SHENZHEN INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 152)

2008 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, its subsidiaries and jointly controlled entities (the "Group") for the six months ended 30 June 2008 (the "Period") together with comparative figures of consolidated results for the corresponding period in 2007 and consolidated balance sheet as of the year end of 2007 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2008	2007
		(Unaudited)	(Unaudited)
			(Restated)
	Note	***HK$'000***	*HK$'000*
Turnover	(4)	**549,236**	452,310
Cost of sales		**(277,352)**	(263,117)
Gross profit		**271,884**	189,193
Other gains – net		**275,243**	1,256,914
Distribution costs		**(9,194)**	(9,115)
Administrative expenses		**(64,050)**	(58,693)
Other operating expenses		**(1,388)**	(627)
Operating profit	(5)	**472,495**	1,377,672
Share of profit of associates		**96,405**	122,314
Profit before finance costs and tax		**568,900**	1,499,986
Finance income		**33,934**	16,280
Finance costs		**(55,377)**	(51,438)
Fair value loss on derivative liability of convertible bonds		**-**	(179,164)
Finance costs - net	(6)	**(21,443)**	(214,322)
Profit before income tax		**547,457**	1,285,664
Income tax expense	(7)	**(76,638)**	(221,490)
Profit for the period		**470,819**	1,064,174
Attributable to:			
Equity holders of the Company		**361,608**	1,056,272
Minority interest		**109,211**	7,902
		470,819	1,064,174
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK cents per share)			
– Basic	(8)	**2.54**	8.18
– Diluted	(8)	**2.51**	7.71

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2008 (Unaudited) HK$'000	As at 31 December 2007 (Restated) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**894,200**	532,802
Investment properties		**31,100**	32,580
Leasehold land and land use rights		**528,668**	433,502
Construction in progress		**28,599**	217,510
Intangible assets		**1,963,044**	1,826,289
Investments in associates		**2,420,631**	2,436,879
Available-for-sale financial assets	(10)	**95,857**	222,652
Derivative financial instruments		**66,070**	-
Deposit for investment		**907,613**	839,548
		6,935,782	6,541,762
Current assets			
Available-for-sale financial assets	(10)	**1,855,450**	854,228
Financial assets at fair value through profit or loss	(11)	**261,407**	591,069
Assets held for sale		**14,737**	13,632
Trade and other receivables	(12)	**677,094**	200,644
Pledged bank deposits		**591**	591
Cash and cash equivalents		**1,735,689**	2,768,979
		4,544,968	4,429,143
Total assets		**11,480,750**	10,970,905
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**3,002,586**	3,043,104
Other reserves		**1,669,499**	367,350
Retained earnings			
- Proposed dividend	(9)	**-**	639,818
- Others		**3,442,296**	3,080,958
		8,114,381	7,131,230
Minority interest		**154,414**	275,050
Total equity		**8,268,795**	7,406,280

CONDENSED CONSOLIDATED BALANCE SHEET (continued)

		As at	
		30 June 2008	31 December 2007
		(Unaudited)	(Restated)
	Note	***HK$'000***	*HK$'000*
LIABILITIES			
Non-current liabilities			
Borrowings		**172,656**	236,063
Derivative financial instruments		**4,777**	1,869
Provision for maintenance/resurfacing obligations		**17,026**	11,886
Convertible bonds		**1,551,288**	1,517,977
Deferred income tax liabilities	(13)	**450,804**	348,561
Deferred income		**49,684**	65,805
		2,246,235	2,182,161
Current liabilities			
Trade and other payables	(14)	**769,487**	328,926
Income tax payable		**98,554**	93,053
Borrowings		**97,679**	960,485
		965,720	1,382,464
Total liabilities		**3,211,955**	3,564,625
Total equity and liabilities		**11,480,750**	10,970,905
Net current assets		**3,579,248**	3,046,679
Total assets less current liabilities		**10,515,030**	9,588,441

Notes:

(All amounts in HK dollar thousands unless otherwise stated)

(1) General Information

The Company is an investment holding company. During the Period, the Group and its associates were engaged in the following principal activities:

- Logistic business;
  - Toll road;
  - Logistic parks;
  - Logistic service; and
- Investment holding.

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

(1) General Information (continued)

The Company has its primary listing on The Stock Exchange of Hong Kong Limited.

The condensed consolidated financial information has been approved for issue by the Board of Directors on 4 September 2008.

(2) Basis of preparation

The condensed consolidated interim financial information for the Period has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

(3) Accounting policies

Except for the changes in accounting policies arising from the adoption of HK(IFRIC) – Int 12, ‘Service Concession Arrangements’, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, 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.

The following interpretations to standard are effective for the financial year beginning on or after 1 January 2008:

- HK(IFRIC) - Int 11, ‘HKFRS 2 - Group and Treasury Share Transactions’.
- HK(IFRIC) - Int 12, ‘Service Concession Arrangements’.
- HK(IFRIC) - Int 14, ‘HKAS 19 - The Limit On a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction’.

Except for HK(IFRIC) – Int 12, the adoption of the above interpretations has no effect on the Group’s interim financial information.

During the Period, the Group adopted the principal accounting policies of HK(IFRIC) – Int 12 include the following:

(a) The Group

In previous years, the cost incurred for constructing the related infrastructures for toll roads under the service concession arrangements of the Group with relevant local governments were accounted for as property, plant and equipment of the Group and were depreciated on a units-of-usage basis, making reference to the proportion of actual traffic volume for a particular period over the total projected traffic volume throughout the periods within which the Group is granted the rights to operate these toll roads. HK(IFRIC) – Int 12, ‘Service Concession Arrangements’, effective for the accounting periods beginning on or after 1 January 2008, requires the Group to account for the service concession arrangements according to this interpretation from 1 January 2008 onwards. The application of the interpretation results in changes in accounting policies of the Group, which have been applied retrospectively and the comparative figures have been restated accordingly.

(3) Accounting policies (continued)

(a) The Group (continued)

The changes in principal accounting policies arising from the adoption of HK(IFRIC) – Int 12 include the following:

Concession arrangements

The Group has entered into contractual service arrangements with local government authorities for its participation in the development, financing, operation and maintenance of toll roads infrastructure. Under the arrangements, the Group carries out the construction or upgrade work of toll roads for the granting authorities and receives in exchange of a right to operate the toll road concerned and the entitlement to the toll fees collected from users of the toll road services. In accordance with HK(IFRIC) – Int 12, the assets under the concession arrangements are classified as intangible assets, since the Group receives a right to charge users of the public services.

Construction contracts

The Group recognises income and expenses associated with construction services and services provided under the concession arrangements in accordance with HKAS 11, ‘Construction Contracts’.

Contract costs are recognised when incurred. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Group uses the ‘percentage of completion method’ to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as prepayments or other assets, depending on their nature.

Intangible asset model

The Group applies the intangible asset model to account for the service concessions where the Group is paid by the users of the toll roads and the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable. The intangible asset corresponds to the right granted by the respective concession grantors to the Group to charge users of the toll road services.

Intangible assets resulting from the application of HK(IFRIC) - Int 12 are recorded in the balance sheet as 'Concession intangible assets'. Once the underlying infrastructure of the service concessions is completed, the intangible assets are amortised, on the traffic flow amortisation method, as allowed under HK-Int 1, ‘The Appropriate Policies for Infrastructure Facilities’, over the operating periods granted.

