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

2010 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the "Board") of Shenzhen International Holdings Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (the "Group"), and its jointly controlled entities and associates for the year ended 31 December 2010 (the "Year") together with comparative figures for the year ended 31 December 2009 as follows:

Consolidated Income Statement:

		Year ended 31 December	
		2010	2009
	Note	***HK$'000***	*HK$'000*
Revenue	(4)	**5,111,806**	4,080,949
Cost of sales	(7)	**(2,993,949)**	(2,635,576)
Gross profit		**2,117,857**	1,445,373
Other gains - net	(5)	**489,849**	391,840
Other income	(6)	**82,961**	86,059
Distribution costs	(7)	**(27,366)**	(23,052)
Administrative expenses	(7)	**(244,266)**	(201,637)
Other operating expenses	(7)	**-**	(10,774)
Operating profit		**2,419,035**	1,687,809
Share of profit of jointly controlled entities		**7,685**	204,763
Share of profit of associates		**350,161**	92,506
Profit before finance costs and tax		**2,776,881**	1,985,078
Finance income	(8)	**21,858**	27,952
Finance costs	(8)	**(653,398)**	(569,047)
Finance costs - net	(8)	**(631,540)**	(541,095)
Profit before income tax		**2,145,341**	1,443,983
Income tax expense	(9)	**(453,068)**	(266,885)
Profit for the Year		**1,692,273**	1,177,098
Attributable to:			
Equity holders of the Company		**1,279,839**	865,859
Non-controlling interests		**412,434**	311,239
		1,692,273	1,177,098

Consolidated Income Statement (continued)：

	Note	Year ended 31 December 2010 HK$'000	2009 HK$'000
Earnings per share for the profit attributable to equity holders of the Company during the Year (expressed in HK cents per share)			
– Basic	(10)	**9.03**	6.17
– Diluted	(10)	**8.66**	6.03
Dividends			
Proposed final dividend of HK$0.0215 (2009: HK$0.0146) per ordinary share	(11)	**352,002**	206,472
Proposed special dividend of HK$0.0085 (2009: HK$0.0071) per ordinary share	(11)	**139,163**	100,408

Consolidated Statement of Comprehensive Income:

	Year ended 31 December 2010 HK$'000	2009 HK$'000
Profit for the Year	**1,692,273**	1,177,098
Other comprehensive income:		
Fair value gains on available-for-sale financial assets, net of tax	**1,048,580**	1,005,013
Transfer of fair value gains to income statement upon disposal of available-for-sale financial assets, net of tax	**(276,729)**	(81,410)
Fair value losses on derivative financial instruments, net of tax	**(20,236)**	(5,640)
Derecognition of cash flow hedge, net of tax	-	5,210
Revaluation surplus arising from business combination, net of tax	-	978,170
Share of other comprehensive income of an associate	**(10)**	-
Currency translation differences	**565,121**	10,013
Other comprehensive income for the year, net of tax	**1,316,726**	1,911,356
Total comprehensive income for the year	**3,008,999**	3,088,454
Total comprehensive income attributable to:		
Equity holders of the Company	**2,389,440**	2,266,520
Non-controlling interests	**619,559**	821,934
Total comprehensive income for the year	**3,008,999**	3,088,454

Consolidated Balance Sheet:

	Note	As at 31 December 2010	As at 31 December 2009 (Restated)	As at 1 January 2009 (Restated)
		HK$'000	*HK$'000*	*HK$'000*
ASSETS				
Non-current assets				
Property, plant and equipment		**3,226,152**	2,280,609	1,706,526
Investment properties		**49,989**	44,443	49,183
Land use rights and other leased assets		**647,623**	604,012	439,266
Construction in progress		**368,096**	636,456	341,542
Intangible assets		**23,446,980**	22,463,694	18,125,699
Investments in associates	(12)	**2,280,452**	1,455,216	1,441,731
Investments in jointly controlled entities		**306,821**	300,350	773,559
Available-for-sale financial assets	(13)	**147,263**	142,366	95,726
Deferred income tax assets		**115,485**	45,923	-
Other non-current assets		**54,050**	53,247	-
		30,642,911	28,026,316	22,973,232
Current assets				
Available-for-sale financial assets	(13)	**3,435,965**	2,311,475	1,134,638
Financial assets at fair value through profit or loss		**-**	-	149,827
Trade and other receivables	(14)	**623,300**	412,421	573,899
Restricted bank deposits		**349,573**	556,920	160,168
Cash and cash equivalents		**1,729,590**	1,126,402	1,901,000
Derivative financial instruments		**-**	-	7,143
		6,138,428	4,407,218	3,926,675
Assets held for sale		**15,055**	14,528	14,717
Total assets		**36,796,394**	32,448,062	26,914,624
EQUITY				
Equity attributable to equity holders of the Company				
Share capital	(15)	**4,919,854**	2,973,698	2,941,407
Other reserves		**1,219,263**	252,447	(1,374,813)
Retained earnings				
– Proposed dividends	(11)	**491,165**	306,880	203,398
– Others		**4,213,745**	3,492,111	3,139,929
		10,844,027	7,025,136	4,909,921
Non-controlling interests		**6,179,498**	5,694,554	4,972,684
Total equity		**17,023,525**	12,719,690	9,882,605

Consolidated Balance Sheet (continued):

