SHENZHEN INTERNATIONAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)
(Stock Code: 152)

2008 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 2008 (the "Year") together with comparative figures for the year ended 31 December 2007 as follows:

Consolidated Income Statement:

		Year ended 31 December	
		2008	2007
		HK$'000	*HK$'000*
	Note		(Restated)
Revenue	(3)	**5,951,614**	4,984,600
Cost of sales		**(4,665,236)**	(3,792,932)
Gross profit		**1,286,378**	1,191,668
Other gains - net	(4)	**160,150**	2,214,710
Other income	(5)	**104,782**	114,869
Distribution costs	(6)	**(21,757)**	(19,621)
Administrative expenses	(6)	**(214,332)**	(203,760)
Other operating expenses	(6)	**(1,499)**	(6,190)
Operating profit	(3)	**1,313,722**	3,291,676
Share of profit of jointly controlled entities		**244,439**	142,059
Share of (loss)/profit of associates		**(17,601)**	17,842
Profit before finance costs and tax		**1,540,560**	3,451,577
Finance income	(7)	**61,866**	51,901
Finance costs	(7)	**(445,761)**	(304,854)
Fair value loss on derivative liability of convertible bonds	(7)	**-**	(196,173)
Finance costs – net	(7)	**(383,895)**	(449,126)
Profit before income tax		**1,156,665**	3,002,451
Income tax expense	(8)	**(190,043)**	(550,900)
Profit for the Year		**966,622**	2,451,551
Attributable to:			
Equity holders of the Company		**574,986**	2,122,541
Minority interest		**391,636**	329,010
		966,622	2,451,551

Consolidated Income Statement (CONTINUED):

	Note	Year ended 31 December 2008 HK$'000	2007 HK$'000 (Restated)
Earnings per share for the profit attributable to the equity holders of the Company during the Year (expressed in HK cents per share)			
– Basic	(9)	**4.06**	15.69
– Diluted	(9)	**4.04**	14.88
Dividends	(10)	**203,398**	639,818

CONSOLIDATED BALANCE SHEET:

	Note	As at 31 December 2008 HK$'000	2007 HK$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**1,636,136**	869,503
Investment properties		**49,183**	32,580
Leasehold land, land use rights and other leased assets		**509,656**	433,502
Construction in progress		**341,542**	584,228
Intangible assets		**18,125,699**	13,716,069
Investments in associates		**1,441,731**	1,423,285
Investments in jointly controlled entities		**773,559**	923,679
Available-for-sale financial assets		**95,726**	222,652
		22,973,232	18,205,498
Current assets			
Available-for-sale financial assets		**1,134,638**	854,228
Financial assets at fair value through profit or loss		**149,827**	591,069
Assets held for sale		**14,717**	13,632
Trade and other receivables	(11)	**573,899**	417,091
Restricted bank deposits		**160,168**	17,449
Cash and cash equivalents		**1,901,000**	3,319,744
Derivative financial instruments		**7,143**	-
		3,941,392	5,213,213
Total assets		**26,914,624**	23,418,711
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**2,941,407**	3,043,104
Other reserves		**(1,374,813)**	368,589
Retained earnings			
– Proposed dividends		**203,398**	639,818
– Others		**3,139,929**	2,834,832
		4,909,921	6,886,343
Minority interests		**4,972,684**	4,647,839
Total equity		**9,882,605**	11,534,182

CONSOLIDATED BALANCE SHEET (CONTINUED):

		As at 31 December	
		2008	2007
		HK$'000	*HK$'000*
	Note		(Restated)
LIABILITIES			
Non-current liabilities			
Borrowings		**7,302,217**	4,556,603
Derivative financial instruments		**51,460**	1,869
Provision for maintenance/resurfacing obligations		**366,426**	261,855
Convertible bonds		**3,066,685**	2,720,005
Deferred income tax liabilities		**875,921**	937,783
Deferred income		**33,608**	65,805
		11,696,317	8,543,920
Current liabilities			
Trade and other payables	(12)	**3,233,979**	1,084,503
Income tax payable		**159,875**	127,105
Borrowings		**1,941,848**	2,129,001
		5,335,702	3,340,609
Total liabilities		**17,032,019**	11,884,529
Total equity and liabilities		**26,914,624**	23,418,711
Net current (liabilities)/assets		**(1,394,310)**	1,872,604
Total assets less current liabilities		**21,578,922**	20,078,102

Notes:

(1) Basis of preparation and accounting policies

The above consolidated income statements and consolidated balance sheet are extracts from the consolidated financial statements of the Company for the year ended 31 December 2008 which 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.

The Group reported net current liabilities of approximately HK$1,394 million as at 31 December 2008. On the basis that the Group has unutilized banking facilities of approximately HK$11,221 million as at 31 December 2008, including approximately HK$7,678 million of facilities expiring beyond one year, and has been generating positive and increasing operating cash flows, the directors of the Company believe that the Group operates as a going concern and is able to meet its financial obligations as and when they fall due. Consequently, the financial statements have been prepared by the directors of the Company on a going concern basis.

(a) Common control combination

Shenzhen Investment Holding Corporation ("SIHC") is the largest shareholder of the Company. SIHC is supervised and managed by Shenzhen Municipal State-owned Assets Supervision and Administration Commission ("Shenzhen SASAC"), which is a state-owned authority. SIHC owned approximately 40.92% interest of the Company as at 31 December 2008 and being the largest shareholder of the Company. As SIHC controls the financial and operating policies of the Company, the directors of the Company regard SIHC as the de facto controller of the Company. Since Shenzhen SASAC supervises and manages SIHC, it controls the financial and operating policies of SIHC. As a result, 40.92% equity interest is indirectly held by Shenzhen SASAC.

On 16 October 2007, Yiwan Industry Development (Shenzhen) Co., Ltd. ("Yiwan"), a wholly owned subsidiary of the Company, entered into an agreement with Shenzhen SASAC, pursuant to which Yiwan has conditionally agreed to acquire 100% of the registered capital of Shenzhen Shen Guang Hui Highway Development Company ("Shen Guang Hui") at a consideration of RMB2,661 million (approximately HK$2,752 million). The acquisition was completed on 30 December 2008, and Shen Guang Hui became a wholly owned subsidiary of the Group. The major asset of Shen Guang Hui is its holding of 411 million restricted A-shares of Shenzhen Expressway Company Limited ("Shenzhen Expressway"), representing approximately 18.868% of the total share capital of Shenzhen Expressway. After the completion of the acquisition, the interest in Shenzhen Expressway held by the Group increased from approximately 31.15% to 50.02% (the share held in aggregate by the Group in Shenzhen Expressway include 1,066 million restricted A-shares and 24.57 million H-shares). Accordingly, Shenzhen Expressway became a subsidiary of the Group. On 2 March 2009, 1,066 million A-shares of Shenzhen Expressway held by the Group became freely tradable.

In addition, Flywheel Investments Limited, a wholly-owned subsidiary of the Company, and Shenzhen Expressway owned 45% and 55% interests of Jade Emperor Limited ("JEL") respectively. After the completion of Shen Guang Hui acquisition, the Company indirectly holds 72.5% interest in JEL, JEL then became a subsidiary of the Group.

The Company, Shen Guang Hui, Shenzhen Expressway, JEL and SIHC are all under the control of Shenzhen SASAC, and thus regarded as different entities under common control. In respect of the merger of different entities under common control, the Company has adopted the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 ‘‘Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), to prepare these consolidated financial statements, assuming that the current structure of the Group has been in existence since Shenzhen SASAC and its controller controlled the Company and the original controlling shareholders of the subsidiaries acquired. The above transactions have been accounted by using merger accounting for common control combinations.

