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

# 2010 INTERIM RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Shenzhen International Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results and consolidated balance sheet of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2010 (the "Period") together with comparative figures of consolidated results for the corresponding period in 2009 and consolidated balance sheet as of the year end of 2009 as follows:

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2010** | **2009** |
| | | **(Unaudited)** | (Unaudited) |
| | **Note** | ***HK$'000*** | *HK$'000* |
| **Revenue** | (5) | **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 | | **379,572** | 290,791 |
| Other income | | **50,302** | 29,883 |
| Distribution costs | | **(12,331)** | (9,533) |
| Administrative expenses | | **(85,524)** | (79,247) |
| Other operating expenses | | **-** | (10,839) |
| **Operating profit** | (6) | **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 | (7) | **11,024** | 12,918 |
| Finance costs | (7) | **(334,576)** | (230,089) |
| Finance costs – net | (7) | **(323,552)** | (217,171) |
| **Profit before income tax** | | **1,162,307** | 824,901 |
| Income tax expense | (8) | **(248,463)** | (131,405) |
| **Profit for the period** | | **913,844** | 693,496 |

## CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT (continued)

| | Note | Six months ended 30 June 2010 (Unaudited) *HK$'000* | 2009 (Unaudited) *HK$'000* |
|---|---|---|---|
| **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 | (9) | **5.03** | 3.59 |
| – Diluted | (9) | **4.79** | 3.46 |
| **Dividend** | (10) | – | – |

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 June 2010 (Unaudited) *HK$'000* | 2009 (Unaudited) *HK$'000* |
|---|---|---|
| **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 BALANCE SHEET

| | Note | As at 30 June 2010 (Unaudited) HK$'000 | As at 31 December 2009 (Restated) HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **2,892,153** | 2,280,609 |
| Investment properties | | **45,667** | 44,443 |
| Land use rights and other leased assets | | **602,400** | 604,012 |
| Construction in progress | | **535,231** | 636,456 |
| Intangible assets | | **22,776,396** | 22,463,694 |
| Investments in associates | (11) | **2,011,135** | 1,455,216 |
| Investments in jointly controlled entities | | **303,050** | 300,350 |
| Available-for-sale financial assets | (12) | **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 | (12) | **1,598,092** | 2,311,475 |
| Assets held for sale | | **14,713** | 14,528 |
| Trade and other receivables | (13) | **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 |
| **EQUITY** | | | |
| **Capital and reserves attributable to equity holders of the Company** | | | |
| Share capital | | **2,978,069** | 2,973,698 |
| Other reserves | | **(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 |

## CONDENSED CONSOLIDATED INTERIM BALANCE SHEET (continued)

| | | As at | |
|---|---|---|---|
| | | **30 June 2010 (Unaudited)** | 31 December 2009 (Restated) |
| | **Note** | ***HK$'000*** | *HK$'000* |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **10,101,177** | 9,604,665 |
| Derivative financial instruments | | **64,422** | 51,608 |
| Provision for maintenance/resurfacing obligations | | **962,254** | 829,180 |
| Convertible bonds | | **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 | (14) | **2,103,538** | 2,086,141 |
| Income tax payable | | **221,810** | 172,718 |
| Convertible bonds | | **1,792,036** | 1,776,430 |
| Borrowings | | **2,081,029** | 2,084,829 |
| Derivative financial instruments | | **-** | 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 |

Notes:

(All amounts in HK dollar thousands unless otherwise stated)

### (1) General Information

The Company is an investment holding company. The principal activities of the Group, its associates and jointly controlled entities include the following businesses:

— Toll roads;
— Logistic parks;
— Logistic services; and
— Port

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

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 ("Stock Exchange").

This condensed consolidated interim financial information ("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 11.

**(2) Basis of preparation**

This Financial Information for 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 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 Information has been prepared by the directors on a going concern basis.

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

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) New and amended standards adopted by the Group:

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

(i) 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.

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

(a) New and amended standards adopted by the Group (continued):

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 11.

(ii) 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 is 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.

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

(a) New and amended standards adopted by the Group (continued):

(iii) 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.

(b) Change in 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 estimate and assumptions are as follows:

(i) 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 an independent professional traffic consultant to perform independent professional traffic studies and make an 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.

(ii) 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 the completion.