(3) Accounting policies (continued)

(a) The Group (continued)

Provisions

As part of its obligations under public concession contracts, the Group assumes responsibility for maintenance and resurfacing of the toll roads it manages. The resulting maintenance and resurfacing costs, except for upgrade services, are recognised as provisions according to the requirements of HKAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' when the Group has a present legal or constructive obligation as a result of past events, it is probably that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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

(b) Associate

In previous years, the costs incurred for constructing the related infrastructures for toll roads under the service concession arrangements in Shenzhen Expressway Company Limited ("Shenzhen Expressway"), an associate of the Group, were accounted for as property, plant and equipment and were depreciated on a units-of-usage basis, whereby depreciation was provided based on the proportion of actual traffic volume for a particular period over the total projected traffic volume throughout the periods within which is granted the rights to operate those roads. HK(IFRIC) – Int 12 requires Shenzhen Expressway to account for these service concession arrangements under this interpretation from 1 January 2008 onwards. The application of the interpretation also results in changes in accounting policies of the associate of the Group, which have been applied retrospectively and the comparative figures have been restated accordingly.

(c) Jointly controlled entity

Prior to 1 January 2008, the operation right of toll roads in Jade Emperor Limited ("JEL"), a jointly controlled entity of the Group, has been accounted for as an intangible asset and is amortised on a straight-line basis over the remaining operation period. From 1 January 2008, the Group adopted HK(IFRIC) – Int 12 under which all operation rights in intangible assets are amortised using the units-of-usage basis. Retrospective adjustments to amortisation were made when the Group accounted for the investment in JEL using proportionate consolidation from 1 January 2008.

(3) Accounting policies (continued)

These changes in accounting policies have been applied retrospectively and resulted in the following financial impact:

	30 June 2008 (Unaudited)	31 December 2007 (Restated)
Increase in intangible assets	**1,370,186**	1,224,929
Decrease in property, plant and equipment	**(1,238,097)**	(1,162,686)
Decrease in investments in associates	**(120,411)**	(108,584)
Decrease in construction in progress	**(69,978)**	(6,848)
Increase in deferred income tax liabilities	**5,103**	6,051
Increase in provision for maintenance/resurfacing obligations	**17,026**	11,886
Increase in other reserves	**3,405**	1,517
Decrease in retained earnings	**(84,477)**	(73,707)
Increase in minority interest	**641**	1,064

The retained earnings and other reserves at 1 January 2007 have been decreased and increased by HKD60,402,000 and HKD1,231,000 respectively.

	Six months ended 30 June 2008 (Unaudited)	Six months ended 30 June 2007 (Unaudited)	Year ended 31 December 2007 (Restated)
Increase in revenue	**69,446**	60,739	68,454
Increase in costs of sales and expenses	**(69,539)**	(59,083)	(66,442)
Decrease in share of profits of associates	**(11,827)**	(8,604)	(15,796)
Increase in finance costs	**(628)**	(259)	(579)
Decrease in income tax expense	**1,355**	59	353
Decrease in minority interest	**423**	296	705
Decrease in earnings per share (in HK cents per share)			
- Basic	**(0.076)**	(0.053)	(0.098)
- Diluted	**(0.068)**	(0.050)	(0.093)

(d) Merger accounting under common control combination

As depicted in Note 1 in the annual financial statements for the year ended 31 December 2007, the Group undertook certain common control combinations in 2007, including:

(i) On 31 May 2007, Xin Tong Chan Development (Shenzhen) Co., Ltd. ("XTC Development") and Yiwan Industry Development (Shenzhen) Co., Ltd. ("Yiwan Industry"), wholly-owned subsidiaries of the Group, acquired respectively additional 17.78% and 22.22% respectively, being 40% in aggregate, interest in Shenzhen Western Logistics Co., Ltd ("Shenzhen Western Logistics"), an associate of the Group. Shenzhen Western Logistics became the Group's subsidiary thereafter.

(ii) On 26 October 2007, Total Logistics (Shenzhen) Co., Ltd. ("Total Logistics"), a wholly owned subsidiary of the Company, acquired further 39% interest in Shenzhen EDI Co., Ltd. ("Shenzhen EDI"), an associate of the Group. Shenzhen EDI became a subsidiary of the Group thereafter.

(iii) On 29 December 2007, Yi Bin Industry (Shenzhen) Co., Ltd. ("Yi Bin"), a wholly owned subsidiary of the Company, acquired 100% interest in Shenzhen Bao Tong Highway Construction and Development Limited ("Baotong Company"). Baotong Company became a wholly-owned subsidiary of the Group thereafter.

The above transactions were accounted for using the merger accounting as prescribed in Accounting Guideline 5, 'Merger Accounting for Common Control Combinations'. The condensed consolidated balance sheet as at 30 June 2007 has been restated as follows:

Condensed consolidated balance sheet at 30 June 2007:

		Combining entities acquired in 2007					
	Group (before adopting merger accounting)	Shenzhen Western Logistics	Shenzhen EDI	Baotong Company	Adjustments Note(a)	Note (b)	Group (after adopting merger accounting) Note (c)
Original investments in combining entities	9,014	-	-	-	(9,014)	-	-
Other assets - net	6,056,238	515,068	28,402	195,823	(622,291)	(3,780)	6,169,460
Net assets	6,065,252	515,068	28,402	195,823			6,169,460
Share capital	2,954,729	459,137	19,853	289,562	(768,552)	-	2,954,729
Other reserves	413,544	6,352	2,678	(172)	(25,339)	221,826	618,889
Merger reserve	-	-	-	-	222,127	(872,926)	(650,799)
Retained earnings / (accumulated losses)	2,377,027	49,236	5,871	(144,401)	(28,493)	647,320	2,906,560
Minority interest	319,952	343	-	50,834	(31,048)	-	340,081
	6,065,252	515,068	28,402	195,823			6,169,460

Note (a): The above adjustments represent elimination of the share capital of the combining entities under common control against the investment cost for combination happened in 2007. The difference has been recorded as merger reserve in the condensed consolidated interim financial information. Adjustments are also made to minority interest as a result of the combinations. Simultaneously, the adjustments include the reversal of the elimination adjustments for consolidating the acquisition of 40% equity interest in Shenzhen Western Logistics completed in May 2007 under the purchase accounting, and the cost of investment adjustment for Shenzhen Western Logistics at 30 June 2007. In the announcement of the Group in December 2007, the directors believed that, upon further information available and after due enquiry and careful consideration, the operating results and financial position of the Group would be better reflected if the acquisition of Shenzhen Western Logistics is accounted for using the merger accounting as prescribed in Accounting Guideline 5 "Merger Accounting for Common Control Combinations". The acquisition of 40% equity interest in Shenzhen Western Logistics was accounted for using the merger accounting in the Group's annual report for the year ended 31 December 2007.

Note (b): The above adjustment represents elimination of the share capital and share premium for the combining entities under common control against the investment cost for combinations happened before 1 January 2006. The difference has been recorded as merger reserve in the condensed consolidated interim financial statements.

Note (c): These restated amounts are before taking into account the effect of the adoption of HK (IFRIC) – Int 12 as detailed in Note 3(c).

(4) Segment information

The Group and its associates are organised into two business segments during the Period:

(1) Logistics business;
- Toll road;
- Logistic parks;
- Logistic service; and

(2) Investment holding.

Turnover of the Group includes service and toll road income from logistic business and dividend income from investment holding.

