



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

Stock Code 股份代號：97

2013

Interim Report
中期報告

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Interim Results and Dividend

The Board of Directors announces that, for the six months ended 30 June 2013, the unaudited Group profit attributable to equity shareholders amounted to HK\$7 million, representing a decrease of HK\$16 million or 70% from HK\$23 million for the six months ended 30 June 2012. Earnings per share were HK 0.2 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 six months ended 30 June 2013 in the amount of HK\$155 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\$26 million, which was offset by the direct costs (mainly comprising amortisation charge of the toll bridge) of HK\$19 million, a profit attributable to equity shareholders of HK\$7 million was recorded during the period under review.

The Board has resolved to pay an interim dividend of HK 2.0 cents per share (2012: HK 2.0 cents per share) to shareholders whose names appear on the Register of Members of the Company on Monday, 9 September 2013 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 Friday, 6 September 2013 to Monday, 9 September 2013, 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 Thursday, 5 September 2013. Interim dividend will be distributed to shareholders on Wednesday, 25 September 2013.

Management Discussion and Analysis

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 six months ended 30 June 2013, the total toll revenue (after deduction of PRC business tax) generated by Hangzhou Qianjiang Third Bridge amounted to HK\$155 million, representing an increase of HK\$1 million or 0.6% when compared with that of HK\$154 million for same period last year. 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 the 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 recognized in the accounts of the Group. Hence, the Group's turnover for the six months ended 30 June 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 same period last year. The total toll revenue (after deduction of PRC business tax) accrued but not recognized by the Group up to 30 June 2013 amounted to HK\$409 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

The Joint Venture Company on 17 September 2012 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.

CIETAC had on 12 November 2012 confirmed its acceptance to administer the above arbitration case. CIETAC's decision for the composition of an arbitral tribunal, as well as its notification of commencement of proceedings, are both pending.

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, amortisation 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 report a loss from operations in the current financial year, 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.

Condensed Interim Financial Statements

Consolidated Income Statement – unaudited

	Note	For the six months ended 30 June	
		2013 HK\$ million	2012 HK\$ million
Turnover	4	–	63
Direct costs		(19)	(26)
		(19)	37
Other income/other gains		26	18
Administrative expenses		(3)	(9)
Profit before taxation	5	4	46
Income tax	6	(3)	(11)
Profit for the period		1	35
Attributable to:			
Equity shareholders of the Company		7	23
Non-controlling interests		(6)	12
Profit for the period		1	35
		HK cents	HK cents
Earnings per share – basic and diluted	7	0.2	0.8

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

The notes on pages 10 to 16 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	
	2013 HK\$ million	2012 HK\$ million
Profit for the period	1	35
Other comprehensive income for the period:		
Item that may be reclassified subsequently to profit or loss:		
– Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	8	(3)
Total comprehensive income for the period	9	32
Attributable to:		
Equity shareholders of the Company	12	21
Non-controlling interests	(3)	11
Total comprehensive income for the period	9	32

The notes on pages 10 to 16 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Balance Sheet

	Note	At 30 June 2013 (unaudited) HK\$ million	At 31 December 2012 (audited) HK\$ million
Non-current assets			
Property, plant and equipment		2	1
Intangible operating right		405	415
Other non-current assets		19	27
		426	443
Current assets			
Trade and other receivables	9	66	56
Tax recoverable		–	9
Cash and cash equivalents	10	1,234	1,277
		1,300	1,342
Current liability			
Trade and other payables	11	18	23
		1,282	1,319
Net current assets			
		1,708	1,762
Non-current liability			
Deferred tax liabilities		13	15
		1,695	1,747
NET ASSETS			
CAPITAL AND RESERVES			
Share capital		609	609
Reserves		878	927
		1,487	1,536
Total equity attributable to equity shareholders of the Company			
Non-controlling interests		208	211
		1,695	1,747
TOTAL EQUITY			

The notes on pages 10 to 16 form part of these condensed interim financial statements.

Condensed Interim Financial Statements

Consolidated Statement of Changes in Equity – unaudited

	Note	Attributable to equity shareholders of the Company				Total HK\$ million	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			
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:								
Profit for the period		–	–	–	23	23	12	35
Other comprehensive income for the period		–	–	(2)	–	(2)	(1)	(3)
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
Balance at 1 January 2013		609	13	159	755	1,536	211	1,747
Changes in equity for the six months ended 30 June 2013:								
Profit for the period		–	–	–	7	7	(6)	1
Other comprehensive income for the period		–	–	5	–	5	3	8
Total comprehensive income for the period		–	–	5	7	12	(3)	9
Dividend approved and paid in respect of the previous financial year	8(b)	–	–	–	(61)	(61)	–	(61)
Balance at 30 June 2013		609	13	164	701	1,487	208	1,695