The following demonstrates the effect of adopting merger accounting for common control combinations on the consolidated balance sheets:

Accounts adjustment for merger of entities under common control

Consolidated balance sheet at 31 December 2008

	Group (before adjustments for entities acquired in 2008 under merger accounting)	Combining entities acquired in 2008			Adjustments						Group
		Shen Guang Hui	Shenzhen Expressway	JEL							
			Note(a)	Note(a)	Note(b)	Note(c)	Note(d)	Note (e)	Note (f)	Note (g)	
	HK$'000										*HK$'000*
Original investments in combining entities	4,598,702	664,146	605,293	-	(3,021,191)	(1,746,152)	(1,100,798)	-	-	-	-
Other assets/ (liabilities) - net	2,874,853	139,185	8,194,956	1,198,559	-	(2,248,540)	(156,694)	(119,714)	-	-	9,882,605
Net assets	7,473,555	803,331	8,800,249	1,198,559	(3,021,191)	(3,994,692)	(1,257,492)	(119,714)	-	-	9,882,605
Share capital	2,941,407	99,585	2,056,488	218,400	(99,585)	(2,056,488)	(218,400)	-	-	-	2,941,407
Other reserves	1,835,584	335,217	4,700,510	1,071,450	-	(4,066,718)	(1,091,009)	(23,312)	40,933	(131,189)	2,671,466
Merger reserve	(1,066,380)	-	-	-	(2,921,606)	(58,293)	-	-	-	-	(4,046,279)
Retained Earnings	3,588,720	368,529	1,243,180	(91,291)	-	(1,811,582)	51,917	(96,402)	(40,933)	131,189	3,343,327
Minority Interest	174,224	-	800,071	-	-	3,998,389	-	-	-	-	4,972,684
	7,473,555	803,331	8,800,249	1,198,559	(3,021,191)	(3,994,692)	(1,257,492)	(119,714)	-	-	9,882,605

Consolidated balance sheet at 31 December 2007

	Group (as previously reported)	Combining entities acquired in 2008			Adjustments						Group (as adjusted for the effect of entities acquired in 2008 under merger accounting)
		Shen Guang Hui	Shenzhen Expressway	JEL							
			Note(a)	Note(a)	Note(b)	Note(c)	Note(d)	Note (e)	Note (f)	Note (g)	
	HK$'000										*HK$'000*
Original investments in combining entities	2,417,059	664,146	605,293	-	(839,548)	(1,746,152)	(1,100,798)	-	-	-	-
Other assets/ (liabilities) - net	4,989,221	105,527	7,393,156	1,190,865	-	(1,906,575)	(116,746)	(121,266)	-	-	11,534,182
Net assets	7,406,280	769,673	7,998,449	1,190,865	(839,548)	(3,652,727)	(1,217,544)	(121,266)	-	-	11,534,182
Share capital	3,043,104	99,585	2,056,488	218,400	(99,585)	(2,056,488)	(218,400)	-	-	-	3,043,104
Other reserves	1,433,730	268,878	4,061,610	1,027,862	-	(3,427,218)	(1,027,609)	(13,772)	40,933	(131,189)	2,233,225
Merger reserve	(1,066,380)	-	-	-	(739,963)	(58,293)	-	-	-	-	(1,864,636)
Retained earnings	3,720,776	401,210	1,130,141	(55,397)	-	(1,733,307)	28,465	(107,494)	(40,933)	131,189	3,474,650
Minority interest	275,050	-	750,210	-	-	3,622,579	-	-	-	-	4,647,839
	7,406,280	769,673	7,998,449	1,190,865	(839,548)	(3,652,727)	(1,217,544)	(121,266)	-	-	11,534,182

Note (a): The above financial information are extracted from the financial statements of Shenzhen Expressway and JEL and have been restated after adopting HK(IFRIC 12) – Int 12 'Service Concession arrangements' .

Note (b): The adjustment represents the elimination of share capital of Shen Guang Hui against the investment cost in Shen Guang Hui resulting in a debit in merger reserve.

Note (c): Investments in Shenzhen Expressway were previously accounted for as investments in an associate by the Company and Shen Guang Hui before the completion of the acquisition. The adjustments represent:

(i) Reversal of share of accumulated profits and other reserves from investments in Shenzhen Expressway in the books of the Company and Shen Guang Hui as at 31 December 2007 and 2008;

(ii) Elimination of share capital and share premium of Shenzhen Expressway against the investment cost in Shenzhen Expressway by the Company and Shen Guang Hui, resulting in a debit in merger reserve

(iii) Recognition of minority interests of Shenzhen Expressway in the consolidated balance sheet of the Group as at 31 December 2007 and 2008.

Note (d) Investments in JEL were previously accounted for as investments in a jointly controlled entity by the Company and Shenzhen Expressway before the completion of the acquisition. The adjustments represent:

(i) Reversal of share of accumulated profits from investments in JEL in the books of the Company and Shenzhen Expressway as at 31 December 2007 and 2008;

(ii) Elimination of share capital of JEL against the investment cost in JEL by the Company and Shenzhen Expressway.

Note (e) Xin Tong Chan Development (Shenzhen) Co., Ltd. ("Xin Tong Chan"), a company controlled by Shenzhen SASAC and has now become a subsidiary of the Company. Xin Tong Chan injected its fixed assets and other assets into Shenzhen Expressway during Shenzhen Expressway's establishment in 1996. The appraised value of such assets contributed by Xin Tong Chan was recorded in the books of Shenzhen Expressway which were higher than the then carrying value of the assets in the books of Xin Tong Chan. The difference between the appraised value and the then carrying value, and the related additional depreciation or amortization charge, should be reversed accordingly upon the common control combinations among Shen Guang Hui, Xin Tong Chan and Shenzhen Expressway which are all controlled by the Shenzhen SASAC.

Note (f) During the year ended 31 December 2006, Shenzhen Expressway acquired the remaining 5% interests of its 95% owned subsidiary from the Company, resulting in an increase in other reserves, being the excess of consideration paid over the share of net assets of the subsidiary acquired. On the other hand, the Company recorded a gain on disposal of the 5% equity interest. In addition, the Company received a dividend from the subsidiary of Shenzhen Expressway during the year ended 31 December 2006. The adjustment represents the reversals of such increase in other reserves, gain on disposal and the dividend received by the Company.

Moreover, the 5% equity interests described above were acquired by the Company from a third party in 2001. The adjustment also includes the other reserve of the enlarged group, being the excess of consideration paid by the Company over the share of net assets acquired.

Note (g) In February 2006, Shenzhen Expressway completed its share reform scheme. In this connection, Shen Guang Hui transferred part of its legal person shares in Shenzhen Expressway to the holders of A shares of Shenzhen Expressway and incurred a loss, which was calculated based on the share of net assets of Shenzhen Expressway by Shen Guang Hui. Since the acquisition of Shen Guang Hui will be recognized using merger accounting., the above transfer of interest in Shenzhen Expressway is regarded as transaction with minority interests .. According to the accounting policy adopted by the Group, no gain or loss should be recognised with respect to such transfer. The decrease in share of net assets of Shenzhen Expressway by Shen Guang Hui shall be accounted for as a reduction in equity.

