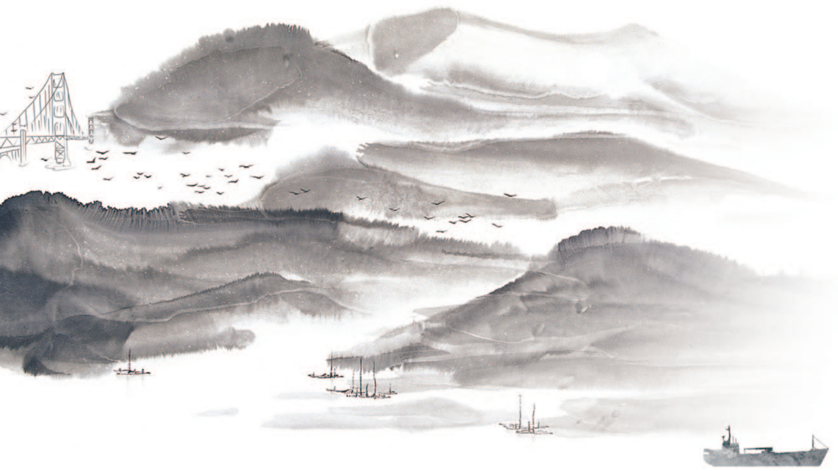


Advancing Together, Harvesting Together

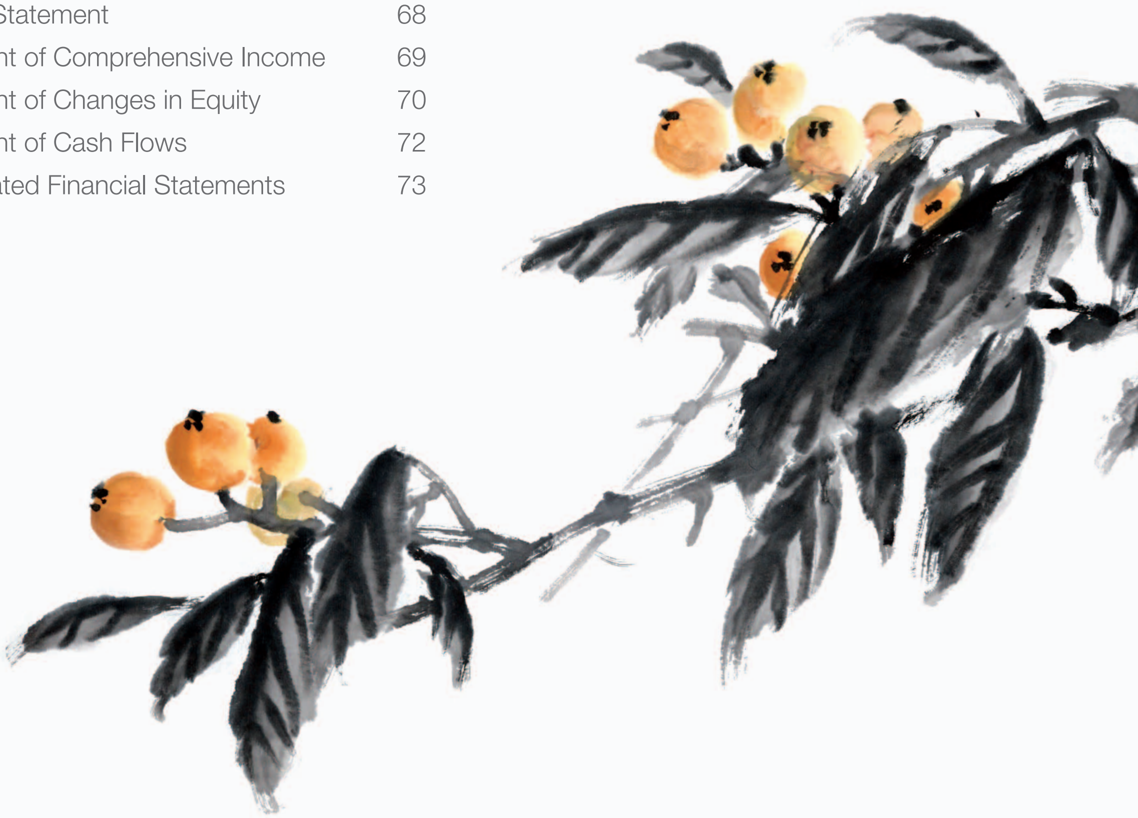
共同進步 分享快樂

Annual Report 2013

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

Shenzhen International
深國際

CONTENTS

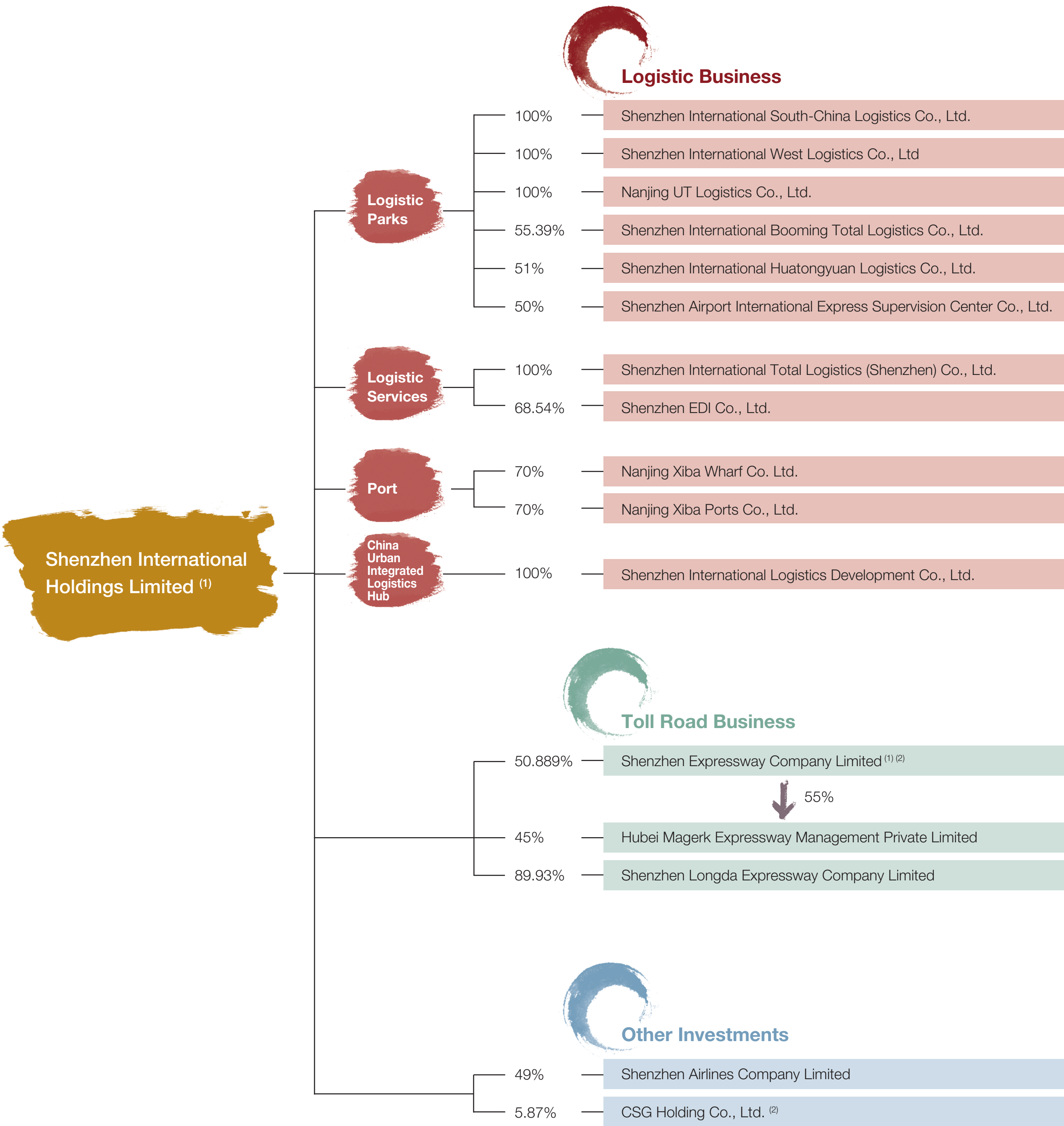


CORPORATE PROFILE

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 and information services platform.

Shenzhen Investment Holdings Company Limited, the controlling shareholder of the Company, is a corporation wholly-owned by Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission and, as at the date of this report holds approximately 47.97% 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:

Gao Lei *(Chairman)*
Li Jing Qi *(Chief Executive Officer)*
Li Lu Ning
Liu Jun *(Vice President)*
Yang Hai

Non-Executive Director:

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 Lu Ning

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

Shares : 00152
Senior Notes : 04542 (SZ INTL N1704)

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

LEGAL ADVISERS

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

PRINCIPAL BANKERS

Bank of China
Bank of Communications
Bank of Jiangsu *(PRC Domestic Bank)*
The Bank of Tokyo-Mitsubishi UFJ,
Hong Kong Branch
China Merchants Bank
DBS Bank
Hang Seng Bank
HSBC
Industrial Bank
ING Bank N.V.
Shanghai Pudong Development Bank
(PRC Domestic Bank)
Ping An Bank *(PRC Domestic Bank)*
Standard Chartered Bank
Taipei Fubon Commercial Bank, Hong Kong Branch
Wing Lung Bank

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

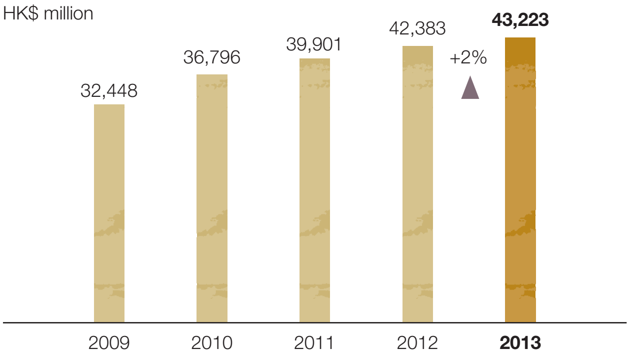
Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East, Hong Kong

INVESTOR RELATIONS CONSULTANT

Wonderful Sky Financial Group
6/F, Nexxus Building
41 Connaught Road Central, Hong Kong

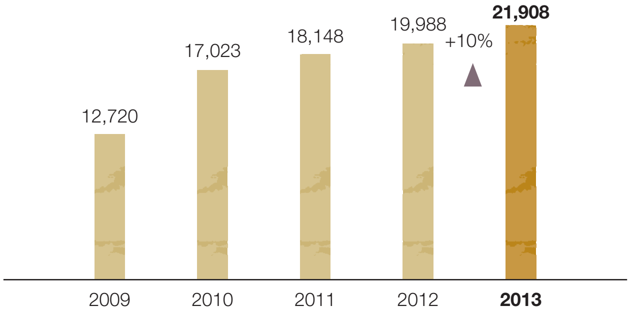
Total Assets Value

HK$ million



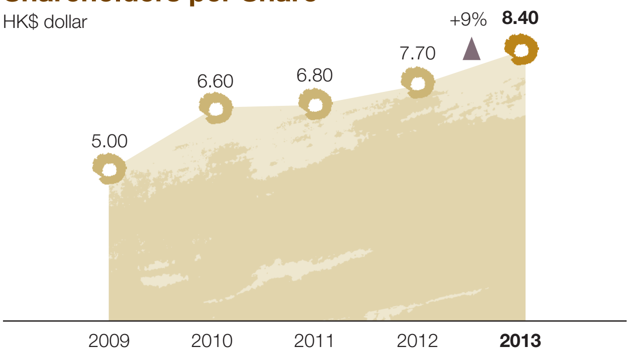
Total Equity

HK$ million



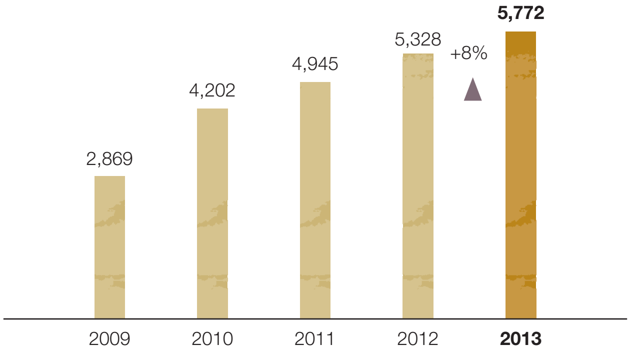
Net Asset Value Attributable to Shareholders per Share^

HK$ dollar



Revenue*

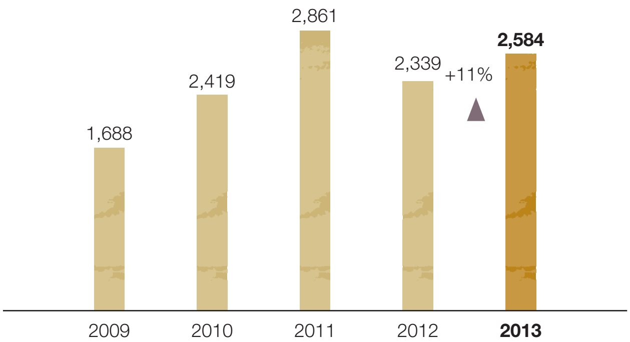
HK$ million



* *excluding construction service revenue from toll road*

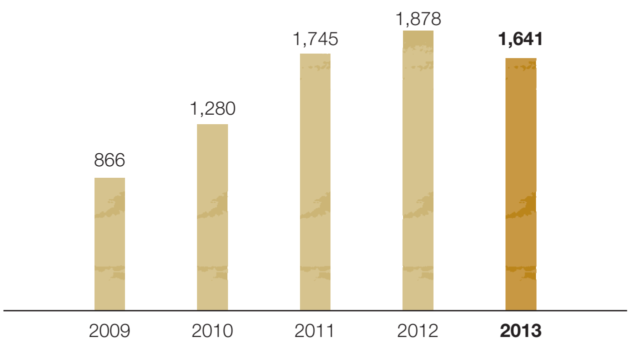
Operating Profit

HK$ million



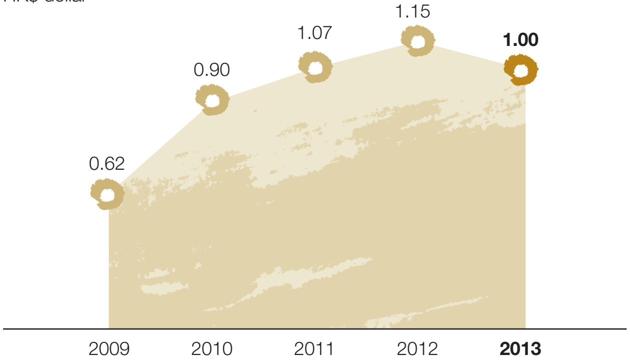
Profit Attributable to Shareholders

HK$ million



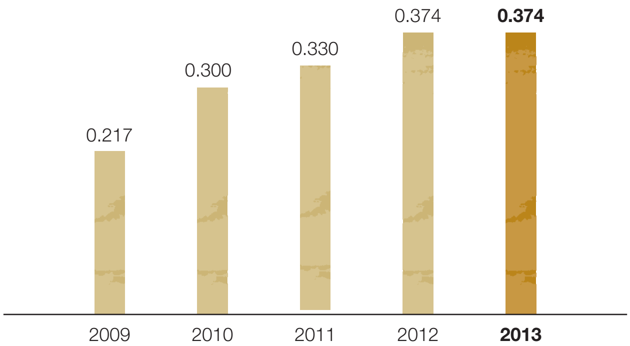
Earnings per Share (Basic)^

HK$ dollar



Dividend per Share^

HK$ dollar



^ *The number of ordinary shares in previous years have been retrospectively adjusted to reflect the effect of share consolidation, which came into effect on 13 February 2014.*

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

(HK$ million)

	Revenue	Operating profit	Share of profit of associates and joint ventures	Total
	2013			
Toll roads				
— Toll revenue	**4,743**	**2,103**	**235**	**2,338**
— Construction service revenue	**191**	**–**	**–**	**–**
Toll roads sub-total	**4,934**	**2,103**	**235**	**2,338**
Logistic business				
— Logistic parks	**518**	**212**	**15**	**227**
— Logistic services	**365**	**19**	**4**	**23**
— Port	**146**	**56**	**–**	**56**
Logistic business sub-total	**1,029**	**287**	**19**	**306**
Head office	**–**	**194**	**538**	**732**
Profit before finance costs and tax	**5,963**	**2,584**	**792**	**3,376**
Finance income				**77**
Finance costs				**(816)**
Finance costs — net				**(739)**
Profit before income tax				**2,637**
	2012			
Toll roads				
— Toll revenue	4,406	2,174	158	2,332
— Construction service revenue	411	–	–	–
Toll roads sub-total	4,817	2,174	158	2,332
Logistic business				
— Logistic parks	494	174	11	185
— Logistic services	311	5	2	7
— Port	117	42	–	42
Logistic business sub-total	922	221	13	234
Head office	–	(56)	1,120	1,064
Profit before finance costs and tax	5,739	2,339	1,291	3,630
Finance income				73
Finance costs				(928)
Finance costs — net				(855)
Profit before income tax				2,775

SUMMARY OF 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 2013 figures are extracted from the audited financial statements. The 2009 to 2012 figures are extracted from the comparatives in the 2010 to 2013 audited financial statements.

	Year ended 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**5,962,765**	5,739,514	5,581,043	5,111,806	4,080,949
Profit before income tax	**2,637,192**	2,774,979	2,802,720	2,145,341	1,443,983
Income tax expense	**(530,894)**	(479,409)	(539,946)	(453,068)	(266,885)
Profit before non-controlling interests	**2,106,298**	2,295,570	2,262,774	1,692,273	1,177,098
Non-controlling interests	**(465,260)**	(417,258)	(517,543)	(412,434)	(311,239)
Profit attributable to shareholders	**1,641,038**	1,878,312	1,745,231	1,279,839	865,859

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Fixed assets	**5,179,736**	4,879,285	4,870,242	4,241,871	3,521,077
Investment properties	**77,700**	72,000	62,900	49,989	44,443
Investments in associates	**5,505,921**	5,021,531	2,829,232	2,280,452	1,455,216
Investments in joint ventures	**335,905**	317,382	319,819	306,821	300,350
Available-for-sale financial assets	**102,743**	37,511	246,879	147,263	142,366
Intangible assets	**23,617,718**	24,188,532	24,386,045	23,446,980	22,463,694
Other non-current assets	**389,388**	177,986	1,026,079	169,535	99,170
Net current assets/(liabilities)	**3,459,050**	1,193,165	1,750,702	1,376,075	(1,701,065)
Non-current liabilities	**(16,760,056)**	(15,899,252)	(17,343,592)	(14,995,461)	(13,605,561)
Net assets	**21,908,105**	19,988,140	18,148,306	17,023,525	12,719,690
Equity					
Issued capital	**1,657,098**	1,637,297	1,637,217	1,637,217	1,414,193
Reserves	**12,332,641**	11,007,909	9,576,984	9,206,810	5,610,943
Shareholders' equity	**13,989,739**	12,645,206	11,214,201	10,844,027	7,025,136
Non-controlling interests	**7,918,366**	7,342,934	6,934,105	6,179,498	5,694,554
Total equity	**21,908,105**	19,988,140	18,148,306	17,023,525	12,719,690

KEY EVENTS IN 2013

Feb

- The Company organised its first-ever spring dinner, with a total of over 40 securities analysts, partner investment banks and commercial banks in attendance

Mar

- The Company was assigned an investment grade credit rating of BBB with Stable Outlook by Fitch Ratings, an international credit rating agency

Apr

- International credit rating agencies, Standard & Poor's and Moody's maintained the Company's investment grade credit ratings of BBB and Baa3 respectively

May

- The Company was interviewed by over 15 major media outlets in Hong Kong after its 2013 Annual General Meeting

- Mr. Gao Lei, Chairman of the Company, accepted an exclusive interview by Hong Kong Economic Times

Jul

- The Company signed a Qianhai cross-border bilateral RMB loan agreement with Standard Chartered Hong Kong

Aug

- The Company signed a Qianhai cross-border bilateral RMB loan agreement with DBS Hong Kong Branch and BOC Shenzhen Branch

- The Company organised a press conference on the day of its 2013 interim results announcement for the first time

- Completion of the construction of the exhibition centre and the new logistic centre at South China Logistic Park

Sep

- The Company signed an investment agreement for "Shenzhen International Tianjin Integrated Logistic Hub"

Nov

- Construction of Phase 2 of Nanjing Xiba Port officially commenced

- The Group successfully acquired a 240,000 square metres of land area for the development of phase 1 of the "Shenzhen International Shenyang Integrated Logistic Hub"

- Signing of investment agreement for "Shenzhen International Wuxi Integrated Logistic Hub"

Dec

- The Company signed a RMB500 million Qianhai cross-border bilateral RMB loan agreement with Taipei Fubon Bank

- Signing of investment agreement for "Shenzhen International Wuhan Integrated Logistic Hub"

CHAIRMAN'S STATEMENT

Strive for excellence, focus on core business and innovation

Dear Shareholders,

In 2013, the global economic environment improved while the Chinese economy grew at a moderate pace. Despite the Group's business was hit by a number of unfavourable factors such as the policy adjustments in toll road business, all the employees of the Group reacted proactively against these challenges, the Group delivered a solid results during the year. It is worth mentioning that the Group continued to maintain relatively stable growth in its core business, with revenue and operating profit increasing by 8% to HK$5,772 million and 11% to HK$2,584 million respectively over the corresponding period of the previous year. The results demonstrate sustainable growth momentum in the profitability of the Group's core businesses and assets. However, due to the effects of the write back of asset impairment for Shenzhen Airlines in 2012 and the asset write-off for Qinglian Class II Road during the year, profit attributable to shareholders for the year was HK$1,641 million, 13% lower than that of the previous year.

The Board recommended a final dividend of HK$0.374 per share for the financial year ended 31 December 2013, the same as in 2012. The payout ratio was 38%. Total dividend for the year amounted to HK$620 million.

ADJUSTING AND REFINING STRATEGIES TO STRENGTHEN DIRECTION OF DEVELOPMENT

The Group will continue to adhere to the strategic development of modern logistics and toll road business. During the year, the Group has evaluated its overall strategies based on the changes in external and internal environments and different stages of the corporate development. The Group will focus on refining and implementing business model of "China Urban Integrated Logistics Hub". The Group will also promote the transformation and upgrade of its current logistic parks and adjust its future fund planning flexibly, with an aim to uphold its base with expansion and innovation in the ever-changing environment and lay a solid foundation for its future development.

STRIVING TO EXPAND CURRENT BUSINESS AND ACHIEVING STEADY GROWTH OF THE TWO CORE BUSINESS

The Group strives to expand its logistic business. The operation scale of its logistic parks increased by 24% to 670,000 square metres in 2013, boosting the development of the logistic business of the Group.

In 2013, the growth in automobile ownership in China and improved operating performance of the Group's toll road projects had offset the negative impact brought by the toll policy adjustements, the toll road business continued to record growth during the year. Despite the prevalent uncertainties and challenges, the hard times in the toll road business are behind us. It is expected that toll road business will continue to contribute sustainable and stable growth to the Group's results in the future.

DEVOTED TO DEVELOPING "CHINA URBAN INTEGRATED LOGISTICS HUB" AND ACHIEVING SUBSTANTIVE PROGRESS

The Group fully engaged with its "China Urban Integrated Logistics Hub" projects in 2013, with substantive progress as a result. As at the date of this annual report, the Group had signed a total of five investment agreements for "China Urban Integrated Logistics Hub" projects in Shenyang in northeast China, Wuxi in eastern China, Wuhan in central China and Tianjin and Shijiazhuang in northern China, involving a planned site area of approximately 1.8 million square metres. Moreover, the Group has completed the land acquisition procedure for the first phase of the "Shenzhen International Shenyang Integrated Logistic Hub" , and has commenced building design and marketing work.

According to the Group's development strategies, "China Urban Integrated Logistics Hub" projects will primarily cover national and regional logistic gateway cities and span China's coastline, the Beijing-Guangzhou route, Beijing-Harbin route, Baotou-Lanzhou route, Chongqing-Kunming route and Golden Waterway, aiming to form a logistic network connecting the "3-vertical and 2-horizontal" economic and geographical arteries. The Group will gradually build a nationwide network, which will make it a leading provider of a public integrated logistic infrastructure service platform in China.

EXPLORING THE TRANSFORMATION AND UPGRADE OF LOGISTIC PARKS, IN PARTICULAR IN THE QIANHAI PROJECT AND REVALUING RESOURCES

The economic growth and urbanisation development of China bring both challenges and opportunities to the transformation and upgrade of logistic parks of the Group. Business upgrade and business model innovation have become a critical factor to the enhancement of business value in the future. The Group's project in Qianhai is a typical example.

In 2013, the Qianhai government authorities focused its work on the implementation of preferential policies and the public auction of two batches of land in the Qianhai Area, but the progress of land rezoning work for existing owners in Qianhai Area was slower than expected. During the year, the Group stepped up various measures to push forward the development of the Qianhai project, including the establishment of a project company designated for carrying out preliminary work for building design, funding preparations and the maintenance of sound communications with the Qianhai Management Bureau and other government authorities, relevant proposals have also been approved by the Shenzhen municipal government. The Group will strive to achieve progress in the first phase of the Qianhai project in the coming year.

OPTIMISED MANAGEMENT AND INTERNAL CONTROL TO REFINE MANAGEMENT

In 2013, the Group formulated the "White Paper on Management and Control", which clearly defines the approaches, focuses and responsibilities of management for all levels of the Group based on different features of our business and subsidiaries. The Group has adjusted its organisational structure and division of responsibilities so as to refine and improve its internal management and enhance the level and efficiency of its internal management.

OUTLOOK

Looking forward, traditional industries are facing challenges brought by new technologies and new ideas, including e-commerce, mobile internet and innovation of financial services. Cross-sector integration and supply chain integration are expected to further boost the improvement and innovation of commercial practices and business modes. Moreover, the advancement of internet technology and flattening of supply chain contribute to the flourishing business development and convenient commodity trading, and also boost the demand for logistic infrastructure facilities, which bring challenges and opportunities to the logistic industry and the Group. The Group will further strengthen its industrial positioning, and with full confidence in its future development.

In 2014, the Group will continue to promote the upgrade and improvement of its existing logistic parks, accelerating the investment and development of its key projects, including "China Urban Integrated Logistics Hub" and the Qianhai project. Moreover, the Group will enhance communication with different parties to ensure the effectiveness of its measures and to secure sufficient resources for the development of the Group in a timely manner.

SOCIAL RESPONSIBILITIES

While maximising its corporate value, the Group always cares for the growth of its employees, needs of its customers and protection of the environment. In the process of its business development, the Group advocates energy conservation and "green logistics". It integrates the concept of "safe, environmentally friendly, aesthetics and harmonious" into the construction and operation of logistic and toll road projects.

The Group is committed to creating a "positive, harmonious, open-minded and caring" atmosphere and treasures the effort and contribution made by each employee to the Group. The Group also provides assistance and protection for its employees in difficulties through methods such as "employee subsidy fund for major disease and accidental injuries".

Finally, on behalf of the Board, I would like to take this opportunity to extend my utmost gratitude to our shareholders, investors and business partners for their continuous trust and support. I would also like to thank the entire staff members for their hard work and dedication to the Group over the past year.