The segment turnover and segment results for the Period are as follows:

	(Unaudited)			
	Turnover	**Operating profit**	**Share of profit of associates**	**Total**
Logistic business				
Toll roads				
- toll income	293,248	182,461	N/A	N/A
- construction service	69,446	1,592	N/A	N/A
	362,694	184,053	95,689	279,742
Logistic parks	73,405	22,942	-	22,942
Logistic service	86,217	2,513	716	3,229
	522,316	209,508	96,405	305,913
Investment holding	26,920	262,987	-	262,987
	549,236	472,495	96,405	568,900
Profit before finance costs and tax				568,900
Finance income				33,934
Finance costs				(55,377)
Finance costs - net				(21,443)
Profit before income tax				547,457

(4) Segment information (continued)

The segment turnover and segment results for the six months ended 30 June 2007 are as follows:

	(Unaudited)			
	Turnover	**Operating profit/ (loss)**	**Share of profit/ (loss) of associates**	**Total**
Logistic business				
Toll roads				
- toll income	188,625	100,301	N/A	N/A
- construction service	60,739	1,393	N/A	N/A
	249,364	101,694	91,265	192,959
Logistic parks	60,906	21,859	(385)	21,474
Logistic service	97,525	(878)	384	(494)
	407,795	122,675	91,264	213,939
Investment holding	44,515	1,254,997	(621)	1,254,376
Manufacturing business	-	-	31,671	31,671
	452,310	1,377,672	122,314	1,499,986
Profit before finance costs and tax				1,499,986
Finance income				16,280
Finance costs				(51,438)
Fair value losses on derivative liability of convertible bonds				(179,164)
Finance costs - net				(214,322)
Profit before income tax				1,285,664

(5) Operating profit

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

	Six months ended 30 June	
	2008 (Unaudited)	2007 (Unaudited)
<u>Crediting</u>		
Gain on disposal of interest in associate	**290,210**	80,552
Fair value (loss)/gains on financial assets at fair value through profit or loss	**(86,366)**	1,142,398
Gain on disposals of financial assets at fair value through profit or loss	**31,002**	-
Deferred government grants recognised in income statement	**15,766**	14,317
<u>Charging</u>		
Depreciation and amortisation	**76,003**	62,444

(6) Finance income and costs

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
Interest expense:		
- Finance cost of provision for maintenance/resurfacing obligations	**(628)**	(259)
- Bank borrowings	**(21,438)**	(43,757)
- Convertible note	-	(4,711)
- Convertible bonds	**(33,311)**	(2,711)
	(55,377)	(51,438)
Fair value loss on derivative liability of convertible bonds	-	(179,164)
Interest income for money market fund and bank deposits	**33,934**	16,280
Finance cost – net	**(21,443)**	(214,322)

(7) 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.

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
Current income tax		
- Outside Hong Kong	**132,593**	11,412
Deferred income tax	**(55,955)**	210,078
	76,638	221,490

Share of associates' taxation for the Period of HKD9,533,187 (Six months ended 30 June 2007: HKD23,464,924) is included in the income statement as share of profits of associates.

Income tax expense is recognised based on management's best estimate of the annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the Group's PRC subsidiaries for 2008 is 18% (Six months ended 30 June 2007: 15%). This increase is mainly due to the change of the income tax rates according to the new Corporate Income Tax Law effective from 1 January 2008.

(8) Earnings per share

Basic

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

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company	**361,608**	1,056,272
Weighted average number of ordinary shares in issue (thousands)	**14,216,872**	12,911,124
Basic earnings per share (HK cents per share)	**2.54**	8.18

Diluted

Diluted earnings per share is calculated 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 note / bonds and share options. The convertible note / bonds are assumed to have been 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 made to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2008	2007
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company	**361,608**	1,056,272
Interest expense on convertible note / bonds	**33,311**	4,711
Profit used to determine diluted earnings per share	**394,919**	1,060,983
Weighted average number of ordinary shares in issue (thousands)	**14,216,872**	12,911,124
Adjustment for – share option (thousands)	**101,458**	140,018
Adjustment for – conversion of convertible note (thousands)	**-**	709,301
Adjustments for – conversion of convertible bonds (thousands)	**1,439,583**	-
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**15,757,913**	13,760,443
Diluted earnings per share (HK cents per share)	**2.51**	7.71

(9) Dividends

The Board of Directors has resolved not to declare an interim dividend in respect of the six months ended 30 June 2008 (six months ended 30 June 2007: Nil). A 2007 final dividend of HKD0.01 and a special dividend of HKD0.035 per ordinary share respectively, totaling HKD640,088,000 was paid on 10 June 2008 (six months ended 30 June 2007: HKD76,981,000).

(10) Available-for-sale financial assets

	Six months ended 30 June 2008 (Unaudited)	Year ended 31 December 2007 (Restated)
Beginning of the Period / year	**1,076,880**	115,683
Transfer-in	**-**	259,357
Additions	**1,009**	-
Fair value gains recognised in equity	**786,098**	734,610
Disposals	**-**	(37,733)
Exchange differences	**87,320**	4,963
End of the Period / year	**1,951,307**	1,076,880
Less: non-current portion	**(95,857)**	(222,652)
Current portion	**1,855,450**	854,228

Available-for-sale financial assets include the following:

	30 June 2008 (Unaudited)	31 December 2007 (Restated)
Equity securities listed in the PRC at fair value:		
- Tradable	**1,709,561**	-
- With lock-up periods	**145,889**	988,210
	1,855,450	988,210
Unlisted equity investments, at cost less provision for impairment:		
- Cost	**119,952**	112,765
- Provision for impairment	**(24,095)**	(24,095)
	95,857	88,670
	1,951,307	1,076,880

As at 30 June 2008, listed equity investments stated at fair value represent 9.90% interest in CSG Holding Co., Ltd ("CSG") (117,588,589 shares). Pursuant to the CSG share reform scheme completed in 2006, 8.55% of CSG shares (101,546,312 shares) became tradable during the Period and 1.35% of CSG shares (16,042,277 shares) will become tradable on 24 May 2009.

As the Group intended to sell its investments in CSG in the next 12 months after the balance sheet date, the investments are re-classified as current assets.

Available-for-sale financial assets are denominated in Renminbi ("RMB").

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

	30 June 2008 (Unaudited)	31 December 2007 (Restated)
Listed securities:		
Equity securities – the PRC	**261,407**	591,069
Market value of listed securities	**261,407**	591,069

Financial assets at fair value through profit or loss, which are denominated in RMB, represent the shares of CSG without lock-up period and can be freely traded in the market.

The fair value of all equity securities is based on their current bid prices in an active market.