(b) Standards, amendments to standards and interpretations effective in 2008

The following standards, amendments to standards and interpretations are mandatory for accounting periods beginning on or after 1 January 2008:

- HK(IFRIC) - Int 11, 'HKFRS 2 – Group and treasury share transactions'. This interpretation has no impact on the Group's financial statements.

- HK(IFRIC) – Int 12, 'Service Concession arrangements'. Adoption of the interpretation resulted in changes in accounting policies on accounting for the service concession arrangements of the Group. The details and impact on the financial statements are described in Note 1(c).

- HK(IFRIC) - Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. This interpretation has no impact on the Group's financial statements.

- The HKAS 39, 'Financial instruments: Recognition and measurement', amendment on reclassification of financial assets permits reclassification of certain financial assets out of the held-for-trading and available-for-sale categories if specified conditions are met. The related amendment to HKFRS 7, 'Financial instruments: Disclosures', introduces disclosure requirements with respect to financial assets reclassified out of the held-for-trading and available-for-sale categories. The amendment is effective prospectively from 1 July 2008. This amendment has no impact on the Group's financial statement, as the Group has not reclassified any financial assets.

(c) Changes in accounting policies

(i) Adoption of HK(IFRIC) – Int 12, 'Service Concession arrangements' ("IFRIC 12")

In previous years, the costs incurred for constructing the related infrastructures for toll roads under the service concession arrangements ("Service Concessions") of the Group were accounted for as property, plant and equipment of the Group and these expenditures were depreciated on an units-of-usage basis, making reference to the proportion of actual traffic volume achieved 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 (the "Traffic Flow Method"). IFRIC 12 requires the Group to account for these Service Concessions under 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.

The accounting policies changed arising from the adoption of IFRIC 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 various toll road infrastructures. 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 roads concerned and the entitlement to the toll fees collected from users of the toll road services. In accordance with IFRIC 12, the assets under the Service Concessions are classified as intangible assets or financial assets. The assets are classified as intangible assets if the Group receives a right to charge users of the respective toll roads or as financial assets if it is paid by the grantor.

Construction contracts

The Group recognises income and expenses associated with construction services and upgrade services provided under the Service Concessions in accordance with HKAS 11, "Construction Contracts".

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

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

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 IFRIC 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 Method, as allowed under HK-Int 1, ‘The Appropriate Policies for Infrastructure Facilities’, over the operating periods granted.

For certain Service Concessions contracts, the Group receives from the concession grantors certain monetary grants (the “Grants”) in addition to the entitlements and rights to receive the toll fees from users of the toll road services. The consideration receivable is divided into two components, financial assets recognised based on the amount of Grants payable by the concession grantors, and the residual balance is recognised as intangible assets. The Grants were recognised as deferred income or advances from government, where deferred income was credited to the income statement of the Group based on the actual traffic volume per year and the basis as determined based on the Grants and the total projected traffic volume throughout the whole approved operating period of the relevant toll roads, over the operating periods of the respective toll roads before the adoption of IFRIC 12.

Financial assets resulting from the application of IFRIC 12 are recorded in the balance sheet as financial assets.

Provisions

As part of its obligations under the respective Service Concessions, 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 probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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

Land use rights

Land use rights acquired in conjunction with the Service Concessions which the Group has no discretion or latitude to deploy for other services other than the use in the Service Concessions are treated as intangible assets acquired under the Service Concessions. They were previously separately presented as long-term assets of the Group before the adoption of IFRIC 12.

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

	As at 31 December	
	2008	2007
	HK$'000	*HK$'000*
Increase in intangible assets	1,312,136	1,193,291
Decrease in property, plant and equipment	(1,208,922)	(1,162,686)
Decrease in construction in progress	(79,687)	(6,848)
(Decrease)/Increase in deferred income tax liabilities	(1,059)	1,305
Increase in provision for maintenance/resurfacing obligations	21,174	11,886
Increase in other reserves	2,803	1,517
Increase in retained earnings	266	7,985
Increase in minority interest	343	1,064

	Year ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Increase in revenue	70,751	68,454
Increase in cost of sales	(80,265)	(76,778)
Increase in finance costs	(1,271)	(579)
Decrease in income tax expenses	2,202	1,904
Decrease in minority interest	864	705
Decrease in basic earnings per share (in HK cents per share)	(0.055)	(0.047)
Decrease in diluted earnings per share (in HK cents per share)	(0.054)	(0.044)

The opening retained earnings at 1 January 2007 has been increased by HK$ 14.28 million as a result of these changes in accounting policies.

The above changes are for the Group prior to the common control combinations (note 1(a)). The impact of IFRIC 12 on these entities under common control combination is included in the Note 1(a) restated figures of merger accounting.

(ii) Jointly controlled entities

In previous years, the Group adopted the proportionate consolidation method under HKAS 31, 'Interests in Joint Ventures', to account for its interests in jointly controlled entities. On 30 December 2008, the Group changed to adopt equity method of accounting, the alternative method under HKAS 31, to account for its interests in jointly controlled entities.

The directors of the Company are of the view that the change in accounting method for interests in jointly controlled entities would provide more reliable, relevant and comparable information of its interests in jointly controlled entities on the Group's financial position, financial performance and cash flows, which is consistent with the policy adopted in the Group's major subsidiary, Shenzhen Expressway's statutory financial statements prepared in accordance with the Chinese Accounting Standards ("CAS") where equity accounting method is mandatorily adopted to account for interests in jointly controlled entities. Given the facts that the CAS is formulated based on a conceptual framework similar to HKFRS, the directors of the Company consider that consistent application of equity accounting method would enhance the comparability of financial information presented in the financial statement of its major subsidiary, Shenzhen Expressway prepared under CAS as well as under HKFRS.

This change in accounting policy has been applied retrospectively and resulted in:

	As at 31 December	
	2008	2007
	HK$'000	*HK$'000*
Increase in investments in jointly controlled entities	**76,933**	79,949
Decrease in other non-current assets	**(45,646)**	(53,095)
Decrease in current assets	**(41,391)**	(52,147)
Decrease in non-current liabilities	**1,414**	2,955
Decrease in current liabilities	**8,690**	22,338

	Year ended 31 December	
	2008	2007
	HK$'000	*HK$'000*
Decrease in revenue and other income	**(59,366)**	(58,126)
Decrease in costs and expenses	**54,101**	65,403
Decrease/(increase) in income tax expenses	**67**	(1,221)
Increase/(decrease) in share of profits of jointly controlled Entities	**5,198**	(6,056)

There was no impact on net profit and earnings per share as a result of this change in accounting policy.

(iii) Buildings

In previous years, the Group adopted the revaluation model in subsequent measurement under HKAS 16, 'Property, Plant and Equipment', to account for its buildings. On 30 December 2008, the Group changed to adopt cost model, the alternative method under HKAS 16, to account for its building. The following factors were considered to support this change in accounting policy:

- In prior years, the buildings held by the Group were mainly offices. With the expansion of the business, most of the buildings are related to toll road and logistics park;
- The toll road industry is a specialised industry in the PRC under the control by the State government. Therefore, there is no ready and reliable open market environment. As a result, financial statements prepared under the revaluation basis will not provide relevant and useful information to readers and users of the financial statements;
- Based on management's research performed, the cost model is more consistent with the local industry practice; and
- Historical cost accounting would improve comparability of the state of affairs and operating results of the Group with other industry players.