Gao Lei
Chairman

Hong Kong, 31 March 2014

OVERALL REVIEW

Operating Results	2013 HK$'000	2012 HK$'000	Increase/ (Decrease)
Revenue (excluding construction service revenue from toll roads)	**5,772,022**	5,328,125	8%
Construction service revenue from toll roads	**190,743**	411,389	(54%)
Total Revenue	**5,962,765**	5,739,514	4%
Operating profit	**2,584,347**	2,338,667	11%
Profit before finance costs and tax	**3,376,208**	3,629,545	(7%)
Profit attributable to shareholders	**1,641,038**	1,878,312	(13%)
Basic earnings per share (HK dollar)#	**1.00**	1.15	(13%)
Final Dividend per share (HK dollar)#	**0.374**	0.374	–

The weighted average number of ordinary shares in 2013 and 2012 have been retrospectively adjusted to reflect the effect of share consolidation, which came into effect on 13 February 2014.

The global economy began to stabilise in 2013. The U.S. economy recovered gradually while the EU countries began to recover from its debt crisis and the economic performance in China was in line with expectations. However, the Group's operations faced challenges arising from policy adjustments in toll road business and rising operating costs. In response to these challenging market conditions and with full awareness of changes in market trends, the Group focused on enhancing operational efficiency and cost controls. As a result, the Group continued to deliver a solid performance in 2013. For the year ended 31 December 2013 (the "Year"), the Group's core business continued to maintain relatively stable revenue growth, with revenue and operating profit increasing by 8% to HK$5,772 million and 11% to HK$2,584 million respectively as compared to the previous year. However, due to the write back of asset impairment for Shenzhen Airlines Company Limited ("Shenzhen Airlines"), a 49%-owned associate of the Group, in 2012 and the asset write-off for Qinglian Class II Road during the Year, profit before finance costs and tax and profit attributable to shareholders for the Year decreased by 7% to HK$3,376 million and 13% to HK$1,641 million respectively over the corresponding period of the previous year.

During the Year, the logistic business achieved satisfactory results, with revenue increasing by 12% to HK$1,029 million as compared to the previous year. The increase was mainly attributable to the increased operating area of the logistic parks and the significant increases in the operating volume of the port business and business volume of the logistic service business, which led to a growth in revenue of the logistic business. Moreover, benefitting from economies of scale and effective cost controls, the logistic business recorded a growth in gross profit, which led to an increase in profit attributable to shareholders from the logistic business by 40% to HK$199 million as compared to the previous year.

During the Year, as a result of the toll policy adjustments, the Group's overall revenue reduced by about 11% which was largely in line with the management's forecast. However, the growth in automobile ownership and the proactive marketing campaign carried out by the Group based on the competitive edge and features of each of its expressway projects boosted the overall traffic volume of the Group's toll road business, and had offset the negative impact brought by the toll policy adjustments during the Year. Toll revenue from the Group's toll road business for the Year increased by 8% to HK$4,743 million while net profit rose by 5% to HK$836 million as compared to the corresponding period of the previous year. The results have accounted for a loss arising from an asset write-off for Qinglian Class II Road during the Year which reduced net profit attributable to the Group by approximately HK$88.79 million.

During the Year, intensified competition in the domestic aviation market exacerbated the difficult operating environment for operators in the domestic airline industry. Shenzhen Airlines took an initiative to face market changes through strengthened marketing efforts, and its passenger transport volume recorded a steady growth during the Year as compared to the corresponding period of the previous year. Average passenger load factor reached 81.6% (2012: 80.55%) and passenger traffic was up by 10% over the corresponding period of the previous year to 31,772 million passenger-km (2012: 28,989 million passenger-km). However, negative impacts, including lower average airfares due to changes in market supply and demand and a change of the tax policy from business tax to value-added tax, resulted in a decline in the operating revenue of Shenzhen Airlines. Together with the one-off gain of approximately RMB800 million arising from write back of asset impairment during the corresponding period of the previous year, as well as the increase in operating costs including remuneration and depreciation during the Year, Shenzhen Airlines contributed a profit of HK$480 million (2012: HK$1,061 million) to the Group during the Year, representing a decrease of 55% as compared to the corresponding period last year, yet Shenzhen Airlines delivered a return on investment of 31% to the Group for the Year.

During the Year, the Group grasped a rare opportunity in the market to dispose of approximately 11.34 million A shares of CSG Holding Co., Ltd. ("CSG") at an average selling price of RMB11.14 (HK$14.07) per share to realise a gain after tax of approximately HK$106 million (2012: nil). In addition, in order to focus its resources on the logistic business, the Group disposed of its 2.3338% equity interest in Shenzhen Capital Group Co., Ltd. ("SZ Capital") during the Year, recording a gain after tax of approximately HK$130 million.

The Group is in a solid and healthy financial position and has sufficient cash flow. During the Year, net cash inflow generated from operations rose 21% to HK$2,336 million as compared to the corresponding period of the previous year. At the same time, the Group is committed to reducing its total borrowings, and recorded net cash outflow for debt repayment of HK$1,229 million during the Year (2012: net cash inflow from borrowings of HK$957 million). The Group will continue to reduce the total borrowings so as to further reduce its gearing ratio with the aim of building a solid foundation on which it will achieve sustainable development.

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. The Board recommended a final dividend of HK$0.374 (2012: HK$0.374) per share, the same as in the previous year. The total dividend for the Year amounted to HK$620 million (2012: HK$612 million), payout ratio was 38%.

The Board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Share Scheme"). The Scrip Share Scheme is subject to: (1) the approval of the proposed final dividend at the forthcoming Annual General Meeting; and (2) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

PROGRESS OF THE QIANHAI AREA DEVELOPMENT PLAN

In 2013, significant progress was made in the development of the Qianhai area. In respect of policies, major policies were adopted pursuant to the "Consolidated Plan on Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone" (前海深港現代服務業合作區綜合規劃) and "Interim Guidance for Land Supply in the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen" (前海深港現代服務業合作區土地供應暫行辦法). Most of the 22 pilot policies were successfully implemented. The General Office of the State Council announced the establishment of a steering committee with ministerial official members from Qianhai, Nansha and Hengqin to coordinate the joint development of the three areas at the national level with a strong momentum for development. In respect of project construction, a number of major infrastructure construction projects were launched in Qianhai. In respect of attracting business and investment, there were approximately 3,000 registered enterprises in the Qianhai Area as at the end of 2013, with registered capital totalling over RMB200 billion. In respect of land development, five parcels of land in Qianhai were sold for RMB27.3 billion in 2013 through auction with an average price of RMB20,000 per square metre. In addition, ten innovative trading platforms, including Qianhai Equity Exchange, Qianhai Insurance Exchange (前海保險交易中心) and Qianhai Agricultural Product Exchange (前海農產品交易所), were established, with the securing of over RMB15 billion cross-border Renminbi loan facilities and the implementation of a pilot scheme for 17 foreign equity investment enterprises. All the above indicate that Qianhai is poised for a take-off.

In 2013, the Group maintained sound communication with the Qianhai Management Bureau and other government authorities, and relevant work programmes were endorsed by various parties. In line with the planning and progress of the overall development of Qianhai, the Group focused on pushing forward the first phase of the land project in Qianhai during the Year. The Group has established a project company to manage the Qianhai project, set up a professional team and developed the project in cooperation with large and experienced enterprises, and is carrying out preparatory work for building design and business planning. The Group has entered into strategic collaboration MOUs with several renowned large-scale enterprises, and has entered into Qianhai cross-border bilateral Renminbi loan agreements with an aggregate facility amount of RMB700 million with banks that work closely with the Company. The Group is prepared for the future construction, business development and operation of its Qianhai project.

Looking forward to 2014, Qianhai is expected to witness breakthroughs in respect of financial innovation, Shenzhen-Hong Kong cooperation and economic system improvement. Land rezoning development in Qianhai area is also expected to accelerate. The Group will continue to closely monitor the development of Qianhai and will be vigorous in making progress in the relevant work as it strives to achieve substantial progress in the first phase of the Group's land project in Qianhai.

Logistic Business

Revenue increased by **12%** to

HK$1,029 million

Profit before finance costs and tax increased by **31%** to

HK$306 million

Profit attributable to shareholders increased by **40%** to

HK$199 million

Revenue Contribution by Logistic Business Unit

	2013	2012
Logistic Parks	**50%**	53%
Port	**14%**	13%
Logistic Services	**36%**	34%

Net Profit Contribution by Logistic Business Unit

	2013	2012
Logistic Parks	**79%**	87%
Port	**11%**	9%
Logistic Services	**10%**	4%

OVERVIEW

The Group owns various well-equipped logistic parks in major cities of China, including Shenzhen, Nanjing and Yantai, with the total site area and operating area of approximately 1.30 million and 0.67 million square metres respectively. Furthermore, the Group has signed investment agreements for the development of "China Urban Integrated Logistics Hub" projects with total planned site area of 1.81 million square metres, of which a 0.24 million square metres of land area was acquired for the development of phase 1 of Shenzhen International Shenyang Integrated Logisitic Hub in 2013.

The Group's port business is equipped with two general bulk cargo terminals with a 70,000-tonnage capacity and a depot with a site area of 400,000 square metres in Phase 1 of Nanjing Xiba Port. The port has the capability of providing services that include ship loading and unloading, lightering, train loading and automobile loading, and has a storage capacity of over 1 million tonnes.

ANALYSIS OF OPERATING PERFORMANCE

According to the statistics of the General Administration of Customs of China, China's total import and export value in 2013 rose by 7.6% over last year and the GDP grew by 7.7% over last year. The steady economic growth in China provides driving force for the development of logistics enterprises. During the Year, the Group has fully utilised the competitive advantages of its resources and enhanced its business development through optimisation of resource allocation and strengthened cost controls. As a result, the overall performance of the Group's logistic business in 2013 was better than expected.

Logistic Parks

During the Year, the business volume and rental income of all logistic parks remained stable. The average occupancy rate of Huatongyuan Logistic Centre in 2013 maintained at 99%. Driven by the increase in rental charges for certain customers in the logistic centre and adjustment of tenant mix, the revenue and profit of Huatongyuan Logistic Centre recorded satisfactory growth.

The Group continues to focus on investment and development of logistic infrastructure facilities in order to expand the scale of its operations and support future revenue growth. In August 2013, the operating area of South China Logistic Park increased by 125,000 square metres, and that of the Group's logistic parks increased by approximately 24% to 670,000 square metres. All additional operating area was leased out, bringing new revenue to the Group.

Operating performance of major logistic parks
For the year ended 31 December

Logistic Park	Core Business	Logistic Centre Occupancy Rate 2013	2012
South China Logistic Park	Provides logistic centres, empty container depots, cross-border customs transfer and access, and cross-border express customs clearance services	**96%**	96%
Western Logistic Park	Provides logistic centres	**95%**	95%
Huatongyuan Logistic Centre	Provides distribution outlets, warehouses and office rental services	**99%**	99%
Nanjing Chemical Industrial Park Logistic Centre	Provides warehousing, customs declaration and transport services for hazardous and non-hazardous chemical products	**100%**	100%
Shandong Booming Total Logistic Park	Provides logistic centres, transport, distribution and other services	**82%**	80%

China Urban Integrated Logistics Hub

The Group launched the national plan of "China Urban Integrated Logistics Hub" in 2012. "China Urban Integrated Logistics Hub" is an enhanced business model of the Group's logistic park business. It is a service platform focusing on highway transport logistic centres which also integrates the functions of warehousing, transfer, distribution and logistics information centre. With a logistic information platform established on the basis of logistic infrastructure facilities, it delivers highly efficient one-stop services to customers and business partners.

The Group was dedicated to the development of its "China Urban Integrated Logistics Hub" business model and had signed letters of intent for investment with more than 10 key logistic gateway cities in China. Since November 2012, the Group successively signed investment agreements for "China Urban Integrated Logistics Hub" projects in Shenyang in northeast China, Wuxi in eastern China, Wuhan in central China and Tianjin in northern China. In early 2014, the Group signed an agreement with the government of the Zhengding District of Shijiazhuang City involving investment in "China Urban Integrated Logistics Hub" project. The project will strategically strengthen the building of the logistic networks of Group in northern China.

The "Shenzhen International Shenyang Integrated Logistic Hub", the Group's first "China Urban Integrated Logistics Hub" project, completed the acquisition of 240,000 square metres of land for its first phase of development. Building design and preliminary marketing activities were carried out as scheduled. Construction of the first phase of the "Shenzhen International Shenyang Integrated Logistic Hub" project will commence in the second quarter of 2014 and is expected to commence operation in 2015.

Details of the "China Urban Integrated Logistics Hub" projects as at the date of this report are listed below:

Project Name	Location	Planned Site Area (Square Metres)
Shenzhen International Shenyang Integrated Logistic Hub	Yuhong District of Shenyang	700,000
Shenzhen International Tianjin Integrated Logistic Hub	Tianjin Binhai New Area	300,000
Shenzhen International Wuxi Integrated Logistic Hub	Huishan District of Wuxi	350,000
Shenzhen International Wuhan Integrated Logistic Hub	Dongxihu District of Wuhan	130,000
Shenzhen International Shijiazhuang Integrated Logistic Hub	Zhengding District of Shijiazhuang	330,000
Total Planned Site Area		**1,810,000**

The Group signed a strategic co-operation agreement with Shentong Express Co., Ltd, one of China's most influential courier companies in February 2014. Both parties shall promote in-depth cooperation in business areas that include the "China Urban Integrated Logistics Hub" projects and cross border e-commerce, and share resources in terms of customers and data, and will facilitate the "China Urban Integrated Logistics Hub" projects to develop nationwide.

The Group will continue to promote the expansion and development of the "China Urban Integrated Logistics Hub" projects. In addition to consolidating and promoting the development of its existing projects, the Group aims to build up a logistic network by setting up logistic hubs and nodes across the eastern, southern, central, northern, northeastern, southwestern and northwestern areas of China in five years, and then expand its network nationwide as well as to ensure sustainable development of the Group.

Port Business

Despite the complicated economic environment in 2013, Nanjing Xiba Port, taking advantage of its 70,000-tonnage berthing capacity and its efficiency in loading and unloading, saw a growing number of large vessels berthing at the port. During the Year, a total of 226 vessels berthed at the Nanjing Xiba Port, of which 119 vessels were over 40,000 tonnes, accounting for 53% of the total number of vessels. During the Year, the total throughput of Nanjing Xiba Port reached 13.10 million tonnes, representing an increase of 24% over the corresponding period of the previous year. The operating performance of Nanjing Xiba Port showed significant growth.

Through the consolidation of existing major coal customers and effective marketing, Nanjing Xiba Port recorded satisfactory growth in business volume during the Year. In addition, since obtaining berthing permission for international vessels, Nanjing Xiba Port has focused on the loading and unloading of international vessels. With an increase in the number of international vessels, Nanjing Xiba Port saw a boost in revenue and profit as a result.

The approval, design and tendering for Phase 2 of Nanjing Xiba Port were completed during the Year. Construction of the project has commenced at the end of 2013 and is expected to be completed in 2014 with three berths with berthing capacity ranging from 50,000 to 70,000-tonnage.

Logistic Service Business

By capitalising on its existing logistic infrastructure facilities, the Group has actively explored supply chain management, value chain integration and modern value-added logistic services by fully utilising its competitive advantages in resources and capital in a transformation from a traditional logistic business.

During the Year, the logistic service business of the Group recorded an outstanding growth in business volume driven by the increase in demand for logistic services by its existing customers. In addition, as the Group's commitment to enhancing its service levels, strengthening customers' relationship and market expansion, and expanding its services network, the growth in operating results of the logistic service business was beyond expectation. However, continuously rising operating costs and research and development expenses put pressure on the profitability of the logistic service business. In order to further enhance the competitive edges of its logistic service business and overall profitability, the Group is committed to cost control, further escalating effort in business development and expanding sales channels.

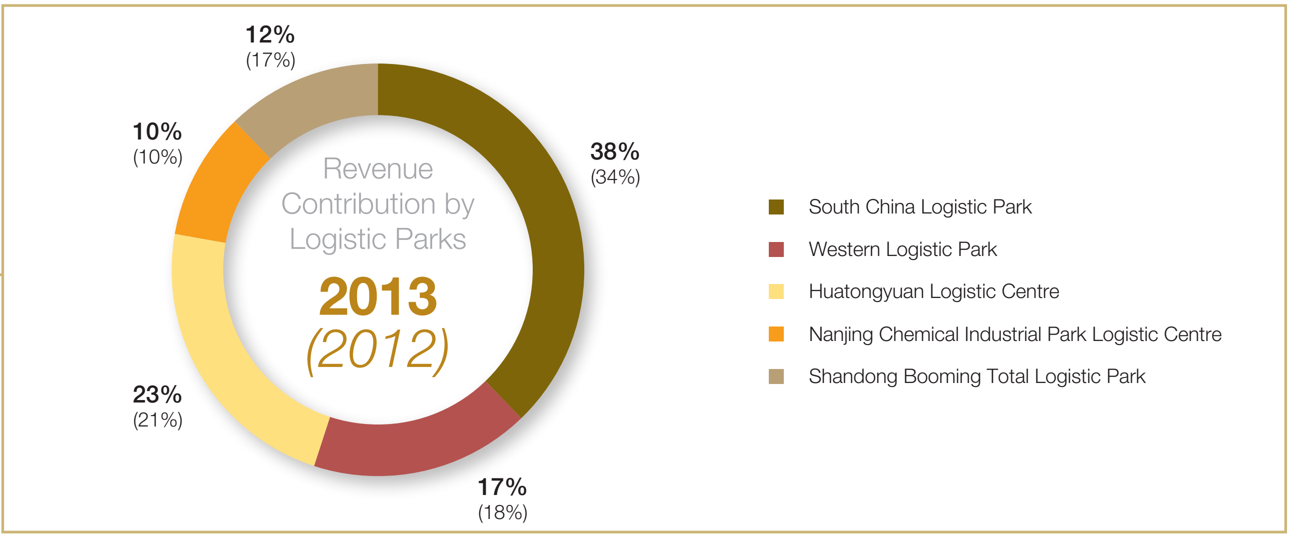
FINANCIAL ANALYSIS

During the Year, the logistic business maintained a steady growth in revenue and profit before finance costs and tax which amounted to HK$1,029 million (2012: HK$922 million) and HK$306 million (2012: HK$234 million), representing increases of 12% and 31% respectively over those of the previous year, which was mainly attributable to the increase in the operating area of the logistic parks and business volume of the logistic service business, as well as an increase in cargo loading and unloading volume of the port business. Meanwhile, profit attributable to shareholders increased by 40% to HK$199 million (2012: HK$142 million), resulting from economies of scale and effective operating cost controls.

Revenue of each logistic business unit

For the year ended 31 December

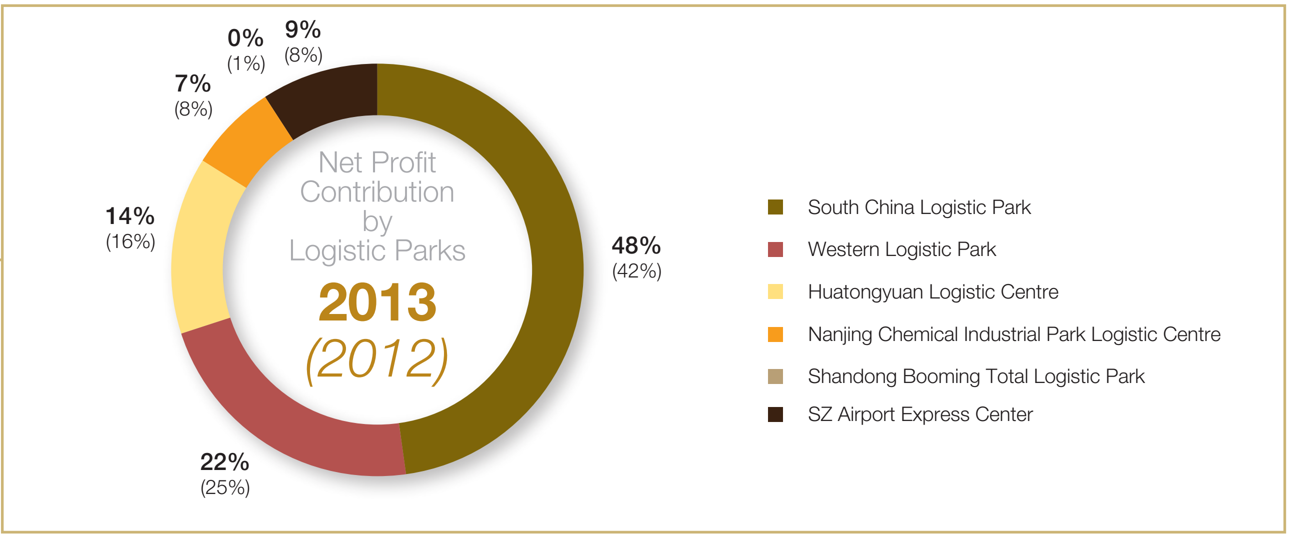
	2013 HK$'000	2012 HK$'000	**Increase/ (Decrease)**
Logistic Park Business			
South China Logistic Park	**198,871**	168,366	18%
Western Logistic Park	**90,298**	90,432	–
Huatongyuan Logistic Centre	**117,051**	104,213	12%
Nanjing Chemical Industrial Park Logistic Centre	**50,487**	46,965	8%
Shandong Booming Total Logistic Park	**61,217**	84,223	(27%)
Sub-total	517,924	494,199	5%
Port Business	**145,965**	116,948	25%
Logistic Service Business	**365,267**	310,984	17%
Total	**1,029,156**	922,131	12%



Profit attributable to shareholders of each logistic business unit

For the year ended 31 December

	2013 HK$'000	2012 HK$'000	Increase/ (Decrease)
Logistic Park Business			
South China Logistic Park	**75,645**	51,996	45%
Western Logistic Park	**34,083**	30,880	10%
Huatongyuan Logistic Centre	**22,012**	19,801	11%
Nanjing Chemical Industrial Park Logistic Centre	**11,373**	10,329	10%
Shandong Booming Total Logistic Park	**539**	1,752	(69%)
SZ Airport Express Center*	**13,761**	9,895	39%
Sub-total	157,413	124,653	26%
Port Business	**22,281**	12,863	73%
Logistic Service Business	**19,162**	4,974	285%
Total	**198,856**	142,490	40%



* *SZ Airport Express Center is a joint venture and is accounted for using the equity accounting method.*

The logistic park business achieved stable growth in revenue and profit in 2013. This was mainly attributable to the growing maturity in business development of the logistic centres at logistic parks, new logistic centres coming into operation and increase in rental charges for customers as well as strict control of operating costs. Revenue from the logistic park business increased by 5% to reach HK$518 million and profit attributable to shareholders increased by 26% to reach HK$157 million as compared to the previous year.

During the Year, the port business recorded a revenue of HK$146 million, up 25% as compared to the previous year, and a profit of HK$22.28 million, representing an increase of 73% as compared to the previous year. The increase was attributable to the significant growth in loading and unloading volume and successful opening of a more profitable business by providing loading and unloading services for international vessels. As a result, the revenue and profit contribution generated from the port business achieved significant growth.

Revenue from the logistic service business for the Year amounted to HK$365 million, representing an increase of 17% as compared to the previous year, which was mainly driven by the growth in business volume resulting from an increase in demand for logistic services of major customers. Profit attributable to shareholders increased by 2.9 times year-on-year to HK$19.16 million, reflecting an increase in revenue and effective control of operating costs.

OUTLOOK FOR 2014

The Group believes that, with the accelerated urbanisation in China, the continuing economic development and the increasing popularity of e-commerce, there will be strong potential for demand for logistic infrastructure facilities and quality logistic services and hence huge potential for the future development of the Group. The Group will proactively explore and seize opportunities, and will invest and expand with a view to enhancing efficiency, thereby achieving quality growth and sustainable development.

In 2014, the Group will continue to enhancing operation scale and improving operation efficiency by strengthening its management, adjusting its structure, enhancing its service levels and consolidating its resources. At the same time, the Group will actively push forward the upgrading of its existing logistic parks, construction of Phase 2 of Nanjing Xiba Port and the development of the “China Urban Integrated Logistics Hub” in major cities of China.

Locations of Logistic Business

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: 322,000 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. **Shandong 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

8. **Shenzhen International Shenyang Integrated Logistic Hub**
   Located in Shenyang International Logistic Park in Yuhong District of Shenyang City
   Land area for the first phase: 240,000 square metres

Toll revenue increased by **8%** to

HK$4,743 million

Profit before finance costs and tax similar to last year

HK$2,338 million

Net profit increased by **5%** to

HK$836 million

Toll Revenue Contribution

	2013	2012
Shenzhen Expressway	**77%**	74%
Longda Expressway	**13%**	13%
Wuhuang Expressway	**10%**	13%

Net Profit Contribution

	2013	2012
Shenzhen Expressway	**58%**	55%
Longda Expressway	**34%**	34%
Wuhuang Expressway (Included only net profit attributable to the 45% equity interest in Wuhuang Expressway directly held by the Company)	**8%**	11%

Toll Road Business

OVERVIEW

The Group's toll road operations span across 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 by toll amounting to approximately 179 kilometres, 268 kilometres, and 92 kilometres in the Shenzhen region, other regions in Guangdong Province and other provinces in China respectively as at the date of the report. The Group operates the toll road business mainly through Shenzhen Expressway Company Limited ("Shenzhen Expressway"), in which the Group holds a 50.889% equity interest. Shenzhen Expressway's H shares and A shares are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively. In addition, the Group directly holds a 89.93% equity interest in Longda Expressway and a 45% equity interest in Wuhuang Expressway (with the remaining 55% equity interest owned by Shenzhen Expressway).

