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

2012 INTERIM RESULTS ANNOUNCEMENT

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.

BUSINESS RESULTS

Consolidated Income Statement
for the six months ended 30 June 2012 – 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.

Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2012 – unaudited

	For the six months ended 30 June	
	2012	2011
	HK$ million	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

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		**1,326**	1,355
Tax recoverable		**5**	-
		1,388	1,429
Current liabilities			
Trade and other payables	10	**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

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 2011.

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.

3 Changes in accounting policies

The HKICPA has issued a few amendments to Hong Kong Financial Reporting Standards (“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.

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).

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.

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

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 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 Hangzhou Qianjiang Third Bridge, 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.

10 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

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.

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.

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 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 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 announcement, 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 (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.

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" of the Company's announcement of interim results for the six months ended 30 June 2012 of which this Financial Review forms a part, 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).

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.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 22 August 2012

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 and Lee Tat Man; and (2) independent non-executive directors: Kwong Che Keung, Gordon, Ko Ping Keung, Wu King Cheong and Leung Hay Man.