



恒基兆業發展有限公司
HENDERSON INVESTMENT LIMITED
Stock Code: 97

Annual Report 2013

Corporate Profile

Listed in Hong Kong since 1972, Henderson Investment Limited is a subsidiary of Henderson Land Development Company Limited, a leading property group in Hong Kong. Following the reorganisation to streamline the group structure in 2007, when Henderson Land Development Company Limited acquired all of the Company's businesses except the infrastructure business, the Company has been solely engaged in the infrastructure business in mainland China.

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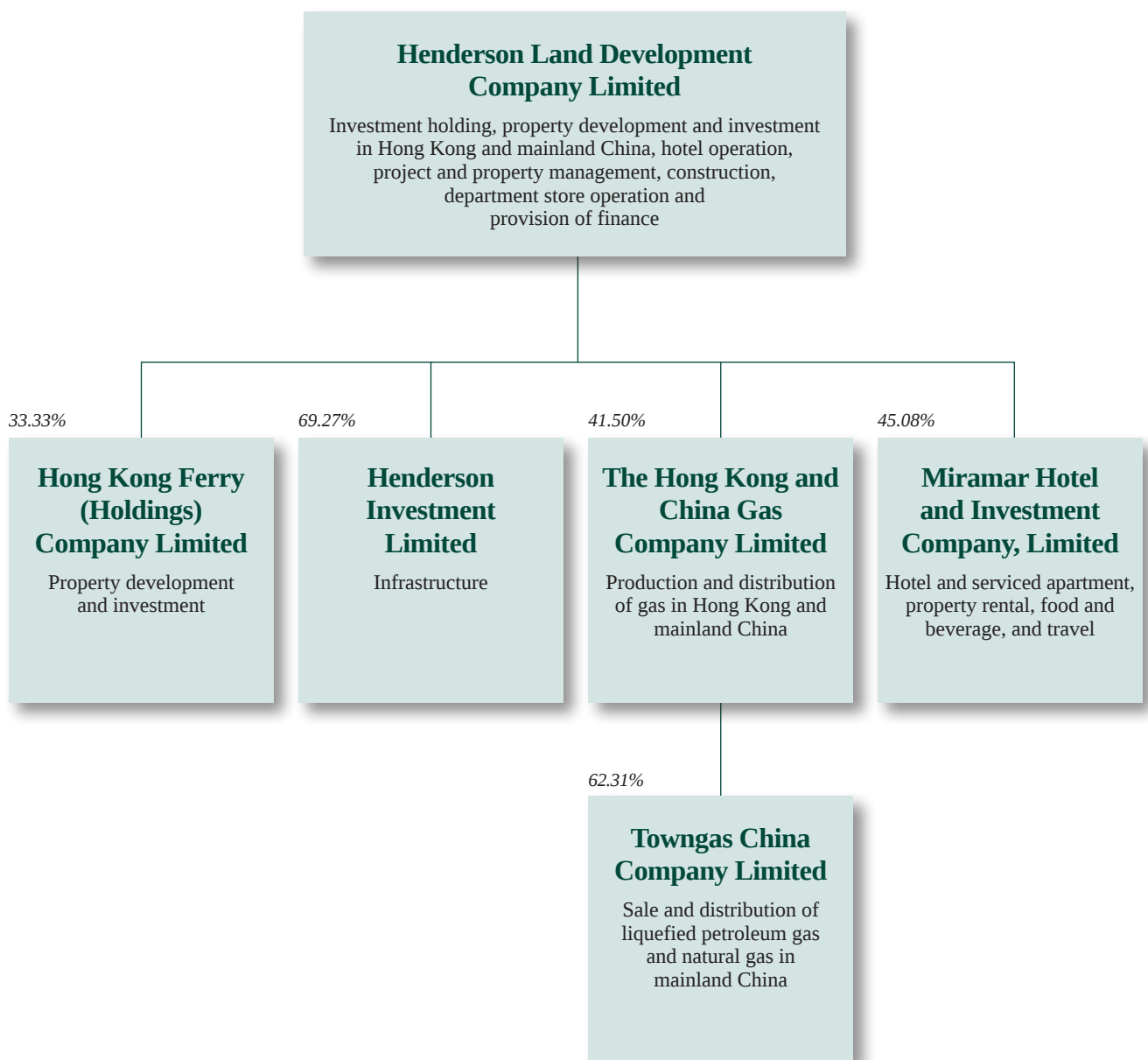
Group Structure

Henderson Land Group Structure

Market capitalization as at 31 December 2013

Henderson Land Development Company Limited: HK\$119 billion

Six listed companies of Henderson Land Group: HK\$323 billion



Note: all percentage shareholdings shown above were figures as of 31 December 2013.

Chairman's Statement

Dear Shareholders

On behalf of your Board, I am pleased to present my report on the operations of the Group for the financial year ended 31 December 2013.

Profit and Net Asset Value Attributable to Shareholders

The Group profit attributable to equity shareholders for the year ended 31 December 2013 amounted to HK\$10 million, representing a decrease of HK\$15 million or 60% from HK\$25 million for the corresponding year ended 31 December 2012. Earnings per share were HK 0.3 cents (2012: HK 0.8 cents).

The decrease in profit was due to the fact that commencing from 20 March 2012, payment of the toll fee in respect of Hangzhou Qianjiang Third Bridge to a joint venture company of the Group was provisionally suspended. Consequential upon the failure of the relevant authority to put forward any formal proposal or compensation offer regarding the toll fee collection right, for the sake of prudence, the toll revenue commencing from 20 March 2012 (including the toll revenue for the year ended 31 December 2013 in the amount of HK\$318 million) has not been recognised in the accounts of the Group. Nevertheless, with other income and other gains (mainly comprising bank interest income and net foreign exchange gain) totalling HK\$50 million, which was offset by the direct costs (mainly comprising amortization charge of the toll bridge) of HK\$39 million, a profit attributable to equity shareholders of HK\$10 million was recorded during the year.

At 31 December 2013, the net asset value attributable to equity shareholders amounted to approximately HK\$1,433 million or HK\$0.47 per share.

Dividends

Your Board recommends the payment of a final dividend of HK 2.0 cents per share to shareholders whose names appear on the Register of Members of the Company on Tuesday, 17 June 2014, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the interim dividend of HK 2.0 cents per share already paid, the total dividend for the year ended 31 December 2013 will amount to HK 4.0 cents per share (2012: HK 4.0 cents per share). Final dividend will be distributed to shareholders on Tuesday, 24 June 2014.

Business Review

The Group is engaged in the infrastructure business on the mainland. The core asset of the Group is its 60% interest in Hangzhou Qianjiang Third Bridge in Zhejiang Province, which is a major trunk route linking Beijing and Fujian Province. It is located on National Highway No.104 in Zhejiang Province, spanning approximately 5.8 km over the Qiantangjiang River in Hangzhou and connecting the urban parts of Southern Hangzhou and Xiaoshan and Binjiang. The toll bridge is also an important nodal point for access to major roads leading to the Hangzhou Airport.

For the year ended 31 December 2013, the total toll revenue (after deduction of PRC business tax) generated by Hangzhou Qianjiang Third Bridge amounted to HK\$318 million, representing an increase of HK\$1 million or 0.3% when compared with that of HK\$317 million for the corresponding year ended 31 December 2012. Hangzhou Qianjiang Third Bridge has been operating as usual. However, commencing

from 20 March 2012, payment of the toll fee in respect of Hangzhou Qianjiang Third Bridge to a joint venture company of the Group was provisionally suspended. Consequential upon the failure of the relevant authority to put forward any formal proposal or compensation offer regarding the toll fee collection right, for the sake of prudence, the toll revenue commencing from 20 March 2012 has not been recognised in the accounts of the Group. Hence, the Group's turnover for the year ended 31 December 2013 was nil as compared to HK\$63 million (being the toll revenue, net of PRC business tax, for the period from 1 January 2012 to 19 March 2012) for the corresponding year ended 31 December 2012. The total toll revenue (after deduction of PRC business tax) accrued for but not recognised by the Group up to 31 December 2013 amounted to HK\$572 million.

The above issue of toll fee collection right is subject to arbitration by China International Economic and Trade Arbitration Commission ("CIETAC").

Issue of Collection Right and Development of its Arbitration

On 17 September 2012, the joint venture company filed an arbitration application with "CIETAC" against 杭州市城市“四自”工程道路綜合收費管理處 (Hangzhou City "Sizi" Engineering & Highway General Toll Fee Administration Office) (the "Hangzhou Toll Office") as the first respondent and Hangzhou Municipal People's Government as the second respondent for an arbitration award that, inter alia, the first respondent and the second respondent should continue to perform their obligations under the collection agreement by paying toll fees of Hangzhou Qianjiang Third Bridge to the joint venture company and be liable for the damages for the breach of contract and the relevant outstanding toll fees together with the legal and arbitration costs incurred.

On 12 November 2012, CIETAC confirmed its acceptance to administer the above arbitration case and on 26 August 2013 finalised the composition of an arbitration tribunal. CIETAC has now fixed the commencement date of the arbitration hearing on 14 April 2014.

The Group does not believe that the provisional suspension of payment of toll fee from the Hangzhou Toll Office to the joint venture company commencing from 20 March 2012 has any legal or contractual basis as the Group has obtained a legal opinion from an independent PRC law firm that the toll fee collection right of Hangzhou Qianjiang Third Bridge enjoyed by the joint venture company should be for the same period of 30 years as the operating right enjoyed by the joint venture company. Based on such advice, amortization and calculation of the recoverable amount of the intangible operating right in the consolidated accounts of the Group are on the basis that both the operating right and the toll fee collection right of Hangzhou Qianjiang Third Bridge last for a period of 30 years expiring on 19 March 2027. There is, however, uncertainty as to any further response of the authorities and/or Hangzhou Municipal Bureau of Communications and the outcome of the arbitration case. Based on the future development of the aforesaid, the Group would have to reconsider the remaining useful life and/or the recoverable amount of the intangible operating right.

Currently, the core operating assets of the Group comprise its 60% interest in Hangzhou Qianjiang Third Bridge. If the Group ceases to have an economic interest in Hangzhou Qianjiang Third Bridge, the Board would, if appropriate opportunity arises, identify suitable investments for the Group. In the event that no suitable investments are identified and acquired by the Group, its assets would consist substantially of cash. As a result, The Stock Exchange of Hong Kong Limited may consider that the Company does not have a sufficient level of operations or sufficient assets to warrant the continued listing of the Company's shares and may suspend dealings in or cancel the listing of the shares.

Prospects

The Group will follow up closely with the development of the arbitration case and continue to pursue further negotiations with the relevant PRC authority with a view to achieving a settlement relating to the toll fee collection right of Hangzhou Qianjiang Third Bridge that is in the interest of the Group and its shareholders as a whole.

The Group may continue to report a loss from operations in the future financial period, unless the arbitration proceedings result in a determination or the parties come to an agreement in each case satisfactory to the Group, or suitable investment that may be identified by the Group produces satisfactory income.

Appreciation

I would like to take this opportunity to express my gratitude to my fellow directors for their wise counsel, and to thank all our staff for their dedication and hard work.

Lee Shau Kee

Chairman

Hong Kong, 20 March 2014

Management Discussion and Analysis

Financial review

The following discussions should be read in conjunction with the Company's audited consolidated accounts for the year ended 31 December 2013.

Material acquisitions and disposals

The Group did not undertake any significant acquisition or disposal of subsidiaries or assets during the year ended 31 December 2013.

Results of operations

During the year ended 31 December 2013, the Group was engaged in the infrastructure business in mainland China, being the operating right of a toll bridge in Hangzhou, Zhejiang Province.

For the reason that, as detailed in the Chairman's Statement ("Chairman's Statement") on pages 3 to 5 of the Company's annual report for the year ended 31 December 2013 of which this Financial Review forms a part, the Hangzhou Toll Office (as such term is defined in the Chairman's Statement) continued to provisionally suspend payment of the toll fee in respect of the toll bridge to the Group (which commenced from 20 March 2012) during the year ended 31 December 2013, no toll fee income was recognised in the Group's consolidated accounts for the year ended 31 December 2013 (2012: HK\$63 million, representing the toll fee income during the period from 1 January 2012 to 19 March 2012). Nevertheless, for the year ended 31 December 2013, the Group recognised (i) direct costs (mainly comprising amortisation charge of the toll bridge) of HK\$39 million (2012: HK\$47 million); (ii) other income and other gains (mainly comprising bank and other interest income and net foreign exchange gain) of HK\$50 million (2012: HK\$38 million); (iii) administrative expenses of HK\$12 million (2012: HK\$18 million); (iv) income tax charge of HK\$3 million which mainly relates to an under-provided tax charge in respect of previous years (2012: HK\$6 million); and (v) non-controlling interests' attributable share of loss for the year of HK\$14 million (2012: non-controlling interests' attributable share of profit for the year of HK\$5 million). As a result, the Group consolidated profit attributable to equity shareholders for the year ended 31 December 2013 amounted to HK\$10 million (2012: HK\$25 million).

