's Office of the Ministry of Finance in 2008, Shenzhen Expressway, Meiguan Company and Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited were collectively demanded by the Futian Tax Bureau in the Notice to pay PRC enterprise income tax back taxes amounting to approximately RMB60,472,000 (equivalent to HK$70,137,000). The amount attributable to the Group is RMB57,986,000 (equivalent to HK$67,254,000) (the "Back Taxes"). The Back Taxes were levied on certain local financial subsidies and incentives granted by local government authorities, obtained and received by the Group in previous years, which were initially exempt from income taxes according to the provisions of certain policies promulgated by the local government authorities. Such exemptions were revoked by the authorities as a result of the examination.

The Group had lodged an application to the Futian Tax Bureau for a reassessment of the computation basis of the Back Taxes, waiver of the related penalty, as well as a deferral of the payment. According to certain subsequent discussions with the Futian Tax Bureau, the Group had recognised a provision for corporate income tax amounting to RMB39,236,000 (equivalent to HK$45,507,000) as at 31 December 2009.

As at 30 September 2010, the amount of the Back Taxes, the related penalty and the exact settlement arrangements had not yet been finalised. The Directors considered that the amount of provision for the Back Taxes recognised was sufficient and thus no additional provision has been made after 2008.

(3) On 8 December 2004, Shenzhen Expressway signed a construction contract with Shenzhen Pengcheng Construction Company Limited ("Shenzhen Pengcheng") for Nanping (Phase I) Project. As disputes concerning the unit prices of some items under the contract arose that were not resolved by mutual agreement, Shenzhen Pengcheng applied for arbitration to Shenzhen Arbitration Commission against Shenzhen Expressway in 2007. As at 30 September 2010, the arbitration process was still in progress. The Directors had sought advice from the legal counsel and concluded that the result of the arbitration would not lead to any significant adverse impact on the Group's operating results.

On 1 June 2004, Shenzhen Expressway signed a construction contract with Jilin Great Wall Construction Company Limited ("Great Wall") for Nanping (Phase I) Project. As disputes concerning construction volume and the unit prices of some items under the contract arose that were not resolved by mutual agreement, Great Wall applied for arbitration to Shenzhen Arbitration Commission against Shenzhen Expressway in December 2009. As at 30 September 2010, the arbitration processes has been revoked, and Shenzhen Expressway is still in negotiation with the Great Wall on the quantities and unit price of the project. The Directors had sought advice from the legal counsel and concluded that the result of the arbitration would not lead to any significant adverse impact on the Group's operating results.

For the purpose of preparing the indebtedness of the Group, translation of amounts in RMB into HK$ has been made at the exchange rate of HK$1=RMB0.8622, the closing rate as at 30 September 2010.

Save as aforesaid, and apart from the intra-group liabilities, the Group did not have any outstanding loans, overdrafts, mortgages, charges, debentures or other similar indebtedness, finance leases or hire-purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 30 September 2010.

5. MATERIAL CHANGE

Save for the capital injection to Shenzhen Airlines Limited ("Shenzhen Airlines") which resulted in an increase of the Company's equity interest in Shenzhen Airlines from 10% to 25% as set out in the Company's Circular dated 29 March 2010, there has been no material changes in the financial or trading position or outlook of the Group since 31 December 2009, the date to which the latest published audited consolidated accounts of the Group were made, up to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular is made by the order of the Board. The Directors jointly and severally accept full responsibility for the accuracy of the information (other than those relating to SIHCL) contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed (other than those expressed by directors of SIHCL) in this circular have been arrived at after due and careful consideration, and there are no other facts not contained in this circular the omission of which would make any statement in this circular misleading.