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

(b) Change in accounting estimates and assumptions (continued)

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.

**(4) 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 logistics centres at Xiba Port of 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").

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**(4) Segment information (continued)**

During the Period, the segment revenue and results preserved 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 | | | | | | |
| - Addition in property, plant and equipment, construction in progress, land used 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 |

## (4) Segment information (continued)

### 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 | | | | | | |
| - Addition in property, plant and equipment, construction in progress, land used rights and other leased assets and intangible assets | 658,450 | 265,917 | 77,973 | - | 253 | 1,002,593 |
| - Addition in property, plant and equipment, construction in progress, land used 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: HKD 491,095,000) for the Period.

## (5) 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 |

**(6) Operating profit**

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

| | Six months ended 30 June | |
|---|---|---|
| | **2010** | 2009 |
| Crediting | | |
| 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 11(a)) | **29,566** | - |
| Gain/ (Loss) on disposals of property, plant and equipment | **7,027** | (2,087) |
| Gain on compensation on land resumption | **-** | 19,987 |
| Government subsidies | **-** | 16,089 |
| Charging | | |
| Depreciation and amortisation | **445,684** | 235,318 |

**(7) 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** | - |
| - Corporate bonds | **33,932** | 33,849 |
| - Others | **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 |

**(8) Income tax expense**

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

The PRC corporate income tax charged to the consolidated income statement was calculated based on the assessable profits of the Group's subsidiaries located in the PRC for the Period at a rate of 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 |

**(9) 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 per share) | **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.

**(9) Earnings per share (continued)**

| | 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 per share) | **4.79** | 3.46 |

**(10) 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 HKD 0.0146 per ordinary share and special dividend of HKD 0.0071 per share totalling HKD306,880,000 was paid on 2 June 2010 (2009 interim: HKD 203,398,000).

**(11) 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 (a) | **68,538** | - |
| Additions (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 | **702,347** | 87,397 |
| | **2,011,135** | 1,455,216 |

**(11) Investments in associates (continued)**

(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 6).

**(12) 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 11(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 2010** | 31 December 2009 |
| Listed securities in the PRC, at fair value | **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 |

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. ("CSG") held by the Group.

### (13) Trade and other receivables

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** | 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 Transportation 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.

### (14) Trade and other payables

The ageing analysis of the trade payables was as follows:

| | **As at** | |
|---|---|---|
| | **30 June 2010** | 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 |

## MANAGEMENT DISCUSSION AND ANALYSIS

### REVIEW OF RESULTS

| Operating Results | For the six months ended 30 June **2010** *HK$'000* | 2009 *HK$'000* | Increase/ (Decrease) |
|---|---|---|---|
| Revenue (excluding construction service revenue from toll roads) | **1,898,546** | 1,202,483 | 58% |
| Construction service revenue from toll roads | **367,460** | 491,095 | (25%) |
| **Total Revenue** | **2,266,006** | 1,693,578 | 34% |
| **Profit before finance costs and tax** | **1,485,859** | 1,042,072 | 43% |
| of which: Core Business | **1,125,750** | 760,020 | 48% |
| **Profit attributable to shareholders** | **712,337** | 503,262 | 42% |
| of which: Core Business | **433,656** | 280,532 | 55% |
| **Basic earnings per share** | **5.03** | 3.59 | 40% |

- Though the road to recovery for the world economy was not smooth, the overall performance of the Chinese economy remains good. In the first half of 2010, China's GDP increased by 11.1% and total value of imports and exports increased by 43.1% over the same period of the previous year. The improving domestic economy has provided a good business environment for the logistic and toll road businesses

- In the first half of 2010, the business environment showed further improvements and the Group's core business achieved satisfactory growth. Revenues of the toll road business, the logistic park business and the logistic service business recorded increases of 63%, 30% and 6% respectively over the same period of the previous year. Profit before finance costs and tax of core business during the Period amounted to HK$1,126 million, representing an increase of 48% over the same period of the previous year. However, the upward adjustment of the PRC corporate income tax rate and the increase of finance costs have lowered the growth of profit. Despite this, profit attributable to shareholders still recorded an increase of 42% to HK$712 million, of which core business earnings increased by 55% to HK$434 million as compared to the corresponding period in 2009