ANALYSIS OF OPERATING PERFORMANCE

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

Toll roads	Interest held by the Group	Concession period	Length by toll (approximate km)	Average Daily Traffic Volume *(Note 1)* 2013 (Vehicle/ Thousands)	Average Daily Traffic Volume *(Note 1)* Increase/ (decrease) as compared to 2012	Average Daily Toll Revenue 2013 (HK$'000)	Average Daily Toll Revenue Increase/ (decrease) as compared to 2012
Shenzhen Region:							
Longda Expressway	89.93%	2005.10-2027.10	28	88	8%	1,713	8%
Meiguan Expressway *(Note 2)*	100%	1995.05-2027.03	19.2	130	4%	1,014	(6%)
Jihe East	100%	1997.10-2027.03	23.7	150	17%	1,678	10%
Jihe West	100%	1999.05-2027.03	21.8	123	16%	1,323	(1%)
Yanpai Expressway	100%	2006.05-2027.03	15.6	50	21%	683	8%
Yanba Expressway *(Notes 3, 4 & 5)*	100%	Section A: 2001.04-2026.04 Section B: 2003.06-2028.07 Section C: 2010.03-2035.03	29.1	31	9%	561	18%
Nanguang Expressway	100%	2008.01-2033.01	31	75	28%	994	28%
Shuiguan Expressway	40%	2002.02-2025.12	20	155	12%	1,639	10%
Shuiguan Extension	40%	2005.10-2025.12	6.3	39	33%	222	16%
Other regions in Guangdong Province:							
Qinglian Expressway *(Note 3)*	76.37%	2009.07-2034.07	216	28	24%	2,460	37%
Yangmao Expressway *(Note 3)*	25%	2004.11-2027.07	79.8	31	17%	1,855	14%
Guangwu Project *(Note 3)*	30%	2004.12-2027.11	37.9	27	7%	908	8%
Jiangzhong Project	25%	2005.11-2027.08	39.6	89	(2%)	1,167	2%
Guangzhou Western Second Ring *(Note 6)*	25%	2006.12-2030.12	40.2	42	21%	1,042	19%
Other provinces in China:							
Wuhuang Expressway *(Note 3)*	100%	1997.09-2022.09	70.3	39	(2%)	1,314	(15%)
Changsha Ring Road	51%	1999.11-2029.10	34.7	14	6%	182	24%
Nanjing Third Bridge *(Notes 3 & 7)*	25%	2005.10-2030.10	15.6	29	18%	1,476	34%

Notes:

(1) *Average daily traffic volume excludes traffic volume recorded during major festivals and holidays when the toll-free policy for passenger cars in key holiday periods in the second half of 2012 (the "Holiday Toll-Free Scheme") applies.*

(2) *Shenzhen Expressway entered into a toll adjustment agreement with Shenzhen government authorities in January 2014, pursuant to which toll on Meiguan Expressway will be adjusted effective from 1 April 2014 subject to the satisfaction of certain conditions precedent. The details were set out in the Company and Shenzhen Expressway's joint announcement dated 27 January 2014 issued by the Company and Shenzhen Expressway.*

(3) *Projects for which the toll-by-weight policy has been implemented.*

(4) *As approved by Guangdong Provincial Government, the concession period of Yanba Expressway was approved to be 25 years, the concession period for Sections A, B and C of Yanba Expressway is counted starting from their respective date of commencement of operation.*

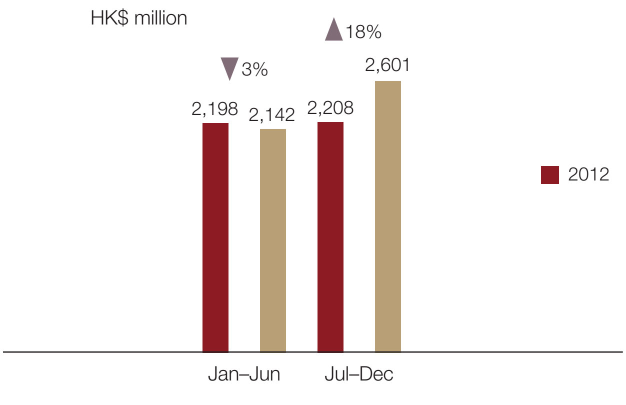
(5) *To facilitate travel by Shenzhen residents to the east coast for leisure and vacation, the government has made collective payment to Shenzhen Expressway for all vehicles travelling to and from the Yantian and Dameisha ramp based on the agreed standards and methods since February 2007. The agreed toll for the government to incur during 2013 to 2017 is RMB19 million per annum, and is to be recorded into Yanba Expressway's toll revenue on a monthly basis. The arrangement beyond 2017 shall be negotiated and agreed upon by both parties before the expiry of the agreement.*

(6) *As approved by Guangdong Provincial Government, the concession period of Guangzhou Western Second Ring was approved to be 24 years, from December 2006 to December 2030.*

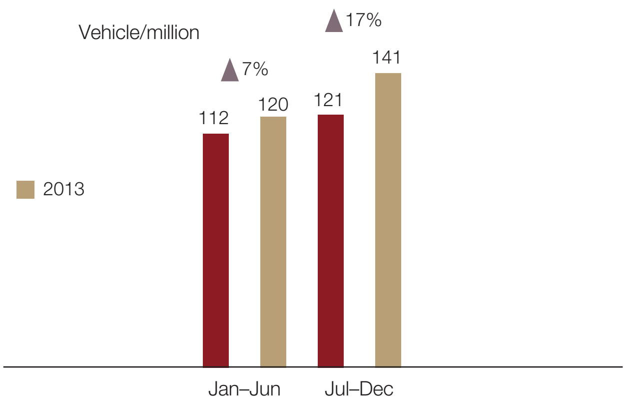
(7) *Pursuant to a notice issued by Jiangsu Provincial Government, the concession period of Nanjing Third Bridge was re-approved to be 25 years.*

During the Year, toll revenue of the Group's toll road business continued to be affected by policy adjustments, particularly in the first half of the Year. Nevertheless, this was partly offset by the satisfactory growth in the overall traffic volume of the Group's expressway projects which was brought by the continuing growth momentum in automobile ownership in China as well as proactive marketing campaign carried out by the Group based on the competitive edge and features of each of its expressway projects. Growth in toll revenue returned to a satisfactory level in the second half of the Year.

Toll revenue



Total traffic volume



During the Year, the operating performance of each expressway project of the Group was influenced to varying degrees by the economic environment, policy environment, as well as the conditions of each individual project and its surrounding road network:

- with Yonglan Expressway and Hengwu Expressway (which connect to Qinglian Expressway) commenced operation at the end of 2012 to further improve the connecting road network, together with an effort in marketing promotion and management work of Qinglian Expressway, including the enhancement of traffic diversions, Qinglian Expressway saw a growth in traffic volume. Furthermore, as major maintenance work has been carried out on Leiyi Section of G4 National Expressway (Leiyang to Yizhang in Hunan) since late May 2013, the related traffic diversion measures continued and led to a rapid increase in traffic volume and toll revenue of Qinglian Expressway as compared to the corresponding period of the previous year. However, the measure to restrict the passage of large vehicles is still being implemented for Guangqing Expressway (Guangzhou to Qingyuan, which connects to the southern end of Qinglian Expressway) due to its reconstruction and expansion work, the growth in traffic volume of Qinglian Expressway will continue to be affected for a certain period of time;

- extension work on the northern section of Meiguan Expressway and maintenance and resurfacing work on Jihe West brought adverse impact on the traffic conditions and operating performance of these projects and their connecting roads; and

- with certain sections of the connected Nanping (Phase 2) commenced operation gradually since the second half of 2012 as well as the marketing promotion and management work of Nanguang Expressway, such as the design of route guidance, the growth in traffic volume of Nanguang Expressway was boosted.

FINANCIAL ANALYSIS

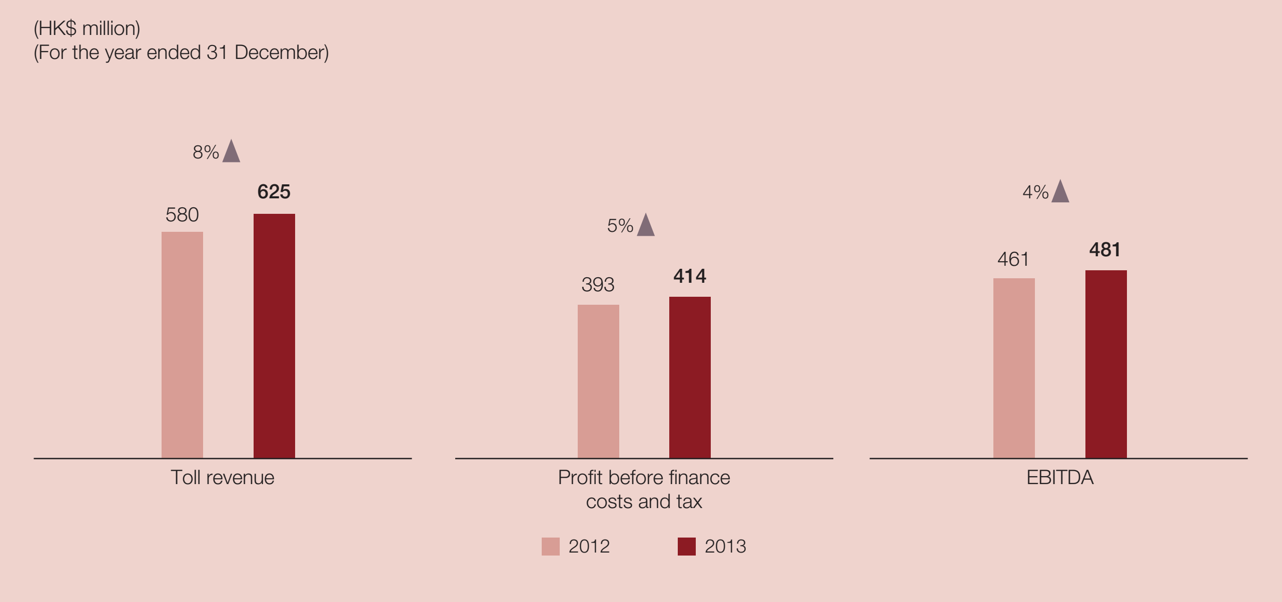
During the Year, toll revenue of the Group's toll road business amounted to HK$4,743 million (2012: HK$4,406 million), representing an increase of 8% over the previous year; profit before finance costs and tax amounted to HK$2,338 million (2012: HK$2,332 million), similar to the same period last year. Net profit was HK$836 million (2012: HK$795 million), representing an increase of 5% year-on-year.

Despite the impact of various factors including policy adjustments in the toll road business, traffic volume of the Group's expressway projects achieved growth in general, with lower net finance cost and income tax expenses as compared to the same period last year, toll revenue and net profit of the Group's toll road business recorded increases during the Year.

According to the notice issued by the Communication Department of Guangdong Province, toll collection for Qinglian Class II Road was cancelled with effect from 24:00 on 30 June 2013. Toll collection for Qinglian Class II Road had been suspended since the road was closed for maintenance in late September 2010. Therefore, income from Qinglian Class II Road for the period from October 2010 to date is zero. During the Year, the Group has made a one-off asset write-off for Qinglian Class II Road pursuant to the relevant accounting standards and net profit attributable to the Group was hence reduced by approximately HK$88.79 million.

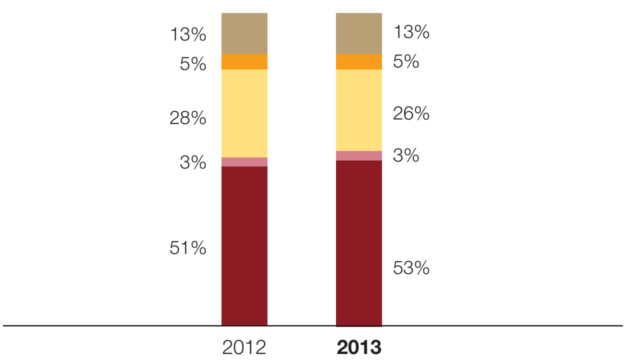
Longda Expressway

Longda Expressway achieved satisfactory growth in traffic volume during the Year. In addition, by carrying out marketing activities to boost its traffic volume and applying different measures to enhance its traffic capability, both helped to facilitate the growth in toll revenue of Longda Expressway.



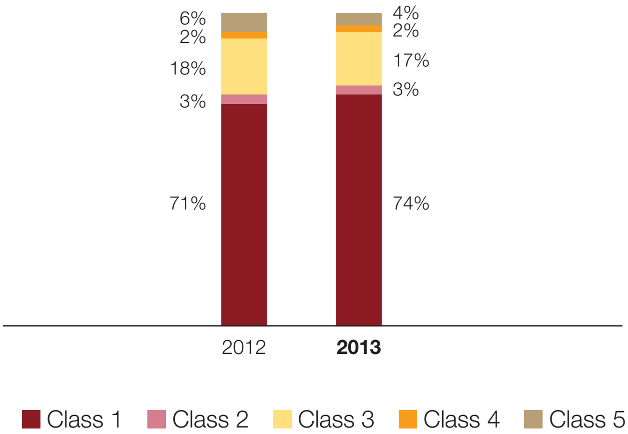
Toll revenue distribution

(For the year ended 31 December)



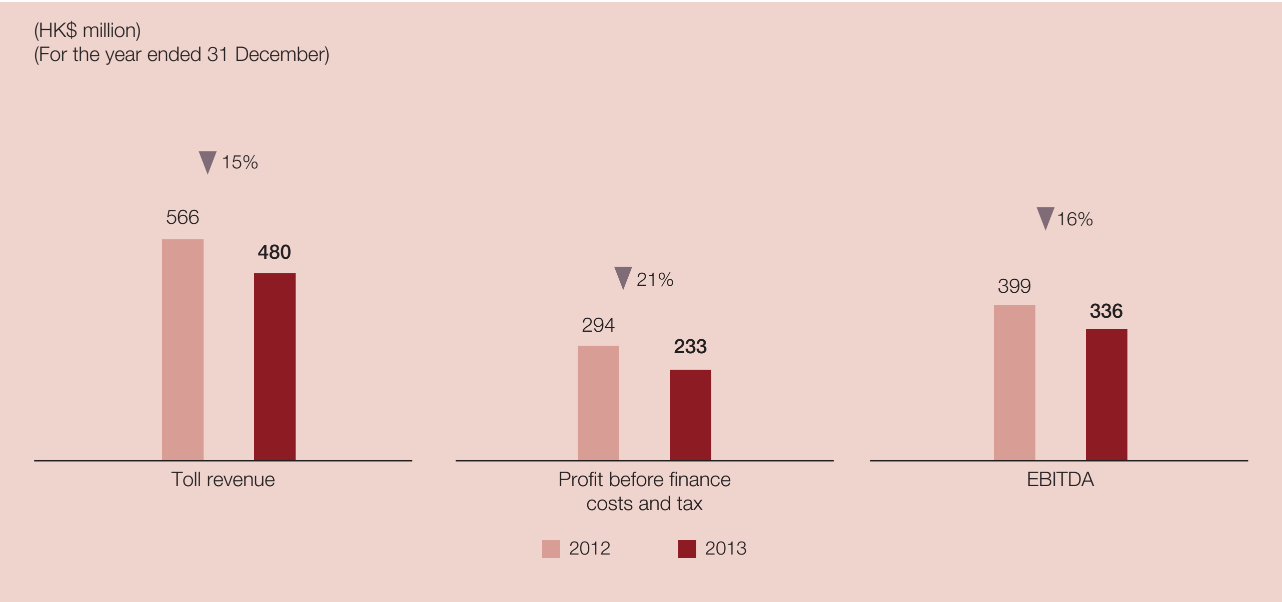
Traffic volume distribution

(For the year ended 31 December)

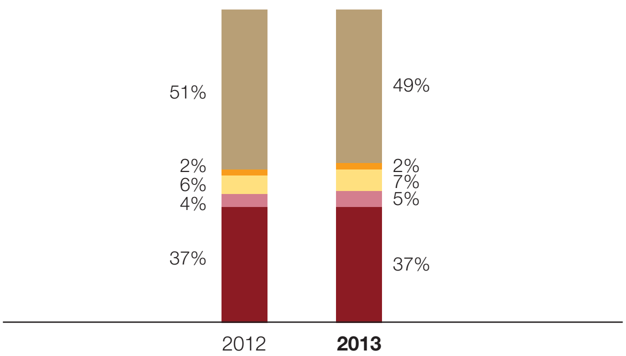


Wuhuang Expressway

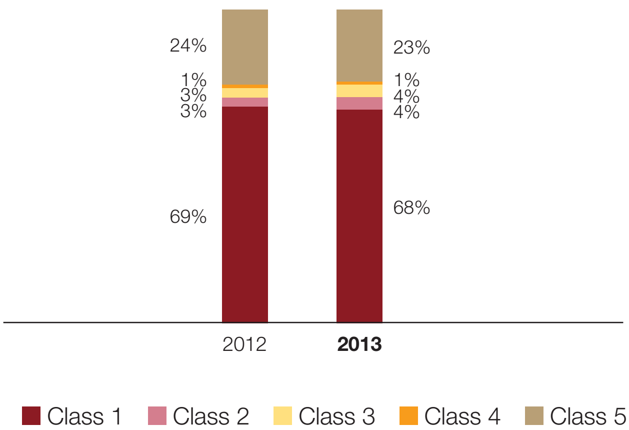
The opening of the southern section of Daguang Expressway (Huangshi to Tongshan, Hubei) in May 2012 drove toll revenue of Wuhuang Expressway to increase. However, being affected by negative factors including the diversion of Han'e Expressway (Wuhan to Ezhou), the opening of Hurong Trunk of National Highway (Shanghai to Chengdu, Sichuan) as well as the tightening of restrictions imposed in Wuhan area and the implementation of the Toll-Free Scheme, both traffic volume and toll revenue of Wuhuang Expressway decreased as compared to the same period last year. Going forward, Wuhuang Expressway will continue to focus on and analyse the impact brought by road network diversion, and will try to offset the impact by attracting traffic through increasing marketing efforts and adding more road signs.



Toll revenue distribution
(For the year ended 31 December)



Traffic volume distribution
(For the year ended 31 December)



Shenzhen Expressway and its expressway projects

Despite the negative impact brought by the implementation of policy adjustments in the toll road business and the one-off asset write-off for Qinglian Class II Road, Shenzhen Expressway recorded increases in both toll revenue and profit for the Year riding on the improving road network, growth in regional traffic volume, as well as the effective measures adopted on increasing revenue and reducing expenses. Toll revenue of Shenzhen Expressway for the Year amounted to HK$3,638 million (2012: HK$3,260 million), representing a year-on-year increase of 12%. Profit before finance costs and tax amounted to HK$1,691 million (2012: HK$1,645 million), representing a year-on-year increase of 3%. The Group's share of profit in Shenzhen Expressway amounted to HK$483 million (2012: HK$439 million), representing an increase of 10% over the corresponding period of the previous year.

Coastal Expressway (Shenzhen Section) has opened for traffic on a trial basis since the end of November 2013. The provision of entrusted construction services to Coastal Expressway (Shenzhen Section) contributed a profit after tax of HK$32.18 million to Shenzhen Expressway during the Year. In addition, details for provision of the entrusted management services during the concession period of Coastal Expressway (Shenzhen Section) are still under negotiation and it is expected that the project will continue to make profit contributions to Shenzhen Expressway in the future.

MAJOR CONSTRUCTION PROJECTS DURING THE YEAR

During the Year, major construction projects of the Group's toll road business include:

- **Maintenance and resurfacing work of Jihe East** — Completed in January 2013;
- **Expansion work of northern section of Meiguan Expressway** — Completed at the end of 2013;
- **Maintenance and resurfacing work of Jihe West** — Resurfacing work of Jihe West commenced in December 2013 and is slated for completion in the first half of 2014.

OUTLOOK FOR 2014

In January 2014, Shenzhen Expressway entered into a toll adjustment agreement with Shenzhen government authorities, pursuant to which toll-free will be implemented for the Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km from 1 April 2014, but the toll of Shenzhen-Dongguan border to Guanlan section of Meiguan Expressway with a mileage of 5.4 km will remain unchanged. Shenzhen government authorities have agreed to make cash compensation to Shenzhen Expressway, including the compensation of the future income of the toll-free section for approximately RMB1,598 million and other relevant costs/expenses for approximately RMB1,102 million (which is a preliminary figure subject to the actual amount or audit figure of the relevant government audit department). The above arrangements are subject to the satisfaction of certain conditions precedent. The details were set out in the Company and Shenzhen Expressway's joint announcement dated 27 January 2014.

The toll adjustment agreement of Meiguan Expressway as mentioned above has been approved and became effective on 31 March 2014, profits attributable to the Group are estimated to increase by approximately RMB560 million in 2014.

In the middle of 2013, Hubei Province Price Bureau issued a notice which includes a plan to conduct a pricing hearing to lower the toll fees of expressway projects in Hubei Province, including Wuhuang Expressway. To date, the pricing hearing has not been held, nevertheless, the Group will continue to take the initiative to follow it through, to actively facilitate communication and collaboration work, and make its best efforts to maintain the interests of the Company and its shareholders.

Powered by urbanisation and the transformation and upgrading of regional economies in China as well as the increase in automobile ownership, growth in traffic demand in China is expected to remain steady. The Group will continue to strengthen its efforts in the promotion of its road network and diversion of traffic and take marketing measures which are tailor-made for specific expressway projects so as to enhance efficiency in road traffic and traffic capacity.

In 2014, capital expenditures of the toll road business of the Group is expected to amount to approximately RMB570 million, mainly for Qinglian Project and expansion work of Meiguan Expressway.

Other Investments

SHENZHEN AIRLINES

During the Year, intensified competition in the domestic aviation market due to the negative impact in market demand and the entry of budget airlines exacerbated the difficult operating environment for operators in the domestic airline industry. Average airfares declined by 3% as compared to the corresponding period of the previous year. Together with the change in tax policy from business tax to value-added tax, Shenzhen Airlines recorded a total revenue of RMB21,638 million (HK$27,321 million) (2012: RMB22,225 million (HK$27,371 million)), representing a decrease of 3% as compared to the corresponding period of the previous year. Passenger revenue dropped 5% to RMB18,412 million (HK$23,247 million) (2012: RMB19,428 million (HK$23,926 million)). Net profit amounted to RMB902 million (HK$1,139 million) (2012: RMB1,851 million (HK$2,280 million)), representing a decrease of 51% as compared to the corresponding period of the previous year. This was mainly due to the one-off gain of approximately RMB800 million arising from write back of asset impairment during the previous year, as well as the increase in operating costs including remuneration and depreciation during the Year. Shenzhen Airlines contributed a profit of HK$480 million (2012: HK$1,061 million) to the Group during the Year, representing a decrease of 55% as compared to the corresponding period of last year. By excluding the impact of the write back of asset impairment in 2012, net profit of Shenzhen Airlines and its profit contributed to the Group decreased by 14% and 17% year-on-year respectively. Despite the decline in results, performance of Shenzhen Airlines is good among its peers.

During the Year, Shenzhen Airlines took an initiative to face market changes through strengthened marketing efforts and optimising its route structure, recording steady growth in passenger transport volume during the Year, with its average passenger load factor reaching 81.6% (2012: 80.55%). Passenger traffic reached 31,772 million passenger-km (2012: 28,989 million passenger-km), representing an increase of 10% over the corresponding period of the previous year. The airlines carried 21.40 million passenger rides (2012: 19.80 million passenger rides), up 8% over the corresponding period of the previous year.

As at 31 December 2013, Shenzhen Airlines operated a total of 132 passenger aircraft (2012: 116). At present, Shenzhen Airlines operates 155 domestic and international routes, of which 143 are domestic routes, 6 are international routes and 6 serve the Hong Kong, Macau and Taiwan regions.

During the Year, international oil prices showed a declining trend which lowered the aviation oil costs for Shenzhen Airlines. Despite the fact that the pressure brought by oil prices was mitigated to a certain extent, aviation oil costs continue to represent a significant cost in the domestic airline industry, and fluctuations in the aviation oil price continue to be a crucial operational risk for Shenzhen Airlines. Shenzhen Airlines will continue to enhance operation efficiency by optimising its fleet structure and routes so as to reduce the impact brought by aviation oil costs.

Looking forward in 2014, with the developing economy in China and the increasing contribution from the tertiary industries sector, including transportation and warehousing, the demand in airline industry is expected to increase, China's airline industry is still expected to maintain its growth momentum. The level of market supply and demand is expected to maintain balance, and airfares are likely to rise, both of which will improve the profitability of airlines. Shenzhen Airlines will continue to implement and refine its strategic plans involving stringent cost controls and responsiveness to market changes, so as to enhance its core strengths and profitability.

CSG

According to the Group's business development, capital needs and internal resource coordination, coupled with capital market conditions, the Group adjusts the volume of the shares of CSG to be disposed of so as to maximise the profits of the Company and its shareholders.

During the Year, the Group disposed of approximately 11.34 million A shares of CSG at an average selling price of RMB11.14 (HK$14.07) per share and realised a gain after tax of approximately HK$106 million (2012: nil). As at the date of this report, the Group beneficially owned a total of 121,831,658 A shares of CSG, representing approximately 5.87% in the total issued share capital of CSG.

FINANCIAL POSITION

	31 December 2013 HK$ million	31 December 2012 HK$ million	**Increase/ (Decrease)**
Total Assets	**43,223**	42,383	2%
Total Liabilities	**21,315**	22,395	(5%)
Total Equity	**21,908**	19,988	10%
Net Asset Value attributable to shareholders	**13,990**	12,645	11%
Net Asset Value per share attributable to shareholders (HK dollar)*	**8.40**	7.70	9%
Cash	**4,957**	4,868	2%
Bank borrowings	**11,040**	9,154	21%
Notes and bonds	**6,282**	8,816	(29%)
Total Borrowings	**17,322**	17,970	(4%)
Net Borrowings	**12,365**	13,102	(6%)
Debt-asset Ratio (Total Liabilities/Total Assets)	**49%**	53%	(4%)#
Ratio of Total Borrowings to Total Assets	**40%**	42%	(2%)#
Ratio of Net Borrowings to Total Equity	**56%**	66%	(10%)#
Ratio of Total Borrowings to Total Equity	**79%**	90%	(11%)#

\# *Change in percentage points*

* *The weighted average number of ordinary shares in the previous financial year have been retrospectively adjusted to reflect the effect of share consolidation, which came into effect on 13 February 2014.*

KEY FINANCIAL INDICATORS

As at 31 December 2013, the net asset value and net asset value per share attributable to shareholders increased by 11% and 9% to HK$13,990 million and HK$8.40 respectively. With debt-asset ratio lowered by 4 percentage points to 49%, the Group's financial position remains healthy and stable. During the Year, the Group strived to reduce total borrowings and brought it down by 4%. Meanwhile, the Group's cash on hand increased due to the disposal of part of its non-core assets, which together with the increase in its cash flow generated from operations, contributed to the boost in the Group's total assets and the 10 percentage points reduction in the ratio of net borrowings to total equity to 56%.

CASH FLOW AND FINANCIAL RATIOS

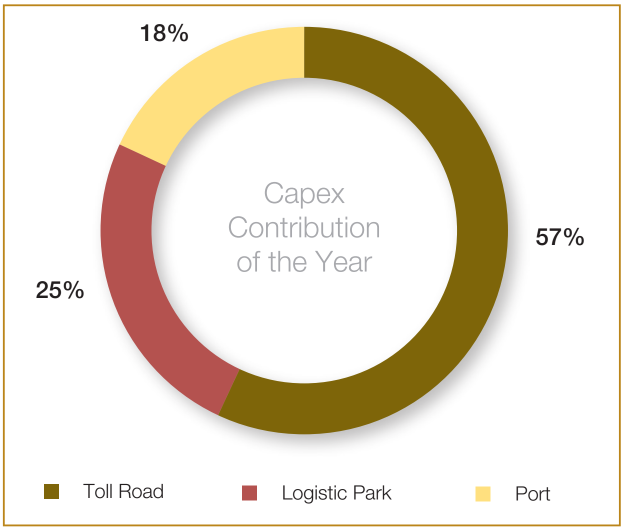
During the Year, cash inflow generated from operations rose 21% to HK$2,336 million as compared to the same period of last year, while net cash outflow for investment activities and net cash outflow generated from financing activities amounted to HK$425 million and HK$1,828 million respectively. The Group's core business consistently generates stable cash flow. Following changes in the external environment and capital market conditions during the Year, the Group timely disposed part of its non-core assets and reduced its total borrowings. The net cash outflow for repayment of borrowings during the Year was HK$1,229 million (2012: net cash inflow from borrowings was HK$957 million). Both the ratio of net borrowings to total equity and the ratio of total borrowings to total equity declined significantly as compared to those as at the end of 2012.

CASH BALANCE

Cash flow generated from operations of the Group remained stable. As at 31 December 2013, the cash balance held by the Group amounted to HK$4,957 million (31 December 2012: HK$4,868 million), representing an increase of 2% over last year. Of the cash held by the Group, almost all was denominated in Renminbi. The Group continues to maintain sufficient cash and adequate standby banking facilities to provide sufficient funds for its business development and operations and to support the sustainable development of the Group.

CAPITAL EXPENDITURES

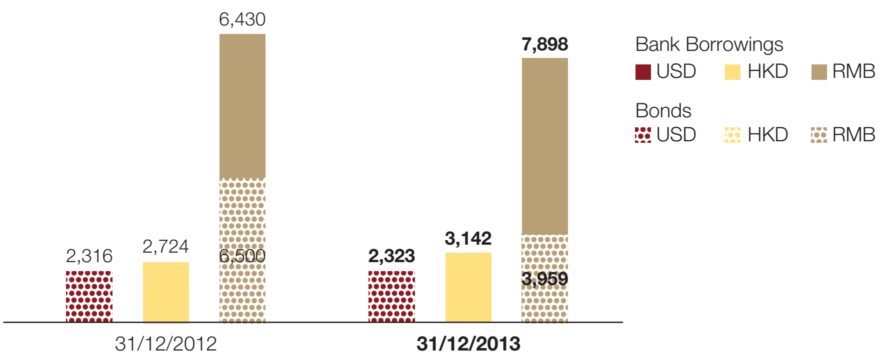
During the Year, the Group's capital expenditures amounted to HK$1,458 million (RMB1,138 million), of which approximately RMB290 million was utilised for construction of logistic parks and land acquisition and RMB488 million was utilised for construction work of the Qinglian Expressway as well as the expansion of the Meiguan Expressway. Capital expenditures for 2014 are estimated to be approximately HK$2,400 million (RMB1,900 million).