The information contain in this circular relating to SIHCL has been supplied by the directors of SIHCL, who jointly and severally accept full responsibility for the accuracy of information (other than those relating to the Group) contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinion expressed (other than those expressed by the Directors) in this circular have been arrived at after due and careful consideration, and there are no other facts not contained in this circular the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised:	*HK$*
20,000,000,000 Shares of HK$0.10 each	2,000,000,000
Issued and fully paid:	
14,157,429,475 Shares of HK$0.10 each	1,415,742,947.5

All Shares currently in issued rank pari passu in all respects with each other, including in particular, as to dividend, voting rights and return on capital. Since 31 December 2009 (being the date to which the latest published audited financial statements of the Company were made up) and up to the Latest Practicable Date, the Company has issued a total of 15,500,000 Shares pursuant to the exercise of options to subscribe for Shares. Save as above, no new Shares were issued by the Company and the Company did not repurchase any Share through the Stock Exchange since 31 December 2009.

The issued Shares are listed and traded on the Stock Exchange. No part of the issued share capital of the Company is listed on any other stock exchanges.

All of the 2,214,743,589 New Conversion Shares will rank pari passu in all respects with each other, including in particular, as to dividend, voting rights and return on capital, and will rank pari passu in all respects with all Shares in issue as at the date of allotment and issue of the New Conversion Shares. The New Conversion Shares will be listed and traded on the Stock Exchange. There are no arrangements under which future dividends are waived or agreed to be waived.

As at the Latest Practicable Date, other than the Convertible Bond and options to subscribe for an aggregate of 321,600,000 Shares granted under the Share Option Scheme, the Company had no convertible securities, options, warrants or derivatives outstanding and had not entered into any agreement for the issue of any convertible securities, options, warrants or derivatives of the Company.

3. MARKET PRICES

The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last day on which trading of the Shares took place in each of the calendar month commencing 6 months immediately preceding the date of the Announcement and ending on the Latest Practicable Date; (ii) the Last Trading Date; and (iii) the Latest Practicable Date:

Date	**Closing price per Share** *(HK$)*
31 May 2010	0.49
30 June 2010	0.485
30 July 2010	0.49
31 August 2010	0.51
30 September 2010	0.61
29 October 2010	0.61
10 November 2010 (Last Trading Date)	0.66
30 November 2010 (Latest Practicable Date)	0.62

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the 6 months immediately preceding the date of the Announcement and ending on the Latest Practicable Date were HK$0.68 per Share on 9 November 2010 and HK$0.465 per Share on 16 July 2010 and 19 July 2010, respectively.

4. DISCLOSURE OF INTERESTS

(a) Directors' interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Long positions in ordinary Shares of the Company

Name of Directors	Number of ordinary Shares held	Capacity	Nature of interest	Approximate % of issued share capital of the Company
Li Jing Qi	20,000,000	Beneficial owner	Personal	0.14%
Liu Jun	19,000,000	Beneficial owner	Personal	0.13%

Long positions in underlying Shares of the Company

Name of Directors	Number of unlisted share options (physically settled equity derivative) held	Capacity	Nature of interest	Approximate % of issued share capital of the Company
Guo Yuan	52,900,000	Beneficial owner	Personal	0.37%
Li Jing Qi	17,000,000	Beneficial owner	Personal	0.12%
Liu Jun	14,300,000	Beneficial owner	Personal	0.10%
Yang Hai	14,300,000	Beneficial owner	Personal	0.10%

Among the share options above granted to Mr. Guo Yuan, 35,000,000 share options were granted on 6 February 2007 and are exercisable on or before 5 February 2012 at an exercise price of HK$0.532 per Share, which was grant to Mr. Guo Yuan at the consideration of HK$1 pursuant to the Share Option Scheme.

The remaining balance of 17,900,000 share options granted to Mr. Guo Yuan and the share options granted to Messrs. Li Jing Qi, Liu Jun and Yang Hai as mentioned above were granted to each of them at the consideration of HK$1 pursuant to the Share Option Scheme on 28 September 2010. 40% of these share options granted will be vested on 28 September 2012; another 30% will be vested on 28 September 2013; and the remaining 30% will be vested on 28 September 2014. Vesting of these share options is subject to their individual performance and the achievement of certain performance targets of the Group. If vested, these share options are exercisable on or before 27 September 2015 at an exercise price of HK$0.58 per Share.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company was interested in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or chief executive of the Company were taken or deemed to have under such provisions of the SFO) or which are required to be entered into the register maintained by the Company under section 352 of the SFO or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) **Interests and short positions of substantial Shareholders required to be disclosed under the SFO**