- During the Period, the Group's total revenue amounted to HK$2,266 million, an increase of 34% as compared to the corresponding period of the previous year. Excluding construction service revenue from toll roads, the revenue amounted to HK$1,899 million, representing an increase of 58% over the corresponding period of the previous year. The increase in revenue was mainly due to the Group has benefitted from various factors including good performance of the domestic economy, increase in traffic demand due to the rebound in China's import and export trade as well as continuous growth in private car ownership resulted from the launch of revival plans for the car industry by the PRC government. As a result, the toll road business has shown strong growth as compared to the corresponding period of the previous year

- The logistic park business also recorded satisfactory growth with revenue increased by 30% to HK$119 million. The increase was mainly attributable to the recovery of the economy and a significant increase in import and export trade in China, as well as an increase of new logistic centre area that commenced operations during the Period. The logistic centre operating area has increased by 114,000 square metres or 34% as compared to the end of year 2009 to 450,000 square metres

- During the Period, the Group completed the capital injection to Shenzhen Airlines which became a 25% associate company of the Group. Shenzhen Airlines contributed a profit of HK$41.75 million to the Group from 19 April 2010 (the date of completion of capital injection) to 30 June 2010. In addition, the Group also recorded a fair value gain after tax of approximately HK$22.18 million on the 10% equity interest in Shenzhen Airlines originally held

- During the Period, the Group disposed of a total of 14.52 million A shares of CSG at an average selling price of approximately RMB22.07 (HK$25.17) per share, and the Group realised a profit after tax of approximately HK$257 million

**ANALYSIS OF MAJOR BUSINESS OPERATIONS**

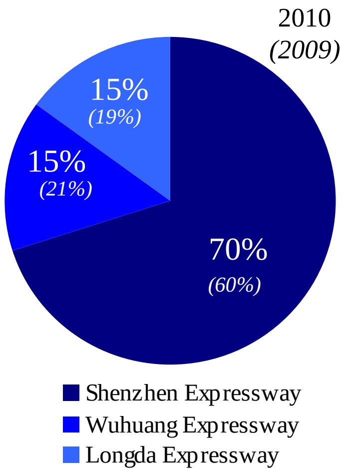
**TOLL ROAD BUSINESS**

During the Period, the Group's toll road business recorded a toll revenue of approximately HK$1,703 million (2009: HK$1,043 million) and profit before finance costs and tax of approximately HK$1,026 million (2009: HK$734 million), up 63% and 40% respectively over the same period of the previous year. Benefitting from the rebound of the domestic macro-economy, favourable factors brought by an array of revitalisation plans for the automobile industry implemented by the PRC government and improving road networks in China, there is a strong growth in toll revenue and traffic volume from each toll road during the Period.

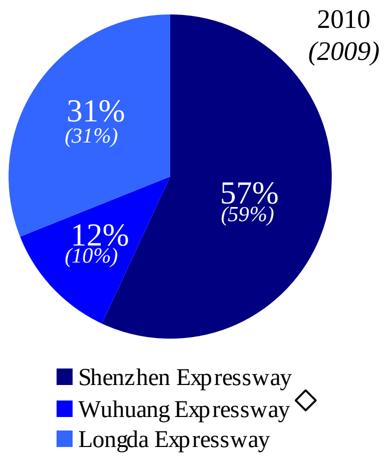
The significant increase in toll revenue during the Period was mainly due to a number of factors including the consolidation of toll revenue of Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ("Jihe East Company") which became a wholly owned subsidiary after completion of the acquisition of its 45% interest by the Group in the third quarter of 2009, bringing in a 20% increase in toll revenue; Qinglian Expressway started to adopt expressway toll standards in the second half of last year; and successive openings and operations of a number of new toll roads including Nanguang Expressway in recent years.

During the Period, due to the relatively significant growth of finance costs and the increase of income tax rate from 20% in last year to 22%, income tax expenses increased significantly. Though the level of increase in profit attributable to shareholders was not as high as those of toll revenue and profit before finance costs and tax, it still recorded a satisfactory growth of 21% to HK$389 million.

