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Shenzhen International Holdings Limited

深圳國際控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 00152)

2011 ANNUAL RESULTS ANNOUNCEMENT

The Board of Directors (the “Board”) of Shenzhen International Holdings Limited (the “Company”) is pleased to announce the audited results of the Company and its subsidiaries (the “Group”), and its jointly controlled entities and associates for the year ended 31 December 2011 (the “Year”) together with comparative figures for the year ended 31 December 2010 as follows:

Consolidated Income Statement:

	Note	Year ended 31 December	
		2011 HK\$'000	2010 HK\$'000
Revenue	(3), (4)	5,581,043	5,111,806
Cost of sales	(7)	(2,839,131)	(2,993,949)
Gross profit		2,741,912	2,117,857
Other gains - net	(5)	366,477	489,849
Other income	(6)	117,592	82,961
Distribution costs	(7)	(34,870)	(27,366)
Administrative expenses	(7)	(330,432)	(244,266)
Operating profit		2,860,679	2,419,035
Share of profit of jointly controlled entities		3,407	7,685
Share of profit of associates		582,546	350,161
Profit before finance costs and tax		3,446,632	2,776,881
Finance income	(8)	35,531	21,858
Finance costs	(8)	(679,443)	(653,398)
Finance costs - net	(8)	(643,912)	(631,540)
Profit before income tax		2,802,720	2,145,341
Income tax expense	(9)	(539,946)	(453,068)
Profit for the Year		2,262,774	1,692,273
Attributable to:			
Equity holders of the Company		1,745,231	1,279,839
Non-controlling interests		517,543	412,434
		2,262,774	1,692,273

Consolidated Income Statement (continued) :

		<u>Year ended 31 December</u>	
		2011	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>
	Note		
Earnings per share for the profit attributable to equity holders of the Company during the Year (expressed in HK cents per share)			
– Basic	(10)	<u>10.66</u>	<u>9.03</u>
– Diluted	(10)	<u>10.65</u>	<u>8.66</u>
Dividends			
Proposed final dividend of HK cents 2.5 (2010: HK cents 2.15) per ordinary share	(11)	<u>409,304</u>	<u>352,002</u>
Proposed special dividend of HK cents 0.8 (2010: HK cents 0.85) per ordinary share	(11)	<u>130,977</u>	<u>139,163</u>

Consolidated Statement of Comprehensive Income:

		<u>Year ended 31 December</u>	
		2011	2010
		<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the Year		2,262,774	1,692,273
Other comprehensive income:			
Fair value (losses)/gains on available-for-sale financial assets, net of tax		(1,315,014)	1,048,580
Transfer of fair value gains to income statement upon disposal of available-for-sale financial assets, net of tax		(259,713)	(276,729)
Fair value gains/(losses) on derivative financial instruments, net of tax		48,948	(20,236)
Share of other comprehensive income of an associate		(28)	(10)
Currency translation differences		942,594	565,121
Other comprehensive income for the year, net of tax		(583,213)	1,316,726
Total comprehensive income for the year		<u>1,679,561</u>	<u>3,008,999</u>
Total comprehensive income attributable to:			
Equity holders of the Company		844,073	2,389,440
Non-controlling interests		835,488	619,559
Total comprehensive income for the year		<u>1,679,561</u>	<u>3,008,999</u>

Consolidated Balance Sheet:

		As at 31 December	
	Note	2011	2010
		HK\$'000	HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		4,024,897	3,226,152
Investment properties		62,900	49,989
Land use rights		663,930	647,623
Construction in progress		181,415	368,096
Intangible assets	(12)	24,386,045	23,446,980
Investments in associates		2,829,232	2,280,452
Investments in jointly controlled entities		319,819	306,821
Available-for-sale financial assets	(13)	246,879	147,263
Deferred income tax assets		72,609	115,485
Other non-current assets		953,470	54,050
		33,741,196	30,642,911
Current assets			
Inventories		8,413	-
Available-for-sale financial assets	(13)	1,488,061	3,435,965
Trade and other receivables	(14)	916,769	623,300
Restricted bank deposits		9,518	349,573
Cash and cash equivalents		3,723,557	1,729,590
		6,146,318	6,138,428
Assets held for sale		13,320	15,055
		39,900,834	36,796,394
Total assets			
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		4,937,120	4,919,854
Other reserves		474,490	1,219,263
Retained earnings			
– Proposed dividends	(11)	540,281	491,165
– Others		5,262,310	4,213,745
		11,214,201	10,844,027
Non-controlling interests		6,934,105	6,179,498
		18,148,306	17,023,525
Total equity			