The notes on pages 10 to 16 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	
	2013	2012
	HK\$ million	HK\$ million
Net cash (used in)/generated from operating activities		
Profit before taxation	4	46
Amortisation of intangible operating right	16	23
Interest income	(14)	(14)
Net foreign exchange (gain)/loss	(10)	2
Decrease in other non-current assets and trade and other receivables	–	26
Decrease in trade and other payables	(5)	(17)
Net tax refunded/(tax paid) – outside Hong Kong	5	(44)
Other operating cash flows	–	1
	(4)	23
Net cash generated from investing activities		
Interest received	13	12
Additions to property, plant and equipment	(1)	–
	12	12
Net cash used in financing activities		
Dividend paid to shareholders	(61)	(61)
Dividend paid to non-controlling interests	–	(49)
Advance from non-controlling interests	–	49
	(61)	(61)
Net decrease in cash and cash equivalents	(53)	(26)
Cash and cash equivalents at 1 January	1,277	1,355
Effect of foreign exchange rate changes	10	(3)
Cash and cash equivalents at 30 June	1,234	1,326

The notes on pages 10 to 16 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 2013.

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 2012 (“the 2012 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 2012 financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for the preparation of a full set of financial statements in accordance with the 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 2012 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 2012 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 25 March 2013.

Notes to the Unaudited Condensed Interim Financial Statements

2 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 amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income* is relevant to the Group's condensed interim financial statements for the current accounting period.

The amendments to HKAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these condensed interim financial statements has been modified accordingly.

In respect of the other developments, none of them is 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).

At the date of issue of the condensed interim financial statements, the Group was 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.

Notes to the Unaudited Condensed Interim Financial Statements

3 Accounting estimates and judgements (continued)

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”, a subsidiary of the Company which holds the operating right of the Bridge) 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. The Group had 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 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 the condensed interim financial statements 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 30 June 2013 of RMB332 million, or equivalent to HK\$409 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 30 June 2013. For the six months ended 30 June 2013, the total unrecognised toll revenue (after deduction of mainland China business tax) amounted to HK\$155 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 on 12 November 2012 confirmed its acceptance to administer the above 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 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 2013 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 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. 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.

Notes to the Unaudited Condensed Interim Financial Statements

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 2012 and 2013 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\$Nil during the period (2012: HK\$63 million) and the loss from operations of which amounted to HK\$19 million during the period (2012: profit of HK\$36 million).

5 Profit before taxation

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

	For the six months ended 30 June	
	2013	2012
	HK\$ million	HK\$ million
Amortisation	16	23
Depreciation	-	-
Interest income	(14)	(14)
Net foreign exchange (gain)/loss	(10)	2

6 Income tax

	For the six months ended 30 June	
	2013	2012
	HK\$ million	HK\$ million
Current tax – mainland China		
– charge for the period	3	16
– under-provision in respect of prior years	2	-
Deferred tax		
– origination and reversal of temporary differences	(2)	(5)
	3	11

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.

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% (2012: 25%).

Notes to the Unaudited Condensed Interim Financial Statements

6 Income tax (continued)

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\$7 million (2012: HK\$23 million) and 3,047,327,395 (2012: 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	
	2013	2012
	HK\$ million	HK\$ million
Interim dividend declared after the balance sheet date of HK2 cents (2012: HK2 cents) per share	61	61

The interim dividend declared 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 previous financial year, approved/declared and paid during the interim period

	For the six months ended 30 June	
	2013	2012
	HK\$ million	HK\$ million
Final dividend in respect of the previous financial year, approved/declared and paid during the period, of HK2 cents (2012: HK2 cents) per share	61	61

Notes to the Unaudited Condensed Interim Financial Statements

9 Trade and other receivables

	At 30 June 2013 (unaudited) HK\$ million	At 31 December 2012 (audited) HK\$ million
Deposits, prepayments and other receivables	9	10
Consideration receivable	57	46
	66	56

As referred to in note 3, the Group did not recognise any toll income receivable from the Bridge collected on behalf of the Group by the Hangzhou Toll Office at 30 June 2013.

Included in the consideration receivable of HK\$57 million (31 December 2012: HK\$46 million) above was an amount of RMB22 million (equivalent to HK\$28 million) (31 December 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.

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. 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.

10 Cash and cash equivalents

	At 30 June 2013 (unaudited) HK\$ million	At 31 December 2012 (audited) HK\$ million
Deposits with banks	1,217	1,255
Cash at banks and in hand	17	22
Cash and cash equivalents in the consolidated balance sheet and condensed consolidated cash flow statement	1,234	1,277

Included in the cash and cash equivalents at 30 June 2013 were (i) an amount of HK\$554 million (31 December 2012: HK\$508 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\$100 million (31 December 2012: HK\$127 million) which was maintained in mainland China and is subject to foreign exchange control regulations.