Notwithstanding the suspension in the payment of toll fee income by the Hangzhou Toll Office to the Group during the year ended 31 December 2013, the toll fee income generated by the toll bridge during the year ended 31 December 2013 amounted to HK\$318 million (2012: HK\$317 million), representing a year-on-year increase of 0.3%. The average daily number of vehicles which used the toll bridge during the year ended 31 December 2013 was 77,376 (2012: 77,615), representing a year-on-year decrease of 0.3% for reason that the monthly traffic volume of the toll bridge recorded a month-on-month decrease of between 2% and 4% during the second half of 2013, due to (i) the record high temperatures of July and August which hampered the activity of travellers using the toll bridge; and (ii) the road construction works in the neighbouring area of the toll bridge during the period from September to December which resulted in a decrease in commuters using the toll bridge.

Financial resources, liquidity and loan maturity profile

At 31 December 2013, the Group had no bank borrowings (2012: Nil). The Group had net cash and bank balances of HK\$1,185 million at 31 December 2013 (2012: HK\$1,277 million).

During the year ended 31 December 2013, the Group did not recognise any finance costs (2012: Nil).

Based on the Group's net cash and bank balances of HK\$1,185 million at 31 December 2013, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group's financing and treasury activities are centrally managed at the corporate level. At 31 December 2013, the Group was not a contractual party to any arrangements in relation to any derivative financial instruments for speculative or hedging purposes. The Group monitors closely its interest rate exposure (in the event that the Group shall enter into new bank borrowings) and foreign exchange rate exposure (in relation to its investment in the infrastructure business in mainland China which is denominated in Renminbi and the bank deposits in Hong Kong denominated in Renminbi which are not hedged) and will consider hedging these exposures should the need arise.

Apart from the foregoing, the Group did not have any material exposures to interest rates or foreign exchange rates at 31 December 2013.

Charge on assets

Assets of the Group were not charged to any parties at 31 December 2013 and 31 December 2012.

Capital commitments

At 31 December 2013 and 31 December 2012, the Group did not have any capital commitments.

Contingent liabilities

At 31 December 2013 and 31 December 2012, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 31 December 2013, the Group had 58 (2012: 60) full-time employees. The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the year ended 31 December 2013 amounted to HK\$6 million (2012: HK\$7 million), which comprised staff costs (other than directors' remuneration) for the year of HK\$5 million (2012: HK\$6 million) and directors' remuneration for the year of HK\$1 million (2012: HK\$1 million).

Business Model and Strategic Direction

As narrated in detail in the Business Review section of the Chairman's Statement, the Group is principally engaged in infrastructure business in mainland China by way of its 60% interest in Hangzhou Qianjiang Third Bridge in Zhejiang Province, a major trunk route linking Beijing and Fujian Province. Unfortunately, the payment of the toll fee in respect of Hangzhou Qianjiang Third Bridge to a joint venture company of the Group is being suspended and is the subject matter of the arbitration in progress against the governmental authorities in mainland China. The Group will take any necessary actions to protect the interest of the joint venture company. Pending the outcome of the arbitration, the Group will decide on the use of its sizeable cash in hand.

Five Year Financial Summary

	Note	18-month period ended 31 December	Year ended 31 December			
		2009 (note 1)	2010	2011	2012	2013
		HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Profit for the period/year	2	156	163	108	25	10
		HK cents	HK cents	HK cents	HK cents	HK cents
Earnings per share	2	5.1	5.3	3.5	0.8	0.3
Dividends per share	2	6.0	4.0	4.0	4.0	4.0

	Note	At 31 December				
		2009 (note 1)	2010	2011	2012	2013
		HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Property, plant and equipment		1	2	1	1	1
Intangible operating right		508	479	454	415	394
Net asset value	2	1,564	1,615	1,633	1,536	1,433
		HK\$	HK\$	HK\$	HK\$	HK\$
Net asset value per share	2	0.51	0.53	0.54	0.50	0.47

Notes:

- 1 Pursuant to a resolution of the Board of Directors dated 19 March 2009, the Company's financial year end date has been changed from 30 June to 31 December in order to align with that of the intermediate holding company, Henderson Land Development Company Limited.
- 2 The profits, earnings, dividends and net asset values shown or referred to above were all attributable to equity shareholders of the Company.

Corporate Governance Report

The Board of Directors of the Company (the “Board”) is pleased to present the Corporate Governance Report of the Company for the year ended 31 December 2013.

1) Commitment to Corporate Governance

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards.

2) Corporate Governance Code

During the year ended 31 December 2013, the Company has complied with the applicable code provisions set out in the Corporate Governance Code (the “CG Code”) as stated in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), with the exception that the roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the CG Code. The Company is of the view that it is in the best interest of the Company that Dr Lee Shau Kee, with his profound expertise in business, shall continue in his dual capacity as the Chairman and Managing Director.

3) Board of Directors

a) Responsibilities of and Support for Directors

The Board has the responsibility for management of the Company, which includes formulating business strategies, and directing and supervising the Company’s affairs, approving interim reports and annual reports, announcements and press releases of interim and final results, considering dividend policy, approving the issue, allotment or disposal or grant of options in respect of securities or debentures of the Company and reviewing the effectiveness of the internal control system which includes reviewing the adequacy of resources, staff qualifications, experience, training programmes and budget of staff of the Company’s accounting and financial reporting function. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations to the standing committee of the Board (the “Standing Committee”).

The day-to-day management, administration and operation of the Company are delegated to the management team. The Board gives clear directions to the management as to their powers of management, and circumstances in which the management should report back.

Every Director ensures that he gives sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his appointment the directorships held in listed companies or nature of offices held in public organisations and other significant commitment, with the identity of such listed companies or organisations. The Company has also requested Directors to provide in timely manner any change on such information. Each Director is also required to disclose to the Company their time commitment. The details of the Directors’ time commitment are disclosed under the sub-paragraph “Directors’ Time Commitments and Trainings” below.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors will be notified of rule amendment updates in respect of corporate governance code so as to keep them abreast of latest rule requirements and assist them in fulfilling their responsibilities. The Directors are also provided with monthly updates which contain periodic financials with summaries of key events, outlook and business related matters of the Group. The monthly updates present a balanced and understandable assessment of the Company's performance and position. The Non-executive Directors and Independent Non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

b) **Corporate Governance Function**

The Board has undertaken the corporate governance function as required under the CG Code. The terms of reference of the corporate governance as set out in the CG Code have been approved by the Board for adoption. The terms of reference of Corporate Governance Function are available on the Company's website.

c) **Board Composition**

The Board currently comprises nine members, as detailed below:

Executive Directors

Lee Shau Kee (*Chairman and Managing Director*)
Lee Ka Kit (*Vice Chairman*)
Lam Ko Yin, Colin (*Vice Chairman*)
Lee Ka Shing (*Vice Chairman*)
Lee Tat Man

Independent Non-executive Directors

Kwong Che Keung, Gordon
Ko Ping Keung
Wu King Cheong
Leung Hay Man

The biographical details of the Directors are set out on pages 25 to 27 of this Annual Report. Dr Lee Shau Kee is the father of Mr Lee Ka Kit and Mr Lee Ka Shing and the brother of Mr Lee Tat Man. Save as aforesaid, none of the members of the Board is related to one another. A List of Directors and their Role and Function is available on the Company's website.

The term of office of all Non-executive Directors (including Independent Non-executive Directors) has been fixed for a specific term for not more than three years. They are subject to retirement by rotation and re-election at the Company's Annual General Meeting ("AGM") in accordance with the Articles of Association of the Company ("Articles").

During the year ended 31 December 2013, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. The Company has also met the requirement of at least one-third of members of the Board being Independent Non-executive Directors.

The Company has received confirmation in writing of independence from each of the Independent Non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgement. The Board considers that each of the Non-executive Directors and Independent Non-executive Directors brings his own relevant expertise to the Board.

d) Appointment and Re-election of Directors

The Board is empowered under the Articles to appoint any person as a Director to fill a casual vacancy on or as an additional member of the Board. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and duties of skill, care and diligence would be recommended to the Board for selection. Appointments are first considered by the Nomination Committee in accordance with its terms of reference and the Company's board diversity policy, and recommendation of the Nomination Committee are then put to the Board for decision.

In accordance with the Articles, new appointments to the Board are subject to re-election by shareholders at the next following AGM. Furthermore, the nearest one-third of the Directors, including those appointed for a specific term, will retire from office by rotation but are eligible for re-election by shareholders at the AGM and the Board will ensure that every Director is subject to retirement by rotation at least once every three years. Each director was appointed by a letter of appointment setting out the key terms and conditions of his appointment.

The appointment of Independent Non-executive Directors adheres to the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules. Mr Leung Hay Man ("Mr Leung") had/has previous/existing directorships falling within the independence guideline in Rule 3.13(7) of the Listing Rules, among the factors affecting independence:

- (i) Mr Leung owns a company ("Consultancy Co") which used to provide general consultancy services to Hong Kong Ferry (Holdings) Company Limited ("HKF"), a 33.33% owned associated company of Henderson Land Development Company Limited ("HLD"), the holding company of the Company, for years. The Consultancy Co has stopped providing services to HKF and no service fee has been paid by HKF to it as from June 2012. Given that the consultancy fee paid by HKF was insignificant and immaterial, the Company considers that such services rendered in the past have no bearing on his independence.
- (ii) Prior to his re-designation as an Independent Non-executive Director in August 2012, he was a Non-executive Director of the Company, HLD and HKF, involving no active management role. The Company considers that in view of no active management role, his previous directorships have no bearing on his independence.

e) Board Meetings

i) Number of Meetings and Directors' Attendance

The Board meets from time to time to discuss and exchange ideas on the affairs of the Company. During the year ended 31 December 2013, the Board held four meetings to approve interim/final results announcements and interim/annual reports, to determine the level of dividends, to discuss significant issues and the general operation of the Company and to approve matters and transactions specifically reserved to the Board for its decision. The attendance of the Directors is set out in the table on page 16.

During the year, the Non-executive Directors (including Independent Non-executive Directors) held a meeting themselves. In addition, the Chairman held a meeting with the Non-executive Directors (including Independent Non-executive Directors) without the Executive Directors present in accordance with the CG Code.

ii) *Practices and Conduct of Meetings*

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

The Company Secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final signed version is sent to all Directors for their records and open for Directors' inspection.

f) **Conflict of Interest**

If a director on the issuer level has a material interest in a matter to be considered by the Board, a physical meeting will be held to discuss the matter instead of seeking Directors' written consent by way of circulation of written resolution. In accordance with the Articles, such Director who considered to be materially interested in the matter shall abstain from voting and not be counted in the quorum.

g) **Director's and Officer's Liability Insurance**

Director's and officer's liability insurance has been arranged to indemnify the Directors and senior management against any potential liability arising from the Company's business activities which such Directors and senior management may be held liable.

The Company also keeps Directors indemnified against any claims to the fullest extent permitted by the applicable laws and regulations arising out of Directors' proper discharge of duties except for those attributable to any gross negligence or wilful misconduct.

h) **Directors' Time Commitments and Trainings**

The Company has received confirmation from each Director that he had sufficient time and attention to the affairs of the Company for the year. Directors have disclosed to the Company the number and nature of offices held in Hong Kong or overseas listed public companies or organisations and other significant commitments, with the identity of the public companies and organisations and an indication of the time involved. Directors are encouraged to participate in professional, public and community organisations. They are also reminded to notify in a timely manner the Company of any change of such information. In respect of those Directors who stand for re-election at the 2014 AGM, all their directorships held in listed public companies in the past three years are set out in the circular and general mandates. Other details of Directors are set out in the biographical details of Directors on pages 25 to 27 of this Annual Report.