**Toll Revenue Contribution**




**Net Profit Contribution**




◇ included only profit attributable to the 45% interest in Wuhuang Expressway directly held by the Company

## Operating Performance of the Toll Roads

### *Longda Expressway*

| | *For the six months ended 30 June* 2010 | 2009 | Increase |
|---|---|---|---|
| Toll Revenue (HK$ Million) | **250** | 200 | 25% |
| Traffic Volume (Thousand Vehicles) | **12,235** | 9,412 | 30% |
| Average Daily Toll Revenue (HK$ Thousand) | **1,381** | 1,104 | 25% |
| Average Daily Traffic Volume (Thousand Vehicles) | **68** | 52 | 30% |

The Luotian toll station on Longda Expressway has been reconstructed into a beacon station since the Shenzhen area was incorporated into the Central Guangdong area and merged with the Pearl River Delta region in January 2010. This reduces the average time that vehicles take for travelling to this station by two-thirds, and the traffic capacity is substantially increased. As compared to the corresponding period of the previous year, traffic volume of each class of vehicles on Longda Expressway recorded relatively high increases. The traffic volumes of Class 1, Class 2, Class 3, Class 4 and Class 5 vehicles recorded increases of 30%, 16%, 26%, 19% and 63% respectively as compared to the corresponding period of the previous year.

The increase of traffic volume of Class 1 and Class 2 vehicles were mainly due to favourable factors such as a continuous increase in household income and the incentive policy for small-displacement vehicles. The increase of traffic volume of Class 3, Class 4 and Class 5 vehicles were mainly due to a gradual recovery of the domestic economy which leads to an accelerated growth in export trading, an increased growth in transportation and port business, and a significant increase in goods and passengers transportation.

***Wuhuang Expressway***

| | *For the six months ended 30 June* | | |
|---|---|---|---|
| | **2010** | 2009 | Increase |
| Toll Revenue (HK$ Million) | **259** | 221 | 17% |
| Traffic Volume (Thousand Vehicles) | **6,782** | 5,719 | 19% |
| Average Daily Toll Revenue (HK$ Thousand) | **1,429** | 1,222 | 17% |
| Average Daily Traffic Volume (Thousand Vehicles) | **37.5** | 31.6 | 19% |

The road network of Wuhuang Expressway was improving during the Period: the entire Hubei section of Hurong West Expressway was opened to traffic and merged into the interlinked road network in December last year. This enables a run-through between Shanghai and Chongqing, which in turns leading to a significant increase in traffic volume and toll revenue. The openings and merging-into-network of the southern section of Suiyue Expressway in Hubei in March and Wujing Expressway in May this year generated considerable growth in traffic volume on Wuhuang Expressway.

Moreover, as the "Green Passage" toll-free policy in Hubei Province was tightened in June 2009, the preferential areas for vehicles under the "Green Passage" was reduced, resulting in a decrease in the amount of waived fees, and the toll revenue of Wuhuang Expressway was boosted.

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

During the Period, Shenzhen Expressway recorded a toll revenue of HK$1,194 million (2009: HK$622 million), representing a substantial increase of 92% over the same period of the previous year. In addition to the consolidation of Jihe East Company which leads to an increase of toll revenue of Shenzhen Expressway, the toll revenue of Qinglian Project has increased by more than 100% as compared to the same period of the previous year since the operation of its main trunk as an expressway in July 2009. The opening of Yanba (Section C) in March this year enabled the toll revenue of Yanba Expressway to rise by approximately 50% over the same period of the previous year.

The consolidation of Jihe East Company also leads to an increase in operating cost, coupled with the amortisation cost due to the acquisition premium of Jihe East Company as well as increases in traffic volume and related amortisation cost of Qinglian Expressway after its operating as an expressway, Shenzhen Expressway saw a relatively higher increase in its total operating cost. During the Period, Shenzhen Expressway's profit before finance costs and tax amounted to HK$712 million (2009: HK$486 million), representing an increase of 47% over the same period of the previous year.

With an increase in operating profit, income tax payable has increased correspondingly. Also due to the uplift in the income tax rate and the recognition of loan interest of Qinglian Project in the income statement, finance costs recorded a relatively high increase as a whole. Profit attributable to shareholders of Shenzhen Expressway amounted to HK$410 million (2009: HK$358 million), representing an increase of 15% over the same period of the previous year. The Group's share of profit in Shenzhen Expressway amounted to HK$223 million (2009: HK$190 million), representing an increase of 17% over the same period of the previous year.

