



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

Stock Code 股份代號：97

2012

中期報告 **Interim Report**

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Interim Results and Dividend

The Board of Directors announces that, for the six months ended 30 June 2012, the unaudited Group profit attributable to equity shareholders amounted to HK\$23 million, representing a decrease of HK\$33 million or 59% from HK\$56 million for the six months ended 30 June 2011. Earnings per share were HK 0.8 cents (2011: HK 1.8 cents).

The decrease in profit was due to the fact that commencing from 20 March 2012, payment of 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 fee income during the period from 20 March 2012 to 30 June 2012 in the amount of HK\$91 million (after deduction of PRC business tax) has not been recognized in the accounts of the Group.

The Board has resolved to pay an interim dividend of HK 2.0 cents per share (2011: HK 2.0 cents per share) to shareholders whose names appear on the Register of Members of the Company on Friday, 7 September 2012 and such interim dividend will not be subject to any withholding tax in Hong Kong.

Closure of Register of Members

The Register of Members of the Company will be closed from Thursday, 6 September 2012 to Friday, 7 September 2012, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Registrar, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 5 September 2012. Interim dividend will be distributed to shareholders on Tuesday, 25 September 2012.

Management Discussion and Analysis

Business Review

The Group is engaged in the infrastructure business in mainland China. 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.

During the period under review, the Group's turnover decreased by HK\$97 million or 61% to HK\$63 million as compared to HK\$160 million for the same period of previous year. The decrease in turnover was due to the fact that, for the sake of prudence, the toll fee income during the period from 20 March 2012 to 30 June 2012 in the amount of HK\$91 million (after deduction of PRC business tax) has not been recognized in the accounts of the Group since payment of toll fee in respect of Hangzhou Qianjiang Third Bridge to a joint venture company of the Group was provisionally suspended and the relevant authority failed to put forward any formal proposal or compensation offer regarding the toll fee collection right.

The Group has a 60% interest in Hangzhou Henderson Qianjiang Third Bridge Company Limited (“the Joint Venture Company”) which has been granted the operating right of Hangzhou Qianjiang Third Bridge for a period of 30 years from 20 March 1997 (commencement date of bridge operation). This project was approved by Hangzhou Foreign Economic Relations and Trade Commission in 1997 and was further approved by National Development and Reform Commission (formerly known as State Development & Planning Committee) in 1999. 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 Hangzhou Qianjiang Third Bridge, which was also included in the list, the period was provisionally fixed at 15 years (from 20 March 1997 to 19 March 2012). The Joint Venture Company immediately took action for clarification and had obtained from Hangzhou Municipal Bureau of Communications a written pledge that the operation period for 30 years would remain unchanged and they were also of the view that the operating right and the toll fee collection right should be for a same period. For the sake of reassurance, the Joint Venture Company wrote to the People’s Government of Zhejiang Province and Zhejiang Province Department of Communications (collectively the “Authorities”) in June 2011 requesting for their confirmation that both the operating right and the toll fee collection right last for a same period of 30 years. The Joint Venture Company also on 9 February 2012 filed with Legislative Affairs Office of the People’s Government of Zhejiang Province an administrative reconsideration application and sought an order to oblige the Authorities to carry out their statutory duties to officially confirm that the toll fee collection right of Hangzhou Qianjiang Third Bridge should be for a period of 30 years.

On 20 March 2012, the Joint Venture Company 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 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 Hangzhou Qianjiang Third 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 Hangzhou Qianjiang Third Bridge. The Hangzhou Toll Office is the relevant government body in Hangzhou to record the traffic flow and make payment of toll fee of Hangzhou Qianjiang Third 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. 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 Hangzhou Qianjiang Third Bridge and work with the Joint Venture Company. The Joint Venture Company had been instructed by the Company to write to the Hangzhou Toll Office to state that the action taken by the Hangzhou Toll Office had no legal or contractual basis and was unacceptable and to ask the Hangzhou Toll Office to clarify the basis of their action and to continue to perform their obligations under the Collection Agreement, failing which the Joint Venture Company would have no alternative but to take legal actions to protect its interest. Subsequent to further negotiations with the Authorities, the Joint Venture Company 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 to negotiate concretely with the Joint Venture Company and strive to properly deal with the related matters resulting from the provisional suspension of the toll fee payment of Hangzhou Qianjiang Third Bridge commencing from 20 March 2012 as soon as possible. The letter also stated that the corresponding compensation matters proposed by the Joint Venture Company would also be dealt with in due course. However, up to the date of this report, Hangzhou Municipal Bureau of Communications still failed to put forward any formal proposal or compensation offer regarding the toll fee collection right of Hangzhou Qianjiang Third Bridge.