	Note	As at 31 December		As at 1 January
		2010	2009 (Restated)	2009 (Restated)
		HK$'000	*HK$'000*	*HK$'000*
LIABILITIES				
Non-current liabilities				
Borrowings		**10,259,423**	9,604,665	7,302,217
Derivative financial instruments		**83,476**	51,608	51,460
Provision for maintenance/resurfacing obligations		**1,083,835**	829,180	366,426
Convertible bonds		**1,549,341**	1,426,402	3,066,685
Deferred income tax liabilities		**2,019,386**	1,684,619	875,921
Deferred Income		**-**	-	33,608
Other non-current liabilities		**-**	9,087	-
		14,995,461	13,605,561	11,696,317
Current liabilities				
Trade and other payables	(16)	**2,308,267**	2,086,141	3,233,979
Income tax payable		**296,232**	172,718	159,875
Provision for maintenance/resurfacing obligations		**26,877**	-	-
Convertible bonds		**-**	1,776,430	-
Borrowings		**2,140,954**	2,084,829	1,941,848
Derivative financial instruments		**5,078**	2,693	-
		4,777,408	6,122,811	5,335,702
Total liabilities		**19,772,869**	19,728,372	17,032,019
Total equity and liabilities		**36,796,394**	32,448,062	26,914,624
Net current assets/(liabilities)		**1,376,075**	(1,701,065)	(1,394,310)
Total assets less current liabilities		**32,018,986**	26,325,251	21,578,922

Notes:

(1) Basis of preparation

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

(2) Changes in accounting policies and disclosures

(a) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010, which are relevant to and have impact on the Group:

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.

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.

For a business combination achieved in stages, it applies acquisition method at the acquisition date. The previously held interest is remeasured to fair value at the acquisition date and a gain or loss is recognised in the income statement. Goodwill is calculated by deducting the fair value of identifiable net assets from the fair value of the previously held interest, the consideration and non-controlling interest.

The Group has changed its accounting policy for step acquisition of an associate from 1 January 2010 when revised HKFRS 3, "Business combinations", became effective. The cost of an associate acquired in stages is measured as the sum of the fair value of the interest previously held plus the fair value of any additional consideration transferred as of the date when the associate became an associate. A gain or loss on re-measurement of the previously held interest is taken to the profit or loss. Any other comprehensive income recognised in prior periods in relation to the previously held interest is also taken to the profit or loss. Any acquisition-related costs are expensed in the period in which the costs are incurred.

Previously, the cost of an associate acquired in stages is measured as the sum of the consideration paid for each purchase plus a share of investee's profits and other equity movements. Any existing gains or losses recognised in the available-for-sale revaluation reserve in respect of the previously held interest are reversed in other comprehensive income restating the investment to cost. Any acquisition-related costs are treated as part of the investment in the associate.

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. The Group has applied the new accounting policy for the step acquisition of Shenzhen Airlines and further details are given in Note 12.

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. This is consistent with the Group's existing accounting policy in this respect. 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.

(2) Changes in accounting policies and disclosures (continued)

(a) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2010, which are relevant to and have impact on the Group: (continued)

HKAS 27 (revised) has had no impact on the current year, as none of the non-controlling interests have a deficit balance; there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity.

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 of which is not expected to be passed to the Group by the end of the lease term was classified as operating lease under "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 land 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		
	31 December 2010	31 December 2009	1 January 2009
	HK$'000	*HK$'000*	*HK$'000*
Decrease in land use rights and other leased assets	**(64,518)**	(66,250)	(70,390)
Increase in property, plant and equipment	**64,518**	66,250	70,390

There is no impact in opening retained earnings at 1 January 2009 and the profit for each of the years ended 31 December 2009 and 2010 from the adoption of this amendment.

(2) Changes in accounting policies and disclosures (continued)

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

i) Change in accounting estimates

Amortisation of concession intangible assets

The Group applied HK(IFRIC)-Int 12 'Service Concession arrangements' 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 an decrease of profit for the year ended 31 December 2010 amounted to HK$26,449,000 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 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.

Corporate income tax

The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(3) Segment information

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

- Toll roads; and
- Logistic business.

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

The chief operating decision-maker has been identified as the board 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 and logistics business which combined the business segments of logistic parks and provision of logistic service in prior year. The change is mainly because the board of directors assess performance and allocate resources with a combined basis of the logistic business since 2010, which is more appropriate for the Group's business development in future.

Toll roads include development, operation and management of toll highway; logistic business includes: (i) logistic parks mainly include the construction, operation and management of logistic centres; (ii) logistic services include the provision of third party logistic and logistic information services to customers; and (iii) port includes construction, operation and management of wharf and logistic centres at Xiba Port in Nanjing, which is a new business in this year.

The board of directors assesses the performance of the operating segments based on a measure of operating profit.

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

(3) Segment information (continued)

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 2010

	Toll roads	Logistic business				Head office functions	Total
		Logistic parks	Logistic services	Port	Subtotal		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	4,616,868 [(a)]	301,612	163,569	29,757	494,938	-	5,111,806
Operating profit	1,863,207	83,659	12,555	3,485	99,699	456,129	2,419,035
Share of profit/(loss) of jointly controlled entities	2,941	4,842	(98)	-	4,744	-	7,685
Share of profit of associates	205,692	-	920	-	920	143,549	350,161
Finance income	17,548	1,203	726	278	2,207	2,103	21,858
Finance costs	(573,471)	(4,587)	(450)	(3,763)	(8,800)	(71,127)	(653,398)
Profit before tax	1,515,917	85,117	13,653	-	98,770	530,654	2,145,341
Income tax expense	(323,677)	(15,040)	(811)	-	(15,851)	(113,540)	(453,068)
Profit for the year	1,192,240	70,077	12,842	-	82,919	417,114	1,692,273
Non-controlling interests	(406,564)	(3,767)	(2,103)	-	(5,870)	-	(412,434)
Profit attributable to equity holders of the Company	785,676	66,310	10,739	-	77,049	417,114	1,279,839
Depreciation and amortisation	868,279	46,560	9,405	16,789	72,754	13,589	954,622
Capital expenditure							
- Additions in property, plant and equipment, construction in progress, land use rights and other leased assets and intangible assets	1,050,589	307,243	19,817	356,893	683,953	77,940	1,812,482
Investments in associates	-	-	-	-	-	501,301	501,301

