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

2013 INTERIM RESULTS ANNOUNCEMENT

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 recognized 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 amortization 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.

BUSINESS RESULTS

Consolidated Income Statement for the six months ended 30 June 2013 – unaudited

		For the six months ended 30 June	
		2013	2012
	Note	HK\$ million	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.

**Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2013 – unaudited**

	For the six months ended 30 June	
	2013	2012
	HK\$ million	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

Consolidated Balance Sheet

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

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 2012.

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 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 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 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%).

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

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

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 (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. On 20 March 2012, the Group received a letter dated 18 March 2012 from the Hangzhou Toll Office which stated that, because the General Office of the People’s Government of Zhejiang Province in 2003 provisionally fixed the period of entitlement to toll fee in respect of the Bridge to end on 19 March 2012, they would, commencing from 20 March 2012, provisionally suspend payment of toll fee to the Group in respect of the Bridge.

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.

9 Trade and other receivables (continued)

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 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

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.

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.

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.

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.

Issue of Collection Right and Development of its Arbitration

The Joint Venture Company on 17 September 2012 filed an arbitration application with China International Economic and Trade Arbitration Commission ("CIETAC") against 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, amortization and calculation of the recoverable amount of the intangible operating right in the consolidated accounts of the Group are on the basis that both the operating right and the toll fee collection right of Hangzhou Qianjiang Third Bridge last for a period of 30 years expiring on 19 March 2027. There is, however, uncertainty as to any further response of the Authorities and/or Hangzhou Municipal Bureau of Communications and the outcome of the arbitration case. Based on the future development of the aforesaid, the Group would have to reconsider the remaining useful life and/or the recoverable amount of the intangible operating right.

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

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 Company's 2013 interim results announcement 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 amortization 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).

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.

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 22 August 2013

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.