During the year, arrangements were made to have speakers delivering talks and presentations to Directors of the Company on relevant topics with emphasis on the roles, functions and duties of directors of the Company as well as corporate governance. Talks arranged during the year included the topics of "Inside Information – An Introduction to the new Part XIVA of the Securities and Futures Ordinance", "Residential Properties (First-hand Sales) Ordinance" and "New Companies Ordinance". Monthly legal and regulatory updates are provided to the Directors for their reading. Directors are also encouraged to attend outside talks and seminars to enrich their knowledge in discharging their duties as a director. On a regular basis, information of seminars organised by professional bodies are provided to the Directors, and the seminar enrolments are handled by the company secretarial department.

According to the training records provided by the Directors to the Company, all Directors participated in continuous professional development in 2013 which comprised attending seminars and talks, and reading legal and regulatory updates and other reference materials.

4) Board Committees

The Board has four Board Committees, namely, the Standing Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. The Standing Committee of the Board operates as a general management committee with delegated authority from the Board. During the year, revised terms of reference of the Nomination Committee have been approved and adopted in accordance with the CG Code.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

a) **Audit Committee**

The Audit Committee was established in December 1998 and reports to the Board. The members of the Audit Committee are:

Independent Non-executive Directors

Kwong Che Keung, Gordon (*Chairman*)
Ko Ping Keung
Wu King Cheong
Leung Hay Man

The Chairman has the appropriate professional qualifications as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditors within one year immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies. The Board expects the Committee members to exercise independent judgement in conducting the business of the Committee.

The written terms of reference include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and internal control procedures. The terms of reference of the Audit Committee are available on the Company's website.

The Audit Committee held four meetings during the year ended 31 December 2013. The major work performed by the Audit Committee in respect of the year ended 31 December 2013 included reviewing and recommending the re-appointment of external auditor, approving the terms of engagement (including the remuneration) of the external auditor and the audit plan, reviewing the unaudited interim report and interim results announcement for the six months period ended 30 June 2013, reviewing the audited accounts and final results announcement for the year ended 31 December 2012, reviewing the work of the Group's internal audit department and assessing the effectiveness of the Group's systems of risk management, corporate governance and cost control. The Audit Committee also discussed with the management to ensure that the Company is having adequate resources, qualified and experienced staff of the accounting and financial reporting function, and training programmes and budget.

b) Remuneration Committee

The Remuneration Committee which was established in January 2005 comprises:

Executive Directors

Lee Shau Kee
Lam Ko Yin, Colin

Independent Non-executive Directors

Wu King Cheong (*Chairman*)
Kwong Che Keung, Gordon
Ko Ping Keung

Each member is sufficiently experienced and is appropriately skilled in the issues of determining executive compensations in public companies. The Board expects the Committee members to exercise independent judgement in conducting the business of the Committee.

The written terms of reference include the specific duties of determining, with delegated responsibility, the remuneration package of the individual Executive Director and senior management and making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The terms of reference of the Remuneration Committee are available on the Company's website.

During the year ended 31 December 2013, the Remuneration Committee held a meeting to review the salary structure of the employees of the Company as well as the remuneration of senior management staff. The Committee also reviews the remuneration of the Directors with reference to the remuneration level of directors of comparable listed companies.

Particulars of the Directors' remuneration disclosed pursuant to the Hong Kong Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 8 to the accounts on pages 48 and 49 while the analysis of the Senior Management's remuneration by band is set out on page 49. The Director's fees are fixed at the rate of HK\$20,000 per annum for each Director and in case of each member of the Audit Committee an additional remuneration at the rate of HK\$180,000 per annum until the Company in general meetings otherwise determines. Other emoluments shall from time to time be determined by the Board with reference to the Directors' duties and responsibilities and subject to a review by the Remuneration Committee.

c) Nomination Committee

The Nomination Committee which was established in December 2011 comprises:

Executive Directors

Lee Shau Kee (*Chairman, in his absence,*
Ko Ping Keung, acting as Chairman)
Lam Ko Yin, Colin

Independent Non-executive Directors

Kwong Che Keung, Gordon
Ko Ping Keung
Wu King Cheong

Each member is sufficiently experienced and is appropriately skilled in the issues of the nomination of directors to the Board. The Company has provided the Nomination Committee with sufficient resources to perform its duties. Nomination Committee may seek independent professional advice, at the Company's expense, to perform its responsibilities.

During the year, the Company's board diversity policy and the revised terms of reference of the Nomination Committee were approved and adopted. The written terms of reference include the specific duties of reviewing of the structure, size and composition of the Board with due regards to the board diversity policy and to make recommendation on any proposed changes to the Board to complement the Company's corporate policy. The board diversity policy provides that selection of candidates will be based on a range of diversity perspectives, which would include but not be limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The terms of reference of the Nomination Committee are available on the Company's website.

During the year ended 31 December 2013, the Nomination Committee held two meetings to assess the independence of Independent Non-executive Director of the Company, review the size and composition of the Board and recommend to extend the terms of office of certain Non-executive Directors of the Company.

The Nomination Committee noted that the re-election of Mr Wu King Cheong ("Mr Wu") who had served as an independent non-executive director of the Company since January 2005 for more than 9 years should be subject to a separate resolution to be approved at the forthcoming annual general meeting in accordance with the CG Code. Mr Wu is also the Chairman of the Remuneration Committee, a member of the Audit Committee and the Nomination Committee. During his tenure of office, Mr Wu had been able to fulfill all the requirements regarding his independence as independent non-executive director and provide annual confirmation of independence to the Company. Besides, he had been providing objective and independent views to the Company over the years, and he remains committed to this independent role. The members of the Nomination Committee were of the view that the long service of Mr Wu would not affect his exercise of independent judgement and were satisfied that Mr Wu has the required character, integrity and experience to continue fulfilling the role of an independent non-executive director.

Mr Wu is an independent non-executive director of HLD, HKF and Miramar Hotel and Investment Company, Limited (an associated company of HLD), all of which are listed companies. Mr Wu had not engaged in any executive management role in the Group and the aforesaid listed companies. Taking into the consideration of his independent scope of works in the past years, and that his annual confirmation of independence was in full compliance with the Rule 3.13 of the Listing Rules, the members of the Nomination Committee were satisfied with the independence of Mr Wu despite his over nine years' service and common directorship in the aforesaid listed companies, which had no bearing on his independence.

d) Attendance Record at Board Meeting, Committees' Meetings and Annual General Meeting

The attendance of the individual Director at the meetings of the Board, the Audit Committee, the Remuneration Committee, the Nomination Committee and Annual General Meeting during the year ended 31 December 2013 is set out in the following table:

	No. of meetings attended/No. of meetings held				Annual General Meeting
	Board	Audit Committee	Remuneration Committee	Nomination Committee	
Executive Directors:					
Lee Shau Kee (Chairman and Managing Director)	4/4	N/A	1/1	2/2	1/1
Lee Ka Kit	4/4	N/A	N/A	N/A	1/1
Lam Ko Yin, Colin	4/4	N/A	1/1	2/2	1/1
Lee Ka Shing	4/4	N/A	N/A	N/A	1/1
Lee Tat Man	4/4	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Kwong Che Keung, Gordon	4/4	4/4	1/1	2/2	1/1
Ko Ping Keung	4/4	4/4	1/1	2/2	1/1
Wu King Cheong	4/4	4/4	1/1	2/2	1/1
Leung Hay Man	4/4	4/4	N/A	N/A	1/1

5) Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2013, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditor of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Auditor's Report on page 29.

6) Auditor's Remuneration

For the year ended 31 December 2013, the Auditor(s) of the Company and its subsidiaries received approximately HK\$0.9 million for audit and audit related services (2012: HK\$1.0 million) and HK\$0.2 million for non-audit services (2012: HK\$0.1 million). The non-audit services rendered were to review the financial information in relation to the Group's consolidated interim accounts for the six months period ended 30 June 2013.

7) Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiries, the Company confirms that all Directors have complied with the required standards as set out in the Model Code.

8) Inside Information Policy

The Board has approved and adopted the Inside Information Policy in December 2012 which contains the guidelines to the directors, officers and all relevant employees (likely possessing the unpublished Inside Information) of the Group to ensure that the Inside Information of the Group is to be disseminated to public in equal and timely manner in accordance with the applicable laws and regulations. The Inside Information Policy has been posted on the Company's website.

During the year, the Company organised a seminar at which an experienced lawyer briefed the Directors and department heads of the Company on the obligations under the new statutory regime of inside information as well as the Inside Information Policy.

9) Internal Controls

The Board is responsible for ensuring sound and effective internal control systems to safeguard the shareholders' investment and the Company's assets.

The Internal Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Company's daily operations, is responsible for conducting regular audit on the major activities of the Company. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively. During the year, the Board has reviewed through the Audit Committee the effectiveness of the Group's internal control systems, and the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting and financial reporting function in order to ensure that they meet with the dynamic and ever changing business environment.

In addition, an email link was set up in the webpage of the intranet of the Company for employees to express their opinion or concern about the Group's operations directly to the Vice Chairman.

10) Amendments to Articles of Association

On 3 March 2014, the new Companies Ordinance, Chapter 622 of the laws of Hong Kong (the "Companies Ordinance") has replaced the old Companies Ordinance (Chapter 32) and the old Companies Ordinance has been amended as Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong) which now mainly contains provisions relating to prospectuses, winding-up, insolvency of companies and disqualification of directors.

In view of the above changes, the Company will amend its Articles of Association in alignment with the new Companies Ordinance.

11) Company Secretary

The company secretary is to support the Board by ensuring good information flow with the Board as well as the board policy and procedures being followed. The company secretary is responsible for advising the Board through the Chairman on governance matters and also facilitates the induction and professional development of Directors.

During the year, the company secretary has taken no less than 15 hours of relevant professional training.

12) Shareholder Rights and Investor Relations

The Board is committed to maintaining an on-going dialogue with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors.

The annual general meetings ("AGM") of the Company provide a forum for communication between the shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The chairmen of all Board Committees are invited to attend the AGM. The Chairman of the Board and the chairmen of all the Board Committees, or in their absence, other members of the respective Committees, are available to answer questions at the AGM. The Auditor is also invited to attend the AGM to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditor's independence. The Company's policy is to involve shareholders in the Company's affairs and to communicate with them about the activities and prospects face-to-face at the AGM.

Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll. Detailed procedures for conducting a poll will be explained to the shareholders at the commencement of the general meeting to ensure that shareholders are familiar with such voting procedures. The poll results will be posted on the websites of The Stock Exchange of Hong Kong Limited and the Company on the business day following the general meeting. Moreover, a separate resolution will be proposed by the chairman of a general meeting in respect of each substantially separate issue.

Under Section 566 of the Companies Ordinance, shareholders representing at least 5% of the total voting rights of all the shareholders having a right to vote at the general meetings are entitled to send a request to the Company to convene a general meeting. Such requisition must state the general nature of the business to be dealt with at the meeting and may include the text of a resolution that may properly be moved and is intended to be moved at the meeting. The request may be sent to the Company in hard copy form or in electronic form and must be authenticated by the shareholder(s) making it and deposited at the registered office of the Company or sent to the Company's email address at ir@hld.com. Besides, in relation to an annual general meeting which a company is required to hold, Sections 615 and 616 of the Companies Ordinance provide that shareholders representing at least 2.5% of the total voting rights of all shareholders of the company having a right to vote on the resolution at the annual general meeting or at least 50 shareholders having a right to vote on the resolution at the annual general meeting, may request the company to circulate a notice of the resolution for consideration at the annual general meeting, by sending a request, which must be authenticated by the shareholders making it, in a hard copy form or electronic form. Such request must be deposited at the registered office of the Company or sent to the Company's email address at ir@hld.com.

Shareholders may make enquiries to the Board by contacting the Company either through the Share Registrar's hotline 2980 1333 or email at is-enquiries@hk.tricorglobal.com or directly by raising questions at general meetings.

The Company has also maintained a Shareholders' Communication Policy to handle enquires put to the Board and contact details have been provided so as to enable such enquires be properly directed. The Shareholders' Communication Policy is available on the Company's website.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts. Enquiries from investors are dealt with in an informative and timely manner.

As a channel to further promote effective communication, the Group maintains a website at <http://www.hilhk.com> where the Company's announcements and press releases, business developments and operations, financial information, corporate governance code and other information are posted.

Report of the Directors

The Directors have pleasure in submitting to shareholders their annual report together with the audited accounts for the year ended 31 December 2013.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries during the year were investment holding and infrastructure business.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2013 are set out on page 60.

Group Loss

The loss of the Group for the year ended 31 December 2013 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 30 to 60.

