Shenzhen International
深國際

2011
Annual Report 年報

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

(Incorporated in Bermuda with limited liability 於百慕達註冊成立之有限公司)
Stock Code 股份代號 : 00152

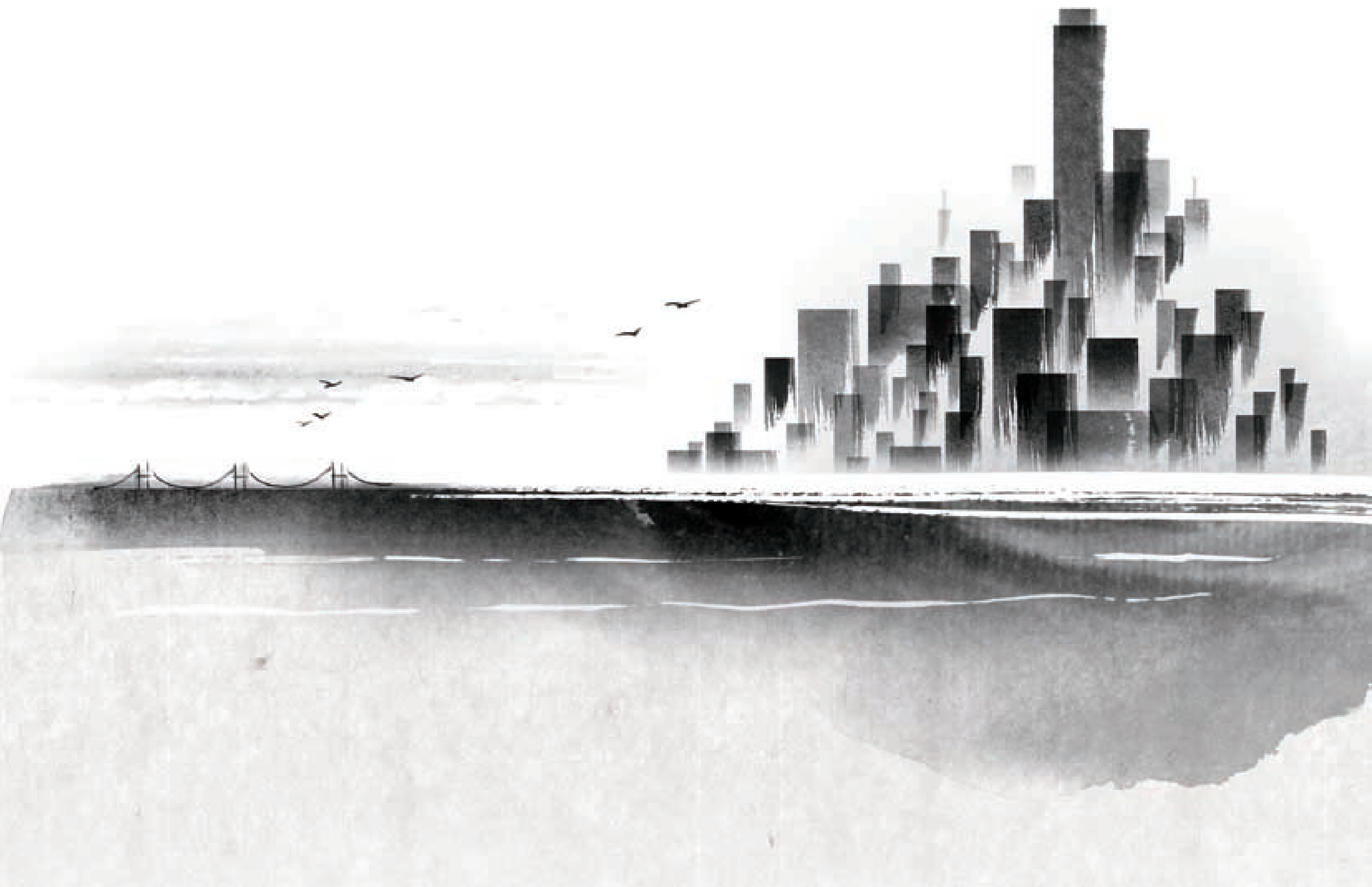
Contents

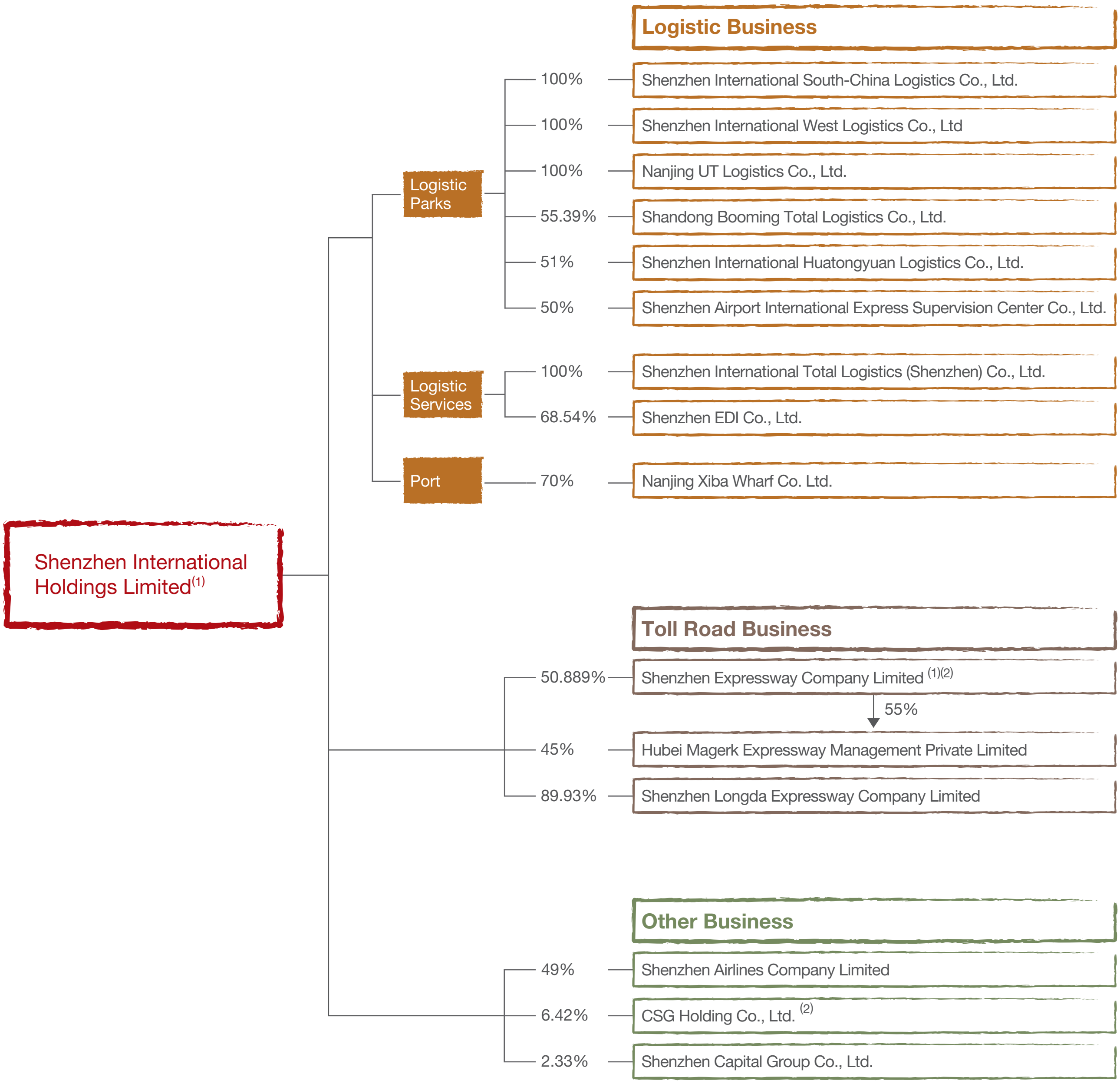
Corporate Profile

Shenzhen International Holdings Limited is a company incorporated in Bermuda with limited liability and is listed on the main board of the Stock Exchange of Hong Kong. The Group is principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities.

Shenzhen Investment Holdings Company Limited, the controlling shareholder of the Company, is a corporation wholly-owned by Shenzhen Municipal State-owned Assets Supervision and Administration Commission and, as at the date of this report holds approximately 48.59% of the issued share capital of the Company.

The Group's development strategy defines the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim in the PRC as strategic regions, through acquisitions, restructuring and integration, the Group endeavours to invest, construct and operate logistic infrastructure projects such as logistic parks and toll roads and applies supply-chain management techniques and information technology to provide high-end and value-added logistic services to customers, creating greater value for its shareholders.





(1) Listed company in Hong Kong
(2) Listed company in the PRC

In this report, the English names of the PRC entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Guo Yuan *(Chairman)*
Li Jing Qi *(Chief Executive Officer)*
Liu Jun *(Vice President)*
Yang Hai

Non-Executive Directors:

Wang Dao Hai
Wong Yuk Shan

Independent Non-Executive Directors:

Leung Ming Yuen, Simon
Ding Xun
Nip Yun Wing

AUDIT COMMITTEE

Leung Ming Yuen, Simon *(Chairman)*
Ding Xun
Nip Yun Wing

NOMINATION COMMITTEE

Ding Xun *(Chairman)*
Leung Ming Yuen, Simon
Li Jing Qi

REMUNERATION COMMITTEE

Ding Xun *(Chairman)*
Leung Ming Yuen, Simon
Li Jing Qi

COMPANY SECRETARY

Tam Mei Mei

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 2206-2208, 22nd Floor
Greenfield Tower, Concordia Plaza
No. 1 Science Museum Road
Tsimshatsui East
Kowloon, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

COMPANY WEBSITE

http://www.szihl.com

STOCK CODE

00152

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

LEGAL ADVISERS

Reed Smith Richards Butler *(Hong Kong Legal Adviser)*

PRINCIPAL BANKERS

Bank of China *(Hong Kong)*
Bank of Communications
Bank of Jiangsu *(PRC Domestic Bank)*
The Bank of Tokyo-Mitsubishi UFJ, Hong Kong Branch
China Merchants Bank
DBS Bank
Guangdong Development Bank
(PRC Domestic Bank)
Hang Seng Bank
ING Bank N.V.
Shanghai Pudong Development Bank
(PRC Domestic Bank)
Shenzhen Development Bank
(PRC Domestic Bank)
Standard Chartered Bank
Wing Lung Bank

PRINCIPAL SHARE REGISTRAR

Codan Services Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

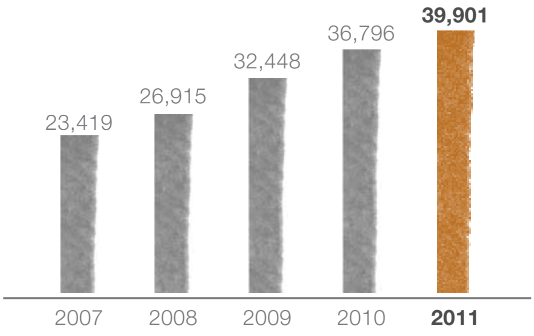
HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited
26th Floor, Tesbury Centre
28 Queen's Road East, Wanchai, Hong Kong

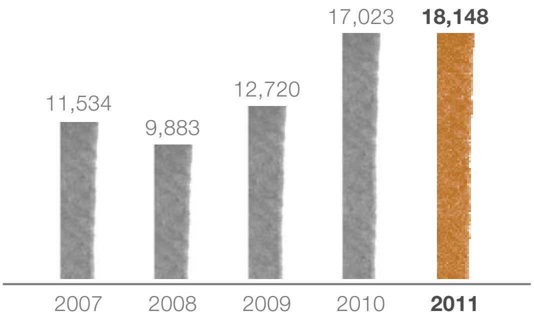
INVESTOR RELATIONS CONSULTANT

Hill+Knowlton Strategies Asia
36th Floor, PCCW Tower, Taikoo Place
979 King's Road, Quarry Bay, Hong Kong

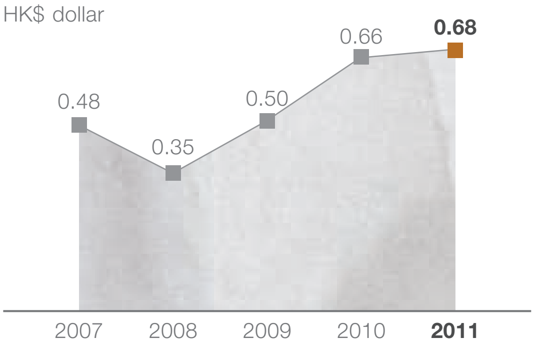
Total Assets Value
HK$ million



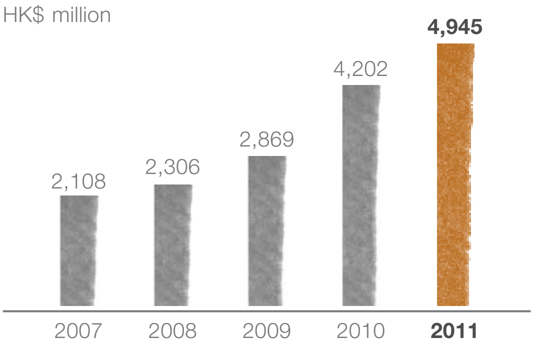
Total Equity
HK$ million



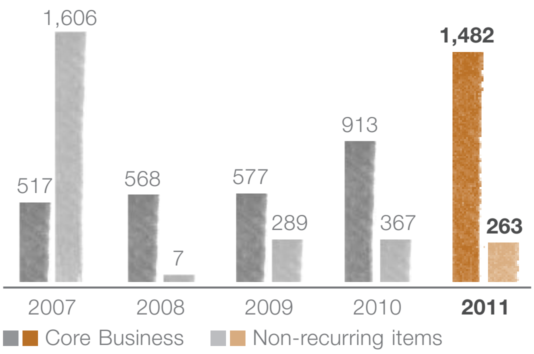
Net Asset Value Attributable To Shareholders Per Share
HK$ dollar



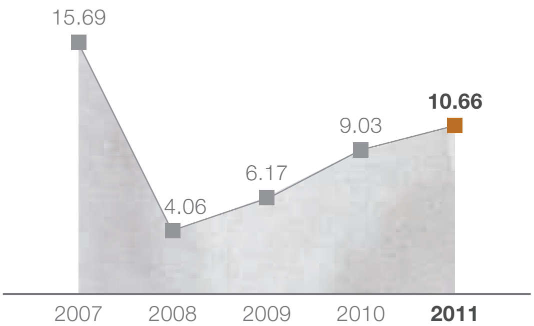
Revenue (Excluding Construction Service Revenue From Toll Road)
HK$ million



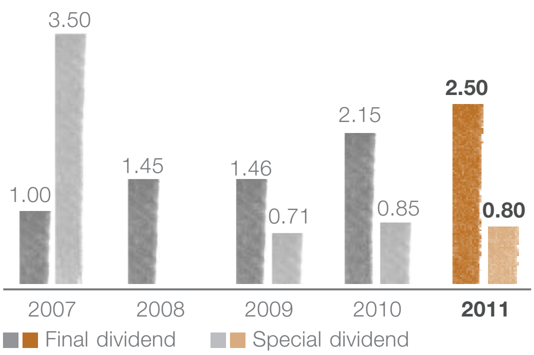
Profit Attributable To Shareholders
HK$ million



Earnings Per Share (Basic)
HK cents



Cash Dividend Per Share
HK cents



ANALYSIS OF REVENUE AND PROFIT BEFORE FINANCE COSTS AND TAX BY PRINCIPAL ACTIVITIES

(HK$ million)

	Revenue	Operating profit	Share of profit of associates and jointly controlled entities	Total
		2011		
Toll Road				
– Toll revenue	**4,138**	**2,338**	**154**	**2,492**
– Construction service revenue	**636**	**–**	**–**	**–**
	4,774	**2,338**	**154**	**2,492**
Logistic Business				
– Logistic Park	**458**	**141**	**7**	**148**
– Logistic Service	**251**	**13**	**1**	**14**
– Port	**98**	**31**	**–**	**31**
	5,581	**2,523**	**162**	**2,685**
Head office	**–**	**338**	**424**	**762**
Profit before finance costs and tax	**5,581**	**2,861**	**586**	**3,447**
Finance income				**35**
Finance costs				**(679)**
Finance costs – net				**(644)**
Profit before income tax				**2,803**
		2010		
Toll Road				
– Toll revenue	3,707	1,863	209	2,072
– Construction service revenue	910	–	–	–
	4,617	1,863	209	2,072
Logistic Business				
– Logistic Park	302	84	5	89
– Logistic Service	164	13	1	14
– Port	29	3	–	3
	5,112	1,963	215	2,178
Head office	–	456	143	599
Profit before finance costs and tax	5,112	2,419	358	2,777
Finance income				21
Finance costs				(653)
Finance costs – net				(632)
Profit before income tax				2,145

SUMMARY FINANCIAL INFORMATION

A summary of the results and of the assets and liabilities of the Group for the last five financial years is depicted below. The 2011 figures are extracted from the audited financial statements. The 2007 to 2010 figures are extracted from the comparatives in the 2008 to 2011 audited financials statements.

	Year ended 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**5,581,043**	5,111,806	4,080,949	5,951,614	4,984,600
Profit before income tax	**2,802,720**	2,145,341	1,443,983	1,156,665	3,002,451
Income tax expense	**(539,946)**	(453,068)	(266,885)	(190,043)	(550,900)
Profit before non-controlling interests	**2,262,774**	1,692,273	1,177,098	966,622	2,451,551
Non-controlling interests	**(517,543)**	(412,434)	(311,239)	(391,636)	(329,010)
Profit attributable to shareholders	**1,745,231**	1,279,839	865,859	574,986	2,122,541

	As at 31 December				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Fixed assets	**4,870,242**	4,241,871	3,521,077	2,487,334	1,887,233
Investment properties	**62,900**	49,989	44,443	49,183	32,580
Investment in associates	**2,829,232**	2,280,452	1,455,216	1,441,731	1,423,285
Investment in jointly controlled entities	**319,819**	306,821	300,350	773,559	923,679
Available-for-sales financial assets	**246,879**	147,263	142,366	95,726	222,652
Intangible assets	**24,386,045**	23,446,980	22,463,694	18,125,699	13,716,069
Other non-current assets	**1,026,079**	169,535	99,170	–	–
Net current assets/(liabilities)	**1,750,702**	1,376,075	(1,701,065)	(1,394,310)	1,872,604
Non-current liabilities	**(17,343,592)**	(14,995,461)	(13,605,561)	(11,696,317)	(8,543,920)
Net assets	**18,148,306**	17,023,525	12,719,690	9,882,605	11,534,182
Equity					
Issued capital	**1,637,217**	1,637,217	1,414,193	1,402,742	1,421,818
Reserves	**9,576,984**	9,206,810	5,610,943	3,507,179	5,464,525
Shareholders' equity	**11,214,201**	10,844,027	7,025,136	4,909,921	6,886,343
Non-controlling interests	**6,934,105**	6,179,498	5,694,554	4,972,684	4,647,839
Total equity	**18,148,306**	17,023,525	12,719,690	9,882,605	11,534,182

Achieve Record High Results Performance with Strong and Innovative Operations

Dear Shareholders,

In 2011, the Group achieved remarkable results for the third consecutive year, with revenue and net profit of its core business reaching historical highs and core earnings contribution accounted in a greater portion. As at 31 December 2011, revenue from the Group's core business increased by 18% year-on-year to HK$4,945 million, while profit attributable to shareholders rose by 36% to HK$1,745 million.

The Board recommended a final cash dividend of HK2.5 cents per share and a special cash dividend of HK0.8 cent per share to shareholders for 2011, totalling HK3.3 cents per share, a 10% increase over the previous year. Total cash dividends amounted to HK$540 million.

BUSINESS REVIEW AND FUTURE PROSPECTS

In 2011, facing unfavourable conditions including complex and grim global economic climate, the ease of China's economic growth, rising operating costs and the tightening of toll road policies, the Group adhered to the development philosophy of continuous innovation at a steady pace, followed the established development strategies, actively integrated internal resources, further developed its core business, we successfully completed several important projects during the year.

OBTAINED INTERNATIONAL CREDIT RATINGS, AFFIRMING THE GROUP'S BUSINESS DEVELOPMENT AND CREDIT WORTHINESS

The Group's international credit rating process began in the fourth quarter of 2011. In early 2012, two international credit rating agencies, Standard and Poors and Moody's, awarded the Group investment ratings of BBB and Baa3 respectively. These investment ratings demonstrate the Group possesses high-quality assets, a stable financial position, adequate cash flow and good credit ratios. It also helps the Group to diversify its financing channels, optimise its capital structure and reduce its financing costs, laying favourable foundations for the Group's future development.

EQUITY HOLDING IN SHENZHEN AIRLINES INCREASED TO 49%, FURTHER ENHANCING THE GROUP'S EARNINGS

During this year, the Group further acquired a 24% equity interest in Shenzhen Airlines Company Limited ("Shenzhen Airlines") at a consideration of RMB789 million. The acquisition was completed in early 2012 and increased the Group's shareholding in Shenzhen Airlines from 25% to 49%. Shenzhen Airlines is a premium strategic investment for the Group. The increase in the equity holding in Shenzhen Airlines is expected to enhance the Company's shareholder returns.

RAPID GROWTH IN LOGISTIC BUSINESS

The Group continued to increase its investment in the logistic business and actively carried forward the construction of logistic parks, leading to rapid growth of the logistic business for years. The logistic business have impressive increase in profit attributable to shareholders this year. The Group's Huatongyuan Logistic Centre and Nanjing Xiba Port commenced their first full year operation in 2011, enjoyed a sound performance and have become the main growth driver of the Group's logistic business. Construction of the new logistic centre and trade exhibition centre at South China Logistic Park will further enhance the scale and competitiveness of the logistic business. In the coming year, the Group will actively look for new investment opportunities in the logistic business, as reserve for logistic projects, in a view that this reserve will be another driving force of the continue growth of the logistic business.

NEW OBJECTIVES SET FOR NEXT FIVE YEARS DEVELOPMENT STRATEGY, THE GROUP IS WELL-EQUIPPED FOR TOMORROW

The Group's Twelfth Five Year Development Strategy has been drawn up with the Group's original development strategy as its foundation, taking into account the conditions and strengths the Group has developed to date. It was implemented in 2011, with logistic infrastructure being the core business remains unchanged. With clear development strategy set for the next five years, a clear direction and objectives for various business areas are set out. This will benefit the Group in its overall planning and the optimisation of resource allocation, improving risk resilience and adaptability, and providing guidance and support for future sustainable development.

The Group is optimistic about the future potential growth of the logistic business. Together with the construction of the existing major logistic projects, the Group will continue to increase its investment and explore in logistic sector and strive to turn the logistic business to become the main driver of the Group's future growth.

After years of investment and operation, the Group's toll road business has become mature. The Group will focus on developing the newly-completed projects so as to bring in relatively stable investment returns and adequate cash flow. A steady growth in the toll road business is expected in the future.

The Group's management and operation system will continue to improve with its solid foundation, and continued improvement in scale and profitability of the core business of the Group is expected. Looking towards 2012, the external environment is still challenging, the Group will continue to focus on developing its core business and improving the management standard so as to further enhance its overall strengths.

SOCIAL RESPONSIBILITIES

The Group incorporates social responsibility into its daily operations. While maximising its business value, it also adheres to the principle of giving back to society.

In the business development process, the Group has integrated environmental-friendly concepts such as low-carbon emissions and "greenage logistics" into the construction and operation of toll roads and logistic projects. In 2011, we played an active part in volunteering during the 2011 Summer Universiade in Shenzhen. A total of 3,550 volunteers participated in the event under the "paid-leave volunteering" scheme, generating positive feedback from society. In the coming year, the Company will continue to develop the "paid leave for voluntary activities" campaign and will increase the variety of volunteer activities.

Finally, on behalf of the Board, I would like to take this opportunity to extend my utmost gratitude to all shareholders, business partners and clients for their continued trust and support. I would also like to thank the entire staff for their hard work and dedication to the Group.

Chairman
Guo Yuan

Hong Kong, 30 March 2012

Management Discussion and Analysis

OVERALL REVIEW

In 2011, the Group's revenue from its core business grew by 18% year-on-year to HK$4,945 million, with revenue from the logistic business and toll revenue grew by 63% and 12% year-on-year respectively. Profit attributable to shareholders increased by 36% year-on-year to HK$1,745 million.

Operating Results	2011 HK$'000	2010 HK$'000	Increase/ (Decrease)
Revenue (excluding construction service revenue from toll roads)	**4,945,469**	4,201,734	18%
Construction service revenue from toll roads	**635,574**	910,072	(30%)
Total Revenue	**5,581,043**	5,111,806	9%
Profit before finance costs and tax	**3,446,632**	2,776,881	24%
of which: Core Business	**3,099,760**	2,303,140	35%
Profit attributable to shareholders	**1,745,231**	1,279,839	36%
of which: Core Business	**1,482,467**	912,749	62%
Basic earnings per share (HK cents)	**10.66**	9.03	18%
Dividend per share (HK cents)			
Final dividend	**2.50**	2.15	16%
Special dividend	**0.80**	0.85	(6%)
	3.30	3.00	10%

Despite the impact of the Europe debt crisis and global economy uncertainty in 2011, China's economic environment remained relatively stable with an annual GDP growth of 9.2%, which favoured the sustainable business development of the Group. In recent years, the Group has maintained its momentum in performance growth by expanding the scale of its business and actively venturing into new business. The Group recorded a revenue of HK$4,945 million from its core business in 2011, representing a 18% year-on-year growth, while profit before finance costs and tax from its core business amounted to HK$3,100 million, representing a growth of 35% year-on-year. Profit attributable to shareholders increased by 36% year-on-year to HK$1,745 million, of which profit from core business grew by 62% year-on-year to HK$1,482 million.

Revenue from the logistic business of the Group surged 63% to HK$807 million for the year ended 31 December 2011 (the "Year"). The increase was mainly attributable to: (1) the successive openings of new logistic centres in South China Logistic Park and Western Logistic Park in April and October 2010 led to increases in operating area and rental income; (2) Huatongyuan Logistic Centre contributed a full-year revenue to the Group for the first time since its operation in July 2010 and its operating results exceeded expectation; (3) significant growth in business volume of Nanjing Xiba Port in the first full-year operation following the launch of its Phase 1 in April 2010. In addition, benefitted from the expanded operating scale, economies of scale became apparent along with the continuing improvements of resources integration, profit attributable to shareholders from the Group's logistic business grew by 56% year-on-year to HK$120 million.

During the Year, toll revenue of the Group's toll road business increased by 12% year-on-year to HK$4,138 million and profit attributable to shareholders increased by 16% to HK$913 million. Excluding the positive impact on profit resulting from the change in accounting estimate of provision for maintenance/resurfacing obligations, as well as the one-off maintenance cost for roads including the southern section of Meiguan Expressway, net profit remained at a similar level as that of the previous year. During the Year, completion of the expressway conversion works on Liannan Section of Qinglian Expressway and opening of Longhua extension section of Longda Expressway led to an increase in toll revenue. However, the government policy in China and business expansion during the Year drove staff costs up, which coupled with the increase in funding costs and recognition of interest expenses in the income statement upon the opening of new sections of roads, led to an increase in finance costs. All these offset the growth in profit brought by an increase in revenue.

Since 19 April 2010, Shenzhen Airlines Company Limited ("Shenzhen Airlines") became an associate in which the Group holds a 25% equity interest. During the Year, Shenzhen Airlines contributed a profit of HK$424 million to the Group, a remarkable increase in approximately double of the profit contribution of HK$143 million in 2010, and was a main driver of the Group's strong profit growth. In May 2011, the Group acquired an additional 24% equity interest in Shenzhen Airlines with a consideration of RMB788,632,500. Following the completion of the acquisition on 4 January 2012, the Group's shareholding in Shenzhen Airlines increased to 49%.

During the Year, the Group disposed of approximately 14.62 million A shares of CSG Holding Co., Ltd. ("CSG") at an average selling price of RMB20.85 (HK$25.18) per share and realised a non-recurring gain after tax of approximately HK$263 million (2010: HK$334 million).