(12) Trade and other receivables

Trade receivables generally have credit terms of 30 to 120 days. As at 30 June 2008 and 31 December 2007, the aging analysis of the trade receivables was as follows:

	30 June 2008 (Unaudited)	31 December 2007 (Restated)
0 - 90 days	**80,414**	71,488
91 – 180 days	**16,395**	15,343
181 - 365 days	**7,123**	2,045
Over 365 days	**924**	1,390
	104,856	90,266

(13) Deferred income tax liabilities

The movements in deferred income tax liabilities during the Period are as follows:

	Accelerated tax amortisation of service contracts	Revaluation of buildings	Accelerated tax amortisation of toll road operating right	Fair value gains/(losses) of financial assets at fair value through profit or loss	Fair value gains/(losses) of available-for-sale financial assets	Others	Total
Balance at 1 January 2007, as previously stated	6,930	-	66,825	-	-	-	73,755
Adjustments for adoption of HK(IFRIC) - Int 12 (Note 3(c))	-	-	6,226	-	-	-	6,226
Balance at 1 January 2007, as restated	6,930	-	73,051	-	-	-	79,981
Charged to equity							
- Change of fair value of available-for-sale financial assets	-	-	-	-	141,984	-	141,984
Charged to/(credited in) income statement							
- Impairment of intangible assets	(2,242)	-	-	-	-	-	(2,242)
- Change of income tax rates	-	-	37,155	-	-	-	37,155
- Change of fair value of financial assets at fair value through profit or loss	-	-	-	97,856	-	-	97,856
- Others	(1,733)	-	(4,440)	-	-	-	(6,173)
Balance at 31 December 2007, as restated	2,955	-	105,766	97,856	141,984	-	348,561
Balance at 1 January 2008, as previously stated	2,955	-	99,715	97,856	141,984	-	342,510
Adjustments for adoption of HK(IFRIC) - Int 12 (Note 3(c))	-	-	6,051	-	-	-	6,051
Balance at 1 January 2008, as restated	2,955	-	105,766	97,856	141,984	-	348,561
Charged to equity							
- Change of fair value of available-for-sale financial assets	-	-	-	-	153,215	-	153,215
- Change of revaluation of buildings	-	4,983	-	-	-	-	4,983
Charged to/(credited in) income statement							
- Change of fair value of financial assets at fair value through profit or loss	-	-	-	(56,232)	-	-	(56,232)
- Others	(492)	-	(3,508)	-	-	4,277	277
Balance at 30 June 2008	2,463	4,983	102,258	41,624	295,199	4,277	450,804

(14) Trade and other payables

At 30 June 2008 and 31 December 2007, the aging analysis of the trade payables was as follows:

	30 June 2008 (Unaudited)	31 December 2007 (Restated)
0 - 90 days	**33,427**	31,248
91 - 180 days	**1,456**	1,438
181 - 365 days	**1,151**	652
Over 365 days	**604**	480
	36,638	33,818

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

Logistic business grew steadily, with increases of 28% and 43% in turnover and profit before finance costs and tax respectively

During the Period, turnover of the Group amounted to HK$549 million (2007: HK$452 million), representing an increase of 21% over the same period of 2007. Turnover of the logistic business amounted to HK$522 million (2007: HK$407 million), representing an increase of 28% over the corresponding period of 2007, while profit before finance costs and tax amounted to HK$305 million (2007: HK$214 million), an increase of 43% over the corresponding period of 2007. The growth of the Group's core business was satisfactory. Profit attributable to shareholders during the Period amounted to HK$362 million (2007: HK$1,056 million), while after deducting gain from non-recurring items, the recurring profit attributable to shareholders amounted to HK$263 million (2007: HK$226 million), representing an increase of 16% over the same period of 2007. Basic earnings per share was HK2.54 cents (2007: HK8.18 cents).

New batch of tradable CSG A shares was booked at market price, and directly increasing shareholders' equity by HK$1,213 million, this has led to a decline in gain from non-recurring items over the same period of 2007 but does not affect the Group's business operation, cash flow and net asset value

With a view to further concentrating resources on the core logistic business, the Group is gradually reducing its investments in non-core businesses and is actively seeking opportunities for divestment of the equity interests in CSG. During the Period, the overall stock market saw a slump amid a volatile A share market in the PRC, leading to a slowing pace in the Group's disposal of the equity interests in CSG as compared to 2007. For the CSG A shares which became tradable on the market since May 2007, the Group disposed of a total of 10.86 million shares at an average selling price of RMB22.8 per share (HK$25.3) and realised a profit after tax of approximately HK$26 million. The remaining 15.53 million shares unsold were classified as "Financial Assets at fair value through profit or loss" and booked at the CSG's A-share price of RMB14.81(HK$16.84) as at the balance sheet date in accordance with applicable accounting standards. The change in fair value over the share price of RMB21.3 (HK$22.4) at the end of the previous year was accounted for in the Period, resulting in a loss after tax of approximately HK$70.40 million.

The Group holds another batch of 101 million tradable A shares of CSG which were converted from non-tradable shares in June 2008. In accordance with applicable accounting standards, such batch of tradable shares continued to be classified as "Available-for-sale financial assets" as it was in 2007 and state at fair value with changes recognised directly in shareholders' equity. These 101 million CSG A shares were booked at fair value of RMB14.81 (HK$16.84), being CSG's A share price as at the balance sheet date, and resulting in an accumulated increase in shareholders' equity of approximately HK$1,213 million. Such increase has not been reflected as profit for the Period, thereby leading to a decline in gain from non-recurring items over the same period of 2007. This however does not affect the Group's business operation, cash flow and net asset value. Upon disposal of such CSG A shares, the accumulated fair value adjustments recognised in shareholders' equity are included in the income statement as gains or losses.

In the first half of 2007, the Group realised a profit of approximately HK$80.55 million from the disposal of all its holding in CSG's B shares. The Group also reclassified CSG from an associate with 101 million tradable A shares of CSG were classified as "Financial Assets through profit or loss" and booked at CSG's A-share market prices in accordance with applicable accounting standards, which resulted in non-recurring, unrealised gain before tax of HK$1,142 million in 2007. As at 30 June 2008, the Group held a total of 16 million non-tradable A shares of CSG which will become tradable in May 2009 and were classified as "Available-for-sale financial assets" in accordance with the applicable accounting standards. These shares have been stated at a price of RMB8 (HK$9.09) per share.

Furthermore, for the same period of 2007, the Group made adjustments to deferred tax liabilities as a result of the change in PRC income tax rate, and increase income tax expense of HK$35 million. On the other hand, in the first half of 2007, due to continuous increase in the share price of the Company, the fair value of the derivative liability of the convertible bonds with an aggregate principal amount of HK$600 million issued in February 2006 recorded a corresponding growth. A book loss of approximately HK$179 million arising from the change in fair value of the derivative liability of the convertible bonds was recognised. The above two items resulted in aggregated non-recurring loss of HK$214 million recognised by the Group in the same period of 2007.

During the Period, the Group disposed of a 35% equity interest in Grand Autopark Company Limited ("Grand Autopark") and recognised a profit after tax and minority interest of HK$143 million.

MAJOR EVENTS DURING THE PERIOD

1. Impact of economic conditions in PRC on business development of the Group in first half year

Rainstorms and snowstorms in January 2008 and earthquakes in Sichuan in May 2008 in the PRC

In January and May 2008, the PRC witnessed devastating low-temperature rainstorms and snowstorms and earthquakes in Sichuan. Wuhuang Expressway in Hubei Province which is jointly held by the Group and Shenzhen Expressway is located in the affected area of rainstorms and snowstorms. It was closed for certain hours for three days during the snowstorms. Such period of closure of Wuhuang Expressway was relatively short as compared to other expressways within the province. The operating performance of Wuhuang Expressway was, however, affected to a certain extent as it provided free passage to vehicles delivering relief materials to affected areas as well as to carrier vehicles transporting fresh agricultural products in order to fully comply with the relevant policies adopted by the PRC government. Thereafter, proactive remedial measures have been actively implemented on Wuhuang Expressway, including strengthening the operation management, so as to actively mitigate the impact brought by the toll free policy.