Consolidated Balance Sheet (continued):

		As at 31 December	
	Note	2011	2010
		HK\$'000	HK\$'000
LIABILITIES			
Non-current liabilities			
Borrowings		15,321,113	11,808,764
Derivative financial instruments		59,327	83,476
Provision for maintenance/resurfacing obligations		439,208	1,083,835
Deferred income tax liabilities		1,523,944	2,019,386
		17,343,592	14,995,461
Current liabilities			
Trade and other payables	(15)	2,244,671	2,308,267
Income tax payable		310,837	296,232
Provision for maintenance/resurfacing obligations		438,784	26,877
Borrowings		1,412,841	2,140,954
Derivative financial instruments		1,803	5,078
		4,408,936	4,777,408
Total liabilities		21,752,528	19,772,869
Total equity and liabilities		39,900,834	36,796,394
Net current assets		1,750,702	1,376,075
Total assets less current liabilities		35,491,898	32,018,986

Notes:

(1) Basis of preparation

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

(2) Changes in accounting policies and disclosures

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

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

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

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

(c) Critical accounting estimates and assumptions changed during the Year:

i) Change in accounting estimates

Provisions for maintenance/resurfacing obligations

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

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

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

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

During the third quarter of 2011, the Group has reviewed and adjusted the road maintenance and resurfacing plan drew up earlier based on the findings of the study conducted by the external independent professional institutions and the business department of the Group. Due to the advanced maintenance and resurfacing plan and the adoption of new technology in maintenance, the budgeted expenditure for principal maintenance and resurfacing of the roads of the Group was decreased in general and the schedule was adjusted accordingly. Since 1 July 2011, the Group, for prospective application, made provision for maintenance/resurfacing obligation based on current road maintenance and resurfacing plan and implementation schedule. Such matters pertain to changes in accounting estimates, which caused increases in the profit after tax for the year ended 31 December 2011 amounted to HK\$409,900,000.

(3) 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.

(3) Segment information (continued)

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

For the year ended 31 December 2011

	Toll roads	Logistic business			Subtotal	Head office	Total
		Logistic parks	Logistic services	Port		functions	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue	4,774,303 ^(a)	457,656	251,475	97,609	806,740	-	5,581,043
Operating profit	2,337,903	140,527	12,691	30,755	183,973	338,803	2,860,679
Share of profit/(loss) of jointly controlled entities	(2,702)	6,841	(732)	-	6,109	-	3,407
Share of profit of associates	156,932	-	1,832	-	1,832	423,782	582,546
Finance income	22,550	2,172	930	885	3,987	8,994	35,531
Finance costs	(673,781)	(12,931)	(2,542)	(16,942)	(32,415)	26,753	(679,443)
Profit before tax	1,840,902	136,609	12,179	14,698	163,486	798,332	2,802,720
Income tax expense	(421,503)	(29,530)	(2,612)	-	(32,142)	(86,301)	(539,946)
Profit for the year	1,419,399	107,079	9,567	14,698	131,344	712,031	2,262,774
Non-controlling interests	(506,268)	(5,828)	(1,038)	(4,409)	(11,275)	-	(517,543)
Profit attributable to equity holders of the Company	913,131	101,251	8,529	10,289	120,069	712,031	1,745,231
Depreciation and amortisation	938,955	76,044	11,996	30,321	118,361	11,991	1,069,307
Capital expenditure							
- Additions in property, plant and equipment, construction in progress, land use rights and intangible assets	1,007,118	170,149	17,398	183,523	371,070	17,865	1,396,053
Additions in investments in jointly controlled entities	6,043	-	-	-	-	-	6,043

(3) Segment information (continued)

For the year ended 31 December 2010

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

(a) The revenue from toll roads includes construction service revenue: for the year ended 31 December 2011: HK\$635,574,000; for the year ended 31 December 2010: HK\$910,072,000.