The directors of the Company are of the view that the change in accounting method for buildings would provide more reliable, relevant and comparable information of its buildings on the Group's financial position and financial performance , which is consistent with the policy adopted in the Group's major subsidiary, Shenzhen Expressway's statutory financial statements prepared in accordance with the CAS. According to CAS, cost model is mandatorily adopted to account for property, plant and equipment, including buildings. Given the fact that the CAS is formulated based on a similar conceptual framework as HKFRS, the directors of the Company consider that consistent application of the cost model would enhance the comparability of financial information presented in its major subsidiary, Shenzhen Expressway 's statutory financial statements prepared under CAS as well as financial statements prepared under HKFRS.

This change in accounting policy has been applied retrospectively but there was no impact on net profit and earnings per share as a result of this change in accounting policy, since no increase in revaluation for building has ever made in the past years.

(2) Segment information

During the Year, the principal activities of the Group are logistics business, including development, operation and management of toll highways and expressways; logistic parks; and logistics service. The Group does not have other businesses that have significant impact on the Group's operating results and accordingly, business segment information is not presented. Meanwhile, the Group is engaged the operating business only in one area and revenue is mainly derived in PRC. Also the principal assets are located in the PRC. Accordingly, no segment analysis by geographical area is presented.

(3) Revenue

	2008	2007
	HK$'000	*HK$'000*
Logistic Business		
Toll Road		
- Toll income	**2,037,165**	1,798,421
- Construction income	**3,644,727**	2,877,247
Logistic Park	**147,441**	108,816
Logistic Service	**122,281**	190,525
Investment holding	**-**	9,591
	5,951,614	4,984,600

The Group revenue, operating profit and profit before income tax can be further analyzed as follows:

Year ended 31 December 2008

	Revenue	**Operating profit/(loss)**	**Share of profit/(loss) of associates**	**Share of profit/(loss) of jointly controlled entities**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Logistic Business					
Toll Road					
- Toll income	2,037,165	1,120,094	(19,255)	240,642	1,341,481
- Construction income	3,644,727	1,622	-	-	1,622
	5,681,892	1,121,716	(19,255)	240,642	1,343,103
Logistic Park	147,441	47,255	-	(1,098)	46,157
Logistic Service	122,281	(1,450)	1,654	4,895	5,099
	5,951,614	1,167,521	(17,601)	244,439	1,394,359
Investment holding	-	146,201	-	-	146,201
Profit/ before finance costs and tax	5,951,614	1,313,722	(17,601)	244,439	1,540,560
Finance income					61,866
Finance costs					(445,761)
Finance costs – net					(383,895)
Profit before income tax					1,156,665

Year ended 31 December 2007 (restated)

	Revenue	Operating profit	Share of profit/(loss) of associates	Share of profit/(loss) of jointly controlled entities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Logistics Business					
Toll Road					
- Toll income	1,798,421	1,030,932	(13,814)	148,115	1,165,233
- Construction income	2,877,247	25,590	-	-	25,590
	4,675,668	1,056,522	(13,814)	148,115	1,190,823
Logistics Park	108,816	34,708	(623)	7,951	42,036
Logistics Service	190,525	6,023	1,228	(14,007)	(6,756)
	4,975,009	1,097,253	(13,209)	142,059	1,226,103
Investment holding	9,591	2,194,423	(620)	-	2,193,803
Manufacturing business	-	-	31,671	-	31,671
Profit before finance costs and tax	4,984,600	3,291,676	17,842	142,059	3,451,577
Finance income					51,901
Finance costs					(304,854)
Fair value loss on derivative liability of convertible bonds					(196,173)
Finance costs – net					(449,126)
Profit before income tax					3,002,451

(4) Other gains - net

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
Gain on disposals of financial assets at fair value through profit or loss	**34,080**	1,531,111
Fair value (loss)/gain on financial assets at fair value through profit or loss	**(197,946)**	532,806
Gain on disposals of investments in associates	**290,210**	103,072
Gain on disposals of non-current assets held for sale	-	18,343
Fair value gain on investment properties	-	12,870
Reversal of impairment of leasehold land, land use rights and other leased assets	-	7,000
Loss on disposals of available-for-sale financial assets	-	(22,569)
Gain on disposals of buildings	**18,681**	-
Others	**15,125**	32,077
	160,150	2,214,710

(5) Other income

	2008 *HK$'000*	2007 *HK$'000* (Restated)
Government subsidies	**31,886**	29,052
Rental income	**31,114**	25,441
Dividend income	**26,920**	35,061
Others	**14,862**	25,315
	104,782	114,869

(6) Expenses by nature

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

	2008 *HK$'000*	2007 *HK$'000* (Restated)
Construction cost under Service Concession	**3,643,105**	2,851,658
Provision for maintenance/resurfacing obligations	**54,929**	45,496
Depreciation, amortisation and impairment losses	**422,852**	346,741
Employee benefit expenses	**182,502**	158,148
Transportation expenses	**115,942**	186,960
Rental charges	**15,400**	7,925
Other tax expenses	**76,347**	63,533
Commission and management fee for toll roads	**196,911**	169,440
Auditors' remuneration	**8,718**	7,864
Legal and consultancy fees	**27,537**	22,071
Others	**158,581**	162,667
	4,902,824	4,022,503

(7) Finance income and costs

	2008 *HK$'000*	2007 *HK$'000* (Restated)
Interest expense		
- Bank borrowings	**437,121**	369,587
- Convertible notes	**-**	4,711
- Convertible bonds	**129,077**	15,028
- Bonds	**66,194**	3,493
Other interest expenses	**27,997**	19,106
Less: interest expenses capitalised in construction in progress	**(214,628)**	(107,071)
	445,761	304,854
Fair value loss on derivative liability of convertible bonds	**-**	196,173
Interest income on money market funds and bank deposits	**(61,866)**	(51,901)
Net finance costs	**383,895**	449,126

(8) Income tax expense

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

The PRC enterprise income tax charged to the consolidated income statement was calculated based on the assessable profits of the Company's subsidiaries located in the PRC of the Year at a progressive rate of 18% (2007: 15%) applicable to the respective companies.

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
Current income tax		
PRC corporate income tax	**327,504**	368,663
Deferred income tax	**(137,461)**	182,237
	190,043	550,900

(9) Earning per share

Basic

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

	2008	2007
		(Restated)
Profit attributable to equity holders of the Company (HK$'000)	**574,986**	2,122,541
Weighted average number of ordinary shares in issue (thousands)	**14,154,014**	13,531,091
Basic earnings per share (HK cents per share)	**4.06**	15.69

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 notes / bonds and share options. The convertible notes / 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.

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
Profit attributable to equity holders of the Company	**574,986**	2,122,541
Interest expense on convertible notes/bonds	**-**	7,093
Profit used to determine diluted earnings per share	**574,986**	2,129,634
Weighted average number of ordinary shares in issue (thousands)	**14,154,014**	13,531,091
Adjustments – share options (thousands)	**69,954**	168,053
Adjustments – conversion of convertible note (thousands)	**-**	263,134
Adjustments – conversion of convertible bonds (thousands)	**-**	351,736
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**14,223,968**	14,314,014
Diluted earnings per share (HK cents per share)	**4.04**	14.88

(10) Dividends

At the meeting on 3 April 2009, the directors recommend the payment of a final cash dividend of HK$0.0145 per ordinary share, totalling HK$203 million. Such dividends are to be approved by the shareholders at the forthcoming Annual General Meeting on 2 June 2009. These financial statements do not reflect this as dividend payable.