## LOGISTIC PARK BUSINESS

During the Period, revenue of the logistic park business recorded an increase of 30% over the same period of the previous year to HK$119 million (2009: HK$91.07 million), mainly attributable to the gradual recovery of the world macro-economy in the first half of 2010, a significant increase in import and export trade of the PRC, an expansion of the operating scale of the logistic centres of the Group and a continuous growth in business turnover of the logistic parks.

Profit before finance costs and tax of the logistic park business amounted to HK$29.44 million (2009: HK$23.04 million) during the Period, representing a growth of 28% over the same period of the previous year. As affected by the increase in corporate income tax rate for the PRC enterprises and the expiration of preferential tax treatment of a logistic park, only a slight increase of 7% in net profit attributable to shareholders of the logistic park business of HK$23.97 million (2009: HK$22.39 million) was recorded.

### Operating Performance of the Logistic Parks

***South China Logistic Park***

During the Period, South China Logistic Park recorded a revenue of HK$53.14 million (2009: HK$46.31 million), representing an increase of 15% over the same period of the previous year; profit before finance costs and tax amounted to HK$16.66 million (2009: HK$13.66 million), representing an increase of 22% over the same period of the previous year.

The revenue of the logistic centres saw a 13% growth over the same period of the previous year, mainly attributable to the completion and putting into operation of two new logistic centres with a total operating area of 73,000 square metres during the Period which has successfully attracted new customers. As at 30 June 2010, the two new logistic centres achieved a utilisation rate of 60%. Meanwhile, as a result of active marketing, the utilisation rate of the original seven logistic centres reached 92%. The logistic centres in the logistic park achieved a total utilisation rate of 78%.

Benefiting from the picking up of the economy and a rebound in the import and export volume of external trade of the PRC, the cross-border cargo transfer business recorded a significant growth of 59% over the same period of the previous year. The cargo transfer business has hit a new high since the inception of business.

***Western Logistic Park***

During the Period, Western Logistic Park recorded a revenue of HK$20.28 million (2009: HK$17.74 million), representing an increase of 14% over the same period of the previous year; profit before finance costs and tax amounted to HK$6.33 million (2009: HK$7.68 million), representing a decrease of 18% over the same period of the previous year.

Currently, Western Logistic Park mainly derived its revenue from leasing of land and operation of the logistic centre. With the commencement of the construction works of Phase II Logistic Centre in late July 2009, revenue generated from leasing of land saw a decrease of 27% over the same period of the previous year, and therefore its weighting in total revenue has dropped significantly. Driven by a recovery in the economy, and owing to the growing maturity of the management and operational flow of Phase I Logistic Centre, revenue of Phase I Logistic Centre increased sharply over the same period of the previous year, thereby offsetting the decline in revenue from leasing of land. This was the primary reason behind the growth in revenue of Western Logistic Park in the first half-year. As at 30 June 2010, the utilisation rate of Phase I Logistic Centre was 95%.

Western Logistic Park will strive to carry out the Stage 1 construction of approximately 73,000 square metres of Phase II Logistic Centre according to schedule and will aim for completion by the end of 2010.

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

During the Period, the revenue of Nanjing Chemical Industrial Park Logistic Centre amounted to HK$25.92 million (2009: HK$16.54 million), representing an increase of 57% over the same period of the previous year; profit before finance costs and tax amounted to HK$4.07 million (2009: HK$2.59 million), representing an increase of 57% over the same period of the previous year.

With the commencement of operation of the second phase of logistic centre in June 2009, the operating area of the logistic centres of the park saw a significant increase of 21,000 square metres over the same period of the previous year to 40,000 square metres and the total operating area of the park reached 48,000 square metres. As a result, revenue and profit before finance costs and tax of Nanjing Chemical Industrial Park Logistic Centre posted significant increases over the same period of the previous year. As at 30 June 2010, the utilisation rate of its logistic centres reached 81%.

***Yantai Bonded Logistic Centre***

Yantai Bonded Logistic Centre turned from loss to profit during the Period, recording a revenue of HK$19.25 million (2009: HK$10.47 million), representing a significant increase of 84% over the same period of the previous year; profit before finance costs and tax amounted to HK$86,000 (2009: loss of HK$970,000).