DIVIDEND

The board of directors of the Company (the "Board") is committed to maintaining a stable dividend policy to ensure sustainable and steady returns for the Company's shareholders. During the Year, recurring profit of the Group included profit contribution from an associate, Shenzhen Airlines, which has not fully turned around from its accumulated losses and thus unable to pay cash dividend to the Group. After considering the composition of the profit and cash flows of the Group, the Board proposed the payout ratio for the Year to be maintained at 38% (2010: 38%) of net profit after excluding the profit contribution from Shenzhen Airlines, and recommended a final cash dividend of HK2.5 cents (2010: HK2.15 cents) per share to shareholders, representing an increase of 16% over that of the previous year. The Board also proposed to continue the payment of a special cash dividend of HK0.8 cent (2010: HK0.85 cent) per share to shareholders from the disposal gain of A shares of CSG, representing a 50% distribution of the total profit realised from such disposal. The total cash dividend for the Year was HK3.3 cents (2010: HK3.0 cents) per share, an increase of 10% over 2010, while the total dividends amounted to HK$540 million (2010: HK$491 million).

Logistic Business

↑63%

Revenue reached
HK$807 million

↑82%

Profit before finance costs and tax reached
HK$193 million

↑56%

Profit attributable to shareholders reached
HK$120 million

Revenue Contribution By Logistic Business Unit

	2011	2010
Logistic Park	57%	61%
Logistic Service	31%	33%
Port	12%	6%

Net Profit Contribution By Logistic Business Unit

	2011	2010
Logistic Park	84%	86%
Logistic Service	7%	14%
Port	9%	–

OVERVIEW

The Group owns various well-equipped logistic parks in major cities of China, including Shenzhen, Nanjing and Yantai. These parks offer logistic infrastructure facilities and other value-added services to customers such as warehousing, transportation, loading and unloading. Currently the Group owns a land area and gross floor area (including Nanjing Xiba Port) of 1.70 million and 1.47 million square metres respectively. In recent years, several new logistic centres were completed and commenced operation, operating area of the Group's logistic centres stands at over 530,000 square metres. The Group's port business, following the completion of construction of phase 1 of Nanjing Xiba Port in early 2011, the port has the capability of providing services including ship loading and unloading, lightering, train loading and automobile loading; and has a storage capacity of over 1 million tonnes. Through enhancement of operating scale of the Group's logistic business, the economies of scale gradually become more apparent, which further strengthened the long-term value growth and cost competitiveness, thereby laying a solid foundation for the logistic business of the Group.

FINANCIAL ANALYSIS

The Group is experiencing a continual expansion of the operating scale of its logistic business in the past few years. In 2011, revenue and profit of logistic business hit a record high; the logistic business achieved a revenue of HK$807 million (2010: HK$495 million) and profit before finance costs and tax of HK$193 million (2010: HK$105 million), representing increases of 63% and 82% respectively over the previous year. In addition, profit attributable to shareholders amounted to HK$120 million (2010: HK$77.05 million), representing an increase of 56% over the previous year.

Revenue of each logistic business unit

For the year ended 31 December

	2011 HK$000	2010 HK$000	Increase
Logistic Park Business			
South China Logistic Park	**169,366**	133,877	27%
Western Logistic Park	**74,378**	42,111	77%
Huatongyuan Logistic Centre	**87,392**	25,821	238%
Nanjing Chemical Industrial Park Logistic Centre	**52,578**	48,126	9%
Shandong Booming Total Logistic Park	**73,942**	51,677	43%
Sub-total	**457,656**	301,612	52%
Logistic Service Business	**251,475**	163,569	54%
Port Business	**97,609**	29,757	228%
Total	**806,740**	494,938	63%

Revenue Contribution by Logistic Parks

Profit attributable to shareholders of each logistic business unit

For the year ended 31 December

	2011 HK$000	2010 HK$000	Increase/ (Decrease)
Logistic Park Business			
South China Logistic Park	**46,963**	35,268	33%
Western Logistic Park	**18,545**	12,105	53%
Huatongyuan Logistic Centre	**16,071**	4,185	284%
Nanjing Chemical Industrial Park Logistic Centre	**12,743**	7,295	75%
Shandong Booming Total Logistic Park	**1,383**	3,799	(64%)
SZ Airport Express Center*	**5,546**	3,658	52%
Sub-total	**101,251**	66,310	53%
Logistic Service Business	**8,529**	10,739	(21%)
Port Business##	**10,289**	–	N/A
Total	**120,069**	77,049	56%

* SZ Airport Express Center is a jointly controlled entity and is accounted for using the equity accounting method.
\## Port Business commenced operation in April 2010, and achieved a break-even results in 2010.

The growth in revenue and profit of the Group's logistic business in 2011 was mainly attributable to:

- During the Year, South China Logistic Park contributed HK$169 million in revenue to the Group, representing a 27% year-on-year growth. This was mainly due to the opening of two newly-built logistic centres in the first half of 2010 which brought in a full-year revenue for the first time and the continued improvement in its operation performance. Meanwhile, the significant growth in the business volume of empty container and depot storage business was also a contributing factor. As a result of continued expansion of operating scale, South China Logistic Park has achieved economies of scale which led to an improvement in gross profit in its overall business as compared to that of last year. Profit attributable to shareholders grew significantly by 33% year-on-year to HK$46.96 million.

- Since its full operation in mid July 2010, Huatongyuan Logistic Centre contributed a full-year revenue and profit attributable to shareholders which amounted to HK$87.39 million and HK$16.07 million respectively to the Group for the first time, representing year-on-year increases of 2.4 times and 2.8 times. The operational performance of Huatongyuan Logistic Centre exceeded expectation.

- Western Logistic Park recorded respective increases of 77% and 53% in revenue and profit attributable to shareholders as compared to those of last year. The strong growth was mainly driven by the two-fold increase in the operating area of the logistic centre in the park after completion of the first stage of phase 2 of logistic centre in October 2010, as well as the adjustment of fee charges and continual optimisation of its customer mix.

- Nanjing Xiba Port, the Group's port operation, contributed a full-year revenue and profit for the first time. Following its operation in mid April 2010, Nanjing Xiba Port commenced full operation in 2011 and with rapid business growth. Its revenue increased by 2.3 times year-on-year to HK$97.61 million, profit before finance costs and tax increased by 7.8 times year-on-year to HK$30.76 million and it brought a net profit contribution of HK$10.29 million to the Group.

- During the Year, revenue from logistic service business amounted to HK$251 million, representing an increase of 54% as compared with that of last year. This was mainly attributable to the increase in business volume from certain major customers. However, the growth in revenue was offset by a surge in transportation costs as a result of domestic oil price hikes, rises in cost of sales including salaries and rental expenses, increase in the PRC corporate income tax rate as well as finance costs compared to the previous year. As a result, profit attributable to shareholders decreased by 21% from the previous year.

- Shandong Booming Total Logistic Park recorded a 43% growth in revenue, yet profit attributable to shareholders decreased by 64% during the Year and this was mainly due to a reduction in government subsidies in 2011.

ANALYSIS OF OPERATING PERFORMANCE

Despite the complex global economic situation in 2011, China's economy maintained stable growth. Also, the rapid increase in domestic consumption, resulting in the strong demand for logistic facilities and services, thereby provides a favourable market environment to the Group's logistic business. According to the statistics from the General Administration of Customs of China, China's total export commodities and import commodities amounted to US$1,898.6 billion and US$1,743.46 billion, representing year-on-year growth of approximately 20.3% and 25.0% respectively. For the Shenzhen region, total export commodities amounted to US$245.53 billion, an increase of approximately 20.2%, while total import commodities amounted to US$168.57 billion, an increase of 18.2% year-on-year.

LOGISTIC PARKS

With the successive opening of new logistic centres in South China Logistic Park and Western Logistic Park in 2010, there has been a significant expansion in the operating scale of the Group's logistic parks, thus the economies of scale gradually became apparent. The business volume and rental income of the Group's logistic parks have grown satisfactorily in 2011 due to continued efforts in expansion and successfully attract new customers. Since the official operation in the second half of 2010, through the enhancement of its service quality and management efficiency, performance of Huatongyuan Logistic Centre in 2011 exceeded expectation. In addition, the Group managed to cope with the pressures of moderate growth in imports and exports and rising production costs through enhancing operating efficiency and controlling operating expenses, which in turn led to considerable growth in the overall profit of the logistic park business.

OPERATING PERFORMANCE OF MAJOR LOGISTIC PARKS

		Logistic Centre				
Logistic Park	**Core Business**	**Weighted average operating area** (square metres)	**Average service charge income per month** (HK$ per square metre)		**Occupancy rate**	
		2011	**2011**	**2010**	**2011**	**2010**
South China Logistic Park	Provides logistic centres, empty container depots, cross-border customs transfer and access, and cross-border express customs clearance services	186,500	54	47	96%	95%
Western Logistic Park	Provides logistic centres	111,000	40	40	95%	95%
Huatongyuan Logistic Centre	Provides distribution outlets, warehouses and offices rental services	130,000	49	36	99%	93%
Nanjing Chemical Industrial Park Logistic Centre	Provides warehousing, customs declaration and transport services for hazardous and non-hazardous chemical products	40,000	64	62	93%	81%
Shandong Booming Total Logistic Park	Provides logistic centres, transport, distribution and other services	26,000	25	24	87%	83%

MAJOR PROJECTS UNDER CONSTRUCTION

Location	**Purpose**	**Planned Operating Area** (square metres)	**Commencement Date of Construction**	**Expected Completion Date**
South China Logistic Park	Logistic centre	50,000	September 2011	End of 2012
	Trade exhibition centre	74,000	September 2011	Beginning of 2013
Shandong Booming Total Logistic Park	Centre for drop-and-pull transportation	11,000	October 2011	Second half of 2012

PORT BUSINESS

After more than two years, the construction of the northern depot of Phase 1 of Nanjing Xiba Port was completed and was put into operation in early 2011, symbolising the completion of construction of Phase 1 of Nanjing Xiba Port as a whole. As a public port, Nanjing Xiba Port primarily provides terminal loading and unloading services for vessels carrying coal, ores, sand and other solid bulk cargo, as well as materials storage and other integrated services.

After a full year of operation, Phase 1 of Nanjing Xiba Port which comprises two general bulk cargo terminals with a 50,000-tonnage capacity, with a site area of 400,000 square metres, has achieved strong operating results. In 2011, the annual throughput of Nanjing Xiba Port increased four times and reached 10.67 million tonnes, which reflects the competitive advantage of Nanjing Xiba Port in terms of tonnage, geographical location and depot capacity. During the Year, a large-scale coal supplier has moved its transshipment base to Nanjing Xiba Port. Meanwhile, Nanjing Xiba Port has successfully attracted several electronics and petrochemical enterprises as its long-term customers.

Nanjing Xiba Port enjoyed competitive strengths in the coal transshipment market in the upstream of the Yangzi River, The Group will continue its expansion into the coal market so as to increase its market share upstream along the Yangzi River. In addition, the Group will remain devoted to expanding its customer base by improving sales and marketing efforts for customers in the businesses of metallurgy, construction materials and petrochemicals so as to cope with the impact that volatility in the coal market will have on the port business. At the same time, in order to capitalise on market demand, the Group will actively conduct feasibility study on the development plan for phase 2 of construction of Nanjing Xiba Port.

LOGISTIC SERVICE BUSINESS

By capitalising on its existing logistic infrastructure facilities, the Group has fully utilised the competitive advantages of its resources and capital to actively explore supply chain management and value-added logistic businesses on the basis of its traditional warehousing business.

In 2011, benefited by the increasing production volume and the pace of expansion of the existing major customers, the Group's logistic service business performed satisfactorily. However, rising oil prices and other operating costs also put pressure on the logistic service business. In order to further enhance its competitive edges and overall profitability, the Group is committed to cost control and the optimisation of its customer mix.

The Group will enhance its service standards to maintain and strengthen customer relations. Furthermore, it is actively searching for new business models to meet the ever-changing demands of customers. At the same time, the Group has further improved its systems, procedures and work models by providing better training for its existing business development personnel and enhancing its information systems so as to improve the efficiency of its service and to achieve lower operating costs.

OUTLOOK FOR 2012

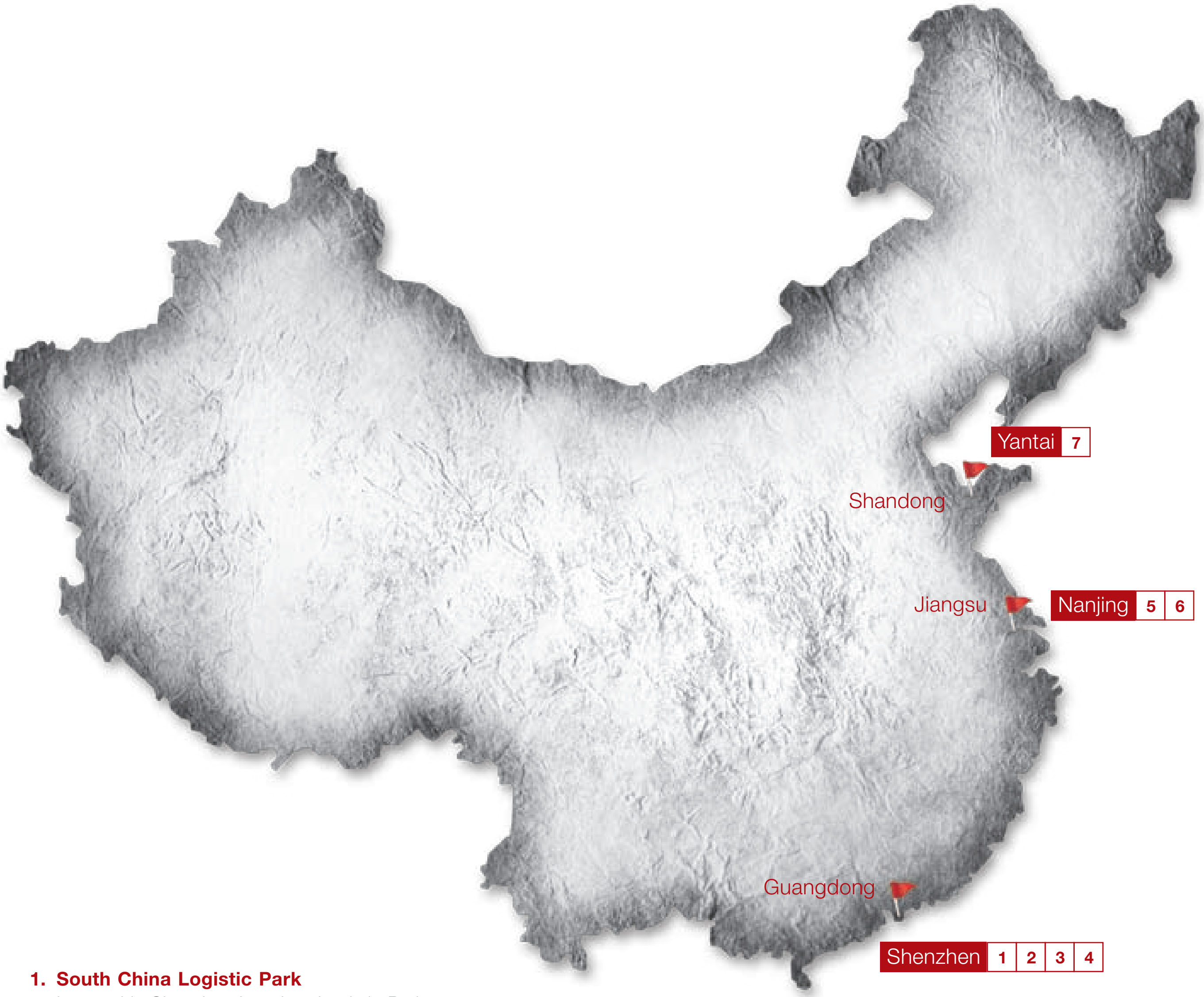
Looking towards 2012, the economic environment remains uncertain and challenging, the Group will continue to focus on the development of its logistic infrastructure business, enhancing the management standard and marketing, in order to maintain the stable growth of the Group's logistic business and actively create new profit models and explore new logistic and commercial development opportunities. The Group will put more emphasis on the following:

- Actively push forward the planning, construction and marketing for the existing logistic parks, including completion the construction of new logistic centre and exhibition centre in South China Logistic Park according to schedule. Also, actively work towards the development of Phase 2 of the Nanjing Chemical Industrial Park Logistic Centre and expansion of Shandong Booming Total Logistic Park;

- Closely monitor the future development plan of Shenzhen Qianhai Area and conduct studies on development approach of Western Logistic Park;

- Further enhance the management standards of the respective Logistic Parks and reduce costs where possible; continue to improve the customer portfolio and enhance the service quality and strengthen collaborative relationships with customers; and

- Actively work towards the development of phase 2 of Nanjing Xiba Port.



1. South China Logistic Park
Located in Shenzhen Longhua Logistic Park
Land area: 611,000 square metres
Gross floor area: 399,000 square metres
Operating area: 197,000 square metres

2. Western Logistic Park
Located in Shenzhen Qianhaiwan Logistics Park
Land area: 380,000 square metres
Gross floor area: 420,000 square metres
Operating area: 111,000 square metres

3. Huatongyuan Logistic Centre
Located in the vicinity of Meilin gateway of Shenzhen
Land area: 116,000 square metres
Gross floor area: 133,000 square metres
Operating area: 130,000 square metres

4. SZ Airport Express Center
Located in Shenzhen Baoan International Airport
Land area: 32,000 square metres
Gross floor area: 28,000 square metres
Operating area: 28,000 square metres

5. Nanjing Chemical Industrial Park Logistic Centre
Located in Nanjing Chemical Industrial Park
Land area: 95,000 square metres
Gross floor area: 48,000 square metres
Operating area: 48,000 square metres

6 Nanjing Xiba Port
Located in Nanjing Chemical Industrial Park
Land area: 400,000 square metres
Operating area: 220,000 square metres

7. Shangdong Booming Total Logistic Park
Located in the economic and technology development zone in Yantai City
Land area: 70,000 square metres
Gross floor area: 50,000 square metres
Operating area: 26,000 square metres

Toll Road Business

12%

Toll revenue reached
HK$4,138 million

20%

Profit before finance costs and tax reached
HK$2,492 million

16%

Profit attributable to shareholders reached
HK$913 million

Toll Revenue Contribution

	2011	2010
Shenzhen Expressway	73%	71%
Longda Expressway	15%	15%
Wuhuang Expressway	12%	14%

Net Profit Contribution

	2011	2010
Shenzhen Expressway	61%	56%
Longda Expressway	29%	33%
Wuhuang Expressway	10%	11%

(Included only net profit attributable to the 45% interest in Wuhuang Expressway directly held by the Company)

OVERVIEW

The Group's toll road operations span over the Shenzhen region, other regions in Guangdong Province and other provinces in China. The Group holds or controls a total of 17 expressway projects with total mileage of toll roads amounting to approximately 180 kilometres, 268 kilometres and 92 kilometres in the Shenzhen region, other regions in Guangdong Province and other provinces in China respectively. The Group operates the toll road business mainly through Shenzhen Expressway Company Limited ("Shenzhen Expressway") in which the Group holds a 50.889% equity interests. Shenzhen Expressway's H shares and A shares are listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange respectively. In addition, the Group directly holds a 89.93% equity interests in Longda Expressway and a 45% equity interests in Wuhuang Expressway (with the remaining 55% equity interests owned by Shenzhen Expressway).

FINANCIAL ANALYSIS

In 2011, despite the ease of China's economic development due to the complex and grim global economic climate, China's GDP still managed to increase by 9.2% from the previous year. The GDP of Guangdong Province and Shenzhen City both recorded 10% growth. In addition, total value of imports and exports of Guangdong Province was US$913,476 million, representing an increase of 16.4% over 2010. These provide favourable operating environment to the toll road business of the Group and offset the negative impact brought by the implementation of regional traffic control measures, removal of toll stations on certain local roads and implementation of the "Green Passage Toll-free Policy".

The Group's total toll revenue for the Year increased by 12% to approximately HK$4,138 million compared to the previous year and this was attributable to the following:

- After the successive completion of construction works of Longhua extension section of Bulong Class I Road and Longda Expressway during the first half of 2011, utilisation rate of the extension section of Longda Expressway was enhanced. The steady increase in ownership of small-displacement vehicles has also led to an increase in traffic volume and toll revenue of Longda Expressway; and

- Since Liannan Section of Qinglian Expressway adopted the expressway toll standards in January 2011, the total toll mileage increased from the original 188 kilometres to approximately 216 kilometres. Yilian Expressway (spanning from Fengtouling in Guangdong to Yizhang in Hunan, also known as Yifeng Expressway), which is connected to the northern end of Qinglian Expressway, opened for traffic in late September 2011, integrating the links between Qinglian Expressway and the surrounding road networks, especially the link between the northern end of Qinglian Expressway and the Beijing-Hong Kong-Macau Expressway (formerly known as the Hunan Section of Jing-Zhu Expressway) through Yilian Expressway. All of the factors listed above have driven the toll revenue of Qinglian Expressway up by 30% during the Year.

During the Year, profit attributable to shareholders of the Group's toll road business amounted to HK$913 million, representing an increase of 16% over the previous year. Due to the advanced maintenance and resurfacing plan as well as the adoption of new technology in maintenance, the budgeted expenditure for principal maintenance and resurfacing of the roads of the Group was decreased in general and the implementation time was adjusted accordingly, which changed the related accounting estimate. Excluding the positive impact on profit resulting from the change in accounting estimate of provision for maintenance/resurfacing obligations arising therefrom, as well as the one-off maintenance cost for roads including the southern section of Meiguan Expressway, net profit remained at a similar level as that of last year. The growth in profit brought by the increase in revenue was offset mainly due to:

- Various maintenance projects carried out on roads including Qinglian Class II Road and end of the liability period of defects on Qinglian Expressway led to an increase in the Group's road maintenance costs as compared to the previous year. Coupled with other factors including payment of employees' housing fund as required by Shenzhen Municipal Government, the increase in staff salaries at toll roads as well as the number of staff, staff costs under both operating costs and administrative expenses had risen as compared to the previous year; and

- The increase in funding costs, the slightly expanded scale of borrowings during the Year, as well as the recognition of the relevant interest expenses in the income statement after the opening of the southern section of Qinglian Expressway, have led to an increase in finance costs.

ANALYSIS OF OPERATING PERFORMANCE

The operating performance of the Group's toll roads during the Year were as follows:

				Average Daily Traffic Volume		Average Daily Toll Revenue	
Toll roads	**Interest held by the Group**	**Operation period**	**Length (approximate km)**	**2011 (Vehicle/ Thousands)**	**Increase/ (decrease) as compared to 2010**	**2011 (HK$'000)**	**Increase/ (decrease) as compared to 2010**
Shenzhen region:							
Longda Expressway	89.93%	2005.10–2027.10	28	79	8%	1,633	9%
Meiguan Expressway	100%	1995.05–2027.03	19.3	119	2%	1,139	4%
Jihe East	100%	1997.10–2027.03	23.9	118	6%	1,699	4%
Jihe West	100%	1999.05–2027.03	21.7	99	9%	1,486	11%
Yapai Expressway	100%	2006.05–2027.03	15.2	38	(3%)	560	14%
Yanba Expressway	100%	2001.04–2031.03	29.1	28	14%	446	16%
Nanguang Expressway	100%	2008.01–2033.01	33.1	56	11%	711	18%
Shuiguan Expressway	40%	2002.02–2025.12	20.1	125	(7%)	1,355	(4%)
Shuiguan Extension	40%	2005.10–2025.12	5.2	32	(21%)	238	(18%)
Other regions in Guangdong Province:							
Qinglian Expressway**	76.37%	2009.07–2034.07	216	21	17%	1,546	30%
Yangmao Expressway	25%	2004.11–2027.07	79.7	23	17%	1,460	16%
Guangwu Project	30%	2004.12–2027.11	39.8	23	32%	778	43%
Jiangzhong Project	25%	2005.11–2027.08	37.5	90	32%	1,174	17%
Guangzhou Western Second Ring	25%	commenced toll operation from 2006.12; operation period to be approved by the relevant authority	42	33	16%	894	16%
Other provinces in China:							
Wuhuang Expressway	100%	1997.09–2022.09	70.3	38	(1%)	1,384	(5%)
Changsha Ring Road	51%	1999.11–2029.12	34.5	10	11%	104	24%
Nanjing Third Bridge	25%	2005.10–2035.10	15.6	23	6%	1,001	11%

Note:

** Liannan Section of Qinglian Project has collected toll based on expressway toll standard since 25 January 2011 after completion of its expressway conversion works. Total toll mileage of Qinglian Expressway increased to approximately 216 kilometres from approximately 188 kilometres.

LONGDA EXPRESSWAY

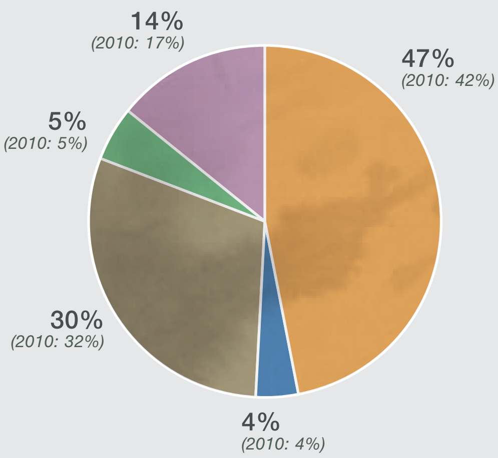
The completion of the construction of Longhua extension section of Bulong Class I Road and Longda Expressway increased the utilisation rate of the extension section of Longda Expressway. After the opening of Changhu Xinlian Subsidiary Road, Guangzhou-bound traffic may be able to use Longda Expressway to connect Changhu Xinlian Subsidiary Road to head towards Guangzhou. In addition, some vehicles heading to Dongguan, Guangzhou and other regions opted for Longda Expressway after the reconstruction of Meiguan Expressway. These factors coupled with the steady increase in the ownership of small-displacement vehicles, have led to increases in traffic volume and toll revenue of Longda Expressway during the Year.

Toll revenue increased by 9% to HK$596 million

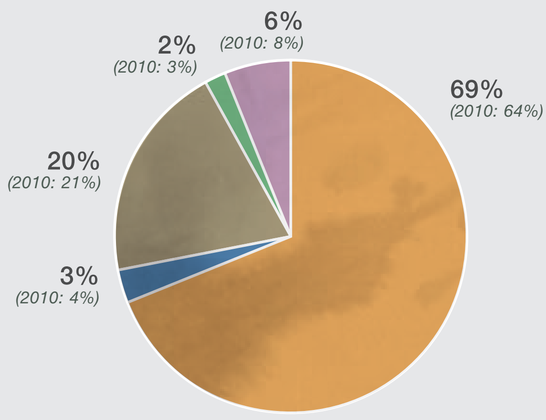
Profit before finance costs and tax increased by 8% to HK$388 million

EBITDA increased by 4% to HK$491 million

Toll revenue distribution
(For the year ended 31 December)



Traffic volume distribution
(For the year ended 31 December)



Class 1 Class 2 Class 3 Class 4 Class 5

WUHUANG EXPRESSWAY

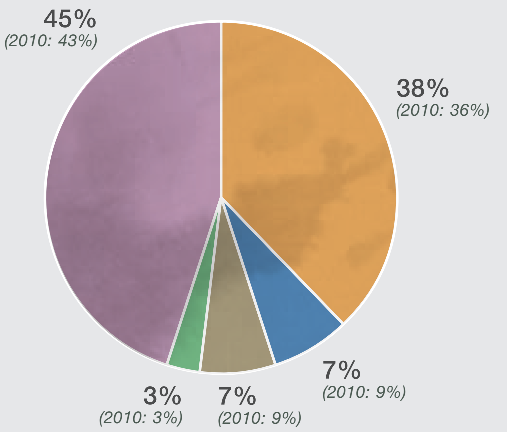
The toll collection and communication systems of Wuhuang Expressway were upgraded and reconstructed, and beacon stations were put into operation during the Year. These brought positive effects on the overall operating performance of Wuhuang Expressway. However, the opening of Mawu Expressway (Hurong Trunk connecting Shanghai to Chengdu) in January 2011, and implementation of traffic control in certain sections of Wuhuang Expressway due to the reinforcement work of its two major bridges (Changling Bridge and Kejiadun Bridge) carried out successively during the Year, diverted some traffic away from Wuhuang Expressway, which is part of Huyu Trunk (Shanghai to Chongqing). In addition, from January 2011 onwards, traffic control measures were implemented in the Wuhan region forbidding trucks from outside the region from using the third ring road and restricting access of local trucks according to license plate number on alternate days, thereby substantially affecting the toll revenue of Wuhuang Expressway. Going forward, Wuhuang Expressway will increase its marketing efforts, add more road signs and install prominent signage to attract more vehicles.