(b) The Group has a number of customers. Revenues of approximately HK\$325,513,000 (2010: HK\$603,210,000) are derived from a single external customer. These revenues are attributable to construction service revenue.

(c) The Group's non-current assets are mainly located in the People's Republic of China ("PRC").

(4) Revenue

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Toll Road		
- Toll revenue	4,138,729	3,706,796
- Construction service revenue under Service Concession	635,574	910,072
Logistic Business		
- Logistic parks	457,656	301,612
- Logistic services	251,475	163,569
- Port	97,609	29,757
	<u>5,581,043</u>	<u>5,111,806</u>

(5) Other gains – net

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on disposals of available-for-sale financial assets	346,872	430,185
Fair value gains on derivative financial instruments	1,915	2,411
(Loss)/gain on disposals of property, plant and equipment	(575)	2,420
Gain on re-measurement of fair value of available-for-sale financial assets	-	29,817
Net compensation on land resumption	-	13,739
Others	18,265	11,277
	<u>366,477</u>	<u>489,849</u>

(6) Other income

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend income	64,752	43,331
Rental income	26,831	17,229
Government grants	20,303	9,201
Others	5,706	13,200
	<u>117,592</u>	<u>82,961</u>

(7) Expenses by nature

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Construction cost under Service Concession	635,574	910,072
(Reversal)/provision for maintenance/resurfacing obligations - net	(320,809)	190,110
Depreciation and amortisation	1,069,307	954,622
Employee benefit expenses	450,767	332,012
Transportation expenses and contractors' costs	274,321	219,465
Rental charges	25,739	18,861
Other tax expenses	182,563	142,936
Commission, management fee and maintenance expenses for toll roads	393,726	194,887
Auditors' remuneration		
- Audit services	6,749	6,535
- Non-audit service	2,752	1,122
Legal and consultancy fees	19,931	13,714
Others	463,813	281,245
	3,204,433	3,265,581

(8) Finance income and costs

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interest income from bank deposits	(35,531)	(21,858)
Interest expense		
- Bank borrowings and other borrowings wholly repayable within 5 years	226,799	188,851
- Bank borrowings and other borrowings wholly repayable after 5 years	328,229	318,275
- Convertible bonds wholly repayable within 5 years	76,738	142,002
- Medium-term notes wholly repayable within 5 years	35,206	24,304
- Corporate bonds wholly repayable within 5 years	72,051	-
- Corporate bonds wholly repayable after 5 years	54,913	67,855
- Other interest expense	62,570	55,573
Net foreign exchange gains directly attributable to bank and other borrowings	(160,466)	(98,447)
Less: interest expenses capitalised in construction in progress	(16,597)	(45,015)
	679,443	653,398
Net finance costs	643,912	631,540

(9) Income tax expense

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

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current income tax		
PRC corporate income tax	604,928	565,699
Deferred income tax	(64,982)	(112,631)
	539,946	453,068

(10) Earnings per share

(a) Basic

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

	2011	2010
Profit attributable to equity holders of the Company (HK\$'000)	1,745,231	1,279,839
Weighted average number of ordinary shares in issue (thousands)	16,372,173	14,169,349
Basic earnings per share (HK cents per share)	10.66	9.03

(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.

(10) Earnings per share (continued)**(b) Diluted (continued)**

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit attributable to equity holders of the Company	1,745,231	1,279,839
Interest expense on convertible bonds	<u>-</u>	<u>72,416</u>
Profit used to determine diluted earnings per share	<u>1,745,231</u>	<u>1,352,255</u>
Weighted average number of ordinary shares in issue (thousands)	16,372,173	14,169,349
Adjustments – share options (thousands)	18,001	9,275
Adjustments – conversion of convertible bonds (thousands)	<u>-</u>	<u>1,429,875</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>16,390,174</u>	<u>15,608,499</u>
Diluted earnings per share (HK cents per share)	<u>10.65</u>	<u>8.66</u>

(11) Dividends

At the meeting on 30 March 2012, the directors recommend the payment of the year of 2011 final dividend of HK cents 2.5 per ordinary share and special dividend of HK cents 0.8 per ordinary share, totalling HK cents 3.3 per ordinary share. Such dividends are to be approved by the shareholders at the forthcoming Annual General Meeting. These financial statements do not reflect this as dividend payable.