(3) Segment information (continued)

For the year ended 31 December 2009

	Toll roads	Logistic business			Head office functions	Total
		Logistic parks	Logistic services	Subtotal		
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	3,725,438 [(a)]	215,016	139,918	354,934	577	4,080,949
Operating profit	1,241,899	50,317	8,456	58,773	387,137	1,687,809
Share of profit/(loss) of jointly controlled entities	202,971	2,399	(607)	1,792	-	204,763
Share of profit of associates	91,834	-	672	672	-	92,506
Finance income	16,398	2,316	908	3,224	8,330	27,952
Finance costs	(452,835)	(6)	(11)	(17)	(116,195)	(569,047)
Profit before tax	1,100,267	55,026	9,418	64,444	279,272	1,443,983
Income tax expense	(175,441)	(6,090)	(1,125)	(7,215)	(84,229)	(266,885)
Profit for the year	924,826	48,936	8,293	57,229	195,043	1,177,098
Non-controlling interests	(310,722)	(34)	(1,566)	(1,600)	1,083	(311,239)
Profit attributable to equity holders of the Company	614,104	48,902	6,727	55,629	196,126	865,859
Depreciation and amortisation	512,253	36,441	11,074	47,515	1,780	561,548
Capital expenditure						
- Additions in property, plant and equipment, construction in progress, land use rights and other leased assets and intangible assets	1,458,610	326,217	40,760	366,977	461,981	2,287,568
- Additions in property, plant and equipment, construction in progress, 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

(a) The revenue from toll roads includes construction service revenue: for the year ended 31 December 2010: HK$910,072,000; for the year ended 31 December 2009: HK$1,211,696,000.

(b) The Group has a number of customers, no revenue from a customer exceeds 5% or more of the Group's revenue.

(4) Revenue

	2010	2009
	HK$'000	*HK$'000*
Toll Road		
- Toll revenue	**3,706,796**	2,513,742
- Construction service revenue under service concession	**910,072**	1,211,696
Logistic Business		
- Logistic parks	**301,612**	215,016
- Logistic services	**163,569**	139,918
- Port	**29,757**	-
Head office functions	**-**	577
	5,111,806	4,080,949

(5) Other gains – net

	2010	2009
	HK$'000	*HK$'000*
Gain on disposals of available-for-sale financial assets	**430,185**	258,245
Gain on re-measurement of fair value of available-for-sale financial assets (Note 12)	**29,817**	-
Net compensation on land resumption	**13,739**	21,177
Gain on disposals of property, plant and equipment	**2,420**	4,511
Fair value gains/(losses) on derivative financial instruments	**2,411**	(5,057)
Others	**11,277**	14,146
Gain on disposals of financial assets at fair value through profit or loss	**-**	96,578
Reversal of impairment of property, plant and equipment, land use rights and other leased assets	**-**	3,300
Loss on disposals of investment properties	**-**	(1,060)
	489,849	391,840

(6) Other income

	2010	2009
	HK$'000	*HK$'000*
Dividend income	**43,331**	17,899
Rental income	**17,229**	18,352
Government grants	**9,201**	33,575
Others	**13,200**	16,233
	82,961	86,059

(7) Expenses by nature

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

	2010	2009
	HK$'000	*HK$'000*
Construction cost under service concession	**910,072**	1,210,811
Provision for maintenance/resurfacing obligations	**190,110**	143,706
Depreciation and amortisation	**954,622**	561,548
Employee benefit expenses	**332,012**	239,342
Transportation expenses	**219,465**	169,479
Rental charges	**18,861**	26,507
Other tax expenses	**142,936**	92,749
Commission and management fee for toll roads	**194,887**	222,294
Auditors' remuneration	**7,657**	8,048
Legal and consultancy fees	**13,714**	12,757
Others	**281,245**	183,798
	3,265,581	2,871,039

(8) Finance income and costs

	2010	2009
	HK$'000	*HK$'000*
Interest income from bank deposits	**(21,858)**	(27,952)
Interest expense		
- Bank borrowings and other borrowings wholly repayable within 5 years	**188,851**	176,172
- Bank borrowings and other borrowings wholly repayable after 5 years	**318,275**	324,310
- Convertible bonds wholly repayable within 5 years	**142,002**	135,153
- Medium-term notes wholly repayable within 5 years	**24,304**	-
- Corporate bonds wholly repayable after 5 years	**67,855**	66,538
- Other interest expense	**55,573**	32,648
Net foreign exchange gains	**(98,447)**	-
Less: interest expenses capitalised in construction in progress	**(45,015)**	(165,774)
	653,398	569,047
Net finance costs	**631,540**	541,095

(9) Income tax expense

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

(9) Income tax expense (continued)

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 22% (2009: 20%) applicable to the respective companies.

	2010	2009
	HK$'000	*HK$'000*
Current income tax		
PRC corporate income tax	**565,699**	386,463
Deferred income tax	**(112,631)**	(119,578)
	453,068	266,885

(10) 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.

	2010	2009
Profit attributable to equity holders of the Company (HK$'000)	**1,279,839**	865,859
Weighted average number of ordinary shares in issue (thousands)	**14,169,349**	14,037,374
Basic earnings per share (HK cents per share)	**9.03**	6.17

(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.