Consequential upon the failure of the relevant authority to put forward any formal proposal or compensation offer mentioned above, for the sake of prudence, the toll fee income from 20 March 2012 (being the commencement date for the provisional suspension of the toll fee payment from the Hangzhou Toll Office to the Joint Venture Company) onwards has not been recognized in the accounts of the Group. Besides, in order to protect the interest of the Joint Venture Company, the Joint Venture Company shall, in accordance with the terms of the Collection Agreement, proceed to arrange for filing of 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) as soon as possible for, inter alia, breach of the Collection Agreement by suspending payment of toll fee to the Joint Venture Company commencing from 20 March 2012.

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 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 application. 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 operating assets of the Group comprise its interest in Hangzhou Qianjiang Third Bridge. If the Group ceases to have an economic interest in Hangzhou Qianjiang Third Bridge, the directors 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

As mentioned above, the Group will continue to negotiate with Hangzhou Municipal Bureau of Communications and/or the Authorities about the toll fee collection right of Hangzhou Qianjiang Third Bridge and the related compensation. It will take all necessary actions to protect its interest.

Appreciation

Mr Lee King Yue, Mr Kwok Ping Ho, Patrick and Mr Wong Ho Ming, Augustine, executive directors of the Company, retired by rotation at the annual general meeting of the Company held on 11 June 2012 and did not offer themselves for re-election as directors of the Company. The Board would like to express its gratitude to them for their support, devotion and invaluable contribution to the Company.

Condensed Interim Financial Statements

Consolidated Income Statement – unaudited

	Note	For the six months ended 30 June	
		2012 HK\$ million	2011 HK\$ million
Turnover	4	63	160
Direct costs		(26)	(25)
		37	135
Other income/other gains		18	17
Administrative expenses		(9)	(18)
Profit from operations		46	134
Finance costs	5(a)	–	–
Profit before taxation	5	46	134
Income tax	6	(11)	(39)
Profit for the period		35	95
Attributable to:			
Equity shareholders of the Company		23	56
Non-controlling interests		12	39
Profit for the period		35	95
		HK cents	HK cents
Earnings per share – basic and diluted	7	0.8	1.8

Details of dividends payable to equity shareholders of the Company are set out in note 8.

The notes on pages 10 to 17 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Statement of Comprehensive Income – unaudited

	For the six months ended 30 June	
	2012 HK\$ million	2011 HK\$ million
Profit for the period	35	95
Other comprehensive income for the period:		
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	(3)	28
Total comprehensive income for the period	32	123
Attributable to:		
Equity shareholders of the Company	21	74
Non-controlling interests	11	49
Total comprehensive income for the period	32	123

The notes on pages 10 to 17 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Balance Sheet

	Note	At 30 June 2012 (unaudited) HK\$ million	At 31 December 2011 (audited) HK\$ million
Non-current assets			
Property, plant and equipment		1	1
Intangible operating right		429	454
Other non-current assets		34	42
		464	497
Current assets			
Trade and other receivables	9	57	74
Cash and cash equivalents	10	1,326	1,355
Tax recoverable		5	–
		1,388	1,429
Current liabilities			
Trade and other payables	11	26	43
Current taxation		–	23
		26	66
Net current assets		1,362	1,363
Total assets less current liabilities		1,826	1,860
Non-current liability			
Deferred tax liabilities		16	21
NET ASSETS		1,810	1,839
CAPITAL AND RESERVES			
Share capital		609	609
Reserves		984	1,024
Total equity attributable to equity shareholders of the Company		1,593	1,633
Non-controlling interests		217	206
TOTAL EQUITY		1,810	1,839