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed final dividend of HK cents 2.5 (2010: HK cents 2.15) per ordinary share	409,304	352,002
Proposed special dividend of HK cents 0.8 (2010: HK cents 0.85) per ordinary share	<u>130,977</u>	<u>139,163</u>
Proposed total dividend of HK cents 3.3 (2010: HK cents 3.0) per ordinary share	<u>540,281</u>	<u>491,165</u>

(12) Intangible assets

	Concession intangible assets
Year ended 31 December 2010	
Opening net book amount	22,463,694
Additions	931,498
Exchange difference	785,060
Amortisation	<u>(733,272)</u>
Closing net book amount	<u>23,446,980</u>
Year ended 31 December 2011	
Opening net book amount	23,446,980
Additions	649,057
Exchange difference	1,081,731
Amortisation	<u>(791,723)</u>
Closing net book amount	<u>24,386,045</u>

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

(13) Available-for-sale financial assets

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of year	3,583,228	2,453,841
Additions	2,060	-
Net change in fair value	(1,665,254)	1,499,795
Disposals	(356,124)	(389,476)
Transfer to investment in associates	-	(68,538)
Exchange difference	171,030	87,606
End of year	1,734,940	3,583,228
Less: non-current portion	(246,879)	(147,263)
Current portion	1,488,061	3,435,965

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

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

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

(14) Trade and other receivables

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0-90 days	304,320	277,694
91-180 days	38,599	6,691
181-365 days	2,257	8,893
Over 365 days (i)	238,127	159,530
	583,303	452,808

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

(15) Trade and other payables

As at 31 December 2011 and 2010, the ageing analysis of the trade payables of the Group is as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0-90 days	65,165	44,411
91-180 days	1,470	671
181-365 days	1,814	2,961
Over 365 days	3,457	3,600
	71,906	51,643

MANAGEMENT DISCUSSION AND ANALYSIS

Overall Review

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

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

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

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

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

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

Dividend

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

Logistic Business

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

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

For the year ended 31 December

	Revenue		Profit attributable to shareholders	
	2011 HK\$000	Change over year 2010	2011 HK\$000	Change over year 2010
Logistic Park Business				
South China Logistic Park	169,366	27%	46,963	33%
Western Logistic Park	74,378	77%	18,545	53%
Huatongyuan Logistic Centre	87,392	238%	16,071	284%
Nanjing Chemical Industrial Park Logistic Centre	52,578	9%	12,743	75%
Shandong Booming Total Logistic Park	73,942	43%	1,383	(64%)
SZ Airport Express Center*	N/A	N/A	5,546	52%
Sub-total	457,656	52%	101,251	53%
Logistic Service Business	251,475	54%	8,529	(21%)
Port Business ##	97,609	228%	10,289	N/A
Total	806,740	63%	120,069	56%

* SZ Airport Express Center is a jointly controlled entity and is accounted for using the equity accounting method.

Port Business commenced operation in April 2010, and achieved a break-even results in 2010.

