恒基兆業發展有限公司
HENDERSON INVESTMENT LIMITED
Incorporated in Hong Kong with limited liability
(Stock Code : 97)

2011 INTERIM RESULTS ANNOUNCEMENT

INTERIM RESULTS AND DIVIDEND

The Board of Directors announces that, for the six months ended 30 June 2011, the unaudited Group profit attributable to equity shareholders amounted to HK$56 million, representing a decrease of HK$28 million or 33.3% from the amount of HK$84 million for the six months ended 30 June 2010. Earnings per share were HK 1.8 cents (2010: HK 2.8 cents).

The decrease in profit was attributable to the fact that the Group recorded a profit after tax attributable to equity shareholders of HK$2 million from a toll highway in Maanshan, Anhui Province which was disposed of by the Group in February 2010 and a net gain on such disposal attributable to equity shareholders of HK$26 million for the six months ended 30 June 2010. Excluding the aforementioned financial effects of this disposal, the adjusted profit attributable to equity shareholders for the six months ended 30 June 2010 amounted to HK$56 million. The Group's profit attributable to equity shareholders of HK$56 million for the six months ended 30 June 2011 is the same as the adjusted profit attributable to equity shareholders for the six months ended 30 June 2010.

The Board has resolved to pay an interim dividend of HK 2.0 cents per share (2010: HK 2.0 cents per share) to Shareholders whose names appear on the Register of Members of the Company on Monday, 12 September 2011.

CLOSING OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 9 September 2011 to Monday, 12 September 2011, both days inclusive, during which period no requests for the transfer of shares will be accepted. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Registrars, Tricor Standard Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Thursday, 8 September 2011. The interim dividend will be distributed to Shareholders on Wednesday, 28 September 2011.

BUSINESS RESULTS

Consolidated Income Statement
for the six months ended 30 June 2011 – unaudited

	Note	For the six months ended 30 June **2011** **HK$ million**	2010 HK$ million
Turnover	4	**160**	148
Direct costs		**(25)**	(24)
		135	124
Other income/other gains		**17**	16
Administrative expenses		**(18)**	(9)
Profit for the period of disposal group		**-**	4
Net gain on disposal of disposal group		**-**	47
Profit from operations		**134**	182
Finance costs	5(a)	**-**	-
Profit before taxation	5	**134**	182
Income tax	6	**(39)**	(42)
Profit for the period		**95**	140
Attributable to:			
Equity shareholders of the Company		**56**	84
Non-controlling interests		**39**	56
Profit for the period		**95**	140
		HK cents	HK cents
Earnings per share - basic and diluted	7	**1.8**	2.8

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

Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2011 – unaudited

	For the six months ended 30 June	
	2011	2010
	HK$ million	HK$ million
Profit for the period	**95**	140
Other comprehensive income for the period:		
Exchange difference on translation of financial statements of subsidiaries outside Hong Kong	**28**	8
Exchange reserve reclassified from equity to profit or loss on disposal of a subsidiary	**-**	(21)
	28	(13)
Total comprehensive income for the period	**123**	127
Attributable to:		
Equity shareholders of the Company	**74**	75
Non-controlling interests	**49**	52
Total comprehensive income for the period	**123**	127

Consolidated Balance Sheet

	Note	**At 30 June 2011 (unaudited) HK$ million**	At 31 December 2010 (audited) HK$ million
Non-current assets			
Property, plant and equipment		**2**	2
Intangible operating right		**467**	479
Other non-current assets		**48**	54
		517	535
Current assets			
Trade and other receivables	9	**92**	105
Amounts due from affiliates		**13**	13
Cash and cash equivalents		**1,483**	1,489
		1,588	1,607
Current liabilities			
Trade and other payables	10	**51**	45
Amounts due to affiliates		**-**	5
Current taxation		**24**	25
		75	75
Net current assets		**1,513**	1,532
Total assets less current liabilities		**2,030**	2,067
Non-current liability			
Deferred tax liabilities		**30**	32
NET ASSETS		**2,000**	2,035
CAPITAL AND RESERVES			
Share capital		**609**	609
Reserves		**1,019**	1,006
Total equity attributable to equity shareholders of the Company		**1,628**	1,615
Non-controlling interests		**372**	420
TOTAL EQUITY		**2,000**	2,035

NOTES

1 Review of results

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 Hong Kong Institute of Certified Public Accountants ("HKICPA"). PwC's independent review report to the Board of Directors is included in the interim report to be sent to shareholders. In addition, the condensed interim financial statements have been reviewed with no disagreement by the Company's Audit Committee.