Notes to the Unaudited Condensed Interim Financial Statements

11 Trade and other payables

	At 30 June 2013 (unaudited) HK\$ million	At 31 December 2012 (audited) HK\$ million
Trade creditors	1	3
Accrued expenses and other payables	17	20
	18	23

The ageing analysis of trade creditors of the Group at 30 June 2013 is as follows:

	At 30 June 2013 (unaudited) HK\$ million	At 31 December 2012 (audited) HK\$ million
Due within 1 month or on demand	–	–
Due more than 1 month but within 3 months	1	3
	1	3

12 Capital commitments

At 30 June 2013, the Group did not have any capital commitment not provided for in the condensed interim financial statements (31 December 2012: 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 the 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 2013.

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 2013.

Results of operations

During the six months ended 30 June 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 section "Business Review" on page 2 of the Company's interim report for the six months ended 30 June 2013 (the "Business Review section") of which this Financial Review forms a part, the Hangzhou Toll Office (as such term is defined in the Business Review section) continued to provisionally suspend payment of the toll fee to the Group in respect of the toll bridge during the six months ended 30 June 2013, no toll fee income was recognised in the Group's condensed consolidated interim accounts for the six months ended 30 June 2013. Nevertheless, with other income and other gains (mainly comprising bank interest income and net foreign exchange gain) totalling HK\$26 million, which was offset by the direct costs (mainly comprising amortisation charge of the toll bridge) of HK\$19 million, a profit attributable to equity shareholders of HK\$7 million was recorded during the period under review.

Notwithstanding the suspension in the payment of toll fee income by the Hangzhou Toll Office to the Group during the six months ended 30 June 2013, the toll fee income generated by the toll bridge during the six months ended 30 June 2013 amounted to HK\$155 million (2012: HK\$154 million), representing a period-on-period increase of 0.6%. The average daily number of vehicles which used the toll bridge during the six months ended 30 June 2013 was 77,215 (2012: 75,300).

Financial resources, liquidity and loan maturity profile

At 30 June 2013, the Group had no bank borrowings (31 December 2012: Nil). The Group had net cash and bank balances of HK\$1,234 million at 30 June 2013 (31 December 2012: HK\$1,277 million).

During the six months ended 30 June 2013, the Group did not recognise any finance costs (2012: Nil).

Based on the Group's net cash and bank balances of HK\$1,234 million at 30 June 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 30 June 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 30 June 2013.

Charge on assets

Assets of the Group were not charged to any parties at 30 June 2013 and 31 December 2012.

Capital commitments

At 30 June 2013 and 31 December 2012, the Group did not have any capital commitments.

Contingent liabilities

At 30 June 2013 and 31 December 2012, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 30 June 2013, the Group had 59 (31 December 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 six months ended 30 June 2013 amounted to HK\$3 million (2012: HK\$3 million).

Other Information

Review of Interim Results

The unaudited interim results for the six months ended 30 June 2013 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 2013 and reviewed the systems of internal control and compliance and the interim report for the six months ended 30 June 2013.

Corporate Governance

During the six months ended 30 June 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 of one deviation 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

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in the information of Directors of the Company required to be disclosed are shown as follows:

- (a) Dr Lee Shau Kee resigned as an independent non-executive director of The Bank of East Asia, Limited, a listed company, on 24 April 2013.
- (b) Mr Lee Ka Kit was appointed a non-executive director of The Bank of East Asia, Limited on 1 May 2013 and ceased to act as a non-executive director of Intime Department Store (Group) Company Limited (now known as Intime Retail (Group) Company Limited) on 31 May 2013, both of which are listed companies.
- (c) Mr Lam Ko Yin, Colin was appointed the Deputy Chairman of The University of Hong Kong Foundation for Educational Development and Research on 28 February 2013.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 22 August 2013

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 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:

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	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 Chau Kee	3	7,700,171		1,552,181,134		1,559,881,305	64.60
	Lee Ka Kit	3				1,551,240,923	1,551,240,923	64.24
	Lee Ka Shing	3				1,551,240,923	1,551,240,923	64.24
	Lee Tat Man	4	113,048				113,048	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	5			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Chau Kee	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

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 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 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 30 June 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)	2,076,089,007	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 64.18% 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 7,700,171 shares, and for the remaining 1,552,181,134 shares, (i) 715,557,738 shares were owned by HD; (ii) 46,036,000 shares were owned by Richbond Investment Limited which was a wholly-owned subsidiary of HD; (iii) 183,802,435 shares were owned by Cameron Enterprise Inc.; 395,138,237 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 75,719,546 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 69,674,917 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 58,262,359 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) 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 64.18% held by HD; (v) 1,447,091 shares were owned by Fu Sang; and (vi) 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. 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.



**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 16, which comprises the interim consolidated balance sheet of Henderson Investment Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2013 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.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 22 August 2013



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