	2010	2009
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**1,279,839**	865,859
Interest expense on convertible bonds	**72,416**	69,754
Profit used to determine diluted earnings per share	**1,352,255**	935,613
Weighted average number of ordinary shares in issue (thousands)	**14,169,349**	14,037,374
Adjustments – share options (thousands)	**9,275**	51,586
Adjustments – conversion of convertible bonds (thousands)	**1,429,875**	1,439,583
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**15,608,499**	15,528,543
Diluted earnings per share (HK cents per share)	**8.66**	6.03

(11) Dividends

At the meeting on 30 March 2011, the directors recommend the payment of a final dividend of HK$0.0215 per ordinary share and special dividend of HK$0.0085 per ordinary share, totaling HK$0.03 per ordinary share. 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.

	2010	2009
	HK$'000	*HK$'000*
Proposed final dividend of HK$0.0215 (2009: HK$0.0146) per ordinary share	**352,002**	206,472
Proposed special dividend of HK$0.0085 (2009: HK$0.0071) per ordinary share	**139,163**	100,408
	491,165	306,880

(12) Investments in associates

	2010	2009
	HK$'000	*HK$'000*
Beginning of year	**1,455,216**	1,441,731
Transfer from available-for-sale financial assets (Note 13 and (a))	**68,538**	-
Cash contribution to associates (a)	**501,301**	51,119
Share of profit of associates	**350,161**	92,506
Share of other comprehensive income of an associate	**10**	-
Dividends received	**(171,920)**	(131,217)
Exchange difference	**77,146**	1,077
End of year	**2,280,452**	1,455,216

The year end balance comprises the following:

	2010	2009
	HK$'000	*HK$'000*
Unlisted investments, at cost		
Share of net assets other than goodwill	**1,554,665**	1,367,819
Goodwill on acquisition	**725,787**	87,397
	2,280,452	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 (HK$395,838,000) 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.

(12) Investments in associates (continued)

The fair value of the 10% Previous Interest is recorded as part of the cost of the investment in associate. The difference of HK$29,817,000 between the fair value and the original investment cost of the 10% Previous Interest of the Capital Increase was treated as re-measurement gain and recognised in the income statement upon completion (Note 5).

Goodwill was recognised as at the completion date of the Capital Increase arising from the Capital Increase as below:

	HK$'000
Consideration	464,376
Add: share of fair value of identifiable net liabilities	149,457
Goodwill	613,833

(13) Available-for-sale financial assets

	2010	2009
	HK$'000	*HK$'000*
Beginning of year	**2,453,841**	1,230,364
Additions	**-**	46,564
Net fair value gains	**1,499,795**	1,309,157
Disposals	**(389,476)**	(133,094)
Transfer to investment in associates (Note 12)	**(68,538)**	-
Exchange difference	**87,606**	850
End of year	**3,583,228**	2,453,841
Less: non-current portion	**(147,263)**	(142,366)
Current portion	**3,435,965**	2,311,475

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

Listed securities in the PRC, at fair value (a):		
- Freely tradable	**3,435,965**	2,311,475
Unlisted equity investments:		
at fair value	**113,714**	38,992
at cost less impairment		
– Cost	**57,644**	127,469
– Provision for impairment	**(24,095)**	(24,095)
	33,549	103,374
	147,263	142,366
	3,583,228	2,453,841

(a) As at 31 December 2010, listed equity investments stated at market price represent 7.12% interest (equivalent to 147,790,000 shares) in CSG Holding Co, Ltd. ("CSG").

(14) 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 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 2010 and 2009, 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:

	2010	2009
	HK$'000	*HK$'000*
0-90 days	**277,694**	127,903
91-180 days	**6,691**	16,751
181-365 days	**8,893**	13,889
Over 365 days	**159,530**	157,306
	452,808	315,849

(15) Share Capital

	Number of issued shares (share)	**Ordinary share capital** *HK$'000*	**Share premium** *HK$'000*	**Total** *HK$'000*
At 1 January 2009	**14,027,419,475**	**1,402,742**	**1,538,665**	**2,941,407**
Employee share option scheme – proceeds from share issued	114,510,000	11,451	20,840	32,291
At 31 December 2009	**14,141,929,475**	**1,414,193**	**1,559,505**	**2,973,698**
Employee share option scheme				
– proceeds from share issued	15,500,000	1,550	2,821	4,371
– value of service provided	-	-	4,762	4,762
Conversion of convertible bonds	2,214,743,589	221,474	1,715,549	1,937,023
At 31 December 2010	**16,372,173,064**	**1,637,217**	**3,282,637**	**4,919,854**

On 29 December 2007, the Company issued zero coupon convertible bond of HK$1,727,500,000 to Shenzhen Investment Holdings Company Limited ("SIHCL"), a wholly owned subsidiary of Shenzhen State-owned Assets Supervision and Administration Bureau as the consideration for acquisition of 100% equity interest in Shenzhen Bao Tong Highway Construction and Development Limited.

On 11 November 2010, the Company entered into the modification deed ("Modification Deed") with SIHCL to amend certain terms of the convertible bond, which included revising the conversion price of the convertible bond from the initial conversion price of HK$1.20 per share to HK$0.78 per share and a compulsory conversion. On 28 December 2010, all the conditions precedent of the Modification Deed had been fulfilled and on 29 December 2010, all of the above convertible bonds were converted into 2,214,743,589 ordinary shares of the Company by SIHCL. Such ordinary shares converted are held through SIHCL's wholly-owned subsidiary, Ultrarich International Limited, according to the Modification Deed.