The notes on pages 10 to 17 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Statement of Changes in Equity – unaudited

	Attributable to equity shareholders of the Company						Non-controlling interests	Total equity
	Note	Share capital	Capital reserve	Exchange reserve	Retained profits	Total		
		HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million		
Balance at 1 January 2011		609	13	127	866	1,615	420	2,035
Changes in equity for the six months ended 30 June 2011:								
Total comprehensive income for the period		–	–	18	56	74	49	123
Dividend approved and paid in respect of the previous financial year	8(b)	–	–	–	(61)	(61)	–	(61)
Dividend paid to non-controlling interests		–	–	–	–	–	(97)	(97)
Balance at 30 June 2011		609	13	145	861	1,628	372	2,000
Balance at 1 January 2012		609	13	159	852	1,633	206	1,839
Changes in equity for the six months ended 30 June 2012:								
Total comprehensive income for the period		–	–	(2)	23	21	11	32
Dividend approved and paid in respect of the previous financial year	8(b)	–	–	–	(61)	(61)	–	(61)
Dividend paid to non-controlling interests		–	–	–	–	–	(49)	(49)
Advance from non-controlling interests		–	–	–	–	–	49	49
Balance at 30 June 2012		609	13	157	814	1,593	217	1,810

The notes on pages 10 to 17 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Condensed Consolidated Cash Flow Statement – unaudited

	For the six months ended 30 June	
	2012	2011
	HK\$ million	HK\$ million
Net cash generated from operating activities		
Profit before taxation	46	134
Amortisation of intangible operating right	23	22
Interest income	(14)	(15)
Net foreign exchange loss	2	–
Decrease in other non-current assets and trade and other receivables	26	19
(Decrease)/increase in trade and other payables	(17)	6
Tax paid – outside Hong Kong	(44)	(42)
Other operating cash flows	1	1
	23	125
Net cash generated from an investing activity		
Interest received	12	17
Net cash used in financing activities		
Dividend paid to shareholders	(61)	(61)
Dividend paid to non-controlling interests	(49)	(97)
Repayment to a fellow subsidiary	–	(5)
Advance from non-controlling interests	49	–
	(61)	(163)
Net decrease in cash and cash equivalents	(26)	(21)
Cash and cash equivalents at 1 January	1,355	1,489
Effect of foreign exchange rate changes	(3)	15
Cash and cash equivalents at 30 June	1,326	1,483

The notes on pages 10 to 17 form part of these condensed interim financial statements.

Notes to the Unaudited Condensed Interim Financial Statements

1 Basis of preparation

The condensed interim financial statements comprise Henderson Investment Limited (“the Company”) and its subsidiaries (collectively referred to as “the Group”).

The condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They were authorised for issuance on 22 August 2012.

The condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the Company’s consolidated financial statements for the year ended 31 December 2011 (“the 2011 financial statements”).

The preparation of condensed interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis.

The condensed interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2011 financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for the preparation of full set of financial statements in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The condensed interim financial statements are unaudited, but have been reviewed by PricewaterhouseCoopers (“PwC”) in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity* issued by the HKICPA. PwC’s independent review report to the Board of Directors is included on page 26. In addition, these condensed interim financial statements have been reviewed by the Company’s Audit Committee.

The financial information relating to the year ended 31 December 2011 that is included in the condensed interim financial statements as being previously reported information does not constitute the Company’s statutory consolidated financial statements for that period but is derived from those financial statements. The 2011 financial statements are available from the Company’s registered office. The auditor has expressed an unqualified opinion on those financial statements in their report dated 21 March 2012.

Notes to the Unaudited Condensed Interim Financial Statements

2 Changes in accounting policies

The HKICPA has issued a few amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company.