Impact of the macro-economic trends

As Shenzhen has an export-oriented economy, larger impact was exerted on Shenzhen's economy by a slowing growth in the global economy arising from slowing economic growths in developed countries like the United States starting from the second half of 2007. Industrial and transportation industries bore the brunt of the slowdowns. The Group's logistic park business was also affected by such market conditions. Enlisting business operators for newly built logistic centres was slower than expected. In response to the unfavourable changes in the macro-economic environment, the Group actively studied corresponding strategies, including stepping up efforts in market development, controlling the pace of investment, strengthening the integration and enhancement of internal resources along with raising coping awareness and abilities, with an aim to mitigate the negative effects brought by the macro-economic factors.

2. Actively pushing ahead merger and acquisition and integration of quality logistic resources and toll road projects and gradually reducing investments in non-core businesses

After having successfully acquired and increased the shareholdings in various quality logistic infrastructure assets with the support of the Shenzhen Municipal Government, and after having gained controlling interests in such assets in 2007, the Group actively pushed ahead merger and acquisition and integration work on quality logistic resources and toll road projects during the Period.

Entrusting Shenzhen Expressway to operate and manage Longda Expressway

The Group entered into an entrusted operation management agreement in January 2008, pursuant to which the Group entrusted Shenzhen Expressway to operate and manage its 100% equity interest in Baotong Company and the 89.93% equity interest held by Baotong Company in Shenzhen Longda Expressway Company Limited ("Longda Company"). Shenzhen Expressway integrated the operation of Longda Expressway into a unified management system, which could boost operation efficiency and create a win-win situation for the Group and Shenzhen Expressway.

Investing in, construction and operation of the Wharf and Logistic Centre at Xiba Port of Nanjing Chemical Industrial Park

In March 2008, the Group, Nanjing Port Authority and Nanjing Chemical Industry Park Co., Ltd. jointly established Nanjing Xiba Wharf Co. Ltd. ("Nanjing Xiba Wharf Company") (holding interests of 70%, 15% and 15%, respectively) to construct and operate the project which comprises five deep-water terminals for 50,000-ton vessels and logistic centres at Xiba Port of Nanjing Chemical Industrial Park. The Nanjing Xiba Port project commands an excellent geographical location, and by investing in the Nanjing Xiba Port project, the Company will further expand the coverage of its logistic infrastructure resources and will strengthen its continued development in the industry, as well as facilitating the formation of a logistic infrastructure resource network in the country's major economic powerhouses such as the Bohai Rim, the Yangtze River Delta and the Pearl River Delta.

Acquiring a 40% equity interest in Shenzhen Western Logistics and disposing of a 35% equity interest in Grand Autopark

On 22 April 2008, the Group entered into two agreements with Shenzhen Nanyou (Group) Holdings Limited ("Nanyou Group") for acquiring a 40% equity interest in Shenzhen Western Logistics from Nanyou Group for RMB350 million and disposing of the entire 35% equity interest in Grand Autopark to Nanyou Group for RMB468 million. The above acquisition and disposal were completed on 26 June 2008. The Group's equity interest in Shenzhen Western Logistics increased from 60% to 100% and the Group disposed of the merely 35% equity interest held in Grand Autopark through this opportunity. The Group will implement the development strategy and business plan of Shenzhen Western Logistics more efficiently, speed up the progress of projects and the pace of business expansion while timely recruiting strategic partners with international logistic resources and experiences so as to boost the business development and enhance the profitability of Shenzhen Western Logistics.

Acquiring a 55.39% equity interest in Yantai Beiming Logistics Co., Ltd.

During the Period, the Group successfully acquired a 55.39% equity interest in Yantai Beiming Logistics Co., Ltd. at a consideration of RMB52.202 million on 26 June 2008 through acquisition and capital injection. Yantai Beiming Logistics Co., Ltd. has facilities in Yantai, Shandong Province include bonded warehouses, normal warehouses, warehouses with constant temperature and warehouses in the Export Processing Zone, occupying an area of 50,000 square metres. It provides bonded warehousing, customs-monitored transportation, normal goods warehousing and transportation, and delivery services to large-scale manufacturing enterprises within the Export Processing Zone in Yantai. The Group will continue to acquire core, critical and fundamental resources with customs bonded functions within other administrative regions in the PRC and other national-level chemical and logistic projects through investment or merger and acquisition, with a view to gradually securing economies of scale and establishing core resources.

Gradually reducing investments in non-core businesses

The Group is gradually reducing investments in non-core businesses to further focus its resources in core logistic business. Since 2007, the Group has disposed of CSG's B shares and a portion of tradable CSG's A shares that it held. During the Period, the Group disposed of a total of 10.86 million CSG's A shares held by the Group on the Shenzhen Stock Exchange, recorded a profit after tax of approximately HK$26 million. The above proceeds from disposing of non-core businesses will be invested in quality logistic infrastructure projects in which the Company has control, so as to optimise the overall development strategy of the Group. This enables the Group to allocate resources in the most effective manner, thereby further enhancing asset returns brought by core logistic infrastructure businesses to the Group.

3. Actively following up the progress of the approval of the acquisition of 100% equity interest in Shenzhen Shen Guang Hui Highway Development Company ("SGH Company")

On 16 October 2007, the Group entered into an agreement with Shenzhen Municipal State-owned Assets Supervision and Administration Commission for the acquisition of 100% equity interest in SGH Company, whose sole major asset is the 411 million shares (18.868%) held in Shenzhen Expressway, at a consideration of RMB2,661 million. Upon completion of the acquisition, the shareholding in Shenzhen Expressway held by the Group will be increased from 31.153% to 50.021%, and Shenzhen Expressway will change from an associate to a subsidiary of the Company. The acquisition of SGH Company has been approved by regulatory authorities in Hong Kong, shareholders of the Company, the Shenzhen Municipal Government, State-owned Assets Supervision and Administration Commission under the State Council, and the Ministry of Commerce of the People's Republic of China. Currently, the Company continues the relevant work to apply for approval from the China Securities Regulatory Commission on the above-mentioned acquisition. It is expected that the transaction will be completed before the end of 2008 and, at that time, the full-year results of Shenzhen Expressway will be reflected in the 2008 annual results of the Group.

ANALYSIS OF MAJOR BUSINESS OPERATIONS

Toll Road Business

During the Period, the Group’s toll road business recorded a turnover of approximately HK$363 million (2007: HK$249 million) and profit before finance costs and tax of approximately HK$278 million (2007: HK$193 million), representing increases of 46% and 44% respectively, over the same period of 2007. This was mainly attributable to significant increases of 91% and 63% respectively in average daily toll revenue and traffic volume of Longda Expressway, which served as the main driving force to the growth of the Group’s results during the Period.

Longda Expressway

During the Period, Longda Expressway recorded a turnover of HK$270 million (2007: HK$166 million), representing an increase of 63% over the same period of 2007. Of such turnover, toll revenue amounted to HK$201 million and revenue from construction service amounted to HK$69 million. The Group’s share of profit before finance costs and tax amounted to HK$135 million (2007: HK$58 million), representing an increase of 1.3 times.