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the following persons (other than any Directors or chief executive of the Company) were substantial Shareholders of the Company (as defined in the Listing Rules) and had interests or short positions in the Shares and underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be entered into the register required to be kept under Section 336 of the SFO:

Long positions in ordinary Shares of the Company

Name of Shareholders	Number of ordinary Shares held	Number of underlying Shares held	Capacity	Approximate % of issued share capital of the Company
SIHCL	5,740,473,225 *(note 1)*	—	Interest of controlled corporation	40.55%
SIHCL	—	1,439,583,333 *(note 2)*	Beneficial owner	10.17%
Ultrarich	5,740,473,225	—	Beneficial owner	40.55%

Notes:

(1) These Shares are held by Ultrarich, a wholly-owned subsidiary of SIHCL, and SIHCL is deemed, or taken to be, interested in all the Shares owned by Ultrarich for the purpose of the SFO.

(2) SIHCL is deemed to be interested in 1,439,583,333 Conversion Shares to be issued to it as a result of being a holder of the Convertible Bond as at the Latest Practicable Date. These Shares represent the Conversion Shares to be issued to SIHCL upon the exercise of the entire Conversion Rights attached to the Convertible Bond at the Initial Conversion Price.

(c) **Interest and short positions of Other Persons' Interests required to be disclosed under the SFO**

As at the Latest Practicable Date, so far as is known to any Directors or chief executives of the Company, the following are the details of other persons who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in ordinary Shares of the Company

Name of Shareholder	Number of ordinary Shares held	Capacity	Approximate % of issued share capital of the Company
RARE Infrastructure Limited	895,551,000	Investment manager	6.33%

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any other persons who had interests or short positions in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified of any other interests or short positions in the Shares and underlying Shares which had been recorded in the register required to be kept under Section 336 of the SFO.

5. FURTHER INFORMATION RELATING TO THE COMPANY AND THE WHITEWASH WAIVER

As at the Latest Practicable Date:

(a) the Company did not have any interest in any securities, shares, options, warrants, derivatives or convertible securities in SIHCL and had not dealt for value in any such securities during the Relevant Period;

(b) save as disclosed in the paragraph headed "4. Disclosure of Interests" above, none of the Directors had any interests in the securities, shares, options, warrants, derivatives or convertible securities in the Company or SIHCL;

(c) none of the subsidiaries of the Company, or pension funds of the Company or of a subsidiary of the Company, or advisers to the Company as specified in class (2) of the definition of "associate" in the Takeovers Code (other than persons enjoying exempt principal trader status under the Takeovers Code) owned or controlled any securities, shares, options, warrants, derivatives or convertible securities in the Company or SIHCL;

(d) no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (which arrangement includes any indemnity or option arrangement, or any agreement or understanding, formal or informal, by whatever nature, relating to shares or other securities of the Company which may be an inducement to deal or refrain from dealing) with the Company, or with any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" in the Takeovers Code;

(e) no securities, shares, options, warrants, derivatives or convertible securities of the Company were managed on a discretionary basis by fund managers (other than fund managers enjoying exempt fund manager status under the Takeovers Code) connected with the Company;

(f) each of Mr. Li Jing Qi and Mr. Liu Jun, executive Directors, will abstain from voting in respect of the resolutions to be proposed in the SGM to approve, among other things, the Modification Deed and the Whitewash Waiver. Save as disclosed in the paragraph headed "4. Disclosure of Interests" above, none of the Directors hold any Share;

(g) none of the Directors or the Company had borrowed or lent any Share or other securities, options, warrants, derivatives or convertible securities of the Company; and

(h) save for the Options Grant, none of the Directors had dealt in any Shares or other securities, options, warrants, derivatives or convertible securities of the Company or SIHCL during the Relevant Period.