Toll revenue decreased by 5% to HK$505 million

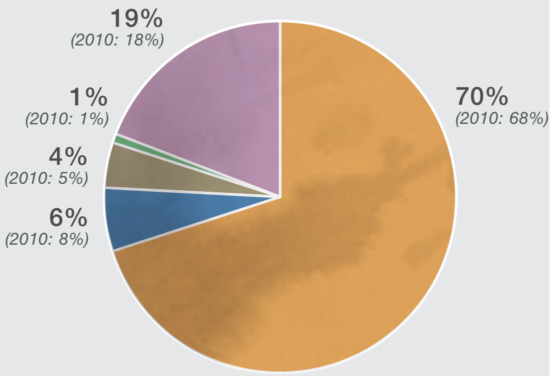
Profit before finance costs and tax decreased by 1% to HK$276 million

EBITDA decreased by 1% to HK$376 million

Toll revenue distribution
(For the year ended 31 December)



Traffic volume distribution
(For the year ended 31 December)



Class 1 Class 2 Class 3 Class 4 Class 5

SHENZHEN EXPRESSWAY AND ITS EXPRESSWAY PROJECTS

During the Year, Shenzhen Expressway recorded toll revenue of HK$3,037 million (2010: HK$2,627 million), representing an increase of 16% over the previous year. Profit before finance costs and tax amounted to HK$1,828 million (2010: HK$1,435 million), representing an increase of 27% over the previous year, and the Group's share of profit in Shenzhen Expressway amounted to HK$558 million (2010: HK$447 million), representing an increase of 25% over the previous year. Excluding the positive impact on profit resulting from the change in accounting estimate of provision for maintenance/resurfacing obligations, as well as the one-off maintenance cost for roads including the southern section of Meiguan Expressway, the Group's share of profit in Shenzhen Expressway amounted to HK$439 million, representing a decrease of 2% over the previous year.

As the geographical location, functional positioning and conditions of nearby road networks for various toll roads of Shenzhen Expressway differ from each other, the operating performance of the toll roads varied to a certain extent. In Shenzhen, following the successive completion of the reconstruction or construction of roads, as well as the opening of Phase 2 of Shenzhen Metro, the overall transportation network in Shenzhen has continued to improve. In addition, the removal of the toll stations on certain local roads affected traffic distribution and composition within the network and brought different impacts on the operating performance of the toll roads of Shenzhen Expressway in Shenzhen area. To cope with the changes in the environment, each toll road of Shenzhen Expressway will continue to adopt active marketing measures and will enhance the standardisation and informatisation level of its operation management. This includes reinforcing promotion on road networks and increasing efforts to attract traffic volume by Qinglian Expressway, so as to enhance its traffic efficiency and capacity and thereby its operating performance.

Guangdong Provincial Government intends to implement toll proposal on all expressways within the Province including measures in respect of standardised toll rates and multipliers. The implementation of such proposal may affect certain expressways owned by the Group's subsidiary, Shenzhen Expressway, while it is expected that there would be no material impact on the overall results of the Group. Detailed schedule of implementation of the said proposal is not yet confirmed and is subject to further confirmation of the relevant government authorities. Meanwhile, the toll roads operated by the Group continue to collect tolls based on the existing rates.

MAJOR CONSTRUCTION PROJECTS DURING THE YEAR

During the Year, the Group's toll road business completed a number of major construction projects including:

- Completion of Longhua extension section of Longda Expressway – coupled with the completion of Longhua extension section of Bulong Class I Road during this Year, these have effectively eased traffic flows towards Buji, Bantian and Longhualan in Shenzhen and has enhanced the utilisation rate of the extension section of Longda Expressway.

- Completion of expressway conversion works on Liannan Section of Qinglian Expressway – total toll mileage of Qinglian Expressway increased to approximately 216 kilometres from approximately 188 kilometres. This improves the traffic conditions and enhances the road traffic capability of Qinglian Expressway.

- Completion of expansion works on Shuiguan Expressway – the expanded Shuiguan Expressway has been put into operation, thereby enhancing the traffic capability of Shuiguan Expressway.

- Completion of a series of works including lighting and surveillance systems installations, and toll station landscape and service standard enhancements on Longda Expressway, Nanguang Expressway, Jihe Expressway, Yanba (Section A), Shuiguan Expressway and Shuiguan Extension. These projects were carried out to cater for the opening of the 2011 Summer Universiade in Shenzhen (the "Shenzhen Universiade"), and have further enhanced the safety and comfort of the traffic environment of the Group's expressway projects in the Shenzhen region.

OUTLOOK FOR 2012

In 2012, the capital expenditure of the toll road business of the Group is expected to be approximately RMB1,252 million, mainly for construction and investments in the expressway conversion work of Qinglian Class I Road, remaining construction, investments and settlements of projects such as Nanguang Expressway, as well as settlements of works on certain sections of Longda Expressway and its lighting, and reconstruction and expansion of Meiguan Expressway.

Looking forward in 2012, the toll road business of the Group will continue to bring in relatively stable investment returns and adequate cash flow.

Other Business

SHENZHEN AIRLINES

Further to the capital injection in April 2010 by which the Group holds a 25% equity interest in Shenzhen Airlines, the Group acquired an additional 24% equity interest in Shenzhen Airlines in May 2011 with a consideration of RMB788,632,500. Following the completion of the acquisition on 4 January 2012, the Group's equity interest in Shenzhen Airlines increased to 49% and Shenzhen Airlines remains an associate of the Company.

In 2011, the continued stable economic development of China and Guangdong Province led to a growing demand in the domestic aviation market. Meanwhile, Shenzhen Airlines actively promoted business cooperation with its controlling shareholder, Air China Limited, creating synergy in areas such as passenger services, cargo transportation, fleets and centralised purchasing, so as to reduce operating costs and further enhance market competitiveness and profitability. Furthermore, by being the only global partner in passenger airflight of the 2011 Shenzhen Universiade, awareness and influence of its brand have been enhanced. The revenue and profit attributable to shareholders of Shenzhen Airlines achieved very satisfactory growth in 2011.

During the Year, total revenue of Shenzhen Airlines amounted to RMB20,789 million (HK$25,107 million) (2010: RMB16,568 million (HK$19,055 million)), representing an increase of 25% over the previous year. Profit attributable to shareholders amounted to RMB1,559 million (HK$1,883 million) (2010: RMB743 million (HK$854 million)), representing an increase of 1.1 times over the previous year. Shenzhen Airlines contributed a profit of HK$424 million to the Group for the Year (from 19 April to 31 December 2010: HK$143 million), approximately an increase in double of that of the previous year.

Both the passenger and cargo transport operations of Shenzhen Airlines performed well during the Year, achieving passenger traffic of 26,410 million passenger-km (2010: 22,910 million passenger-km) and passenger transport revenue of RMB17,943 million (2010: RMB14,308 million), up 15% and 25% respectively from the previous year. The airlines carried 18.27 million passenger rides (2010: 16.49 million passenger rides), up 11% from the previous year; cargo traffic reached 392 million tonne-km (2010: 356 million tonne-km) and cargo transport revenue amounted to RMB692 million (2010: RMB627 million), both up 10% from the previous year. Cargo and mail traffic reached 249,200 tonnes (2010: 228,500 tonnes), up approximately 9% from the previous year. As of 31 December 2011, Shenzhen Airlines operated a total of 104 passenger aircrafts. At present, Shenzhen Airlines operates about 126 domestic and international routes, of which 116 are domestic routes, 5 are international routes and 5 serve the Hong Kong, Macau and Taiwan regions.

The continued surge in international oil prices in 2011 drove aviation oil prices up; the aviation oil costs of Shenzhen Airlines increased compared to the previous year as a result. Nevertheless, cost pressure brought by the increase in oil prices was mitigated to a certain extent by the strict control of oil prices by the Chinese Government, the fuel surcharge mechanism and various measures including energy conservation and emissions reduction implemented by Shenzhen Airlines. Shenzhen Airlines will continue to implement an array of specific measures including an optimisation of its routes and flight connection as well as an enhancement of the utilisation rate of aircrafts so as to reduce the consumption of aviation oil in its daily operations and the possible impact arising from any future increases in oil prices.

In 2012, although aviation oil prices still hover at a high range, positive factors including the opening of the second runway in Shenzhen Airport in the middle of 2011 provided favourable external conditions to Shenzhen Airlines. Shenzhen Airlines will continue to improve its operational efficiency and cost control capabilities so as to enhance its competitiveness and to generate better results in the future. Shenzhen Airlines is expected to fully turn around its accumulated losses in 2012 and pay dividend to the Group thereafter.

CSG

Depending on the Group's business development, capital need and internal resources coordination, coupled with the capital market conditions, the Group maintains good control of the pace in disposing the shares in CSG so as to maximise the Group's profits.

During the Year, the Group disposed of approximately 14.62 million A shares of CSG at an average selling price of RMB20.85 (HK$25.18) per share and realised a non-recurring gain after tax of approximately HK$263 million (2010: HK$334 million). As at the date of this report, the Group beneficially owned a total of 133,170,000 CSG A shares, representing approximately 6.42% in the total issued share capital of CSG. All CSG A shares held by the Group are freely tradable on the Shenzhen Stock Exchange.

FINANCIAL POSITION

	31 December 2011 HK$ million	31 December 2010 HK$ million	Increase/ (Decrease)
Total Assets	**39,901**	36,796	8%
Total Liabilities	**21,753**	19,773	10%
Total Equity	**18,148**	17,023	7%
Net Asset Value attributable to shareholders	**11,214**	10,844	3%
Net Asset Value per share attributable to shareholders (HK dollar)	**0.68**	0.66	3%
Cash	**3,733**	2,079	80%
Bank Borrowings			
Short Term Bank Loans	**240**	1,607	(85%)
Long Term Bank Loans due for repayment within one year	**1,126**	534	111%
Long Term Bank Loans	**9,949**	8,461	18%
	11,315	10,602	7%
Other Borrowings	**47**	42	12%
Notes and Bonds	**5,372**	3,305	63%
Total Borrowings	**16,734**	13,949	20%
Net Borrowings	**13,001**	11,870	10%
Debt Asset Ratio (Total Liabilities/Total Assets)	**55%**	54%	1%#
Ratio of Total Borrowings to Total Assets	**42%**	38%	4%#
Ratio of Net Borrowings to Total Equity	**72%**	70%	2%#
Ratio of Total Borrowings to Total Equity	**92%**	82%	10%#

Change in percentage point

CASH BALANCE

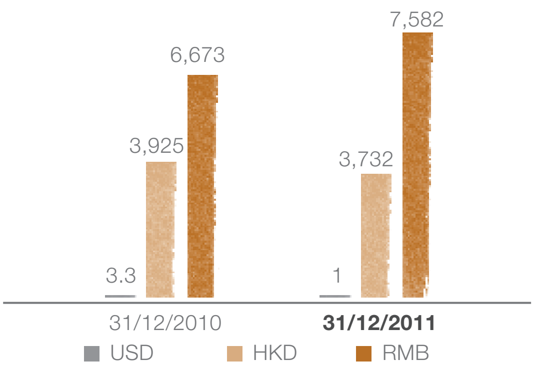
As at 31 December 2011, the cash balance held by the Group amounted to HK$3,733 million (31 December 2010: HK$2,079 million), representing a significant increase of 80% over last year. Due to stronger macro-control efforts in China and the increasing difficulty in securing financing during the Year, the Group optimised its borrowing structure through various financing means and retained a portion of the funds raised to increase cash reserves so as to protect against liquidity risk and to boost reserves for the repayment of loans expiring in 2012. 98% of the cash held by the Group was denominated in Renminbi. Currently, the Group possesses adequate cash and a healthy level of fund liquidity. Its abundant financial resources have laid a good foundation for the Group's business development and operational needs.

BORROWINGS

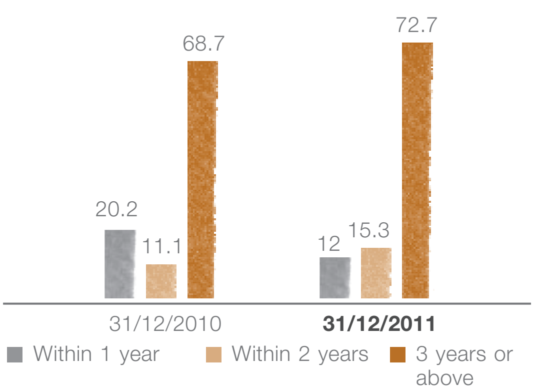
Bank Loans

As at 31 December 2011, the Group's total bank loans amounted to approximately HK$11,300 million (31 December 2010: HK$10,600 million), of which 12%, 15.3% and 72.7% were due for repayment within one year, two years and three years or thereafter, respectively. Of such bank loans, approximately HK$3,700 million are repayable in Hong Kong dollars and HK$7,600 million are repayable in Renminbi to banks in the PRC. During the Year, in view of the contraction of securing financing in China and abroad, the Group adjusted its borrowing structure and expanded new financing channels to issue long term bonds as well as to convert existing short term bank loans into the medium and long term loans. All of these measures substantially reduced the short term borrowing ratio and strengthened the Group's efforts in managing liquidity risk. During the Year, the Group's capital expenditures amounted to HK$2,483 million (RMB2,013 million). The amount of total bank loans has increased by approximately 7% year-on-year, as part of the capital expenditures were financed by bank loans.

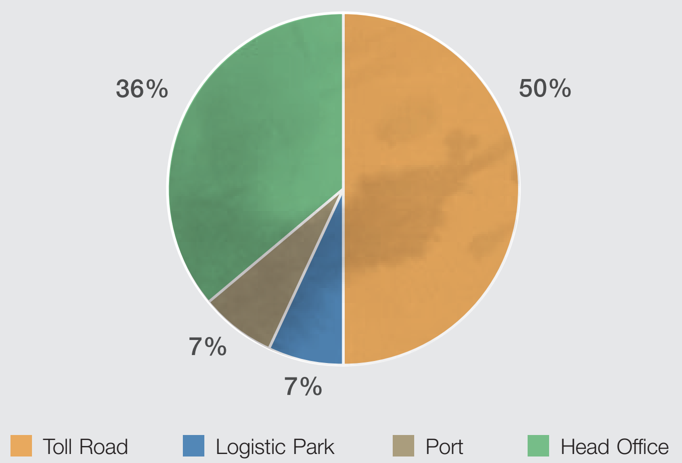
Bank borrowings in currency
HK$ million



Bank Borrowings - repayment period
%



Capex Contribution of the Year



Currently, the Group has cash on hand and standby banking facilities of approximately HK$14,800 million. The Group is keen to ensure that it has adequate cash reserves and standby facilities to cater the changes in the capital markets so as to ensure that its future operations will not be affected by turbulence in the macro-economic environment.

Notes and Bonds

As at 31 December 2011, the Group held three-year medium term notes of approximately RMB699 million (HK$863 million) (31 December 2010: HK$823 million); while the corporate bond are valued at approximately RMB2,276 million (HK$2,807 million) (31 December 2010: HK$933 million), among which Shenzhen Expressway, the Group's subsidiary, issued five-year bond at a par value of RMB1,500 million in August 2011.

Shenzhen Expressway, the Group's subsidiary, issued a convertible bond on 9 October 2007 at a par value of RMB1,500 million with warrants at a coupon rate of 1%. The bonds will expire six years from the issue date. The warrants expired on 29 October 2009. As at 31 December 2011, the fair value of liability components of the convertible bond amounted to HK$1,702 million (31 December 2010: HK$1,549 million).

The Group optimised its borrowing structure through different financing channels to fix the borrowing cost and to prevent finance cost from increasing further during the capital market fluctuations.

Debt-Asset Ratio

As at 31 December 2011, the Group's debt-asset ratio increased slightly by 1% year-on-year to 55%. This is mainly attributable to the increase in loans resulting from capital expenditures during the Year, together with the drop in total asset value and total equity as the fair value of CSG A shares owned by the Group decreased by HK$1,756 million as compared to last year. Management of the Group strictly monitors the debt-asset ratio to ensure it remains at the general level of the health.

THE GROUP'S FINANCIAL POLICY

Locking up Interest Rates, Lowering Financial Risks

Bank borrowings bearing floating rates are a major source of interest rate risk for the Group. When applying for long term loans, the management of the Company considers fixed rate loans or making use of interest rate hedging so as to offset the respective risks. By converting the bank loans from floating rate loans to fixed rate loans, interest rate hedging could thereby lower the impact brought about by interest rate volatility. The management regularly reviews the appropriate ratio of fixed rate and floating rate risks. As at 31 December 2011, the Group maintained a loan portfolio with fixed rate loans accounting for approximately 48% of the total amount of loans. For further details of the Group's hedging activities, please refer to note 22 of the consolidated financial statements.

This year, the Group took part in the international credit rating and was awarded an investment rating of BBB and Baa3 by Standard & Poors and Moody's respectively in 2012. This demonstrates the recognition of the Group's business strengths, its healthy financial position, adequate cash flow and strong credit ratio. These international credit ratings allow the Group to explore more varieties of financial channels and to lower finance costs by optimizing the Group's capital structure.

Exchange Rate Risk

Assets, cash flows, and cash held for businesses operated by the Group are primarily denominated in Renminbi. Cash outflow denominated in Hong Kong dollars mainly comprises cash dividend payments to shareholders and repayments of debts. The appreciation of the Renminbi has a positive effect on the Group's financial condition. The Renminbi appreciated by approximately 4.55% for the full year 2011, resulting in a foreign exchange gain which directly reduced the finance costs of the Group's Hong Kong dollar-denominated bank loans by approximately HK$160 million this year.

Emphasise Capital Planning to Avoid Liquidity Risk

The Group's management places strong emphasis on capital planning to ensure that the Company's development needs are met and to reward shareholders with stable cash dividends. The management of the Group strictly monitors the Group's cash flow status and standby banking facilities to enhance liquidity controls. The management also assesses capital market conditions from time to time in order to work out financial planning. It will continue to optimise its debt structure through different financing channels so as to maintain flexibility in financing and to reduce liquidity risk.

Pledge of Assets, Guarantees and Contingent Liabilities

For details of the Group's pledge of assets, guarantees and contingent liabilities as at 31 December 2011, please refer to notes 21, 24 and 38 of the consolidated financial statements respectively.

HUMAN RESOURCES

The Group always considers talents as a valuable resource and a component of its business strategy. The Group places emphasis on the recruitment and training of talents to enhance the overall quality of its management and professional teams. Through staff training and improvement of its performance management and remuneration systems, the Group aims to encourage the proactiveness and creativity of its staff. As at 31 December 2011, the Group had a total of approximately 4,729 staff.

The Group also places importance on the career development of its staff and on internal training. Continuous efforts were dedicated to the training of the management capabilities and professional quality of its staff. Staff were encouraged to pursue higher education and self-enhancement. According to the performance of its staff, the Group offers opportunities for promotion to staff who demonstrate outstanding performance.

The Group's staff remuneration is determined according to position values, qualifications and experience, capabilities and work performance of the staff with reference to market trends. As an incentive to promote the Group's long-term development, the Group has granted share options to its management, its subsidiaries' senior management and certain key staff members according to the share option scheme in 2010. The scope of staff participating in the share option scheme had been expanded. In addition, the criteria on results and individual performance for exercising share options have been established, thereby further reinforcing the close linkage between the incentive purpose of the share option scheme and the achievement of strategic objectives of the Group.

In 2011, catering to the Company's business development needs, the Group adjusted its relevant internal organisational structure and improved the routine operational management of its subsidiaries to enhance the Group's overall development and investment capabilities. Meanwhile, management talents and logistic professionals were recruited to cater to the needs of the Group's growing operating scale and further business developments.

Biographies of Directors and Senior Management

From left to right (back row): *Messrs. Hu Wei, Zhong Shan Qun, Leung Ming Yuen, Simon, Nip Yun Wing, Liu Jun, Yang Hai, Ding Xun and Zhao Jun Rong*
From left to right (front row): *Messrs. Wang Dao Hai, Guo Yuan, Li Jing Qi, Tse Yat Hong and Professor Wong Yuk Shan, BBS, JP*

MEMBERS OF THE BOARD

EXECUTIVE DIRECTORS

Mr. Guo Yuan
Chairman

Mr. Guo, aged 58, was appointed in August 2006 as the Chairman of the Company. Mr. Guo is responsible for devising the Group's overall development strategy and important systems, as well as supervising the implementation of resolutions of the general meetings and the board. Mr. Guo holds a bachelor's degree in law from Zhengzhou University and served as an associate professor and a deputy head of the Law Faculty of Zhengzhou University. Mr. Guo had successively worked as legal consultant and deputy division head of Shenzhen Investment Holding Corporation, the department head, assistant to the director and deputy director of Shenzhen State-owned Assets Administration Office; chairman of Shenzhen Accord Pharmaceutical Co., Ltd., deputy director of Shenzhen Municipal State-owned Assets Supervision and Administration Commission, a director of Shenzhen Energy Corporation Limited and Shenzhen Yantian Port Group Co., Ltd. Mr. Guo is currently a director of Ultrarich International Limited. Mr. Guo has over 20 years of extensive experience in corporate management, capital operations and the legal profession.

Mr. Li Jing Qi
Chief Executive Officer, Member of the Remuneration Committee and Nomination Committee

Mr. Li, aged 55, was appointed in March 2000 as an Executive Director and Vice President of the Company, and was appointed in August 2006 as the Chief Executive Officer of the Company. Mr. Li is responsible for the overall daily operations of the Group and the implementation of the Group's development strategies and the resolutions of the general meetings and the board. Mr. Li is a graduate of Shanghai International Studies University with a Bachelor of Arts degree. He had successively worked at the Anhui Branch of Bank of China, Bank of China Hongkong-Macau Regional Office, Shenzhen Branch of Bank of China and as an executive director of Shenzhen High-Tech Holdings Limited. Mr. Li is currently a director of CSG Holding Co., Ltd., Shenzhen Expressway Company Limited and Ultrarich International Limited. He has over 20 years of experience in international banking and corporate management.

Mr. Liu Jun
Vice President

Mr. Liu, aged 48, joined the Group as a Vice President in April 2000 and was appointed in May 2004 as an Executive Director of the Company. Mr. Liu is responsible for assisting the Chief Executive Officer on the operation and management of the Group. Mr. Liu graduated from Nanjing University of Science and Technology with a bachelor's degree in computer software and a master's degree in management system engineering. Mr. Liu was a director of CSG Holding Co., Ltd. and Shenzhen Expressway Company Limited and is currently a director of Shenzhen Airlines Company Limited and Ultrarich International Limited. Mr. Liu has over 20 years of experience in corporate development, financial management and foreign enterprise investment and management.

Mr. Yang Hai

Mr. Yang, aged 51, was appointed in August 2007 as an Executive Director of the Company. Mr. Yang obtained a bachelor's degree from the Department of Roads and Bridges of Chongqing Architecture University and is a senior engineer. As nominated by the Company in April 2005, Mr. Yang is currently the chairman of Shenzhen Expressway Company Limited. He had been the chairman of the supervisory committee of CSG Holding Co., Ltd., the section head, department head and assistant to the head of the Second Road Engineering Bureau of Ministry of Communications in China. Mr. Yang had been a Vice President of the Company from June 2004 to July 2006 and the deputy general manager of Shenzhen Expressway Company Limited from August 1997 to March 2000. Mr. Yang has extensive experience in the construction management of road engineering and corporate management.

NON-EXECUTIVE DIRECTORS

Mr. Wang Dao Hai

Mr. Wang, aged 46, was appointed in June 2008 as a Non-Executive Director of the Company. Mr. Wang obtained a master's degree in Accounting from the Southwestern University of Finance and Economics in the PRC and is a Senior Accountant in the PRC. Mr. Wang is currently the deputy general manager of Shenzhen Yuanzhi Investment Co. Ltd., an indirect wholly-owned subsidiary of Shenzhen Municipal State-owned Assets Supervision and Administration Commission. He was successively a director and the financial controller of Shenzhen Shahe Industry (Group) Co., Ltd., the assistant to president and the head of finance department, as well as the secretary of the board of directors of Shenzhen SEG Hi-Tech Industrial Co., Ltd., and the chief accountant, director and vice president of Gintian Industry (Group) Co., Ltd. He had been a director of Shahe Industrial Co., Ltd. from June 2007 to April 2008. Mr. Wang has extensive experience in corporate financial management.

Professor Wong Yuk Shan, *BBS, JP*

Professor Wong, aged 62, was appointed in June 2011 as a Non-Executive Director of the Company. Professor Wong obtained his PhD in Plant Biochemistry from McGill University of Canada and is currently a Fellow of the Institute of Biology in the United Kingdom. Professor Wong is currently the Vice-President for Administration and Business and Professor of Biology at the Hong Kong University of Science and Technology. Professor Wong also serves as a HKSAR Deputy of the Eleventh National People's Congress of China, a member of the Committee of Hong Kong Basic Law, the President of the Society of Hong Kong Scholars, the Chairman of Veterinary Surgeons Board of Hong Kong and a member of the University Grants Committee. Professor Wong has taught at the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) and the Chinese University of Hong Kong and was the Vice-President of the City University of Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Leung Ming Yuen, Simon
Chairman of the Audit Committee, Member of the Nomination Committee and Remuneration Committee

Mr. Leung, aged 63, was appointed in March 2000 as an Independent Non-Executive Director of the Company. Mr. Leung is an associate member of The Chartered Institute of Bankers and has over 30 years of experience in the banking sector including worked as the head of Credit Risk Management of Greater China at Deutsche Bank AG.

Mr. Ding Xun
Chairman of the Nomination Committee and Remuneration Committee, Member of the Audit Committee

Mr. Ding, aged 52, was appointed in October 2001 as an Independent Non-Executive Director of the Company. He is currently the managing director of Concord Investment Holdings Limited. Mr. Ding graduated from Maritime Transportation University of Shanghai. He has worked in the Ministry of Communications of the PRC and Guangdong Enterprises (Holdings) Limited. He was also a director of Guangdong Investment Limited, the vice-chairman of Guangdong Brewery Holdings Limited and an independent non-executive director of Dragonite International Limited (formerly known as Ruyan Group (Holdings) Limited). Mr. Ding has extensive experience in corporate development and management.

Mr. Nip Yun Wing
Member of the Audit Committee

Mr. Nip, aged 58, was appointed in August 2004 as an Independent Non-Executive Director of the Company. Mr. Nip is currently an executive director and the financial controller of China Overseas Land & Investment Limited. He is a Fellow of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Nip is a MBA graduate of The Chinese University of Hong Kong. He has extensive experience in corporate finance, investment and management and had served as an executive director for several listed companies in Hong Kong.

SENIOR MANAGEMENT

Mr. Zhong Shan Qun
Vice President

Mr. Zhong, aged 47, was appointed as a Vice President of the Company in June 2007. Mr. Zhong graduated from Changsha Communications University with a bachelor's degree in highway engineering and a bachelor's degree in communications and transportation management. He also obtained a master's degree in management science and engineering from Hunan University. Mr. Zhong joined Xin Tong Chan Development (Shenzhen) Company Limited (formerly Shenzhen Freeway Development Company Limited and became a subsidiary of the Group in October 2001) in January 1994 and was appointed as chairman and general manager in 2005, and was a director of Shenzhen Expressway Company Limited. Mr. Zhong is currently the chairman of Shenzhen International South-China Logistics Co., Ltd. and chairman of the supervisory committee of Shenzhen Expressway Company Limited. Mr. Zhong has extensive experience in construction project management, logistic management and corporate management.

Mr. Zhao Jun Rong
Vice President

Mr. Zhao Jun Rong, aged 47, joined the Group as legal consultant, assistant to the Chief Executive Officer and manager of the Strategic Development Department in October 2001 and was appointed as a Vice President of the Company in June 2007. He is also the Company's chief legal consultant. Mr. Zhao graduated from Xiamen University with a master's degree in international economic law and is a lawyer. Mr. Zhao worked successively at China Ping An Insurance Co. and Shenzhen Investment Holding Corporation. Mr. Zhao has extensive experience in corporate management and the legal profession. Mr. Zhao is currently a non-executive director of Shenzhen Expressway Company Limited and a director of Shenzhen Airlines Company Limited.