(16) Trade and other payables

As at 31 December 2010 and 2009, the ageing analysis of the trade payables of the Group is as follows:

	2010	2009
	HK$'000	*HK$'000*
0-90 days	**44,411**	99,300
91-180 days	**671**	444
181-365 days	**2,961**	9,415
Over 365 days	**3,600**	1,003
	51,643	110,162

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Review

Operating Results	**2010** *HK$'000*	2009 *HK$'000*	Increase/ (Decrease)
Revenue (excluding construction service revenue from toll roads)	**4,201,734**	2,869,253	46%
Construction service revenue from toll roads	**910,072**	1,211,696	(25%)
Total Revenue	**5,111,806**	4,080,949	25%
Profit before finance costs and tax	**2,776,881**	1,985,078	40%
of which: Core Business	**2,303,140**	1,619,920	42%
Profit attributable to shareholders	**1,279,839**	865,859	48%
of which: Core Business	**912,749**	576,975	58%
Basic earnings per share (HK cents)	**9.03**	6.17	46%
Dividend per share			
Final dividend (HK cents)	**2.15**	1.46	47%
Special dividend (HK cents)	**0.85**	0.71	20%

The Group continued its growth momentum in 2010, with revenue from core business increased by 46% over the corresponding period of the previous year to HK$4,202 million, and net profit from core business increased by 58% over the corresponding period of the previous year to HK$913 million.

Revenue from logistic business and toll revenue of the Group increased by 39% and 47% respectively year-on-year. Benefitting from the significant rebound in the macro-economy and in imports and exports, the continued implementation of an array of favourable revitalisation plans for the automobile industry and the improving road network in China, the growth of business volume of logistic segment and traffic volume on toll roads of the Group exceeded expectations.

In respect of the logistic business, with the completion of new logistic centres representing an aggregate of approximately 190,000 square metres and put into operation successively in 2010, operating area of logistic centres increased significantly by 57%, together with the first phase of Nanjing Xiba Port which commenced operation in mid-April the same year, bringing an increase in both revenue and net profit of the logistic business for the Year.

The first full year contribution of toll revenue of Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ("Jihe East Company"), the adoption of expressway toll standards of Qinglian Project since the second half of 2009 and the successive openings and operations of a number of new toll roads in recent years contributed to a significant increase in toll revenue as compared with the corresponding period of the previous year.

During the Year, the Group completed the capital injection to Shenzhen Airlines which became an associate and the Group holds a 25% equity interest. Driven by continuing domestic economic growth, together with an increase in residents' consumption and an acceleration in the urbanisation process in China, the market demand for domestic air transportation maintains growth, contributing to a sound operating environment and thereby good operating results of Shenzhen Airlines. During the period from 19 April 2010, the date of completion of capital injection, to 31 December 2010, Shenzhen Airlines contributed a profit of HK$143 million to the Group. The Group also recorded a fair value gain after tax of approximately HK$22.36 million on the 10% equity interest in Shenzhen Airlines originally held by the Group.

During the Year, a non-recurring gain after tax amounted to HK$367 million, as compared to HK$289 million of the corresponding period of the previous year was recorded. Based on a calculation adjusted for the conversion of capital reserve to share capital by CSG, the Group disposed of approximately 28.7 million A shares of CSG at an average selling price of approximately RMB14.27 (HK$16.41) per share (or 16.9 million shares at approximately RMB24.26 (HK$27.90) per share before adjustment) and realised a non-recurring gain after tax of approximately HK$334 million.

Dividend

The Board considered to increase the payout ratio to 38% (2009: 35%) of net profit to shareholders and recommended a final cash dividend of HK2.15 cents per share for the Year (2009: HK1.46 cents), representing an increase of 47% over the corresponding period of the previous year. The Board also recommended the payment of a special cash dividend of HK0.85 cent per share (2009: HK0.71 cent) for the profit from disposal of assets. Total cash dividend for the Year was HK3.00 cents per share while total dividends amounted to HK$491 million (2009: HK$307 million), an increase of 60% over the corresponding period of the previous year.

Logistic Business

During the Year, revenue and profit before finance costs and tax of the logistic business of the Group amounted to approximately HK$495 million (2009: HK$355 million) and HK$105 million (2009: HK$61.24 million) respectively, representing increases of 39% and 72% respectively over the previous year. In addition, profit attributable to shareholders amounted to HK$77.05 million (2009: HK$55.63 million), representing an increase of 39% over the previous year.

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

for the year ended 31 December

	Revenue		Profit attributable to shareholders	
	2010 *HK$000*	**Change over year 2009**	**2010** *HK$000*	**Change over year 2009**
Logistic Park Business				
South China Logistic Park	**133,877**	+40%	**35,268**	+30%
Western Logistic Park	**42,111**	-	**12,105**	-23%
Nanjing Chemical Industrial Park Logistic Centre	**48,126**	+24%	**7,295**	+59%
Yantai Bonded Logistic Centre	**51,677**	+35%	**3,799**	N/A
Huatongyuan Logistic Centre	**25,821**	N/A	**4,185**	N/A
SZ Airport Express Center	**N/A**	N/A	**3,658**	+125%
Sub-total	**301,612**	+40%	**66,310**	+36%
Logistic Service Business	**163,569**	+17%	**10,739**	+60%
Port Business	**29,757**	N/A	**-**	N/A
Total	**494,938**	**+39%**	**77,049**	**+39%**

During the Year, the Group's logistic business achieved encouraging results, this was due to the pickup of China's macro-economy, the significant growth in China's import and export trade as well as the following:

- the logistic business recorded satisfactory growth in revenue and was mainly due to an increase of 57% in the operating scale of the Group's logistic centres to 530,000 square metres as a result of the successive completions and openings of numerous new logistic centres located in South China Logistic Park and Huatongyuan Logistic Centre, etc.;