6. FURTHER INFORMATION RELATING TO SIHCL AND THE WHITEWASH WAIVER

Set out below are details of SIHCL and its directors:

Address	**Directors**
18th Floor, Investment Building, 4009 Shennan Main Street, Shenzhen, P.R.C.	Chen Hong Bo Du Wen Jun Liu Jun Hou Yu Gang Wong Yau Kar Zhang Fang Liang Chen Shao Qun Lu Xin Li Zhen

Set out below are details of Ultrarich and its directors:

Address	**Directors**
P. O. Box 957 Offshore Incorporations Centre Road Town Tortola British Virgin Islands	Guo Yuan Li Jing Qi Liu Jun

As at the Latest Practicable Date:

(a) save as disclosed in the paragraph headed "4. Disclosure of Interests" above, none of SIHCL or any person acting in concert with it (including their respective directors and supervisors) has any interests in any securities, shares, options, warrants, derivatives or convertible securities in the Company;

(b) none of SIHCL or any person acting in concert with it has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code (which arrangement includes any indemnity or option arrangement, or any agreement or understanding, formal or informal, by whatever nature, relating to shares or other securities of the Company which may be an inducement to deal or refrain from dealing) with any person;

(c) no person has made an irrevocable commitment to vote for or against the Modification Deed or the Whitewash Waiver;

(d) none of SIHCL or any person acting in concert with it has borrowed or lent any Share or other securities, options, warrants, derivatives or convertible securities of the Company;

(e) save for the Options Grant, the Ultrarich Transfer and the SIHC Transfer, none of SIHCL or any person acting in concert with them (including their respective directors and supervisors) had dealt in any Shares or other securities, options, warrants, derivatives or convertible securities of the Company during the Relevant Period; and

(f) SIHCL has not entered into any arrangement, agreement, understanding and has no current intention to transfer, charge or pledge the securities to be acquired pursuant to the Modification Deed.

7. OTHER ARRANGEMENTS IN RELATION TO THE WHITEWASH WAIVER

(a) As at the Latest Practicable Date, no benefit (other than statutory compensation) was or would be given to any Director as compensation for loss of office or otherwise in connection with the Modification Deed or the Whitewash Waiver.

(b) As at the Latest Practicable Date, there were no agreement, arrangement or understanding (including any compensation arrangement) between SIHCL or any parties acting in concert with it on one hand and any Directors, recent Directors, Shareholders or recent Shareholders on the other hand, having any connection with or was dependent upon the Modification Deed or the Whitewash Waiver.

(c) As at the Latest Practicable Date, there was no agreement or arrangement between any Directors and any other persons which is conditional on or dependent upon the outcome of, or otherwise connected with, the Modification Deed or the Whitewash Waiver.

(d) As at the Latest Practicable Date, there was no material contract to which SIHCL was a party in which any Director had a material personal interest.

8. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective associates was interested in any business, apart from the Group's business, which competes or is likely to compete, either directly or indirectly, with the Group's business.

9. INTERESTS IN CONTRACT OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors was materially interested in any contracts or arrangement entered into by any member of the Group which is subsisting at the Latest Practicable Date and which is significant in relation to the business of the Group.

None of the Directors has any direct or indirect interest in any assets which have been, since 31 December 2009, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

10. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance is known to the Directors to be pending or threatened against any member of the Group or to which the Company or any of its subsidiaries is or may become a party.

11. SERVICE CONTRACTS

The following Directors have entered into a fixed-term service contract with the Company which has more than 12 months to run irrespective of the notice period, details of these service contracts are set out below:

Name of Directors	**Expiry Date of Service Contract**	**Annual Fixed Remuneration (excluding pension payments)** *(HK$)*	**Annual Variable Remuneration** *(HK$)*
Guo Yuan	14 August 2012	1,440,000	Discretionary Bonus *(Note 1)*
Li Jing Qi	14 August 2012	1,440,000	Discretionary Bonus *(Note 1)*
Yang Hai	7 August 2013	Nil	Nil

Note 1: At the end of each financial year, the Board or its authorised remuneration committee will determine at its sole discretion the bonus payable (if any) to the Directors according to the actual operation condition and profits of the Company.