2 Basis of preparation

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 HKICPA.

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 2010.

The preparation of the 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.

3 Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the amendments to HKFRS 7, HKAS 1 and HKAS 34 included in Improvements to HKFRSs (2010) are relevant but do not have significant impact on these condensed interim financial statements for the six months ended 30 June 2011.

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and new interpretations which are not yet effective for the year ending 31 December 2011 and which have not been adopted in these 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 2010 and 2011 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$160 million during the period (2010: HK$148 million) and the segment results of which amounted to HK$122 million during the period (2010: HK$128 million).

5 Profit before taxation

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

	For the six months ended 30 June	
	2011	2010
	HK$ million	HK$ million
(a) Finance costs:		
Other borrowings wholly repayable within five years	**-**	-
	-	-
(b) Other items:		
Amortisation	**22**	21
Depreciation	**-**	-
Interest income	**(15)**	(8)

6 Income tax

	For the six months ended 30 June	
	2011	2010
	HK$ million	HK$ million
Current tax – mainland China		
– charge for the period	**41**	39
Deferred tax		
– origination and reversal of temporary differences	**(5)**	-
– withholding tax on undistributed profits	**3**	3
	39	42

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 24% (2010: 22%).

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$56 million (2010: HK$84 million) and 3,047,327,395 (2010: 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	
	2011	2010
	HK$ million	HK$ million
Interim dividend declared after the balance sheet date of HK2 cents (2010: 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/period, approved/declared and paid during the interim period

	For the six months ended 30 June	
	2011	2010
	HK$ million	HK$ million
Final dividend in respect of the previous financial year/period, approved/declared and paid during the period, of HK2 cents (2010: HK2 cents) per share	**61**	61

9 Trade and other receivables

	At 30 June 2011 (unaudited) HK$ million	At 31 December 2010 (audited) HK$ million
Trade debtors	**30**	31
Deposits, prepayments and other receivables	**20**	11
Consideration receivable	**42**	63
	92	105

The ageing analysis of trade debtors of the Group at 30 June 2011 is as follows:

	At 30 June 2011 (unaudited) HK$ million	At 31 December 2010 (audited) HK$ million
Current or less than 1 month overdue	**30**	31
1 to 3 months overdue	**-**	-
More than 3 months overdue but less than 6 months overdue	**-**	-
More than 6 months overdue	**-**	-
	30	31

Trade debtors represent toll income receivable from the toll bridge which has been collected on behalf of the Group by 杭州市"四自"工程道路綜合收費管理處 (Hangzhou City "Sizi" Engineering & Highway General Toll Fee Administration Office), a relevant government body in Hangzhou, mainland China (the "Hangzhou Government Body") in accordance with the terms of an agreement entered into between the Group and the Hangzhou Government Body.

In respect of other trade and other receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. Normally, the Group does not obtain collateral from customers.

Included in the consideration receivable of HK$42 million (31 December 2010: HK$63 million) above was an amount of RMB13 million (equivalent to HK$16 million) (31 December 2010: RMB17 million (equivalent to HK$20 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.

10 Trade and other payables

	At 30 June 2011 (unaudited) HK$ million	At 31 December 2010 (audited) HK$ million
Trade creditors	**-**	7
Accrued expenses and other payables	**51**	38
	51	45

The ageing analysis of trade creditors of the Group at 30 June 2011 is as follows:

	At 30 June 2011 (unaudited) HK$ million	At 31 December 2010 (audited) HK$ million
Due within 1 month or on demand	**-**	2
Due after 1 month but within 3 months	**-**	5
Due after 3 months but within 6 months	**-**	-
Due after 6 months	**-**	-
	-	7

OTHER INFORMATION

Review of Interim Results

The unaudited interim results for the six months ended 30 June 2011 have been reviewed by the auditors 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.

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 2011 and reviewed the systems of internal control and compliance and the interim report for the six months ended 30 June 2011.

Code on Corporate Governance Practices

During the six months ended 30 June 2011, the Company has complied with the Code on Corporate Governance Practices (the "CGP Code") as set out 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 CGP Code. The Company is of the view that it is in the best interest of the Company that Dr. Lee Shau Kee, with his profound expertise in business, shall continue in his dual capacity as the Chairman and Managing Director.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is engaged in 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 grew 8.1% to HK$160 million as compared to that for the same period in 2010, reflecting the increase in traffic volume of Qianjiang Third Bridge.