During the Period, transportation, logistic centre and logistic service businesses of Yantai Bonded Logistic Centre recorded a significant increase in revenue and growth in business volumes as a result of the recovery of the macro-economy. In the second half of the year, it is committed to expanding its customer profile and developing the logistic centre receipt pledging business with a view to enhancing its profitability.

### *SZ Airport Express Center*

During the Period, SZ Airport Express Center recorded desirable growth in its results. Its revenue rose 50% over the same period of the previous year to HK$21.07 million. The Group's share of profit of SZ Airport Express Center on an equity basis for the Period amounted to HK$2.29 million (2009: HK$89,000), representing a significant increase over the same period of the previous year. The increase in profit was mainly attributable to a relatively rapid growth in the overall business volume of express cargo service as compared to the same period of the previous year, which was brought about by a remarkable recovery of the domestic foreign trade economy. Of such growth, growth in land freight export was particularly remarkable.

### *Huatongyuan Logistic Centre*

Huatongyuan Logistic Centre is the only permanent large-scale highway logistic centre in Shenzhen. The park, comprising three zones, spans a total area of 116,000 square metres. Two of the zones had been put into trial operation late last year. The core construction of the remaining zone was completed in June 2010 and business prospecting work has been launched. Huatongyuan Logistic Centre has officially put into operation in mid-July 2010 and it is expected to bring revenue contribution to the logistic park business of the Group.

## PORT BUSINESS

During the Period, two general bulk cargo berths for 50,000-ton vessels and a southern depot with a site area of 200,000 square metres have been completed in the first phase construction of Nanjing Xiba Port, and most of the pile foundation works on the northern depot have also been completed. Upon completion of the first phase project, the five major functions of bulk cargo operation have realised: ship unloading, depot storage, ship loading, train loading and automobile loading, with an annual handling capacity of approximately 8 million tons, terrestrial depots storage of up to 1.3 million tons of cargo and loading and unloading capacity of more than 7 million tons.

Nanjing Xiba Port commenced trial operation following its opening ceremony on 26 April 2010. During the two-months trial operation period, a total revenue of HK$4.89 million was recorded; 13 vessels of various sizes berthed at the terminals, and approximately 270,000 tons of coal was handled, representing an average loading of approximately 20,000 tons per vessel. Among these vessels, the maximum loading carried by a single vessel was 34,000 tons. On 16 July 2010, Nanjing Xiba Port received its first 50,000-ton seagoing vessel since its operation which berthed at the port safely for loading and unloading of cargo, indicating that the port operation has basically achieved the designed objectives.

## LOGISTIC SERVICE BUSINESS

Revenue of the logistic service business increased by 6% as compared to the corresponding period of the previous year to HK$72.59 million (2009: HK$68.28 million). Revenue increased along with an improved economy and increased volumes of sea and air transportation operations. Profit before finance costs and tax amounted to HK$4.06 million (2009: HK$4.98 million) and profit attributable to shareholder amounted to HK$3.44 million (2009: HK$4.68 million), representing a decrease of 19% and 26% over the same period of the previous year, respectively. The decrease of profit was primarily attributable to a substantial increase in the transportation costs of the business due to a sharp rise of 15% in domestic fuel prices, coupled with a rise in labour costs and depreciation expenses as compared to the same period of the previous year so that increased expenses could not be offset by revenue growth.

## OTHER INVESTMENT

### *Shenzhen Airlines*

After completion of capital injection of RMB348 million to Shenzhen Airlines on 19 April 2010, the Group's equity interest in Shenzhen Airlines increased from 10% to 25% and Shenzhen Airlines became an associate of the Group.

Driven by domestic economic growth and strengthened support to the civil aviation industry by the PRC government, demand for air transportation has showed a relatively rapid growth. Shenzhen Airlines recorded a total revenue of HK$8,695 million during the Period. Profit attributable to shareholders amounted to HK$415 million. Since completion of the capital injection to Shenzhen Airlines, for the two months up to 30 June 2010, Shenzhen Airlines contributed a profit of HK$41.75 million to the Group.