	2008	2007
	HK$'000	*HK$'000*
Proposed final dividend of HK$0.0145 (2007: HK$0.01) per ordinary share	**203,398**	142,182
Proposed special dividend: Nil (2007: HK$0.035) per ordinary share	**-**	497,636
	203,398	639,818

(11) Trade and other receivables

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

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
0-90 days	**102,534**	192,618
91-180 days	**3,954**	15,343
181-365 days	**727**	2,044
Over 365 days	**151,967**	34,436
	259,182	244,441

(12) Trade and other payables

As of 31 December 2008 and 31 December 2007, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) is as follows:

	2008	2007
	HK$'000	*HK$'000*
		(Restated)
0-90 days	**39,434**	33,145
91-180 days	**344**	1,438
181-365 days	**5,144**	652
Over 365 days	**670**	480
	45,592	35,715

FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Board recommended a final cash dividend of HK 1.45 cents (2007: final dividend of HK 1 cent and special dividend of HK 3.5 cents) per share for the year ended 31 December 2008, totalling approximately HK$203 million (2007: HK$142 million). Such dividend shall be subject to approval by shareholders of the Company at the forthcoming annual general meeting. The final dividend will be paid on 11 June 2009 to shareholders whose names appear on the Register of Members of the Company on 2 June 2009.

The register of members of the Company will be closed from 29 May 2009 to 2 June 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final 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 27 May 2009. Subject to the approval of the final dividend by shareholders at the forthcoming annual general meeting, the relevant dividend warrant will be despatched to shareholders on 11 June 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF RESULTS

For the year ended 31 December 2008 (the "Year"), turnover of the Group amounted to HK$5,952 million (2007: HK$4,985 million), representing an increase of 19% over the previous year. Profit attributable to shareholders amounted to HK$575 million (2007: HK$2,123 million), of which net gain from non-recurring items amounted to HK$6.65 million. The disposal of non-core businesses recorded a non-recurring gain of HK$1,606 million in the same period of the previous year, leading the profits to decrease by 73% over the same period of the previous year. The core business profit attributable to shareholders for the Year amounted to HK$568 million (2007: HK$517 million), representing an increase of 10% over that in the previous year, and an increase of 33% over the core earnings of HK$428 million as previously reported for the year 2007. Basic earnings per share for the Year was HK 4.06 cents (2007: HK 15.69 cents).

The Board recommended the payment of a final cash dividend of HK 1.45 cents (2007: final dividend of HK 1 cent and special dividend of HK 3.5 cents) per share to shareholders for the year ended 31 December 2008, representing an increase of 45% over the final dividend of the previous year. The total amount of proposed final cash dividend for the Year amounted to approximately HK$203 million (2007: HK$142 million), representing an increase of 43% over that of the previous year, and accounting for approximately 35% of the profit attributable to shareholders for the Year. This is an increase over the dividend payout ratio of 31% for the same period of the previous year and exemplifies the Group's stable-growth dividend policy.

During the Year, toll revenue and profit before finance costs and tax of the Group's toll road business amounted to approximately HK$2,037 million (2007: HK$1,798 million) and approximately HK$1,343 million (2007: HK$1,191 million) respectively, both up 13% over the previous year. The increases were mainly attributable to the consolidation of the toll revenue of Shenzhen Expressway and the business growth of Longda Expressway.

In 2008, turnover and profit before finance costs and tax of the Group's logistic park business amounted to approximately HK$147 million (2007: HK$109 million) and approximately HK$46.16 million (2007: HK$42.04 million) respectively, up 35% and 10% respectively over the previous year. The business of Shenzhen South-China International Logistics Co., Ltd. ("South China Logistics") grew steadily during the Year. Its turnover and profit before finance costs and tax amounted to HK$95.12 million (2007: HK$75.80 million) and HK$28.08 million (2007: HK$23.50 million) respectively, up 25% and 20% respectively over the previous year.

With a view to further concentrating resources on the core logistics business, the Group is gradually reducing its investments in non-core businesses and is proactively dealing with the disposal of the equity interests in CSG Holding Co., Ltd. ("CSG") . During the Year, 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's 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$25.6) during the Year and realised a profit after tax of approximately HK$28 million. The remaining 15.53 million shares held were classified as "Financial Assets at fair value through profit or loss" and booked at CSG's A-share price of RMB8.5 (HK$9.65) as at the balance sheet date in accordance with applicable accounting standards. The change in fair value over the CSG's A-share price of RMB21.3 (HK$22.4) at the end of the previous year was accounted for during the Year, resulting in an unrealised loss after tax of approximately HK$164 million.

The remaining 118 million CSG's A shares held by the Group are classified as available-for-sale financial assets and are also booked at CSG's A-share price of RMB8.5 (HK$9.65) as at the balance sheet date, except for the change in fair value is directly recognised in shareholders' equity. A gain of approximately HK$694 million after recognition of relevant deferred taxation was directly included in shareholders' equity (31 December 2007: booked at a price of RMB8 with HK$587 million included in shareholders' equity). As a result, shareholders' equity for the Year increased by HK$107 million.

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

The revenue from the toll road business and the logistic park business of the Group in the fourth quarter of 2008 slightly decreased by 5% as compared to the third quarter of 2008. The impact of the financial tsunami on the Group's business has not unfolded markedly in the Year, but it is expected that the Group's business will be affected more significantly in 2009 as the impact spreads and deepens.

MAJOR EVENTS DURING THE YEAR

1. Actively pushing ahead merger and acquisition and integration of quality logistics resources and toll road projects

Completing the acquisition of 100% equity interest in Shen Guang Hui with Shenzhen Expressway became a subsidiary of the Group

After a year of effort, the Group completed the legal procedures in relation to the acquisition of 100% equity interest in Shen Guang Hui on 30 December 2008. After such acquisition, the Group's equity interest in Shenzhen Expressway has increased from 31.153% to 50.021% and therefore Shenzhen Expressway has changed from an associate to a subsidiary of the Company. Its financial results are consolidated into the Group's consolidated financial statements for 2008.

In addition, with the support of the Shenzhen SASAC, the Group entered into a supplemental agreement with Shenzhen SASAC on 24 December 2008 whereby Shenzhen SASAC agreed to the deferral of the Group's payment of the remaining consideration for acquisition of Shen Guang Hui of approximately RMB863 million on or before 31 December 2009.

Acquiring a 40% equity interest in Shenzhen Western Logistics Co., Ltd. ("Shenzhen Western Logistics") and disposing of 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 approximately RMB350 million and disposing of the entire 35% equity interest in Grand Autopark to Nanyou Group for approximately 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 entire 35% equity interest in Grand Autopark through this opportunity. As a result of the acquisition, the Group may implement the development strategy and business plan of Shenzhen Western Logistics more efficiently, speeding up the progress of the projects and the pace of business expansion while timely recruiting strategic partners with international logistics resources and experience so as to further boost the business development and enhance the profitability of Shenzhen Western Logistics.

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

In April 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 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 logistics infrastructure resources and will strengthen its continued development in the industry, as well as facilitating the formation of a logistics infrastructure resource network in the country's major economic powerhouses of Bohai Rim, the Yangtze River Delta and the Pearl River Delta.

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

The Group successfully acquired a 55.39% equity interest in Yantai Beiming Logistics at a consideration of approximately RMB52.2 million on 26 June 2008 through acquisition and capital injection. Yantai Beiming Logistics owns logistic facilities such as bonded warehouses, normal warehouses, warehouses with constant temperature and warehouses in the Export Processing Zone in Yantai, Shandong Province, 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.