- The construction of two new logistic centres with a total area of 73,000 square metres located in South China Logistic Park were completed and put into operation during 2010. Meanwhile, it successfully attracted new customers. During the Year, revenue of the logistic centres of South China Logistic Park increased by 55% over the corresponding period of the previous year to HK$85.60 million;

- The overall construction of Huatongyuan Logistic Centre was completed in 2010 and was put into operation in the second half of the Year, this brought new contribution of revenue and profit of HK$25.82 million and HK$4.18 million respectively to the Group;

- The first phase of Nanjing Xiba Port commenced operation in mid-April 2010. During the eight months' period ended December 2010, Nanjing Xiba Port has already achieved a break-even performance and brought new revenue contribution of approximately HK$29.76 million to the Group;

- In 2010, revenue from the logistic service business recorded satisfactory growth as a result of closely working with existing customers in their business restructuring and an expansion of its scope of service. Moreover, net profit from the logistic service business recorded a year-on-year increase of 60% to HK$10.74 million and was due to the improvement in gross profit margin following the withdrawal from projects with low profitability as well as effective cost control;

- During the Year, as a result of a significant increase in operating scale, economies of scale became more apparent and profit before finance costs and tax of the logistic business increased significantly by 72% over the corresponding period of the previous year. While affected by the increase in corporate income tax rate for the PRC enterprises and the expiration of preferential tax treatment of a logistic park, income tax expenses for the Year increased significantly. Moreover, the commencement of operation of the new projects of Huatongyuan Logistic Centre and Nanjing Xiba Port during the Year have brought additional finance costs to the Group, which offset part of the growth in profit before finance costs and tax and resulting in an increase of 39% in profit attributable to shareholders of the logistic business.

Analysis of operating performance

Logistic Parks

In 2010, following the completion and openings of numerous new logistic centres, operating scale of the logistic parks significantly expanded by 57% to 530,000 square metres, representing an increase of more than 190,000 square metres over that of 2009. Through active efforts in marketing, all new logistic centres achieved occupancy rates of over 90% within a short period of time, thereby accelerating the growth in business volume and revenue of the logistic parks. In 2010, total revenue of the logistic parks amounted to HK$302 million, representing an increase of 40% over the corresponding period of the previous year, profit attributable to shareholders increased by 36% over the corresponding period of the previous year to HK$66.31 million. Through expanding operating scale, the economies of scale gradually will become more apparent, the long-term value growth and cost competitiveness will also be strengthened, thereby laying a solid foundation for the logistic business of the Group.

Port

In April 2010, the first phase construction of two general bulk cargo berths for 50,000-ton vessels and the southern depot with a site area of 200,000 square metres at Nanjing Xiba Port were completed and put into operation on a trial basis. Meanwhile, the northern depot with a site area of 200,000 square metres was completed in January 2011.

Despite the complex market environment, Nanjing Xiba Port achieved a break-even after the eight months' period from the commencement of operation in April 2010, throughput of 2.04 million tonnes and a revenue of HK$29.76 million was recorded. .

Toll Road Business

During the Year, toll revenue and profit before finance costs and tax of the toll road business of the Group amounted to approximately HK$3,707 million (2009: HK$2,513 million) and HK$2,072 million (2009: HK$1,537 million) respectively, representing increases of 47% and 35% respectively over the previous year. In addition, profit attributable to shareholders amounted to HK$786 million (2009: HK$614 million), representing an increase of 28% over the previous year.

The total toll revenue of the Group for the Year increased by 47% to approximately HK$3,707 million over the previous year. The significant increase was due to the pickup of China's macro-economy and an array of favourable revitalisation plans for the automobile industry as well as the following:

- The Luotian toll station on Longda Expressway has been reconstructed into a beacon station since January 2010, leading to a further increase in traffic volume on Longda Expressway and thereby driving the increase in its toll revenue;

- A number of expressways in Hubei Province were put into operation successively in 2010. In addition, the entire Hubei section of Hurong West Expressway was opened to traffic and merged into the interlinked road network in December 2009 which enables the run-through between Shanghai and Chongqing. These led to a satisfactory growth in traffic volume and toll revenue of Wuhuang Expressway for the Year;

- The consolidation of toll revenue of Jihe East Company which became a wholly-owned subsidiary of the Group after completion of the acquisition of its 45% interest in the third quarter of 2009, bringing in an increase in toll revenue of HK$457 million;

- The main trunk of Qinglian Project adopted expressway toll standards in the second half of 2009 and implemented the toll-by-weight standards on a trial basis in November the same year. In 2010, Qinglian Project was operated as an expressway and implemented the toll-by-weight standards for the whole year, thus its toll revenue recorded a rapid growth as compared to the corresponding period of the previous year;

- The successive openings and operations of a number of new toll roads including Nanguang Expressway and Yanba (Section C) in recent years driving an increase in toll revenue.

Net profit of the toll road business of the Group for the Year amounted to HK$786 million, representing an increase of 28% over the corresponding period of the previous year. The level of increase in net profit was not as high as that in toll revenue was mainly attributable to:

- The first full year recognition of amortisation cost due to the acquisition premium of Jihe East Company and the commencement of overall maintenance of Qinglian Class II Road during the Year led to an increase in operating costs, including depreciation and amortisation costs, as compared with the corresponding period of the previous year;

- The recognition of loan interest of Qinglian Project in the income statement led to a significant increase in finance costs during the Year over the corresponding period of the previous year;

- The increase in China's income tax rate from 20% to 22% in the previous year led to a significant increase in income tax expenses.

Analysis of operating performance

Longda Expressway

During the Year, Longda Expressway recorded a toll revenue of HK$548 million (2009: HK$443 million), up 24% over the previous year. Profit before finance costs and tax amounted to HK$358 million (2009: HK$292 million), up 23% over the previous year and earnings before interest, tax, depreciation and amortisation ("EBITDA") amounted to HK$472 million (2009: HK$359 million), representing an increase of 31% over the previous year.