None of these developments are relevant to the condensed interim financial statements and the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 Accounting estimates and judgements

The key source of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies arises from the uncertainty related to the toll fee collection right period of Hangzhou Qianjiang Third Bridge (the "Bridge").

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 (浙江省人民政府辦公廳) notified Zhejiang Province Department of Communications (浙江省交通運輸廳) 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).

As at the date of issue of the condensed interim financial statements, the Group is waiting for the People's Government of Zhejiang Province and the Zhejiang Province Department of Communications (collectively, the "Authorities") to confirm that both the operating right and the toll fee collection right of the Bridge last for a same period of 30 years.

Furthermore, on 20 March 2012, the Group 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 Hangzhou Henderson Qianjiang Third Bridge Company Limited (the "Joint Venture Company") and the Hangzhou Toll Office that they would provisionally suspend payment of toll fee to the Group in respect of the Bridge commencing from 20 March 2012. As stated in the Company's announcement dated 6 June 2012, the Group has on 6 June 2012 received a letter from Hangzhou Municipal Bureau of Communications (杭州市交通運輸局) which stated that Hangzhou Municipal Bureau of Communications has been confirmed and assigned by Hangzhou Municipal People's Government (杭州市人民政府) to negotiate concretely with the Group 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.

Notes to the Unaudited Condensed Interim Financial Statements

3 Accounting estimates and judgements (continued)

In view of the uncertainty on the inflow of the toll revenue to the Joint Venture Company, the Company's directors did not recognize in the condensed interim financial statements the toll revenue (after deduction of 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 30 June 2012 of RMB74 million, or equivalent to HK\$91 million. Accordingly, the Group did not recognize any toll income receivable from the Bridge collected on behalf of the Group by the Hangzhou Toll Office at 30 June 2012. Besides, in order to protect the interest of the Joint Venture Company, the Joint Venture Company shall, in accordance with the terms of the Collection Agreement, proceed to arrange for filing of 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) as soon as possible for, inter alia, breach of the Collection Agreement by suspending payment of toll fee to the Joint Venture Company commencing from 20 March 2012.

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 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 the condensed interim financial statements of the Group for the six months ended 30 June 2012 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 and the outcome of the arbitration application. 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. The condensed interim financial statements do not include any adjustment on the carrying amount of the intangible operating right that would result from the future development of the aforesaid.

4 Turnover

Turnover represents toll fee income, net of business tax, from infrastructure business in mainland China.

No segment information for the six months ended 30 June 2011 and 2012 is presented as the Group's turnover and trading results for the abovementioned periods are generated solely from its infrastructure business in mainland China, the turnover of which amounted to HK\$63 million during the period (2011: HK\$160 million) and the segment results of which amounted to HK\$36 million during the period (2011: HK\$122 million).

Notes to the Unaudited Condensed Interim Financial Statements

5 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2012	2011
	HK\$ million	HK\$ million
(a) Finance costs:		
Other borrowings wholly repayable within five years	-	-
	-	-
(b) Other items:		
Amortisation	23	22
Depreciation	-	-
Interest income	(14)	(15)

6 Income tax

	For the six months ended 30 June	
	2012	2011
	HK\$ million	HK\$ million
Current tax – mainland China		
– charge for the period	16	41
Deferred tax		
– origination and reversal of temporary differences	(6)	(5)
– withholding tax on undistributed profits	1	3
	11	39

No provision for Hong Kong Profits Tax has been made as there is no assessable profit subject to Hong Kong Profits Tax for both the current and prior periods.

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

Notes to the Unaudited Condensed Interim Financial Statements

6 Income tax (continued)

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 period is 25% (2011: 24%).

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 both the current and prior periods is 5%.

7 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\$23 million (2011: HK\$56 million) and 3,047,327,395 (2011: 3,047,327,395) ordinary shares, being the number of ordinary shares in issue throughout the periods.

8 Dividends

(a) Dividend payable to equity shareholders of the Company attributable to the interim period

	For the six months ended 30 June	
	2012	2011
	HK\$ million	HK\$ million
Interim dividend declared after the balance sheet date of HK2 cents (2011: HK2 cents) per share	61	61

The interim dividend declared after the balance sheet date has not been recognized as a liability at the balance sheet date.