The financial position and operating conditions of Shenzhen Airlines had been improved following completion of the capital injection in April this year and the reinforcement of the management team. Moreover, through fostering a closer relationship with Air China Limited ("Air China"), the new controlling shareholder, Shenzhen Airlines and Air China co-operate in all aspects, hence managing to optimise its route network structure progressively for an improvement in transport efficiency. In areas such as passenger transportation, cargo transportation, fleet, centralised procurement and asset management, the cooperation creates synergistic effects, improves resources utilisation, effectively minimises operating costs and enhances Shenzhen Airlines' competitiveness and profitability in the market, thereby enhancing the interests of Shenzhen Airlines and its shareholders as a whole. The management of the Company believes that Shenzhen Airlines will become a profit growth driver of the Group in the future.

## DEVELOPMENT FOCUS AND OUTLOOK OF THE GROUP

Though China's economic development is growing steadily, it is still encountering an intricate domestic and international environment. The PRC government therefore carried out measures of maintaining a proper relationship between stable and relatively fast economic development, adjustment of economic restructure and management of inflation expectations as the core of its macro-economic control. The Group will also closely monitor any changes in the domestic and international economic situation, as well as any adjustments to the States's macro-economic policies, and take effective coping strategies in a proactive manner.

While making dedicated efforts to the development, operation and marketing of existing projects, the Group will continue to take a proactive approach in improving and innovating its business and profit models, enhancing profitability and operation scale, increasing mergers and acquisitions of strategic assets and investment in new projects to expand the room for development; and fully educing the functions and role of its capital financing platform to provide strong support for the development of its businesses. The Group will at the same time optimise the allocation of internal resources and improve the level of the Group's refined management through various measures such as integrating information resources, unifying the application and promotion of brands and improving the internal control system, with a view to enhancing the Group's development potential.

It is expected that the toll road business will maintain a strong growth momentum as benefited from the rebound of the PRC economy, the continued growth in automobile ownership and successive openings and operations of toll roads that had been newly built or acquired in recent years. Revenue from the logistic business will also rise substantially following the large-scale operation of new logistic centre area. The commencement of operation of the Nanjing Xiba Port as well as the increased shareholding in Shenzhen Airlines will both become new profit growth drivers for the Group. In 2010, the Group expects to achieve its annual business objectives and strives to create greater value for its shareholders.

## FINANCIAL POSITION

| | **30 June 2010** *HK$ million* | 31 December 2009 *HK$ million* | Increase/ (Decrease) |
|---|---|---|---|
| Total Assets | **33,114** | 32,448 | 2% |
| Total Liabilities | **20,389** | 19,728 | 3% |
| Total Equity | **12,725** | 12,720 | - |
| Net Asset Value attributable to shareholders | **6,916** | 7,025 | (2%) |
| Net Asset Value per share attributable to shareholders (HK dollar) | **0.49** | 0.50 | (2%) |
| Cash | **1,677** | 1,683 | - |
| Bank Borrowings | | | |
| Short Term Bank Loans | **1,813** | 1,624 | 12% |
| Long Term Bank Loans due for repayment within one year | **395** | 461 | (14%) |
| Long Term Bank Loans | **8,219** | 8,666 | (5%) |
| | **10,427** | 10,751 | (3%) |
| Other Borrowings | **40** | 39 | 3% |
| Medium Term Notes and Bond | **1,715** | 899 | 91% |
| Convertible Bonds | **3,271** | 3,203 | 2% |
| Total Borrowings | **15,453** | 14,892 | 4% |
| Net Borrowings | **13,776** | 13,209 | 4% |
| Debt Asset Ratio (Total Liabilities / Total Assets) | **62%** | 61% | 1% * |
| Ratio of Total Borrowings to Total Assets | **47%** | 46% | 1% * |
| Ratio of Net Borrowings to Total Equity | **108%** | 104% | 4% * |
| Ratio of Total Borrowings to Total Equity | **122%** | 118% | 4% * |

* *Change in percentage point*

*Cash Balance*

The Group maintained a strong operating net cash inflow during the Period of HK$940 million. Cash balance amounted to HK$1,677 million as at 30 June 2010, at a similar level as the cash balance of HK$1,683 million as at 31 December 2009, and nearly all such cash was denominated in Renminbi. The Group currently holds adequate capital with a sound financial position, and has sufficient financial resources for business development.