Mr. Hu Wei
Vice President

Mr. Hu, aged 49, was appointed as a Vice President of the Company in August 2011. Mr. Hu graduated from Changsha Railway University (now known as Central South University) with a bachelor's degree in foreign languages (English). He also obtained a master's degree in risk management from University of South Australia and is a senior economist. He worked in a number of organisations including Changsha Railway University, Henan Provincial Commission for Foreign Economic Relations and Trade, Henan Hongkong (Holdings) Limited (the window corporate of Henan Province in Hong Kong) and China Everbright Bank. Mr. Hu has extensive experience in corporate management including investment, financing, capital operations, auditing and risk management. Mr. Hu is currently a non-executive director of Shenzhen Expressway Company Limited and a director of Shenzhen Airlines Company Limited.

Mr. Tse Yat Hong
Chief Financial Officer

Mr. Tse, aged 42, joined the Group as Chief Financial Officer in June 2000. Mr. Tse is responsible for the Group's financial management and planning, investors' relations, as well as coordinating the Group's major transactions and corporate governance matters. Mr. Tse graduated from Monash University in Australia with a bachelor's degree in accounting and computer science. He is currently a Fellow of the Hong Kong Institute of Certified Public Accountants and a certified public accountant of CPA Australia. Mr. Tse was the Company Secretary of the Company from August 2000 to March 2008 and was the joint company secretary of Shenzhen Expressway Company Limited from September 2004 to September 2007. Prior to joining the Company, Mr. Tse worked in the audit profession in one of the international accounting firms for years. Mr. Tse has extensive experience in accounting, finance and corporate governance matters of listed companies and has broad knowledge in accounting and financial rules and regulations in Hong Kong and China. Mr. Tse is currently a non-executive director of Shenzhen Expressway Company Limited.

Report of the Directors

The board of directors of the Company (the "Board") herein present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2011 (the "Year").

PRINCIPAL ACTIVITIES

The Group is principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities. Particulars of the principal activities of the Company's principal subsidiaries are set out in note 42 to the financial statements.

RESULTS OF THE GROUP

The Group's results for the Year and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 59 to 132.

DIVIDENDS

The Board recommended a final cash dividend of HK2.5 cents per share for the Year (2010: final dividend of HK2.15 cents per share). The Board also recommended the payment of a special cash dividend of HK0.8 cent per share (2010: special dividend of HK0.85 cent per share). Total cash dividend for the Year was HK3.3 cents per share while the total dividends amounted to HK$540 million (2010: HK$491 million). Such dividend shall be subject to approval by shareholders of the Company at the forthcoming annual general meeting.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on pages 5 to 7 of this Annual Report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 6 to the financial statements.

INVESTMENT PROPERTIES

Details of the movements in the investment properties of the Group during the Year are set out in note 7 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in the share capital and share options of the Company during the Year, together with the reasons thereof, are set out in note 19 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the Companies Act of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of the movements in the reserves of the Company and the Group during the Year are set out in note 20 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2011, the Company's reserves available for distribution to shareholders, comprising contributed surplus, retained earnings and other distributable reserves, amounted to approximately HK$1,410,975,000 (2010: HK$1,645,732,000). The share premium of the Company may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

Both the revenue attributable to the largest five customers combined and the purchases attributable to the largest five suppliers combined of the Group accounted for less than 30% of the Group's total revenue and purchases respectively for the Year.

DIRECTORS

The directors of the Company (the "Directors") during the Year and up to the date of this report were:

Executive Directors

Mr. Guo Yuan *(Chairman)*
Mr. Li Jing Qi
Mr. Liu Jun
Mr. Yang Hai

Non-executive Directors

Mr. To Chi Keung, Simon *(retired on 18 May 2011)*
Mr. Wang Dao Hai
Professor Wong Yuk Shan *(appointed on 13 June 2011)*

Independent non-executive Directors

Mr. Leung Ming Yuen, Simon
Mr. Ding Xun
Mr. Nip Yun Wing

In accordance with the Company's Bye-Law 100 (supplemented by Bye-Law 189(v)), Professor Wong Yuk Shan will retire at the forthcoming annual general meeting. Professor Wong, being eligible, will offer himself for re-election as a director of the Company.

In accordance with the Company's Bye-Law 109(A), Messrs. Liu Jun, Wang Dao Hai and Nip Yun Wing will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election as Directors of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

None of the Directors had a material interest, whether directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

DIRECTORS' INTERESTS IN SECURITIES

The interests in securities of the Directors are separately disclosed in the section headed "**DISCLOSURE OF INTERESTS**" on pages 56 to 57 of this Annual Report. In addition, the interests of the Directors in the share options of the Company are disclosed in the section headed "**SHARE OPTION SCHEME**" below.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") at a special general meeting held on 30 April 2004. The Scheme is valid and effective for a period of 10 years commencing on 30 April 2004 and is a share incentive scheme to reward and motivate the eligible participants whose contributions are important to the long-term growth and profitability of the Group.

Eligible participants of the Scheme include person being (a) any full-time employee of the Group, (b) any director (including executive, non-executive or independent non-executive directors) of the Group, associates and jointly controlled entities of the Group or (c) any substantial shareholder of the Company, to be determined by the Board.

The total number of shares of the Company available for issue under the Scheme is 1,143,281,162 shares which represent approximately 7% of the issued share capital of the Company as at the date of this Annual Report. The total number of shares of the Company issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised and outstanding share options) under the Scheme in any 12-month period must not exceed 1% of the shares of the Company in issue. Where any further grant of share options to an eligible participant would result in the shares of the Company issued and to be issued upon exercise of all share options granted and to be granted to such eligible participant (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the shares of the Company in issue, such further grant must be separately approved by the shareholders of the Company in general meeting.

An offer of a grant of share options under the Scheme may be accepted within 7 days from the date of the offer with a cash consideration of HK$1 payable by the grantee to the Company. The period for the exercise of a share option is determined by the Board, but in any event such period shall not go beyond 5 years from the date of offer.

Under the Scheme, the subscription price is solely determined by the Board and shall be at least the higher of: (i) the closing price of the shares of the Company as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of offer; (ii) the average of the closing prices of the shares of the Company as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company on the date of offer.

The following table lists the details of the outstanding share options which were granted under the Scheme and their movements during the Year:

Name and category of participants	Date of grant of share options	Exercise period of share options	Exercise price of share option (Note 3)	Number of unlisted share options (physically settled equity derivatives): As at 1 January 2011	Granted during the Year	Exercised during the Year	Cancelled/ lapsed during the Year	As at 31 December 2011	Share price of the Company (Note 4): As at the date of grant of share options	As at the date of exercise of share options
			HK$						HK$	HK$
Directors										
Mr. Guo Yuan	6 February 2007 (Note 1)	6 February 2007 to 5 February 2012	0.532	35,000,000	–	–	–	35,000,000	0.530	N/A
	28 September 2010 (Note 2)	28 September 2012 to 27 September 2015	0.580	17,900,000	–	–	–	17,900,000	0.590	N/A
Mr. Li Jing Qi	28 September 2010 (Note 2)	28 September 2012 to 27 September 2015	0.580	17,000,000	–	–	–	17,000,000	0.590	N/A
Mr. Liu Jun	28 September 2010 (Note 2)	28 September 2012 to 27 September 2015	0.580	14,300,000	–	–	–	14,300,000	0.590	N/A
Mr. Yang Hai	28 September 2010 (Note 2)	28 September 2012 to 27 September 2015	0.580	14,300,000	–	–	–	14,300,000	0.590	N/A
				98,500,000	–	–	–	98,500,000		
Other employees										
In aggregate	28 September 2010 (Note 2)	28 September 2012 to 27 September 2015	0.580	223,100,000	–	–	12,800,000	210,300,000	0.590	N/A
				223,100,000	–	–	12,800,000	210,300,000		
				321,600,000	–	–	12,800,000	308,800,000		

Notes:

(1) There is no vesting period for these share options.

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

(3) The exercise price of the share options was subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(4) The share price of the Company disclosed as at the date of the grant of the share options was the closing price as quoted on the Stock Exchange of the trading day immediately prior to the date of the grant of the share options. The share price of the Company disclosed as at the date of exercise of the share options was the weighted average closing price of the shares immediately before the date on which the share options with the disclosure category were exercised.

Upon exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Share options which lapse or are cancelled prior to the expiration of their exercise date are deleted from the register of outstanding share options. No share option was granted during the Year.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES

The interests in securities of substantial shareholders and other persons are separately disclosed in the section headed "**DISCLOSURE OF INTERESTS**" on pages 56 to 57 of this Annual Report.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

During the Year, the Group has entered into certain related party transactions as disclosed in note 40 to the financial statements. Such transactions do not fall under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

On 9 September 2011, Shenzhen Expressway Company Limited ("Shenzhen Expressway", a 50.889%-owned subsidiary of the Company) and 深圳市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited, the "Project Company", a wholly-owned subsidiary of Shenzhen Investment Holdings Company Limited ("SIHCL"), the controlling shareholder of the Company) entered into the Entrusted Construction Management Agreement (the "Agreement") whereby the Project Company has agreed to entrust Shenzhen Expressway to manage the construction of Guangshen Coastal Expressway Shenzhen Section. The Project Company is responsible for timely payment of construction cost and entrusted construction service fee for the project. After taking into account of, among others, the terms of the Agreement and the scale of the entrusted construction management, the directors of Shenzhen Expressway are of the view that the total entrusted construction service fee will not exceed RMB350,000,000, which is subject to the final audit.

As each of SIHCL and the Project Company is a connected person of both the Company and Shenzhen Expressway, the above transaction constituted a connected transaction under Chapter 14A of the Listing Rules for the Group. For further information of this transaction, please refer to the Company's announcement dated 9 September 2011 and the circular dated 4 October 2011.

The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of the connected transactions entered into by the Group during the Year and up to the date of this Annual Report.

COMPLIANCE WITH CHAPTER 13 OF THE LISTING RULES

The following information is disclosed pursuant to rules 13.18 and 13.21 of Chapter 13 of the Listing Rules.

On 31 July 2008, the Company, as borrower, entered into a loan agreement (the "Loan Agreement") relating to a HK$1,340,000,000 term loan facility with a syndicate of banks (the "Lenders"). The Loan Agreement shall have a maturity of 5 years.

Pursuant to the Loan Agreement, the Company undertakes to procure that the controlling shareholder of the Company, namely Shenzhen Municipal State-owned Assets Supervision and Administration Commission (formerly known as "Shenzhen State-owned Assets Supervision and Administration Bureau") shall at all times during the continuance of the Loan Agreement (i) beneficially own, directly or indirectly, not less than 35% of the issued share capital of the Company; (ii) be the single largest shareholder of the Company (in terms of the percentage ownership of the issued share capital of the Company); (iii) maintain control over the management of the Company; and (iv) beneficially own, directly or indirectly, 100% of the equity interest in SIHCL.

Failure to comply with any of the aforesaid undertakings will constitute an event of default under the Loan Agreement. Upon the occurrence of an event of default under the Loan Agreement, the Lenders may declare that the outstanding loan, interest and other sums payable to be immediately due and payable; and/or declare that the facility under the Loan Agreement be terminated.

EVENTS AFTER THE BALANCE SHEET DATE

Details of events after the balance sheet date of the Group are set out in note 41 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 44 to 55 of this Annual Report.

AUDITOR

There have been no changes of the auditor of the Company during the past three years. Messrs. PricewaterhouseCoopers will retire and a resolution for their re-appointment as the auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Guo Yuan
Chairman

Hong Kong, 30 March 2012

Corporate Governance Report

The Company believes that sound corporate governance goes beyond merely meeting the basic requirements of the regulatory authorities for listed companies' operation. More importantly, it fulfils the Company's internal development needs. Several governance guidelines and procedures have been established over the years, including "Constitution of the Board of Directors", "Terms of reference of Executive Board Committee" and "Rules Governing Information Disclosure". These rules aim to clearly define the duties, scope of authority and standards of conduct, thereby enhancing corporate governance standards which are continually reviewed and improved through practice.

The Company had applied the principle and complied, throughout the year ended 31 December 2011 (the "Year"), with all the applicable code provisions and, where appropriate, the applicable recommended best practice of the Code on Corporate Governance Practices as set out in the Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company aims to continually enhance its corporate governance practices, thereby laying a good foundation for driving the Company's development and maximizing value for the shareholders.

Below are the corporate governance practices adopted by the Group.

THE BOARD

The board of directors of the Company (the "Board") is responsible for leading the Group's development, establishing the Group's strategic goals, and ensuring the availability of necessary financial and other resources for the Group to achieve pre-set strategic goals. The principal duties of the Board are to manage and decide on the Group's strategic plans, management structures, investment and funding, financial control, human resources, and so forth.

Significant matters of the Group are required to be approved by the Board, including (but not limited to) the following:

- formulating corporate development planning;
- formulating the Company's operational and management strategies;
- approving financial statements;
- approving notifiable transactions and connected transactions of the Group as required under the Listing Rules;
- formulating and approving the internal control and risk management systems; and
- distributing dividends.

The Board comprises nine directors, including four executive directors: Messrs. Guo Yuan, Li Jing Qi, Liu Jun and Yang Hai; two non-executive directors: Messrs. Wang Dao Hai and Professor Wong Yuk Shan; and three independent non-executive directors: Messrs. Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing. Biographical details of the directors are set out in the "Biographies of Directors and Senior Management" section on pages 34 to 37.

Board Meetings

The Board convenes at least four regular meetings annually and approximately one in each quarter. The Company will convene Board meetings to discuss and consider all contemplated significant transactions, connected transactions or notifiable transactions as required under the Listing Rules so as to give all directors an opportunity to attend in person and provide their comments before the Group proceeds with the same. If a substantial shareholder or a director has a conflict of interest in a material matter, a Board meeting shall be held and the related director shall abstain from voting.

Eight Board meetings were held in 2011 and at least fourteen days formal notice are given for all regular Board meetings, and at least seven days of notice are given for meetings other than regular meetings. To ensure all directors are given opportunities to make suggestions on agenda items to be discussed in Board meetings, all draft agendas for Board meetings are provided to all directors for their comment prior to the meetings. The Chairman and non-executive directors (including the independent non-executive directors) meet at least once every year without the presence of executive directors and the management and such meeting was held in November 2011.

The following major issues were discussed in the Board meetings in 2011

- approving and considering the 2010 annual results and the payment of dividend;
- approving the 2011 interim results;
- reviewing the results and business operations of the first and third quarter of 2011;
- considering and approving a major transaction in relation to the acquisition of 24% equity interest in Shenzhen Airlines Company Limited;
- considering and approving the appointment of Mr. Wong Yuk Shan as a non-executive director of the Company;
- considering and approving a connected transaction in relation to proposed entering into an entrusted construction management agreement in respect of Guangshen Coastal Expressway (Shenzhen Section);
- approving a discloseable transaction in relation to the entering into of an agreement with The People's Government of Longli County Guizhou Province in relation to the development project of Guilong Economic Zone in Guizhou Province and formation of a joint venture company in relation thereto; and;
- approving the Group's development plan for 2011 to 2015.

Specialised Committees of the Board

In order to assist the Board to discharge their duties and promote effective operation, the Board has established three specialised committees, namely the Audit Committee, Nomination Committee and Remuneration Committee with respective terms of reference and clearly defined their duties. They are required to review and monitor matters in specific areas of the Company and make recommendations to the Board while the right to make decision for all matters hinges on the Board. Each specialised committee has its terms of reference and such terms of reference have been approved by the Board.

The written terms of reference of all specialised committees specify that upon reasonable requests, the directors may seek independent professional advice so that directors can properly discharge their responsibilities to the Company. The costs for engaging professional advice shall be borne by the Company. In the case of professional fees exceeding HK$500,000, prior discussion with the Executive Board Committee is required.

The responsibilities and the works performed by each specialised committee during 2011 are set out below:

Audit Committee (established in 1995)

The current members are all independent non-executive directors, namely Mr. Leung Ming Yuen, Simon (Chairman), Mr. Ding Xun and Mr. Nip Yun Wing.

Responsibilities and works performed in 2011

Under the terms of reference of the Audit Committee, main duties of the Audit Committee include the following:

- to discuss and make recommendation to the Board on the appointment and removal of the auditor of the Company, and to approve the remuneration and terms of engagement of the auditor, and any matters in connection with the resignation or dismissal of the auditor;
- to monitor the integrity of financial statements of the Group and to review significant opinions in respect of the financial information contained in them;

- to review the Group's financial controls, internal control and risk management systems and to review the Group's representations on internal control systems contained in the annual report; and

- to discuss with the management on the internal control system and to ensure that the management has discharged its duty to establish an effective internal control system, including reviewing the adequacy of resources, qualifications and experiences of staff of the Group's accounting and financial reporting function.

The Audit Committee held 3 meetings during 2011 and the following major issues were reviewed and discussed in the meetings:

- reviewing the annual results of 2010 and the interim results of 2011, and to consider the completeness accuracy and fairness of relevant disclose in the financial statements and recommended the same to the Board for approval;

- approving the auditor's fees for audit of 2010 financial statements and fees for review of 2011 interim financial statements;

- making recommendation on the re-appointment of the auditor;

- reviewing the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function and their training programme and related budget; and

- reviewing the relevant procedures of internal control and risk management.

The Audit Committee meets the auditor of the Company at least once every year in the absence of the management.

Nomination Committee (established in December 2003)

A majority of the members are independent non-executive directors. The current members are Mr. Ding Xun (Chairman), Mr. Leung Ming Yuen, Simon and Mr. Li Jing Qi.

Responsibilities and works performed in 2011

Under the terms of reference of the Nomination Committee, the main duties of the Nomination Committee include the following:

- to identify and recommend to the Board individuals suitably qualified to be a director;

- to assess the qualification and experience of candidates for directors and the independence for independent non-executive directors and advise the Board thereon; and

- to assess qualification and experience of directors who are subject to retirement by rotation and re-election at each annual general meeting and advise the Board thereon.

The Nomination Committee held 2 meetings during 2011, the following major issues were reviewed and discussed in the meetings:

- making recommendation to the Board for the appointment of Mr. Wong Yuk Shan as a non-executive director of the Company; and

- evaluating and making recommendation as to the performance of the directors who were subject to retirement by rotation and re-election at the 2011 annual general meeting.

Remuneration Committee (established in December 2003)

A majority of the members are independent non-executive directors. The current members are Mr. Ding Xun (Chairman), Mr. Leung Ming Yuen, Simon and Mr. Li Jing Qi.

Responsibilities and works performed in 2011

Under the terms of reference of the Remuneration Committee, the main duties of the Remuneration Committee include the following:

- to determine the level, policy and structure of remuneration of directors and senior management, and to establish a formal and transparent procedure for developing policy on such remuneration;
- to review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- to review and make recommendations in respect of the remuneration level of directors and senior management, and to ensure that no director or management or any of their associates is involved in deciding his/her own remuneration; and
- to determine the specific remuneration packages of all executive directors and senior management, including benefits in kind, pension fund and compensation payments (including any compensation payable for loss or termination of their office or appointment).

The emoluments payable to executive directors of the Company are determined by reference to their experiences and duties with the Company and the fees payable to non-executive directors are determined by reference to the estimated time spent by them on the Company's matters. The Remuneration Committee has consulted the Chief Executive Officer on the remuneration proposals of executive directors. Details of the directors' fee and other emoluments of the directors of the Company are set out in note 31 to the financial statements.

The Remuneration Committee held 2 meetings during 2011, the following major matters were reviewed and discussed in the meetings:

- considering 2010 bonus payment for the senior management;
- approving the entering into of new service contract with Mr. Wong Yuk Shan, the non-executive director of the Company; and
- considering the renewal of service contract with a non-executive director; and
- considering and approving the renewal of service contracts with an executive director and member of the senior management respectively.

Meetings held in 2011 by the Board and the Specialised Committees of the Board

Details of the directors' attendance at the Board meetings and Committee meetings held in 2011 are set out in the following table.

Directors	Board	**Number of Meetings Attended/** Number of Meetings Held Audit Committee	Nomination Committee	Remuneration Committee
Executive directors				
Mr. Guo Yuan *(Chairman)*	**6**/8			
Mr. Li Jing Qi	**8**/8		**2**/2	**2**/2
Mr. Liu Jun	**8**/8			
Mr. Yang Hai	**7**/8			
Non-executive directors				
Mr. To Chi Keung, Simon (1)	**1**/3			
Mr. Wang Dao Hai	**7**/8			
Mr. Wong Yuk Shan (2)	**4**/4			
Independent Non-executive directors				
Mr. Leung Ming Yuen, Simon	**8**/8	**3**/3	**2**/2	**2**/2
Mr. Ding Xun	**8**/8	**3**/3	**2**/2	**2**/2
Mr. Nip Yun Wing	**7**/8	**3**/3		

Notes:

(1) Mr. To Chi Keung, Simon retired on 18 May 2011

(2) Mr. Wong Yuk Shan was appointed as a non-executive director on 13 June 2011

SUPPLY OF AND ACCESS TO INFORMATION

Agendas of all Board meeting and the accompanying Board papers are sent to all directors in a timely manner and at least seven days before the intended date of the meetings.

The management of the Company supplies the Board and its specialised committees with adequate, complete and reliable information in a timely manner to enable directors to make informed decisions. The Board and each director have separate and independent access to the Company's senior management.

To enhance communication, the Company has established an online intranet system for the directors of the Company and the members of all specialised committees under the Board to have access to meeting materials and documents of the Board and related committees.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are two distinct and separate positions, which are held by Mr. Guo Yuan and Mr. Li Jing Qi respectively, and they are both executive directors. The Chairman is responsible for the effective running of the Board whereas the Chief Executive Officer is responsible for day-to-day business operations of the Group. The respective responsibilities of the Chairman and Chief Executive Officer have been clearly established and set out in written form as "The Roles of the Chairman and Chief Executive Officer" of the Company.

APPOINTMENT OF DIRECTORS

Each director of the Company (including all non-executive directors) entered into a service contract with the Company for a term of three years and is subject to retirement by rotation but is eligible for re-election at the annual general meeting in accordance with the Bye-Laws of the Company. None of the directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Company's Bye-Laws have specified that all new directors appointed during the Year are subject to election by shareholders at the first annual general meeting after appointments. Each director shall be subject to retirement by rotation at least once every three years pursuant to the Company's Bye-Laws. Professor Wong Yuk Shan has been appointed as a non-executive director of the Company since 2011 Annual General Meeting, and he will stand for election by the shareholders of the Company at the Annual General Meeting to be held on 18 May 2012.

RESPONSIBILITIES OF DIRECTORS

The Company has prepared the materials "An Induction for Newly Appointed Directors" to provide every newly appointed director with related materials and documents to ensure his/her proper understanding of director's duties and responsibilities and operations of the Company. The Company is responsible for keeping all directors updated on the Listing Rules and other statutory requirements.

INDEPENDENCE

The Board has received from each independent non-executive director a written annual confirmation of their independence and the Company considers that all independent non-executive directors are independent pursuant to the requirements as set out in the Listing Rules.

SECURITIES TRANSACTIONS BY DIRECTORS

The Board adopted a code of conduct the ("Code of Conduct") in respect of securities transactions of the Company by directors and relevant employees of the Group on terms more stringent than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under the Listing Rules. Relevant employees include any employees of the Company or directors or employees of subsidiaries of the Company who, as a result of their office or employment, is likely to be in possession of unpublished price sensitive information in relation to the Group.

The Company, having made specific enquiry to all directors, confirms that all directors have complied with the standards set out in the Model Code and the Code of Conduct at all times throughout the Year.

INSURANCE ON DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for liability insurance cover to indemnify the Board, directors and certain members of the senior management. Purchase of liability insurance for the directors can enhance the Company's ability to reduce exposure to risks. The insurance coverage is reviewed on an annual basis.

DIVISION OF AUTHORITIES BETWEEN THE BOARD AND THE MANAGEMENT

The Board is responsible for formulating overall strategy, monitoring and controlling the performance of the Group and the Board delegates its management and administration functions to the management, and establishes the Executive Board Committee to manage and monitor, on behalf of the Board, the day-to-day operations of the Group and to implement all decisions made by the Board.

Executive Board Committee

Members of the Executive Board Committee were appointed by the Board. The Committee consists of four executive directors, namely Mr. Guo Yuan, Mr. Li Jing Qi, Mr. Liu Jun and Mr. Yang Hai. The Committee was duly authorised by the Board.

Responsibilities and works performed in 2011

The duties and authorities of the Executive Board Committee are set out in its written terms of reference, which mainly include:

(1) to monitor all business operations of the Group;

(2) to prepare and approve the Group's business plans and annual budget;

(3) to deal with the ordinary business of the Group and to authorise the Chief Executive Officer taking the lead of the management for the day-to-day operations of the Group, and to authorise individual executive directors to deal with the daily operation of various business of the Group;

(4) to consider and review notifiable transactions of the Group as required under the Listing Rules and advise the Board thereon;

(5) to provide information and reports of the Group upon requests by the Audit Committee, to attend and to arrange the management staff of the Group and professional advisors attending the Audit Committee meeting, and answering questions raised by the Audit Committee at such meetings;

(6) to arrange appointment of professional advisors and institutions to provide assistance and advices for specialised committees under the Board; and

(7) to handle all other duties assigned by the Board and to exercise the authorities delegated to it by the Board.

The Executive Board Committee reports its decisions and recommendations to the Board in a timely manner, and the minutes of meetings of the Committee in relation to material matters and decisions are circulated to members of the Board for information within a reasonable time.

During 2011, the Executive Board Committee convened 36 meetings. The meetings discussed and considered the Company's annual and interim results, business development, connected transactions and notifiable transactions, and provided recommendations thereon to the Board. Such meetings also discussed business development plans of the Group's subsidiaries, capital expenditure and loans, changes of directors and senior management; considered the budgeting for year 2012; and considered and approved the entering into of loan agreements with banks, adjustment plans for financing, opening and cancellation of bank accounts, etc.

FINANCIAL REPORTING

The management had provided the results and financial statements for 2011 to the Audit Committee for review in accordance with the stated requirements of the Audit Committee. The Audit Committee confirmed that the financial statements for 2011 and the related information disclosed therein were complete, accurate and fair and thereafter the 2011 financial statements had been submitted to the Board for approval to ensure the Board is able to make an informed assessment.

The directors acknowledge their responsibility for preparing financial statements that give a true and fair view of the financial position, results and cash flow of the Group. In preparing the financial statements for the year ended 31 December 2011, the Board has selected suitable accounting policies and applied them consistently, made judgements and estimates that are prudent and reasonable and has prepared the financial statements on a going concern basis. For details of the basis of preparation of the financial statements, please refer to Note 2.1 to the consolidated financial statements in this Report.

The Board and the Audit Committee conducted an annual review on the adequacy of resources, qualifications and experience of staff for the Company's accounting and financial reporting function, their training programmes and related budget.

The reporting responsibilities of the directors and the auditor are set out in the Independent Auditor's Report.

INTERNAL CONTROL AND RISK MANAGEMENT

By working out an overall strategy on enterprise development, the Group leads and supports its subsidiaries to achieve enterprise development in accordance with the Group's strategic plans. The Group achieves sustainable development through good and regulated management by adjusting, improving and enhancing its subsidiaries' mode of internal management.

CORPORATE INTERNAL MANAGEMENT AND CONTROL MODE

Function Positioning of Headquarters of the Group

Based on the respective industries' characteristics, maturity levels of businesses and corporate development stages of its subsidiaries, the Group confirmed the headquarters' core functions as investment, financing, decision making and backup support.

Adjustment and Improvement of Strategic Plans

Through adjusting and improving its overall long and medium term strategic plans, as well as implementing acquisitions and reorganisation, capital operation, resources allocation, structure adjustment, operation management, financial control and financial planning and other means, the Group has guided and supported its subsidiaries to develop and operate in an orderly manner.

Management Control

Based on the needs of its strategic management control, the Group has ensured that its subsidiaries' material operating activities are conducted in accordance with the Group's strategic plans and objectives by controlling, supporting and guiding important economic activities such as budget management, performance appraisal, investment management, capital management, construction management, remuneration management, assets and equity structure, human resources and information management of its subsidiaries, thereby ensuring an effective implementation of the Group's strategic plans.

Systems Build-up

Based on the content of the management control regime, the Group has created clearly defined standards. With such standards, the Group has set up a strict authorisation system and a rationalised operation workflow to ensure that various operating activities are properly authorised; to safeguard the company's assets and the interests of shareholders; and to continuously enhance implementation efficiency through a regime on system amendment and improvement.