Dividends

An interim dividend of HK\$0.02 per share was paid on 25 September 2013. The Directors have recommended the payment of a final dividend of HK\$0.02 per share to shareholders whose names appear on the Register of Members of the Company on Tuesday, 17 June 2014, and such dividend will not be subject to any withholding tax in Hong Kong. Final dividend will be distributed to shareholders on Tuesday, 24 June 2014.

Property, Plant and Equipment

Particulars of the movements in property, plant and equipment during the year are set out in note 15 to the accounts on page 52.

Bank Loans

As at 31 December 2013, the Group had no bank borrowings.

Reserves

Particulars of the movements in reserves during the year are set out in note 26 to the accounts on pages 57 and 58.

Share Capital

Details of the Company's share capital are set out in note 26 to the accounts on page 57.

Group Financial Summary

The results, assets and liabilities of the Group for the 18-month period ended 31 December 2009 and the last four years ended 31 December 2013 are summarised on page 8.

Directors' Remuneration

Particulars of the Directors' remuneration disclosed pursuant to Section 383 of the Companies Ordinance and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are set out in note 8 to the accounts on pages 48 and 49.

Directors

The Directors of the Company during the financial year and up to the date of this report were:

Executive Directors

Dr Lee Shau Kee (*Chairman and Managing Director*)
Lee Ka Kit (*Vice Chairman*)
Lam Ko Yin, Colin (*Vice Chairman*)
Lee Ka Shing (*Vice Chairman*)
Lee Tat Man

Independent Non-executive Directors

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man

Mr Lee Ka Kit, Mr Lee Ka Shing and Mr Wu King Cheong will retire by rotation at the forthcoming annual general meeting in accordance with Article 116 of the Company's Articles of Association and Corporate Governance Code and, being eligible, offer themselves for re-election. Mr Wu King Cheong has served as Independent Non-executive Directors of the Company for more than nine years. Under the Corporate Governance Code, his further appointment should be subject to separate resolution to be approved by the shareholders.

Disclosure of Interests

Directors' Interests in Shares

As at 31 December 2013, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or which were notified to the Company or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Report of the Directors

Ordinary Shares (unless otherwise specified)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Investment Limited	Lee Chau Kee	1			2,115,274,943		2,115,274,943	69.41
	Lee Ka Kit	1				2,110,868,943	2,110,868,943	69.27
	Lee Ka Shing	1				2,110,868,943	2,110,868,943	69.27
	Lee Tat Man	2	6,666				6,666	0.00
Henderson Land Development Company Limited	Lee Chau Kee	3	8,651,546		1,762,364,962		1,771,016,508	65.62
	Lee Ka Kit	3				1,761,330,730	1,761,330,730	65.26
	Lee Ka Shing	3				1,761,330,730	1,761,330,730	65.26
	Lee Tat Man	4	124,353				124,353	0.00
Henderson Development Limited	Lee Chau Kee	5			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
		6			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Chau Kee	7	35,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)		50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	5				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	6				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	7				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	5				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	6				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	7				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00

Report of the Directors

Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Heyield Estate Limited	Lee Shau Kee	8			100		100	100.00
	Lee Ka Kit	8				100	100	100.00
	Lee Ka Shing	8				100	100	100.00
Pettystar Investment Limited	Lee Shau Kee	9			3,240		3,240	80.00
	Lee Ka Kit	9				3,240	3,240	80.00
	Lee Ka Shing	9				3,240	3,240	80.00

Save as disclosed above, none of the Directors or Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations as defined in the SFO.

Share Option Schemes

The Company and its subsidiaries have no share option schemes.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2013 was the Company or any of its holding companies, subsidiary companies or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' and Others' Interests

As at 31 December 2013, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions

	No. of shares in which interested	% Interest
Substantial Shareholders:		
Rimmer (Cayman) Limited (Note 1)	2,110,868,943	69.27
Riddick (Cayman) Limited (Note 1)	2,110,868,943	69.27
Hopkins (Cayman) Limited (Note 1)	2,110,868,943	69.27
Henderson Development Limited (Note 1)	2,110,868,943	69.27
Henderson Land Development Company Limited (Note 1)	2,110,868,943	69.27
Kingslee S.A. (Note 1)	2,110,868,943	69.27
Banshing Investment Limited (Note 1)	843,249,284	27.67
Markshing Investment Limited (Note 1)	602,398,418	19.77
Covite Investment Limited (Note 1)	363,328,900	11.92
Persons other than Substantial Shareholders:		
Gainwise Investment Limited (Note 1)	217,250,000	7.13

Report of the Directors

Notes:

1. Of these shares, (i) 843,249,284 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which was 100% held by Henderson Land Development Company Limited ("HL") which in turn was 65.2% held by Henderson Development Limited ("HD"); and (ii) 3,000,000 shares and 1,406,000 shares were respectively owned by Tako Assets Limited and Thommen Limited, both were wholly-owned subsidiaries of Hong Kong Ferry (Holdings) Company Limited ("HKF") in which Dr Lee Shau Kee together with HL held 33.55%. Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr Lee Shau Kee. Dr Lee Shau Kee was taken to be interested in these shares by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.
2. Mr Lee Tat Man was the beneficial owner of these shares.
3. Of these shares, Dr Lee Shau Kee was the beneficial owner of 8,651,546 shares, and for the remaining 1,762,364,962 shares, (i) 803,966,675 shares were owned by HD; (ii) 70,285,958 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 206,511,682 shares were owned by Cameron Enterprise Inc.; 443,958,550 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 85,074,883 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 78,283,425 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 65,460,817 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; (iv) 6,162,860 shares were owned by Superfun Enterprises Limited, a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited ("China Gas") which was 41.5% held by HL, which in turn was taken to be 65.2% held by HD; (v) 1,625,880 shares were owned by Fu Sang Company Limited ("Fu Sang"); and (vi) 704,198 shares and 330,034 shares were respectively owned by Tako Assets Limited and Thommen Limited, both were wholly-owned subsidiaries of HKF in which Dr Lee Shau Kee together with HL held 33.55%. Dr Lee Shau Kee was taken to be interested in HD as set out in Note 1, Fu Sang (all the issued ordinary shares of which were owned by Hopkins as trustee of the Unit Trust), China Gas and HL by virtue of the SFO. As Directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in these shares by virtue of the SFO.
4. Mr Lee Tat Man was the beneficial owner of these shares.
5. These shares were held by Hopkins as trustee of the Unit Trust.
6. These shares were held by Hopkins as trustee of the Unit Trust.
7. Of these shares, Dr Lee Shau Kee was the beneficial owner of 35,000,000 shares, and Fu Sang owned the remaining 15,000,000 shares.
8. Of these shares, (i) 80 shares were owned by Tactwin Development Limited, a wholly-owned subsidiary of HL; (ii) 10 shares were owned by Henderson Finance Company Limited, a wholly-owned subsidiary of HD; and (iii) 5 shares each were owned by Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares of each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all their interests and, liable for all liabilities in Heyield Estate Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Mr Lee Ka Kit and Mr Lee Ka Shing were taken to be interested in such shares by virtue of the SFO.
9. Of these shares, (i) 3,038 shares were owned by HL; and (ii) 202 shares were owned by Allied Best Investment Limited which was 50% held by each of Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares of each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all their interests and, liable for all liabilities in Allied Best Investment Limited.

Directors' Interests in Competing Business

For the year ended 31 December 2013, none of the Directors of the Company has interests in businesses which might compete with the Group.

Service Contracts

None of the Directors has a service contract with the Company or any of its subsidiaries which is of a duration exceeding three years or which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Purchase, Sale or Redemption of the Company's Listed Securities

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

Major Customers and Suppliers

For the year ended 31 December 2013:

- (1) the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30 per cent of the Group's total purchases; and
- (2) there were no customers.

Management Discussion and Analysis

A management discussion and analysis of the Group's annual results is shown on pages 6 and 7.

Retirement Benefits Scheme

Details of the retirement benefits schemes participated by the Group's employees are shown in note 25 to the accounts on page 56.

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Auditor

A resolution for the re-appointment of PricewaterhouseCoopers as Auditor of the Company is to be proposed at the forthcoming annual general meeting.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 9 to 18.

On behalf of the Board

Lee Shau Kee

Chairman

Hong Kong, 20 March 2014

Biographical Details of Directors and Senior Management

Executive Directors

Dr the Hon LEE Shau Kee, *GBM, DBA (Hon), DSSc (Hon), LLD (Hon)*, aged 85, is the founder of the Company. He has been the Chairman and Managing Director of the Company since 1975 and has been engaged in property development in Hong Kong for more than 55 years. He is also the chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. He is the founder and the chairman and managing director of Henderson Land Development Company Limited (“Henderson Land”), the chairman of The Hong Kong and China Gas Company Limited, Miramar Hotel and Investment Company, Limited (“Miramar”), the vice chairman of Sun Hung Kai Properties Limited as well as a non-executive director of Hong Kong Ferry (Holdings) Company Limited, all of which are listed companies. He will resign as the chairman of Miramar and be re-designated as non-executive director of Miramar on 12 June 2014. He previously served as an independent non-executive director of The Bank of East Asia, Limited, a listed company, until his resignation on 24 April 2013. Dr Lee was awarded Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. Dr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited, Henderson Land, Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited and Gainwise Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. Dr Lee is the brother of Mr Lee Tat Man and the father of Mr Lee Ka Kit and Mr Lee Ka Shing.

LEE Ka Kit, *JP*, aged 50, a Member of the Standing Committee of the 12th National Committee of the Chinese People’s Political Consultative Conference, has been an Executive Director and Vice Chairman of the Company since 1993. He was educated in the United Kingdom and has been primarily responsible for the development of the business of Henderson Land Group in the People’s Republic of China since 1985. Mr Lee is the vice chairman of Henderson Development Limited (“Henderson Development”). He is also the vice chairman of Henderson Land Development Company Limited (“Henderson Land”), as well as a non-executive director of The Hong Kong and China Gas Company Limited and The Bank of East Asia, Limited, all of which are listed companies. He previously served as a non-executive director of Intime Department Store (Group) Company Limited (now known as Intime Retail (Group) Company Limited), a listed company, until his retirement on 31 May 2013. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region and awarded an Honorary University Fellowship by The University of Hong Kong in 2009 respectively. Mr Lee is a director of Henderson Development and Henderson Land which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee and the brother of Mr Lee Ka Shing.

LAM Ko Yin, Colin, *FCILT, FHKIoD*, aged 62, has been an Executive Director of the Company since 1988 and Vice Chairman since 1993. He is also a member of the Remuneration Committee and the Nomination Committee of the Company. He holds a B.Sc. (Honours) degree from The University of Hong Kong and has over 40 years’ experience in banking and property development. He is also the chairman of Hong Kong Ferry (Holdings) Company Limited, the vice chairman of Henderson Land Development Company Limited (“Henderson Land”) as well as a non-executive director of The Hong Kong and China Gas Company Limited and an executive director of Miramar Hotel and Investment Company, Limited, all of which are listed companies. He is the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research and a Director of Fudan University Education Development Foundation. Mr Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Mr Lam is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited, Henderson Land, Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited and Gainwise Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Biographical Details of Directors and Senior Management

LEE Ka Shing, aged 42, a Committee Member of the 12th Beijing Committee, and previously a Committee Member of the 10th Guangxi Zhuangzu Zizhiqu Committee and of the 10th Foshan Committee, of the Chinese People's Political Consultative Conference, PRC, has been an Executive Director of the Company since 1993 and Vice Chairman since 2005. He was educated in Canada. Mr Lee is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the vice chairman of Henderson Land Development Company Limited ("Henderson Land"), executive director and chief executive officer of Miramar Hotel and Investment Company, Limited ("Miramar") as well as a non-executive director of The Hong Kong and China Gas Company Limited, all of which are listed companies. He will be re-designated as the chairman and chief executive officer of Miramar on 12 June 2014. Mr Lee is a director of Henderson Development, Henderson Land, Kingslee S.A., Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited and Gainwise Investment Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr Lee Shau Kee and the brother of Mr Lee Ka Kit.

LEE Tat Man, aged 76, has been an Executive Director of the Company since 1972. He has been engaged in property development in Hong Kong for more than 35 years and is also a non-executive director of Henderson Land Development Company Limited ("Henderson Land"), a listed company. Mr Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Henderson Land which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Dr Lee Shau Kee.