Acquiring 51% equity interest in Shenzhen Huatongyuan Logistics Co., Ltd. ("Huatongyuan")

At the end of December 2008, the Group had entered into an agreement in relation to an acquisition of 51% equity interest in Huatongyuan at a consideration of RMB44.88 million. Huatongyuan is mainly engaged in the operation and development of "Huatongyuan Logistic Centre" located in the vicinity of Meilin gateway of Shenzhen, with a site area of approximately 116,000 square metres and a total gross floor area of 133,000 square metres. Total investment of the project amounted to approximately RMB260 million. Upon completion of construction, the project will become a logistic centre with multi-functions of delivery of goods, docking and integrated services. The construction of the project is expected to be completed at the end of 2009 and to commence trial run of its operation in September 2009. Upon completion, the project will help to stimulate the economy of Shenzhen and Bao'an District, especially for the development of the logistics industry.

Entrusting Shenzhen Expressway to operate and manage Longda Expressway

The Group entered into an entrusted management agreement in January 2008, pursuant to which the Group entrusted Shenzhen Expressway to operate and manage its 100% equity interest in Shenzhen Bao Tong Highway Construction and Development Limited ("Baotong Company") and the 89.93% equity interest held by Baotong Company in Shenzhen Longda Expressway Company Limited ("Longda Company"). During the Year, the operation and management fees paid by the Group to Shenzhen Expressway amounted to RMB15 million. Shenzhen Expressway integrated the operation of Longda Expressway into a unified management system, which could boost operation efficiency and create benefits for both the Group and Shenzhen Expressway.

2. Gradually decreasing its investment in non-core businesses

During the Year, the Group disposed of a total of 10.86 million CSG's A shares on the Shenzhen Stock Exchange, recording a profit after tax of approximately HK$28 million. The above proceeds from disposing of non-core businesses will be invested in quality logistics infrastructure projects in which the Company has a controlling interest, so as to enhance 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 logistics infrastructure businesses to the Group.

As the Chinese stock market slumped in the second half of 2008, the Group timely adjusted its strategy and decisively withheld the disposal of CSG's A shares in order to maximise shareholder values. For the remaining CSG's shares held, the Group will formulate disposal strategy taking into account of the future cash flow, finance costs and profit attributable to shareholders as major considerations and weighing factors, coupled with the evaluation of the value of CSG's equity interest., The Group is paying close attention to the CSG's business development progress and the development of the securities market.

3. Repurchasing shares to further enhance shareholder return

In order to boost the earnings per share of the Company and to further enhance overall shareholder return, the Company repurchased a total of 196,762,500 shares on the Hong Kong Stock Exchange from June to December 2008. The total amount paid to repurchase these shares was approximately HK$103 million. As at 31 December 2008, these repurchased shares have been fully cancelled.

ANALYSIS OF MAJOR BUSINESS OPERATIONS

Toll Road Business

During the Year, the Group's toll road business recorded a toll revenue of approximately HK$2,037 million (2007: HK$1,798 million) and profit before finance costs and tax of approximately HK$1,343 million (2007: HK$1,191 million), both up 13% over the previous year. Upon completion of the acquisition of 100% equity interest in Shen Guang Hui by the Group during the Year, Shenzhen Expressway has become a 50.021%-owned subsidiary of the Group with its turnover and profit for the whole year consolidated into the Group's results in accordance with applicable accounting standards, thereby expanding the overall scale of the toll road business. Meanwhile, the business growth of Longda Expressway was considerable and led to steady advancement of the toll road business.

Shenzhen Expressway

During the Year, Shenzhen Expressway recorded a turnover of HK$4,769 million (2007: HK$3,939 million), representing an increase of 21% over the previous year; toll revenue amounted to HK$1,195 million (2007: HK$1,130 million), representing an increase of 6% over the previous year. Profit before finance costs and tax amounted to approximately HK$837 million (2007: HK$847 million), representing a slight decrease of 1% over the previous year. In addition, Shenzhen Expressway's net profit for the Year and the Group's share of profit amounted to HK$566 million (2007: HK$638 million) and HK$250 million (2007:HK$303 million), representing decreases of 11% and 17%, respectively over the previous year. During the Year, benefitting from the continued boom of China's economy and the formation and enhancement of highway networks, traffic volumes and toll revenues generated on all major toll roads of Shenzhen Expressway continued to maintain steady growth. However, a significant increase in finance costs over the previous year led to a decline in profit of Shenzhen Expressway.

Majority of the toll roads of Shenzhen Expressway maintained growth on their traffic volumes and toll revenues. However, impacted by the global financial tsunami and natural disasters in China in 2008, such growth slowed down in general as compared to the rapid growth over the past two years.

During the Year, the toll road projects currently under construction or reconstruction at Shenzhen Expressway include Nanguang Expressway, Yanba Expressway (C section) and the reconstruction of Qinglian Class 1 Highway into an expressway. The main route of Nanguang Expressway was completed and opened to traffic in January 2008 while the construction of other road sections was completed at the end of October 2008. The construction of Yanba Expressway (C section) progressed smoothly and was completed in November 2008. The road surface works for the reconstruction of Qinglian project into an expressway was completed in December 2008 and has resumed full opening to traffic, with the adoption of Class 1 Highway toll rate standards.

Looking forward to the upcoming year, China's economy will continue to be impacted by the financial tsunami and companies will face numerous challenges in operation and development. However, given a reasonable prediction of an optimistic macro-economy in the long-term and the gradual enhancement of neighbouring road networks, Shenzhen Expressway will continue to implement pre-set development strategies and adopt corresponding coping measures and strategies to enhance its operational, financial and assets management standards and to step up efforts in financing, with a view to ensuring a sound financial position.

Longda Expressway

During the Year, Longda Expressway recorded a toll revenue of HK$423 million (2007: HK$275 million), representing an increase of 54% over the previous year. Profit before finance costs and tax amounted to HK$284 million (2007: HK$133 million), representing a significant increase of approximately 1.14 times over the previous year.

During the Year, both toll revenue and traffic volume of Longda Expressway reported considerable growth. Average daily toll revenue amounted to approximately HK$1.16 million and average daily mixed traffic volume amounted to approximately 52,930 vehicles, representing increases of 54% and 38%, respectively over the previous year.

Benefitting from the economic development of the peripheral areas, a consistent enhancement of the expressway network and 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 expansion project of Luotian Tolling Station on the Dongguan Section of Longda Expressway was completed at the beginning of 2008. It greatly alleviated previous traffic congestion upon opening to traffic and enabled a smoother, quicker and more convenient traffic on Longda Expressway, thereby attracting more vehicles to travel to Dongguan and Guangzhou via Longda Expressway.

In the first three quarters of 2008, traffic volume on Longda Expressway has a robust growth. However, with the escalating impact of the global financial tsunami, factories and enterprises in Guangdong faced difficulties in operation, affecting the demand for cargo transportation. Accordingly, traffic volumes in the fourth quarter, especially traffic volumes and toll revenues from truck and large vehicles, saw decreases. In the fourth quarter, average daily traffic volume and average daily toll revenue on Longda Expressway amounted to approximately 53,000 vehicles and HK$1.14 million respectively, representing decreases of approximately 7% and 9%, respectively, over the third quarter.

Wuhuang Expressway

During the Year, Wuhuang Expressway recorded toll revenue and profit before finance costs and tax of HK$419 million (2007: HK$393 million) and HK$222 million (2007: HK$211 million), representing increases of 7% and 5%, respectively over the previous year.