**Borrowings**

*Bank Loans*

As at 30 June 2010, total bank loans of the Group amounted to approximately HK$10,427 million (31 December 2009: HK$10,751 million), of which 20%, 11.1% and 68.9% were due for repayment within one year, the second year and the third year or afterwards respectively. Of such loans, approximately HK$3,293 million are repayable in Hong Kong dollars, HK$5.59 million are repayable in US dollars and the remaining balance of approximately HK$7,128 million are borrowings from banks in the PRC and repayable in Renminbi. Total capital expenditures of the Group for the Period amounted to HK$1,575 million (RMB1,381 million), which included capital expenditure on new investment amounted to HK$396 million (RMB348 million).

Currently, the Group has cash in hand and standby banking facilities of approximately HK$12,500 million, while utilised banking facilities amounted to HK$10,427 million. The Group has adequate cash reserve and standby facilities for future working capital and capital expenditure.

*Medium Term Notes and Bond*

As at 30 June 2010, the Group held medium term notes and bond of approximately HK$804 million and HK$911 million respectively (31 December 2009: HK$899 million). During the Period, the Group's subsidiary, Shenzhen Expressway, issued a three years floating rate medium term notes, for the purpose of financing the construction of its projects and repayment of part of the current bank borrowings.

*Convertible Bond*

The Company issued a zero coupon convertible bond with a face value of HK$1,727.5 million to Shenzhen Investment Holdings Company Limited ("SIHCL") (a wholly owned subsidiary of Shenzhen State-owned Assets Supervision and Administration Bureau) in December 2007. Such convertible bond will mature on 29 December 2010. The Company is now actively negotiating and studying various feasible plans with SIHCL so as to work out the most appropriate maturity arrangement.

### *Gearing Ratio*

The debt asset ratio of the Group was 62% as at 30 June 2010, at a similar level of 61% as at the end of 2009. In the past few years, the Group invested significant amount of funds in new construction projects. As such projects mature gradually, new revenue and profit contributions will increase gradually and it is expected that the Group's gearing ratio will improve gradually in the next few years.

### Financial Policy

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

Bank borrowings are a major source of interest rate risk of the Group. Bank borrowings bearing floating rate interest expose the Group to interest rate risk. To lower the relevant risk, the management of the Company makes use of interest rate hedging which has the economic effect of converting bank loans from floating rate loans to fixed rate loans, thereby lowering the impact brought by interest rate volatility. The management will regularly review the appropriate ratio of fixed rate and floating rate loans. As at 30 June 2010, the Group maintained a loan portfolio with fixed rate bank loans accounting for approximately 70% of the total amount of loans.

### *Exchange Rate Risk*

The Group's cash inflow is primarily denominated in Renminbi, and cash outflow denominated in Hong Kong dollars mainly comprises cash dividend payments to shareholders and scheduled repayments of bank loans. The cash and assets held by the Group are primarily denominated in Renminbi. The Renminbi currency appreciated by approximately 1.3% in the first half of 2010 and lowered the value of the Group's Hong Kong dollar-denominated bank loans. This foreign exchange gain directly reduced finance costs during the Period by approximately HK$37 million.

### *Sharing fruitful results with shareholders through a stable dividend distribution policy*

The Group has been maintaining a stable cash dividend distribution policy to reward its shareholders in the past few years. In future, the Group will, as usual, maintain a stable dividend payout ratio so as to share its fruitful results with shareholders.

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

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

## CODE ON CORPORATE GOVERNANCE PRACTICES (THE "CG CODE")

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

The CG Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange stipulates the principles of good corporate governance and two levels of recommendations: (1) Code Provisions; and (2) Recommended Best Practices. As disclosed in the Corporate Governance Report contained in the Company's 2009 annual report, the Company has applied the principles under the CG Code, and has been in full compliance with all the Code Provisions and certain Recommended Best Practices as set out in the CG Code. Throughout the Period, the Company has been in full compliance with all the Code Provisions and certain Recommended Best Practices as set out in the CG Code.

## OTHER INFORMATION

The Company has engaged PricewaterhouseCoopers, the Auditors of the Company, to review the unaudited Financial Information of the Group for the six months ended 30 June 2010.

Before the date of this announcement, a meeting of the Audit Committee has been held with the Auditors of the Company for reviewing the unaudited Financial Information of the Group for the six months ended 30 June 2010. The review report will be included in the interim report to be despatched to the shareholders.

This announcement and other related information of the Company's 2010 interim results will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.szihl.com).

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

Hong Kong, 24 August 2010

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