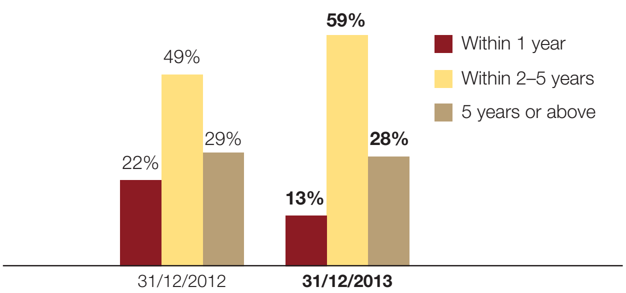
BORROWINGS

Total Borrowings in Currency

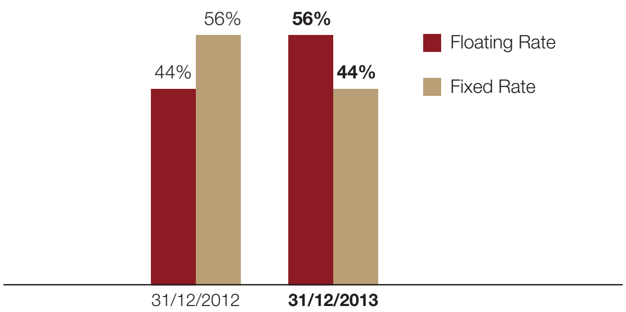
(HK$ million)



Total Borrowings — Repayment Period



Total Borrowings — Analysis of Floating rate/Fixed rate



As at 31 December 2013, the Group's total borrowings amounted to approximately HK$17,300 million, a decline of 4% as compared with the end of last year. The Group repaid part of its notes and bonds which were nearing maturity, thus effectively reducing the level of short-term borrowings. The ratio of borrowings with repayment within one year to the Group's total borrowings was reduced from 22% in 2012 to 13% in 2013, while the ratio for borrowings with repayment within 2-5 years and that over 5 years or above were 59% and 28% respectively. The Group will continue to optimise its financial structure and maintain a satisfactory credit standing.

As at 31 December 2013, the Group has 69%, 18% and 13% of its total borrowings denominated in Renminbi, Hong Kong dollars and US dollars respectively. In this current low interest rate level of Hong Kong dollar bank loans, as well as the interest rate was lower than that of last year, the Group increased its bank borrowings denominated in Hong Kong dollars to satisfy its capital needs and to enhance the effectiveness of its financing.

The business cycle of the Group's investment projects often takes time from the stage of capital injection to operations. To meet the Group's business needs, the Group has ensured that the majority of its borrowings are medium to long term. The Group will continue to satisfy the funding needs with its financing strategy that involves different channels, which include issuing notes in the capital market and bank borrowings, in order to diversify the sources of funding and to make adjustments according to the changes in the financial market and interest rate levels. The management will closely monitor the Group's overall debt level on a regular basis and examine its financing costs and repayment schedules to better prepare for re-financing.

THE GROUP'S FINANCIAL POLICY

Interest Rate Risk Management

In order to reduce its overall finance costs and the risk of interest rate fluctuation, the Group has adopted interest rate swap as a hedging tool according to the size and periods of its borrowings. Floating rate bank loans are major interest rate risk factors of the Group. The Group entered into interest rate swaps agreements with financial institutions for hedging purposes to achieve greater economic efficiency in the conversion of bank loans from floating rate loans to fixed rate loans, thereby controlling interest rate risk. Under the current low interest rate environment, the Group manages the ratio of fixed rate and floating rate bank loans, striking a balance between minimising interest expenses and volatility in interest rate hedging. For further details on the Group's hedging activities, please refer to note 22 of the consolidated financial statements.

Exchange Rate Risk

Assets, cash flows and cash held for businesses operated by the Group are primarily denominated in Renminbi, whereas borrowings are mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group strives to reduce the impact of exchange rate fluctuations on its overall financial performance and financial risks. During the Year, the Renminbi exchange rate continued to rise, bringing to the Group a foreign exchange gain of HK$139 million. The Group closely monitors the trend of the Renminbi exchange rate and takes measures to minimise exchange rate risks in a timely manner according to market conditions. The management of the Group is aware of the fluctuation and changes in the Renminbi exchange rate since early 2014 and will manage the risks in a timely manner through the adjustment of loan structure in currency and by using exchange rate swaps and futures contracts.

Liquidity Risk Management

Through prudent liquidity risk management, the Group continues to maintain sufficient cash and adequate standby banking facilities to strengthen its reserves and secure sufficient funds for its business development in order to seize market opportunities in a flexible manner. The Group manages its liquidity risks through regular rolling cash flow forecasts and adopts the appropriate financing arrangements in a timely manner in order to reduce the liquidity risk and ensure that the Group has the ability to sustain its operations and expand its business, as well as to enhance shareholder value.

The Group currently has cash on hand and standby banking facilities of approximately HK$39,500 million. It had entered into agreements with various major banks in Hong Kong and China to obtain credit facilities. The Group will closely monitor the capital market, continue to examine various financial tools and optimise its financial structure in order to minimise the adverse impact of fluctuations in the capital market on the financing costs and liquidity.

Credit Ratings

During the Year, three major international credit rating agencies, Standard & Poor's, Moody's and Fitch Ratings, continued to assign investment grade credit ratings of BBB, Baa3 and BBB respectively to the Company. With its high quality assets, stable financial position, adequate cash flow and strong credit standing, the Group has the long-term goal of maintaining these investment grade credit ratings. The recognition from these three major international credit rating agencies shall facilitate the Group to further expand its financing channels so as to optimise its capital structure and reduce its financing costs.

PLEDGE OF ASSETS, GUARANTEES AND CONTINGENT LIABILITIES

For details of the Group's pledge of assets, guarantees and contingent liabilities as at 31 December 2013, please refer to notes 21 and 37 of the consolidated financial statements.

HUMAN RESOURCES

The Group always considers talents as a valuable resource and considers its human resources management strategy to be an important component of its business strategy.

The Group places emphasis on the recruitment and training of talents. To cater for the needs of its development strategy and business development, the Group continued to recruit management talents and logistic professionals in 2013 in order to strengthen its management and professional teams. Meanwhile, the Group places emphasis on the training of internal talents, selecting key staff members with excellent working performance and potential for development to join the key positions in the Group. As at 31 December 2013, the Group had a total of 4,821 staff members.

The Group has established a comprehensive remuneration incentive scheme under which staff remuneration is determined according to position values, capabilities and work performance of the staff with reference to market trends. In addition, to promote its long-term development, the Group has implemented the long term incentive share option scheme and granted share options to its management, its subsidiaries' senior management and certain key staff members, so as to promote the staff's proactiveness and retaining talents. The Group developed a comprehensive performance management system which ensures fairness in staff appraisals and links the appraisal results to staff remuneration and promotions.

The Group places strong emphasis on staff training, and encourages staff to enhance their abilities through continuous training, so as to build a high quality team of management and professionals that best suits the Group's business development.

From left to right: Mr. Ding Xun, Professor Wong Yuk Shan, Mr. Yang Hai, Mr. Li Jing Qi, Mr. Gao Lei, Mr. Li Lu Ning, Mr. Leung Ming Yuen, Simon, Mr. Nip Yun Wing and Mr. Liu Jun

MEMBERS OF THE BOARD

EXECUTIVE DIRECTORS

Mr. Gao Lei
Chairman

Mr. Gao, aged 54, was appointed in September 2012 as the Chairman of the board of directors of the Company. Mr. Gao 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. Gao holds a master degree in money and banking from Xi'an Jiaotong University and is a senior economist. Mr. Gao had successively worked as a deputy section chief of the International Department and Credit Management Department of Shenzhen Branch of Bank of China, an executive member (section chief level) of the Finance Office of Shenzhen Municipal People's Government, secretary (deputy division chief level) of the Secretariat of The General Office of Shenzhen Municipal People's Government, assistant to the president of Shenzhen Development Bank and concurrently branch manager of Bao'an Sub-branch and Guangzhou Branch, assistant to the president and chief economist of Shenzhen Investment Holding Corporation as well as the chief economist and deputy director of Shenzhen Municipal People's Government State-owned Assets Supervision and Administration Commission. During the period from September 2010 to April 2011, Mr. Gao was the chairman of Shenzhen Tagen Group Co., Ltd. (shares of which are listed on the Shenzhen Stock Exchange). Mr. Gao is currently a director of Ultrarich International Limited. Mr. Gao has extensive experience in finance, investment, corporate management and administration.

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

Mr. Li, aged 57, 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 has been 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 Li Lu Ning
Member of the Remuneration Committee

Mr. Li, aged 54, was appointed in September 2012 as an Executive Director of the Company. Mr. Li holds a bachelor's degree in law from Nankai University and is a senior economist. Mr. Li had successively worked as the deputy director of the Secretariat of The General Office of Shenzhen Municipal Committee (深圳市委辦公廳秘書處), deputy director (director level) of Shenzhen Municipal Bureau of Classified State Information (深圳市國家保密局), director of the Conference Division of The General Office of Shenzhen Municipal Committee (深圳市委辦公廳會議處), deputy general manager of Shenzhen Dachanwan Investment & Development Co., Ltd. (深圳市大鏟灣投資發展有限公司) and a director of Shenzhen Metro Group Co., Ltd. He has been a member of Shenzhen Committee of Chinese People's Political Consultative Conference since April 2008. Mr. Li is a visiting professor at Shenzhen University Metro College (深圳大學軌道交通學院). Mr. Li is currently the vice chairman of Shenzhen Airlines Company Limited and a director of Ultrarich International Limited. Mr. Li has extensive experience in corporate management.

Mr. Liu Jun
Vice President

Mr. Liu, aged 50, 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 currently a director of Shenzhen Airlines Company Limited. 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 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 53, 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 served as 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 was 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 DIRECTOR

Professor Wong Yuk Shan, *BBS, JP*

Professor Wong, aged 64, 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 Society of Biology in the United Kingdom and a Fellow of the Hong Kong Institute of Science. As at the date of this report, Professor Wong is the vice-president for Administration and Business and professor of Life Science at the Hong Kong University of Science and Technology. Professor Wong also serves as a HKSAR deputy of the National People's Congress of China, a member of the Committee of Hong Kong Basic Law, the chairman of Veterinary Surgeons Board of Hong Kong and the chairman of the Consumer Council. Professor Wong had taught at the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University), the Chinese University of Hong Kong and was the vice-president of the City University of Hong Kong.

Note: *On 1 April 2014, Professor Wong will be appointed as the president of the Open University of Hong Kong and ceased to be the vice-president for Administration and Business and professor of Life Science at the Hong Kong University of Science and Technology.*

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 65, 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 54, 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 had 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 60, 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 49, 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 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, aged 49, 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. Mr. Zhao graduated from Xiamen University with a master's degree in international economic law and was 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, he was a director of Shenzhen Airlines Company Limited. Mr. Zhao is currently a non-executive director of Shenzhen Expressway Company Limited.

Mr. Hu Wei
Vice President

Mr. Hu, aged 51, 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 44, joined the Group as Chief Financial Officer in June 2000. Mr. Tse is responsible for the Group's financial management and planning and coordinating the Group's major transactions. Mr. Tse graduated from Monash University in Australia with a bachelor's degree in accounting and computer science. He is a Fellow of the Hong Kong Institute of Certified Public Accountants and a FCPA of CPA Australia. Mr. Tse is currently a non-executive director of Shenzhen Expressway Company Limited and an independent non-executive director of Casablanca Group Limited and China Huirong Financial Holdings Limited respectively. 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.

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 2013 (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 and information services platform. Particulars of the principal activities of the Company's principal subsidiaries are set out in note 40 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 65 to 152.

DIVIDENDS

The Board recommended a final dividend of HK$0.374 per share for the Year (2012: HK$0.374 *(Note)*). The total dividend for the Year amounted to HK$620 million (2012: HK$612 million).

The Board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares (the "Scrip Share Scheme"). The Scrip Share Scheme is subject to: (1) the approval of the proposed final dividend at the forthcoming annual general meeting; and (2) The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new shares to be issued pursuant thereto. Details of the Scrip Share Scheme and the election form will be sent to shareholders of the Company on or about 27 May 2014. It is expected that the final dividend warrants and certificates for scrip shares allotted under the Scrip Share Scheme will be despatched to shareholders on or about 24 June 2014.

Note: *Dividend per share has been adjusted on the basis of the number of shares of the Company after every 10 shares of the Company with a nominal value of HK$0.10 each be consolidated into 1 consolidated share of the Company with a nominal value of HK$1.00 each (the "Share Consolidation") became effective on 13 February 2014.*

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 changes 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 its 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 2013, the Company's reserves available for distribution to shareholders, comprising contributed surplus, retained earnings and other distributable reserves, amounted to approximately HK$1,439,062,000 (2012: HK$1,381,840,000). 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. Gao Lei *(Chairman)*
Mr. Li Jing Qi
Mr. Li Lu Ning
Mr. Liu Jun
Mr. Yang Hai

Non-executive Director

Professor Wong Yuk Shan

Independent non-executive Directors

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

In accordance with the Company's Bye-Law 109(A), Mr. Li Jing Qi, Professor Wong Yuk Shan and Mr. Nip Yun Wing will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election as Directors.

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 subsisting during or at the end of 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 61 to 62 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 joint ventures 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 114,328,116 shares (taking into account the Share Consolidation which became effective on 13 February 2014) which represent approximately 6.9% 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 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 *(Note 1)*:

				Number of unlisted share options (physically settled equity derivatives)					Share price of the Company *(Note 5)*	
Name and category of participants	**Date of grant of share options**	**Exercise period of share options**	**Exercise price of share options** *(Note 4)*	**As at 1 January 2013**	**Granted during the Year**	**Exercised during the Year**	**Cancelled/ lapsed during the Year**	**As at 31 December 2013**	**As at the date of grant of share options**	**As at the date of exercise of share options**
			HK$						HK$	HK$
Directors										
Mr. Gao Lei	18 January 2013 *(Note 2)*	28 September 2014 to 27 September 2015	0.910	–	6,560,000	–	–	6,560,000	0.880	N/A
Mr. Li Jing Qi	28 September 2010 *(Note 3)*	28 September 2012 to 27 September 2015	0.580	17,000,000	–	11,900,000	–	5,100,000	0.590	0.950
Mr. Li Lu Ning	18 January 2013 *(Note 2)*	28 September 2014 to 27 September 2015	0.910	–	5,250,000	–	–	5,250,000	0.880	N/A
Mr. Liu Jun	28 September 2010 *(Note 3)*	28 September 2012 to 27 September 2015	0.580	14,300,000	–	10,010,000	–	4,290,000	0.590	0.980
Mr. Yang Hai	28 September 2010 *(Note 3)*	28 September 2012 to 27 September 2015	0.580	14,300,000	–	9,569,000	–	4,731,000	0.590	0.920
				45,600,000	11,810,000	31,479,000	–	25,931,000		
Other employees										
In aggregate	18 January 2013 *(Note 2)*	28 September 2014 to 27 September 2015	0.910	–	8,000,000	–	–	8,000,000	0.880	N/A
	28 September 2010 *(Note 3)*	28 September 2012 to 27 September 2015	0.580	226,359,200	–	112,985,000	960,000	112,414,200	0.590	0.980
				226,359,200	8,000,000	112,985,000	960,000	120,414,200		
				271,959,200	19,810,000	144,464,000	960,000	146,345,200		

Notes:

(1) As the Share Consolidation became effective on 13 February 2014, the information regarding the share options (including exercise price, number and share price of the Company) was disclosed on the basis of the information before the Share Consolidation became effective.

(2) These share options granted will be vested on 28 September 2014. However, vesting of these share options is conditional upon the achievement of certain performance targets by the individual grantees and the Group.

(3) 40% of these share options granted has been vested on the date which is 24 months after 28 September 2010 (the "Date of Grant"); another 30% of these share options granted has been 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 conditional upon the achievement of certain performance targets by the individual grantees and the Group.

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

(5) 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(s) on which the share options with the disclosure category were exercised.

The Group is in compliance with the requirements as stipulated in Hong Kong Financial Reporting Standard 2 "Share-based Payment". During the Year, provisions amounting to HK$8,351,000 were made for the cost of share options granted by the Company, and was already recognised in the Consolidated Income Statement. 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.

Details of the model and significant assumptions used to estimate the fair value of the share options granted by the Company to eligible participants during the Year are set out in note 19 to the consolidated financial statements. Such option pricing model requires input of subjective assumptions. Any changes in the subjective input assumptions may materially affect the estimation of the fair value of the share options.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SECURITIES

The interests in securities of substantial shareholders of the Company and other persons are separately disclosed in the section headed "**DISCLOSURE OF INTERESTS**" on pages 61 to 62 of this Annual Report.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of significant related party transactions of the Group (which do not constitute connected transactions or continuing connected transactions under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules")) are set out in note 39 to the financial statements.

On 17 January 2013, the Company's indirect wholly-owned subsidiary, Shenzhen Shen Guang Hui Highway Development Company ("SZ SGH Highway"), signed an article of association with ten other companies including the controlling shareholder of the Company, Shenzhen Investment Holdings Company Limited ("SIHCL") in relation to the establishment of Kashi Shenzhen City Company Limited (the "Project Company") in respect of the "Shenzhen City" project in Kashi, Xinjiang. Accordingly, SZ SGH Highway will make a capital contribution of RMB50,000,000 in cash for the investment in the Project Company, representing approximately 7.58% of the total registered capital of the Project Company.

SIHCL is a connected person of the Company and accordingly, the investment in the Project Company constitutes a connected transaction of the Group under Chapter 14A of the Listing Rules. For further information of this transaction, please refer to the Company's announcement dated 17 January 2013.

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").

Pursuant to the Loan Agreement, the Company undertakes to ensure that the controlling shareholder of the Company, namely Shenzhen Municipal People's Government 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. In the event of default under the Loan Agreement, the Lenders may declare that the outstanding loan, accrued interest and other sums payable to be immediately due and payable; and/or declare that the facility under the Loan Agreement be terminated.

The Company has already repaid the loan in full to the Lenders under the Loan Agreement on 31 July 2013.

POST BALANCE SHEET EVENTS

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

DONATIONS

During the Year, the Group made charitable and other donations amounted to approximately HK$735,000.

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 50 to 60 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

Gao Lei
Chairman

Hong Kong, 31 March 2014

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 by the Company over the years, including "Constitution of the Board of Directors", "Terms of reference of the Executive Committee of the Board of Directors" 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.

Throughout the year ended 31 December 2013 (the "Year"), the Company has complied with the code provisions set out in "Corporate Governance Code and Corporate Governance Report" of Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") save that two executive directors of the Company and an independent non-executive director of the Company who had to handle business outside Hong Kong were unable to attend the annual general meeting of the Company held on 20 May 2013 (the "2013 AGM"). The Company aims to continually enhance its corporate governance practices, thereby laying a good foundation for driving the Company's development and maximising value for the shareholders of the Company (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 ensures that the necessary financial and human resources are in place for the Group to meet its objectives. 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 five executive directors: Messrs. Gao Lei, Li Jing Qi, Li Lu Ning, Liu Jun and Yang Hai; one non-executive director, 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 of the Company are set out in the "Biographies of Directors and Senior Management" section on pages 41 to 44.

BOARD MEETINGS

The Board meets regularly and holds at least four meetings a year and are held at approximately quarterly interval. 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 of the Company 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 interested director shall abstain from voting.

In 2013, a total of five Board meetings were held. Notice of at least 14 days are given for regular Board meetings and notice of at least seven days are given for meetings other than regular meetings. To ensure all directors of the Company 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 2013.

The following major issues were addressed in the Board meetings in 2013:

- approving and considering the 2012 annual results and the payment of dividend;
- approving the 2013 interim results;
- reviewing the results and business operations of the first and third quarters of 2013;
- approving the appointment of Mr. Li Lu Ning as a member of the Remuneration Committee and the resignation of Mr. Li Jing Qi as a member of the Remuneration Committee; and
- considering and approving the proposal regarding further development of the first batch of lands of Guilong project by Shenzhen Expressway Company Limited.

Specialised Committees of the Board

In order to assist the Board in discharging their duties in a more efficient manner, the Board has established three specialised committees, namely the Audit Committee, Nomination Committee and Remuneration Committee with separate terms of reference and clearly defined their respective 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 rests with the Board. Each Board 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 Board Committees may seek independent professional advice so that the Board Committees 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 Committee of the Board ("Executive Board Committee") is required.

The responsibilities and the work performed by each Board committee during 2013 are set out below:

Audit Committee (established in 1995)

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

Responsibilities and work performed in 2013

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

- to 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 Company and to review significant opinions in respect of the financial information contained therein;
- 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;
- 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; and
- to review arrangements by which employees, in confidence, can raise concerns about possible improprieties in financial reporting, internal control or other matters. The Committee is to ensure proper arrangements are in place for the fair and independent investigation of such concerns and appropriate follow up actions.

The Audit Committee held 4 meetings during 2013 and the following major issues were reviewed and discussed in the meetings:

- reviewed the annual results for 2012 and the interim results for 2013, and confirmed the related disclosures in the financial statements were complete, accurate and fair and recommended the same to the Board for approval;
- approved the auditor's fees for audit of 2012 financial statements and fees for review of 2013 interim financial statements;
- recommended on the re-appointment of the auditor;
- reviewed 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
- reviewed the relevant procedures of internal control and risk management.

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

Nomination Committee (established in December 2003)

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

Responsibilities and work performed in 2013

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 of the Company;
- to assess the qualification and experience of candidates for directors and the independence for independent non-executive directors of the Company and advise the Board thereon;
- to assess qualification and experience of the directors who are subject to retirement by rotation and re-election at each annual general meeting and advise the Board thereon;
- to review the structure, size and composition (including the skills, knowledge and experience) of the Board; and
- to review the Board Diversity Policy, as appropriate, including any measurable objectives that it has set for implementing the Board Diversity Policy and the progress on achieving these objectives.

The Nomination Committee held 1 meeting during 2013, the following major issues were reviewed and discussed during the Year:

- recommended to the Board for the amendment of terms of reference of the Nomination Committee;
- recommended to the Board for the approval of the Board Diversity Policy;
- reviewed and confirmed the independence of the three independent non-executive directors;
- reviewed the structure and composition of the Board; and
- evaluating and making recommendation as to the performance of the directors of the Company who were subject to retirement by rotation and re-election at the 2013 AGM.

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 Lu Ning. Mr. Li Lu Ning was appointed a member of Remuneration Committee in place of Mr. Li Jing Qi with effect from 28 March 2013.

Responsibilities and work performed in 2013

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 of the Company, 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 to the Board in respect of the remuneration level of individual 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 remuneration packages of all executive directors and senior management of the Company, 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 determines the remuneration packages of each individual executive director and senior management, including benefits in kind, pension entitlements and compensation payments. During the Year, the Remuneration Committee had communicated with the Chief Executive Officer about proposals relating to the remuneration packages of other executive directors and senior management.

The Remuneration Committee held 2 meetings during 2013, the following major issues were reviewed and discussed in the meetings:

- considered bonus payments for the senior management in 2012;
- considered and approved the entering into of new service contract with an executive director of the Company;
- recommended to the Board for approving the changes to the composition of Remuneration Committee; and
- considered the grant of share options to the executive directors and senior management of the Company.

Pursuant to paragraph B.1.5 of the Corporate Governance Code, the remuneration of the members of the senior management by band for the Year is set out below:

Remuneration band	Number of individuals
HK$1,000,001– HK$2,000,000	3
HK$3,000,001 – HK$4,000,000	1

Details of the directors' fee and other emoluments of the directors of the Company are set out in note 30 to the financial statements.

The attendance records of Board and Board Committee meetings held in 2013 and 2013 AGM

Details of the directors' attendance at the Board meetings and Committee meetings held in 2013 and 2013 AGM are set out in the following table:

	Number of Meetings Attended/ Number of Meetings Held					
Directors	**Board**	**Audit Committee**	**Nomination Committee**	**Remuneration Committee**	**Executive Board Committee**	**2013 AGM**
Executive directors						
Mr. Gao Lei *(Chairman)*	**4**/5	N/A	N/A	N/A	**20**/20	**1**
Mr. Li Jing Qi *Note 1*	**5**/5	N/A	**1**/1	**2**/2	**19**/20	**1**
Mr. Li Lu Ning *Note 2*	**5**/5	N/A	N/A	N/A	**20**/20	**0**
Mr. Liu Jun	**5**/5	N/A	N/A	N/A	**15**/20	**0**
Mr. Yang Hai	**5**/5	N/A	N/A	N/A	**16**/20	**1**
Non-executive director						
Professor Wong Yuk Shan	**4**/5	N/A	N/A	N/A	N/A	**1**
Independent non-executive directors						
Mr. Leung Ming Yuen, Simon	**5**/5	**4**/4	**1**/1	**2**/2	N/A	**1**
Mr. Ding Xun	**5**/5	**4**/4	**1**/1	**2**/2	N/A	**0**
Mr. Nip Yun Wing	**5**/5	**3**/4	N/A	N/A	N/A	**1**

Notes:

(1) Mr. Li Jing Qi resigned as a member of Remuneration Committee with effect from 28 March 2013

(2) Mr. Li Lu Ning was appointed as a member of Remuneration Committee with effect from 28 March 2013

SUPPLY OF AND ACCESS TO INFORMATION

Agendas of all Board meetings 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 the directors of the Company to make informed decisions. The Board and each director of the Company 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.

The Board is provided with the Group's monthly management report which give a balanced and understandable assessment of the Group's performance, position and prospects in sufficient details to keep the Board abreast of the Group's affairs and facilitate directors to discharge their duties under the Listing Rules.

THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are two distinct and separate positions, which are held by Mr. Gao Lei and Mr. Li Jing Qi respectively, and they are both executive directors of the Company. 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 of the Company 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 of the Company appointed during the year are subject to re-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.

The Board considers that its diversity is a vital asset to the business. In 2013, the Board adopted a Board Diversity Policy for better transparency and governance.

Board appointments are based on merit and candidates are considered against objective criteria, having due regard for the benefits of diversity on the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service.

TRAINING AND SUPPORT 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 Secretary is responsible for keeping all directors updated on the Listing Rules and other statutory requirements.

During the Year, all directors of the Company have participated in continuous professional development by attending seminars or reading materials on the following topics to develop and refresh their knowledge and skills and provided a record of training to the Company:

Directors	**Topics on training covered** *(Note)*
Mr. Gao Lei	(a)(b)
Mr. Li Jing Qi	(a)(b)(c)
Mr. Li Lu Ning	(a)(b)
Mr. Liu Jun	(a)(b)
Mr. Yang Hai	(a)(b)(c)
Professor Wong Yuk Shan	(a)(b)
Mr. Leung Ming Yuen, Simon	(a)(b)
Mr. Ding Xun	(a)(b)
Mr. Nip Yun Wing	(a)(b)

Notes:

(a) corporate governance
(b) regulatory
(c) industry-specific

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, are likely to be in possession of inside information in relation to the Group.

The Company, having made specific enquiry to all directors of the Company, confirms that all directors of the Company 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 of the Company. Purchase of liability insurance for the directors of the Company 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 as well as to oversee corporate governance matters of the Company.

Executive Board Committee

Members of the Executive Board Committee were appointed by the Board. The Committee consists of five executive directors, namely Mr. Gao Lei, Mr. Li Jing Qi, Mr. Li Lu Ning, Mr. Liu Jun and Mr. Yang Hai.

Responsibilities and works performed in 2013

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 to take the lead of the management for the day-to-day operations of the Group, and to authorise individual executive director of the Company 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 meetings, 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;

(7) to develop and review the Company's policies and practices on corporate governance;

(8) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors;

(9) to review and monitor the training and continuous professional development of the directors and senior management of the Company;

(10) to review the Company's compliance with the Corporate Governance Code under the Listing Rules and disclosure in the Corporate Governance Report; and

(11) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements.