Toll revenue from Wuhuang Expressway for the whole year of 2008 recorded a slight decrease of approximately 3% over the previous year. However, benefitting from the appreciation of Renminbi, Wuhuang Expressway's results recorded a growth of approximately 7% in HK dollars terms. In early 2008 and May 2008, the PRC suffered from devastating snowstorms and mega earthquakes in Sichuan. To fully accommodate the relevant policies adopted by the PRC government, Wuhuang Expressway waived toll fees on carrier vehicles which transport relief materials to striken areas. Coupled with the "Green Passage" policy adopted by the State since the end of January 2008 whereby it waived toll fees of carrier vehicles which transport fresh agricultural products, the traffic volume on Green Passage amounted to 330,500 vehicles with a total amount of toll fees of approximately RMB28.65 million being waived, representing approximately 7.7% of the toll revenue from Wuhuang Expressway for the Year. Despite benefitting from the robust economic growth in Hubei Province during the Year, Wuhuang Expressway saw a decrease in toll revenue over the same period of the previous year due to the impact of the above-said toll free policies.

Hurong West Expressway, Suiyue South Expressway, Suiyue North Expressway and Hanhong Expressway, which will be opened to traffic in 2009, will stimulate a considerable growth in Wuhuang Expressway's traffic volume. Meanwhile, the commencement of construction of Yangtze Bridge No.2 in eastern Hubei will alleviate the congestion at Huangshi Tolling Station in future, thereby exerting a positive impact in enhancing the traffic capacity of Wuhuang Expressway.

Logistic Park Business

During the Year, the Group's logistic park business recorded a turnover of approximately HK$147 million (2007: HK$109 million) and a profit before finance costs and tax of approximately HK$46.16 million (2007: HK$42.04 million), representing respective increases of 35% and 10% over the previous year. Although the logistic park business is in its development stage, the overall progress has been pleasing and each business has seen steady growth.

At the end of year 2008, total site area of logistic parks owned by the Group was approximately 1.11 million square metres and approval procedures for land use right of approximately 80,000 square metres of land are proceeding. Logistic centres completed or being completed together with their ancillary operating areas amounted to approximately 320,000 square metres. The Group will fully capitalise on its current experience in managing logistic parks and third-party logistic services and will make use of site leasing service as a starting point. Meanwhile, it will gradually develop itself to provide supply chain services for customers in its logistic parks, with the operating objective of retaining quality customers and proactively enhancing investment returns for the logistic park business.

South China Logistics

During the Year, South China Logistics recorded a turnover of HK$95.12 million (2007: HK$75.80 million), representing an increase of 25% over the previous year. Profit before finance costs and tax amounted to HK$28.08 million (2007: HK$23.50 million), representing an increase of 20% over the previous year.

During the Year, South China Logistics' revenues from its core business increased by approximately 25% over the previous year, whereas revenues from the logistic centre business increased by 47% and revenues from the cross-border cargo transferring and transiting business remained stable. Amid an environment where the worldwide economy deteriorated severely, revenue of South China Logistics slightly decreased in the fourth quarter of 2008 while the overall operating results for the whole year maintained a steady growth. Although the logistic centre business was impacted by the effect of slowing export trade in the PRC and fierce peer competition in neighbouring areas, South China Logistics, through actively adopting corresponding ancillary measures and enacting marketing strategies to recruit new customers, proactively and gradually enhanced the revenue from the logistic centre business.

Currently the logistic centre at South China Logistics has a total operation 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 the second quarter of 2008. The occupancy rate of the new logistic centres exceeded 80%. However, the financial crisis as well as a significant increase in the area of logistic centres in neighbouring areas led to escalating market competition. Given leasing prices of the logistic centres were reduced, cargo turnover of South China Logistics' customers decreased during the Year, thereby directly affecting the revenue from value-added business of the logistic centre.
During the Year, although transiting carrier vehicles were stranded due to the impact of unfavourable export conditions coupled with the snowstorms in early 2008, the clientele and the overall business volume of the cross-border cargo transferring and transiting business of South China Logistics remained stable. It is expected that the cross-border cargo transferring and transiting business could continue to enhance the operating scale of South China Logistics and generate considerable revenue.

The current total site area of South China Logistics is approximately 530,000 square metres and the area of completed logistic centres is approximately 112,000 square metres. According to the original designated plot ratio of 0.26, approximately 81% of the buildable area has been completed. South China Logistics has successfully increased the plot ratio of its land area to 0.52recently and substantial portion of the land premium was waived by the Shenzhen Municipal Government. This saved substantial capital expenditure for South China Logistics and will significantly reduce future operating costs.

Shenzhen Western Logistics

During the Year, Shenzhen Western Logistics recorded a turnover of HK$29.12 million (2007: HK$27.38 million) and a profit before finance costs and tax of HK$17.70 million (2007: HK$15 million), representing respective increases of 6% and 18% over the previous year. The increases were mainly derived from rental income of the empty-container depot business.

Shenzhen Western Logistics owns a land 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 to customers. The logistic centre officially commenced operation in June 2008. However, affected by a shrinking market caused by the global economic crisis, Guangdong Province saw a plummet in the growth rate of foreign trade, which led to a slowing growth rate of import and export of container volume by sea in the Shenzhen region. Accordingly, the occupancy rate of the logistic centre was below 50%. The Group will continue to proactively recruit customers and expand the market, as well as providing quality and value-added service, with a view to enhancing the occupancy rate and revenue of Shenzhen Western Logistics.

Nanjing Chemical Industrial Park Logistic Centre

The logistic centre which the Group invested to build at the Nanjing Chemical Industrial Park ("Nanjing Chemical Industrial Park Logistic Centre") in 2007 recorded a turnover of HK$23.20 million during the Year (2007: HK$5.63 million), representing an increase of more than 3 times over the previous year. Despite the impact of the financial tsunami, Nanjing Chemical Industrial Park Logistic Centre continued to expand its logistic business and value-added services and recruited quality customers during the Year. Meanwhile, it stringently controlled expenses and costs, thereby achieving its breakeven objective in 2008.

During the Year, Nanjing Chemical Industrial Park Logistic Centre successfully entered into warehouse collaboration contracts and logistics collaboration contracts with a number of enterprises within and outside the park and their operations have commenced. The work on enlisting business operators for the non-dangerous goods logistic centre and the dangerous goods logistic centre has been completed, achieving an occupancy rate of 100% for both. Nanjing Chemical Industrial Park Logistic Centre will continue to expand new projects and will establish a professional logistics service network so as to strengthen its competitiveness in the market.

The current operating area of Nanjing Chemical Industrial Park Logistic Centre is approximately 21,000 square metres. Construction of the second phase commenced in November 2008 with an operating area of approximately 19,000 square metres. It is expected to be completed in mid 2009 and commence operation in the third quarter. The construction of the second phase of Nanjing Chemical Industrial Park Logistic Centre is located in the chemical industry area in the rapidly-growing Nanjing Chemical Industrial Park where greater market demand for warehousing logistics is expected. Looking forward to 2009, Nanjing Chemical Industrial Park Logistic Centre will enhance the service quality to be delivered to its existing customers; further improve the procedures of internal operation; and proactively tackle the extremely negative impact exerted by the global financial crisis, with a view to minimising the damage caused by the financial crisis.

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. in April 2008, with an aim to construct and operate five deep-water terminals for 50,000-ton vessels and logistic centres at Xiba Port of Nanjing Chemical Industrial Park.