(b) Dividend payable to equity shareholders of the Company attributable to the previous financial year, approved/declared and paid during the interim period

	For the six months ended 30 June	
	2012	2011
	HK\$ million	HK\$ million
Final dividend in respect of the previous financial year, approved/declared and paid during the period, of HK2 cents (2011: HK2 cents) per share	61	61

Notes to the Unaudited Condensed Interim Financial Statements

9 Trade and other receivables

	At 30 June 2012 (unaudited) HK\$ million	At 31 December 2011 (audited) HK\$ million
Trade debtors	–	26
Deposits, prepayments and other receivables	8	8
Consideration receivable	49	40
	57	74

The ageing analysis of trade debtors of the Group at 30 June 2012 is as follows:

	At 30 June 2012 (unaudited) HK\$ million	At 31 December 2011 (audited) HK\$ million
Current or less than 1 month overdue	–	26
1 to 3 months overdue	–	–
More than 3 months overdue but less than 6 months overdue	–	–
More than 6 months overdue	–	–
	–	26

Trade debtors comprise toll income receivable which has been collected on behalf of the Group by the Hangzhou Toll Office pursuant to the terms of an agreement dated 5 February 2004 entered into between the Group and the Hangzhou Toll Office.

In respect of other 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.

Included in the consideration receivable of HK\$49 million (31 December 2011: HK\$40 million) above was an amount of RMB18 million (equivalent to HK\$22 million) (31 December 2011: RMB15 million (equivalent to HK\$19 million)), which related to an amount overdue for more than six months 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.

Notes to the Unaudited Condensed Interim Financial Statements

10 Cash and cash equivalents

	At 30 June 2012 (unaudited) HK\$ million	At 31 December 2011 (audited) HK\$ million
Deposits with banks	1,295	1,322
Cash at banks and in hand	31	33
Cash and cash equivalents in the consolidated balance sheet and condensed consolidated cash flow statement	1,326	1,355

Included in the cash and cash equivalents at 30 June 2012 were (i) an amount of HK\$Nil million (31 December 2011: HK\$395 million) relating to cash deposits denominated in United States dollars and an amount of HK\$Nil million (31 December 2011: HK\$467 million) relating to cash deposits denominated in Renminbi, being the currencies other than the functional currency of the entities to which they relate; and (ii) a total sum being the equivalent of HK\$140 million (31 December 2011: HK\$183 million) which was maintained in mainland China and is subject to foreign exchange control regulations.

11 Trade and other payables

	At 30 June 2012 (unaudited) HK\$ million	At 31 December 2011 (audited) HK\$ million
Trade creditors	11	21
Accrued expenses and other payables	15	22
	26	43

The ageing analysis of trade creditors of the Group at 30 June 2012 is as follows:

	At 30 June 2012 (unaudited) HK\$ million	At 31 December 2011 (audited) HK\$ million
Due within 1 month or on demand	-	1
Due more than 1 month but within 3 months	11	20
Due more than 3 months but within 6 months	-	-
Due more than 6 months	-	-
	11	21

Notes to the Unaudited Condensed Interim Financial Statements

12 Capital commitments

At 30 June 2012, the Group did not have any capital commitment not provided for in the condensed interim financial statements (31 December 2011: HK\$Nil).

13 Material related party transactions

Except for the transactions disclosed elsewhere in the condensed interim financial statements, no material related party transactions require disclosures in these condensed interim financial statements.

14 Non-adjusting post balance sheet event

Subsequent to the balance sheet date, the directors declared an interim dividend, further details of which are disclosed in note 8(a).

Financial Review

The following discussions should be read in conjunction with the Company's unaudited condensed consolidated interim accounts for the six months ended 30 June 2012.

Material acquisitions and disposals

The Group did not undertake any significant acquisition or disposal of subsidiaries or assets during the six months ended 30 June 2012.