RISK MANAGEMENT

The Company's internal controls and risk management systems were established in 2005 which comprise environment of control, financial control, operational control, compliance control, and risk management functions. In 2009, based on the Company's governance requirements, the Company revised and improved various procedures and control systems and established "Comprehensive Risk Management Regulations", thereby clarifying the risk management procedures, setting out requirements for risk control and management, and setting up risk management organisation and information systems. For possible risks, through carrying out adequate risk identification and assessment and formulating risk coping measures, the Group drew up processes for material risk management and set up warning indicators for material losses.

The Board requires the management to review the implementation of internal control and risk management at the end of each year. Through a comprehensive assessment on the Company and its subsidiaries conducted by the internal audit department based on continuous standards, the management will judge whether the internal control and risk management systems are able to meet the expected objectives, and will make recommendations for improving any control deficiency in the systems.

The Company believes that the implementation of such internal control and risk management measures shall effectively manage any material risk the Group may face, and will mitigate the impact of risk incidents on the Group, thereby protecting shareholders' interests and the Company's assets and attaining the long-term strategic objectives of the Company.

The Board has comprehensively reviewed the Group's internal control and risk management systems in year 2011, and found that the implementation thereof progressed well and that there were no significant control failures or weaknesses.

The Board considered that the relevant systems were effective and sufficient to ensure the Group to achieve its operation and governance objectives. The Board will continue to urge the management of the Company to enhance the internal control and risk management systems in order to ensure an effective operation of the systems.

Functions of Internal Audit Department

In 2002, the Group set up an internal audit department in order to improve the overall reporting and internal control regime of the Group. The internal audit department has the following main functions:

- assessment on internal control and risk management systems;
- financial due diligence in respect of investment projects;
- auditing and supervision of financial projects

INDEPENDENT AUDITOR

During the Year, the fees paid and payable to the Company's auditor, PricewaterhouseCoopers, for audit services and non-audit services, were approximately HK$3,149,000 and HK$1,299,000 respectively. The non-audit services included professional tax consultation and professional services in connection with circulars to shareholders, etc.

The Audit Committee has reviewed the audit fees, procedures and effectiveness, and assessed independence and objectivity of PricewaterhouseCoopers and recommended to the Board the reappointment of PricewaterhouseCoopers as the Company's auditor for 2012 at the forthcoming annual general meeting.

COMPANY SECRETARY

The Company has appointed the Company Secretary who is responsible for providing secretarial services to the directors and ensuring the operation of the Company is properly complied with Hong Kong listed companies' regulatory requirements as well as enhancing its corporate governance standards.

All directors have access to the advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Minutes of Board meetings and meetings of all specialised committees under the Board are kept by the Company Secretary and are available for inspection by the directors at all times.

Minutes of Board meetings and meetings of all specialised committees under the Board are recorded by the Company Secretary (who is also the secretary of each of specialised committees) in sufficient details on the matters considered by all directors and decisions reached, including any concerns raised by directors or dissenting views expressed. Draft minutes of Board meetings and meetings of all specialised committees under the Board are provided to relevant directors for their comments and the final version of the same are given to relevant directors for their records within a reasonable time.

GENERAL MEETINGS

Each annual or special general meeting provides a channel of direct communication between the Board and the shareholders of the Company. Therefore, the Company puts high regard to general meetings and all directors and senior management are requested to make their best effort to attend. In respect of each matter (including re-election of directors) at general meetings of the Company, separate resolutions are proposed by the Chairman of that meeting. At general meetings, all shareholders are entitled to provide recommendations or conduct inquiries to directors and senior management regarding issues about the Group's business and operating activities. Directors and senior management shall explain and elaborate in response to shareholders' inquiries and recommendations.

The Chairmen of the Board and the Audit Committee, and members of Remuneration Committee and Nomination Committee attended the annual general meeting held in 2011 to answer questions raised by shareholders

The Company convened three general meetings during the Year. The major items discussed are summarised below:

Date 2011		**Matters resolved at the general meetings**
18 May	•	received the audited Financial Statements and the Reports of the Directors and of the Auditors for the year ended 31 December 2010;
	•	payment of the final dividend and the special dividend for the year ended 31 December 2010;
	•	re-election of the retiring directors and authorisation the Board to fix the directors' remuneration;
	•	re-appointment of Auditors of the Company and authorisation of the Board to fix their remuneration;
	•	granting a repurchase mandate to the Directors to repurchase shares in the Company;
	•	granting a general mandate to the Directors to allot, issue and otherwise deal with the shares in the Company;
	•	extending the general mandate granted to the Directors to allot, issue and otherwise deal with the shares in the Company;
	•	the amendment to the existing bye-laws of the Company
10 June	•	approval of the acquisition of 24% equity interest in Shenzhen Airlines Company Limited in the consideration of RMB788,632,500
25 October	•	approval of the entering into of the entrusted construction management agreement by Shenzhen Expressway Company Limited and 深圳市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited) dated 9 September 2011 in relation to the construction and operation of Coastal Expressway (Shenzhen Section)

Voting by poll on shareholders' resolutions

All resolutions at the general meetings of the Company shall be decided by way of poll so as to allow shareholders of the Company to have one vote for every share held. Before commencement of general meetings, the Chairman of general meetings explained clearly to shareholders present the detailed procedures for conducting a poll. The Company posted the poll results on the websites of the Stock Exchange and the Company on the dates of the general meetings.

Information Disclosure

Information disclosure is not merely an ongoing responsibility and obligation that a listed company must fulfill. Credible information disclosure can effectively build a bridge of communication and understanding between investors, regulatory authorities, the public and the Company. This can facilitate a broader and more thorough understanding of the Company's values. To regulate information disclosure of the Company and protect the legal rights of the Company and its shareholders, creditors and related interested parties, the Company prepared the "Rules Governing Information Disclosure Matters" by reference to the Listing Rules and the circumstances of the Company and it was adopted by the Board in August 2009.

During the Year, the Company released over 39 announcements/notices including annual and interim results, major transaction, connected transaction, voluntary disclosure, notice of general meetings overseas regulatory announcements etc. In addition, the Company released over 60 overseas regulatory announcements in relation to the information disclosed by Shenzhen Expressway on the Shanghai Stock Exchange.

Investor Relations Activities

The Company values the support of its investors over the years and is committed to continuing to establish close relationships with them. The Company is pleased to share the corporate strategy, business development and prospects of the Group with investors. The Company welcomes potential investors to obtain information about the Group and to engage in various forms of exchange with the Company.

The Company actively builds relationships through briefing sessions and roadshows with institutional investors and investors presentations arranged by securities dealers. The Company places high value on the investment community and do its best to ensure that investment reports provide comprehensive assessments of the conditions of the Group. At the same time, institutional investors from all sectors regularly monitor the Group's movements to enhance the investors' understanding of the Group's conditions and business strategy through such channels. During the year, the Company has communicated regularly with investors and analysts on a daily basis, including thorough field research, one-to-one or via teleconference, and has as a result received a total of 52 batches of 191 domestic and overseas investors.

Besides organising presentations on the annual and interim performance of the Company, the management has also participated in a total of 12 presentations or symposium sessions organised by analysts and fund managers in 2011. Details on all promotional activities for the year under review are as follows:

2011	**Major Events**
January	• Participated in the "Hong Kong – China Enterprises Access Day" held in Hong Kong and organised by CLSA • Conducted investor luncheons in Hong Kong
February	Participated in investors' meeting held in Hong Kong arranged by J.P. Morgan
March	Presented the Company's 2010 annual results to investors
April	Conducted roadshows in Hong Kong, London and Zurich to present the Company's performance
May	• Participated in the "Greater China Conference 2011" held in Hong Kong, organised by Macquarie Securities • Participated in the "2011 Annual Investment Symposium" held in Hong Kong and organised by Shenyin Wanguo Securities Research Centre

2011	Major Events
August	• Presented the Company's 2011 interim results to investors • Conducted roadshows in Hong Kong and Singapore on the Company's performance
October	Participated in investors' meeting held in Shenzhen, arranged by Huatai Securities
November	Participated in the "Asia-Pacific Industrial, Infrastructure and Transportation Conference" held in Hong Kong by Macquarie Securities
December	Participated in the "Overseas Listed Chinese Enterprises Forum – Shenzhen" held in Shenzhen and organised by Shenyin Wanguo Securities

The Company has always attached great importance to maintaining contact with individual investors. In order to promote transparency, the Company provides investors with information on the operations of the Group through Special General Meetings, Annual General Meetings, Annual Reports, Interim Reports and the company website.

The Company's website (www.szihl.com) is the most direct channel for the latest information on the Company. We upload public notices, circulars, press releases, results announcements and other announcements on the website on a regular basis. Investors can also access general information, biographies of the directors and senior management, as well as business, financial and other information on the website, which is available in both Chinese and English.

Through frequent investor relations activities, the Company has enhanced corporate transparency and two-way communications, deepened the investors' understanding of and trust in the Company's business, established confidence in the Company's future development and promoted both the recognition and support of the market. These fully reflect the Company's business development potential and actual value. Additionally, the Company also collects extensive feedback from the market through these activities in order to improve corporate governance and the operational and management standards of the Company.

Disclosure of Interests

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2011, the interests and short positions of the directors (the "Directors") and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of The Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to The Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in The Rules Governing the Listing of Securities on the Stock Exchange were as follows:

Long positions in ordinary shares of the Company

Name of Directors	Number of ordinary shares held	Capacity	Nature of interest	Approximate% of issued share capital of the Company
Li Jing Qi	8,000,000	beneficial owner	personal	0.05%
Liu Jun	9,000,000	beneficial owner	personal	0.06%

Save as disclosed above and in the section headed "**SHARE OPTION SCHEME**" as set out in the Report of the Directors on pages 38 to 43 of this Annual Report, as at 31 December 2011, none of the Directors or chief executives of the Company had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the section headed "**DIRECTORS' INTERESTS IN SECURITIES**" above and "**SHARE OPTION SCHEME**" as set out in the Report of the Directors on pages 38 to 43 of this Annual Report, at no time during the year ended 31 December 2011 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate granted to any Directors, chief executives or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors, chief executives, their spouse or children under 18 years of age to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 31 December 2011, the interests and short positions of the substantial shareholders, other than the Directors or chief executives of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO are set out below:

Long positions in ordinary shares of the Company

Name of shareholder	Number of ordinary shares held	Capacity	Approximate % of issued share capital of the Company
Shenzhen Investment Holdings Company Limited ("SIHCL") – Note (1)	7,955,216,814	interest of controlled corporations	48.59%
Ultrarich International Limited ("Ultrarich") – Note (2)	7,955,216,814	beneficial owner	48.59%

Notes:

(1) Ultrarich holds an aggregate of 7,955,216,814 shares of the Company and is a wholly-owned subsidiary of SIHCL. Accordingly, SIHCL is deemed to be interested in the 7,955,216,814 shares of the Company owned by Ultrarich.

(2) Messrs. Guo Yuan, Li Jing Qi and Liu Jun are the directors of Ultrarich which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, as at 31 December 2011, the Company had not been notified by any substantial shareholders, other than the Directors and chief executives of the Company, who had interests or short positions in the shares and underlying shares of the Company which are required to be recorded in the register required to be kept under section 336 of Part XV of the SFO.

OTHER PERSONS' INTERESTS IN SECURITIES

As at 31 December 2011, the interests and short positions of other persons in the shares and underlying shares of the Company, which are known to the Company or are required to be recorded in the register kept by the Company under section 336 of Part XV of the SFO are set out below:

Long positions in ordinary shares of the Company

Name of shareholder	Number of ordinary shares held	Capacity	Approximate % of issued share capital of the Company
RARE Infrastructure Limited	1,251,398,500	investment manager	7.64%
UBS AG	5,120,024	beneficial owner	0.03%
	314,842,500	person having a security interest in shares	1.92%
	605,377,500 – Note	interest of controlled corporation	3.70%
UBS Global Asset Management (Hong Kong) Limited	124,597,500	beneficial owner	0.76%
UBS Fund Services (Luxembourg) S.A.	447,645,000	beneficial owner	2.73%
UBS Global Asset Management (Singapore) Ltd	33,035,000	beneficial owner	0.20%
UBS Financial Services Inc.	100,000	beneficial owner	0.0006%

Note:

Each of UBS Global Asset Management (Hong Kong) Limited, UBS Fund Services (Luxembourg) S.A, UBS Global Asset Management (Singapore) Ltd and UBS Financial Services Inc. is a wholly-owned subsidiary of UBS AG and accordingly, UBS AG is deemed to be interested in the aggregate of 605,377,500 shares of the Company held by these companies as disclosed above.

Save as disclosed above, as at 31 December 2011, the Company had not been notified by any other persons who had interests or short positions in the shares and underlying shares of the Company which are known to the Company or as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

羅兵咸永道

Independent Auditor's Report
To the shareholders of Shenzhen International Holdings Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Shenzhen International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 59 to 132, which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2012

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong

T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONSOLIDATED BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	Note	As at 31 December 2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	6	**4,024,897**	3,226,152
Investment properties	7	**62,900**	49,989
Land use rights	8	**663,930**	647,623
Construction in progress	9	**181,415**	368,096
Intangible assets	10	**24,386,045**	23,446,980
Investments in associates	12	**2,829,232**	2,280,452
Investments in jointly controlled entities	13	**319,819**	306,821
Available-for-sale financial assets	14	**246,879**	147,263
Deferred income tax assets	25	**72,609**	115,485
Other non-current assets	15	**953,470**	54,050
		33,741,196	30,642,911
Current assets			
Inventories		**8,413**	–
Available-for-sale financial assets	14	**1,488,061**	3,435,965
Trade and other receivables	17	**916,769**	623,300
Restricted bank deposits	18	**9,518**	349,573
Cash and cash equivalents	18	**3,723,557**	1,729,590
		6,146,318	6,138,428
Assets held for sale	16	**13,320**	15,055
Total assets		**39,900,834**	36,796,394
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	19	**4,937,120**	4,919,854
Other reserves	20	**474,490**	1,219,263
Retained earnings			
– Proposed dividends	36	**540,281**	491,165
– Others		**5,262,310**	4,213,745
		11,214,201	10,844,027
Non-controlling interests		**6,934,105**	6,179,498
Total equity		**18,148,306**	17,023,525

CONSOLIDATED BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	Note	As at 31 December 2011	2010
LIABILITIES			
Non-current liabilities			
Borrowings	21	**15,321,113**	11,808,764
Derivative financial instruments	22	**59,327**	83,476
Provision for maintenance/resurfacing obligations	23	**439,208**	1,083,835
Deferred income tax liabilities	25	**1,523,944**	2,019,386
		17,343,592	14,995,461
Current liabilities			
Trade and other payables	26	**2,244,671**	2,308,267
Income tax payable		**310,837**	296,232
Provision for maintenance/resurfacing obligations	23	**438,784**	26,877
Borrowings	21	**1,412,841**	2,140,954
Derivative financial instruments	22	**1,803**	5,078
		4,408,936	4,777,408
Total liabilities		**21,752,528**	19,772,869
Total equity and liabilities		**39,900,834**	36,796,394
Net current assets		**1,750,702**	1,376,075
Total assets less current liabilities		**35,491,898**	32,018,986

The notes on pages 67 to 132 are an integral part of these consolidated financial statements.

The financial statements on pages 59 to 132 were approved by the Board of Directors on 30 March 2012 and were signed on its behalf.

Li Jing Qi
Director

Liu Jun
Director

BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	Note	As at 31 December 2011	2010
ASSETS			
Non-current assets			
Investments in subsidiaries	11(a)	**5,408,750**	5,117,790
Amount due from a subsidiary	11(b)	**1,224,160**	1,635,366
		6,632,910	6,753,156
Current assets			
Other receivables	17	**1,325**	1,321
Dividends due from subsidiaries		**3,321,608**	2,982,473
Cash and cash equivalents	18	**23,738**	38,595
		3,346,671	3,022,389
Total assets		**9,979,581**	9,775,545
EQUITY			
Share capital	19	**4,937,120**	4,919,854
Other reserves	20	**1,177,510**	823,926
Retained earnings	34		
– Proposed dividends	36	**540,281**	491,165
– Others		**812,179**	1,096,052
Total equity		**7,467,090**	7,330,997
LIABILITIES			
Non-current liabilities			
Borrowings	21	**1,908,192**	1,353,430
Derivative financial instruments	22	**45,311**	53,227
		1,953,503	1,406,657
Current liabilities			
Other payables	26	**14,066**	10,189
Borrowings	21	**540,881**	1,019,375
Derivative financial instruments	22	**649**	5,078
Amount due to a subsidiary		**3,392**	3,249
		558,988	1,037,891
Total liabilities		**2,512,491**	2,444,548
Total equity and liabilities		**9,979,581**	9,775,545
Net current assets		**2,787,683**	1,984,498
Total assets less current liabilities		**9,420,593**	8,737,654

The notes on pages 67 to 132 are an integral part of these consolidated financial statements.

The financial statements on pages 59 to 132 were approved by the Board of Directors on 30 March 2012 and were signed on its behalf.

Li Jing Qi
Director

Liu Jun
Director

CONSOLIDATED INCOME STATEMENT

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2011	2010
Revenue	5, 27	**5,581,043**	5,111,806
Cost of sales	30	**(2,839,131)**	(2,993,949)
Gross profit		**2,741,912**	2,117,857
Other gains – net	28	**366,477**	489,849
Other income	29	**117,592**	82,961
Distribution costs	30	**(34,870)**	(27,366)
Administrative expenses	30	**(330,432)**	(244,266)
Operating profit		**2,860,679**	2,419,035
Share of profit of jointly controlled entities	13	**3,407**	7,685
Share of profit of associates	12	**582,546**	350,161
Profit before finance costs and tax		**3,446,632**	2,776,881
Finance income	32	**35,531**	21,858
Finance costs	32	**(679,443)**	(653,398)
Finance costs – net	32	**(643,912)**	(631,540)
Profit before income tax		**2,802,720**	2,145,341
Income tax expense	33	**(539,946)**	(453,068)
Profit for the year		**2,262,774**	1,692,273
Attributable to:			
Equity holders of the Company		**1,745,231**	1,279,839
Non-controlling interests		**517,543**	412,434
		2,262,774	1,692,273
Earnings per share for the profit attributable to equity holders of the Company during the year (expressed in HK cents per share)			
– Basic	35	**10.66**	9.03
– Diluted	35	**10.65**	8.66

The notes on pages 67 to 132 are an integral part of these consolidated financial statements.

	Note	Year ended 31 December 2011	2010
Dividends	36	**540,281**	491,165

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2011	2010
Profit for the year		**2,262,774**	1,692,273
Other comprehensive income:			
Fair value (losses)/gains on available-for-sale financial assets, net of tax	20	**(1,315,014)**	1,048,580
Transfer of fair value gains to income statement upon disposal of available-for-sale financial assets, net of tax	20	**(259,713)**	(276,729)
Fair value gains/(losses) on derivative financial instruments, net of tax	22	**48,948**	(20,236)
Share of other comprehensive income of an associate		**(28)**	(10)
Currency translation differences		**942,594**	565,121
Other comprehensive income for the year, net of tax		**(583,213)**	1,316,726
Total comprehensive income for the year		**1,679,561**	3,008,999
Total comprehensive income attributable to:			
Equity holders of the Company		**844,073**	2,389,440
Non-controlling interests		**835,488**	619,559
Total comprehensive income for the year		**1,679,561**	3,008,999

The notes on pages 67 to 132 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in HK dollar thousands unless otherwise stated)

	Attributable to equity holders of the Company					
	Share capital and share premium	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 January 2010	**2,973,698**	**252,447**	**3,798,991**	**7,025,136**	**5,694,554**	**12,719,690**
Comprehensive income						
Profit for the year	**–**	**–**	**1,279,839**	**1,279,839**	**412,434**	**1,692,273**
Other comprehensive income						
Fair value gains on available-for-sale financial assets, net of tax	–	1,048,580	–	1,048,580	–	1,048,580
Transfer of fair value gain to income statement upon disposal of available-for-sale financial assets, net of tax	–	(276,729)	–	(276,729)	–	(276,729)
Fair value losses on derivative financial instruments, net of tax	–	(12,849)	–	(12,849)	(7,387)	(20,236)
Share of other comprehensive income of an associate	–	(10)	–	(10)	–	(10)
Currency translation differences	–	350,609	–	350,609	214,512	565,121
Total other comprehensive income	–	1,109,601	–	1,109,601	207,125	1,316,726
Total comprehensive income	**–**	**1,109,601**	**1,279,839**	**2,389,440**	**619,559**	**3,008,999**
Transactions with owners						
Employee share options						
– proceeds from shares issued	4,371	–	–	4,371	–	4,371
– value of employee services	4,762	–	–	4,762	–	4,762
Transfer to reserves	–	66,704	(66,704)	–	–	–
Dividend relating to 2009	–	–	(307,216)	(307,216)	–	(307,216)
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	(172,181)	(172,181)
Acquisition of non-controlling interests	–	34	–	34	(481)	(447)
Injection by non-controlling interests	–	–	–	–	38,047	38,047
Conversion of convertible bonds	1,937,023	(209,523)	–	1,727,500	–	1,727,500
Total transactions with owners	**1,946,156**	**(142,785)**	**(373,920)**	**1,429,451**	**(134,615)**	**1,294,836**
Balance at 31 December 2010	**4,919,854**	**1,219,263**	**4,704,910**	**10,844,027**	**6,179,498**	**17,023,525**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(All amounts in HK dollar thousands unless otherwise stated)

	Attributable to equity holders of the Company					
	Share capital and share premium	**Other reserves**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
Balance at 1 January 2011	**4,919,854**	**1,219,263**	**4,704,910**	**10,844,027**	**6,179,498**	**17,023,525**
Comprehensive income						
Profit for the year	–	–	1,745,231	1,745,231	517,543	2,262,774
Other comprehensive income						
Fair value losses on available-for-sale financial assets, net of tax	–	(1,315,014)	–	(1,315,014)	–	(1,315,014)
Transfer of fair value gain to income statement upon disposal of available-for-sale financial assets, net of tax	–	(259,713)	–	(259,713)	–	(259,713)
Fair value gains on derivative financial instruments, net of tax	–	31,160	–	31,160	17,788	48,948
Share of other comprehensive income of an associate	–	(28)	–	(28)	–	(28)
Currency translation differences	–	642,437	–	642,437	300,157	942,594
Total other comprehensive income	–	(901,158)	–	(901,158)	317,945	(583,213)
Total comprehensive income	**–**	**(901,158)**	**1,745,231**	**844,073**	**835,488**	**1,679,561**
Transactions with owners						
Employee share options – value of employee services	17,266	–	–	17,266	–	17,266
Transfer to reserves	–	156,385	(156,385)	–	–	–
Dividend relating to 2010	–	–	(491,165)	(491,165)	–	(491,165)
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	(232,043)	(232,043)
Injection by non-controlling interests	–	–	–	–	151,162	151,162
Total transactions with owners	**17,266**	**156,385**	**(647,550)**	**(473,899)**	**(80,881)**	**(554,780)**
Balance at 31 December 2011	**4,937,120**	**474,490**	**5,802,591**	**11,214,201**	**6,934,105**	**18,148,306**

The notes on pages 67 to 132 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

(All amounts in HK dollar thousands unless otherwise stated)

	Note	Year ended 31 December 2011	2010
Cash flows from operating activities			
Cash generated from operations	37(a)	**2,928,064**	2,927,261
Interest paid		**(484,318)**	(429,011)
Income tax paid		**(590,323)**	(442,185)
Net cash generated from operating activities		**1,853,423**	2,056,065
Cash flows from investing activities			
Down payment for acquisition of an associate included in other non-current assets	15	**(875,394)**	–
Proceeds from the advance received for disposal of asset held for sale		**3,996**	–
Acquisition of non-controlling interests		**–**	(447)
Purchases of property, plant and equipment, construction in progress, and intangible assets		**(1,578,381)**	(1,806,383)
Purchases of land use rights		**(2,704)**	(51,595)
Increase in investments in associates		**–**	(501,301)
Increase in investments in a jointly controlled entity		**(6,043)**	–
Purchases of available-for-sale financial assets		**(2,060)**	–
Proceeds from disposals of property, plant and equipment		**25,697**	43,252
Proceeds from disposals of land use rights		**–**	14,161
Proceeds from disposal of available-for-sale financial assets		**365,860**	467,454
Interest received		**35,761**	21,858
Dividends received		**227,694**	227,993
Net cash used in investing activities		**(1,805,574)**	(1,585,008)
Cash flows from financing activities			
Proceeds from derivative financial instruments		**18,017**	10,006
Proceeds from issuance of ordinary shares	19	**–**	4,371
Capital contribution by non-controlling interests		**151,162**	38,047
Proceeds from borrowings		**3,032,814**	3,934,461
Proceeds from medium-term notes		**–**	820,868
Proceeds from issuance of corporate bonds		**1,827,208**	–
Repayments of borrowings		**(2,706,723)**	(4,407,201)
Decrease in restricted bank deposits		**340,055**	207,347
Dividends paid to the Company and subsidiaries' shareholders		**(723,208)**	(479,397)
Net cash generated from financing activities		**1,939,325**	128,502
Net increase in cash and cash equivalents		**1,987,174**	599,559
Cash and cash equivalents at beginning of year		**1,729,590**	1,126,402
Exchange gain		**6,793**	3,629
Cash and cash equivalents at end of year	18	**3,723,557**	1,729,590

The notes on pages 67 to 132 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

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

– Toll roads; and

– Logistic business.

The Group has operations mainly in the People's Republic of China ("PRC").

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

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

As at 31 December 2011, Ultrarich International Limited ("Ultrarich") owns 7,955,216,814 ordinary shares of the Company directly, representing approximately 48.59% of the issued share capital of the Company. As Shenzhen Investment Holdings Company Limited ("SIHCL") held the 100% equity interests in Ultrarich, it had a deemed interest in 48.59% of the equity in the Company held by Ultrarich and was the largest shareholder of the Company. SIHCL is supervised and managed by Shenzhen Municipal State-owned Assets Supervision and Administration Commission ("Shenzhen SASAC"). The directors of the Company regard that Shenzhen SASAC controls the financial and operating policies of the Company and is the de facto controller of the Company.

These consolidated financial statements are presented in Hong Kong dollars ("HKD"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2012.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

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

(a) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2011 have no impact on the Group or not currently relevant to the Group except HKAS 24 (revised) 'Related party disclosures', which has been early adopted from 1 January 2009 by the Group.

(All amounts in HK dollar thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(b) New standards, amendments and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKFRS 7	Financial instruments: Disclosures – transfers of financial assets	1 July 2011
Amendments to HKFRS 1	Severe hyperinflation and removal of fixed dates for first-time adopters	1 July 2011
Amendments to HKFRS 7	Disclosure – Offsetting financial assets and financial liabilities	1 January 2012
Amendment to HKAS 12	Deferred tax: Recovery of underlying assets	1 January 2012
Amendment to HKAS 1	Presentation of financial statements – Presentation of items of other comprehensive income	1 July 2012
HKFRS 10	Consolidated financial statements	1 January 2013
HKFRS 11	Joint arrangements	1 January 2013
HKFRS 12	Disclosure of Interest in other entities	1 January 2013
HKFRS 13	Fair value measurement	1 January 2013
Amendment to HKAS 19	Employee benefits	1 January 2013
HKAS 27 (revised 2011)	Separated financial statements	1 January 2013
HKAS 28 (revised 2011)	Investment in associates and joint ventures	1 January 2013
HK (IFRIC) – Int 20	Stripping costs in the production phase of a surface mine	1 January 2014
Amendment to HKAS 32	Offsetting financial assets and financial liabilities	1 January 2014
Amendments to HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosure	1 January 2015
HKFRS 9	Financial instruments	1 January 2015
Additions to HKFRS 9	Financial instruments – Financial liabilities	1 January 2015

The Group has commenced an assessment of the impact of the new standards, amendments to the standards and interpretations but is not yet in a position to state whether these new standards, amendments to standards and interpretations would have a significant impact to the Group's results of operations and financial position.

2.2 Consolidation

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

(a) Subsidiaries

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

Apart from the application of merger accounting on the common control business combinations, the acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income.

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

(b) Common control combination

Merger accounting is used for business combinations under common control by the Group.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(b) Common control combination (continued)

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

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

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

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

(c) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(d) Associates (continued)

The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of an associate' in the income statement.