Benefitting from the economic development of the peripheral areas, a persistent enhancement of the expressway network, a surge in the number of vehicles, coupled with the successive openings to traffic of Longda Expressway Dongguan Section, Fulong Freeway in Shenzhen (which is connected with Longda Expressway) and Nanguang Expressway, the end point of Longda Expressway was connected with Changhu Expressway while its starting point was connected with downtown of Futian urban area in Shenzhen. Such connections made the route advantage of Longda Expressway more prominent. Besides, the traffic volume of Longda Expressway reported a significant increase over the same period of 2007 as a number of vehicles changed to travel on Longda Expressway due to the recent large-scale maintenance carried out along Guangzhou-Shenzhen Expressway. During the Period, toll revenue and traffic volume of Longda Expressway recorded a surge, with total average daily toll revenue amounting to HK$1.11 million and average daily traffic volume amounted to approximately 50,600 vehicles in the first half, reporting respective increases of 91% and 63% over the same period of 2007.

Besides, the expansion project of Luotian Tolling Station on the Dongguan Section of Longda Expressway was completed at the end of March 2008. It greatly alleviated previous traffic congestion upon opening to traffic and enabled a smoother, quicker and more convenient traffic on Longda Expressway. The average daily revenue of this tolling station posted an increase of approximately 1.2 times over the same period of 2007. Despite natural disasters, rising crude oil prices and changes in traffic conditions in the peripheral areas, these have not caused any material impact on the overall operating revenue and profit of Longda Expressway during the Period.

Wuhuang Expressway

During the Period, revenue from principal operations and profit before finance costs and tax of Wuhuang Expressway were HK$205 million (2007: HK$185 million) and HK$108 million (2007: HK$97 million) respectively, both representing increases of 11% over the same period of 2007, among which HK$92 million and HK$48.60 million were attributable to the Group.

During the Period, driven by favourable factors such as the Spring Festival and the Ching Ming Festival holidays, traffic volumes of passenger vehicles of Wuhuang Expressway saw a growing trend as compared to the second half of 2007 while those of trucks saw a decline in the second half of 2007 aggravated by factors such as natural disasters and rising oil prices. Total toll revenue and total traffic volume of Wuhuang Expressway during the Period reported respective increases of 11% and 7% over the same period of 2007.

In early 2008 and May 2008, the PRC suffered from devastating snowstorms and severe earthquake in Sichuan. To fully complement the relevant policies adopted by the PRC government, Wuhuang Expressway waived toll fees on carrier vehicles which transport relief materials to affected areas to ensure giving way to relief vehicles with easy passage. Hubei Provincial Department of Communications will implement such policies until 31 December 2008 and waive the toll fees for carrier vehicles transporting fresh agricultural products. Various toll free policies increased the traffic flow of vehicles enjoying free passage and the waiving amount of Wuhuang Expressway, thereby having considerable impact upon the toll revenue from Wuhuang Expressway.

After “Three Roads and a Bridge” surrounding Wuhan were opened to traffic in December 2007, Jingyi Expressway (Jingmen – Yichang), a key passage linking the expressway from Shanghai to Chengdu, was incorporated into the provincial expressway network of Hubei Province in January 2008. These did not only enhance the provincial expressway network of Hubei Province, but also stimulate considerably the growth in traffic volume of Wuhuang Expressway. It will also directly boost the growth in traffic volume of Wuhuang Expressway in the future.

Shenzhen Expressway

During the Period, Shenzhen Expressway recorded a turnover of RMB1,758 million (2007: RMB1,653 million), representing an increase of 6% over the same period of 2007. Profit attributable to shareholders amounted to RMB284 million (2007: RMB290 million), representing a decrease of 2% over the same period of 2007, of which the Group’s share was HK$95.69 million (2007: HK$91.26 million),

Although toll revenues from the principal toll expressways operated and invested by Shenzhen Expressway maintained considerable growth in general during the Period, the toll revenue and profit of Meiguan Expressway saw certain declines over the same period of 2007 as it was affected by maintenance works on connecting roads and changes in the road network. For Nanguang Expressway, relevant borrowing interests had ceased capitalisation since its opening to traffic, leading to a significant increase in finance costs over the same period of 2007. Certain jointly-controlled entities and associates of Shenzhen Expressway reported lower-than-expected operating performance due to the impact of rising finance costs and the toll free policies. Besides, operating costs of Shenzhen Expressway were lifted by mounting inflation. The above-mentioned factors resulted in a decline in the operating results of Shenzhen Expressway during the Period over the same period of 2007.

During the Period, traffic volumes and toll revenues from a majority of toll highways of Shenzhen Expressway maintained growth, of which about one-third of the toll highways recorded double-digit growth, including Shuiguan Expressway, Jihe East and the highways which were opened to traffic in the recent two years including Yanpai Expressway, Jiangzhong Project and Guangzhou West Second Ring Expressway. Impacted by a continuous growth yet at a slowing pace in the national economy of the PRC in the first half of 2008, the operating performance of the toll highways of Shenzhen Expressway witnessed an overall growth momentum but at a slowing pace in the first half of 2008.

The toll highway projects currently under construction or reconstruction at Shenzhen Expressway include Yanba Expressway (C section) and the reconstruction of Qinglian Class 1 Highway into an expressway. Currently Yanba Expressway (C section) is progressing smoothly and is expected to complete construction within this year. The snowstorms and persistent rainstorms in the first half of 2008 affected considerably the construction progress of Qinglian Project, but Shenzhen Expressway actively adopted effective measures to cope with these hurdles correspondingly. At the end of June 2008, road surface works on the reconstructed sections of Qinglian Project were basically completed; works on most of the tunnels along the highway were completed; and the superstructure on Dubu Bridge, which is the critical-path portion of the project, has commenced construction. All reconstruction works of the highway into an expressway are expected to be completed within this year as planned.

Logistic Park Business

During the Period, the Group’s logistic park business recorded a turnover of approximately HK$73 million (2007: HK$61 million) and a profit before finance costs and tax of approximately HK$23 million (2007: HK$22 million), representing respective increases of 20% and 5% over the same period of 2007. The overall logistic park business reported stable growth.

Shenzhen South-China International Logistics Co., Ltd. (“South China Logistics”)

During the Period, South China Logistics recorded a turnover of HK$43 million (2007: HK$34 million), representing an increase of 26% over the same period of 2007. Profit before finance costs and tax amounted to HK$13.40 million (2007: HK$10.40 million), representing an increase of 29% over the same period of 2007.

The current logistic centre at South China Logistics has a total area of 112,000 square metres. Construction works of two 2-storey logistic centres with an aggregate area of 52,000 square metres were delayed and officially commenced operation only in March and May 2008 respectively. As at the end of July 2008, the occupancy rate of the new logistic centres reached 80%. South China Logistics will seek to increase its occupancy rate to 100% before the end of the third quarter of 2008.

During the Period, although transiting carrier vehicles were stranded due to the impact of unfavourable export conditions coupled with snowstorms in early 2008, the clientele and overall business volume of the transiting business of South China Logistics remained stable while processing volume saw an increase of 9% over the same period of 2007. It is expected that the transiting business could continue to enhance the operating scale of South China Logistics and generate considerable revenue. During the Period, the handling volume of the empty container depot business has a steady growth.

Looking ahead to the second half of 2008, amid surging raw material and energy prices throughout the PRC, a persistent appreciation of Renminbi and an increase in export costs for enterprises in the PRC, South China Logistics has been adopting active measures including strengthening efforts in sales and marketing and exercising stringent controls on costs and expenses, so as to make preparation for the economic recessions in Europe and the United States and for the continued contractionary control measures in the PRC, with a view to ensuring various businesses to maintain performance at a satisfactory level.