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 reasonable time after the meetings.

During the Year, the Executive Board Committee convened 20 meetings. The meetings discussed and considered the Company's annual and interim results, business development and connected transactions and provided recommendations thereon to the Board. Such meetings also discussed business development plans of the Group's subsidiaries, capital expenditure and loans, considered the budgeting for year 2014; and adjustment plans for financing, opening and cancellation of bank accounts as well as reviewed policies on corporate governance, etc.

FINANCIAL REPORTING

The management had provided the results and financial statements for 2013 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 2013 and the related information disclosed therein were complete, accurate and fair and thereafter the 2013 financial statements had been submitted to the Board for approval to ensure the Board is able to make an informed assessment.

The directors of the Company 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 2013, the Board has selected suitable accounting policies and applied them consistently, made judgments 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 external auditor are further set out in the Independent Auditor's Report in this annual 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.

As a holding company, the Company has been implementing effective management over its subsidiaries. In order to further establish the management and control procedures in relation to the strategic compilation and implementation, operational planning and budgeting and performance assessment in the subsidiaries, the Company formulated the "Guidelines for Group Management" in 2012. In 2013, the Company improved the control models over its subsidiaries, and adopted the control models, including "strategic design", "strategic management", and "strategic control with some functions focused on strategic design" for listed toll road company, logistics (other than logistics development) and logistics development business, respectively, subject to their level of decentralisation. In addition, the Company improved the corporate governance structure for its subsidiaries.

Corporate Internal Management and Control Model

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.

Management Control

Based on the needs of its 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 model, the Group continues to review and make improvement in control procedures and has established clearly defined policies and procedures. With such policies, 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 continues to review its risk management framework and system of internal controls based on the control environment, financial control, operational control, compliance control, and risk management functions. The Company's risk management system focuses on risk identification, risk assessment and risk prevention. The risk governance structure comprises the Board, the Audit Committee, the management of the Company, risk management department and risk coordinators at other departments.

The Company performs risk assessment and risk reporting quarterly and annually in accordance with the "Comprehensive Risk Management Regulations" adopted by the Company. The Company has ongoing process to identify and evaluate the material risks faced by the Group and has drew up process to manage those material business risks. The risk management department oversees material risks of the Group on an ongoing basis.

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 risk management 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 risks 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.

During the Year, the Board has comprehensively reviewed the Group's internal control and risk management systems and their effectiveness, 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 Risk Management Department

In 2002, the Group set up an internal audit department. In 2013, the internal audit department was renamed risk management department according to the adjustment of management and control model of the Group and has delegated the additional responsibility for overseeing the legal affairs, which has effectively strengthened the internal control and risk management functions of the Group. The risk management department has the following major functions:

- internal control and risk management
- internal audit
- financial due diligence for investment projects
- management of asset valuation
- post-investment appraisal
- oversight of legal affairs

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$3,523,000 and HK$791,000 respectively. The non-audit services included professional tax consultation 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 2014 at the forthcoming annual general meeting.

COMPANY SECRETARY

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

Directors of the Company 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 of the Company 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 the specialised committees) in sufficient details on the matters considered by all directors and decisions reached, including any concerns raised by directors of the Company 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.

During 2013, the Company Secretary undertook over 15 hours of professional training to update her skills and knowledge.

GENERAL MEETINGS

Each annual or special general meeting provides a channel of direct communication between the Board and the Shareholders. 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 of the Company regarding issues about the Group's business and operating activities. Directors and senior management of the Company 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 2013 to answer questions raised by the Shareholders.

Date	Matters resolved at the 2013 AGM
20 May 2013	• receipt of the audited financial statements and the reports of the Directors and of the auditors for the year ended 31 December 2012; • payment of the final dividend for the year ended 31 December 2012; • re-election of the retiring directors of the Company and authorisation of the Board to fix the directors' remuneration; • re-appointment of auditors of the Company and authorisation of the Board to fix their remuneration; • granting of a repurchase mandate to the directors of the Company to repurchase shares in the Company; • granting of a general mandate to the directors of the Company to allot, issue and otherwise deal with the shares in the Company; and • extending the general mandate granted to the directors of the Company to allot, issue and otherwise deal with the shares in the Company.

Voting by poll on shareholders' resolutions

All resolutions at the general meetings of the Company shall be decided by poll so as to allow Shareholders of the Company to have one vote for every share held.

Before commencement of the general meeting, the Chairman of the general meeting 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 date of the general meeting.

SHAREHOLDERS' RIGHTS

Convening of special general meeting ("SGM") on requisition of shareholders

In accordance with the Companies Act 1981 of Bermuda (the "Companies Act"), registered Shareholder(s) holding at the date of the deposit of the requisition not less than one-tenth (10%) of the paid-up capital of the Company shall have the right to submit a written requisition requiring a SGM to be convened by the Board.

The written requisition (i) must state the purposes(s) of the meeting, and (ii) must be signed by the requisitionists and deposited at the registered office of the Company for attention of the Company Secretary of the Company, and may consist of several documents in like form, each signed by one or more requisitionists. Such requisitions will be verified by the Company's share registrar and upon its confirmation that the requisition is proper and in order, the Company Secretary will make arrangements in accordance with the relevant laws and regulations for the Board to convene a SGM by serving sufficient notice to all Shareholders.

Procedures for putting forward proposals at general meetings

In accordance with Sections 79 and 80 of the Companies Act, the registered Shareholders are entitled to put forward a proposal at a general meeting if they:

(a) represent not less than one-twentieth (5%) of the total voting rights of the Company at the date of the deposit of the requisition; or

(b) are not less than 100 registered Shareholders.

The written requisition stating the resolutions is duly signed by the registered Shareholder(s) concerned, accompanied by a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with must be deposited at the registered office of the Company. The Company would take appropriate actions and make necessary arrangements, and the Shareholders concerned would be responsible for the expenses incurred in giving effect thereto in accordance with the requirements under Sections 79 and 80 of the Companies Act once valid documents are received.

The Board is grateful to Shareholders for their views, and welcomes their questions and concerns raised in relation to the management and governance of the Group. Shareholders may at any time send their enquiries and concerns to the Board in writing through the Company Secretary at Rooms 2206–2208, 22nd Floor, Greenfield Tower, Concordia Plaza, No. 1 Science Museum Road, Tsimshatsui East, Kowloon, Hong Kong.

Procedures for proposing a person for election as a director of the Company

As regards the procedures for proposing a person for election as a director of the Company, please refer to the procedures made available under the Corporate Governance section of the Company's website www.szihl.com.

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 adopted the "Rules Governing Information Disclosure" by reference to the Listing Rules and the circumstances of the Company.

During the Year, the Company released 16 announcements/notices including annual and interim results, connected transaction, notice of general meetings and overseas regulatory announcements, etc.

Investor Relations

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

The Company is active in building investor relationships through meetings and roadshows with institutional investors and investor conferences arranged by securities dealers. The Company places great emphasis on the investment community and strives to increase analysts' coverage in order to widen publicity of the Company. Up to 2013, 16 highly reputable international and local securities dealers have initiated investment research reports on the Company. Through these interactive communication channels, investors' understanding of the Group's business is enhanced. During the Year, the Company has communicated regularly with investors and analysts through site visits, one-on-one meetings or via teleconferences, with a total of 128 batches of domestic and overseas attendances.

Besides organising presentations on the annual and interim results of the Company, in 2013, the management has also participated in a total of 15 presentations or conferences organised by securities dealers. Details on all promotional activities for the year under review are as follows:

2013	**Major Events**
January	• Participated in "Pulse of Asia Conference" held in Singapore and organised by DBS Vickers • Participated in roadshow held in Singapore and arranged by Standard Chartered Bank • Participated in "Greater China Conference" held in Shanghai and organised by UBS • Participated in "HSBC China Urbanization Investment Day" held in Hong Kong and organised by HSBC
March	• Presented the Company's 2012 annual results to investors
April	• Conducted roadshows in Hong Kong, Japan, Korea and America to present the Company's annual results
May	• Participated in "China Investor Conference" held in Hong Kong and organised by Macquarie Securities • Organised meeting with institutional investors in Shenzhen • Conducted roadshows in Singapore to present the Company's annual results
June	• Participated in "2013 China Conference" held in Beijing and organised by J.P. Morgan • Organised meeting with Japanese-funded institutional investors in Shenzhen
July	• Participated in "Infrastructure & Industrial Corporate Access Days" held in Hong Kong and organised by J.P. Morgan • Participated in "Investor Conference" held in Shenzhen and organised by Shenyin Wanguo Securities • Participated in investors presentation arranged by Jefferies

2013	Major Events
August	• Presented the Company's 2013 interim results to investors • Conducted roadshows in Hong Kong to present the Company's interim results
September	• Conducted roadshows in Beijing and Shanghai to present the Company's interim results • Participated in investor meeting with bond market institutional investors held in Hong Kong and organised by Standard Chartered Bank • Participated in investor meeting held in Hong Kong and organised by RHB OSK Securities
October	• Participated in investor meeting held in Hong Kong and organised by HSBC • Participated in "Asia Pacific Emerging Conference 2013" held in Hong Kong and organised by Standard Charterd Bank
November	• Participated in "Greater China CEO Summit 2013" held in Hong Kong and organised by Goldman Sachs • Participated in "China Conference 2013" held in Beijing and organised by Bank of America Merrill Lynch • Participated in "APAC Infrastructure, Macquarie Transport Conference" held in Hong Kong and organised by Macquarie Securities • Participated in "Citi China Investor Conference 2013" held in Macau and organised by Citigroup • Participated in investor meeting held in Hong Kong and organised by Daiwa Securities

In order to enhance corporate transparency and enable understanding of the Company's business operations by investors, the Company provides investors with information of the Group through Special General Meetings, Annual General Meetings, Annual Reports, Interim Reports and the Company's website.

The Company's website (www.szihl.com) is the most direct channel for the latest information on the Company. Public notices, circulars, press releases, results announcements and other announcements are uploaded 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. All information is available in both Chinese and English.

Through active and regular investor relations activities, the Company has enhanced corporate transparency and two-way communications, deepened its investors' understanding of and trust in the Company's business, established confidence in the Company's future development, as well as garnered recognition and support from the market. As a result, the Company has been able to fully demonstrate the potential of its business development and its intrinsic value. In addition, 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.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 December 2013, 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 set out as follows and in the section headed "**SHARE OPTION SCHEME**" in the Report of the Directors on pages 45 to 49 of this Annual Report:

Long positions in the 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
	(Note 1)			*(Note 2)*
Li Jing Qi	8,286,805	beneficial owner	personal	0.05%
Liu Jun	9,000,000	beneficial owner	personal	0.05%

Notes:

(1) The "Number of ordinary shares held" as at 31 December 2013 is disclosed without taking into account the effect of the consolidation of every 10 shares of the Company with a nominal value of HK$0.10 each be consolidated into 1 consolidated share of the Company with a nominal value of HK$1.00 each (the "Share Consolidation"), which became effective on 13 February 2014.

(2) The percentage figure is calculated by reference to the number of ordinary shares of the Company in issue as at 31 December 2013.

Save as disclosed above, as at 31 December 2013, none of the Directors or chief executives of the Company had any interests or short positions in the 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 45 to 49 of this Annual Report, at no time during the year ended 31 December 2013 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 2013, 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 shareholders	Number of ordinary shares held	Capacity	Approximate % of issued share capital of the Company
	(Note 1)		*(Note 2)*
Shenzhen Investment Holdings Company Limited ("SIHCL") — *Note 3*	7,955,216,814	interest of controlled corporations	48.01%
Ultrarich International Limited ("Ultrarich") — *Note 4*	7,955,216,814	beneficial owner	48.01%

Notes:

(1) *The "Number of ordinary shares held" as at 31 December 2013 is disclosed without taking into account the effect of the Share Consolidation which became effective on 13 February 2014.*

(2) *The percentage figure is calculated by reference to the number of ordinary shares of the Company in issue as at 31 December 2013.*

(3) *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.*

(4) *Messrs. Gao Lei, Li Jing Qi, Li Lu Ning and Liu Jun are the directors of Ultrarich which has an interest in the shares of the Company which are required to be disclosed under Divisions 2 and 3 of Part XV of the SFO.*

Save as disclosed above, as at 31 December 2013, 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 2013, the interests and short positions of other persons in the shares and underlying shares of the Company, which 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:

Name of shareholders	Number of ordinary shares held	Capacity	Approximate % of issued share capital of the Company
	(Notes 1 & 2)		*(Note 3)*
UBS AG	7,669,610 (L)	beneficial owner	0.046%
	7,007,500 (S)	beneficial owner	0.042%
	375,729,496 (L)	person having a security interest in shares	2.27%
	517,930,000 (L) *(Note 4)*	interest of controlled corporation	3.12%
UBS Global Asset Management (Hong Kong) Limited	109,480,000 (L)	beneficial owner	0.66%
UBS Fund Services (Luxembourg) S.A.	383,012,500 (L)	beneficial owner	2.31%
UBS Global Asset Management (Singapore) Ltd	25,337,500 (L)	beneficial owner	0.15%
UBS Financial Services Inc.	100,000 (L)	beneficial owner	0.0006%

Notes:

(1) *The "Number of ordinary shares held" as at 31 December 2013 is disclosed without taking into account the effect of the Share Consolidation which became effective on 13 February 2014.*

(2) *"L" represents other persons' long position in the shares and underlying shares of the Company, "S" represents other persons' short position in the shares and underlying shares of the Company.*

(3) *The percentage figure is calculated by reference to the number of ordinary shares of the Company in issue as at 31 December 2013.*

(4) *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. Accordingly, UBS AG is deemed to be interested in the aggregate of 517,930,000 ordinary shares of the Company held by these companies as disclosed above.*

Save as disclosed above, as at 31 December 2013, 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 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

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 65 to 152, which comprise the consolidated and company balance sheets as at 31 December 2013, 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.

PricewaterhouseCoopers, 22/F, Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 2013, 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, 31 March 2014

CONSOLIDATED BALANCE SHEET

(All amounts in HK dollar thousands unless otherwise stated)

	Note	As at 31 December	
		2013	2012
ASSETS			
Non-current assets			
Property, plant and equipment	6	**4,404,108**	3,829,067
Investment properties	7	**77,700**	72,000
Land use rights	8	**653,711**	651,750
Construction in progress	9	**121,917**	398,468
Intangible assets	10	**23,617,718**	24,188,532
Investments in associates	12	**5,505,921**	5,021,531
Investments in joint ventures	13	**335,905**	317,382
Available-for-sale financial assets	14	**102,743**	37,511
Deferred income tax assets	24	**78,474**	96,842
Other non-current assets	15	**310,914**	81,144
		35,209,111	34,694,227
Current assets			
Inventories	16	**446,740**	8,636
Available-for-sale financial assets	14	**1,270,934**	1,646,963
Trade and other receivables	17	**1,339,532**	1,165,060
Restricted bank deposits	18	**6,613**	2,302
Cash and cash equivalents	18	**4,950,409**	4,866,080
		8,014,228	7,689,041
Total assets		**43,223,339**	42,383,268
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital and share premium	19	**5,100,212**	4,952,487
Other reserves	20	**895,044**	637,250
Retained earnings			
— Proposed dividends	35	**619,755**	612,349
— Others		**7,374,728**	6,443,120
		13,989,739	12,645,206
Non-controlling interests		**7,918,366**	7,342,934
Total equity		**21,908,105**	19,988,140

Consolidated Balance Sheet

(All amounts in HK dollar thousands unless otherwise stated)

	Note	As at 31 December 2013	2012
Liabilities			
Non-current liabilities			
Borrowings	21	**15,024,790**	14,072,020
Derivative financial instruments	22	**9,134**	36,003
Provision for maintenance/resurfacing obligations	23	**294,430**	243,556
Deferred income tax liabilities	24	**1,431,702**	1,547,673
		16,760,056	15,899,252
Current liabilities			
Trade and other payables	25	**1,918,239**	2,082,289
Income tax payable		**173,495**	123,412
Provision for maintenance/resurfacing obligations	23	**134,996**	377,447
Borrowings	21	**2,296,824**	3,897,663
Derivative financial instruments	22	**31,624**	15,065
		4,555,178	6,495,876
Total liabilities		**21,315,234**	22,395,128
Total equity and liabilities		**43,223,339**	42,383,268
Net current assets		**3,459,050**	1,193,165
Total assets less current liabilities		**38,668,161**	35,887,392

The notes on pages 73 to 152 are an integral part of these consolidated financial statements.

The financial statements on page 65 to 152 were approved by the Board of Directors on 31 March 2014 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 2013	2012
ASSETS			
Non-current assets			
Investments in subsidiaries	11(a)	**5,791,572**	5,472,242
Amounts due from subsidiaries	11(b)	**2,562,183**	2,200,233
		8,353,755	7,672,475
Current assets			
Other receivables	17	**1,367**	1,642
Dividends due from subsidiaries		**4,502,847**	3,874,884
Cash and cash equivalents	18	**43,719**	261,932
		4,547,933	4,138,458
Total assets		**12,901,688**	11,810,933
EQUITY AND LIABILITIES			
Share capital and share premium	19	**5,100,212**	4,952,487
Other reserves	20	**1,507,000**	1,250,484
Retained earnings	33		
— Proposed dividends	35	**619,755**	612,349
— Others		**760,792**	710,976
Total equity		**7,987,759**	7,526,296
Liabilities			
Non-current liabilities			
Borrowings	21	**4,040,103**	3,258,765
Derivative financial instruments	22	**9,134**	16,022
		4,049,237	3,274,787
Current liabilities			
Other payables	25	**6,797**	11,104
Borrowings	21	**854,396**	980,274
Derivative financial instruments	22	**–**	15,065
Amount due to a subsidiary		**3,499**	3,407
		864,692	1,009,850
Total liabilities		**4,913,929**	4,284,637
Total equity and liabilities		**12,901,688**	11,810,933
Net current assets		**3,683,241**	3,128,608
Total assets less current liabilities		**12,036,996**	10,801,083

The notes on pages 73 to 152 are an integral part of these consolidated financial statements.

The financial statements on page 65 to 152 were approved by the Board of Directors on 31 March 2014 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 2013	2012
Revenue	5, 26	**5,962,765**	5,739,514
Cost of sales	29	**(3,025,297)**	(3,101,685)
Gross profit		**2,937,468**	2,637,829
Other losses — net	27	**(30,723)**	(2,638)
Other income	28	**72,461**	82,841
Distribution costs	29	**(64,198)**	(42,607)
Administrative expenses	29	**(330,661)**	(336,758)
Operating profit		**2,584,347**	2,338,667
Share of profit of joint ventures	13	**32,441**	15,223
Share of profit of associates	12	**759,420**	1,275,655
Profit before finance costs and tax		**3,376,208**	3,629,545
Finance income	31	**77,276**	73,277
Finance costs	31	**(816,292)**	(927,843)
Finance costs — net	31	**(739,016)**	(854,566)
Profit before income tax		**2,637,192**	2,774,979
Income tax expense	32	**(530,894)**	(479,409)
Profit for the year		**2,106,298**	2,295,570
Attributable to:			
Equity holders of the Company		**1,641,038**	1,878,312
Non-controlling interests		**465,260**	417,258
		2,106,298	2,295,570
Earnings per share attributable to equity holders of the Company during the year (expressed in HK dollars per share)			
— Basic	34(a)	1.00	1.15
— Diluted	34(b)	0.99	1.15

The notes on pages 73 to 152 are an integral part of these consolidated financial statements.

		Year ended 31 December 2013	2012
Dividends	35	**619,755**	612,349

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(All amounts in HK dollar thousands unless otherwise stated)

		Year ended 31 December	
	Note	**2013**	2012
Profit for the year		**2,106,298**	2,295,570
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Fair value losses on available-for-sale financial assets, net of tax	20	**(13,133)**	(31,623)
Reclassification of fair value gains to income statement upon disposal of available-for-sale financial assets, net of tax	20	**(229,842)**	–
Fair value gains on derivative financial instruments, net of tax	22	**21,162**	10,268
Reclassification of fair value losses to income statement upon derecognition of cash flow hedges, net of tax		**458**	1,506
Share of other comprehensive loss of an associate	20	**(76)**	(4)
Currency translation differences		**622,113**	153,243
Other comprehensive income for the year, net of tax		**400,682**	133,390
Total comprehensive income for the year		**2,506,980**	2,428,960
Total comprehensive income attributable to:			
Equity holders of the Company		**1,812,121**	1,955,919
Non-controlling interests		**694,859**	473,041
Total comprehensive income for the year		**2,506,980**	2,428,960

The notes on pages 73 to 152 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 2012	4,937,120	474,490	5,802,591	11,214,201	6,934,105	18,148,306
Comprehensive income						
Profit for the year	–	–	1,878,312	1,878,312	417,258	2,295,570
Other comprehensive income						
Fair value losses on available-for-sale financial assets, net of tax	–	(31,623)	–	(31,623)	–	(31,623)
Fair value gains/(losses) on derivative financial instruments, net of tax	–	12,426	–	12,426	(2,158)	10,268
Reclassification of fair value losses to income statement upon derecognition of cash flow hedges, net of tax	–	1,506	–	1,506	–	1,506
Share of other comprehensive loss of an associate	–	(4)	–	(4)	–	(4)
Currency translation differences	–	95,302	–	95,302	57,941	153,243
Total other comprehensive income	–	77,607	–	77,607	55,783	133,390
Total comprehensive income	–	77,607	1,878,312	1,955,919	473,041	2,428,960
Transactions with owners in their capacity as owners						
Employee share options						
— proceeds from shares issued	464	–	–	464	–	464
— value of employee services	14,903	–	–	14,903	–	14,903
Transfer to reserves	–	85,153	(85,153)	–	–	–
Dividend relating to 2011	–	–	(540,281)	(540,281)	–	(540,281)
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	(241,678)	(241,678)
Injection by non-controlling interests	–	–	–	–	177,466	177,466
Total transactions with owners	15,367	85,153	(625,434)	(524,914)	(64,212)	(589,126)
Balance at 31 December 2012	4,952,487	637,250	7,055,469	12,645,206	7,342,934	19,988,140

(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 2013	4,952,487	637,250	7,055,469	12,645,206	7,342,934	19,988,140
Comprehensive income						
Profit for the year	–	–	1,641,038	1,641,038	465,260	2,106,298
Other comprehensive income						
Fair value losses on available-for-sale financial assets, net of tax	–	(13,133)	–	(13,133)	–	(13,133)
Reclassification of fair value gains to income statement upon disposal of available-for-sale financial assets, net of tax	–	(229,842)	–	(229,842)	–	(229,842)
Fair value gains on derivative financial instruments, net of tax	–	20,065	–	20,065	1,097	21,162
Reclassification of fair value losses to income statement upon derecognition of cash flow hedges, net of tax	–	458	–	458	–	458
Share of other comprehensive loss of an associate	–	(76)	–	(76)	–	(76)
Currency translation differences	–	393,611	–	393,611	228,502	622,113
Total other comprehensive income	–	171,083	–	171,083	229,599	400,682
Total comprehensive income	–	171,083	1,641,038	1,812,121	694,859	2,506,980
Transactions with owners in their capacity as owners						
Employee share options						
— proceeds from shares issued	83,789	–	–	83,789	–	83,789
— value of employee services	8,351	–	–	8,351	–	8,351
Transfer to reserves	–	86,711	(86,711)	–	–	–
Dividend relating to 2012	–	–	(615,313)	(615,313)	–	(615,313)
Issue of scrip shares as dividend	55,585	–	–	55,585	–	55,585
Dividend paid to non-controlling interests by subsidiaries	–	–	–	–	(216,313)	(216,313)
Injection by non-controlling interests	–	–	–	–	96,886	96,886
Total transactions with owners	147,725	86,711	(702,024)	(467,588)	(119,427)	(587,015)
Balance at 31 December 2013	5,100,212	895,044	7,994,483	13,989,739	7,918,366	21,908,105

The notes on pages 73 to 152 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 **2013**	2012
Cash flows from operating activities			
Cash generated from operations	36	**3,709,211**	3,338,672
Interest paid		**(880,789)**	(767,646)
Income tax paid		**(492,905)**	(642,090)
Net cash generated from operating activities		**2,335,517**	1,928,936
Cash flows from investing activities			
Proceeds from the disposal of asset held for sale		**–**	9,261
Purchase of property, plant and equipment, construction in progress, intangible assets and other assets		**(1,319,136)**	(1,318,348)
Increase in investments in associates	12	**(20,825)**	(97,266)
Increase in investments in a joint venture	13	**(1,538)**	–
Purchase of available-for-sale financial assets	14	**(64,078)**	–
Proceeds from disposal of property, plant and equipment	36	**15,749**	29,386
Proceeds from disposal of a joint venture		**–**	6,588
Proceeds from disposal of available-for-sale financial assets, net of income tax paid		**369,088**	–
Interest received		**81,077**	71,311
Dividends received		**514,866**	152,523
Net cash used in investing activities		**(424,797)**	(1,146,545)
Cash flows from financing activities			
Capital contribution by non-controlling interests		**96,886**	177,466
Proceeds from borrowings		**3,449,935**	563,646
Proceeds from issuance of senior notes		**–**	2,296,794
Proceeds from issuance of private placement notes		**–**	992,664
Proceeds from issuance of ordinary shares		**83,789**	464
Repayments of borrowings		**(4,678,546)**	(2,896,383)
(Increase)/decrease in restricted bank deposits		**(4,311)**	7,216
Dividends paid to the Company and subsidiaries' shareholders		**(776,041)**	(781,959)
Net cash (used in)/generated from financing activities		**(1,828,288)**	359,908
Net increase in cash and cash equivalents		**82,432**	1,142,299
Cash and cash equivalents at beginning of year		**4,866,080**	3,723,557
Exchange gains		**1,897**	224
Cash and cash equivalents at end of year	18	**4,950,409**	4,866,080

The notes on pages 73 to 152 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 joint ventures include the following businesses:

— Toll roads; and

— Logistic business.

The Group's operations are 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 "Stock Exchange"). One of the major subsidiaries of the Company, Shenzhen Expressway Company Limited ("Shenzhen Expressway") is listed on the Stock Exchange and Shanghai Stock Exchange.

As at 31 December 2013, Ultrarich International Limited ("Ultrarich") owns 7,955,216,814 ordinary shares of the Company directly, representing approximately 48.01% 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 48.01% 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 People's Government 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 31 March 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal 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, derivative financial instruments 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) The following new standards and amendments to existing standards have been adopted by the Group for the first time for the financial year beginning 1 January 2013:

- Amendment to Hong Kong Accounting Standards ("HKAS") 1, 'Financial statements presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

- HKFRS 10 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

- HKFRS 11 'Joint arrangements' is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed. Before 1 January 2013, the Group's interests in its jointly controlled entities were accounted for using the equity method. Under HKFRS 11, these jointly controlled entities have been assessed to be joint ventures and are still accounted for using the equity method.

- HKFRS 12 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

Other new and revised standards, amendments and interpretations to the existing standards that are mandatory for the first time for the financial year beginning 1 January 2013 had no impact on or are currently not relevant to 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 and revised standards, amendments and interpretations have been issued and are relevant to the Group but are not effective for the financial year beginning 1 January 2013 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendment to HKAS 32	Financial Instruments: Presentation on assets and liabilities offsetting	1 January 2014
Amendments to HKFRS 10, HKFRS12 and HKAS 27	Consolidation for investment entities	1 January 2014
Amendments to HKAS 36	'Impairment of assets' on recoverable amount disclosures	1 January 2014
Amendments to HKAS 39	Financial instruments: Recognition and Measurement — Novation of derivatives	1 January 2014
Annual improvements 2012	Changes from the 2010–2012 cycle of the annual improvements project	1 January 2014
Annual improvements 2013	Changes from the 2011–2013 cycle of the annual improvements project	1 January 2014
HKFRS 9	Financial instruments	The mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

The Group has assessed the impact of the above new standards and amendments to existing standards and based on the preliminary results of assessment, the Group currently does not expect the adoption of these standards and amendments would have a significant impact on its results of operations and financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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 the total of consideration transferred, non-controlling interest recognised and previously held interest measured 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 income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(a) Subsidiaries (continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

(c) Change in ownership interest in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, 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.