Independent Non-executive Directors

KWONG Che Keung, Gordon, *FCA*, aged 64, has been an Independent Non-executive Director of the Company since 2004. He is also the chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee of the Company. He graduated from The University of Hong Kong with a bachelor's degree in social sciences in 1972 and qualified as a chartered accountant in England in 1977. He was a partner of Pricewaterhouse from 1984 to 1998 and an independent member of the Council of The Stock Exchange of Hong Kong from 1992 to 1997. He is an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land"), Agile Property Holdings Limited, China COSCO Holdings Company Limited, China Power International Development Limited, Chow Tai Fook Jewellery Group Limited, CITIC Telecom International Holdings Limited, Global Digital Creations Holdings Limited, NWS Holdings Limited and OP Financial Investments Limited, all of which are listed companies. Mr Kwong previously served as an independent non-executive director of COSCO International Holdings Limited until 9 June 2011, Beijing Capital International Airport Company Limited until 15 June 2011, Quam Limited until 6 September 2012 and China Chengtong Development Group Limited until 1 November 2013. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Future Ordinance.

Professor KO Ping Keung, *PhD, FIEEE, JP*, aged 63, has been an Independent Non-executive Director of the Company since 2004. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company. Professor Ko holds a Bachelor of Science (Honours) degree from The University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Adjunct Professor of Peking University and Tsinghua University and Emeritus Professor of Electrical & Electronic Engineering and the former Dean of the School of Engineering of The Hong Kong University of Science and Technology. He was the Vice Chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley in 1991 – 1993 and a member of Technical staff, Bell Labs, Holmdel, in 1982 – 1984. Professor Ko is an independent non-executive director of Henderson Land Development Company Limited ("Henderson Land"), a listed company. He also served as an independent non-executive director of a listed company, China Resources Microelectronics Limited, until its privatisation in November 2011. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Future Ordinance.

Biographical Details of Directors and Senior Management

WU King Cheong, *BBS, JP*, aged 63, has been an Independent Non-executive Director of the Company since 2005. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. Mr Wu is the Life Honorary Chairman of The Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Limited. He is an executive director of Lee Cheong Gold Dealers Limited. He is also an independent non-executive director of Yau Lee Holdings Limited, Henderson Land Development Company Limited (“Henderson Land”), Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies. Mr Wu previously served as an independent non-executive director of Chevalier Pacific Holdings Limited, a listed company, until 27 October 2011. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

LEUNG Hay Man, *FRICS, FCI Arb, FHKIS*, aged 79, has been a Director of the Company since 1977 and was re-designated as Non-executive Director in 2004. On 22 August 2012, Mr Leung was re-designated as Independent Non-executive Director of the Company. He is also a member of the Audit Committee of the Company. Mr Leung is a Chartered Surveyor. He is also an independent non-executive director of Henderson Land Development Company Limited (“Henderson Land”), Hong Kong Ferry (Holdings) Company Limited and The Hong Kong and China Gas Company Limited, all of which are listed companies. Henderson Land has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

Senior Management

LIU Cheung Yuen, Timon, *BEC, FCPA, CA (Aust), FCS, FCIS*, aged 56, joined the Henderson Land Group in 2005 and is presently the Company Secretary of the Group. Mr Liu graduated from Monash University, Australia with a bachelor’s degree in Economics. He is a fellow of both the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries, and an associate of The Institute of Chartered Accountants in Australia. He has many years’ experience in accounting, auditing, corporate finance, corporate investment and development, and company secretarial practice.

WONG Wing Kee, Christopher, *BSc (Econ), FCA*, aged 51, joined the Henderson Land Group in June 2007 and is presently the General Manager of Accounts Department. Mr Wong graduated from The London School of Economics and Political Science, University of London and is a fellow of the Institute of Chartered Accountants in England & Wales. He has over 25 years of experience in accounting, auditing, investment banking and corporate finance in the United Kingdom and in Hong Kong. Prior to joining the Henderson Land Group, Mr Wong was the Chief Financial Officer of Kerry Properties Limited between December 2004 and May 2007.

Accounts

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Independent Auditor's Report



羅兵咸永道

To the shareholders of Henderson Investment Limited

(incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of Henderson Investment Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 30 to 60, which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Accounts

The directors of the Company are responsible for the preparation of consolidated accounts 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated accounts 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 accounts based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance 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 accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated accounts 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 accounts.

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

Opinion

In our opinion, the consolidated accounts 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 results 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 Hong Kong Companies Ordinance.

Emphasis of Matter

We draw attention to notes 3(a) and 16 to the consolidated accounts which describe the uncertainties related to whether Hangzhou Municipal Bureau of Communications and/or other relevant government authorities would ultimately confirm that both the operating right and the toll fee collection right of Hangzhou Qianjiang Third Bridge last for a period of 30 years expiring on 19 March 2027, and to the outcome of the arbitration. Our opinion is not qualified in respect of this matter.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20 March 2014

Consolidated Statement of Profit or Loss

for the year ended 31 December 2013

	Note	2013 HK\$ million	2012 HK\$ million
Turnover	5	–	63
Direct costs		(39)	(47)
		(39)	16
Other income/other gains	6	50	38
Administrative expenses		(12)	(18)
(Loss)/profit before taxation	7	(1)	36
Income tax	10(a)	(3)	(6)
(Loss)/profit for the year		(4)	30
Attributable to:			
Equity shareholders of the Company		10	25
Non-controlling interests		(14)	5
(Loss)/profit for the year		(4)	30
		HK cents	HK cents
Earnings per share – basic and diluted	14	0.3	0.8

The notes on pages 35 to 60 form part of these accounts. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 13.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2013

	2013 HK\$ million	2012 HK\$ million
(Loss)/profit for the year	(4)	30
Other comprehensive income for the year:		
Item that may be reclassified subsequently to profit or loss:		
– Exchange difference on translation of accounts of subsidiaries outside Hong Kong	15	–
Total comprehensive income for the year	11	30
Attributable to:		
Equity shareholders of the Company	19	25
Non-controlling interests	(8)	5
Total comprehensive income for the year	11	30

The notes on pages 35 to 60 form part of these accounts.

Balance Sheets

at 31 December 2013

	Note	The Group		The Company	
		2013 HK\$ million	2012 HK\$ million	2013 HK\$ million	2012 HK\$ million
Non-current assets					
Property, plant and equipment	15	1	1	–	–
Intangible operating right	16	394	415	–	–
Investments in subsidiaries	17	–	–	351	351
Non-current receivable	18	10	27	–	–
		405	443	351	351
Current assets					
Trade and other receivables	19	78	56	5	5
Amounts due from affiliates	20	–	–	1,350	1,407
Tax recoverable		–	9	–	–
Cash and cash equivalents	21	1,185	1,277	–	–
		1,263	1,342	1,355	1,412
Current liabilities					
Trade and other payables	22	18	23	6	6
Amounts due to affiliates	23	–	–	303	303
Current taxation		1	–	–	–
		19	23	309	309
Net current assets		1,244	1,319	1,046	1,103
Total assets less current liabilities		1,649	1,762	1,397	1,454
Non-current liability					
Deferred tax liabilities	24	13	15	–	–
NET ASSETS		1,636	1,747	1,397	1,454
CAPITAL AND RESERVES	26				
Share capital	26(b)	609	609	609	609
Reserves		824	927	788	845
Total equity attributable to equity shareholders of the Company		1,433	1,536	1,397	1,454
Non-controlling interests		203	211	–	–
TOTAL EQUITY		1,636	1,747	1,397	1,454

Approved and authorised for issue by the Board of Directors on 20 March 2014.

Lee Shau Kee

Lee Tat Man

Directors

The notes on pages 35 to 60 form part of these accounts.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2013

	Attributable to equity shareholders of the Company					Non-controlling interests HK\$ million	Total equity HK\$ million
	Share capital HK\$ million	Capital reserve HK\$ million	Exchange reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million		
At 1 January 2012	609	13	159	852	1,633	206	1,839
Changes in equity for 2012:							
Profit for the year	–	–	–	25	25	5	30
Other comprehensive income for the year	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	25	25	5	30
Final dividend approved in respect of the previous financial year (note 13(b))	–	–	–	(61)	(61)	–	(61)
Interim dividend declared in respect of the current financial year (note 13(a))	–	–	–	(61)	(61)	–	(61)
Dividends paid to non-controlling interests	–	–	–	–	–	(49)	(49)
Advance from non-controlling interests	–	–	–	–	–	49	49
At 31 December 2012	609	13	159	755	1,536	211	1,747
At 1 January 2013	609	13	159	755	1,536	211	1,747
Changes in equity for 2013:							
Loss for the year	–	–	–	10	10	(14)	(4)
Other comprehensive income for the year	–	–	9	–	9	6	15
Total comprehensive income for the year	–	–	9	10	19	(8)	11
Final dividend approved in respect of the previous financial year (note 13(b))	–	–	–	(61)	(61)	–	(61)
Interim dividend declared in respect of the current financial year (note 13(a))	–	–	–	(61)	(61)	–	(61)
At 31 December 2013	609	13	168	643	1,433	203	1,636

The notes on pages 35 to 60 form part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31 December 2013

	Note	2013 HK\$ million	2012 HK\$ million
Operating activities			
(Loss)/profit before taxation		(1)	36
Adjustments for:			
Interest income		(28)	(28)
Amortisation of intangible operating right		31	39
Depreciation		1	–
Net foreign exchange gain		(18)	(5)
Operating (loss)/profit before changes in working capital		(15)	42
(Increase)/decrease in non-current receivable and trade and other receivables, net		(2)	37
Decrease in trade and other payables		(5)	(20)
Cash (used in)/generated from operations		(22)	59
Net tax refunded/(tax paid) – outside Hong Kong		5	(44)
Net cash (used in)/generated from operating activities		(17)	15
Investing activities			
Interest received		27	24
Additions to property, plant and equipment		(1)	–
Net cash generated from investing activities		26	24
Financing activities			
Dividends paid to shareholders		(122)	(122)
Dividend paid to non-controlling interest		–	(49)
Advance from non-controlling interest		–	49
Net cash used in financing activities		(122)	(122)
Net decrease in cash and cash equivalents		(113)	(83)
Cash and cash equivalents at 1 January		1,277	1,355
Effect of foreign exchange rate changes		21	5
Cash and cash equivalents at 31 December	21	1,185	1,277

The notes on pages 35 to 60 form part of these accounts.

Notes to the Accounts

for the year ended 31 December 2013

1 General information

Henderson Investment Limited (“the Company”) is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company’s registered office and principal place of business is 72-76/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activity of the Company during the year was investment holding and the principal activities of its subsidiaries during the year were investment holding and infrastructure.

2 Significant accounting policies

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the “Group”) is set out below.

(b) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group’s accounts for the year ended 31 December 2013.

- Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

The amendments to HKAS 1 require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The Group’s presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these accounts has been modified accordingly. In addition, the Group has chosen to use the new titles “statement of profit or loss” and “statement of profit or loss and other comprehensive income” as introduced by the amendments in these accounts.

- HKFRS 10, *Consolidated financial statements*

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK(SIC)-Int 12 *Consolidation – Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities at 1 January 2013.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

- HKFRS 12, *Disclosure of interests in other entities*

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in note 27.

In respect of the other developments, none of them has material impact on these accounts.

Up to the date of issue of these accounts, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these accounts. These include the following which may be relevant to the Group:

		Effective for accounting periods beginning on or after
Amendments to HKAS 32	<i>Offsetting financial assets and financial liabilities</i>	1 January 2014
Amendments to HKAS 39	<i>Novation of derivatives and continuation of hedge accounting</i>	1 January 2014
HKFRS 9	<i>Financial instruments</i>	To be announced by the HKICPA

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the accounts.

(c) Basis of preparation of the accounts

The consolidated accounts for the year ended 31 December 2013 comprise the Company and its subsidiaries.

The measurement basis used in the preparation of these accounts is the historical cost basis.

The preparation of these accounts in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the accounts and key sources of estimation uncertainty are discussed in note 3.

2 Significant accounting policies (continued)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated accounts from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in subsidiaries not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interest either at fair value or at the non-controlling interest's proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)).

(e) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(h)).

Subsequent costs are included in the asset's carrying amount 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.

2 Significant accounting policies (continued)

(e) Property, plant and equipment (continued)

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives of five years.

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(f) Intangible operating right

Intangible operating right is stated at cost less accumulated amortisation and impairment losses (see note 2(h)).