Shenzhen Western Logistics

During the Period, Shenzhen Western Logistics recorded a turnover of HK$15.30 million (2007: HK$12.90 million) and a profit before finance costs and tax of HK$11.40 million (2007: HK$7.80 million), representing respective increases of 19% and 46% over the same period of 2007. The increases were mainly derived from the increase in rental income of the empty container depot business.

During the Period, empty container depot business of Shenzhen Western Logistics remained steady. Shenzhen Western Logistics will continue to enhance the quality of service delivered to customers, strengthen the customer base of depot business, and maintain the occupancy rate of existing lands in order to maximise the efficiency of land operation.

Shenzhen Western Logistics owns an area of 380,000 square metres in the Western Logistic Park. The first phase is to build a 2-storey frame-structured logistic centre with a gross floor area of approximately 37,000 square metres. The function of the logistic centre is to act as a customs bonded warehousing logistic centre which provides services such as leasing, customs declaration and loading/unloading. The logistic centre was originally scheduled to commence operation in March 2008, but was delayed by the impact of changes in customs policies during the Period. However, through active communication between Shenzhen Western Logistics and customs authorities, the logistic centre officially commenced operation in June 2008 and has successfully attracted certain customers, with area of approximately 20% being leased out currently. The logistic centre was in smooth operation and Shenzhen Western Logistics is proactively negotiating with a number of customers and such negotiations have reached finalisation stage. Shenzhen Western Logistics strived to lease out all areas by the end of 2008 and to enhance its management standards.

Looking ahead to the second half of 2008, the main tasks of Shenzhen Western Logistics are to complete the work on enlisting business operators for the first phase of the logistic centre, to capture business opportunities and to actively communicate with well-known logistic enterprises in Shenzhen and Hong Kong so as to attract them to move into the Western Logistic Park, with a view to maximising its business profits. Meanwhile, it will undertake initiatives to carry out the construction of the second phase of the logistic centre.

Shenzhen Airport International Express Supervision Center Co., Ltd. ("SZ Airport Express Center")

During the Period, the turnover of SZ Airport Express Center amounted to HK$14.60 million (2007: HK$25.60 million), representing a decrease of 43% over the same period of 2007. The Group share of profit after tax of SZ Airport Express Center amounted to HK$430,000 (2007: HK$5.30 million). During the Period, aggregated express cargo volume handled by SZ Airport Express Center totalled 35,100 tons, representing a decrease of 53% over the same period of 2007. Of such volume, the volumes of import express cargo and export express cargo recorded respective decreases of 32% and 89% over the same period of 2007. SZ Airport Express Center was faced with an environment in which Shenzhen Customs stepped up efforts in export and import express cargo inspection as a result of the adjustments to express cargo customs clearance policies, along with meeting requirements of security work for the Olympic Games, which exerted much pressure on the express cargo volume handled and the operating revenue generated by SZ Airport Express Center.

The main tasks of SZ Airport Express Center in the second half of 2008 include continuously strengthening coordination with the customs and the inspection and quarantine authorities, striving to create an environment conducive to customs clearance; pursuing diversified businesses through the utilization of air cargo service platform; and striving to trim operating costs and expenses in order to achieve better economic efficiency.

Nanjing Chemical Industrial Park Logistic Centre

In 2007, the Group invested to build a logistic centre at the Nanjing Chemical Industrial Park ("Nanjing Chemical Industrial Park Logistic Centre"). The centre has a site area of approximately 95,000 square metres, upon which chemical product warehouses and dangerous goods warehouses will be built to provide logistic consultation, solution planning and integrated logistic operating services to large chemical enterprises in the park and the nearby regions.

During the Period, Nanjing Chemical Industrial Park Logistic Centre posted a turnover of HK$7.80 million (2007: HK$0.97 million) and achieved breakeven earnings before interest, tax, depreciation and amortisation. The business operation of the logistic centre has been proceeding smoothly since Phase I of the construction project had been completed as scheduled in September 2007 and the centre gradually commenced operation. Rigorous work on enlisting business operators for the logistic centre with an aggregate area of 18,000 square metres has been underway with a focus on foreign-invested chemical enterprises in the region as target customers. During the Period, Nanjing Chemical Industrial Park Logistic Centre successfully entered into warehouse collaboration contracts and logistic collaboration contracts with a number of enterprises within and outside the park and has commenced operation. The work on enlisting business operators for non-dangerous goods logistic centres has been completed with an occupancy rate of 100%. It is currently rigorously negotiating with chemical enterprises within and outside the park for enhancing the occupancy rate of the dangerous goods logistic centres.

Looking ahead to the second half of 2008, Nanjing Chemical Industrial Park Logistic Centre will continue the construction of Phase II project while diligently improving the quality of service delivered to existing customers, further improving internal operating procedures, accelerating the expansion of the transportation business and expanding market shares.

Port Business

Nanjing Xiba Wharf Company

Nanjing Xiba Wharf Company, in which the Group holds a 70% equity interest, was jointly established by the Group, Nanjing Port Authority and Nanjing Chemical Industry Park Co., Ltd., with an aim to construct and operate the project which comprises five deep-water terminals for 50,000-ton vessels and logistic centres at Xiba Port of Nanjing Chemical Industrial Park.

The Nanjing Xiba Port project will be constructed in two phases. The total investment for the first phase of the project is RMB800 million, involving the construction and operation of two dry bulk and general terminals for 50,000-ton vessels and a logistic centre with a site area of 400,000 square metres. The first phase is expected to be completed by the end of 2009. The second phase will be developed into three general solid dry bulk terminals for 50,000-ton vessels and a logistic centre. The terminals will occupy a site area of 800,000 square metres and the logistic centre will have a site area of 700,000 square metres. The second phase is expected to commence construction within four years after the completion and commencement of operation of the first phase's terminals and logistic centre. The terminals and logistic centres will be mainly engaged in logistic transition and related services such as loading/unloading and storage of thermal coal, raw material coal and solid chemical raw materials for enterprises within Nanjing Chemical Industrial Park and in nearby areas.

The main tasks carried out by Nanjing Xiba Wharf Company since its establishment include rigorously pushing ahead the proposal and application work on the project and conducting market studies in various aspects in order to better consolidate the function and positioning of the Nanjing Xiba Port project.

Looking ahead to the second half of 2008, the progress of the Nanjing Xiba Port project will be at a critical moment. Nanjing Xiba Wharf Company will actively seek approvals from relevant provincial, regional and national authorities; then complete the tendering work for units under construction and equipment as soon as practicable; and strive to complete the pilings of water works construction and soft foundation treatment of roads and depots in the fourth quarter, in order to commence construction as scheduled and to achieve expected economic efficiency in the future operation.

Logistic Service Business

The logistic service business of the Group mainly includes the provision of third party logistic and logistic information services to customers.

During the Period, the logistic service business of the Group recorded a turnover of approximately HK$86 million (2007: HK$97 million) and a profit before finance costs and tax of approximately HK$4 million (2007: a loss of HK$1 million). During the Period, spiralling logistic operating costs were exacerbated by intensifying market competition in the businesses of third party logistics and complementary transportation, together with the impact of the snowstorms in southern China, earthquake in Sichuan, surging oil prices and the security requirements for the Olympic Games in the first half of 2008. Confronted with enormous market pressure, the Group strengthened its controls on costs and expenses while adjusting and optimising its business structure. Meanwhile, the Group withdrew from operations with low profitability and focused resources on stabilising and developing initiatives on quality customers. During the Period, Shenzhen EDI Co., Ltd. actively expanded new value-added application services while protecting and strengthening existing businesses. At the same time, it continued to enhance the function of the shipping business network and adjust its sales strategy.