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

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

(e) Jointly controlled entities

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

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(b) Transactions and balances (continued)

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

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

(c) Group companies

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

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

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

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

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

2.5 Property, plant and equipment

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

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

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

(All amounts in HK dollar thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Property, plant and equipment (continued)

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	10-129 years or over the term of the unexpired leases, whichever is shorter
Buildings	10-50 years or over the term of the unexpired leases, whichever is shorter
Leasehold improvements	4 years or over the term of the unexpired leases, whichever is shorter
Motor vehicles	5-8 years
Furniture, fixtures and equipment	3-10 years
Loading equipments and facilities in port	10-25 years

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

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

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

2.6 Construction in progress

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

2.7 Investment properties

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

2.8 Land use rights

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Concession intangible assets

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Impairment of non-financial assets and investment in subsidiaries, associates and jointly controlled entities

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

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

2.11 Financial assets

2.11.1 Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to settle within 12 months, otherwise, they are classified as non-current assets.

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

2.11.2 Recognition and measurement

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

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

Changes in the fair value of non-monetary securities classified as available for sale are recognised in other comprehensive income and accumulated in equity.

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

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

The fair values of quoted investments are based on current bid prices. The fair value of investments in equity instruments that do not have a quoted market price in an active market is measured by using appropriate estimation technique. The investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment provision.

2.12 Offsetting financial instruments

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

2.13 Impairment of financial assets

(a) Assets carried at amortised cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

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

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

(b) Assets classified as available for sale

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

2.14 Derivative financial instruments and hedging activities

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Derivative financial instruments and hedging activities (continued)

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

2.15 Inventories

Inventories mainly represent toll tickets and materials and spare parts for the repairs and maintenance of expressways, and are stated at the lower of cost and net realisable value. Cost, calculated on the weighted average basis, represents the actual cost of purchase. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2.16 Trade and other receivables

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

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

2.17 Cash and cash equivalents

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

2.18 Share capital

Ordinary shares are classified as equity.

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

2.19 Trade payables

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Borrowings

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

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

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

2.21 Compound financial instruments

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

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

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

2.22 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.23 Current and deferred income tax

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Current and deferred income tax (continued)

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

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

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

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

2.24 Employee benefits and share-based payments

(a) Pension obligations

The Group operates a defined contribution retirement benefits scheme, Mandatory Provident Fund (the "MPF Scheme"), under the Mandatory Provident Fund Ordinance in Hong Kong for all Hong Kong employees who are eligible to participate in the MPF Scheme. Besides, the Group participates in defined contribution retirement schemes organised by the local government authorities in the PRC.

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

Apart from these, the Group has no legal or constructive obligations for further payments.

(b) Share-based payments

The Group operates a number of equity-settled, share-based compensation plans, for staff remuneration under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets); and
- including the impact of any non-vesting conditions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Employee benefits and share-based payments (continued)

(b) Share-based payments (continued)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the balance sheet date, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. The Group recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

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

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(c) Profit-sharing and bonus plans

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

2.25 Provisions

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

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

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

2.26 Revenue recognition

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Revenue recognition (continued)

(a) Toll revenue

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

(b) Construction service revenue under Service Concessions

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

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

(c) Interest income

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

(d) Logistic related service revenues

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

(e) Dividend income

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

(f) Rental income

Rental income from properties letting under operating leases is recognised on a straight-line basis over the lease terms.

2.27 Operating leases

(a) When a group company is the lessee

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

(b) When a group company is the lessor

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.28 Government grants

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

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

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

2.29 Contingent liabilities

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

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

2.30 Dividend distribution

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments disclosed in Note 22 to hedge certain risk exposures.

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

(All amounts in HK dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk

(i) Currency risk

The Group mainly operates in the PRC with most of the transactions settled in RMB. As at 31 December 2011, the Group has cash and bank balances of HKD68,652,000 (2010: HKD98,983,000) and bank borrowings of HKD3,732,103,000 (2010: HKD3,925,359,000) denominated in HKD, and the Company has cash and bank balances of HKD 14,332,000 (2010: HKD38,552,000), and bank borrowings of HKD2,449,073,000 (2010: HKD2,372,805,000) denominated in HKD. Apart from these, the Group and the Company did not have significant exposure to foreign exchange risk. Nevertheless, the conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. As at 31 December 2011, the Group had a cross currency and interest rate swap contract and a forward foreign exchange contract to hedge its foreign exchange risk against two of its variable-rate foreign currency loans with principal amount of HKD 378,000,000 and HKD227,000,00 respectively (2010: HKD399,000,000 and HKD227,000,000) (Note 22).

As at 31 December 2011, should RMB be weakened/strengthened by 5% against HKD, with all other factors remain unchanged, the profit after taxation for the year would be affected as follows:

	Change of profit after income tax – increase/(decrease)			
	Group		**Company**	
	2011	2010	**2011**	2010
RMB against HKD				
– Weakened by 5%	**(113,807)**	(121,944)	**(99,539)**	(95,213)
– Strengthened by 5%	**113,807**	121,944	**99,539**	95,213

(ii) Cash flow and fair value interest rate risk

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

The Group's and Company's interest rate risk arises from long-term borrowings and medium-term notes. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Bonds and convertible bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group adjusts the proportion of borrowings at fixed rate against borrowings at floating rate based on the change of the finance market environment. During 2011 and 2010, the Group's borrowings at variable rates were mainly denominated in HKD and RMB. For bank borrowings in the PRC, the interest rate would be adjusted accordingly should the lending rate promulgated by the People's Bank of China be changed.

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

As at 31 December 2011, the balance of bank borrowings and medium-term notes of the Group which were issued at floating rates, amounted to approximately HKD8,316,000,000 (2010: HKD4,543,000,000). As at 31 December 2011, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged, the finance costs of the Group would be increased/decreased by approximately HKD41,580,000 (2010: HKD22,715,000) respectively.

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

(All amounts in HK dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Price risk

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

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

	Impact on other components of equity, net of tax -increase/(decrease)	
	2011	2010
Share price		
– Increased by 5%	**55,372**	134,003
– Decreased by 5%	**(55,372)**	(134,003)

(b) Credit risk

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

Except that provision for impairment of receivables was HKD9,309,000 (2010: HKD2,934,000) during the year, no credit limits were exceeded. Management does not expect any losses from non-performance by these counterparties.

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

(c) Liquidity risk

Cash flow forecast is performed in the operating entities of the Group. The Company monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash (Note 18) to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (Note 21) at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements – for example, currency restrictions.

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

(All amounts in HK dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31 December 2011				
Bank borrowings (including the portion of interest expenses)	**1,827,295**	**2,160,607**	**4,853,779**	**5,476,072**
Other borrowings	**46,972**	**–**	**–**	**–**
Convertible and corporate bonds	**183,769**	**2,033,794**	**2,345,831**	**1,312,284**
Medium-term notes	**38,592**	**901,936**	**–**	**–**
Trade and other payables (excluding other taxes payable and staff welfare benefit payable)	**2,051,437**	**–**	**–**	**–**
Derivative financial instruments	**3,235**	**36,206**	**39,448**	**–**
At 31 December 2010				
Bank borrowings (including the portion of interest expenses)	2,220,804	1,211,521	3,129,115	5,140,733
Other borrowings	–	44,734	–	–
Convertible and corporate bonds	69,453	69,453	1,938,788	1,304,297
Medium-term notes	30,653	30,653	854,667	–
Trade and other payables (excluding other taxes payable and staff welfare benefit payable)	2,146,044	–	–	–
Derivative financial instruments	5,796	3,558	63,316	–

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years
Company			
At 31 December 2011			
Bank borrowings (including the portion of interest expenses)	**560,147**	**1,003,038**	**968,261**
Other payables	**14,066**	**–**	**–**
Amounts due to a subsidiary	**3,392**	**–**	**–**
Derivative financial instruments	**649**	**34,425**	**10,886**
At 31 December 2010			
Bank borrowings (including the portion of interest expenses)	1,043,955	485,608	917,503
Other payables	10,189	–	–
Amounts due to a subsidiary	3,249	–	–
Derivative financial instruments	5,078	2,839	50,388

As at 31 December 2011, the Group and the Company have undrawn banking facilities of HKD11,120,470,000 (2010:HKD10,065,151,000) and HKD1,637,917,000 (2010:HKD1,781,454,000) respectively.

(All amounts in HK dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management

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

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

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

The Group maintained a consistent strategy to maintain the gearing ratio within 120%. The gearing ratios at 31 December 2011 and 2010 were as follows:

	2011	2010
Total borrowings	**16,733,954**	13,949,718
Less: cash and bank balances	**(3,733,075)**	(2,079,163)
Net debt	**13,000,879**	11,870,555
Total capital	**18,148,306**	17,023,525
Gearing ratio	**72%**	70%

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2011:

	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Available-for-sale financial assets				
– Equity securities	**1,488,061**	**–**	**209,669**	**1,697,730**
Liabilities				
Derivatives – interest rate swaps, cross currency and interest rate swap and foreign exchange forward contract	**–**	**61,130**	**–**	**61,130**

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2010:

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets				
– Equity securities	3,435,965	–	113,714	3,549,679
Liabilities				
Derivatives – interest rate swaps, cross currency and interest rate swap and foreign exchange forward contract	–	88,554	–	88,554

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

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

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

Specific valuation techniques used to value financial instruments include:

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

All the resulting fair value estimates are included in level 2 except for the unlisted equity investment as explained below, in which the fair value is estimated based on the underlying value of the investment which mainly includes cash and listed securities.

(All amounts in HK dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2011 and 2010:

	Unlisted equity investments	
	2011	2010
Opening balance	**113,714**	38,992
Net fair value gains	**–**	29,492
Net fair value changes	**90,528**	–
Transfers into investment in an associate	**–**	(68,538)
Transfer into level 3	**–**	113,714
Exchange difference	**5,427**	54
Closing balance	**209,669**	113,714
Total gains or losses for the year including in profit or loss for assets held at the end of year	**–**	–

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

(a) Construction service revenue recognition relating to concession contracts

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

(b) Amortisation of concession intangible assets

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

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

The directors of the Company performed a periodic assessment of the total projected traffic volume. The Group will appoint independent professional traffic consultants to perform independent professional traffic studies and make appropriate adjustment if there is a material difference. According to the assessment conducted by the directors of the Company, there was no significant change in the estimate of the total projected traffic volume for concession intangible assets during the year.

(c) Provisions for maintenance/resurfacing obligations

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

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

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

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

During the third quarter of 2011, the Group reviewed and adjusted the road maintenance and resurfacing plan drew up earlier based on the findings of the study conducted by the external independent professional institutions and the business department of the Group. Due to the advanced maintenance and resurfacing plan and the adoption of new technology in maintenance, the budgeted expenditure for principal maintenance and resurfacing of the roads of the Group was decreased in general and the implementation time was adjusted accordingly. Since 1 July 2011, the Group, for prospective application, made provision for maintenance/resurfacing obligation based on current road maintenance and resurfacing plan and implementation schedule. Such matters pertain to changes in accounting estimates, which caused increases in the profit after tax for the year ended 31 December 2011 amounted to HKD409,900,000.

(d) Impairment of concession intangible assets

According to the accounting policy stated in Note 2.10, concession intangible assets are tested by the Group for impairment if there is any indication that the assets may be impaired at the balance sheet date. During the year, Qinglian Expressway reported losses as it was still at its early stage of operation period. The Company assessed and considered that since the recoverable amount of concession intangible assets exceeded its carrying value, there was no need to make any impairment provision. The assessment relied on the projected traffic volume of Qinglian Expressway. Should there be a material difference between the projected traffic volume and the actual results, a change of accounting estimate would have been made.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

4.1 Critical accounting estimates and assumptions (continued)

(e) Income tax and deferred tax

The Group is subject to income taxes in several jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognises deferred tax assets based on estimates that it is probable to generate enough taxable incomes in the foreseeable future that the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgments and estimations about the timing and the amount of taxable incomes of the company who has tax loss. Where the final outcome of timing and amount is different from that initially estimated, such differences will impact the current income taxes and deferred tax assets in the period in which such determination is made.

4.2 Critical judgements in applying the entity's accounting policies

Dividends policy of subsidiaries

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

The Group has significant amount of distributable profits prior to 31 December 2007. Therefore the directors of the Company believe that the Company will not require its PRC subsidiaries to declare dividends out of their profits earned from 1 January 2008 onwards in the foreseeable future. Accordingly, the Group has not provided deferred tax liability for profits of its PRC subsidiaries earned subsequent from 1 January 2008. The directors of the Company will regularly review the liquidity position and dividend distribution policy of its subsidiaries from time to time.

5. SEGMENT INFORMATION

The Group's operations are organised in two main business segments:

– Toll roads; and

– Logistic business.

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

The chief operating decision-maker has been identified as the board of directors. The board of directors reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

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

(All amounts in HK dollar thousands unless otherwise stated)

5. SEGMENT INFORMATION (continued)

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

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

For the year ended 31 December 2011

	Toll roads	Logistic business				Head office function	Total
		Logistic parks	Logistic services	Port	Subtotal		
Revenue	4,774,303[(a)]	457,656	251,475	97,609	806,740	–	5,581,043
Operating profit	2,337,903	140,527	12,691	30,755	183,973	338,803	2,860,679
Share of profit/(loss) of jointly controlled entities	(2,702)	6,841	(732)	–	6,109	–	3,407
Share of profit of associates	156,932	–	1,832	–	1,832	423,782	582,546
Finance income	22,550	2,172	930	885	3,987	8,994	35,531
Finance costs	(673,781)	(12,931)	(2,542)	(16,942)	(32,415)	26,753	(679,443)
Profit before tax	1,840,902	136,609	12,179	14,698	163,486	798,332	2,802,720
Income tax expense	(421,503)	(29,530)	(2,612)	–	(32,142)	(86,301)	(539,946)
Profit for the year	1,419,399	107,079	9,567	14,698	131,344	712,031	2,262,774
Non-controlling interests	(506,268)	(5,828)	(1,038)	(4,409)	(11,275)	–	(517,543)
Profit attributable to equity holders of the Company	913,131	101,251	8,529	10,289	120,069	712,031	1,745,231
Depreciation and amortisation	938,955	76,044	11,996	30,321	118,361	11,991	1,069,307
Capital expenditure							
– Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	1,007,118	170,149	17,398	183,523	371,070	17,865	1,396,053
Additions in investments in jointly controlled entities	6,043	–	–	–	–	–	6,043

(All amounts in HK dollar thousands unless otherwise stated)

5. SEGMENT INFORMATION (continued)

For the year ended 31 December 2010

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

a) The revenue from toll roads includes construction service revenue: for the year ended 31 December 2011: HKD635,574,000; for the year ended 31 December 2010: HKD910,072,000.

b) The Group has a number of customers. Revenue of approximated HKD325,513,000 (2010: HKD603,210,000) are derived from a single external customer. Those revenue are attributable to construction service revenue.

c) The Group's non-current assets are mainly located in the PRC.

(All amounts in HK dollar thousands unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Land and Buildings	Leasehold improvements	Motor vehicles	Furniture, fixtures, and equipment	Loading equipments and facilities in port	Total
At 1 January 2010						
Cost	1,577,892	62,163	69,032	1,188,685	–	2,897,772
Accumulated depreciation and impairment	(190,906)	(3,215)	(36,674)	(386,368)	–	(617,163)
Net book amount	1,386,986	58,948	32,358	802,317	–	2,280,609
Year ended 31 December 2010						
Opening net book amount	1,386,986	58,948	32,358	802,317	–	2,280,609
Additions	28,591	1,092	17,225	44,022	2,534	93,464
Transfer from construction in progress (Note 9)	418,413	–	268	40,122	531,560	990,363
Transfer from leasehold improvements to land and buildings	52,884	(52,884)	–	–	–	–
Disposals	(27,933)	(834)	(906)	(11,159)	–	(40,832)
Exchange difference	61,853	202	1,004	23,070	19,065	105,194
Depreciation	(66,657)	(34)	(11,627)	(111,584)	(12,744)	(202,646)
Closing net book amount	1,854,137	6,490	38,322	786,788	540,415	3,226,152
Year ended 31 December 2010						
Costs	2,097,304	9,858	80,277	1,282,435	553,459	4,023,333
Accumulated depreciation and impairment	(243,167)	(3,368)	(41,955)	(495,647)	(13,044)	(797,181)
Net book amount	1,854,137	6,490	38,322	786,788	540,415	3,226,152
Year ended 31 December 2011						
Opening net book amount	1,854,137	6,490	38,322	786,788	540,415	3,226,152
Additions	82,647	2,401	13,141	25,945	–	124,134
Transfer from construction in progress (Note 9)	233,617	–	3,694	307,852	270,987	816,150
Disposals	(5,048)	(1,269)	(5,145)	(4,289)	(10,521)	(26,272)
Impairment	(13,458)	–	–	–	–	(13,458)
Exchange difference	83,117	207	1,834	35,975	37,693	158,826
Depreciation	(91,447)	(1,024)	(10,416)	(132,395)	(25,353)	(260,635)
Closing net book amount	2,143,565	6,805	41,430	1,019,876	813,221	4,024,897
Year ended 31 December 2011						
Costs	2,489,920	11,402	84,327	1,667,080	852,764	5,105,493
Accumulated depreciation and impairment	(346,355)	(4,597)	(42,897)	(647,204)	(39,543)	(1,080,596)
Net book amount	2,143,565	6,805	41,430	1,019,876	813,221	4,024,897

Property ownership certificates for buildings and structures with net book amount of HKD470,002,000 (2010: HKD452,115,000) are not procured. Due to the unique feature of the Group's operation of toll roads, the affiliated buildings and structures should be reverted to the government when the approved operating periods expire. Thus, the Group does not work out a related plan of procuring the property ownership certificates.

(All amounts in HK dollar thousands unless otherwise stated)

6. PROPERTY, PLANT AND EQUIPMENT – GROUP (continued)

The net book value of the Group's interests in leasehold land classified as finance lease are analysed as follows:

	2011	2010
In Hong Kong, held on:		
Leases of between 10 to 50 years	**59,815**	61,523
Leases of over 50 years	**2,971**	2,995
	62,786	64,518

7. INVESTMENT PROPERTIES – GROUP

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

	2011	2010
Beginning of year	**49,989**	44,443
Fair value gains	**12,667**	5,500
Exchange differences	**244**	46
End of year	**62,900**	49,989

a) Amounts recognised in profit and loss for investments properties

	2011	2010
Rental income	**4,345**	1,609
Direct operating expenses arising from investment properties that generate rental income	**(1,792)**	(260)
	2,553	1,349

b) Valuation basis

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

c) Leasing arrangements

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

	2011	2010
Within one year	**1,434**	1,756
Later than one year but not later than 5 years	**5,136**	7,556
	6,570	9,312

(All amounts in HK dollar thousands unless otherwise stated)

8. LAND USE RIGHTS – GROUP

	2011	2010
Beginning of year	**647,623**	604,012
Additions	**2,704**	51,595
Disposals	**–**	(422)
Amortisation	**(16,949)**	(18,704)
Reclassification to other non-current assets	**–**	(10,318)
Exchange difference	**30,552**	21,460
End of year	**663,930**	647,623

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

	31 December	
	2011	2010
Outside Hong Kong – PRC, held on:		
Leases of between 10 to 50 years	**587,278**	572,650
Leases of more than 50 years	**72,713**	71,032
Leases with unspecified periods*	**3,939**	3,941
	663,930	647,623

* As at 31 December 2010 and 2011, procedures for procuring certificates of these land use rights are not yet completed.

9. CONSTRUCTION IN PROGRESS – GROUP

	2011	2010
Beginning of year	**368,096**	636,456
Additions	**620,158**	735,925
Transfer to property, plant and equipment (Note 6)	**(816,150)**	(990,363)
Other transfers	**–**	(12,893)
Exchange difference	**9,311**	(1,029)
End of year	**181,415**	368,096

(All amounts in HK dollar thousands unless otherwise stated)

10. INTANGIBLE ASSETS – GROUP

	Concession intangible assets
At 1 January 2010	
Cost	23,915,344
Accumulated amortisation	(1,451,650)
Net book amount	22,463,694
Year ended 31 December 2010	
Opening net book amount	22,463,694
Additions	931,498
Exchange difference	785,060
Amortisation	(733,272)
Closing net book amount	23,446,980
At 31 December 2010	
Cost	25,640,401
Accumulated amortisation	(2,193,421)
Net book amount	23,446,980
Year ended 31 December 2011	
Opening net book amount	23,446,980
Additions	649,057
Exchange difference	1,081,731
Amortisation	(791,723)
Closing net book amount	24,386,045
At 31 December 2011	
Cost	27,365,792
Accumulated amortisation	(2,979,747)
Net book amount	24,386,045

Concession intangible assets represent the rights to operate the respective toll roads granted by the relevant local government authorities in the PRC to the Group. The remaining periods of rights to operate the respective toll roads are from 11 to 24 years. According to the relevant governments' approval documents and the relevant regulations, the Group is responsible for the construction of the toll roads and the acquisition of the related facilities and equipment. It is also responsible for the operations and management, maintenance and overhaul of the toll roads during the approved operating periods. The toll fees collected and collectible during the operating periods are attributable to the Group. The relevant toll roads assets are required to be returned to the local government authorities when the operating rights periods expire without any considerations payable to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

Included in the concession intangible assets were the operating rights of Qinglian Class I Highway, Qinglian Class II Highway and Qinglian Expressway with net book value of HKD11,311,325,000 (2010: HKD10,642,261,000) of Guangdong Qinglian Highway Development Company Limited ("Qinglian Company"), a subsidiary of the Group, pledged for the secured bank borrowings totalling to HKD5,251,164,000 (RMB4,257,644,000) (2010: HKD4,278,038,000 (RMB3,633,900,000)) (Note 21(a)).

(All amounts in HK dollar thousands unless otherwise stated)

10. INTANGIBLE ASSETS – GROUP (continued)

The full amount of the principal and related interests of Shenzhen Expressway's convertible bonds is guaranteed by Shenzhen Branch of the Agricultural Bank of China, which is in turn secured by the 47.30% of the operating rights of Nanguang Expressway (Note 24).

Amortisation of HKD791,723,000 (2010: HKD733,272,000) has all been charged in the income statement within 'cost of sales' in 2011.

11. INVESTMENTS IN AND DUE FROM/TO SUBSIDIARIES – COMPANY

		2011	2010
(a)	Investments in subsidiaries		
	Unlisted investments, at cost	**115,550**	110,286
	Amounts due from subsidiaries (Note (i))	**5,293,200**	5,007,504
		5,408,750	5,117,790
	Market value of listed shares indirectly held	**5,232,029**	6,413,635

Particulars of the principal subsidiaries are set out in Note 42.

(i) The amounts are unsecured, interest-free and have no fixed repayment term.

(b) The amount is denominated in HKD unsecured, bears interest at prevailing borrowing rate in Hong Kong and has no fixed repayment term.

12. INVESTMENTS IN ASSOCIATES – GROUP

	2011	2010
Beginning of year	**2,280,452**	1,455,216
Transfer from available-for-sale financial assets	**–**	68,538
Cash contribution to associates	**–**	501,301
Share of profit of associates	**582,546**	350,161
Share of other comprehensive income of an associate	**(28)**	10
Dividends received	**(151,725)**	(171,920)
Exchange difference	**117,987**	77,146
End of year	**2,829,232**	2,280,452

The year end balance comprises the following:

	2011	2010
Unlisted investments, at cost		
Share of net assets other than goodwill	**2,068,803**	1,554,665
Goodwill on acquisition (Note (d))	**760,429**	725,787
	2,829,232	2,280,452

(All amounts in HK dollar thousands unless otherwise stated)

12. INVESTMENTS IN ASSOCIATES – GROUP (continued)

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

Name	Assets	Liabilities	Revenue	Group's share of profit/ (loss)	% Interest indirectly held
2011					
Shenzhen Airlines Limited ("Shenzhen Airlines") (Note (b) and Note (c))	**9,734,103**	**8,643,936**	**6,277,028**	**423,782**	**25%**
Shenzhen Qinglong Expressway Company Limited ("Qinglong Company") (Note (e))	**1,029,044**	**790,522**	**199,777**	**76,711**	**40%**
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	**858,810**	**522,848**	**114,870**	**4,426**	**25%**
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	**811,913**	**543,921**	**82,397**	**7,884**	**25%**
Shenzhen Huayu Expressway Investment Company Limited ("Huayu Company")	**256,320**	**186,709**	**35,268**	**(1,548)**	**40%**
Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company")	**34,801**	**18,578**	**54,725**	**3,408**	**24%**
Nanjing Yangzi River Third Bridge Company Limited ("Nanjing Third Bridge Company")	**1,050,390**	**745,685**	**93,412**	**4,116**	**25%**
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	**634,658**	**341,931**	**144,165**	**41,680**	**25%**
Yunfu Guangyun Expressway Company Limited ("Yunfu Guangyun Company")	**468,537**	**264,119**	**85,977**	**20,255**	**30%**
Other associates	**11,962**	**3,057**	**7,193**	**1,832**	
Total	**14,890,538**	**12,061,306**	**7,094,812**	**582,546**	
2010					
Shenzhen Airlines	8,398,255	7,770,781	3,457,045	143,549	25%
Qinglong Company	847,025	615,654	209,200	109,457	40%
Jiangzhong Company	856,139	539,795	95,607	13,957	25%
GZ W2 Company	786,490	538,391	73,163	24,740	25%
Huayu Company	249,833	181,886	42,697	8,858	40%
Consulting Company	32,032	19,869	42,344	2,544	30%
Nanjing Third Bridge Company	984,300	689,300	81,930	12,093	25%
Yangmao Company	604,285	336,091	115,932	22,851	25%
Yunfu Guangyun Company	460,697	253,550	61,754	11,193	30%
Other associates	7,553	840	4,842	919	
Total	13,226,609	10,946,157	4,184,514	350,161	

(All amounts in HK dollar thousands unless otherwise stated)

12. INVESTMENTS IN ASSOCIATES – GROUP (continued)

(b) On 7 May 2011, the Group, through its wholly-owned subsidiary, Shenzhen International Total Logistics (Shenzhen) Co., Ltd. ("Total Logistics"), entered into an acquisition agreement with Shenzhen Huirun Investment Co., Ltd. ("Huirun"), pursuant to which Total Logistics will acquire 24% equity interest in Shenzhen Airlines from Huirun for a consideration of RMB788,632,500 (equivalent to approximately HKD943,340,300) (the "SZA Acquisition"). Upon completion of the SZA Acquisition, Total Logistics will increase its equity interest in Shenzhen Airlines from 25% to 49%, and Shenzhen Airlines will remain as an associate of the Group. The SZA Acquisition has been completed after 31 December 2011.

(c) In May 2011, Shenzhen Airlines received an originating summons from the Higher People's Court of Guangdong Province in respect of an outstanding loan totalling RMB390,000,000 borrowed by Huirun from a third party. It is alleged that Shenzhen Airlines has entered into several guarantee agreements with the third party and Huirun, pursuant to which Shenzhen Airlines acted as guarantor in favour of the third party for the amount borrowed by Huirun in or before the year 2009. The proceeding is still in the preliminary stage. Shenzhen Airlines has questioned the authenticity of the guarantee agreements and is awaiting the court ruling on this issue. The directors of Shenzhen Airlines have made a reasonable estimate on the potential loss on these guarantees and a provision of RMB130,000,000 was made as at 31 December 2011.

(d) The balance represents the goodwill arising from the acquisition of equity interests in Jiangzhong Company, Yangmao Company, Qinglong Company and the capital increase in Shenzhen Airlines amounting to RMB30,135,000 (HKD37,167,000), RMB45,165,000 (HKD55,704,000), RMB1,636,000 (HKD2,018,000) and RMB539,620,000 (HKD665,540,000), respectively in previous years. After the assessment made by the directors of the Company, there was no impairment loss incurred as at 31 December 2011 (2010: Nil).

(e) The 40% equity rights of Qinglong Company is secured for bank borrowings amounted to HKD820,178,000 (RMB 665,000,000) (Note 21(a)).

13. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – GROUP

	2011	2010
Beginning of year	**306,821**	300,350
Additions	**6,043**	–
Share of profit of jointly controlled entities	**3,407**	7,685
Dividends declared and appropriation made by jointly controlled entities	**(11,217)**	(12,742)
Exchange difference	**14,765**	11,528
End of year	**319,819**	306,821

The year end balance comprises the following:

	2011	2010
Unlisted investments, at cost		
Share of net assets	**24,633**	18,117
Advances to jointly controlled entities (Note (c))	**295,186**	288,704
	319,819	306,821

(All amounts in HK dollar thousands unless otherwise stated)

13. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – GROUP (continued)

(a) The following is a list of all jointly controlled entities of the Group at 31 December 2011, all of which are limited liability companies incorporated in the PRC:

Name	Interest indirectly held
Shenzhen Airport International Express Supervision Center Co., Ltd. ("SZ Airport Express Center")	50%
Citic Logistics Fritz Co., Ltd. ("Citic Logistics Fritz")	43%
Shenzhen Longzhuo Logistics Co., Ltd. ("Longzhuo Logistics")	50%
Changsha Shenchang Expressway Co., Ltd. ("Shenchang Company")	51%
Guizhou Guilong Urban Economic Region Investment and Development Company Limited ("Guilong Company")	49%

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

	2011					
	SZ Airport Express Center	Citic Logistics Fritz	Longzhuo Logistics	Shenchang Company	Guilong Company	Total
Non-current assets	25,949	9,226	356	224,852	–	260,383
Current assets	39,444	25,974	5,005	7,797	6,043	84,263
Total assets	**65,393**	**35,200**	**5,361**	**232,649**	**6,043**	**344,646**
Non-current liabilities	–	–	–	295,186	–	295,186
Current liabilities	7,272	2,608	2,120	12,827	–	24,827
Total liabilities	**7,272**	**2,608**	**2,120**	**308,013**	**–**	**320,013**
Revenue	**25,755**	**35,458**	**12,200**	**21,087**	**–**	**94,500**
Cost and expenses	**(20,209)**	**(36,190)**	**(10,905)**	**(23,789)**	**–**	**(91,093)**
Profit/(loss) after income tax	**5,546**	**(732)**	**1,295**	**(2,702)**	**–**	**3,407**

(All amounts in HK dollar thousands unless otherwise stated)

13. INVESTMENTS IN JOINTLY CONTROLLED ENTITIES – GROUP (continued)

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

			2010		
	SZ Airport Express Center	Citic Logistics Fritz	Longzhuo Logistics	Shenchang Company	Total
Non-current assets	21,891	11,724	368	221,034	255,017
Current assets	37,746	24,243	3,772	5,550	71,311
Total assets	59,637	35,967	4,140	226,584	326,328
Non-current liabilities	–	–	–	288,704	288,704
Current liabilities	6,156	4,348	1,827	7,176	19,507
Total liabilities	6,156	4,348	1,827	295,880	308,211
Revenue	22,038	41,074	9,381	17,171	89,664
Cost and expenses	(18,379)	(41,172)	(8,197)	(14,231)	(81,979)
Profit/(loss) after income tax	3,659	(98)	1,184	2,940	7,685

(c) The amounts represented advances made to Shenchang Company. The advances were made by Shenzhen Expressway as part of its investment commitments in these jointly controlled entities as stipulated in the provisions under the relevant investment agreements. In the opinion of the directors of the Company, these advances are investment in nature and are therefore stated at cost.

The advances are unsecured, interest-free and are repayable out of the funds to be generated from the operations of the respective toll road projects. The directors of the Company considered that there was no recoverability problem associated with the amount as at 31 December 2011.

(d) There are no significant contingency liabilities related to the Group's interest in the jointly controlled entities, and no significant contingent liabilities of the venture itself.

(All amounts in HK dollar thousands unless otherwise stated)

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS – GROUP

	2011	2010
Beginning of year	**3,583,228**	2,453,841
Additions	**2,060**	–
Net change in fair value	**(1,665,254)**	1,499,795
Disposals	**(356,124)**	(389,476)
Transfer to investment in associates	**–**	(68,538)
Exchange difference	**171,030**	87,606
End of year	**1,734,940**	3,583,228
Less: non-current portion	**(246,879)**	(147,263)
Current portion	**1,488,061**	3,435,965

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

Listed securities in the PRC, at fair value (Note (a) and Note 3.3)	**1,488,061**	3,435,965
Unlisted equity investments:		
at fair value (Note 3.3)	**209,669**	113,714
at cost less impairment		
– Cost	**61,305**	57,644
– Provision for impairment	**(24,095)**	(24,095)
	37,210	33,549
	246,879	147,263
	1,734,940	3,583,228

During the year, the Group recycled accumulated fair value gains of HKD 337,136,000 (2010: HKD352,207,000) net of tax of HKD77,423,000 (2010: HKD75,478,000) from equity into the income statement upon disposal of available-for-sale financial assets.

(a) As at 31 December 2011, listed equity investments stated at market price represent 6.42% interest (equivalent to 133,170,000 shares) in CSG.

15. OTHER NON-CURRENT ASSETS – GROUP

As at 31 December 2011, other non-current assets included the prepayment of HKD875,394,000 for the SZA Acquisition (Note12(b)). The remaining balance mainly represents other leased assets and the prepayment for construction in progress.

16. ASSETS HELD FOR SALE – GROUP

As at 31 December 2011, assets held for sale mainly represented equity investments held for sale after the management approved the disposal plan of such equity investments. On 22 December 2011, the Group entered an equity transfer agreement with a third party on the transfer of the equity investment held for sale at a consideration of RMB10,800,000 (HKD13,320,000) (the “Equity Transfer”). As at the date of approval of these financial statements, the Equity Transfer has not been completed.

(All amounts in HK dollar thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	**2011**	2010
Trade receivables	**583,303**	452,808	**–**	–
Less: Provision for impairment	**(9,309)**	(2,934)	**–**	–
Trade receivables – net	**573,994**	449,874	**–**	–
Other receivables and prepayments	**342,775**	173,426	**1,325**	1,321
	916,769	623,300	**1,325**	1,321

The income from toll road operations is mainly received in cash and it usually does not maintain any trade receivable balances related to toll road operations. Accordingly, the Group does not have any specified credit period for its customers related to toll road operations. Trade receivables other than toll road income generally have credit terms of 30 to 120 days. As at 31 December 2011 and 2010, the ageing analysis of the trade receivables of the Group based on invoice date or the time from the initial recognition of receivables is as follows:

	2011	2010
0-90 days	**304,320**	277,694
91-180 days	**38,599**	6,691
181-365 days	**2,257**	8,893
Over 365 days (i)	**238,127**	159,530
	583,303	452,808

(i) Trade receivables due over 365 days mainly comprised the amount of HKD214,797,000(2010: HKD158,986,000) arising from the development and management of certain toll road projects administrated for Shenzhen Communications Bureau.

As at 31 December 2011, trade receivables of HKD792,000 (2010: HKD10,060,000) were past due but not impaired. These relate to a number of independent customers and based on past experiences, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	2011	2010
121-180 days	**599**	2,904
181-365 days	**193**	7,156
	792	10,060

As at 31 December 2011, trade receivables of HKD9,309,000 (2010: HKD2,934,000) were fully impaired. These individually impaired trade receivables mainly relate to customers which are under unexpected difficult economic situations.

The other classes within trade and other receivables do not contain impaired assets. There is no material default history for amounts not past due.

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

(All amounts in HK dollar thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES (continued)

The carrying amounts of the Group's trade and other receivables are mainly denominated in RMB. As at 31 December 2011, the fair value of the trade and other receivables approximates their carrying values.

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

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

	2011	2010
Counterparty		
– Government authorities in the PRC	**239,535**	255,614
– Existing customers with no defaults in the past	**296,518**	149,034
– New customers	**37,149**	35,166
	573,202	439,814

18. CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2011	2010	**2011**	2010
Cash at bank and in hand (i)	**3,733,075**	2,079,163	**23,738**	38,595
Less: Restricted bank deposits (ii)	**(9,518)**	(349,573)	**–**	–
	3,723,557	1,729,590	**23,738**	38,595

(i) As at 31 December 2011 and 2010, cash at bank is withdrawn on demand. The effective interest rates on bank balances are 1.06% per annum and 0.98% per annum respectively. The balances are denominated in the following currencies:

	Group		**Company**	
	2011	2010	**2011**	2010
RMB	**3,661,763**	1,978,710	**9,375**	–
HKD	**68,652**	98,983	**14,332**	38,552
Other currencies	**2,660**	1,470	**31**	43
	3,733,075	2,079,163	**23,738**	38,595

(ii) Restricted bank deposits are as follows:

	Group	
	2011	2010
Bank fixed deposit denominated in RMB with a maturity of one year	**–**	323,720
Project funds retained for construction management contracts	**9,518**	25,853
	9,518	349,573

(iii) As at 31 December 2011, the maximum exposure of the Group's and the Company's cash and cash equivalent to credit risk is the carrying value.

19. SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY

	Number of issued shares (share)	Ordinary share capital	Share premium	Total
At 1 January 2010	**14,141,929,475**	**1,414,193**	**1,559,505**	**2,973,698**
Employee share option scheme				
– proceeds from shares issued	15,500,000	1,550	2,821	4,371
– value of employee services	–	–	4,762	4,762
Conversion of convertible bonds	2,214,743,589	221,474	1,715,549	1,937,023
At 31 December 2010	**16,372,173,064**	**1,637,217**	**3,282,637**	**4,919,854**
Employee share option scheme				
– value of employee services	–	–	17,266	17,266
At 31 December 2011	**16,372,173,064**	**1,637,217**	**3,299,903**	**4,937,120**

i) Authorised and issued shares

The Company's total authorised number of ordinary shares is 20,000 million shares (2010: 20,000 million shares) with par value of HKD0.1 per share (2010: HKD0.1 per share). All issued shares are fully paid.

ii) Share option

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

	2011		2010	
	Average exercise price (HKD per share)	**Number of share options (thousands)**	Average exercise price (HKD per share)	Number of share options (thousands)
At 1 January	**0.575**	**321,600**	0.455	50,500
Granted	**–**	**–**	0.580	286,600
Exercised	**–**	**–**	0.282	(15,500)
Forfeited	**0.580**	**(12,800)**	–	–
At 31 December	**0.574**	**308,800**	0.575	321,600

19. SHARE CAPITAL AND PREMIUM – GROUP AND COMPANY (continued)

ii) Share option (continued)

Share options outstanding at the end of the year have the following dates of maturity and exercise prices:

Date of maturity	Exercise price (HKD per share)	Number of share options (thousands) 2011	2010
5 February 2012 (Note (a))	0.532	**35,000**	35,000
27 September 2015 (Note (b))	0.580	**273,800**	286,600
		308,800	321,600

(a) 35,000,000 share options (2010: 35,000,000 options) granted to certain directors and employees in 6 February 2007 are unconditional and vested immediately. No share option was exercised in 2011 (2010: Nil).

(b) On 28 September 2010, the grant date (the "Grant Date"), 286,600,000 share options (the "Share Options") with an exercise price of HKD0.58 per share were granted to certain directors of the Company and to the selected employees of the Group. The exercise price of the Share Options in 2010 is equal to the market price of the shares on the Grant Date. The options are exercisable starting two years from the Grant Date: 40% of the Share Options will be vested on the date which is 24 months after the Grant Date; another 30% of the Share Options granted will be vested on the date which is 36 months after the Grant Date, and the remaining 30% of the Share Options will be vested on the date which is 48 months after the Grant Date. The vesting of the Share Options is conditional, subject to the individual performance of respective grantees and the achievement of certain performance targets of the Group. 12,800,000 share options were lapsed during the year (2010: Nil).

(All amounts in HK dollar thousands unless otherwise stated)

20. OTHER RESERVES

(a) Group

	Equity component of convertible bonds	Fair value reserve	Reserve funds (Note (ii))	Capital reserve	Goodwill reserve	Hedging reserve	Merger reserves	Revaluation surplus	Other reserves (Note (iii))	Currency translation reserve	Contributed surplus (Note (i))	Total
At 1 January 2010	343,501	1,617,541	1,396,228	59,723	(159,583)	(51,510)	(4,082,110)	507,216	(165,043)	773,479	13,005	252,447
Transfer from retained earnings to reserve funds	–	–	66,704	–	–	–	–	–	–	–	–	66,704
Fair value gains on available-for-sale financial assets, net of tax	–	1,048,580	–	–	–	–	–	–	–	–	–	1,048,580
Transfer of fair value gain to income statement upon disposal of available-for-sale financial assets, net of tax	–	(276,729)	–	–	–	–	–	–	–	–	–	(276,729)
Fair value losses on derivative financial instruments, net of tax	–	–	–	–	–	(12,849)	–	–	–	–	–	(12,849)
Acquisition of non-controlling interests	–	–	–	–	–	–	–	–	34	–	–	34
Conversion of convertible bond	(209,523)	–	–	–	–	–	–	–	–	–	–	(209,523)
Share of other comprehensive income of an associate	–	–	–	–	–	–	–	–	(10)	–	–	(10)
Currency translation differences	–	83,526	–	–	–	–	–	–	–	267,083	–	350,609
At 31 December 2010	133,978	2,472,918	1,462,932	59,723	(159,583)	(64,359)	(4,082,110)	507,216	(165,019)	1,040,562	13,005	1,219,263

	Equity component of convertible bonds	**Fair value reserve**	**Reserve funds (Note (ii))**	**Capital reserve**	**Goodwill reserve**	**Hedging reserve**	**Merger reserves**	**Revaluation surplus**	**Other reserves (Note (iii))**	**Currency translation reserve**	**Contributed surplus (Note (i))**	**Total**
At 1 January 2011	**133,978**	**2,472,918**	**1,462,932**	**59,723**	**(159,583)**	**(64,359)**	**(4,082,110)**	**507,216**	**(165,019)**	**1,040,562**	**13,005**	**1,219,263**
Transfer from retained earnings to reserve funds	**–**	**–**	**156,385**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**156,385**
Fair value losses on available-for-sale financial assets, net of tax	**–**	**(1,315,014)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,315,014)**
Transfer of fair value gain to income statement upon disposal of available-for-sale financial assets, net of tax	**–**	**(259,713)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(259,713)**
Fair value gains on derivative financial instruments, net of tax	**–**	**–**	**–**	**–**	**–**	**31,160**	**–**	**–**	**–**	**–**	**–**	**31,160**
Share of other comprehensive income of an associate	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(28)**	**–**	**–**	**(28)**
Currency translation differences	**–**	**164,001**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**478,436**	**–**	**642,437**
At 31 December 2011	**133,978**	**1,062,192**	**1,619,317**	**59,723**	**(159,583)**	**(33,199)**	**(4,082,110)**	**507,216**	**(165,047)**	**1,518,998**	**13,005**	**474,490**

(All amounts in HK dollar thousands unless otherwise stated)

20. OTHER RESERVES (continued)

(b) Company

	Equity component of convertible bonds	Contributed surplus (Note (i))	Hedging reserve	Currency translation reserve	Total
At 1 January 2010	**209,523**	**58,515**	**(51,510)**	**435,162**	**651,690**
Fair value losses on derivative financial instruments	–	–	(5,195)	–	(5,195)
Conversion of convertible bond	(209,523)	–	–	–	(209,523)
Currency translation difference	–	–	–	386,954	386,954
At 31 December 2010	**–**	**58,515**	**(56,705)**	**822,116**	**823,926**
Fair value gains on derivative financial instruments	–	–	12,729	–	12,729
Currency translation difference	–	–	–	340,855	340,855
At 31 December 2011	**–**	**58,515**	**(43,976)**	**1,162,971**	**1,177,510**

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

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

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

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

(All amounts in HK dollar thousands unless otherwise stated)

21. BORROWINGS

	Group		Company	
	2011	2010	**2011**	2010
Non-current				
Long-term bank borrowings				
– Secured (Note (a))	**6,281,342**	5,270,851	**–**	–
– Unsecured	**4,793,521**	3,721,982	**2,428,973**	1,682,805
Other borrowings				
– Secured	**–**	1,742	**–**	–
– Unsecured (Note (b))	**–**	42,442	**–**	–
Convertible bonds (Note 24)	**1,701,659**	1,549,341	**–**	–
Medium-term notes (Note (c))	**862,758**	823,423	**–**	–
Corporate bonds (Note (d))	**2,807,623**	932,620	**–**	–
	16,446,903	12,342,401	**2,428,973**	1,682,805
Less: Current portion	**(1,125,790)**	(533,637)	**(520,781)**	(329,375)
	15,321,113	11,808,764	**1,908,192**	1,353,430
Current				
Short-term bank borrowings				
– Secured (Note (e))	**170,000**	428,705	**–**	–
– Unsecured	**70,079**	1,178,612	**20,100**	690,000
Current portion of long-term borrowings				
Bank borrowings				
– Secured	**601,053**	203,215	**–**	–
– Unsecured	**524,737**	330,422	**520,781**	329,375
Other borrowings – unsecured (Note (b))	**46,972**	–	**–**	–
	1,412,841	2,140,954	**540,881**	1,019,375
Total borrowings	**16,733,954**	13,949,718	**2,449,073**	2,372,805

(a) For the secured bank borrowings, HKD210,000,000 (2010: HKD210,000,000) are secured by the Group's 55% equity interest in Jade Emperor Limited ("JEL"), a wholly owned subsidiary. In addition, borrowing of HKD5,251,164,000 (RMB4,257,644,000) (2010: HKD4,278,038,000 (RMB3,633,900,000)) is secured by a pledge of the operating rights of Qinglian Class I Highway, Qinglian Class II Highway and Qinglian Expressway of Qinglian Company (Note 10), and for HKD820,178,000 (RMB665,000,000) (2010: HKD782,813,000 (RMB665,000,000)) is secured by a pledge of the 40% equity rights of Qinglong Company, an associate of the Group (Note12(e)).

(b) Other unsecured borrowings of the Group included an amount of HKD46,972,000 (2010: non-current other borrowings of HKD42,442,000) being advances from non-controlling interest of a subsidiary, bearing prevailing market interest rate.

(c) The medium-term notes with principal amount of RMB700 million (HKD863 million) (2010: RMB700 million (HKD823 million)) have terms of three years and bear floating rate interest. The applicable interest rate of the notes is 3.72% per annum for the first year and 4.47% per annum for the second year.

(All amounts in HK dollar thousands unless otherwise stated)

21. BORROWINGS (continued)

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

In August 2011, Shenzhen Expressway issued another corporate bonds with face value of RMB1.5 billion which are fixed interest rate with maturity of 5 years ("Corporate Bond B"), with attached options that Shenzhen Expressway can regulate upward the coupon rate and investors can request for redemption upon the end of third year from the date of issuance of the bonds. The nominal interest rate of the Corporate Bond B is 6% per annum.

(e) The amount as at 31 December 2011 is secured by a pledged of the Group's 55% equity interest in JEL.

(f) At 31 December 2011, the borrowings were repayable as follows:

	Group		Company	
	2011	2010	**2011**	2010
Within 1 year	**1,412,841**	2,140,954	**540,881**	1,019,375
Between 1 and 2 years	**4,290,600**	1,218,785	**969,063**	468,317
Between 2 and 5 years	**5,638,367**	5,325,469	**939,129**	885,113
Over 5 years	**5,392,146**	5,264,510	**–**	–
	16,733,954	13,949,718	**2,449,073**	2,372,805

	Group		Company	
	2011	2010	**2011**	2010
Wholly repayable within 5 years	**8,096,622**	6,940,213	**2,449,073**	2,372,805
Wholly repayable after 5 years	**8,637,332**	7,009,505	**–**	–
	16,733,954	13,949,718	**2,449,073**	2,372,805

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

	Group		Company	
	2011	2010	**2011**	2010
HKD	**3,732,103**	3,925,359	**2,449,073**	2,372,805
RMB	**13,001,329**	10,021,045	**–**	–
USD	**522**	3,314	**–**	–
	16,733,954	13,949,718	**2,449,073**	2,372,805

(All amounts in HK dollar thousands unless otherwise stated)

21. BORROWINGS (continued)

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

	2011			2010		
	HKD	**RMB**	**USD**	HKD	RMB	USD
Bank borrowings and other borrowings	**1.93%-3.765%**	**4.86%-6.65%**	**1.5%**	0.96%-3.76%	4.35%-6.12%	1.50%-1.80%

(i) The undrawn banking facilities are as follows:

	Group		Company	
	2011	2010	**2011**	2010
Floating rate				
– Expiring within one year	**4,738,501**	2,166,386	**379,900**	310,000
– Expiring beyond one year	**6,381,969**	6,962,920	**1,258,017**	1,471,454
	11,120,470	9,129,306	**1,637,917**	1,781,454
Fixed rate				
– Expiring beyond one year	**–**	935,845	**–**	–
	11,120,470	10,065,151	**1,637,917**	1,781,454

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

	Group				Company			
	Carrying amounts		Fair values		Carrying amounts		Fair values	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010
Bank borrowings	**9,949,073**	8,460,938	**9,907,342**	8,107,803	**1,908,192**	1,353,430	**1,911,552**	1,357,942
Other borrowings	**–**	42,442	**–**	42,442	**–**	–	**–**	–
Convertible bonds (Note 24)	**1,701,659**	1,549,341	**1,675,262**	1,613,427	**–**	–	**–**	–
Corporate bonds	**2,807,623**	932,620	**2,758,069**	954,129	**–**	–	**–**	–
Medium-term notes	**862,758**	823,423	**862,758**	823,423	**–**	–	**–**	–
	15,321,113	11,808,764	**15,203,431**	11,541,224	**1,908,192**	1,353,430	**1,911,552**	1,357,942

The fair values of bank borrowings and other borrowings are determined based on cash flows discounted using effective interest rates ascertained based on the rates of general bank borrowings at 1.93% to 6.65% (2010: 1.0% to 6.12%) per annum.

The fair value of the convertible bonds is calculated using cash flows discounted at a rate based on a market interest rate of comparable bond at 4.40% (2010: 4.37%) per annum.

The fair values of the Corporate Bond A and Corporate Bond B are calculated using cash flows discounted at rates based on market interest rates of comparable corporate bonds at 5.24% and 6.21% (2010: 5.30% and Nil) per annum respectively.

The fair values of medium-term notes and current borrowings approximate their respective carrying amounts as the effect of discounting is not significant.

(All amounts in HK dollar thousands unless otherwise stated)

21. BORROWINGS (continued)

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

	Group		Company	
	2011	2010	**2011**	2010
Borrowings with fixed rate:				
6 months or less	**328,014**	959,024	**198,513**	198,011
6 months to 12 months	**248,491**	92,152	**–**	–
1 to 5 years	**4,412,453**	2,544,383	**–**	–
Over 5 years	**1,397,298**	3,927,441	**–**	–
	6,386,256	7,523,000	**198,513**	198,011
Borrowings with floating rate:				
6 months or less	**3,286,753**	6,426,718	**2,250,560**	2,174,794
6 months to 12 months	**223,582**	–	**–**	–
1 to 5 years	**2,318,859**	–	**–**	–
Over 5 years	**4,518,504**	–	**–**	–
	10,347,698	6,426,718	**2,250,560**	2,174,794
	16,733,954	13,949,718	**2,449,073**	2,372,805

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2011	2010	**2011**	2010
Interest rate swaps				
– non-current liabilities – cash flow hedges (Note (a))	**45,311**	53,227	**45,311**	53,227
– current liabilities – cash flow hedges	**649**	5,078	**649**	5,078
Cross currency and interest rate swap				
– non-current liabilities – cash flow hedges (Note (b))	**14,016**	28,408	**–**	–
Foreign exchange forward contract				
– non-current liabilities – cash flow hedges (Note (c))	**–**	1,841	**–**	–
– current liabilities – cash flow hedges (Note (c))	**1,154**	–	**–**	–
	61,130	88,554	**45,960**	58,305

For the year ended 31 December 2011, the fair value change of derivative financial instruments recognised in other comprehensive income and income statement amounted to HKD48,948,000 (2010: HKD20,236,000) and HKD1,915,000 (2010: HKD2,411,000) respectively.

(All amounts in HK dollar thousands unless otherwise stated)

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(a) Interest rate swaps

At 31 December 2011, the fixed interest rates vary from 1.29% to 2.9% (2010: 1.8% to 2.9%), and the main floating rates are Hong Kong Interbank Offer Rate ("HIBOR"). Gains and losses recognised in the hedging reserve in other comprehensive income (Note 20) on interest rate swap contracts as of 31 December 2011 will be continuously released to the income statement until the repayment of the bank borrowings.

As at 31 December 2011, the aggregate notional amount of the interest rate swaps for cash flow hedge purpose amounted to HKD1,663,125,000 (2010: HKD3,065,000,000).

Outstanding notional principal amount HKD	31 December 2011 balance of the derivative financial instruments HKD	Maturity date
963,125,000	34,425,000	31 July 2013
50,000,000	237,000	30 March 2012
50,000,000	384,000	30 March 2012
100,000,000	28,000	30 March 2012
400,000,000	9,654,000	28 October 2016
100,000,000	1,232,000	28 October 2016
1,663,125,000	45,960,000	

(b) Cross currency and interest rate swap

The Group uses a cross currency and interest rate swap contract to hedge its interest rate risk and exchange rate risk against one of its variable-rate foreign currency loans. The notional principal amount of the outstanding cross currency and interest rate swap contract at 31 December 2011 was HKD 378,000,000 (2010: HKD399,000,000). Through this arrangement, the Group pays an annually fixed interest at 1.8% and the principal at a fixed HKD/RMB exchange rate agreed in the contract while the original annual floating interest expense (3-month HIBOR+1.5%) and the floating principal payments (HKD/RMB exchange spot rate) attached in the loan is offset by the receivable leg of the cross currency and interest rate swap. Such a swap is settled on a quarterly basis from June 2010 to September 2014.

(c) Foreign exchange forward contract

The Group uses a foreign exchange forward contract to hedge its exchange rate risk against one of its foreign currency loans. The notional principal amount of the outstanding foreign exchange forward contract at 31 December 2011 was HKD227,000,000 (2010: HKD227,000,000). Through this arrangement, the Group will pay fixed principal in RMB at the contractual forward HKD/RMB exchange rate and will receive foreign currency principal. Such foreign exchange forward contract will be settled on 17 September 2012.

Gains and losses recognised in the hedging reserve in equity (Note 20) on cross currency and interest swap and forward foreign exchange contracts at 31 December 2011 will be continuously released to the statement of comprehensive income until the repayment of the bank borrowings.

(All amounts in HK dollar thousands unless otherwise stated)

23. PROVISION FOR MAINTENANCE/RESURFACING OBLIGATIONS – GROUP

	2011	2010
Opening net book amount	**1,110,712**	829,180
Charged to the income statement:		
Additions	**87,687**	190,110
Reversals	**(408,496)**	–
Increase due to passage of time (Note 32)	**62,570**	55,573
Utilised	**(21,560)**	–
Exchange difference	**47,079**	35,849
Closing net book amount	**877,992**	1,110,712
Less: current portion	**(438,784)**	(26,877)
Non-current portion	**439,208**	1,083,835

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

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

24. CONVERTIBLE BONDS

The movement of convertible bonds of the Group, which is issued by Shenzhen Expressway, during the year is as follows:

		2011		
	Face value	**Liability component**	**Equity component**	**Total**
Beginning of year	**1,702,804**	**1,549,341**	**344,810**	**1,894,151**
Interest expense (Note 32)	**–**	**76,738**	**–**	**76,738**
Exchange difference	**–**	**75,580**	**–**	**75,580**
End of year	**1,702,804**	**1,701,659**	**344,810**	**2,046,469**

		2010		
	Face value	Liability component	Equity component	Total
Beginning of year	1,702,804	1,426,402	344,810	1,771,212
Interest expense	–	69,586	–	69,586
Exchange difference	–	53,353	–	53,353
End of year	1,702,804	1,549,341	344,810	1,894,151

(All amounts in HK dollar thousands unless otherwise stated)

24. CONVERTIBLE BONDS (continued)

On 9 October 2007, Shenzhen Expressway issued 15,000,000 convertible bonds at a par value of RMB1,500,000,000. The bonds bear face interest of 1% per annum and mature in 6 years from the issue date. Interest is paid annually and the principal is repayable in full upon maturity. The bonds are attached with warrants subscription rights which entitle the holders of the bonds to subscribe for newly issued A shares of Shenzhen Expressway at the rate of 7.2 shares per bond. The rights have expired in 2009.

Following the expiry of the rights, the bonds have been included in borrowings.

The fair value of the liability component, included in non-current liabilities, was calculated using a market interest rate for a non-convertible bond in the market with equivalent terms. The residual amount, representing the carrying value of the bonds after deduction of the fair value of the liability component, represents fair value of the equity conversion option, was included in shareholders' equity under other reserves, net of the attributable transaction costs. The full amount of the principal and related interests of the bonds is guaranteed by the Shenzhen Branch of the Agricultural Bank of China, which is in turn secured by the 47.30% of the operating rights of Nanguang Expressway (Note 10).