Amortisation is provided to write off the cost of the toll bridge operating right using the straight-line method over its remaining life.

Intangible operating right is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains or losses arising from derecognition of an intangible operating right are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(g) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowances for impairment of doubtful debts (see note 2(h)).

(h) Impairment of assets

(i) *Impairment of trade and other receivables*

Current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

2 Significant accounting policies (continued)

(h) Impairment of assets (continued)

(i) *Impairment of trade and other receivables (continued)*

If any such evidence exists, any impairment loss is determined and recognised. For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the estimated future cash flows, discounted at the asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of the asset).

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible operating right; and
- investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

2 Significant accounting policies (continued)

(h) Impairment of assets (continued)

- (ii) *Impairment of other assets (continued)*
– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period or periods in which the reversals are recognised.

(i) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(k) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(l) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 Significant accounting policies (continued)

(1) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which such deferred tax assets can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether the existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 Significant accounting policies (continued)

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Toll fee income*

Toll fee income is recognised when services are provided and the amount of revenue can be reliably measured, and when it is probable that future economic benefits will flow to the Group.

(ii) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(o) Translation of foreign currencies

Items included in the accounts of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

2 Significant accounting policies (continued)

(o) Translation of foreign currencies (continued)

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(p) Borrowing costs

Borrowing costs are expensed in profit or loss in the year in which they are incurred.

(q) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or a joint venture of the other entity (or an associate or a joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
- (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close family members of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Uncertainty related to the toll fee collection right period

As detailed in note 16 to these accounts, at the date of issue of these accounts, the Group is waiting for the People's Government of Zhejiang Province (浙江省人民政府) and the Zhejiang Province Department of Communications (浙江省交通運輸廳) (collectively, the "Authorities") to confirm that both the operating right and the toll fee collection right of Hangzhou Qianjiang Third Bridge (the "Bridge") last for a same period of 30 years and the outcome of the arbitration case.

The Group has obtained legal opinion from an independent PRC law firm and has received firm advice that in respect of the Bridge, the toll fee collection right enjoyed by Hangzhou Henderson Qianjiang Third Bridge Company, Limited (the "Joint Venture Company") should be for the same period of 30 years as the operating right enjoyed by the Joint Venture Company. Based on such advice, amortisation and calculation of the recoverable amount of the intangible operating right in these accounts are on the basis that both the operating right and the toll fee collection right of the Bridge last for a period of 30 years expiring on 19 March 2027. There is, however, uncertainty as to any further response of the Authorities and/or Hangzhou Municipal Bureau of Communications (杭州市交通運輸局) and the outcome of the arbitration case. Based on the future development of the aforesaid, the Group would have to reconsider the remaining useful life and/or the recoverable amount of the intangible operating right. These accounts do not include any adjustment on the carrying amount of the intangible operating right that would result from the future development of the aforesaid.

(b) Impairment of receivables

If circumstances indicate that the carrying amounts of receivables may not be recoverable, an impairment loss may be recognised. The carrying amount of a receivable is reviewed regularly in order to assess whether the recoverable amount has declined below the carrying amount. The Group estimates the future cash flows from the receivable with reference to, among others, the age of the receivable, counterparties' creditworthiness and repayment history.

(c) Income tax

The Group is subject to withholding income tax in relation to profit distributions from its investment projects in mainland China. Management has exercised the judgement that profits from the Group's investment projects in mainland China are recognised on an accrual basis, and the provision for withholding income tax has been made in the Group's accounts accordingly. Where a different basis is adopted by the tax authorities in mainland China in assessing the Group's withholding income tax liability relating to the distribution of profits from the Group's investment projects in mainland China, the amount of the Group's withholding income tax liability may be different from the amount of the provision for withholding income tax made in the Group's accounts.

4 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and foreign currency risks arises in the normal course of the Group's business. These risks are monitored by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, trade and other receivables and non-current receivable. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

In respect of trade and other receivables, credit terms given to counter-parties are generally based on the financial strength and repayment history of each counter-party. Normally, the Group does not obtain collateral from counter-parties. Ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise exposure to credit risk. Adequate impairment losses have been made for the estimated irrecoverable amounts.

Included in non-current receivable and trade and other receivables was the balance of consideration receivable (stated at present value) in relation to the disposal of the Group's toll fee collection rights of certain toll bridges during the year ended 30 June 2004. Management monitors the recovery of the balances closely and ensures that adequate impairment losses have been made for the estimated irrecoverable amounts.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets. The Group does not provide any guarantee which exposes the Group to credit risk.

(b) Liquidity risk

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table sets out the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash outflows (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the balance sheet date) and the earliest date on which the Group can be required to pay:

	2013				
	Contractual undiscounted cash outflow				Carrying amount HK\$ million
	Within 1 year or on demand HK\$ million	More than 1 year but less than 2 years HK\$ million	More than 2 years but less than 5 years HK\$ million	Total HK\$ million	
Trade and other payables	18	—	—	18	

4 Financial risk management and fair values (continued)**(b) Liquidity risk (continued)**

	2012				Carrying amount HK\$ million
	Contractual undiscounted cash outflow				
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total	
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
Trade and other payables	23	—	—	23	23

(c) Interest rate risk

At 31 December 2013, the Group did not have any borrowings or liabilities which exposed the Group to significant interest rate risk. The Group monitors closely its interest rate exposure and will consider hedging significant interest rate exposure should the need arise. During the year, the Group did not enter into any interest rate hedging instruments.

(d) Foreign currency risk

The Group's primary foreign currency exposure arises from the following:

- (i) the Group's operations in mainland China as the functional currency of these operations is Renminbi. Where appropriate and cost efficient, the Group seeks to finance these investments by Renminbi borrowings with reference to the future Renminbi funding requirements of the investment and the related returns to be generated therefrom; and
- (ii) the Group's bank deposits in Hong Kong denominated in Renminbi which are not hedged.

The Group will consider hedging such exposure should the need arise.

At 31 December 2013, there were balances between the Group's entities where the denomination is in a currency other than the functional currencies of the Group's entities to which they relate. The impact on the Group's profit after tax and total equity attributable to equity shareholders of the Company is not expected to be material in response to reasonably possible changes in the foreign exchange rates of the other currencies to which the Group is exposed.

(e) Fair values

Financial assets and liabilities are carried at amounts not materially different from their fair values at 31 December 2013 and 2012.

Notes to the Accounts

for the year ended 31 December 2013

5 Turnover

Turnover represents toll fee income, net of business tax, from infrastructure business in mainland China. In view of the uncertainty on the inflow of toll revenue to the Group as referred to in note 16, the Group did not recognise in these accounts any toll fee income during the year (2012: HK\$63 million).

6 Other income/other gains

	2013 HK\$ million	2012 HK\$ million
Bank interest income	26	25
Other interest income	2	3
Government subsidies	–	1
Net foreign exchange gain	18	5
Sundry income	4	4
	50	38

7 (Loss)/profit before taxation

(Loss)/profit before taxation is arrived at after charging:

	2013 HK\$ million	2012 HK\$ million
(a) Directors' remuneration:		
Directors' fees, salaries, emoluments, other allowances and benefits	1	1
Details of the directors' remuneration are set out in note 8.		
(b) Staff costs (other than directors' remuneration):		
Salaries, wages and other benefits	5	6
(c) Other items:		
Amortisation of intangible operating right	31	39
Repairing cost of the toll bridge	2	3
Depreciation	1	–
Auditors' remuneration – audit service	1	1

Notes to the Accounts

for the year ended 31 December 2013

8 Directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	2013				
	Directors' fees HK\$'000	Salaries, emoluments, other allowances and benefits HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive Directors					
Dr Lee Shau Kee	20	—	—	—	20
Lee Ka Kit	20	—	—	—	20
Lam Ko Yin, Colin	20	—	—	—	20
Lee Ka Shing	20	—	—	—	20
Lee Tat Man	20	—	—	—	20
Independent Non-executive Directors					
Kwong Che Keung, Gordon	20	180	—	—	200
Professor Ko Ping Keung	20	180	—	—	200
Wu King Cheong	20	180	—	—	200
Leung Hay Man	20	180	—	—	200
Total	180	720	—	—	900

	2012				
	Directors' fees HK\$'000	Salaries, emoluments, other allowances and benefits HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contributions HK\$'000	Total HK\$'000
Executive Directors					
Dr Lee Shau Kee	20	—	—	—	20
Lee Ka Kit	20	—	—	—	20
Lam Ko Yin, Colin	20	—	—	—	20
Lee Ka Shing	20	—	—	—	20
Lee Tat Man	20	—	—	—	20
Lee King Yue*	10	—	—	—	10
Kwok Ping Ho*	10	—	—	—	10
Wong Ho Ming, Augustine*	10	—	—	—	10
Independent Non-executive Directors					
Kwong Che Keung, Gordon	20	180	—	—	200
Professor Ko Ping Keung	20	180	—	—	200
Wu King Cheong	20	180	—	—	200
Leung Hay Man**	20	180	—	—	200
Total	210	720	—	—	930

Notes to the Accounts

for the year ended 31 December 2013

8 Directors' remuneration (continued)

* retired by rotation at the Company's annual general meeting held on 11 June 2012.

** re-designated as an Independent Non-executive Director of the Company with effect from 22 August 2012.

There was no arrangement under which a director has waived or agreed to waive any emoluments during the year.

Certain of the directors received remuneration from the Company's intermediate holding company for services provided to the Group. No apportionment has been made as the directors are of the opinion that it is impracticable to apportion the amounts between their services to the Company's intermediate holding company and its subsidiaries.

9 Emoluments of five highest paid individuals and senior management

(a) Emoluments of five highest paid individuals

Of the five individuals with the highest emoluments, none of them is a director for both the current year and prior year. Their emoluments are analysed as follows:

	2013 HK\$ million	2012 HK\$ million
Salaries, emoluments, other allowances and benefits	4	4
Discretionary bonuses	—	—
Retirement scheme contributions	—	—
	4	4

Their emoluments are within the following bands:

	Number of individuals	
	2013	2012
HK\$1,000,000 or below	4	4
HK\$1,000,001 to HK\$2,000,000	1	1
	5	5

(b) Emoluments of senior management

Other than the emoluments of directors disclosed in note 8, the senior management whose profiles are set out in the section "Biographical Details of Directors and Senior Management" of the Company's annual report for the year ended 31 December 2013 (of which these accounts form a part) received no remunerations from the Group during the year (2012: Nil).

Notes to the Accounts

for the year ended 31 December 2013

10 Income tax

(a) **Income tax in the consolidated statement of profit or loss represents:**

	2013 HK\$ million	2012 HK\$ million
Current tax – mainland China		
– provision for the year	3	11
– under-provision in respect of prior years	2	1
Deferred taxation		
– origination and reversal of temporary differences (note 24 (a))	(2)	(6)
	3	6

No provision for Hong Kong Profits Tax has been made as there is no assessable profit for the year subject to Hong Kong Profits Tax.

Taxation for subsidiaries outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China, under which the Group's principal income tax rate applicable to its operations in mainland China is gradually accelerated to a higher tax rate of 25% in a period of five years starting from 1 January 2008. The applicable principal income tax rate for the year ended 31 December 2013 was 25% (2012: 25%).

In addition, dividend distribution out of the retained profits of foreign-invested enterprises earned after 1 January 2008 is subject to withholding tax at a tax rate of 10% unless reduced by treaty. Under the tax treaty between Hong Kong and mainland China, the withholding tax rate applicable to the Group for the current year and the prior year is 5%.

(b) **Reconciliation between tax expense and accounting (loss)/profit at applicable tax rates:**

	2013 HK\$ million	2012 HK\$ million
(Loss)/profit before taxation	(1)	36
Notional tax on (loss)/profit before taxation, calculated at the Hong Kong Profits Tax rate of 16.5% (2012: 16.5%)	–	6
Tax effect of non-deductible expenses	1	1
Tax effect of current year's tax losses not recognised	6	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	2
Tax effect of non-taxable income	(6)	(4)
Under-provision in respect of prior years	2	1
Income tax	3	6

Notes to the Accounts

for the year ended 31 December 2013

11 Segmental information

No segmental information for the years ended 31 December 2013 and 2012 is presented as the Group's turnover and trading results for the abovementioned years are generated solely from its infrastructure business in mainland China, the turnover of which amounted to HK\$Nil during the year (2012: HK\$63 million) and the loss from operation of which amounted to HK\$41 million during the year (2012: profit of HK\$9 million).