In addition, as at the Latest Practicable Date, each of the following Directors has entered into a fixed-term service contract with Shenzhen Expressway Company Limited ("Shenzhen Expressway"), a non wholly owned subsidiary of the Company, which has more than 12 months to run irrespective of the notice period, details of such service contracts are set out below:

Name of Director	**Expiry Date of Service Contract**	**Annual Fixed Remuneration (excluding pension payments)** *(HK$)*	**Annual Variable Remuneration** *(HK$)*
Li Jing Qi	31 December 2011	Nil	Nil
Yang Hai	31 December 2011	*Note 2*	*Note 2*

Note 2: Under the service contract between Shenzhen Expressway and Mr. Yang Hai, his salary is determined by the board of directors of Shenzhen Expressway and any discretionary bonus would be resolved by the board of directors of Shenzhen Expressway and approved by the shareholders of Shenzhen Expressway at a general meeting. Pursuant to the resolution of an extraordinary general meeting of Shenzhen Expressway held on 16 December 2008, the fixed salary of Mr. Yang Hai was approved to be RMB56,000 per month with annual performance bonus base of RMB168,000. The board of directors of Shenzhen Expressway shall assess and review annual performance of and discharge of duties by Mr. Yang Hai every year in order to determine the specific factor of the performance bonus.

Save as disclosed above, as at the Latest Practicable Date, there were no service contracts between the Directors and the Company or any of its subsidiaries or associated companies in force which: (i) (including both continuous and fixed term contracts) had been entered into or amended within the Relevant Period; or (ii) were continuous contracts with a notice period of 12 months or more; or (iii) were fixed term contracts with more than 12 months to run irrespective of the notice period; or (iv) not expiring or determinable within one year without payment of compensation (other than statutory compensation).

12. EXPERT

(a) The following is the qualification of the expert who has given opinion or advice contained in this circular:

Name	**Qualification**
Guangdong Securities	A licensed corporation to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

(b) As at the Latest Practicable Date, Guangdong Securities does not have any share, option, warrant, derivative or securities convertible into share in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares, options, warrants, derivatives or securities convertible into share in any member of the Group.

(c) Guangdong Securities has given and has not withdrawn its written consent to the issue of this circular, with inclusion of its letter and references to its name in the form and context in which it appears.

(d) Guangdong Securities does not have, or has had, direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since 31 December 2009, the date to which the latest published audited accounts of the Group were made up.

(e) The registered address of Guangdong Securities is situated at Units 2505-06, 25/F, Low Block of Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong.

(f) The letter of advice from Guangdong Securities dated 3 December 2010 is set out on pages 19 to 30 is given for incorporation herein.

(g) As at the Latest Practicable Date, UBS AG, Hong Kong Branch had given and had not withdrawn its written consent to the publication of its name in this circular.

(h) The registered address of UBS AG, Hong Kong Branch is situated at 52/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong

13. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group) were entered into by members of the Group within the two years immediately preceding the date of the Announcement and are, or may be, material:

(a) the Modification Deed;

(b) a capital increase agreement dated 21 March 2010 entered into between Shenzhen International Total Logistics (Shenzhen) Co., Ltd. (深國際全程物流(深圳)有限公司), a wholly owned subsidiary of the Company and Air China Limited (中國國際航空股份有限公司) and Shenzhen Huirun Investment Co. Ltd. (深圳市匯潤投資有限公司) in relation to the increase in the registered capital by RMB1,030,125,000, in aggregate, of Shenzhen Airlines Limited (深圳航空有限責任公司);

(c) sale and purchase agreements dated 15 March 2010 entered into between Shenzhen International Holdings (SZ) Limited(深國際控股(深圳)有限公司)(a wholly owned subsidiary of the Company) as the purchaser and Shenzhen Nongke Real Estate Development Co., Ltd.(深圳市農科房地產開發有限公司)as the vendor in relation to the acquisition of an office premises comprising 11 units on 10th Floor of 時代科技大廈 (Times Technology Building) located in Futian District, Shenzhen, the PRC for a consideration of RMB54,963,587;