In the second half of 2008, Nanjing Xiba Wharf Company successfully obtained a number of major approvals from relevant authorities of Jiangsu Province, local governments and the State, and commenced the relevant construction and the tendering work for equipment. The land foundation treatment of Nanjing Xiba Wharf Company and the construction of Phase 1 project are expected to be completed in the second and third quarters of 2009, respectively. Roads and depots and office buildings are expected to be completed at the end of 2009. The entire Phase I project will be officially completed and commence operation in 2010.

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 Year, the logistic service business of the Group recorded a turnover of approximately HK$122 million (2007: HK$191 million), representing a decrease of 36% over the previous year, and a profit before finance costs and tax of approximately HK$5.1 million (2007: loss of HK$6.76 million). The decrease in turnover was mainly attributable to intensifying market competition and restructuring of the businesses of third-party logistics, as well as withdrawals from projects with low profitability. The increase in profit before finance costs and tax was mainly attributable to strengthened cost control and provisions for impairment of certain assets in the previous year.

DEVELOPMENT FOCUS AND OUTLOOK OF THE GROUP

The Group has formulated preliminary plan and strategic objectives according to its future development directions. In the future, the Group will be committed to developing the two core businesses of logistics and toll road. It will gradually realise a balance between the two major businesses, establish professional service flows and systems, and develop mature business models, stable profit structures and a highly efficient management systems.

Entering into 2009, the impact of the global financial tsunami is expected to persist. Accordingly, the logistics industry will see a slowing growth rate while the demand for highway transportation will be negatively affected by a slowdown in export trade. Meanwhile, traffic volumes on toll roads will see a falling trend. The provisional toll free policy implemented in 2008 for certain expressways in the country will continue to be implemented in 2009. Nevertheless, the Group has abundant cash reserve and stable cash flow generated from its operation. Faced with an extremely challenging economic environment, the Group has made cash flow projections for the next five years and has adjusted the relevant strategies from time to time, as well as making appropriate arrangement and preparation for its capital management. Based on a principle of prudence, the Group will continue to enhance internal control and operating profitability, while focusing on the construction and market expansion of existing projects as well as stepping up efforts in corporate risk management and cost control, with a view to safely passing the current economic plight and laying a foundation for future development.

From a medium to long term perspective, China remains in a stage of industrialisation and urbanisation. Accordingly, the growth trend of the macro-economy will remain unchanged while the development trend of the logistics and toll road businesses will maintain optimistic. The management of the Group strongly believes that prospects for the Group's business development in the future continue to look good. The Group will adhere to its existing medium to long term directions for its operation and strategic development in the future, and concentrate resources on logistics infrastructure and its derived businesses. It will cope with changes and push forward business development in an orderly manner, in order to ensure realisation of the Company's strategic objectives. It will carry out proactive and effective efforts for enhancing corporate value.

FINANCIAL POSITION

	31 December 2008 HK$million	2007 HK$million (Restated)	Increase／(Decrease)
Total Assets	26,915	23,419	15%
Total Liabilities	17,032	11,885	43%
Total Equity	9,883	11,534	(14%)
Cash and Cash Equivalents	2,061	3,337	(38%)
Bank Borrowings			
Short Term Bank Loans	1,296	2,025	(36%)
Long Term Bank Loans due for repayment within one year	646	104	521%
Long Term Bank Loans	6,404	3,726	72%
Bond	898	831	8%
Convertible Bonds	3,067	2,720	13%
Total Borrowings	12,311	9,406	31%
Net Borrowings	10,250	6,069	69%
Debt Asset Ratio (Total Liabilities/ Total Assets)	63%	51%	12% #
Ratio of Total Borrowings to Total Assets	46%	40%	6% #
Net Borrowings to Total Equity	104%	53%	51% #

Change in percentage point

As at 31 December 2008, cash and cash equivalents of the Group amounted to HK$2,061 million (31 December 2007: HK$3,337 million), representing a decrease of 38% over 2007. The decrease was mainly attributable to the payment of part of the consideration to acquire the equity interests in Shen Guang Hui amounted to approximately HK$1,100 million and the payment of a final dividend and a special dividend for the year 2007 to shareholders of approximately HK$640 million. At this stage, the Group possesses sufficient cash, with a very solid financial position and has ample finance resources to cope with the instable economic environment.

As at 31 December 2008, total bank loans of the Group amounted to approximately HK$8,346 million (2007: HK$5,855 million), of which 23.3%, 9.1% and 67.6% were due for repayment within one year, the second year and the third year or after respectively. Of such loans, approximately HK$625 million are repayable in Hong Kong dollars, HK$16.8 million are repayable in US dollars and the remaining balance of approximately HK$7,704 million are borrowings from banks in the PRC and repayable in Renminbi. During the Year, the amount of loans denominated in Renminbi increased by approximately HK$2,300 million, mainly due to two infrastructure projects, namely the reconstruction project of Qinglian Class I Highway and the construction and investment of Nanguang Expressway.

The Group’s cash inflow is primarily denominated in Renminbi, and cash outflow denominated in Hong Kong dollars mainly comprises cash dividend payment to shareholders and scheduled repayments of bank loans. Renminbi appreciated by approximately 7% in 2008, and the Group’s net asset value increased by approximately HK$400 million accordingly, as the cash and assets held by the Group were primarily denominated in Renminbi. In the short run, the exchange risk between Renminbi and Hong Kong dollars will be at a low level. The Group will review and monitor from time to time the risks relating to foreign exchanges.

Currently, the Group has cash in hand and standing banking facilities of approximately HK$13,300 million and the utilised banking facilities amounted to HK$8,346 million. The Group has sufficient cash reserve and standing banking facilities to manage the unexpected market changes, as well as further increasing the overall returns for its shareholders through channels such as cash payments to shareholders and share repurchases.

POST BALANCE SHEET EVENT

Disposal of CSG A Shares

From 1 January 2009 to the date of this announcement, the Group has disposed of a total of 19,228,823 CSG A Shares at Shenzhen Stock Exchange. The average selling price was RMB14.326 per share, giving a total consideration of approximately RMB275 million. As at the date of this announcement, the Group beneficially owned 113,887,081 CSG A Shares, representing approximately 9.21% shares in the total issued share capital of CSG, of which 97,844,804 CSG A Shares held by the Group are freely tradable on the Shenzhen Stock Exchange (representing approximately 85.91% of the Group's shareholding) and the remaining 16,042,277 CSG A Shares held by the Group will become freely tradable on the Shenzhen Stock Exchange by 24 May 2009 (subject to the applicable PRC laws and regulations).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the Year, the Company repurchased 196,762,500 shares of the Company on the Hong Kong Stock Exchange. The highest and lowest price paid for all such purchases were HK$0.76 and HK$0.205 respectively. The aggregate amount (including share price and related expenses) paid for such repurchased shares was approximately HK$103,390,000 which was deducted from shareholders' equity. Such shares repurchased have been fully cancelled as at 31 December 2008. The repurchases effected by the Board are aimed at enhancing earnings per share of the Company which are in the interests of 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 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The corporate governance principles adopted by the Company emphases a highly efficient board of directors, sound internal control and the transparency and accountability to all shareholders. Details of the corporate governance practices adopted by the Group will be set out in the Corporate Governance Report contained in the 2008 Annual Report, which will be despatched to shareholders of the Company.

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 2008.

The figures set out in the annual results announcement of the Group for the year ended 31 December 2008 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this regard did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the annual results announcement.

This announcement and other related information of the Company's 2008 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, 3 April 2009

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.