12 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK\$65 million (2012: HK\$107 million) which has been dealt with in the accounts of the Company.

13 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the profit for the year

	2013 HK\$ million	2012 HK\$ million
Interim dividend declared and paid of HK2 cents (2012: HK2 cents) per share	61	61
Final dividend proposed after the balance sheet date of HK2 cents (2012: HK2 cents) per share	61	61
	122	122

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividend payable to equity shareholders of the Company attributable to the profit for the previous financial year, approved and paid during the year

	2013 HK\$ million	2012 HK\$ million
Final dividend in respect of the previous financial year, approved and paid during the year of HK2 cents (2012: HK2 cents) per share	61	61

14 Earnings per share – basic and diluted

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$10 million (2012: HK\$25 million) and 3,047,327,395 (2012: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the year.

15 Property, plant and equipment

The Group

	Leasehold improvements, furniture, fixtures and motor vehicles	
	2013 HK\$ million	2012 HK\$ million
Cost:		
At 1 January	7	7
Additions	1	–
At 31 December	8	7
Accumulated depreciation:		
At 1 January	6	6
Charge for the year	1	–
At 31 December	7	6
Net book value:		
At 31 December	1	1

16 Intangible operating right

The Group

	Toll bridge operating right	
	2013 HK\$ million	2012 HK\$ million
Cost:		
At 1 January	931	931
Exchange adjustment	26	–
At 31 December	957	931
Accumulated amortisation:		
At 1 January	516	477
Charge for the year	31	39
Exchange adjustment	16	–
At 31 December	563	516
Carrying amount:		
At 31 December	394	415

The toll bridge represents the Bridge (as referred to in note 3(a)) located in Hangzhou, Zhejiang Province, mainland China.

16 Intangible operating right (continued)

The Group was granted the operating right of the Bridge by the Hangzhou Foreign Economic Relations and Trade Commission (杭州市對外經濟貿易委員會) in 1997 and was further approved by National Development and Reform Commission (formerly known as State Development & Planning Committee) (發展和改革委員會(前稱為國家發展計劃委員會)) in 1999 for a period of 30 years from 20 March 1997 (commencement date of the Bridge's operation) to 19 March 2027 during which the Group has the rights of management and maintenance of the Bridge. However, the General Office of the People's Government of Zhejiang Province notified Zhejiang Province Department of Communications and other relevant government authorities in 2003 to provisionally fix the period for entitlement to toll fee in respect of 39 toll roads and highways in the province. In the case of the Bridge, which was also included in the list, the period was provisionally fixed at 15 years (from 20 March 1997 to 19 March 2012).

Furthermore, on 20 March 2012, the Joint Venture Company (as referred to in note 3(a)) received a letter dated 18 March 2012 from 杭州市城市“四自”工程道路綜合收費管理處 (Hangzhou City “Sizi” Engineering & Highway General Toll Fee Administration Office) (the “Hangzhou Toll Office”), which is the relevant government body in Hangzhou to record the traffic flow and make payment of the toll fee of the Bridge pursuant to the terms of an agreement dated 5 February 2004 (the “Collection Agreement”) entered into between the Joint Venture Company and the Hangzhou Toll Office, which stated that, because the General Office of the People's Government of Zhejiang Province in 2003 provisionally fixed the period of entitlement to toll fee in respect of the Bridge to end on 19 March 2012, they would, commencing from 20 March 2012, provisionally suspend payment of toll fee to the Joint Venture Company in respect of the Bridge. The Hangzhou Toll Office also stated in the letter that they would, in accordance with the terms of the Collection Agreement, continue to record the traffic flow of the Bridge and work with the Joint Venture Company. The Group had on 6 June 2012 received a letter from Hangzhou Municipal Bureau of Communications which stated that Hangzhou Municipal Bureau of Communications had been confirmed and assigned by Hangzhou Municipal People's Government (杭州市人民政府) to negotiate concretely with the Joint Venture Company and strive to properly deal with the related matters resulting from the abovementioned provisional suspension of the toll fee payment of the Bridge as soon as possible, and the corresponding compensation matters proposed by the Joint Venture Company would be dealt with in due course.

In view of the uncertainty on the inflow of the toll revenue to the Joint Venture Company, the Company's directors did not recognise in these accounts the toll revenue (after deduction of mainland China business tax) during the period from 20 March 2012 (being the commencement date for the provisional suspension of the toll fee payment from the Hangzhou Toll Office to the Group) to 31 December 2013 of RMB462 million, or equivalent to HK\$572 million. Accordingly, the Group did not recognise any toll income receivable from the Bridge collected on behalf of the Group by the Hangzhou Toll Office at 31 December 2013. For the year ended 31 December 2013, the total unrecognised toll revenue (after deduction of mainland China business tax) amounted to HK\$318 million (2012: HK\$254 million).

Besides, in order to protect the interest of the Joint Venture Company, the Joint Venture Company had, in accordance with the terms of the Collection Agreement, filed an arbitration application with China International Economic and Trade Arbitration Commission (“CIETAC”, 中國國際經濟貿易仲裁委員會) on 17 September 2012 against the Hangzhou Toll Office and Hangzhou Municipal People's Government for an arbitration award that, inter alia, they should continue to perform their obligations under the Collection Agreement by paying toll fees of the Bridge to the Joint Venture Company and be liable for the damages for the breach of contract and the relevant outstanding toll fees together with the legal and arbitration costs incurred. CIETAC had on 12 November 2012 confirmed its acceptance to administer the above arbitration case.

At the date of issue of these accounts, the Group was waiting for the Authorities (as referred to in note 3 (a)) to confirm that both the operating right and the toll fee collection right of the Bridge last for a same period of 30 years and the outcome of the arbitration case.

The amortisation charge for the year is included in “Direct costs” in the consolidated statement of profit or loss.

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17 Investments in subsidiaries

	The Company	
	2013 HK\$ million	2012 HK\$ million
Unlisted shares, at cost	351	351

Details of the principal subsidiaries at 31 December 2013 are set out on page 60.

18 Non-current receivable

As referred to in note 4(a), non-current receivable represents the non-current portion of the balance of consideration receivable (stated at present value) in relation to the disposal of the Group's toll fee collection rights of certain toll bridges during the year ended 30 June 2004.

At 31 December 2013, the total balance of the consideration receivable was RMB61 million (equivalent to HK\$78 million) (2012: RMB59 million (equivalent to HK\$73 million)) to be settled by instalments of RMB16 million (equivalent to HK\$20 million) per annum for the period from 28 October 2010 to 20 July 2015. At 31 December 2013, the current portion of the consideration receivable of HK\$68 million (2012: HK\$46 million) is included in "Trade and other receivables" (see note 19).

19 Trade and other receivables

	The Group		The Company	
	2013 HK\$ million	2012 HK\$ million	2013 HK\$ million	2012 HK\$ million
Consideration receivable (note 18)	68	46	–	–
Deposits, prepayments and other receivables	10	10	5	5
	78	56	5	5

As referred to in note 16, the Group did not recognise any toll income receivable from the Bridge collected on behalf of the Group by the Hangzhou Toll Office at 31 December 2013.

Included in the consideration receivable of HK\$68 million (2012: HK\$46 million) above was an amount of RMB25 million (equivalent to HK\$31 million) (2012: RMB20 million (equivalent to HK\$25 million)) which related to an amount overdue for more than one year but was not impaired. Based on past experience, management considers that no impairment allowance is necessary as there has not been a significant change in credit quality and such amount is considered to be fully recoverable.

20 Amounts due from affiliates

	The Company	
	2013 HK\$ million	2012 HK\$ million
Amounts due from subsidiaries	1,350	1,407

Amounts due from subsidiaries are unsecured, interest-free and recoverable on demand.

Notes to the Accounts

for the year ended 31 December 2013

21 Cash and cash equivalents

	The Group		The Company	
	2013 HK\$ million	2012 HK\$ million	2013 HK\$ million	2012 HK\$ million
Deposits with banks	1,178	1,255	–	–
Cash at bank and in hand	7	22	–	–
Cash and cash equivalents in the balance sheets and the consolidated cash flow statement	1,185	1,277	–	–

Included in the cash and cash equivalents at 31 December 2013 were (i) an amount of HK\$570 million (2012: HK\$508 million) relating to bank deposits in Hong Kong denominated in Renminbi, being the currency other than the functional currency of the entities to which they relate; and (ii) a total sum being the equivalent of HK\$92 million (2012: HK\$127 million) which was maintained in mainland China and is subject to foreign exchange control regulations.

22 Trade and other payables

	The Group		The Company	
	2013 HK\$ million	2012 HK\$ million	2013 HK\$ million	2012 HK\$ million
Trade creditors	1	3	–	–
Accrued expenses and other payables	17	20	6	6
	18	23	6	6

The ageing analysis of trade creditors of the Group at the balance sheet date is as follows:

	2013 HK\$ million	2012 HK\$ million
Due more than 1 month but within 3 months	1	3
	1	3

23 Amounts due to affiliates

	The Company	
	2013 HK\$ million	2012 HK\$ million
Amounts due to subsidiaries	303	303

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

24 Deferred tax liabilities

(a) The Group

The components of deferred tax liabilities of the Group recognised in the consolidated balance sheet and the movements during the year are as follows:

Deferred taxation arising from:	Consideration receivable on disposal of toll fee collection right of toll bridges HK\$ million	Withholding tax HK\$ million	Total HK\$ million
At 1 January 2012	14	7	21
Credited to profit or loss (note 10 (a))	(2)	(4)	(6)
At 31 December 2012	12	3	15
At 1 January 2013	12	3	15
Credited to profit or loss (note 10 (a))	(1)	(1)	(2)
At 31 December 2013	11	2	13

(b) The Company

No deferred taxation has been recognised as the Company did not have significant temporary differences at 31 December 2013 and 2012.

25 Employee retirement benefits

The Group's employees employed under the jurisdiction of the Hong Kong Employment Ordinance participate in the Group's Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (the "MPFO"). The MPF Scheme is a defined contribution retirement plan administered by an independent trustee. Under the MPF Scheme, the Group and the employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$25,000. Such contributions to the MPF Scheme vest immediately. In addition to the abovementioned minimum contribution, the Group provides certain voluntary top-up benefits to employees participating in the MPF Scheme, subject to a vesting scale. The portion of the employer's contributions to which the employees are not entitled and which has been forfeited can be used by the Group to reduce the future contributions. No forfeited contributions were utilised during the current year and the prior year.

Employees of the subsidiaries in mainland China are members of the central pension scheme operated by the government of the People's Republic of China. The Group is required to contribute a certain percentage of employees' remuneration to the central pension scheme to fund the benefits. The only obligation for the Group with respect to the central pension scheme is the associated required contribution under the central pension scheme. Contributions to the scheme vest immediately.

Notes to the Accounts

for the year ended 31 December 2013

26 Capital and reserves

(a) The Company

	Share capital HK\$ million	Capital reserve HK\$ million	Retained profits HK\$ million	Total equity HK\$ million
At 1 January 2012	609	3	857	1,469
Changes in equity for 2012:				
Profit for the year (note 12)	–	–	107	107
Final dividend approved in respect of the previous financial year (note 13(b))	–	–	(61)	(61)
Interim dividend declared in respect of the current financial year (note 13(a))	–	–	(61)	(61)
At 31 December 2012	609	3	842	1,454
At 1 January 2013	609	3	842	1,454
Changes in equity for 2013:				
Profit for the year (note 12)	–	–	65	65
Final dividend approved in respect of the previous financial year (note 13(b))	–	–	(61)	(61)
Interim dividend declared in respect of the current financial year (note 13(a))	–	–	(61)	(61)
At 31 December 2013	609	3	785	1,397

(b) Share capital

	The Group and the Company	
	2013 HK\$ million	2012 HK\$ million
Authorised: 5,000,000,000 (2012: 5,000,000,000) ordinary shares of HK\$0.2 each	1,000	1,000
Issued and fully paid: 3,047,327,395 (2012: 3,047,327,395) ordinary shares of HK\$0.2 each	609	609

(c) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the accounts of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(o).

(d) Distributability of reserves

At 31 December 2013, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$785 million (2012: HK\$842 million). As stated in note 13(a), after the balance sheet date, the directors proposed a final dividend of HK2 cents (2012: HK2 cents) per share, amounting to HK\$61 million (2012: HK\$61 million). This dividend has not been recognised as a liability at the balance sheet date.

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern so that the Group can continue to provide financial returns to shareholders, and by securing access to financing sources at reasonable costs.