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest of 5.50% to the liability components.

25. DEFERRED INCOME TAX – GROUP

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

	2011	2010
Deferred tax assets		
– to be recovered after more than 12 months	**296,374**	240,807
– to be recovered within 12 months	**22,666**	76,423
	319,040	317,230
Offset within the same tax jurisdiction	**(246,431)**	(201,745)
Net deferred tax assets	**72,609**	115,485
Deferred tax liabilities		
– to be settled after more than 12 months	**1,304,352**	1,358,728
– to be settled within 12 months	**466,023**	862,403
	1,770,375	2,221,131
Offset within the same tax jurisdiction	**(246,431)**	(201,745)
Net deferred tax liabilities	**1,523,944**	2,019,386

(All amounts in HK dollar thousands unless otherwise stated)

25. DEFERRED INCOME TAX – GROUP (continued)

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

	2011	2010
At 1 January	**1,903,901**	1,638,696
Tax (credited)/charge relating to components of other comprehensive income	**(427,663)**	346,245
Income statement credited (Note 33)	**(64,982)**	(112,631)
Exchange difference	**40,079**	31,591
At 31 December	**1,451,335**	1,903,901

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

	Deferred tax assets				
	Provision for maintenance/ resurfacing obligations	**Taxable financial subsidies** (Note (a))	**Payroll and other expenses accrued but not paid**	**Tax losses**	**Total**
Balance at 1 January 2010	207,753	28,267	13,372	–	249,392
Credited/(charged) to the income statement	61,369	(605)	(2,749)	–	58,015
Exchange differences	8,605	1,010	208	–	9,823
Balance at 31 December 2010	277,727	28,672	10,831	–	317,230
Balance at 1 January 2011	**277,727**	**28,672**	**10,831**	**–**	**317,230**
(Charged)/credited to the income statement	**(69,949)**	**(725)**	**5,268**	**53,141**	**(12,265)**
Exchange differences	**11,274**	**1,354**	**319**	**1,128**	**14,075**
Balance at 31 December 2011	**219,052**	**29,301**	**16,418**	**54,269**	**319,040**

(All amounts in HK dollar thousands unless otherwise stated)

25. DEFERRED INCOME TAX – GROUP (continued)

	Deferred tax liabilities				
	Fair value gains of available-for-sale financial assets	Concession intangible assets	Convertible bonds	Others	Total
Balance at 1 January 2010	464,236	1,327,989	61,133	34,730	1,888,088
Charged to equity					
– Change of fair value of available-for-sale financial assets	421,723	–	–	–	421,723
– Transfer out upon disposal of available-for-sale financial assets	(75,478)	–	–	–	(75,478)
Charged to/(credited in) income statement	–	(54,859)	–	14,202	(40,657)
Difference between effective interest and nominal interest of convertible bonds	–	–	(13,959)	–	(13,959)
Exchange differences	–	39,351	1,888	175	41,414
Balance at 31 December 2010	810,481	1,312,481	49,062	49,107	2,221,131
Balance at 1 January 2011	**810,481**	**1,312,481**	**49,062**	**49,107**	**2,221,131**
Charged to equity					
– Change of fair value of available-for-sale financial assets	**(350,240)**	**–**	**–**	**–**	**(350,240)**
– Transfer out upon disposal of available-for-sale financial assets	**(77,423)**	**–**	**–**	**–**	**(77,423)**
Charged to/(credited in) income statement	**–**	**(59,302)**	**–**	**(1,074)**	**(60,376)**
Difference between effective interest and nominal interest of convertible bonds	**–**	**–**	**(16,871)**	**–**	**(16,871)**
Exchange differences	**479**	**51,324**	**1,984**	**367**	**54,154**
Balance at 31 December 2011	**383,297**	**1,304,503**	**34,175**	**48,400**	**1,770,375**

(All amounts in HK dollar thousands unless otherwise stated)

25. DEFERRED INCOME TAX – GROUP (continued)

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

	2011			2010		
	Before tax	**Tax credit**	**After tax**	Before tax	Tax (charge)/credit	After tax
Fair value (losses)/gains on available-for-sale financial assets	**(1,665,254)**	**350,240**	**(1,315,014)**	1,470,303	(421,723)	1,048,580
Transfer of fair value gain to income statement upon disposal of available-for-sale financial assets	**(337,136)**	**77,423**	**(259,713)**	(352,207)	75,478	(276,729)
Fair value gains/(losses) on derivative financial instruments	**48,948**	**–**	**48,948**	(20,236)	–	(20,236)
Share of other comprehensive income in an associate	**(28)**	**–**	**(28)**	(10)	–	(10)
Currency translation differences	**942,594**	**–**	**942,594**	565,121	–	565,121
	(1,010,876)	**427,663**	**(583,213)**	1,662,971	(346,245)	1,316,726

(a) Shenzhen Expressway, Meiguan Company and Shenzhen Airport Heao Expressway (Eastern Section) Company Limited became liable to pay PRC corporate income tax of RMB39,236,000 (HKD48,392,000) during 2008 for certain financial subsidies and incentives granted by local governments and received by the Group in prior years (Note 38(c)).They were initially exempt from taxation according to the provisions of certain policies promulgated by the local government authorities. The Group was advised by the relevant local tax authorities that after settlement of these tax charges, any future amortisation of the related financial subsidies, which have been deferred on the balance sheet of the Group, would be allowed to claim tax deductions for income tax reporting purposes in the future.

Accordingly, deferred tax assets of RMB23,758,000 (HKD29,301,000) (2010: RMB24,357,000 (HKD28,672,000)) had been recognised on such deductible temporary differences originating from the accounting base and tax base of these subsidies based on a tax rate of 25%, which is the tax rate expected to enact when a substantial portion of such temporary differences reverse.

(b) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets in respect of tax losses amounting to HKD259,960,000 (2010: HKD230,326,000) that can be carried forward against future taxable income.

The expiry year of tax losses without deferred tax assets provided at 31 December 2011 is as follows:

Year	**2011**	2010
2012	**14,990**	14,307
2013	**32,953**	31,451
2014	**37,172**	35,479
2015	**156,205**	149,089
2016	**18,640**	–
	259,960	230,326

(c) As at 31 December 2011, the unremitted earnings totalled HKD3,563,863,000 (2010: HKD2,314,845,000), which the Group has not recognised the related deferred income tax liabilities for the withholding tax that would be payable on the unremitted earnings of certain PRC subsidiaries.

(All amounts in HK dollar thousands unless otherwise stated)

26. TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	**2011**	2010
Trade payables (Note (a))	**71,906**	51,643	**–**	–
Payables relating to construction projects	**1,321,355**	1,530,383	**–**	–
Advance from associates (Note (b))	**64,190**	54,738	**–**	–
Other payables and accrued expenses	**787,220**	671,503	**14,066**	10,189
	2,244,671	2,308,267	**14,066**	10,189

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

	Group	
	2011	2010
0-90 days	**65,165**	44,411
91-180 days	**1,470**	671
181-365 days	**1,814**	2,961
Over 365 days	**3,457**	3,600
	71,906	51,643

(b) The amounts of HKD48,773,000 (2010: HKD54,738,000) and HKD15,417,000 (2010: Nil) from Nanjing Third Bridge Company and GZ W2 Company, associates of the Group, respectively are interest-free, unsecured and repayable on demand.

27. REVENUE

	2011	2010
Toll Road		
– Toll revenue	**4,138,729**	3,706,796
– Construction service revenue under Service Concession	**635,574**	910,072
Logistic Business		
– Logistic parks	**457,656**	301,612
– Logistic services	**251,475**	163,569
– Port	**97,609**	29,757
	5,581,043	5,111,806

(All amounts in HK dollar thousands unless otherwise stated)

28. OTHER GAINS – NET

	2011	2010
Gain on disposals of available-for-sale financial assets	**346,872**	430,185
Fair value gains on derivative financial instruments	**1,915**	2,411
(Loss)/gain on disposals of property, plant and equipment	**(575)**	2,420
Gain on re-measurement of fair value of available-for-sale financial assets	**–**	29,817
Net compensation on land resumption	**–**	13,739
Others	**18,265**	11,277
	366,477	489,849

29. OTHER INCOME

	2011	2010
Dividend income	**64,752**	43,331
Rental income	**26,831**	17,229
Government grants	**20,303**	9,201
Others	**5,706**	13,200
	117,592	82,961

30. EXPENSES BY NATURE

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

	2011	2010
Construction cost under Service Concession	**635,574**	910,072
(Reversals)/provision for maintenance/resurfacing obligations – net	**(320,809)**	190,110
Depreciation and amortisation	**1,069,307**	954,622
Employee benefit expenses (Note 31)	**450,767**	332,012
Transportation expenses and contractors' cost	**274,321**	219,465
Rental charges	**25,739**	18,861
Other tax expenses	**182,563**	142,936
Commission, management fee and maintenance expenses for toll roads	**393,726**	194,887
Auditors' remuneration		
– Audit services	**6,749**	6,535
– Non-audit services	**2,752**	1,122
Legal and consultancy fees	**19,931**	13,714
Others	**463,813**	281,245
	3,204,433	3,265,581

(All amounts in HK dollar thousands unless otherwise stated)

31. EMPLOYEE BENEFIT EXPENSES

	2011	2010
Wages and salaries	**329,311**	264,957
Pension costs – defined contribution plans	**30,699**	17,005
Share-based payment expenses (Note 19)	**17,266**	4,762
Others	**73,491**	45,288
	450,767	332,012

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

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

No forfeited contributions (2010: Nil) were utilised during the year and none is available at the year-end to reduce future contribution.

(a) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2011 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Compensation for loss of office as director	Share-based payment	Total
Guo Yuan	–	290	775	–	108	–	1,143	2,316
Li Jing Qi	–	290	736	–	105	–	1,085	2,216
Liu Jun	–	738	221	13	99	–	913	1,984
Yang Hai	–	917	240	21	65	–	913	2,156
To Chi Keung, Simon (i)	–	–	–	–	–	–	–	–
Wang Dao Hai	–	–	–	–	–	–	–	–
Wong Yuk Shan (ii)	175	–	–	–	–	–	–	175
Leung Ming Yuen, Simon	300	–	–	–	–	–	–	300
Ding Xun	300	–	–	–	–	–	–	300
Nip Yun Wing	300	–	–	–	–	–	–	300
								9,747

(All amounts in HK dollar thousands unless otherwise stated)

31. EMPLOYEE BENEFIT EXPENSES (continued)

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

The remuneration of every Director for the year ended 31 December 2010 is set out below:

Name of director	Fees	Salary	Discretionary bonuses	Other benefits	Employer's contribution to pension scheme	Compensation for loss of office as director	Share-based payment	Total
Guo Yuan	–	276	702	–	99	–	297	1,374
Li Jing Qi	–	276	666	–	96	–	282	1,320
Liu Jun	–	703	177	13	77	–	238	1,208
Yang Hai	–	873	229	20	52	–	238	1,412
To Chi Keung, Simon	–	–	–	–	–	–	–	–
Wang Dao Hai	–	–	–	–	–	–	–	–
Leung Ming Yuen, Simon	300	–	–	–	–	–	–	300
Ding Xun	300	–	–	–	–	–	–	300
Nip Yun Wing	300	–	–	–	–	–	–	300
								6,214

(i) Retired on 18 May 2011.
(ii) Appointed on 13 June 2011.

During the year ended 31 December 2011, Messrs Guo Yuan, Li Jing Qi and Liu Jun have waived directors' emoluments of HKD267,000 (2010: HKD363,900), HKD308,000 (2010:HKD401,900) and HKD129,000(2010: HKD230,400) respectively.

During the years ended 31 December 2011 and 2010, no emoluments had been paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2010: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2010: two) individual during the year are as follows:

	2011	2010
Basic salaries and allowances	**2,400**	3,310
Year-end bonuses	**717**	835
Contributions to the retirement scheme	**12**	24
Share-based payment	**913**	336
Other benefits	**3**	6
	4,045	4,511

The emoluments fell within the following bands:

	Number of individuals 2011	Number of individuals 2010
Emolument band		
HKD1,000,001 – HKD1,500,000	**–**	1
HKD3,000,001 – HKD3,500,000	**–**	1
HKD4,000,001 – HKD4,500,000	**1**	–

(All amounts in HK dollar thousands unless otherwise stated)

32. FINANCE INCOME AND COSTS

	2011	2010
Interest income from bank deposits	**(35,531)**	(21,858)
Interest expense		
– Bank borrowings and other borrowings wholly repayable within 5 years	**226,799**	188,851
– Bank borrowings and other borrowings wholly repayable after 5 years	**328,229**	318,275
– Convertible bonds wholly repayable within 5 years (Note 24)	**76,738**	142,002
– Medium-term notes wholly repayable within 5 years	**35,206**	24,304
– Corporate bonds wholly repayable within 5 years	**72,051**	–
– Corporate bonds wholly repayable after 5 years	**54,913**	67,855
– Other interest expense (Note 23)	**62,570**	55,573
Net foreign exchange gains directly attributable to bank and other borrowings	**(160,466)**	(98,447)
Less: interest expenses capitalised in construction in progress	**(16,597)**	(45,015)
	679,443	653,398
Net finance costs	**643,912**	631,540

Borrowing costs of HKD16,597,000 (2010: HKD45,015,000) have been capitalised for the construction of toll roads and related facilities and other construction in progress in 2011. Borrowing costs arising on financing specifically arranged for the construction of toll roads and related facilities were capitalised using the rates ranged from 5.37% to 5.99% (2010: 3.84% to 5.76%) per annum, and other borrowing costs were capitalised using an average interest rate of 3.50% (2010: 3.55%) per annum.

33. INCOME TAX EXPENSE

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

The PRC corporate income tax charged to the income statement was calculated based on the assessable profits of the Company's subsidiaries located in the PRC of the year at a rate of 24% (2010: 22%) applicable to the respective companies.

	2011	2010
Current income tax		
PRC corporate income tax	**604,928**	565,699
Deferred income tax (Note 25)	**(64,982)**	(112,631)
	539,946	453,068

33. INCOME TAX EXPENSE (continued)

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

	2011	2010
Profit before income tax	**2,802,720**	2,145,341
Tax calculated at a tax rate of 24% (2010: 22%)	**672,653**	471,975
Tax impact of:		
– Different tax rates in other locations	**(10,540)**	(282)
– Income not subject to tax	**(44,581)**	(22,157)
– Expenses not deductible for tax purposes	**43,202**	37,375
– Unrecognised tax loss	**4,380**	32,045
– Share of profit of jointly controlled entities and associates	**(140,629)**	(78,726)
– Withholding tax on dividend	**15,461**	12,838
Income tax expense	**539,946**	453,068

34. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit attributable to equity holders of the Company is dealt with in the financial statements of the Company to the extent of HKD256,408,000 (2010: HKD5,216,000).

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

	Company	
	2011	2010
Beginning of year	**1,587,217**	1,889,217
Profit for the year	**256,408**	5,216
Dividends	**(491,165)**	(307,216)
End of year	**1,352,460**	1,587,217

35. EARNINGS PER SHARE

(a) Basic

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

	2011	2010
Profit attributable to equity holders of the Company	**1,745,231**	1,279,839
Weighted average number of ordinary shares in issue (thousands)	**16,372,173**	14,169,349
Basic earnings per share (HK cents per share)	**10.66**	9.03

35. EARNINGS PER SHARE (continued)

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	2011	2010
Profit attributable to equity holders of the Company	**1,745,231**	1,279,839
Interest expense on convertible bonds	**–**	72,416
Profit used to determine diluted earnings per share	**1,745,231**	1,352,255
Weighted average number of ordinary shares in issue (thousands)	**16,372,173**	14,169,349
Adjustments – share options (thousands)	**18,001**	9,275
Adjustments – conversion of convertible bonds (thousands)	**–**	1,429,875
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**16,390,174**	15,608,499
Diluted earnings per share (HK cents per share)	**10.65**	8.66

36. DIVIDENDS

The year of 2010 final dividend and special dividend paid in 2011 were HKD352,002,000 (HK cents 2.15 per share) and HKD139,163,000 (HK cents 0.85 per share), respectively. The year of 2009 final dividend and special dividend paid in 2010 amounted to HKD206,472,000 (HK cents 1.46 per share) and HKD100,408,000 (HK cents 0.71 per share). At the meeting on 30 March 2012, the directors recommend the payment of the year of 2011 final dividend of HK cents 2.5 per ordinary share and special dividend of HK cents 0.8 per ordinary share, totalling HK cents 3.3 per ordinary share. Such dividends are to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this as dividend payable.

	2011	2010
Proposed final dividend of HK cents 2.5 (2010: HK cents 2.15) per ordinary share	**409,304**	352,002
Proposed special dividend of HK cents 0.8 (2010: HK cents 0.85) per ordinary share	**130,977**	139,163
Proposed total dividend of HK cents 3.3 (2010: HK cents 3.0) per ordinary share	**540,281**	491,165

(All amounts in HK dollar thousands unless otherwise stated)

37. CASH GENERATED FROM OPERATIONS

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

	2011	2010
Profit before income tax	**2,802,720**	2,145,341
Adjustments for:		
– Depreciation (Note 6)	**260,635**	202,646
– Amortisation of land use rights (Note 8)	**16,949**	18,704
– Amortisation of intangible assets (Note 10)	**791,723**	733,272
– Impairment of property, plant and equipment (Note 6)	**13,458**	–
– Impairment of assets held for sale	**2,402**	–
– (Reversals)/provision for maintenance/ resurfacing obligations-net (Note 30)	**(320,809)**	190,110
– Provision for impairment of trade receivables (Note 17)	**6,375**	2,739
– Gain on disposal of available-for-sale financial assets (Note 28)	**(346,872)**	(430,185)
– Gain on re-measurement of the fair value of available-for-sale financial assets (Note 28)	**–**	(29,817)
– Share-based payment expenses (Note 31)	**17,266**	4,762
– Loss/(gain) on disposal of property, plant and equipment (Note 28)	**575**	(2,420)
– Gain on net compensation on land resumption (Note 28)	**–**	(13,739)
– Fair value gains on investment properties (Note 7)	**(12,667)**	(5,500)
– Interest income (Note 32)	**(35,531)**	(21,858)
– Interest expense (Note 32)	**679,443**	653,398
– Fair value losses of derivative financial instruments (Note 22)	**1,915**	2,411
– Share of profit of associates/jointly controlled entities (Note 12 and Note 13)	**(585,953)**	(357,846)
– Dividend received (Note 29)	**(64,752)**	(43,331)
Changes in working capital (excluding the effect of exchange differences on consolidation):		
– Inventories	**(8,413)**	–
– Trade and other receivables	**(300,074)**	(213,618)
– Trade and other payables	**31,234**	92,192
– Provision for maintenance/resurfacing obligation	**(21,560)**	–
Cash generated from operations	**2,928,064**	2,927,261

38. GUARANTEES AND CONTINGENCIES

(a) In associated with Nanping (Phase II) Project and the renovation project of the Shenyun-North Ring Interchange in Shenzhen, Shenzhen Expressway had arranged with banks to issue irrevocable performance guarantees on its behalf to the Shenzhen Communications Bureau amounting to RMB50,000,000 (HKD61,667,000) and RMB1,000,000(HKD1,233,000) respectively.

(b) During the year, Shenzhen Expressway entered into project construction management contracts with Shenzhen Traffic Public Facilities Construction Center and provided administration service for Longda municipal project. According to contract, Shenzhen Expressway had arranged with banks to issue irrevocable performance guarantees on its behalf to Shenzhen Traffic Public Facilities Construction Center amounting to RMB2,000,000(HKD2,467,000).

(All amounts in HK dollar thousands unless otherwise stated)

38. GUARANTEES AND CONTINGENCIES (continued)

(c) According to the demand by the Shenzhen Local Tax Bureau (the "Local Tax Bureau"), the Group had made a provision for the enterprise income tax in the amount of RMB39,236,000 (HKD48,392,000) as at 31 December 2011 (the "Back Taxes"). As of the date of approval of these financial statements, no formal notice of reassessment/waiver had been issued by the Local Tax Bureau and other relevant authorities. The amount of any related penalty could not be ascertained with reasonably certainty. Thus no change has been made to the provision for the enterprise income tax liabilities and no provision has been made for the potential penalty. The tax payable of RMB39,236,000 was not paid out at the reporting date.

(d) Upon the government approval, Qinglian Company upgraded Qinglian Class I Highway to an expressway and the project was completed on 25 January 2011. During the year, Qinglian Fengyun Eco-tourism Development Company Limited, BP Petrochina Qingyuan Sales Company Limited and Petrochina Guangdong Sales Company Limited sued against Qinglian Company in Qingyuan Intermediate People's Court for the objection to closing of exit of expressway due to the upgrade project. The decision was favourable to Qinglian Company in the first instance judgment. During the year, these three companies lodged an appeal to the Higher Court of Guangdong Province. As at the date of approval of these financial statements, the litigation is still in progress. According to the nature and construction status of upgrade project, the directors of the Group considered that the outcome of the litigation will have no significant impact on the Group's operating results.

(e) Details of contingences of associates are set out in Note 12.

39. COMMITMENTS

(a) Capital commitments

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

	2011	2010
Capital commitments – expenditure of property, plant and equipment and concession intangible assets		
– Contracted but not provided for	**892,932**	255,066
– Authorised but not contracted for	**495,060**	1,525,881
	1,387,992	1,780,947
Investment commitments		
– Contracted but not provided for	**97,266**	–
– Authorised but not contracted for	**140,355**	277,201
	237,621	277,201
	1,625,613	2,058,148

(All amounts in HK dollar thousands unless otherwise stated)

39. COMMITMENTS (continued)

(b) Operating lease commitments – the Group as the lessee

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

	2011	2010
Land and buildings:		
Not later than 1 year	**6,373**	7,638
Later than 1 year and not later than 5 years	**4,829**	6,595
	11,202	14,233

(c) Operating lease commitments – the Group as the lessor

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

	2011	2010
Land and buildings:		
Not later than 1 year	**166,625**	123,452
Later than 1 year and not later than 5 years	**136,051**	115,524
Over 5 years	**50,871**	42,314
	353,547	281,290

40. RELATED-PARTY TRANSACTIONS

As described in Note 1, the Company is de facto controlled by Shenzhen SASAC. The transactions as mentioned in Notes 17, 26(b), and 38(a) are related party transactions of the Group. Save as disclosed above, the Group has the following significant transactions with related parties during the year:

(a) During the year 2010 and 2011, the Group has bank deposits in and obtained borrowings from state-owned banks in normal commercial terms. Interests are earned and incurred on these deposits and borrowings respectively.

(b) The Group has capital expenditure incurred for service concession projects and construction in progress with state-owned contractors both in 2010 and 2011 and payable balances due to state-owned contractors for construction projects and guaranteed deposits as of 31 December 2011.

(c) Shenzhen Expressway entered into project management service contracts with Consulting Company, an associate of Shenzhen Expressway, under which Consulting Company assumes the management of the reconstruction project of Shenzhen Expressway. The value of the management service contract is approximately HKD163,027,000. During the year, Shenzhen Expressway paid a management fee of approximately HKD36,096,000 (2010: HKD27,451,000) to Consulting Company. The cumulative management fee paid by Shenzhen Expressway to Consulting Company amounted to approximately HKD156,150,000 up to 31 December 2011.

(All amounts in HK dollar thousands unless otherwise stated)

40. RELATED-PARTY TRANSACTIONS (continued)

(d) Shenzhen Expressway provides project management services for construction, operation and maintenance of Guangshen Coastal Expressway (Shenzhen Section) Project ("Coastal Project") for the authority of the Shenzhen Municipal Government. The Coastal Project is owned by Shenzhen Guangshen Coastal Expressway Investment Co., Ltd ("Coastal Company") which is wholly owned by SIHCL. The management service revenue is 1.5% of the construction budget. On 9 September 2011, Shenzhen Expressway and Coastal Company entered into the entrusted construction management agreement to formalise the terms of these arrangements. During the year, Shenzhen Expressway has recognised construction management service revenue amounting to RMB96,664,000 (HKD116,744,000) (2010: RMB21,636,000 (HKD24,883,000)).

(e) Details of key management compensation are set out in Note 31.

41. EVENTS AFTER THE BALANCE SHEET DATE

(a) Completion of the SZA Acquisition

As of the date of the approval of these consolidated financial statements, the SZA Acquisition was completed. The Group's equity interest in Shenzhen Airlines increased from 25% to 49%, and Shenzhen Airlines remains as an associate of the Group.

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name	Nominal value of issued ordinary/ registered share capital	Interest held by the Company		Principal activities
		Direct	Indirect	
Subsidiaries:				
Shenzhen International Total Logistics (Shenzhen) Co., Ltd.◇	RMB200,000,000	–	100	Provision of total logistics and transportation ancillary services
Xin Tong Chan Development (Shenzhen) Co., Ltd.△	RMB200,000,000	–	100	Investment holding
Shenzhen International South-China Logistics Co., Ltd.@	RMB240,000,000	–	100	Development, construction, operation and management of South China Logistic Park
Shenzhen International Holdings (SZ) Limited△	HKD2,180,000,000	–	100	Investment holding
Nanjing UT Logistics Co., Ltd.@	RMB88,000,000	–	100	Logistic services and related warehouse facilities
Shenzhen EDI Co., Ltd.@	RMB22,760,000	–	68.54	Provision of electronic information exchange, transmission and value-added information sharing services
Shenzhen International West Logistics Co., Ltd.@*	RMB450,000,000	–	100	Development, construction, operation and management of Western Logistic Park

(All amounts in HK dollar thousands unless otherwise stated)

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Nominal value of issued ordinary/ registered share capital	Interest held by the Company Direct	Interest held by the Company Indirect	Principal activities
Shenzhen Bao Tong Highway Construction and Development Limited[@*]	RMB1,533,800,000	–	100	Development, construction, investment, operation and management of toll highway
Shenzhen Longda Expressway Company Limited[@*]	RMB5,000,000	–	89.93	Operation and management of Longda Expressway
Shenzhen Expressway Company Limited^	RMB2,180,770,326	–	50.89	Investment, construction, operation and management of toll highways and roads
Hubei Magerk Expressway Management Private Limited[△*]	USD28,000,000	–	100	Operation and management of highways and expressways
Shandong Booming Total Logistics Co., Ltd.[@*]	RMB90,000,000	–	55.39	Logistic services and related warehouse facilities
Shenzhen Shen Guang Hui Highway Development Company[@*]	RMB105,600,000	–	100	Investment holding
Nanjing Xiba Wharf Co., Ltd.[◇*]	RMB455,000,000	–	70	Construction, operation and management of Wharf and Logistics Centres at Xiba Port of Nanjing
Shenzhen Meiguan Expressway Company Limited[@]	RMB332,400,000	–	100	Construction, operation and management of an expressway
Shenzhen Expressway Advertising Company Limited[@]	RMB30,000,000	–	100	Advertising agency in the PRC
Guangdong Qinglian Highway Development Company Limited[◇]	RMB3,105,959,998	–	76.37	Development, operation and management of highways
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited[@]	RMB440,000,000	–	100	Construction, operation and management of an expressway
Shenzhen International Huatongyuan Logistics Co., Ltd.[@*]	RMB60,000,000	–	51	Logistic services and related warehouse facilities
Shenzhen Outer Ring Expressway Investment Company Limited[@]	RMB100,000,000	–	100	Construction, operation and management of an expressway
Shenzhen Expressway Investment Company Limited[@]	RMB200,000,000	–	100	Investment of industries and construction

42. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Nominal value of issued ordinary/ registered share capital	Interest held by the Company Direct	Interest held by the Company Indirect	Principal activities
Guizhou Guishen Investment and Development Company Limited@	RMB500,000,000	–	70	Investment, construction, and management of roads and infrastructure in urban and rural area
New Vision Limited	USD100	100	–	Investment holding
Shenzhen International Ports Development (HK) Limited	HKD2	–	100	Investment holding

△ *Foreign-owned enterprise*
◇ *Sino-foreign Joint Venture*
@ *Domestic enterprise*
^ *Foreign invested joint stock limited company*
* *For identification purpose only*

The above table lists the subsidiaries of the Group which, in opinion of the directors of the Company, principally affected the results of the year or formed a substantial portion of the net assets of the Group. These subsidiaries are incorporated and operating in the PRC (except for New Vision Limited, which is incorporated in British Virgin Islands and Shenzhen International Ports Development (HK) Limited, which is incorporated in Hong Kong). To give details of other subsidiaries would result in particulars of excessive length.

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