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

- During the Year, South China Logistic Park contributed HK\$169 million in revenue to the Group, representing a 27% year-on-year growth. This was mainly due to the opening of two newly-built logistic centres in the first half of 2010 which brought in a full-year revenue for the first time and the continued improvement in its operation performance. Meanwhile, the significant growth in the business volume of empty container and depot storage business was also a contributing factor. As a result of continued expansion of operating scale, South China Logistic Park has achieved economies of scale which led to an improvement in gross profit in its overall business as compared to that of last year. Profit attributable to shareholders grew significantly by 33% year-on-year to HK\$46.96 million.
- Since its full operation in mid July 2010, Huatongyuan Logistic Centre contributed a full-year revenue and profit attributable to shareholders which amounted to HK\$87.39 million and HK\$16.07 million respectively to the Group for the first time, representing year-on-year increases of 2.4 times and 2.8 times. The operational performance of Huatongyuan Logistic Centre exceeded expectation.
- Western Logistic Park recorded respective increases of 77% and 53% in revenue and profit attributable to shareholders as compared to those of last year. The strong growth was mainly driven by the two-fold increase in the operating area of the logistic centre in the park after completion of the first stage of phase 2 of logistic centre in October 2010, as well as the adjustment of fee charges and continual optimisation of its customer mix.
- Nanjing Xiba Port, the Group's port operation, contributed a full-year revenue and profit for the first time. Following its operation in mid April 2010, Nanjing Xiba Port commenced full operation in 2011 and with rapid business growth. Its revenue increased by 2.3 times year-on-year to HK\$97.61 million, profit before finance costs and tax increased by 7.8 times year-on-year to HK\$30.76 million and it brought a net profit contribution of HK\$10.29 million to the Group.
- During the Year, revenue from logistic service business amounted to HK\$251 million, representing an increase of 54% as compared with that of last year. This was mainly attributable to the increase in business volume from certain major customers. However, the growth in revenue was offset by a surge in transportation costs as a result of domestic oil price hikes, rises in cost of sales including salaries and rental expenses, increase in the PRC corporate income tax rate as well as finance costs compared to the previous year. As a result, profit attributable to shareholders decreased by 21% from the previous year.
- Shandong Booming Total Logistic Park recorded a 43% growth in revenue, yet profit attributable to shareholders decreased by 64% during the Year and this was mainly due to a reduction in government subsidies in 2011.

Analysis of operating performance

Logistic Parks

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

Operating performance of major Logistic Parks

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

Major projects under construction

Location	Purpose	Planned operating Area (square metres)	Commencement Date of Construction	Expected Completion Date
South China Logistic Park	Logistic centre	50,000	September 2011	End of 2012
	Trade exhibition centre	74,000	September 2011	Beginning of 2013

Port Business

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

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

Logistic Service Business

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

Toll Road Business

During the Year, toll revenue and profit before finance costs and tax of toll road business of the Group amounted to approximately HK\$4,138 million (2010: HK\$3,707 million) and HK\$2,492 million (2010: HK\$2,072 million) respectively, representing increases of 12% and 20% respectively over the previous year. Profit attributable to shareholders amounted to HK\$913 million (2010: HK\$786 million), representing an increase of 16% over the previous year.

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

- After the successive completion of construction works of Longhua extension section of Bulong Class I Road and Longda Expressway during the first half of 2011, utilisation rate of the extension section of Longda Expressway was enhanced. The steady increase in ownership of small-displacement vehicles has also led to an increase in traffic volume and toll revenue of Longda Expressway; and
- Since the Liannan Section of Qinglian Expressway adopted the expressway toll standards in January 2011, the total toll mileage increased from the original 188 kilometres to approximately 216 kilometres. Yilian Expressway (spanning from Fengtoulung in Guangdong to Yizhang in Hunan, also known as Yifeng Expressway), which is connected to the northern end of Qinglian Expressway, opened for traffic in late September 2011, integrating the links between Qinglian Expressway and the surrounding road networks, especially the link between the northern end of Qinglian Expressway and the Beijing-Hong Kong-Macau Expressway (formerly known as the Hunan Section of Jing-Zhu Expressway) through Yilian Expressway. All of the factors listed above have driven the toll revenue of Qinglian Expressway up by 30% during the Year.

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

- Various maintenance projects carried out on roads including Qinglian Class II Road and end of the liability period of defects on Qinglian Expressway led to an increase in the Group's road maintenance costs as compared to the previous year. Coupled with other factors including payment of employees' housing fund as required by Shenzhen Municipal Government, the increase in staff salaries at toll roads as well as the number of staff, staff costs under both operating costs and administrative expenses had risen as compared to the previous year; and
- The increase in funding costs, the slightly expanded scale of borrowings during the Year, as well as the recognition of the relevant interest expenses in the income statement after the opening of the southern section of Qinglian Expressway, have led to an increase in finance costs.

Analysis of operating performance

Longda Expressway

During the Year, Longda Expressway recorded a toll revenue of HK\$596 million (2010: HK\$548 million), up 9% over the previous year. Profit before finance costs and tax amounted to HK\$388 million (2010: HK\$358 million), up 8% over the previous year and earnings before interest, tax, depreciation and amortisation ("EBITDA") amounted to HK\$491 million (2010: HK\$472 million), representing an increase of 4% over the previous year.