Results of operations

During the six months ended 30 June 2012, the Group was engaged in the infrastructure business in mainland China, being the operating right of a toll bridge in Hangzhou, Zhejiang Province. Turnover for the six months ended 30 June 2012 amounted to HK\$63 million (2011: HK\$160 million), representing a decrease of HK\$97 million, or 61%, from that for the corresponding six months ended 30 June 2011. As referred to in the section "Business Review" on page 2 of the Company's interim report for the six months ended 30 June 2012 of which this Financial Review forms a part, the Hangzhou Toll Office (as such term is defined in the section "Business Review") had commencing from 20 March 2012 provisionally suspended payment of the toll fee to the Group in respect of the toll bridge. 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 fee income (after deduction of business tax) during the period from 20 March 2012 to 30 June 2012 in the amount of RMB74 million, or equivalent to HK\$91 million, has not been recognized in the Group's condensed consolidated interim accounts for the six months ended 30 June 2012 which explains the abovementioned decrease in turnover for the six months ended 30 June 2012. Accordingly, profit attributable to equity shareholders for the six months ended 30 June 2012 also decreased by HK\$33 million, or 59%, to HK\$23 million (2011: HK\$56 million).

Financial resources, liquidity and loan maturity profile

At 30 June 2012, the Group had no bank borrowings (31 December 2011: Nil). The Group had net cash and bank balances of HK\$1,326 million at 30 June 2012 (31 December 2011: HK\$1,355 million).

During the six months ended 30 June 2012, the Group did not recognize any finance costs (2011: Nil).

Based on the Group's net cash and bank balances of HK\$1,326 million at 30 June 2012, 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. During the six months ended 30 June 2012, the Group did not enter into 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 is 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 30 June 2012.

Charge on assets

Assets of the Group were not charged to any parties at 30 June 2012 and 31 December 2011.

Capital commitments

At 30 June 2012 and 31 December 2011, the Group did not have any capital commitments.

Contingent liabilities

At 30 June 2012 and 31 December 2011, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 30 June 2012, the Group had 62 (31 December 2011: 64) 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 six months ended 30 June 2012 amounted to HK\$3 million (2011: HK\$4 million).

Other Information

Review of Interim Results

The unaudited interim results for the six months ended 30 June 2012 have been reviewed by the auditor of the Company, PricewaterhouseCoopers in accordance with Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants, the report of which is included on page 26.

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

During the period under review, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

Audit Committee

The Audit Committee met in August 2012 and reviewed the systems of internal control and compliance and the interim report for the six months ended 30 June 2012.

Corporate Governance

During the six months ended 30 June 2012, the Company has complied with the applicable code provisions set out in the Code on Corporate Governance Practices (effective until 31 March 2012) and Corporate Governance Code (effective from 1 April 2012)(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”), except 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 the business, shall continue in his dual capacity as the Chairman and Managing Director.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code of the Listing Rules as the code for dealing in securities of the Company by the Directors (the “Model Code”). Having made specific enquiry, the Company confirmed that all Directors have complied with the required standard as set out in the Model Code.

Changes in the Information of Directors

Mr Lee King Yue, Mr Kwok Ping Ho, Patrick and Mr Wong Ho Ming, Augustine retired as Directors at the annual general meeting of the Company held on 11 June 2012. In addition, Mr Leung Hay Man was re-designated as Independent Non-executive Director of the Company on 22 August 2012. Save as aforesaid, there was no change in the information of Directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 22 August 2012

As at the date of this report, the Board comprises: (1) executive directors: Lee Shau Kee (Chairman), Lee Ka Kit, Lam Ko Yin, Colin, Lee Ka Shing and Lee Tat Man; and (2) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong and Leung Hay Man.