After the opening of Huiguan Expressway, traffic heading to Dongguan and Guangzhou from Huizhou turns to Huiguan Expressway gradually, while traffic heading to Huizhou from Dongguan and Guangzhou (via Heao station of Jihe Expressway) via Longda Expressway reduces slowly. Although this affects the toll revenue of Longda Expressway to a certain extent, the reconstruction of Luotian toll station into a beacon station following the official implementation of the regional inter-network tolling on the expressways in the Shenzhen area and the Pearl River Delta area since 8 January 2010 further improves the traffic flows within the region's network, thereby stimulating the growth in toll revenue on Longda Expressway.

Wuhuang Expressway

During the Year, Wuhuang Expressway recorded a toll revenue of HK$532 million (2009: HK$451 million), up 18% over the previous year. Profit before finance costs and tax amounted to HK$279 million (2009: HK$235 million), up 19% over the previous year and EBITDA amounted to HK$378 million (2009: HK$315 million), representing an increase of 20% over the previous year.

A number of expressways and developments, including the southern section of Suiyue Expressway in Hubei, Wujing Expressway and Edong-Yangtze River Bridge, were put into operation successively in 2010. This further improves the road network of the nearby area of Wuhan. In addition, after the opening of the Hubei Section of Hurong West Expressway, the main trunk of national expressways connecting Shanghai with Chengdu is now operational all the way. These brought significant stimulating effects to Wuhuang Expressway. The opening of the entire Huyu Expressway (G50) has also stimulated traffic volume growth on Wuhuang Expressway.

Shenzhen Expressway Company Limited ("Shenzhen Expressway") and its expressway projects

During the Year, Shenzhen Expressway recorded a toll revenue of HK$2,627 million (2009: HK$1,619 million), representing an increase of 62% over the previous year. Profit before finance costs and tax amounted to HK$1,435 million (2009: HK$1,009 million), representing an increase of 42% over the previous year and profit attributable to shareholders amounted to HK$447 million (2009: HK$329 million), representing an increase of 36% over the previous year.

The traffic volume and toll revenue of each expressway project operated and invested by Shenzhen Expressway recorded a year-on-year double-digit growth, of which the growths of Yanba Expressway and Nanguang Expressway were significant:

- Yanba Expressway: benefitting from the commencement of operation of Yanba (Section C) and the synergistic effects from the road network, average daily toll revenue of Yanba Expressway during the period from April to December 2010 increased by approximately 80% as compared to that of the first quarter of the same year;

- Nanguang Expressway: the expansion and reconstruction of Songbai Road, a road which is parallel to Nanguang Expressway, since 2009 brought positive impacts to the operating performance of Nanguang Expressway. The implementation of an array of business strategies including tailor-made marketing and management measures also enhanced the performance of Nanguan Expressway.

Other Business

The total revenue of Shenzhen Airlines, an associate in which the Group holds a 25% equity interest, amounted to RMB16,568 million (HK$19,055 million) for the Year (2009: RMB12,143 million (HK$13,780 million)), profit attributable to shareholders amounted to RMB743 million (HK$854 million) for the Year (2009: loss of RMB864 million (loss of HK$981 million)). Since the completion of capital injection by the Group , Shenzhen Airlines contributed a profit of HK$143 million to the Group for the eight months ended 31 December 2010.

Outlook for Year 2011

The logistic business has good growth potential. Given the high intrinsic value of the infrastructure resources including the land currently owned by Group, the extent of efforts to be put in development and innovation on business model in the future will be the keys to exploit these values. The Group will keep in pace with market demand and continues to step up the investment in and development of the logistic segment, accelerating research and modifying business models to facilitate the integration and optimisation of resources, with a view to enabling the logistics operations to maintain a rapid increase in profits.

The toll road business of the Group possesses stable income and earnings and adequate cash flow. As the new projects gradually mature in recent years, it is expected that the toll road business will have steady growth in the coming years.

Looking towards 2011, the Group will capitalise on opportunities to step up the investment in new projects, quicken the pace of development of the existing projects, enhance profitability and service standards, integrate resources and enhance their intrinsic value as well as further improve internal management standards. Moreover, the Group will continue to strengthen its communication with different sectors in order to make our initiatives more positive and reasonable. As such, we will be able to access various resources required for the development of the Group in an opportune manner.

FINANCIAL POSITION

	31 December 2010 HK$ million	31 December 2009 HK$ million	Increase/ (Decrease)
Total Assets	**36,796**	32,448	13%
Total Liabilities	**19,773**	19,728	-
Total Equity	**17,023**	12,720	34%
Net Asset Value attributable to shareholders	**10,844**	7,025	54%
Net Asset Value per share attributable to shareholders (HK dollar)	**0.66**	0.50	32%
Cash	**2,079**	1,683	24%
Bank Borrowings			
Short Term Bank Loans	**1,607**	1,624	(1%)
Long Term Bank Loans due for repayment within one year	**534**	461	16%
Long Term Bank Loans	**8,461**	8,666	(2%)
	10,602	10,751	(1%)
Other Borrowings	**42**	39	8%
Medium Term Notes and Bond	**1,756**	899	95%
Convertible Bonds	**1,549**	3,203	(52%)
Total Borrowings	**13,949**	14,892	(6%)
Net Borrowings	**11,870**	13,209	(10%)
Debt Asset Ratio (Total Liabilities / Total Assets)	**54%**	61%	(7%) #
Ratio of Total Borrowings to Total Assets	**38%**	46%	(8%) #
Ratio of Net Borrowings to Total Equity	**70%**	104%	(34%) #
Ratio of Total Borrowings to Total Equity	**82%**	118%	(36%) #

\# *Change in percentage point*

Cash Balance

Cash balance of the Group amounted to HK$2,079 million as at 31 December 2010 (31 December 2009: HK$1,683 million), representing a significant increase of 24% over 2009. The increase was mainly attributable to the strong operating net cash inflow during the Year at HK$2,056 million. Nearly all cash held by the Group was denominated in Renminbi. The Group possesses adequate capital with a sound financial position, and has sufficient financial resources for business development.