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

Wuhuang Expressway

During the Year, Wuhuang Expressway recorded a toll revenue of HK\$505 million (2010: HK\$532 million), a decrease of 5% over the previous year. Profit before finance costs and tax amounted to HK\$276 million (2010: HK\$279 million) and EBITDA amounted to HK\$376 million (2010: HK\$378 million), both remained at a similar level as those of the previous year.

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

Shenzhen Expressway Company Limited (“Shenzhen Expressway”) and its expressway projects

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

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

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

Other Business

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

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

Outlook for Year 2012

The Group is optimistic about the future potential growth of the logistic business. Together with the construction of the existing major logistic projects, the Group will continue to increase its investment and explore in logistic sector and strive to turn the logistic business to become the main driver of the Group's future growth. In the coming year, the Group will actively work towards the development of Phase 2 of Nanjing Xiba Port and Phase 2 of Nanjing Chemical Industrial Park Logistic Centre. The Group will also actively look for new investment opportunities in the logistic business, as reserve for logistic projects, in a view that this reserve will be another driving force of the continue growth of the logistic business. Further, the Group will keep on closely monitoring the future development plan of Shenzhen Qianhai area and conducting in-depth studies on the development approach of Western Logistic Park.

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

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

FINANCIAL POSITION

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

Change in percentage point

Cash Balance

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

Borrowings

Bank Loans

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

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

Notes and Bonds

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

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

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

Debt-Asset Ratio

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

The Group's Financial Policy

Locking up Interest Rates, Lowering Financial Risks

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

Exchange Rate Risk

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

Emphasise Capital Planning to Avoid Liquidity Risk

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

POST BALANCE SHEET DATE EVENT

Completion of the acquisition of 24% equity interest in Shenzhen Airlines

As of the date of this announcement, the acquisition of 24% equity interest in Shenzhen Airlines was completed. The Group's equity interest in Shenzhen Airlines increased from 25% to 49% and Shenzhen Airlines remains as an associate of the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the Year, the Company has been in full compliance with all the Code Provisions and certain Recommended Best Practices as set out in the Code on Corporate Governance Practices, Appendix 14 of the Listing Rules on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Board considers that sound corporate governance goes beyond merely meeting the regulatory authorities' basic requirements for listed companies' operation. More importantly, it fulfils the Company's internal development needs. The Company establishes a corporate governance structure comprising the Board and the management, and continuously reviews and improves it through practice. Relevant details will be set out in the Corporate Governance Report contained in the 2011 Annual Report, which will be despatched to shareholders of the Company.

CLOSURE OF REGISTER OF MEMBERS

To ensure the eligibility to attend and vote at the annual general meeting (the "AGM") and the entitlement to the final dividend and special dividend, the register of members of the Company will be closed on the following dates:

For ascertaining shareholders' right to attend and vote at the 2012 AGM:

Latest time to lodge transfers	by 4:30 p.m. on Monday, 14 May 2012
Book close dates	Tuesday, 15 May 2012 to Friday, 18 May 2012 (both days inclusive)

For ascertaining shareholders' entitlement to the proposed final dividend and special dividend:

Latest time to lodge transfers	by 4:30 p.m. on Wednesday, 23 May 2012
Book close dates	Thursday, 24 May 2012 to Monday, 28 May 2012 (both days inclusive)
Final dividend and special dividend payment date	on or about Friday, 22 June 2012

To be eligible to attend and vote at the 2012 AGM and qualified for the final dividend and special dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong no later than the aforementioned latest time.

OTHER INFORMATION

Before the date of this announcement, a meeting of the Audit Committee of the Company has been held with the Company's auditors for reviewing the annual consolidated financial statements of the Group for the year ended 31 December 2011.

The figures in respect of the announcement of the Group's results for the year ended 31 December 2011 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the announcement.

This announcement and other related information of the Company's 2011 annual results will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.szihl.com).

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

Hong Kong, 30 March 2012

As at the date of this announcement, the Board consists of Messrs. Guo Yuan, Li Jing Qi, Liu Jun and Yang Hai as executive directors, Mr. Wang Dao Hai and Professor Wong Yuk Shan, BBS, JP as non-executive directors and Messrs. Leung Ming Yuen, Simon, Ding Xun and Nip Yun Wing as independent non-executive directors.