(d) a subscription agreement dated 25 November 2009 entered into between Shenzhen Expressway with Guangdong United Electronic Toll Collection Inc. (廣東聯合電子收費股份有限公司), pursuant to which Shenzhen Expressway agreed to subscribe for 28,500,000 new shares in Guangdong United Electronic Toll Collection Inc. for a consideration of RMB28,500,000;

(e) a contract dated 24 November 2009 entered into between Nanjing Xiba Wharf Co. Ltd. (南京西壩碼頭有限公司) (a non-wholly owned subsidiary of the Company) ("Nanjing Xiba Wharf Company") and Nanjing Port Engineering Company (南京港港務工程公司), pursuant to which Nanjing Port Engineering Company will provide electrical and mechanical installation work at the terminal under construction and to be operated by Nanjing Xiba Wharf Company at Nanjing Xiba Port for a consideration of RMB4,320,049.60;

(f) a master agreement dated 6 November 2009 entered into between Shenzhen Expressway and SIHCL, pursuant to which Shenzhen Expressway was entrusted by SIHCL to manage a project company; the project company is a wholly-owned subsidiary of SIHCL and is principally engaged in the investment, construction, operation, maintenance and management of Guangshen Coastal Expressway (Shenzhen Section);

(g) a capital injection agreement dated 29 September 2009 entered into between Xin Tong Chan Development (Shenzhen) Co., Ltd. (新通產實業開發(深圳)有限公司) (a wholly-owned subsidiary of the Company) ("XTC") and Shenzhen Capital Group Co., Ltd (深圳市創新投資集團有限公司) (a company in which XTC owns a 3.125% equity interest), pursuant to which XTC agreed to inject an additional capital of RMB12,500,000 into Shenzhen Capital Group Co., Ltd;

(h) an agreement dated 1 June 2009 entered into among Shenzhen Expressway, Intersafe Investments Limited, Road King Infrastructure Limited (as guarantor), pursuant to which Shenzhen Expressway has agreed to acquire from Intersafe Investments Limited a 45% equity interest in Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited (深圳機荷高速公路東段有限公司) and related shareholder's loan for a total consideration of RMB1,068,800,000;

(i) the purchase agreement dated 16 March 2009 entered into between Nanjing Xiba Wharf Company and Nanjing Port Machinery Plant (南京港口機械廠), pursuant to which, Nanjing Xiba Wharf Company acquired a shiploader from Nanjing Port Machinery Plant at a consideration of RMB8,580,000; and

(j) the pre-incorporation expenditure agreement dated 11 December 2008 entered into between Nanjing Xiba Wharf Company and Nanjing Chemical Industry Park Co., Ltd (南京化學工業園有限公司) ("Nanjing Industry Park Co."), pursuant to which Nanjing Xiba Wharf Company agreed to reimburse Nanjing Industry Park Co. all the fees and charges under various contracts that Nanjing Industry Park Co. had entered into for the project of Nanjing Xiba Port before the incorporation of Nanjing Industry Park Co. The total contract sum under the various contracts as mentioned above and the miscellaneous expenses which shall be borne by Nanjing Xiba Wharf Company amounted to RMB4,273,417.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection (i) during normal business hours (9:15 a.m. to 1:00 p.m. and 2:00 p.m. to 6:00 p.m. from Monday to Friday) of the Company at the principal place of business of the Company at Rooms 2206-2208, 22nd Floor, Greenfield Tower, Concordia Plaza, No.1 Science Museum Road, Tsimshatsui East, Kowloon, (ii) the website of the Company of http://www.szihl.com, and (iii) on the website of the SFC at http://www.sfc.hk, from the date of this circular and up to and including the date of the SGM:

(a) the Modification Deed;

(b) the memorandum of association and Bye-Laws of the Company;

(c) the articles of association of SIHCL;

(d) the "Letter from the Board", the text of which is set out on pages 5 to 16 of this circular;

(e) the "Letter from the Independent Board Committee", the text of which is set out on page 17 of this circular;

(f) the "Letter from the Whitewash Independent Board Committee", the text of which is set out on page 18 of this circular;