Borrowings

Bank Loan

As at 31 December 2010, total bank loans of the Group amounted to approximately HK$10,600 million (31 December 2009: HK$10,751 million), of which 20.2%, 11.1% and 68.7% were due for repayments within one year, the second year and the third year or afterwards respectively. Of such loans, approximately HK$3,925 million are repayable in Hong Kong dollars, HK$3.3 million are repayable in US dollars and the remaining balance of approximately HK$6,673 million are borrowings from banks in the PRC and repayable in Renminbi. During the Year, the capital expenditures of the Group amounted to HK$2,660 million (RMB2,261 million). Total bank loans for the Year maintained at similar level over 2009 as different financing channel was established to settle part of the capital needs. Furthermore, the increase in the strong operating net cash inflow also reduced the needs of bank loans.

Currently, the Group has cash in hand and standby banking facilities of approximately HK$11,800 million, while utilized banking facilities amounted to HK$10,600 million. The Group has adequate cash reserve and standby facilities for future working capital and capital expenditure.

Medium Term Notes and Bond

As at 31 December 2010, the Group held medium term notes and bond of approximately HK$823 million and HK$933 million respectively (31 December 2009, Bond：HK$899 million). During the Year, 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 loans.

Convertible Bond

On 29 December 2007, the Company issued zero coupon convertible bond of HK$1,727,500,000 to SIHCL, as consideration for the acquisition of 89.93% equity interest in Longda Expressway. On 11 November 2010, the Company entered into the Modification Deed with SIHCL to amend the conversion price from the initial conversion price of HK$1.20 per share to the revised conversion price of HK$0.78 per share. SIHCL has exercised the conversion rights at the revised conversion price of HK$0.78 per share in full, and 2,214,743,589 new conversion shares have been allotted and issued by the Company to Ultrarich International Ltd. (being the wholly-owned subsidiary of SIHCL) on 29 December 2010 pursuant to the terms and conditions of the Modification Deed.

Gearing Ratio

The Group's ratio of net borrowings to total equity was 70% as at 31 December 2010, representing a substantial decline of 34% over the same period of the previous year. This was primarily due to the zero coupon convertible bond with a face value of HK$1,727,500,000 had been fully converted into equity on 29 December 2010. As a result, the issued share capital of the Company had been increased, at the same time reducing the debt, and lowering the gearing ratio substantially.

During the Year, the Group has completed the conversion of the convertible bond. As a result, the gearing ratio of the Group was substantially declined and the total equity was increased, thereby enhancing the Company's ability in financing for future development of the Group.

The Group's Financial Policy

Locking up interest rates, lowering financial risks

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

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 the medium and long term 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 31 December 2010, the Group maintained a loan portfolio with fixed rate bank loans accounting for approximately 62% 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 3.5% in 2010 and lowered the value of the Group's Hong Kong dollar-denominated bank loans. The foreign exchange gain directly reduced finance costs during the Year by approximately HK$98.45 million. In the short run, the exchange rate risk between Renminbi and Hong Kong dollars is expected to be at a lower level. The Group will review and monitor from time to time the risks relating to foreign exchanges.

Abundant Capital, Increasing Shareholders' Return

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

POST BALANCE SHEET DATE EVENT

Disposal of CSG A shares

From 1 January 2011 to the date of this announcement, the Group has disposed of a total of 14,620,000 CSG A shares via Shenzhen Stock Exchange. The average selling price was RMB20.88 per share, giving a total consideration of approximately RMB305 million. As at the date of this announcement, the Group beneficially owned 133,170,000 CSG A shares, representing approximately 6.41% 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Board considers that sound corporate governance goes beyond merely meeting the regulatory authorities' basic requirements for listed companies' operation. More importantly, it fulfils the Company's internal development needs. The Company establishes a corporate governance structure comprising the Board and the management, and continuously reviews and improves it through practice. Relevant details will be set out in the Corporate Governance Report contained in the 2010 Annual Report, which will be despatched to shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

To ensure the eligibility to attend and vote at the annual general meeting and the entitlement to the final dividend and special dividend, the register of members of the Company will be closed from Friday, 13 May 2011 to Wednesday, 18 May 2011, both days inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the annual general meeting and qualified for the final dividend and special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 12 May 2011. Subject to the approval of the final dividend and special dividend by shareholders at the forthcoming annual general meeting, the relevant dividend warrant will be despatched on or around Monday, 30 May 2011 to shareholders who are registered under the register of members of the Company on Wednesday, 18 May 2011.

OTHER INFORMATION

Before the date of this announcement, a meeting of the Audit Committee of the Company has been held with the Company's auditors for reviewing the annual consolidated financial statements of the Group for the year ended 31 December 2010.

The figures set out in the annual results announcement of the Group for the year ended 31 December 2010 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect was conducted in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" and with reference to Practice Note 730 "Guidance for Auditors Regarding Preliminary Announcements of Annual Results" issued by the Hong Kong Institute of Certified Public Accountants, and did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements and consequently no assurance has been expressed by PricewaterhouseCoopers on the announcement.

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

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

Hong Kong, 30 March 2011

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.