Disclosure of Interests

Directors' Interests in Shares

As at 30 June 2012, 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:

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 Shau Kee	1	34,779,936		2,080,495,007		2,115,274,943	69.41
	Lee Ka Kit	1				2,076,089,007	2,076,089,007	68.13
	Lee Ka Shing	1				2,076,089,007	2,076,089,007	68.13
	Lee Tat Man	2	6,666				6,666	0.00
Henderson Land Development Company Limited	Lee Shau Kee	3	7,521,743		1,469,262,606		1,476,784,349	62.34
	Lee Ka Kit	3				1,468,322,395	1,468,322,395	61.98
	Lee Ka Shing	3				1,468,322,395	1,468,322,395	61.98
	Lee Tat Man	4	113,048				113,048	0.00
	Ko Ping Keung	5	47,000				47,000	0.00

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
Henderson Development Limited	Lee Chau Kee	6			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Chau Kee	7			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Chau Kee	8	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	6				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	7				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	8				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	6				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	7				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	8				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00

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
Drinkwater Investment Limited	Leung Hay Man	9			5,000		5,000	4.49
Henfield Properties Limited [^]	Lee Ka Kit	10			4,000	6,000	10,000	100.00
Heyield Estate Limited	Lee Chau Kee	11			100		100	100.00
	Lee Ka Kit	11				100	100	100.00
	Lee Ka Shing	11				100	100	100.00
Pettystar Investment Limited	Lee Chau Kee	12			3,240		3,240	80.00
	Lee Ka Kit	12				3,240	3,240	80.00
	Lee Ka Shing	12				3,240	3,240	80.00

[^] in members' voluntary winding up

Save as disclosed above, none of the Directors or the 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 six months ended 30 June 2012 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 30 June 2012, 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)	2,076,089,007	68.13
Riddick (Cayman) Limited (Note 1)	2,076,089,007	68.13
Hopkins (Cayman) Limited (Note 1)	2,076,089,007	68.13
Henderson Development Limited (Note 1)	2,070,473,859	67.94
Henderson Land Development Company Limited (Note 1)	2,070,473,859	67.94
Kingslee S.A. (Note 1)	2,070,473,859	67.94
Banshing Investment Limited (Note 1)	802,854,200	26.35
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

Notes:

- Of these shares, Dr Lee Shau Kee was the beneficial owner of 34,779,936 shares, and the remaining 2,080,495,007 shares, (i) 802,854,200 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 taken to be 61.92% held by Henderson Development Limited ("HD"); (ii) 5,615,148 shares were owned by Fu Sang Company Limited ("Fu Sang"); and (iii) 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 and Fu Sang. 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.
- Mr Lee Tat Man was the beneficial owner of these shares.

3. Of these shares, Dr Lee Shau Kee was the beneficial owner of 7,521,743 shares, and for the remaining 1,469,262,606 shares, (i) 698,976,789 shares were owned by HD; (ii) 179,543,353 shares were owned by Cameron Enterprise Inc.; 383,848,416 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 73,964,970 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 68,060,406 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 56,912,301 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; (iii) 5,602,600 shares were owned by Superfun Enterprises Limited, a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited ("China Gas") which was 39.88% held by HL which in turn was taken to be 61.92% held by HD; (iv) 1,413,560 shares were owned by Fu Sang; and (v) 640,180 shares and 300,031 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 and Fu Sang as set out in Note 1, 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. Professor Ko Ping Keung was the beneficial owner of these shares.
6. These shares were held by Hopkins as trustee of the Unit Trust.
7. These shares were held by Hopkins as trustee of the Unit Trust.
8. 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.
9. These shares were held by Gilbert Investment Inc. which was wholly-owned by Mr Leung Hay Man.
10. Of these shares, (i) 4,000 shares were owned by Applecross Limited which was wholly-owned by Mr Lee Ka Kit; and (ii) 6,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andco Limited which was wholly-owned by Henderson China Holdings Limited, an indirect wholly-owned subsidiary of HL.
11. 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 Heyfield 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.
12. 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.



**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF HENDERSON INVESTMENT LIMITED**
(Incorporated in Hong Kong with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 5 to 17, which comprises the consolidated balance sheet of Henderson Investment Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2012 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “*Interim Financial Reporting*”.

Emphasis of Matter

Without qualifying our conclusion above, we draw attention to note 3 to the interim financial information which describes the uncertainty 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 the outcome of the arbitration application.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 August 2012



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HENDERSON INVESTMENT LIMITED