(e) 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 investments in associates include goodwill identified on acquisition, net of any accumulated impairment loss. Goodwill on acquisition 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Consolidation (continued)

(e) Associates (continued)

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.

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.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

(f) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements as of 1 January 2013. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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"). As the Company is listed on the Stock Exchange, 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.

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/(losses) — 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.

(All amounts in HK dollar thousands unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Foreign currency translation (continued)

(c) Group companies (continued)

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. Exchange differences arising are recognised in other comprehensive income.

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.

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 equipment 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 (Note 2.10).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 building and car parking spaces, is held for long-term rental yields and is not occupied by the Group. Investment property is initially measured at cost, including related transaction costs. After initial recognition, 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/(losses) — 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.

2.9 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 a 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 joint ventures

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 joint ventures 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: 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) 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.

(b) 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 end of the reporting period.

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 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/(losses) — 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial assets (continued)

2.11.2 Recognition and measurement (continued)

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

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Impairment of financial assets (continued)

(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. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated 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/(losses) — net'.

Amounts accumulated in equity are reclassified to profit or loss 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/(losses) — net'.

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/(losses) — net'.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Inventories

Inventories mainly represent lands held for development, 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.

Lands held for development are classified as properties under development under inventories. Properties under development are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sale proceeds of properties sold in the ordinary course of business, less applicable variable selling expenses and the anticipated costs to completion, or by management estimates based on prevailing marketing conditions.

Development cost of property comprises cost of land use rights, construction costs, depreciation of machinery and equipment, borrowing costs capitalised for qualifying assets and professional fees incurred during the development period.

Properties under development are classified as current assets when the construction of the relevant properties commences unless the construction period of the relevant property development project is expected to complete beyond normal operating cycle.

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 allowance 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 and entity 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.20 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried 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 pre-payment 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 end of the reporting period.

2.21 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Compound financial instruments

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

The liability component of a compound financial instrument was recognised initially at the fair value of a similar liability that did not have an equity conversion option. The equity component was 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 were 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 was measured at amortised cost using the effective interest method. The equity component of a compound financial instrument was not re-measured subsequent to initial recognition except on conversion or expiry.

Liability component of a convertible instrument was classified as current unless the Group had an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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.

(a) Current income tax

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, joint ventures 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.

(b) Deferred income tax

Inside basis differences

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, 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 substantively 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Current and deferred income tax (continued)

(b) Deferred income tax (continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint ventures, except for deferred income tax liability 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. Generally the group is unable to control the reversal of the temporary difference for associates. Only where there is an agreement in place that gives the group the ability to control the reversal of the temporary difference not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Employee benefits and share-based payments (continued)

(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 remaining an employee of the entity over a specified time period); and
- excluding the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service 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.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

At the end of each reporting period, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.24 Employee benefits and share-based payments (continued)

(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 is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods and services supplied, stated net of discounts returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Toll revenue

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.26 Revenue recognition (continued)

(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) Rental income

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

(d) Logistic related service revenues

Logistic related service revenues includes: (i) provision of logistics management, including freight forwarding services, and other ancillary services; and (ii) cargo shipment, transhipment and godown storage of port. Logistics related service revenues are recognised when the related services are rendered.

(e) 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.

(f) Dividend income

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

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 and the Company'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 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 2013, the Group has cash and bank balances of HKD60,209,000 (2012: HKD24,179,000) and bank borrowings of HKD3,141,861,000 (2012: HKD2,723,357,000) denominated in HKD, and the Company has cash and bank balances of HKD42,950,000 (2012: HKD5,583,000), and bank borrowings of HKD2,571,059,000 (2012: HKD1,922,930,000) denominated in HKD. As at 31 December 2013, the Group and the Company have borrowings of HKD2,323,440,000 and HKD2,323,440,000 , respectively, (2012: HKD2,316,109,000 and HKD2,316,109,000 , respectively) denominated in USD. 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 2013, the Group had outstanding cross currency and interest rate swap contract with notional principal amount of HKD336,000,000 (2012: HKD357,000,000) to hedge foreign exchange and interest rate risk against its variable-rate foreign currency loans.

As at 31 December 2013, should HKD and USD be weakened/strengthened by 5% against RMB, with all other factors remain unchanged, the profit after income tax for the year would be affected as follows:

	Change of profit after income tax — increase/(decrease)			
	Group		Company	
	2013	2012	**2013**	2012
HKD against RMB				
— Weakened by 5%	**112,895**	96,199	**103,989**	79,290
— Strengthened by 5%	**(112,895)**	(96,199)	**(103,989)**	(79,290)
USD against RMB				
— Weakened by 5%	**95,515**	95,674	**95,565**	95,749
— Strengthened by 5%	**(95,515)**	(95,674)	**(95,565)**	(95,749)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk

The Group

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

The Group's interest rate risk arises from long-term bank borrowings, senior notes, corporate bonds and private placement notes. Bank borrowings issued at variable rates expose the Group to cash flow interest rate risk. Senior notes, corporate bonds and private placement notes 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 2013 and 2012, 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 2013, borrowings of the Group which were issued at floating rates amounted to approximately HKD9,294,000,000 (2012: HKD7,577,000,000). As at 31 December 2013, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged and without taking into account interest capitalisation, the finance costs of the Group would be increased/decreased by approximately HKD46,470,000 (2012: HKD37,885,000).

The Company

The Company's interest rate risk arises from long-term bank borrowings and senior notes. Bank borrowings issued at variable rates expose the Company to cash flow interest rate risk. Senior notes issued at fixed rates expose the Company to fair value interest rate risk.

As at 31 December 2013, borrowings of the Company which were issued at floating rates amounted to approximately HKD2,074,000,000 (2012: HKD717,000,000). As at 31 December 2013, should the interest rate be increased/decreased by 50 basis points with all other factors remain unchanged, the finance costs of the Company would be increased/decreased by approximately HKD10,371,000(2012: HKD3,585,000).

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

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 in respect 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)	
	2013	2012
Share price		
— Increased by 5%	**46,956**	50,738
— Decreased by 5%	**(46,956)**	(50,738)

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents 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 state-owned banks, 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 for the provision for impairment of trade receivables (Note 17), management does not expect any losses from non-performance by customers.

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.

(All amounts in HK dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(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 to meet operational needs while maintaining sufficient headroom on its standby committed borrowing facilities 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 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.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Group				
At 31 December 2013				
Bank borrowings (including the portion of interest expenses)	**2,748,098**	**1,416,413**	**4,891,342**	**4,278,212**
Corporate bonds (including the portion of interest expenses)	**171,729**	**171,729**	**2,206,844**	**1,250,801**
Senior notes (including the portion of interest expenses)	**101,795**	**101,795**	**2,478,892**	**–**
Private placement notes (including the portion of interest expenses)	**60,490**	**1,085,736**	**–**	**–**
Trade and other payables (excluding other taxes payable and staff welfare benefit payable)	**1,632,195**	**–**	**–**	**–**
Derivative financial instruments	**40,429**	**–**	**9,134**	**–**
At 31 December 2012				
Bank borrowings (including the portion of interest expenses)	1,494,446	1,526,486	3,474,976	5,065,691
Convertible and corporate bonds (including the portion of interest expenses)	2,050,230	166,605	2,252,891	1,268,184
Medium-term notes (including the portion of interest expenses)	913,577	–	–	–
Senior notes (including the portion of interest expenses)	101,755	101,755	2,579,688	–
Private placement notes (including the portion of interest expenses)	58,685	58,685	1,053,338	–
Trade and other payables (excluding other taxes payable and staff welfare benefit payable)	1,861,554	–	–	–
Derivative financial instruments	17,043	28,731	16,022	–

(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
Company			
At 31 December 2013			
Bank borrowings (including the portion of interest expenses)	**875,441**	**412,298**	**1,345,379**
Senior notes (including the portion of interest expenses)	**101,795**	**101,795**	**2,478,892**
Other payables	**6,797**	**–**	**–**
Amount due to a subsidiary	**3,499**	**–**	**–**
Derivative financial instruments	**–**	**–**	**9,134**
At 31 December 2012			
Bank borrowings (including the portion of interest expenses)	1,015,271	460,095	512,756
Senior notes (including the portion of interest expenses)	101,755	101,755	2,579,688
Other payables	11,104	–	–
Amount due to a subsidiary	3,407	–	–
Derivative financial instruments	15,065	–	16,022

As at 31 December 2013, the Group and the Company had standby banking facilities of HKD34,558,514,000 (2012: HKD17,096,079,000) and HKD25,534,722,000 (2012: HKD8,298,265,000) respectively.

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 equity. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and bank balances. Total equity is calculated as 'equity', as shown in the consolidated balance sheet.

(All amounts in HK dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital risk management (continued)

The Group maintained a consistent strategy to maintain the gearing ratio within 120%. The gearing ratios at 31 December 2013 and 2012 were as follows:

	2013	2012
Total borrowings	**17,321,614**	17,969,683
Less: cash and bank balances	**(4,957,022)**	(4,868,382)
Net debt	**12,364,592**	13,101,301
Total equity	**21,908,105**	19,988,140
Gearing ratio	**56%**	66%

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 financial assets and financial liabilities that are measured at fair value at 31 December 2013. See Note 7 for disclosures of the investment properties that are measured at fair value.

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	1,270,934	–	64,078	1,335,012
Liabilities				
Derivatives	–	40,758	–	40,758

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 2012:

	Level 1	Level 2	Level 3	Total
Assets				
Available-for-sale financial assets	1,365,974	–	280,989	1,646,963
Liabilities				
Derivatives	–	51,068	–	51,068

There were no transfers between levels 1 and 2 during the year.

(a) Financial instruments in level 1

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 shares of CSG classified as available-for-sale.

(b) Financial instruments in level 2

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 interest rate swaps and cross currency and interest rate swap.

(c) Financial instruments in level 3

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 amounts in HK dollar thousands unless otherwise stated)

3. FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(c) Financial instruments in level 3 (continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2013 and 2012.

	Unlisted equity investments	
	2013	2012
Opening balance	**280,989**	209,669
Net fair value changes	**–**	69,626
Additions	**64,078**	–
Disposals	**(280,989)**	–
Exchange difference	**–**	1,694
Closing balance	**64,078**	280,989

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. The Group appointed an independent professional traffic consultant to reassess the aggregate future traffic volume of Nanguang Expressway, Yanba Expressway and Qinglian Expressway. The Group has adjusted the amortisation unit for the related concession intangible assets according to the revised total projected traffic volume since 1 July 2013 on a prospective basis. Such change in accounting estimate has resulted in increase in profit attributable to shareholders of HKD7,803,000 for the year ended 31 December 2013 and will affect the amortisation charges of the Group in the future.

(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.

(d) Impairment of concession intangible assets

During the year, the toll collection period of Yanba Expressway was adjusted. The Group performed an impairment test for Yanba Expressway according to the approved toll collection periods and considered that the recoverable amount would be able to cover its carrying value and thus no impairment provision was made against it. The assessment of the Group relied on the best estimation of projected traffic volume of Yanba Expressway. Should there be a material difference between the projected traffic volume and the actual results, a change of accounting estimate will be 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 mainly in the PRC. 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 accounting policies

(a) Joint arrangements

The Group holds 40%-51% of the voting rights of its joint arrangement. The Group has joint control over these arrangements as under the contractual agreements, unanimous consent is required from all parties to the agreements for all relevant activities.

The Group's joint arrangement is structured as a limited company and provides the Group and the parties to the agreements with rights to the net assets of the limited company under the arrangements. Therefore, this arrangement is classified as a joint venture.

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.

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

(All amounts in HK dollar thousands unless otherwise stated)

5. SEGMENT INFORMATION (continued)

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

For the year ended 31 December 2013

	Toll roads	Logistic business				Head office function	Total
		Logistic parks	Logistic services	Port	Subtotal		
Revenue	4,933,609[a]	517,924	365,267	145,965	1,029,156	–	5,962,765
Operating profit	2,103,233	211,937	19,169	56,006	287,112	194,002	2,584,347
Share of profit of joint ventures	16,472	14,973	996	–	15,969	–	32,441
Share of profit of associates	217,968	–	2,986	–	2,986	538,466	759,420
Finance income	40,128	1,455	1,297	260	3,012	34,136	77,276
Finance costs	(765,093)	(14,722)	(236)	(19,915)	(34,873)	(16,326)	(816,292)
Profit before income tax	1,612,708	213,643	24,212	36,351	274,206	750,278	2,637,192
Income tax expense	(332,753)	(46,725)	(3,046)	(4,543)	(54,314)	(143,827)	(530,894)
Profit for the year	1,279,955	166,918	21,166	31,808	219,892	606,451	2,106,298
Non-controlling interests	(444,224)	(9,505)	(2,004)	(9,527)	(21,036)	–	(465,260)
Profit attributable to equity holders of the Company	835,731	157,413	19,162	22,281	198,856	606,451	1,641,038
Depreciation and amortisation	1,229,187	84,534	10,926	37,130	132,590	14,120	1,375,897
Capital expenditure							
— Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	590,700	234,310	13,748	46,694	294,752	22,600	908,052
— Additions in investments in associates	20,825	–	–	–	–	–	20,825
— Additions in investments in joint ventures	–	–	1,538	–	1,538	–	1,538

(All amounts in HK dollar thousands unless otherwise stated)

5. SEGMENT INFORMATION (continued)

For the year ended 31 December 2012

	Toll roads	Logistic business				Head office function	Total
		Logistic parks	Logistic services	Port	Subtotal		
Revenue	4,817,383[a]	494,199	310,984	116,948	922,131	–	5,739,514
Operating profit	2,173,546	174,134	4,686	42,020	220,840	(55,719)	2,338,667
Share of profit of joint ventures	3,626	11,323	274	–	11,597	–	15,223
Share of profit of associates	154,810	–	2,009	–	2,009	1,118,836	1,275,655
Finance income	47,514	1,746	1,014	661	3,421	22,342	73,277
Finance costs	(801,323)	(14,172)	(112)	(24,320)	(38,604)	(87,916)	(927,843)
Profit before income tax	1,578,173	173,031	7,871	18,361	199,263	997,543	2,774,979
Income tax expense	(380,716)	(39,134)	(2,638)	–	(41,772)	(56,921)	(479,409)
Profit for the year	1,197,457	133,897	5,233	18,361	157,491	940,622	2,295,570
Non-controlling interests	(402,257)	(9,244)	(259)	(5,498)	(15,001)	–	(417,258)
Profit attributable to equity holders of the Company	795,200	124,653	4,974	12,863	142,490	940,622	1,878,312
Depreciation and amortisation	1,022,980	73,112	12,746	36,040	121,898	12,354	1,157,232
Capital expenditure							
— Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	527,690	238,378	29,330	15,281	282,989	18,177	828,856
— Additions in investments in associates	–	–	–	–	–	97,266	97,266

(a) The revenue from toll roads included construction service revenue under service concession arrangements of HKD190,743,000 (2012: HKD411,389,000) for the year.

(b) The Group has a number of customers. Revenue of approximately HKD156,229,000 (2012: HKD187,782,000) was derived from a single external customer. The related revenue was attributable to entrusted construction revenue (2012: 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 equipment and facilities in port	Total
At 1 January 2012						
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
Year ended 31 December 2012						
Opening net book amount	2,143,565	6,805	41,430	1,019,876	813,221	4,024,897
Additions	4,888	57	3,265	48,687	2,214	59,111
Transfer from construction in progress (Note 9)	41,514	–	–	57,256	3,049	101,819
Adjustment due to final settlement in current year	(36,931)	–	–	(24,925)	–	(61,856)
Disposals	(13,957)	(3,118)	(1,645)	(16,113)	–	(34,833)
Exchange difference	15,517	53	228	6,834	6,280	28,912
Depreciation	(99,849)	(209)	(11,195)	(147,111)	(30,619)	(288,983)
Closing net book amount	2,054,747	3,588	32,083	944,504	794,145	3,829,067
Year ended 31 December 2012						
Costs	2,503,043	10,251	85,090	1,726,619	864,920	5,189,923
Accumulated depreciation and impairment	(448,296)	(6,663)	(53,007)	(782,115)	(70,775)	(1,360,856)
Net book amount	2,054,747	3,588	32,083	944,504	794,145	3,829,067

(All amounts in HK dollar thousands unless otherwise stated)

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

	Land and buildings	Leasehold improvements	Motor vehicles	Furniture, fixtures, and equipment	Loading equipment and facilities in port	Total
Year ended 31 December 2013						
Opening net book amount	2,054,747	3,588	32,083	944,504	794,145	3,829,067
Additions	134,835	193	6,764	65,506	3,057	210,355
Transfer from construction in progress (Note 9)	445,140	1,764	–	12,491	37,936	497,331
Adjustment due to final settlement in current year	72,312	–	–	44,986	–	117,298
Disposals	(2,511)	(1,025)	(2,825)	(8,421)	–	(14,782)
Write-off	(44,586)	–	–	–	–	(44,586)
Exchange difference	57,463	81	836	26,844	23,949	109,173
Depreciation	(108,530)	(1,966)	(10,058)	(147,381)	(31,813)	(299,748)
Closing net book amount	2,608,870	2,635	26,800	938,529	827,274	4,404,108
Year ended 31 December 2013						
Costs	3,164,721	9,655	86,771	1,887,736	932,516	6,081,399
Accumulated depreciation and impairment	(555,851)	(7,020)	(59,971)	(949,207)	(105,242)	(1,677,291)
Net book amount	2,608,870	2,635	26,800	938,529	827,274	4,404,108

Property ownership certificates for buildings and structures with net book amount of HKD482,491,000 (2012: HKD420,339,000) 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.

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

	2013	2012
In Hong Kong, held on:		
Leases of between 10 to 50 years	56,399	58,107
Leases of over 50 years	2,922	2,947
	59,321	61,054

(All amounts in HK dollar thousands unless otherwise stated)

7. INVESTMENT PROPERTIES — GROUP

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

	2013	2012
Beginning of year	**72,000**	62,900
Fair value gains	**5,700**	9,100
End of year	**77,700**	72,000

(a) Amounts recognised in profit and loss for investment properties

	2013	2012
Rental income	**5,263**	4,613
Direct operating expenses arising from investment properties that generate rental income	**(1,635)**	(1,667)
	3,628	2,946

As at 31 December 2013, the Group had no unprovided contractual obligations for future repairs and maintenance (2012: Nil).

(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.

An independent valuation of the Group's investment properties was performed by an independent professional valuer to determine the fair value of the investment properties as at 31 December 2013 and 2012. The revaluation gains or losses is included in 'other gains/(losses) — net' in income statement (Note 27). The following table analyses the investment properties carried at fair value, by valuation method.

Fair value hierarchy

	Fair value measurements using significant unobservable inputs (Level 3)	
Description	**2013**	2012
Recurring fair value measurements		
Investment properties:		
— Commercial building — the PRC	**47,500**	44,600
— Car parking spaces — the PRC	**30,200**	27,400
	77,700	72,000

(All amounts in HK dollar thousands unless otherwise stated)

7. INVESTMENT PROPERTIES — GROUP (continued)

(b) Valuation basis (continued)

Fair value measurements using significant unobservable inputs (Level 3):

	2013		
	Commercial building	**Car parking spaces**	**Total**
Opening balance	**44,600**	**27,400**	**72,000**
Net gains from fair value adjustment	**2,900**	**2,800**	**5,700**
Closing balance	**47,500**	**30,200**	**77,700**
Total gains for the year included in income statement for assets held at the end of the year, under 'Other gains/(losses) — net'	**2,900**	**2,800**	**5,700**
Change in unrealised gains for the year included in income statement for assets held at the end of the year	**2,900**	**2,800**	**5,700**

	2012		
	Commercial building	Car parking spaces	Total
Opening balance	37,700	25,200	62,900
Net gains from fair value adjustment	6,900	2,200	9,100
Closing balance	44,600	27,400	72,000
Total gains for the year included in income statement for assets held at the end of the year, under 'Other gains/(losses) — net'	6,900	2,200	9,100
Change in unrealised gains for the year included in income statement for assets held at the end of the year	6,900	2,200	9,100

(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:

	2013	2012
Within one year	**2,230**	2,052
Later than one year but not later than 5 years	**2,346**	4,082
	4,576	6,134

(All amounts in HK dollar thousands unless otherwise stated)

8. LAND USE RIGHTS — GROUP

	2013	2012
Beginning of year	**651,750**	663,930
Amortisation	**(17,818)**	(17,379)
Exchange difference	**19,779**	5,199
End of year	**653,711**	651,750

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

	31 December	
	2013	2012
Outside Hong Kong — the PRC, held on:		
Leases of between 10 to 50 years	**578,067**	576,421
Leases of more than 50 years	**71,866**	71,511
Leases with unspecified periods*	**3,778**	3,818
	653,711	651,750

* *As at 31 December 2013 and 2012, procedures for procuring certificates of these land use rights were not yet completed.*

9. CONSTRUCTION IN PROGRESS — GROUP

	2013	2012
Beginning of year	**398,468**	181,415
Additions	**211,093**	317,571
Transfer to property, plant and equipment (Note 6)	**(497,331)**	(101,819)
Exchange difference	**9,687**	1,301
End of year	**121,917**	398,468

(All amounts in HK dollar thousands unless otherwise stated)

10. INTANGIBLE ASSETS — GROUP

Concession intangible assets	**At 31 December 2013**	At 31 December 2012	At 1 January 2012
Cost	**28,811,861**	28,196,416	27,365,792
Accumulated amortisation	**(5,194,143)**	(4,007,884)	(2,979,747)
Net book amount	**23,617,718**	24,188,532	24,386,045

	2013	2012
Opening net book amount	**24,188,532**	24,386,045
Additions	**486,604**	452,174
Adjustments to cost due to final settlement in current year *	**(400,115)**	–
Disposals	**(309,021)**	–
Exchange difference	**710,049**	201,183
Amortisation	**(1,058,331)**	(850,870)
Closing net book amount	**23,617,718**	24,188,532

* *It represented the adjustments to cost of certain concession intangible assets as a result of the final settlement of the related construction costs.*

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 9 to 21 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 Expressway with net book value of HKD10,761,351,000 (2012: HKD11,246,107,000) owned by Guangdong Qinglian Highway Development Company Limited ("Qinglian Company"), a subsidiary of the Group, pledged for secured bank borrowings totalling to HKD5,436,914,000 (RMB4,242,424,000) (2012: HKD5,398,016,000 (RMB4,341,624,000)) (Note 21(a)).

(All amounts in HK dollar thousands unless otherwise stated)

10. INTANGIBLE ASSETS — GROUP (continued)

During the first half of the year, the Department of Transport of Guangdong Province published a notice that the toll collection period should be a maximum of 20 years for those toll roads transferred from government-financed nature to profit-basis nature pursuant to the requirement of 'About Accelerating the Special Rectification on Toll Roads of the Province' (Yue Jiao Ming Dian (2013) No. 56). According to the notice, the toll collection on National Highway No. 107 (Qinglian Section) owned by Qinglian Company, a subsidiary of the Group, has been cancelled with effect from 30 June 2013. The originally approved toll collection period for National Highway No. 107 (Qinglian Section) will end in February 2028. Since the toll collection right of National Highway No. 107 (Qinglian Section) was obtained by Qinglian Company through authorised investment and with formal approvals, the Group had negotiated with the relevant government authorities regarding to the Group's legal rights and potential compensation as a result of the cancellation of the toll collection on National Highway No. 107 (Qinglian Section) with no compensation expected. As at 31 December 2013, according to the latest communication results with government authorities, the Group disposed of the related concession intangible assets of National Highway No. 107 (Qinglian Section), the net book value as at 31 December 2013 of HKD303,661,000 was recognised within 'other losses — net' (Note 27) in the income statement.

Amortisation of concession intangible assets has all been charged in the income statement within 'cost of sales' .

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

		2013	2012
(a)	Investments in subsidiaries		
	Unlisted investments, at cost	**120,066**	116,484
	Deemed investments arising from share-based payments (Note (i))	**31,821**	25,657
	Amounts due from subsidiaries (Note (ii))	**5,639,685**	5,330,101
		5,791,572	5,472,242
	Market value of listed shares indirectly held	**4,756,873**	4,637,465

Particulars of the principal subsidiaries are set out in Note 40.

(i) The amount represents share-based payment expenses arising from the grant of share options of the Company to employees (Note 30) in exchange for their services provided to certain subsidiaries of the Group, which were deemed to be investments made by the Company to these subsidiaries.

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

(b) The amounts due from subsidiaries are unsecured; they bear interest at prevailing borrowing rates in Hong Kong and have no fixed repayment term.

(All amounts in HK dollar thousands unless otherwise stated)

11. INVESTMENTS IN AND DUE FROM/TO SUBSIDIARIES — COMPANY (continued)

(c) Material non-controlling interests

The total non-controlling interests as at 31 December 2013 were HKD7,918,366,000 (2012: 7,342,934,000), of which HKD6,301,178,000 (2012: HKD5,844,618,000) was attributed to other shareholders of Shenzhen Expressway. The non-controlling interests in respect of other subsidiaries are not material.

Significant restrictions

Most of the cash and short-term deposits of Shenzhen Expressway were held in the PRC and were subject to local exchange control regulations. These local exchange control regulations provide for restrictions on repatriating capital from the country, other than through dividends.

Set out below are the summarised financial information for Shenzhen Expressway that has non-controlling interests material to the Group.

Summarised balance sheet

	2013	2012
Current		
Assets	**2,867,779**	3,363,071
Liabilities	**(2,863,500)**	(4,835,934)
Total current net assets	**4,279**	(1,472,863)
Non-current		
Assets	**26,471,225**	26,799,976
Liabilities	**(12,008,262)**	(11,748,697)
Total non-current net assets	**14,462,963**	15,051,279
Net assets	**14,467,242**	13,578,416
Net assets attributable to equity holders	**12,830,482**	11,900,832
Non-controlling interests	**6,301,178**	5,844,618

Summarised income statement

	2013	2012
Revenue	**4,325,324**	4,222,618
Profit for the year	**950,033**	895,215
Other comprehensive income	**2,234**	(4,394)
Total comprehensive income	**952,267**	890,821
Total comprehensive income allocated to non-controlling interests	**39,231**	51,793
Dividends paid to non-controlling interests	**129,969**	174,055

(All amounts in HK dollar thousands unless otherwise stated)

11. INVESTMENTS IN AND DUE FROM/TO SUBSIDIARIES — COMPANY (continued)

(c) Material non-controlling interests (continued)

Summarised cash flows

	2013	2012
Net cash generated from operating activities	**2,223,769**	1,885,043
Net cash used in investing activities	**(637,696)**	(527,162)
Net cash used in financing activities	**(2,678,519)**	(1,620,634)
Net decrease in cash and cash equivalents	**(1,092,446)**	(262,753)

The amounts above are stated before intercompany elimination.

12. INVESTMENTS IN ASSOCIATES — GROUP

	2013	2012
Beginning of year	**5,021,531**	2,829,232
Transfer from other non-current assets	**–**	875,394
Additions	**20,825**	97,266
Share of profit of associates	**759,420**	1,275,655
Share of other comprehensive loss of an associate	**(76)**	(4)
Dividends received	**(454,796)**	(98,011)
Exchange difference	**159,017**	41,999
End of year	**5,505,921**	5,021,531

The year end balance comprises the following:

	2013	2012
Unlisted investments, at cost		
Share of net assets other than goodwill	**4,416,754**	3,964,866
Goodwill on acquisition (Note (b))	**1,089,167**	1,056,665
	5,505,921	5,021,531

(All amounts in HK dollar thousands unless otherwise stated)

12. INVESTMENTS IN ASSOCIATES — GROUP (continued)

(a) The associates as listed below are held directly by the Group, their place of business and country of incorporation is the PRC. They are measured under equity method.