Notes to the Accounts

for the year ended 31 December 2013

26 Capital and reserves (continued)

(e) Capital management (continued)

The Group regularly reviews and manages its capital structure under the policy of prudent financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to its capital structure in the light of remarkable changes in the financial and capital markets and in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio, which is one of the most commonly adopted measurement standards for capital management by companies engaged in investments in infrastructure projects. Gearing ratio is calculated based on the net bank borrowings and shareholders' funds of the Group at the balance sheet date. At 31 December 2013, the Group maintained net cash and bank balances (after deducting the Group's total bank borrowings of HK\$Nil (2012: HK\$Nil)) of HK\$1,185 million (2012: HK\$1,277 million) and therefore the Group's gearing ratio was nil (2012: Nil).

The Group was not subject to externally imposed capital requirements during the year and at the balance sheet date.

27 Material non-controlling interest

The total non-controlling interest as at 31 December 2013 was HK\$203 million, of which HK\$160 million relates to the Joint Venture Company (as referred to in note 3(a)).

The principal place of business of the Joint Venture Company, being a subsidiary of the Group, is Qianjiang Third Bridge South Bank, Shangxingzhen, Binjiang District, Hangzhou, Zhejiang Province, the People's Republic of China and 40% of the registered capital of the Joint Venture Company is beneficially owned by non-controlling interest. The Joint Venture Company has non-controlling interest that is material to the Group.

Cash and short-term deposits of HK\$54 million (2012: HK\$59 million) were held by the Joint Venture Company in mainland China at 31 December 2013 and are subject to foreign exchange control regulations.

Summarised financial information in relation to the Joint Venture Company is disclosed below:

	2013 HK\$ million	2012 HK\$ million
Current assets	57	70
Non-current assets	395	416
Current liabilities	(3)	(8)
Revenue	–	63
(Loss)/profit from continuing operations	(42)	6
Total comprehensive income	(33)	2
Dividend paid to non-controlling interest	–	49
The (loss)/profit allocated to non-controlling interest of the Joint Venture Company during the year	(15)	4
Accumulated non-controlling interest of the Joint Venture Company at the end of the year	160	170
Cash flows from operating activities:		
Cash (used in)/generated from operations	(14)	55
Tax refunded/(paid) – outside Hong Kong	7	(37)
Net cash (used in)/generated from operating activities	(7)	18
Net cash generated from investing activities	1	1
Net cash used in financing activities	–	(70)
Net decrease in cash and cash equivalents	(6)	(51)
Cash and cash equivalents at 1 January	59	114
Effect of foreign exchange rate changes	1	(4)
Cash and cash equivalents at 31 December	54	59

The information above is the amount before inter-company elimination but after certain adjustments arising from the Group's acquisition of its interest in the Joint Venture Company.

Notes to the Accounts

for the year ended 31 December 2013

28 Commitments

At 31 December 2013 and 2012, the Group did not have any commitment not provided for in these accounts.

29 Contingent liabilities

At 31 December 2013 and 2012, the Group did not have any contingent liabilities.

30 Material related party transactions

Save as disclosed elsewhere in these accounts, the Group had not entered into any material related party transactions during the year. Remuneration for key management personnel of the Group is set out in note 8.

31 Non-adjusting post balance sheet event

After the balance sheet date, the directors proposed a final dividend, further details of which are set out in note 13(a).

32 Parent and ultimate controlling party

At 31 December 2013, the directors consider that the Company's parent and ultimate controlling party are Kingslee S.A. (a private limited liability company incorporated in the Republic of Panama) and Henderson Development Limited (a private limited liability company incorporated in Hong Kong), respectively. These entities do not produce accounts available for public use.

The parent of Kingslee S.A. is Henderson Land Development Company Limited ("HLD"), a public limited liability company incorporated in Hong Kong with its shares listed on The Stock Exchange of Hong Kong Limited. HLD produces consolidated accounts, including those of the Group, which are available for public use.

Principal Subsidiaries

At 31 December 2013

Set out below are the particulars of the principal subsidiaries of the Company at 31 December 2013 which, in the opinion of the directors, materially affect the results or assets of the Group. All the principal subsidiaries are incorporated and operate in Hong Kong unless otherwise stated. None of the principal subsidiaries had debt securities in issue at the balance sheet date.

	Particulars of issued share capital		Percentage of shares held by the Company	
	Number of ordinary shares	Par value	Directly	Indirectly
Principal Subsidiaries				
A Investment holding				
China Investment Group Limited	300,000	HK\$1,000	–	100
Henderton Profits Limited	1	HK\$1	–	100
Luxrich Limited (incorporated and operates in the British Virgin Islands)	10	US\$1	80	20
Nation Team Development Limited	2	HK\$1	–	100
Prominence Development Limited	1	HK\$1	–	100
B Finance				
Henderson Investment Finance Limited	1,000	HK\$100	100	–
St. Helena Holdings Co. Limited (incorporated and operates in the British Virgin Islands)	3	US\$1	100	–

			Contributed capital RMB	Percentage of equity interest indirectly held by the Company
C	Infrastructure	Note		
	Hangzhou Henderson Qianjiang Third Bridge Company, Limited	(i), (iii)	200,000,000	60
	Tianjin Jinning Roads Bridges Construction Development Company Limited	(ii), (iii)	23,680,000	70
	Tianjin Wanqiao Project Development Company Limited	(ii), (iii)	20,000,000	70

Notes:

- (i) The company is registered as Sino-foreign equity joint venture enterprise and operates in mainland China.
- (ii) These companies are registered as Sino-foreign co-operative joint venture enterprises and operate in mainland China.
- (iii) The percentage of profit sharing by the subsidiaries is as follows:
- | | | |
|--|---|-----|
| Hangzhou Henderson Qianjiang Third Bridge Company, Limited | – | 60% |
| Tianjin Jinning Roads Bridges Construction Development Company Limited | – | 70% |
| Tianjin Wanqiao Project Development Company Limited | – | 70% |

Corporate Information

Board of Directors

Executive Directors

Dr Lee Shau Kee
(Chairman and Managing Director)
Lee Ka Kit (Vice Chairman)
Lam Ko Yin, Colin (Vice Chairman)
Lee Ka Shing (Vice Chairman)
Lee Tat Man

Independent Non-executive Directors

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man

Audit Committee

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man

Remuneration Committee

Wu King Cheong
Dr Lee Shau Kee
Lam Ko Yin, Colin
Kwong Che Keung, Gordon
Professor Ko Ping Keung

Nomination Committee

Dr Lee Shau Kee
Lam Ko Yin, Colin
Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong

Company Secretary

Liu Cheung Yuen, Timon

Registered Office

72-76/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong
Telephone : (852) 2908 8888
Facsimile : (852) 2908 8838
Internet : <http://www.hilhk.com>
E-Mail : henderson@hld.com

Registrar

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

Share Listing

The Stock Exchange of Hong Kong Limited (Stock Code: 97)

Shares are also traded in the United States through an
American Depositary Receipt Level 1 Programme
(Ticker Symbol: HDVTY
CUSIP Reference Number: 425070109)

Authorised Representatives

Lam Ko Yin, Colin
Liu Cheung Yuen, Timon

Auditor

PricewaterhouseCoopers

Solicitors

Woo, Kwan, Lee & Lo
Lo & Lo

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at the Four Seasons Grand Ballroom, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Monday, 9 June 2014 at 11:00 a.m. to transact the following business:

1. To receive and consider the Audited Accounts and the Reports of the Directors and Auditor for the year ended 31 December 2013.
2. To declare a Final Dividend.
3. To re-elect retiring Directors.
4. To re-appoint Auditor and authorise the Directors to fix Auditor's remuneration.
5. To consider as special business and, if thought fit, pass the following resolutions as Ordinary Resolutions:

(A) "THAT:

- (a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) of this Resolution) of all the powers of the Company to repurchase ordinary shares of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Stock Exchange and the Securities and Futures Commission for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;
- (b) the aggregate number of shares of the Company to be repurchased pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the total number of the issued shares in the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period) and the said approval shall be limited accordingly; and
- (c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next Annual General Meeting of the Company;
 - (ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) to be held; and
 - (iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting."

Notice of Annual General Meeting

(B) “THAT:

- (a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements or options (including, without limitation, Rights Issue (as hereinafter defined), warrants, bonus warrants, bonds, debentures, notes and other securities convertible into shares in the Company) which would or might require the exercise of such powers either during or after the Relevant Period, provided that the aggregate number of the shares of the Company to be allotted, issued and dealt with pursuant to the general mandate herein, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iii) an issue of shares in the Company upon the exercise of the subscription rights or conversion rights attaching to any warrants or convertible notes which may be issued by the Company or any of its subsidiaries, or (iv) any scrip dividend pursuant to the Articles of Association of the Company from time to time, shall not exceed 20 per cent. of the total number of shares in the Company as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period) and the said approval shall be limited accordingly; and

- (b) for the purposes of this Resolution:

“Relevant Period” shall have the same meaning as assigned to it under Ordinary Resolution (A) of item no. 5 as set out in the notice convening this Meeting; and

“Rights Issue” means an offer of shares in the capital of the Company or issue of option, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the Register of Members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares (or, where appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

(C) “THAT:

the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company pursuant to Ordinary Resolution (B) of item no. 5 as set out in the notice convening this Meeting be and is hereby extended by the addition to the aggregate number of the shares which may be allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Directors pursuant to such general mandate the aggregate number of shares in the capital of the Company repurchased by the Company since the granting of the said general mandate pursuant to the exercise by the Directors of the powers of the Company to repurchase such shares under the authority granted pursuant to Ordinary Resolution (A) of item no. 5 as set out in the notice convening this Meeting provided that such number of shares shall not exceed 10 per cent. of the aggregate number of shares of the Company in issue as at the date of this Resolution (subject to adjustment in the case of any conversion of all or any of the shares in the Company into a larger or smaller number of shares during the Relevant Period).”

Notice of Annual General Meeting

6. To consider as special business and, if thought fit, pass the following resolution as a Special Resolution:

“**THAT** the new articles of association (the “New Articles”) of the Company, a copy of which has been produced to the Meeting marked “A” and for identification purpose signed by the Chairman of the Meeting, which, among other things, do not include any “objects” clauses, be and is hereby approved and adopted in substitution for and to the exclusion of the existing articles of association of the Company with immediate effect after the announcement by the Company of the poll result in respect of the passing of this special resolution and that the directors of the Company be and are hereby authorised to do all things necessary to implement the adoption of the New Articles.”

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 23 April 2014

Registered Office:
72-76/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Notes:

- (1) *At the above Meeting, the Chairman will exercise his power under Article 80 of the Articles of Association to put each of the resolutions to be voted by way of a poll.*
- (2) *A Member of the Company entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and speak and on a poll, to vote instead of him at the Meeting, and separate proxies may be appointed by a Member to represent the respective number of shares held by the Member as specified in the relevant proxy form. A proxy need not be a Member. Form of proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power of authority) must be lodged at the registered office of the Company at 72-76/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.*
- (3) *For the purpose of determining Shareholders who are entitled to attend and vote at the above Meeting, the Register of Members of the Company will be closed from Thursday, 5 June 2014 to Monday, 9 June 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending the above Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 4 June 2014.*
- (4) *For the purpose of determining Shareholders who qualify for the proposed final dividend, the Register of Members of the Company will be closed from Friday, 13 June 2014 to Tuesday, 17 June 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 12 June 2014. The proposed final dividend will be paid to Shareholders whose names appeared on the Register of Members of the Company on Tuesday, 17 June 2014.*
- (5) *A circular containing details of the proposed adoption of new Articles of Association and an explanatory statement containing further details concerning Ordinary Resolutions (A) of item 5 above will be sent to members together with the 2013 Annual Report of which this notice convening the above Meeting forms part.*
- (6) *Concerning Ordinary Resolutions (B) and (C) of item 5 above, approval is being sought from Members, as a general mandate in compliance with Sections 140 and 141 of the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, that in the event it becomes desirable for the Company to issue any new shares of the Company, the Directors are given flexibility and discretion to allot and issue new shares up to 20 per cent. of the issued aggregate number of shares plus the number of shares repurchased by the Company pursuant to the general mandate approved in Ordinary Resolution (A) of item 5 above. Save as disclosed (if any), the Directors, however, have no immediate plans to issue any new shares of the Company under the said mandate being sought.*



恒基兆業發展有限公司
HENDERSON INVESTMENT LIMITED