DEVELOPMENT FOCUS AND OUTLOOK OF THE GROUP

The Group sought to capture opportunities and tackled challenges amid an increasingly complex and rapidly changing economic environment. Leveraging the combined favourable factors such as the Group's strong capital, experience in the infrastructure industry and human resources, the Group plans to further pursue investment, construction and operation in logistic infrastructure such as toll roads, logistic parks and terminals in the future.

The Group will continue to adjust and optimise its asset structure and profit structure. It will gradually dispose of its assets in non-core businesses in order to focus the resources in its two core businesses of logistics and toll roads, with a view to strengthening control and management effectiveness in its principal assets. The Group will also expand to businesses and management modes which meet strategic needs and complement future development; establish rational operating and management structure; as well as enhance internal management and operating efficiency through various measures such as improving information technology and brand building.

Following increases in equity interests and new constructions of logistics projects such as Shenzhen Western Logistics, Nanjing Xiba Wharf Company and Yantai Beiming Logistics Co., Ltd, the Group will continue to focus on its strategic objectives to identify and rigorously pursue merger and acquisition activities on quality logistic resources and toll road projects. Meanwhile, the Group will proactively enlist business operators and attract working partners for its new logistic centres; achieve synchronised growth in corporate scale and profitability; and enhance overall corporate values and the level of sustainable development of the Company.

FINANCIAL POSITION

	30 June 2008 *HK$ million*	31 December 2007 *HK$ million*	Increase/ (Decrease)
Total Assets	11,481	10,971	5%
Total Liabilities	3,212	3,565	(10%)
Shareholders' Equity	8,269	7,406	12%
Cash and Cash Equivalents	1,736	2,769	(37%)
Total Borrowings			
Short Term Bank Loans	33	904	(96%)
Long Term Bank Loans due for repayment within one year	65	56	16%
Long Term Bank Loans	173	236	(27%)
Total Borrowings	271	1,196	(77%)
Net Cash	1,465	1,573	(7%)
Debt Instruments - zero coupon convertible bond	1,551	1,518	2%
Debt Asset Ratio (Total Liabilities/Total Assets)	28%	32%	(4%) **
Ratio of Total Borrowings to Total Assets	2%	11%	(9%) **
Ratio of Net Cash to Shareholders' Equity	18%	21%	(3%) **

** *Change in percentage point*

As at 30 June 2008, cash and cash equivalents of the Group amounted to HK$1,736 million (31 December 2007: HK$2,769 million), representing a decrease of 37% over that of 31 December 2007. This was mainly attributable to the repayment of a bank loan of approximately RMB900 million in early 2008. Currently, the Group possesses sufficient cash and a low gearing ratio, with a very solid financial position and has ample resources to invest in logistic infrastructure projects to further enhance shareholders' value.

As at 30 June 2008, total bank loans of the Group amounted to approximately HK$271 million (31 December 2007: HK$1,200 million), of which 36%, 63% and 1% were due for repayment within one year, two years and three years or after, respectively. Approximately HK$232 million of the loans are repayable in Hong Kong dollar and HK$6 million are repayable in US dollar, and the remaining balances of approximately HK$33 million are borrowings from banks in the PRC and repayable in Renminbi. As at 30 June 2008, cash and cash equivalents of the Group amounted to HK$1,736 million. Of such cash and cash equivalents, approximately HK$1,612 million are denominated in Renminbi; HK$122 million are denominated in Hong Kong dollar and the remaining balance of approximately HK$2 million are denominated in US dollar.

The Group's cash inflow is primarily denominated in Renminbi, and the cash outflow denominated in Hong Kong dollar mainly comprises cash dividend payment to shareholders and scheduled repayments of bank loans. As the borrowing costs of Hong Kong dollar is lower than that of Renminbi and it is anticipated that Renminbi has appreciation potential, the financing strategy of the Group is to borrow in Hong Kong dollar and invest in Renminbi-denominated assets in the PRC, thereby reducing the Group's overall borrowing costs on the one hand and benefiting from the Renminbi appreciation on the other hand. Due to the spread of the subprime mortgage crisis in the United States, US dollar continued to depreciate, thereby leading to further restricted lending quotas in the entire lending market and rising lending costs for enterprises. As a result, the Group repaid a bank loan of approximately RMB900 million during the Period, leading to a significant decrease of total bank loans by 77% over the end of 2007. Besides, Renminbi appreciated by approximately 7% during the Period, and the Group's net asset value increased by approximately HK$500 million accordingly, given the cash and assets held by the Group were primarily denominated in Renminbi. In the short run, the risk of exchange rate between Renminbi and Hong Kong dollar will be relatively low. The Group will review and monitor from time to time the risks relating to foreign exchanges and timely acquire derivatives on the financial market to mitigate exchange risks.

As at 30 June 2008, the Group had cash in hand and standing banking facilities of approximately HK$4,324 million, while utilised banking facilities amounted to HK$271 million. In addition, the Group entered into a term loan facility totalling HK$1,340 million with four banks at the end of July for the payment of part of the consideration to acquire the equity interests in SGH Company. The Group has entered into a fixed interest rate swap contract in respect of the term loan facility so as to reduce the risk arising from increasing interest rates. Currently, the Group has sufficient financial resources and sound financing capability along with sufficient cash in hand, and will make full use of this advantage to continue to identify quality investment opportunities. It will also review its capital and loan structures from time to time so as to lower its funding and financing costs, as well as further increasing the overall returns for its shareholders through channels such as cash payments to shareholders and share repurchases.

POST BALANCE EVENT

Subsequent to the balance sheet date and up to date of this announcement, the Company had repurchased 30,972,500 shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The highest and lowest prices paid for such purchases were HK$0.75 and HK$0.70 respectively. The total amount paid to repurchase these shares amounted to HK$22,300,775.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Period, the Company repurchased an aggregate of 56,682,500 shares on the Stock Exchange. The highest and lowest price paid for all such purchases were HK$0.76 and HK$0.72 respectively. The total amount paid to repurchase these shares was HK$42,058,625 and has been deducted from shareholders' equity. These shares acquired have been fully cancelled as at 30 June 2008. The repurchases were effected by the Board for the enhancement of earnings per share of the Company with a view to benefitting shareholders as a whole.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

CORPORATE GOVERNANCE

The Board is committed to maintaining a high standard of corporate governance in the best interests of the 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 Code on Corporate Governance Practices (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: (a) Code Provisions; and (b) Recommended Best Practices. As disclosed in the Corporate Governance Report contained in the Company's 2007 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 assist the Audit Committee to review the unaudited 2008 interim financial statements of the Group.

Before the date of this announcement, a meeting of the Audit Committee has been held with the Auditors of the Company for reviewing the interim financial statements of the Group for the six months ended 30 June 2008. The Group's unaudited interim results and condensed consolidated financial statements have been reviewed by the Company's Auditors, PricewaterhouseCoopers. Their review report will be included in the interim report to be despatched to the shareholders.

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

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, Zhang Hua Qiao 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.

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

Hong Kong, 4 September 2008