List of associates as at 31 December 2013 and 2012 are as follows:

Name	% Ownership interest	Business nature
Shenzhen Airlines Limited ("Shenzhen Airlines") (Note (c))	49%	Aviation Services
Shenzhen Qinglong Expressway Company Limited ("Qinglong Company") (Note (d))	40%	Development, construction and management of Shuiguan Expressway
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	25%	Construction, operation and management of highways
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	25%	Construction, operation and management of highways
Shenzhen Huayu Expressway Investment Company Limited	40%	Development, operation and management of highways
Shenzhen Expressway Engineering Consulting Company Limited ("Consulting Company")	24%	Project management consulting, engineering consulting and sales of engineering materials
Nanjing Yangzi River Third Bridge Company Limited ("Nanjing Third Bridge Company")	25%	Construction, operation and management of bridges
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	25%	Construction, operation and management of highways
Yunfu Guangyun Expressway Company Limited	30%	Construction, operation and management of highways
Shenzhen South Electronics Port Co., Ltd.	40%	Electronic customs service

(b) The balance represents the goodwill arising from the acquisition of equity interests in Jiangzhong Company, Yangmao Company, Qinglong Company and Shenzhen Airlines.

(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 Shenzhen Huirun Investment Co., Ltd. ("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. 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 in year 2011. The directors of the Company believe no adjustment is needed for the provision during the year.

(d) The 40% equity interest in Qinglong Company is secured for bank borrowings amounted to HKD724,080,000 (RMB565,000,000) (Note 21(a)).

(All amounts in HK dollar thousands unless otherwise stated)

12. INVESTMENTS IN ASSOCIATES — GROUP (continued)

(e) Shenzhen Airlines, an associate of the Group, which, in the opinion of the directors, is material to the Group. Shenzhen Airlines is a private company and there is no quoted market price available for its shares. Set out below are the summarised financial information for Shenzhen Airlines which are accounted for using the equity method.

Summarised balance sheet

	2013	2012
Current		
Assets	**3,782,662**	4,243,697
Liabilities	**(22,130,431)**	(20,648,293)
Total current net liabilities	**(18,347,769)**	(16,404,596)
Non-current		
Assets	**46,008,013**	41,039,281
Liabilities	**(22,060,727)**	(19,987,869)
Total non-current net assets	**23,947,286**	21,051,412
Non-controlling interests	**(49,859)**	(58,999)
Net assets	**5,549,658**	4,587,817

(All amounts in HK dollar thousands unless otherwise stated)

12. INVESTMENTS IN ASSOCIATES — GROUP (continued)

(e) (continued)

Summarised statement of comprehensive income

	2013	2012
Revenue	27,320,181	27,370,940
Profit for the year	1,098,911	2,283,339
Other comprehensive income	(152)	(8)
Total comprehensive income	1,098,759	2,283,331
Dividends received from the associate	142,174	–

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associate.

Reconciliation of the summarised financial information presented to the carrying amount of its interest in the associate.

Summarised financial information

	2013	2012
Opening net assets 1 January	3,209,040	1,090,166
Profit for the year	538,466	1,118,836
Other comprehensive income	(76)	(4)
Addition	–	972,660
Dividend received	(142,174)	–
Currency translation differences	104,645	27,382
Closing net assets	3,709,901	3,209,040
Interest in the associate (49%)	2,719,332	2,248,030
Goodwill	990,569	961,010
Carrying value	3,709,901	3,209,040

(All amounts in HK dollar thousands unless otherwise stated)

12. INVESTMENTS IN ASSOCIATES — GROUP (continued)

(f) Summarised financial information for individually immaterial associates is as follows:

	2013	2012
Total carrying amount of individually immaterial associates in consolidated financial statements	**1,796,020**	1,812,491
Individually immaterial associates' results attributed to the Group:		
Profit for the year	**220,954**	156,819
Total comprehensive income	**220,954**	156,819

(g) There are no significant contingent liabilities relating to the Group's interests in the associates.

13. INVESTMENTS IN JOINT VENTURES — GROUP

	2013	2012
Beginning of year	**317,382**	319,819
Additions	**1,538**	–
Disposals	**–**	(6,034)
Share of profit of joint ventures	**32,441**	15,223
Dividends received	**(25,325)**	(14,208)
Exchange difference	**9,869**	2,582
End of year	**335,905**	317,382

The year-end balance comprises the following:

	2013	2012
Unlisted investments, at cost		
Share of net assets	**42,286**	27,937
Advances to joint ventures (Note (a))	**293,619**	289,445
	335,905	317,382

(a) The amounts represented advances made to Changsha Shenchang Expressway Co., Ltd. ("Shenchang Company"). The advances were made by Shenzhen Expressway as part of its investment commitments in these joint ventures 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 2013.

(All amounts in HK dollar thousands unless otherwise stated)

13. INVESTMENTS IN JOINT VENTURES — GROUP (continued)

(b) The joint ventures as listed below are held directly by the Group, their place of business and country of incorporation is the PRC. The measurement method is equity accounting.

List of joint ventures as at 31 December 2013 and 2012 are as follows:

Name	% Ownership interest	Business nature
Shenzhen Airport International Express Supervision Center Co., Ltd.	50%	Equipment services for customs monitoring
Citic Logistics Fritz Co., Ltd.	43%	Cargo transportation and warehousing services
Shenzhen Longzhuo Logistics Co., Ltd.	50%	Warehousing services
Shenchang Company	51%	Construction, operation and management of the round-city road
Shenzhen Timetop Smart Logistics Co., Ltd.*	40%	Logistics management services

* *It was incorporated and became a joint venture of the Group during the year.*

All joint ventures are private company and there are no quoted market price available for their shares.

(c) In the opinion of the directors, none of the joint ventures is material to the Group. Summarised financial information for individually immaterial joint ventures is as follows:

	2013	2012
Total carrying amount of individually immaterial joint ventures in consolidated financial statements	**335,905**	317,382

Individually immaterial joint ventures' results attributed to the Group:

	2013	2012
Profit for the year	**32,441**	15,223
Total comprehensive income	**32,441**	15,223

(d) There are no significant contingent liabilities and commitments related to the Group's interest in the joint ventures, and no significant contingent liabilities and commitments of the ventures themselves.

(All amounts in HK dollar thousands unless otherwise stated)

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP

	2013	2012
Beginning of year	1,684,474	1,734,940
Additions (Note (a))	64,078	–
Net change in fair value	(17,175)	(64,488)
Disposals (Note (b), (c))	(400,868)	–
Exchange difference	43,168	14,022
End of year	1,373,677	1,684,474
Less: non-current portion	(102,743)	(37,511)
Current portion	1,270,934	1,646,963

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

	2013	2012
Listed securities in the PRC, at fair value (Note (c) and Note 3.3)	1,270,934	1,365,974
Unlisted equity investments:		
at fair value (Note 3.3)	64,078	280,989
at cost less impairment		
— Cost	62,760	61,606
— Provision for impairment	(24,095)	(24,095)
	38,665	37,511
	102,743	318,500
	1,373,677	1,684,474

(a) On 17 January 2013, Shenzhen Shen Guang Hui Highway Development Company ("SZ SGH Highway"), a subsidiary of the Group, together with ten other companies including SIHCL, established Kashi Shenzhen City Company Limited ("Kashi SZ City") to expand the Group's logistics business to Kashi, Xinjiang. Accordingly, SZ SGH Highway made a capital contribution of RMB50,000,000 (approximately HKD64,078,000) in cash for the investment in Kashi SZ City, representing approximately 7.58% of the total registered capital of Kashi SZ City. As at 31 December 2013, the fair value of the investment in Kashi SZ City approximated its carrying value, which was determined with reference to the Group's share of the net asset value of Kashi SZ City.

(All amounts in HK dollar thousands unless otherwise stated)

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS — GROUP (continued)

(b) On 7 June 2013, Xin Tong Chan Development (Shenzhen) Co., Ltd. ("Xin Tong Chan"), a subsidiary of the Group, entered into an agreement with Shenzhen Energy Investment Company Limited ("SZ Energy"). According to the agreement, Xin Tong Chan disposed of its 2.3338% equity interest in Shenzhen Capital Group Co., Ltd. ("SZ Capital") to SZ Energy at a consideration of RMB200,000,000, which was satisfied in the form of cash. The above equity disposal was completed in June 2013. The excess of the consideration over the cost of investment in SZ Capital, amounting to HKD173,481,000, was recognised within 'other gains/(losses) — net' in the income statement.

(c) As at 31 December 2013, listed equity investments stated at market price represent 5.87% interest (equivalent to 121,831,658 shares) in CSG. During the year, the Group disposed of 11,338,342 shares in CSG and recorded a gain of approximately HKD142,101,000.

15. OTHER NON-CURRENT ASSETS — GROUP

As at 31 December 2013, other non-current assets mainly represent certain leased assets, and the prepayments for land use rights and construction costs.

16. INVENTORIES

As at 31 December 2013, inventories mainly represent land use right held for development purpose which is classified as properties under development (2012: Nil).

17. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013	2012	**2013**	2012
Trade receivables	**856,748**	652,323	**–**	–
Less: Provision for impairment	**(5,051)**	(4,826)	**–**	–
Trade receivables — net	**851,697**	647,497	**–**	–
Other receivables and prepayments (Note (a))	**487,835**	517,563	**1,367**	1,642
	1,339,532	1,165,060	**1,367**	1,642

(a) Amounts included HKD160,902,000 (2012: HKD384,198,000) of prepayment for land use rights in the PRC and HKD201,414,000 (2012: HKD32,555,000) of advances made to the third parties.

(All amounts in HK dollar thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES (continued)

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 2013 and 2012, the ageing analysis of the trade receivables of the Group based on revenue recognition date was as follows:

	2013	2012
0–90 days	**504,878**	413,009
91–180 days	**15,380**	19,564
181–365 days	**73,411**	117,495
Over 365 days (i)	**263,079**	102,255
	856,748	652,323

(i) Trade receivables due over 365 days mainly comprised the amount of HKD259,381,000 (2012: HKD97,532,000) arising from the Group's development and management of certain toll road projects administrated for Shenzhen Traffic and Transportation Committee (the "SZ Transportation Committee").

As at 31 December 2013, trade receivables of HKD348,000 (2012: HKD722,000) 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:

	2013	2012
121–180 days	**16**	9
181–365 days	**332**	713
	348	722

As at 31 December 2013, trade receivables of HKD5,051,000 (2012: HKD4,826,000) 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.

The carrying amounts of the Group's trade and other receivables are mainly denominated in RMB. As at 31 December 2013, the fair value of the trade and other receivables approximated 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.

(All amounts in HK dollar thousands unless otherwise stated)

17. TRADE AND OTHER RECEIVABLES (continued)

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

	2013	2012
Counterparty		
— Government authorities in the PRC	**535,351**	391,943
— Existing customers with no defaults in the past	**273,609**	223,674
— New customers	**42,389**	31,158
	851,349	646,775

18. CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	2013	2012
Cash at bank and in hand (a)	**2,953,875**	1,996,382	**10,719**	7,052
Short-term bank deposits	**2,003,147**	2,872,000	**33,000**	254,880
Less: Restricted bank deposits	**(6,613)**	(2,302)	**–**	–
	4,950,409	4,866,080	**43,719**	261,932

(a) As at 31 December 2013 and 2012, cash at bank could be withdrawn on demand. The balances were denominated in the following currencies:

	Group		Company	
	2013	2012	2013	2012
RMB	**4,895,079**	4,841,128	**506**	255,455
HKD	**60,209**	24,179	**42,950**	5,583
Other currencies	**1,734**	3,075	**263**	894
	4,957,022	4,868,382	**43,719**	261,932

(b) As at 31 December 2013, the maximum exposure of the Group's and the Company's cash and cash equivalents to credit risk was the carrying value.

19. SHARE CAPITAL AND SHARE PREMIUM — GROUP AND COMPANY

	Number of issued shares (share)	Ordinary share capital	Share premium	Total
At 1 January 2012	16,372,173,064	1,637,217	3,299,903	4,937,120
Employee share option scheme				
— proceeds from shares issued	800,000	80	384	464
— value of employee services	–	–	14,903	14,903
At 31 December 2012	16,372,973,064	1,637,297	3,315,190	4,952,487
Employee share option scheme				
— proceeds from shares issued	**144,464,000**	**14,446**	**69,343**	**83,789**
— value of employee services	**–**	**–**	**8,351**	**8,351**
Issue of scrip shares as dividend	**53,549,881**	**5,355**	**50,230**	**55,585**
At 31 December 2013	**16,570,986,945**	**1,657,098**	**3,443,114**	**5,100,212**

(a) Authorised and issued shares

The Company's total authorised number of ordinary shares is 20,000 million shares (2012: 20,000 million shares) with par value of HKD0.10 per share (2012: HKD0.10 per share). All issued shares are fully paid.

Pursuant to a resolution passed in the special general meeting held on 12 February 2014, every ten shares of the Company's issued and unissued shares with par value of HKD0.10 per share have been consolidated into one share with par value of HKD1.00 with effect from 13 February 2014. Number of authorised and issued shares and par value have been adjusted retrospectively. As a result, the authorised and issued number of ordinary shares and the par value per share have been adjusted from 16,570,986,945 to 1,657,098,695 and HKD0.10 per share to HKD1.00 per share respectively.

(b) Share options

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

	2013		2012	
	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	**0.580**	**271,959**	0.574	308,800
Granted	**0.910**	**19,810**	–	–
Lapsed	**–**	**–**	0.530	(35,000)
Exercised	**0.580**	**(144,464)**	0.580	(800)
Forfeited	**0.580**	**(960)**	0.580	(1,041)
At 31 December	**0.625**	**146,345**	0.580	271,959

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)**	
		2013	2012
27 September 2015 (Note (i))	0.580	**126,535**	271,959
27 September 2015 (Note (ii))	0.910	**19,810**	–
		146,345	271,959

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

(b) Share options (continued)

(i) On 28 September 2010, 286,600,000 share options (the "2010 Share Options") with an exercise price of HKD0.58 per share were granted to certain directors of the Company and selected employees of the Group. The exercise price of the 2010 Share Options equals to the market price of the shares on the grant date. The options were exercisable starting two years from the grant date: 40% of the 2010 Share Options was vested on the date which is 24 months after the grant date; another 30% of the 2010 Share Options granted was vested on the date which is 36 months after the grant date, and the remaining 30% of the 2010 Share Options will be vested on the date which is 48 months after the grant date. The vesting of the 2010 Share Options is conditional, subject to the individual performance of respective grantees and the achievement of certain performance targets of the Group. During the year, 960,000 2010 Share Options were forfeited (2012: 1,040,800), and 144,464,000 2010 Share Options were exercised (2012: 800,000).

As a result of the consolidation of the Company's share as described in Note (a) above, the exercise price and number of share options outstanding of the 2010 Share Options have been adjusted from HKD0.58 per share to HKD5.80 per share and from 126,535,000 shares to 12,653,500 shares respectively.

(ii) On 18 January 2013, 19,810,000 share options (the "2013 Share Options") with an exercise price of HKD0.91 per share were granted to certain directors of the Company and selected employees of the Group. The exercise price of the 2013 Share Options equals to the market price of the shares on the grant date. The options will expire on 27 September 2015 and will be vested on 28 September 2014. The vesting of the 2013 Share Options is conditional, subject to the individual performance of respective grantees and the achievement of certain performance targets of the Group.

The fair value of the 2013 Share Options on the grant date as determined using the Binomial Model was HKD0.160 per option. The significant inputs used in the model were share price of HKD0.91 per share at the grant date, exercise price shown above, volatility of 34.709%, dividend yield of 3.63%, an expected option life of 2.7 years and an annual risk-free interest rate of 0.162%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the past 2.7 years.

As a result of the consolidation of the Company's share as described in Note (a) above, the exercise price and number of share options outstanding of the 2013 Share Options have been adjusted from HKD0.91 per share to HKD9.10 per share and from 19,810,000 shares to 1,981,000 shares respectively.

(All amounts in HK dollar thousands unless otherwise stated)

20. OTHER RESERVES

Group

	Equity component of convertible bonds	Fair value reserve	Reserve funds (Note (b))	Capital reserve	Goodwill reserve	Hedging reserve	Merger reserves	Revaluation surplus	Other reserves (Note (c))	Currency translation reserve	Contributed surplus (Note (a))	Total
At 1 January 2012	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
Transfer from retained earnings to reserve funds	–	–	85,153	–	–	–	–	–	–	–	–	85,153
Fair value losses on available-for-sale financial assets, net of tax	–	(31,623)	–	–	–	–	–	–	–	–	–	(31,623)
Fair value gains on derivative financial instruments, net of tax	–	–	–	–	–	12,426	–	–	–	–	–	12,426
Reclassification of fair value losses to income statement upon derecognition of cash flow hedges, net of tax	–	–	–	–	–	1,506	–	–	–	–	–	1,506
Share of other comprehensive loss of an associate	–	–	–	–	–	–	–	–	(4)	–	–	(4)
Currency translation differences	–	14,267	–	–	–	–	–	–	–	81,035	–	95,302
At 31 December 2012	133,978	1,044,836	1,704,470	59,723	(159,583)	(19,267)	(4,082,110)	507,216	(165,051)	1,600,033	13,005	637,250
At 1 January 2013	**133,978**	**1,044,836**	**1,704,470**	**59,723**	**(159,583)**	**(19,267)**	**(4,082,110)**	**507,216**	**(165,051)**	**1,600,033**	**13,005**	**637,250**
Transfer from retained earnings to reserve funds	**–**	**–**	**86,711**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**86,711**
Transfer to other reserves upon redemption of the convertible bonds	**(133,978)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**133,978**	**–**	**–**	**–**
Fair value losses on available-for-sale financial assets, net of tax	**–**	**(13,133)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(13,133)**
Reclassification of fair value gains to income statement upon disposal of available-for-sale financial assets, net of tax	**–**	**(229,842)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(229,842)**
Fair value gains on derivative financial instruments, net of tax	**–**	**–**	**–**	**–**	**–**	**20,065**	**–**	**–**	**–**	**–**	**–**	**20,065**
Reclassification of fair value losses to income statement upon derecognition of cash flow hedges, net of tax	**–**	**–**	**–**	**–**	**–**	**458**	**–**	**–**	**–**	**–**	**–**	**458**
Share of other comprehensive loss of an associate	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(76)**	**–**	**–**	**(76)**
Currency translation differences	**–**	**31,587**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**362,024**	**–**	**393,611**
At 31 December 2013	**–**	**833,448**	**1,791,181**	**59,723**	**(159,583)**	**1,256**	**(4,082,110)**	**507,216**	**(31,149)**	**1,962,057**	**13,005**	**895,044**

(All amounts in HK dollar thousands unless otherwise stated)

20. OTHER RESERVES (continued)

Company

	Contributed surplus (Note (a))	Hedging reserve	Currency translation reserve	Total
At 1 January 2012	58,515	(43,976)	1,162,971	1,177,510
Fair value gains on derivative financial instruments	–	16,167	–	16,167
Currency translation difference	–	–	56,807	56,807
At 31 December 2012	58,515	(27,809)	1,219,778	1,250,484
Fair value gains on derivative financial instruments	**–**	**18,928**	**–**	**18,928**
Reclassification of fair value losses to income statement upon derecognition of cash flow hedges, net of tax	**–**	**458**	**–**	**458**
Currency translation difference	**–**	**–**	**237,130**	**237,130**
At 31 December 2013	**58,515**	**(8,423)**	**1,456,908**	**1,507,000**

(a) 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 thereof.

(b) 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.

(c) Other reserves mainly represented 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	
	2013	2012	**2013**	2012
Non-current				
Long-term bank borrowings				
— Secured (Note (a))	**6,503,584**	6,270,490	**–**	–
— Unsecured	**3,398,918**	2,830,441	**2,166,559**	1,913,430
— Guaranteed (Note (b))	**142,663**	–	**–**	–
Convertible bonds (Note (c))	**–**	1,798,390	**–**	–
Medium-term notes (Note (d))	**–**	869,730	**–**	–
Senior notes (Note (e))	**2,323,440**	2,316,109	**2,323,440**	2,316,109
Corporate bonds (Note (f))	**2,935,458**	2,839,089	**–**	–
Private placement notes (Note (g))	**1,023,022**	992,418	**–**	–
	16,327,085	17,916,667	**4,489,999**	4,229,539
Less: Current portion	**(1,302,295)**	(3,844,647)	**(449,896)**	(970,774)
	15,024,790	14,072,020	**4,040,103**	3,258,765
Current				
Short-term bank borrowings — Unsecured	**994,529**	53,016	**404,500**	9,500
Current portion of long-term borrowings				
Bank borrowings				
— Secured	**193,800**	123,337	**–**	–
— Unsecured	**1,072,829**	1,053,190	**449,896**	970,774
— Guaranteed	**35,666**	–	**–**	–
Convertible bonds (Note (c))	**–**	1,798,390	**–**	–
Medium-term notes (Note (d))	**–**	869,730	**–**	–
	2,296,824	3,897,663	**854,396**	980,274
Total borrowings	**17,321,614**	17,969,683	**4,894,499**	4,239,039

(a) As at 31 December 2013, for the secured bank borrowings, HKD22,200,000 (2012: HKD170,000,000) were secured by the Group's 55% equity interest in Jade Emperor Limited, a wholly owned subsidiary, and were current portion of non-current bank borrowings (2012: Nil); HKD5,436,914,000 (RMB4,242,424,000) (2012: HKD5,398,016,000 (RMB4,341,624,000)) were secured by a pledge of the operating rights of Qinglian Expressway of Qinglian Company (Note 10), of which HKD155,581,000 (RMB121,400,000) (2012: HKD123,337,000 (RMB99,200,000)) were current portion of the non-current bank borrowings. HKD724,080,000 (RMB565,000,000) (2012: HKD702,474,000 (RMB565,000,000)) were secured by a pledge of the 40% equity interest in Qinglong Company, an associate of the Group (Note 12(d)). HKD320,390,000 (RMB250,000,000) (2012: Nil) were secured by a pledge of the operating rights of Yanpai Expressway of Shenzhen Expressway, of which HKD16,019,000 (RMB12,500,000) (2012: Nil) was current portion of non-current bank borrowings.

21. BORROWINGS (continued)

(b) Bank borrowings of HKD142,663,000(RMB111,320,000) (2012: Nil) were guaranteed jointly by Shenzhen Expressway and the other shareholder of Guizhou Guishen Investment and Development Company Limited, CCCC-SHB Fifth Engineering Co., Ltd., of which HKD35,666,000 (RMB27,830,000) (2012: Nil) was current portion of the non-current bank borrowings.

(c) On 9 October 2007, Shenzhen Expressway issued 15,000,000 convertible bonds at a par value of RMB1,500,000,000. The bonds bore face interest of 1% per annum and mature in 6 years from the issue date. Interest was paid annually and the principal was repayable in full upon maturity. The bonds were attached with warrants subscription rights which entitled 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 had expired in 2009. Following the expiry of the rights, the bonds had been included in borrowings, the bonds matured on 9 October 2013 and were fully redeemed.

(d) The medium-term notes with principal amount of RMB700 million (2012: RMB700 million) have terms of three years and bear floating rate interest. The medium-term notes matured in March 2013 and were fully repaid.

(e) In April 2012, the Company issued senior notes in an aggregate principal amount of USD300 million (the "Senior Notes"). The Senior Notes bear interest at the rate of 4.375% per annum, payable semi-annually in arrears on 20 April and 20 October, and will mature on 20 April 2017, unless redeemed earlier.

The Senior Notes may be redeemed at the option of the Company in whole, but not in part, in the event of certain changes affecting taxes of Bermuda or Hong Kong. At any time following a change of control in the Company, the holders of each Senior Notes will have the right to require the Company to redeem in whole but not in part such holder's Senior Notes at 101% of their principal amount, together with accrued but unpaid interest.

(f) 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 on 31 July 2022. 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 RMB1,500 million which are fixed interest rate with maturity of 5 years ("Corporate Bond B") and the principal is repayable in full upon maturity on 27 July 2016, 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.

(g) On 20 December 2012, Shenzhen Expressway issued private placement notes amounting to RMB800 million, which bearing a term of 3 years and a fixed interest of 5.90% per annum with interest repayable annually and the principal repayable in full upon maturity on 20 December 2015.

(All amounts in HK dollar thousands unless otherwise stated)

21. BORROWINGS (continued)

(h) At 31 December 2013, the borrowings were repayable as follows:

	Group		Company	
	2013	2012	**2013**	2012
Within 1 year	**2,296,824**	3,897,663	**854,396**	980,274
Between 1 and 2 years	**2,049,659**	1,147,428	**399,442**	448,631
Between 2 and 5 years	**8,222,332**	7,662,823	**3,640,661**	2,810,134
Over 5 years	**4,752,799**	5,261,769	**–**	–
	17,321,614	17,969,683	**4,894,499**	4,239,039

	Group		Company	
	2013	2012	**2013**	2012
Wholly repayable within 5 years	**10,142,723**	10,851,745	**4,894,499**	4,239,039
Wholly repayable after 5 years	**7,178,891**	7,117,938	**–**	–
	17,321,614	17,969,683	**4,894,499**	4,239,039

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

	Group		Company	
	2013	2012	**2013**	2012
HKD	**3,141,861**	2,723,357	**2,571,059**	1,922,930
RMB	**11,856,313**	12,930,217	**–**	–
USD	**2,323,440**	2,316,109	**2,323,440**	2,316,109
	17,321,614	17,969,683	**4,894,499**	4,239,039

(All amounts in HK dollar thousands unless otherwise stated)

21. BORROWINGS (continued)

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

	2013		2012	
	HKD	RMB	HKD	RMB
Bank borrowings	1.86%–3.93%	5.51%–6.55%	1.90%–3.93%	5.51%–6.55%

(k) The standby banking facilities are as follows:

	Group		Company	
	2013	2012	2013	2012
Floating rate				
— Expiring within one year	9,312,915	3,198,279	4,345,321	440,500
— Expiring beyond one year	25,245,599	13,897,800	21,189,401	7,857,765
	34,558,514	17,096,079	25,534,722	8,298,265

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

	Group				Company			
	Carrying amounts		Fair values		Carrying amounts		Fair values	
	2013	2012	2013	2012	2013	2012	2013	2012
Bank borrowings	8,742,870	7,924,404	8,728,393	7,904,065	1,716,663	942,656	1,716,663	942,656
Corporate bonds	2,935,458	2,839,089	2,802,876	2,843,903	–	–	–	–
Senior notes	2,323,440	2,316,109	2,339,513	2,336,861	2,323,440	2,316,109	2,339,513	2,336,861
Private placement notes	1,023,022	992,418	1,023,022	992,418	–	–	–	–
	15,024,790	14,072,020	14,893,804	14,077,247	4,040,103	3,258,765	4,056,176	3,279,517

The fair values of bank borrowings are determined based on cash flows discounted using effective interest rates ascertained based on the rates of general bank borrowings at 6.15% to 6.55% (2012: 1.93% to 6.71%) 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 5.75% and 6.51% (2012: 5.27% and 5.201%) per annum respectively.

The fair value of the Senior Notes is calculated using cash flows discounted at a rate based on market interest rate of notes at 4.466% (2012: 4.466%) per annum.

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

The fair value measurement of bank borrowings, private placement notes, corporate bonds and senior notes are categorised within the level 3 of fair value hierarchy.