(g) the "Letter from Guangdong Securities", the text of which is set out on pages 19 to 30 of this circular;

(h) the written consents of Guangdong Securities and UBS AG, Hong Kong Branch referred to in the section headed "Expert" in this appendix;

(i) the material contracts referred to in the section headed "Material Contracts" in this appendix;

(j) the service contracts referred to in the section headed "Service Contracts" in this appendix;

(k) the annual reports of the Company for the two financial years ended 31 December 2008 and 31 December 2009;

(l) the interim report of the Company for the six months ended 30 June 2010; and

(m) all circulars issued pursuant to the requirements set out in Chapters 14 and/or 14A of the Listing Rules which have been issued since the date of the latest published audited financial statements (i.e. 31 December 2009) of the Company.

15. MISCELLANEOUS

(a) As at the Latest Practicable Date, 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.

(b) The company secretary of the Company is Ms. Tam Mei Mei and she is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants.

(c) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and the principal place of business of the Company is situated at Rooms 2206-2208, 22nd Floor, Greenfield Tower, Concordia Plaza, No.1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong.

(d) The Hong Kong branch share registrar and transfer office of the Company is Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong.

(e) In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

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

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting (the "SGM") of Shenzhen International Holdings Limited (the "Company") will be held at the conference room of the Company at Rooms 2206-2208, 22nd Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong on Monday, 20 December 2010 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

1. **"THAT**:

(i) the modification deed (the "Modification Deed") (a copy of which is produced before the SGM marked "A" and initialed by the chairman of the SGM for the purpose of identification) dated 11 November 2010 entered into between the Company and 深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited*) ("SIHCL"), to amend certain terms of the convertible bond issued by the Company on 29 December 2007 to SIHCL in the principal amount of HK$1,727,500,000 (the "Convertible Bond"), such amendments have been set out in the circular of the Company dated 3 December 2010, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(ii) the grant of specific mandate to the directors of the Company ("Directors") for the allotment and issue of 2,214,743,589 ordinary shares of HK$0.10 each in the share capital of the Company (the "New Conversion Shares") upon exercise of the conversion rights attached to the Convertible Bond by SIHCL in full at the revised conversion price of HK$0.78 per share pursuant to the terms and conditions of the Modification Deed be and is hereby approved; and

(iii) any one Director be and is hereby authorised to do or execute for and on behalf of the Company all such acts and things and such other documents under hand (and, where required, under the common seal of the Company together with such other Director or person authorised by the board of Directors) and to take such steps as he may consider necessary, appropriate, desirable or expedient to implement or give effect to the Modification Deed and all transactions contemplated under the Modification Deed and all other matters incidental thereto or in connection therewith and to agree to and make such variation, amendment and waiver of any of the matters relating thereto or in connection therewith."

2. "**THAT**:

(i) the waiver granted or to be granted by the executive director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any of his delegates) in accordance with Note 1 on dispensations from Rule 26 of the Hong Kong Code on Takeovers and Mergers in respect of the obligation of SIHCL and parties acting in concert with it to make a mandatory offer for all the issued ordinary shares of HK$0.10 each in the share capital of the Company not already owned or agreed to be acquired by SIHCL or parties acting in concert with it as a result of the transactions contemplated under the Modification Deed (in particular, the allotment and issue of the New Conversion Shares) be and is hereby approved; and

(ii) any one Director be and is hereby authorised for and on behalf of the Company to sign and execute all such documents, instruments and agreements, and to do all such acts or things, as he may consider necessary, appropriate, desirable or expedient to give effect to or in connection with paragraph (i) of this Ordinary Resolution."

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

Hong Kong, 3 December 2010

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.

2. Any member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him in accordance with the Company's Bye-Laws. A proxy need not be a member of the Company but must be present in person to represent the member.

3. To be valid, a form of proxy, together with the power of attorney (if any) or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney or authority must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

4. Completion and return of the form of proxy will not preclude members from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should they so wish, and in such event, the instrument appointing a proxy shall be revoked.

5. The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

* *for identification purpose only*