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 the above-mentioned 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). 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 Qianjiang Third Bridge, which is also included in the list, the period is 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 the 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 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 in June 2011 requesting for their confirmation that both the operating right and the toll fee right last for a same period of 30 years, and is now awaiting their reply.

On 15 July 2011, there was certain damage to one of the link bridges of Qianjiang Third Bridge. As a result of the damage, the normal flow of two-way traffic over four lanes was temporarily reduced to two lanes in the affected area of the bridge. This has led to a reduction of 40%, on average, in the current daily traffic volume of the bridge as compared to that before the damage. The cause of the incident is still under investigation and the full impact of the damage is yet to be assessed.

FINANCIAL REVIEW

The following discussions should be read in conjunction with the Company's unaudited condensed consolidated interim financial statements for the six months ended 30 June 2011.

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 2011.

Results of operations

During the six months ended 30 June 2011, 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 2011 amounted to HK$160 million (2010: HK$148 million), representing an increase of HK$12 million, or 8.1%, over that for the corresponding period of six months ended 30 June 2010 which was mainly attributable to the increase in traffic volume of the toll bridge in Hangzhou during the period when compared with the corresponding period of six months ended 30 June 2010.

Profit attributable to equity Shareholders for the six months ended 30 June 2011 amounted to HK$56 million (2010: HK$84 million), representing a decrease of HK$28 million, or 33.3%, from that for the corresponding period of six months ended 30 June 2010. The Group recorded (i) a profit after tax attributable to equity Shareholders of HK$2 million from a toll highway in Maanshan, Anhui Province which was disposed of in February 2010 (the "Disposal"); and (ii) a net gain on the Disposal attributable to equity Shareholders of HK$26 million. Excluding the aforementioned financial effects of the Disposal, the adjusted profit attributable to equity Shareholders for the corresponding period of six months ended 30 June 2010 amounted to HK$56 million. The Group's profit attributable to equity Shareholders of HK$56 million for the six months ended 30 June 2011 is the same as the adjusted profit attributable to equity Shareholders for the corresponding period of six months ended 30 June 2010.

Financial resources, liquidity and loan maturity profile

At 30 June 2011 and 31 December 2010, the Group had no bank borrowings. The cash and bank balances, the maturity profile of the bank borrowings and the gearing ratio of the Group were as follows:

	At 30 June 2011 HK$ million	At 31 December 2010 HK$ million
Cash and bank balances	**1,483**	1,489
Less: Bank borrowings repayable		
- Within 1 year	**-**	-
- After 1 year but within 2 years	**-**	-
Total bank borrowings	**-**	-
Net cash and bank balances	**1,483**	1,489
Gearing ratio	**Nil**	Nil

During the six months ended 30 June 2011, the Group did not recognize any finance costs (2010: HK$51,000).

Based on the Group's net cash and bank balances of HK$1,483 million at 30 June 2011, 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 2011, the Group had no bank borrowings. During the six months ended 30 June 2011, the Group did not enter into any derivative financial instruments for speculative or hedging purposes. The Group monitors closely its interest rate exposure and foreign exchange rate exposure (the latter being 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 2011.

Charge on assets

Assets of the Group were not charged to any parties at 30 June 2011 and 31 December 2010.

Capital commitments

At 30 June 2011 and 31 December 2010, the Group did not have any capital commitments.

Contingent liabilities

At 30 June 2011 and 31 December 2010, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 30 June 2011, the Group had 63 (31 December 2010: 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 2011 amounted to HK$4 million (2010: HK$3 million).

PROSPECTS

It is anticipated that mainland China's economy will continue to grow amid strong domestic demands. Nevertheless, the results of the Company for the second half of the year will experience a decline due to the temporary disruption in the normal operation of the bridge resulting from the abovementioned incident.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 25 August 2011

As at the date of this announcement, the Board comprises: (1) executive directors: Lee Shau Kee (Chairman), Lee Ka Kit, Lam Ko Yin, Colin, Lee Ka Shing, Lee Tat Man, Lee King Yue, Kwok Ping Ho, Patrick and Wong Ho Ming, Augustine; (2) non-executive directors: Yuen Pak Yiu, Philip and Leung Hay Man; and (3) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung and Wu King Cheong.