(All amounts in HK dollar thousands unless otherwise stated)

21. BORROWINGS (continued)

(m) 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	
	2013	2012	**2013**	2012
Borrowings with floating rate:				
6 months or less	**3,257,933**	3,272,042	**2,381,617**	1,743,926
6 months to 12 months	**855,149**	82,841	**–**	–
1 to 5 years	**2,361,489**	1,745,989	**–**	–
Over 5 years	**3,651,601**	4,038,840	**–**	–
	10,126,172	9,139,712	**2,381,617**	1,743,926

22. DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Company	
	2013	2012	**2013**	2012
Interest rate swaps				
— non-current liabilities — cash flow hedges (Note (a))	**9,134**	16,022	**9,134**	16,022
— current liabilities — cash flow hedges	**–**	15,065	**–**	15,065
Cross currency and interest rate swap				
— non-current liabilities — cash flow hedges	**–**	19,981	**–**	–
— current liabilities — cash flow hedges (Note (b))	**31,624**	–	**–**	–
	40,758	51,068	**9,134**	31,087

For the year ended 31 December 2013, the fair value change of derivative financial instruments recognised in other comprehensive income and income statement amounted to HKD21,162,000 (2012: HKD10,268,000) and HKD16,148,000 (2012: HKD1,506,000) respectively.

(All amounts in HK dollar thousands unless otherwise stated)

22. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(a) Interest rate swaps

At 31 December 2013, the fixed interest rates vary from 1.29% to 1.58% (2012: 1.29% 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 2013 will be continuously released to the income statement until the repayment of the bank borrowings.

As at 31 December 2013, the aggregate notional amount of the interest rate swaps for cash flow hedge purpose amounted to HKD500,000,000 (2012: HKD1,211,875,000).

Outstanding notional principal amount HKD	31 December 2013 balance of the derivative financial instruments HKD	Maturity date
400,000,000	7,822,487	28 October 2016
100,000,000	1,311,078	28 October 2016
500,000,000	9,133,565	

(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 2013 was HKD336,000,000 (2012: HKD357,000,000). Through this arrangement, the Group pays an annually fixed interest at 1.80% 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.

(All amounts in HK dollar thousands unless otherwise stated)

23. PROVISION FOR MAINTENANCE/RESURFACING OBLIGATIONS — GROUP

	2013	2012
Opening net book amount	621,003	877,992
Charged to the income statement:		
Additions	28,744	6,281
Increase due to passage of time (Note 31)	30,938	45,435
Utilised	(267,247)	(313,297)
Exchange difference	15,988	4,592
Closing net book amount	429,426	621,003
Less: current portion	(134,996)	(377,447)
Non-current portion	294,430	243,556

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. DEFERRED INCOME TAX — GROUP

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

	2013	2012
Deferred tax assets		
— to be recovered after more than 12 months	282,644	201,964
— to be recovered within 12 months	58,951	100,869
	341,595	302,833
Offset within the same tax jurisdiction	(263,121)	(205,991)
Net deferred tax assets	78,474	96,842
Deferred tax liabilities		
— to be settled after more than 12 months	1,305,782	1,327,891
— to be settled within 12 months	389,041	425,773
	1,694,823	1,753,664
Offset within the same tax jurisdiction	(263,121)	(205,991)
Net deferred tax liabilities	1,431,702	1,547,673

(All amounts in HK dollar thousands unless otherwise stated)

24. DEFERRED INCOME TAX — GROUP (continued)

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

	2013	2012
At 1 January	**1,450,831**	1,451,335
Tax credited relating to components of other comprehensive income	**(80,395)**	(32,866)
(Credited)/charged to the income statement (Note 32)	**(54,898)**	24,744
Exchange difference	**37,690**	7,618
At 31 December	**1,353,228**	1,450,831

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 2012	219,052	29,301	16,418	54,269	319,040
(Charged)/credited to the income statement	(65,395)	(823)	(27)	47,761	(18,484)
Exchange differences	1,080	233	68	896	2,277
Balance at 31 December 2012	154,737	28,711	16,459	102,926	302,833
Balance at 1 January 2013	**154,737**	**28,711**	**16,459**	**102,926**	**302,833**
(Charged)/credited to the income statement	**(52,489)**	**(1,011)**	**(5,469)**	**88,361**	**29,392**
Exchange differences	**3,704**	**868**	**307**	**4,491**	**9,370**
Balance at 31 December 2013	**105,952**	**28,568**	**11,297**	**195,778**	**341,595**

(All amounts in HK dollar thousands unless otherwise stated)

24. 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 2012	383,297	1,304,503	34,175	48,400	1,770,375
Credited to equity					
— Change of fair value of available-for-sale financial assets	(32,866)	–	–	–	(32,866)
(Credited)/charged to the income statement	–	(23,428)	–	48,593	25,165
Difference between effective interest and nominal interest of convertible bonds	–	–	(18,905)	–	(18,905)
Exchange differences	268	8,965	95	567	9,895
Balance at 31 December 2012	350,699	1,290,040	15,365	97,560	1,753,664
Balance at 1 January 2013	**350,699**	**1,290,040**	**15,365**	**97,560**	**1,753,664**
Credited to equity					
— Change of fair value of available-for-sale financial assets	**(4,042)**	**–**	**–**	**–**	**(4,042)**
— Transfer out upon disposal of available-for-sale financial assets	**(76,353)**	**–**	**–**	**–**	**(76,353)**
(Credited)/charged to the income statement	**–**	**(83,944)**	**–**	**74,042**	**(9,902)**
Difference between effective interest and nominal interest of convertible bonds	**–**	**–**	**(15,604)**	**–**	**(15,604)**
Exchange differences	**8,186**	**35,870**	**239**	**2,765**	**47,060**
Balance at 31 December 2013	**278,490**	**1,241,966**	**–**	**174,367**	**1,694,823**

(All amounts in HK dollar thousands unless otherwise stated)

24. DEFERRED INCOME TAX — GROUP (continued)

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

	2013			2012		
	Before tax	**Tax credit**	**After tax**	Before tax	Tax credit	After tax
Fair value losses on available-for-sale financial assets	**(17,175)**	**4,042**	**(13,133)**	(64,489)	32,866	(31,623)
Transfer of fair value gain to income statement upon disposal of available-for-sale financial assets	**(306,195)**	**76,353**	**(229,842)**	–	–	–
Fair value gains on derivative financial instruments	**21,162**	**–**	**21,162**	10,268	–	10,268
Derecognition of cash flow hedges	**458**	**–**	**458**	1,506	–	1,506
Share of other comprehensive loss of an associate	**(76)**	**–**	**(76)**	(4)	–	(4)
Currency translation differences	**622,113**	**–**	**622,113**	153,243	–	153,243
	320,287	**80,395**	**400,682**	100,524	32,866	133,390

(a) 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 HKD272,799,000 (2012: HKD271,032,000) that can be carried forward against future taxable income.

The expiry year of tax losses without deferred tax assets provided at 31 December 2013 is as follows:

Year	**2013**	2012
2013	**–**	33,219
2014	**38,626**	37,474
2015	**162,311**	157,467
2016	**19,369**	18,790
2017	**24,822**	24,082
2018	**27,671**	–
	272,799	271,032

(All amounts in HK dollar thousands unless otherwise stated)

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
Trade payables (Note (a))	**80,110**	78,674	**–**	–
Payables relating to construction projects	**855,883**	1,152,976	**–**	–
Advances from associates (Note (b))	**99,161**	77,305	**–**	–
Other payables and accrued expenses (Note (c))	**883,085**	773,334	**6,797**	11,104
	1,918,239	2,082,289	**6,797**	11,104

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

	Group	
	2013	2012
0–90 days	**79,487**	77,375
91–180 days	**376**	741
181–365 days	**106**	128
Over 365 days	**141**	430
	80,110	78,674

(b) The amounts of HKD42,966,000 (2012: HKD49,167,000), HKD38,447,000 (2012: HKD27,975,000) and HKD17,748,000 (2012: HKD163,000) due from Nanjing Third Bridge Company, GZ W2 Company and Consulting Company respectively, which are interest-free, unsecured and repayable on demand.

(c) Other payables and accrued expenses mainly included payables for land development, daily maintenance expenses and employee benefit expenses.

26. REVENUE

	2013	2012
Toll Roads		
— Toll revenue	**4,742,866**	4,405,994
— Construction service revenue under Service Concession	**190,743**	411,389
Logistic Business		
— Logistic parks	**517,924**	494,199
— Logistic services	**365,267**	310,984
— Port	**145,965**	116,948
	5,962,765	5,739,514

(All amounts in HK dollar thousands unless otherwise stated)

27. OTHER LOSSES — NET

	2013	2012
Gains on disposal of available-for-sale financial assets (Note 14)	315,582	–
Fair value losses on derivative financial instruments	(458)	(1,506)
Gains/(losses) on disposal of property, plant and equipment	967	(5,447)
Losses on write-off of property, plant and equipment (Note 6)	(44,586)	–
Losses on disposal of concession intangible assets (Note 10)	(303,661)	–
Others	1,433	4,315
	(30,723)	(2,638)

28. OTHER INCOME

	2013	2012
Dividend income	34,745	40,304
Rental income	23,721	25,984
Government grants	7,312	5,276
Others	6,683	11,277
	72,461	82,841

29. EXPENSES BY NATURE

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

	2013	2012
Construction cost under Service Concession	190,743	411,389
Provision for maintenance/resurfacing obligations — net (Note 23)	28,744	6,281
Depreciation and amortisation	1,375,897	1,157,232
Employee benefit expenses (Note 30)	586,964	508,822
Transportation expenses and contractors' cost	332,933	309,346
Rental charges	32,764	29,609
Other tax expenses	194,386	192,215
Commission, management fee and maintenance expenses for toll roads	155,854	179,077
Auditors' remuneration		
— Audit services	7,670	6,509
— Non-audit services	2,250	3,562
Legal and consultancy fees	26,369	24,036
Others	485,582	652,972
	3,420,156	3,481,050

(All amounts in HK dollar thousands unless otherwise stated)

30. EMPLOYEE BENEFIT EXPENSES

	2013	2012
Wages and salaries	**440,641**	376,131
Pension costs — defined contribution plans	**59,700**	47,017
Share-based payment expenses (Note 19)	**8,351**	14,903
Others	**78,272**	70,771
	586,964	508,822

From 1 December 2000, a MPF scheme has been 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 (2012: Nil) were utilised during the year and none is available at the year-end to reduce future contribution.

(All amounts in HK dollar thousands unless otherwise stated)

30. EMPLOYEE BENEFIT EXPENSE (continued)

(a) Directors' emoluments

The remuneration of every Director for the year ended 31 December 2013 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
Gao Lei[i]	–	303	745	3	120	–	591	1,762
Li Jing Qi[iii]	–	303	708	3	117	–	418	1,549
Li Lu Ning[i]	–	712	231	17	112	–	473	1,545
Liu Jun	–	712	291	17	112	–	352	1,484
Yang Hai	–	894	317	22	130	–	352	1,715
Wong Yuk Shan	300	–	–	–	–	–	–	300
Leung Ming Yuen, Simon	300	–	–	–	–	–	–	300
Ding Xun	300	–	–	–	–	–	–	300
Nip Yun Wing	300	–	–	–	–	–	–	300
								9,255

The remuneration of every Director for the year ended 31 December 2012 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
Gao Lei[i]	–	99	250	–	22	–	–	371
Guo Yuan[ii]	–	197	501	–	78	–	764	1,540
Li Jing Qi[iii]	–	296	714	–	111	–	934	2,055
Li Lu Ning[i]	–	219	78	4	32	–	–	333
Liu Jun	–	695	248	14	105	–	786	1,848
Yang Hai	–	872	232	21	108	–	786	2,019
Wang Dao Hai[ii]	–	–	–	–	–	–	–	–
Wong Yuk Shan	300	–	–	–	–	–	–	300
Leung Ming Yuen, Simon	300	–	–	–	–	–	–	300
Ding Xun	300	–	–	–	–	–	–	300
Nip Yun Wing	300	–	–	–	–	–	–	300
								9,366

(i) *Appointed on 18 September 2012.*
(ii) *Resigned on 18 September 2012.*
(iii) *The chief executive of the Company.*

(All amounts in HK dollar thousands unless otherwise stated)

30. EMPLOYEE BENEFIT EXPENSE (continued)

(a) Directors' emoluments (continued)

During the year ended 31 December 2013, Messrs Gao Lei, Li Jing Qi, Li Lu Ning and Liu Jun have waived directors' emoluments of HKD269,000 (2012: HKD49,000), HKD309,000 (2012: HKD319,000), HKD128,000 (2012: HKD17,000) and HKD68,000(2012: HKD138,000) respectively.

During the years ended 31 December 2013 and 2012, no emoluments had been paid by the Group to the directors or the five highest-paid individuals referred to in (b) below 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 (2012: three) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining one (2012: two) individual during the year are as follows:

	2013	2012
Basic salaries and allowances	**2,400**	3,018
Year-end bonuses	**800**	1,019
Contributions to the retirement scheme	**15**	136
Share-based payment expenses	**352**	1,572
Other benefits	**3**	16
	3,570	5,761

The emoluments fell within the following bands:

	Number of individuals	
	2013	2012
Emolument band		
HKD1,500,001–HKD2,000,000	**–**	1
HKD3,500,001–HKD4,000,000	**1**	–
HKD4,000,001–HKD4,500,000	**–**	1

(All amounts in HK dollar thousands unless otherwise stated)

31. FINANCE INCOME AND COSTS

	2013	2012
Interest income from bank deposits	**(77,276)**	(73,277)
Interest expense		
— Bank borrowings wholly repayable within 5 years	**147,671**	202,161
— Bank borrowings wholly repayable after 5 years	**375,446**	381,294
— Convertible bonds wholly repayable within 5 years	**67,620**	82,192
— Medium-term notes wholly repayable within 5 years	**10,102**	44,507
— Senior Notes wholly repayable within 5 years	**103,804**	72,020
— Corporate bonds and other notes wholly repayable within 5 years	**198,036**	120,322
— Corporate bonds wholly repayable after 5 years	**56,399**	55,046
— Other interest expense (Note 23)	**30,938**	45,435
Net foreign exchange gains directly attributable to borrowings	**(138,871)**	(45,181)
Less: interest expense capitalised on construction in progress	**(34,853)**	(29,953)
	816,292	927,843
Net finance costs	**739,016**	854,566

Borrowing costs of HKD34,853,000 (2012: HKD29,953,000) have been capitalised for the construction of toll roads and related facilities and other construction in progress in 2013. Borrowing costs arising on financing specifically arranged for the construction of toll roads and related facilities were capitalised using the rates ranged from 3.00% to 5.76% (2012: 5.76% to 6.25%) per annum, and other borrowing costs were capitalised using an average interest rate of 3.80% (2012: 3.87%) per annum.

(All amounts in HK dollar thousands unless otherwise stated)

32. 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 25% (2012: 25%) applicable to the respective companies.

	2013	2012
Current income tax		
PRC corporate income tax	**585,792**	454,665
Deferred income tax (Note 24)	**(54,898)**	24,744
	530,894	479,409

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:

	2013	2012
Profit before income tax	**2,637,192**	2,774,979
Tax calculated at a tax rate of 25% (2012: 25%)	**659,298**	693,745
Tax impact of:		
— Different tax rates in other locations	**(49,297)**	(5,381)
— Income not subject to tax	**(49,585)**	(20,714)
— Expenses not deductible for tax purposes	**81,062**	73,665
— Unrecognised tax losses	**6,815**	5,887
— Share of profits of joint ventures and associates	**(197,965)**	(322,720)
— Withholding income tax on dividends (Note (a))	**80,566**	54,927
Income tax expense	**530,894**	479,409

(a) According to the relevant regulations in the PRC, 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.

Certain profits generated by the relevant PRC subsidiaries would be distributed to their non-PRC registered intermediate holding companies and as such, deferred tax liability in this respect was provided accordingly in the consolidated financial statements of the Group for the current year to the extent that such earnings are estimated by the directors of the Company to be distributed in the foreseeable future.

The amount of profits on which withholding income tax has not been recognised at 31 December 2013 was HKD5,651,625,000 (2012: HKD4,777,165,000).

33. 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 HKD669,205,000 (2012: HKD511,146,000).

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

	Company	
	2013	2012
Beginning of year	**1,323,325**	1,352,460
Profit for the year	**669,205**	511,146
Dividends	**(611,983)**	(540,281)
End of year	**1,380,547**	1,323,325

34. 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.

	2013	2012
Profit attributable to equity holders of the Company	**1,641,038**	1,878,312
Weighted average number of ordinary shares in issue (thousands)	**1,648,339**	1,637,221
Basic earnings per share (HKD per share)	**1.00**	1.15

The weighted average number of ordinary shares and basic earnings per share for the year ended 31 December 2013 and 2012 have been adjusted to reflect the effect of share consolidation as described in Note 19(a).

(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.

34. EARNINGS PER SHARE (continued)

(b) Diluted (continued)

	2013	2012
Profit attributable to equity holders of the Company	**1,641,038**	1,878,312
Profit used to determine diluted earnings per share	**1,641,038**	1,878,312
Weighted average number of ordinary shares in issue (thousands)	**1,648,339**	1,637,221
Adjustments — share options (thousands)	**7,768**	1,363
Weighted average number of ordinary shares for diluted earnings per share (thousands)	**1,656,107**	1,638,584
Diluted earnings per share (HKD per share)	**0.99**	1.15

35. DIVIDENDS

The year of 2012 final dividend paid in 2013 were HKD615,313,000 (HKD0.374 per ordinary share). According to the approved scrip dividend scheme in the annual general meeting held on 20 May 2013, 53,549,881 new shares were issued at a price of HKD1.038 per share, totalling HKD55,585,000. The remaining dividend totalling HKD559,728,000 was paid in cash. The year of 2011 final dividend and special dividend paid in 2012 were HKD409,304,000 (HKD0.25 per ordinary share) and HKD130,977,000 (HKD0.08 per ordinary share), respectively. At the meeting on 31 March 2014, the board recommended the payment of the year of 2013 final dividend of HKD0.374 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.

	2013	2012
Proposed final dividend of HKD0.374 (2012: HKD0.374) per ordinary share	**619,755**	612,349

The above dividend per ordinary share information has been adjusted to reflect the effect of share consolidation as described in Note 19(a).

The board recommended that the final dividend be satisfied wholly in the form of an allotment of scrip shares. Shareholders will be given the option of receiving the final dividend wholly in cash in lieu of such allotment, or partly in cash and partly in the form of scrip shares. The arrangement is subject to: (1) the approval of proposed final dividend at the forthcoming Annual General Meeting; and (2) The Stock Exchange's granting the listing of and permission to deal in the new shares to be issued pursuant thereto.

(All amounts in HK dollar thousands unless otherwise stated)

36. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before income tax to cash generated from operations is set out as below:

	2013	2012
Profit before income tax	**2,637,192**	2,774,979
Adjustments for:		
— Depreciation (Note 6)	**299,748**	288,983
— Amortisation of land use rights (Note 8)	**17,818**	17,379
— Amortisation of intangible assets (Note 10)	**1,058,331**	850,870
— Losses on write-off of property, plant and equipment (Note 6)	**44,586**	–
— Disposal of concession intangible assets (Note 27)	**303,661**	–
— Provision for maintenance/resurfacing obligations — net (Note 29)	**28,744**	6,281
— Provision/(reversal) for impairment of trade receivables (Note 17)	**225**	(4,483)
— Gain on disposal of available-for-sale financial assets (Note 27)	**(315,582)**	–
— Gain on disposal of investments in joint ventures	**–**	(554)
— Share-based payment expenses (Note 30)	**8,351**	14,903
— (Gains)/losses on disposal of property, plant and equipment (Note 27)	**(967)**	5,447
— Fair value gains on investment properties (Note 7)	**(5,700)**	(9,100)
— Interest income (Note 31)	**(77,276)**	(73,277)
— Interest expense (Note 31)	**816,292**	927,843
— Fair value loss on derivative financial instruments	**458**	1,506
— Share of profit of associates and joint ventures (Note 12 and Note 13)	**(791,861)**	(1,290,878)
— Dividend income (Note 28)	**(34,745)**	(40,304)
Changes in working capital (excluding the effect of exchange differences on consolidation):		
— Inventories	**(6,469)**	(223)
— Trade and other receivables	**(377,777)**	145,127
— Trade and other payables	**371,429**	37,470
— Provision for maintenance/resurfacing obligation	**(267,247)**	(313,297)
Cash generated from operations	**3,709,211**	3,338,672

In the statement of cash flows, proceeds from sale of property, plant and equipment comprise:

	2013	2012
Net book amounts (Note 6)	**14,782**	34,833
Gains/(losses) on disposal (Note 27)	**967**	(5,447)
Proceeds from disposal	**15,749**	29,386

(All amounts in HK dollar thousands unless otherwise stated)

36. CASH GENERATED FROM OPERATIONS (continued)

Non-cash transactions

The principal non-cash transaction for the year ended 31 December 2013 represented the issue of shares to satisfy dividend pursuant to the scrip dividend scheme as disclosed in Note 35.

37. GUARANTEES AND CONTINGENCIES

(a) Upon government approval, Qinglian Company upgraded Qinglian Class I Highway to an expressway and the project was completed on 25 January 2011. During the year 2011, Qinglian Fengyun Eco-tourism Development 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 2011, the company mentioned above lodged an appeal to the Higher People's Court of Guangdong Province, which have remitted the case to Qingyuan Intermediate People's Court for re-trial. As at the date of approval of these financial statements, the litigation is still in progress. According to the nature and construction status of the upgrade project, the directors of the Company considered that the outcome of the litigation will have no significant impact on the Group's operating results.

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

38. COMMITMENTS

(a) Capital commitments

	2013	2012
Capital commitments — expenditure of property, plant and equipment and concession intangible assets		
— Contracted but not provided for	**1,478,953**	998,657
— Authorised but not contracted for	**192,463**	324,512
	1,671,416	1,323,169
Investment commitments		
— Contracted but not provided for	**25,042**	–
— Authorised but not contracted for	**–**	52,717
	25,042	52,717
	1,696,458	1,375,886

(All amounts in HK dollar thousands unless otherwise stated)

38. 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:

	2013	2012
Land and buildings:		
Not later than 1 year	**11,636**	4,454
Later than 1 year and not later than 5 years	**19,529**	1,517
	31,165	5,971

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

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

	2013	2012
Land and buildings:		
Not later than 1 year	**262,873**	151,471
Later than 1 year and not later than 5 years	**508,816**	79,993
Over 5 years	**763,225**	30,589
	1,534,914	262,053

39. RELATED-PARTY TRANSACTIONS

As described in Note 1, the Company is de facto controlled by Shenzhen SASAC. The transactions entered into with associates, joint ventures and other state-owned entities are related party transactions. The transactions as mentioned in Notes 17 and 25(b) 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 2013 and 2012, 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 2013 and 2012 and payable balances due to state-owned contractors for construction projects and guaranteed deposits as of 31 December 2013 and 2012.

(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 RMB222,403,000 (HKD285,022,000). During the year, Shenzhen Expressway paid a management fee of approximately RMB31,281,000 (HKD39,496,000) (2012: RMB32,873,000 (HKD40,484,000)) to Consulting Company. The cumulative management fee paid by Shenzhen Expressway to Consulting Company amounted to approximately RMB189,880,000 (HKD243,343,000) up to 31 December 2013.

(All amounts in HK dollar thousands unless otherwise stated)

39. 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"). The Coastal Project is owned by Shenzhen Guangshen Coastal Expressway Investment Co., Ltd. ("Coastal Company") which is wholly owned by SIHCL. The project management service revenue received from Shenzhen Expressway 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 RMB46,821,000 (HKD59,117,000) (2012: RMB35,861,000 (HKD44,164,000)).

(e) Details of the disposal of the equity interest in SZ Capital to SZ Energy are set out in Note 14.

(f) Details of key management compensation are set out in Note 30.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name	Nominal value of issued and fully paid share capital/ paid-in capital	Interest held by the Company		Non-controlling interests	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.[Δ]	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[Δ]	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	31.46	Provision of electronic information exchange, transmission and value-added information sharing services

(All amounts in HK dollar thousands unless otherwise stated)

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Nominal value of issued and fully paid share capital/ paid-in capital	Interest held by the Company Direct	Interest held by the Company Indirect	Non-controlling interests	Principal activities
Shenzhen International West Logistics Co., Ltd.@*	RMB450,000,000	–	100	–	Development, construction, operation and management of Western Logistic Park
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	10.07	Operation and management of Longda Expressway
Shenzhen Expressway Company Limited^	RMB2,180,770,326	–	50.89	49.11	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
Shenzhen International Booming Total Logistics Co., Ltd.@*	RMB90,000,000	–	55.39	44.61	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	30	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
Guangdong Qinglian Highway Development Company Limited◇	RMB3,105,959,998	–	76.37	23.63	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	49	Logistic services and related warehouse facilities

(All amounts in HK dollar thousands unless otherwise stated)

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Nominal value of issued and fully paid share capital/ paid-in capital	Interest held by the Company Direct	Interest held by the Company Indirect	Non-controlling interests	Principal activities
Nanjing Xiba Port Co., Ltd.◇*	RMB252,000,000	–	70	30	Construction, operation and management of Wharf and logistics centres at Xiba Port in Phase 2 of Nanjing
Shenzhen International Logistics Development Co., Ltd.@	RMB300,000,000	–	100	–	Investment holding
Shenyang Shenzhen International Integrated Logistics Properties Co., Ltd.@	RMB250,000,000	–	100	–	Construction, operation and management of Shenyang International Logistics Integrated Logistics Park at Shenyang Yuhong District
New Vision Limited	USD100	100	–	–	Investment holding
Shenzhen International Ports Development (HK) Limited	HKD2	–	100	–	Investment holding
Advance Great Limited	USD1	–	100	–	Investment holding
Successful Plan Assets Limited	USD1	–	100	–	Investment holding
Shenzhen International Qianhai Development Limited	HKD10,000	–	100	–	Investment holding

Δ *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. All subsidiaries listed above are limited liability companies. These subsidiaries are incorporated and operate in the PRC (except for New Vision Limited, Advance Great Limited and Successful Plan Assets Limited which are incorporated in British Virgin Islands, and Shenzhen International Ports Development (HK) Limited and Shenzhen International Qianhai Development Limited which are incorporated in Hong Kong). To give details of other subsidiaries would result in particulars of excessive length.

41. EVENTS AFTER THE BALANCE SHEET DATE

(a) On 27 January 2014, the Group's subsidiaries, Shenzhen Expressway and Meiguan Company entered into the "Agreement on the compensation in respect of the Toll Adjustment of Meiguan Expressway and Transfer of Related Assets" (the "Adjustment Agreement") with the SZ Transportation Committee and Shenzhen Longhua New Area Administrative Committee, both of which were on behalf of Shenzhen Municipal People's Government.

Pursuant to the Adjustment Agreement, Shenzhen Expressway has agreed to implement toll-free passage for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km ("Toll Free Section") from 24:00 on 31 March 2014. The toll of Shenzhen-Dongguan border to Guanlan section of Meiguan Expressway with a mileage of 5.4 km will remain unchanged. The Shenzhen Municipal People's Government agreed to make cash compensation covering the present value of the future income from the Toll Free Section for approximately RMB1,598 million and other relevant costs and/expenses for approximately RMB1,102 million (which is preliminary figure, subject to the actual amount or audit figure of the relevant government audit department). As at 31 December 2013, Shenzhen Expressway estimated the net book value of concession intangible assets, property, plant and equipment, and construction in progress relating to the Toll Free Section was approximately RMB863 million. The completion of the Adjustment Agreement shall be subject to the satisfaction of certain condition precedents. The details were set out in the Company and Shenzhen Expressway's joint announcement dated 27 January 2014.

(b) Pursuant to a resolution passed in the special general meeting held on 12 February 2014, every ten shares of the Company's issued and unissued shares with par value of HKD0.10 per share have been consolidated into one share with par value of HKD1.00 with effect from 13 February 2014 (Note 19(a)).

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