

HENDERSON
INVESTMENT LIMITED
INTERIM REPORT **07/08**

恒基兆業發展有限公司中期報告



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

Stock Code 股份代號：97

Henderson Investment Limited

Highlights of 2007/2008 Interim Results

	For the six months ended 31 December		
	2007 unaudited HK\$ million	2006 unaudited HK\$ million	Change
Profit attributable to Shareholders			
– Continuing operations	66	122	-46%
– Discontinued operations	35,265	1,830	+1,827%
	35,331	1,952	+1,710%
	HK\$	HK\$	
Earnings per share			
– Continuing operations	0.02	0.04	-50%
– Discontinued operations	11.57	0.60	+1,828%
	11.59	0.64	+1,711%
Interim dividend per share	0.02	0.13	-85%

In addition, a distribution in specie per share of the entitlement to 0.209 Henderson Land Development Company Limited share allotted under the share entitlement note and cash distributions totalling HK\$2.24 per share were made to Shareholders following completion of the sale of the Group's entire interests in 2,366,934,097 shares of The Hong Kong and China Gas Company Limited in December 2007 and the share premium reduction of the Company having become unconditional in January 2008.

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Interim Results and Dividend

The Board of Directors announces that, for the six months ended 31 December 2007, the unaudited Group profit attributable to equity Shareholders amounted to HK\$35,331 million, representing an increase of HK\$33,379 million over that for the same period of the last financial year. Earnings per share were HK\$11.59 (2006: HK\$0.64).

Excluding the profit for the period from discontinued operations of HK\$35,265 million, the profit attributable to equity Shareholders for the six months ended 31 December 2007 from continuing operations amounted to HK\$66 million, representing a decrease of HK\$56 million or 46% from the same period in the last financial year. Earnings per share from continuing operations were HK\$0.02 (2006: HK\$0.04).

The Board has resolved to pay an interim dividend of HK\$0.02 per share (2006: HK\$0.13 per share) to Shareholders whose names appear on the Register of Members of the Company on 23 April 2008.

Closing of Register of Members

The Register of Members of the Company will be closed from Monday, 21 April 2008 to Wednesday, 23 April 2008, 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 Friday, 18 April 2008. Warrants for the interim dividend will be sent to Shareholders on Thursday, 24 April 2008.

Management Discussion and Analysis

Disposal of Interests in The Hong Kong and China Gas Company Limited to Henderson Land Development Company Limited

On 2 October 2007, the Company and Henderson Land Development Company Limited ("Henderson Land") entered into an agreement providing for the acquisition by Henderson Land of the Group's entire interest in 2,366,934,097 shares of The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas"), representing approximately 39.06% of the total issued share capital of Hong Kong and China Gas. The consideration for the acquisition comprised (i) the issue to the Company of a share entitlement note (the "Share Entitlement Note"), which conferred on the holder the right to call for the issue by Henderson Land of 636,891,425 shares (including entitlement to Henderson Land's final dividend for the year ended 30 June 2007); and (ii) approximately HK\$3,707 million in cash. On 7 November 2007, Henderson Land agreed to increase the cash consideration for the acquisition by approximately HK\$3,121 million as an additional incentive to Shareholders of the Company, making a total cash consideration of approximately HK\$6,828 million in addition to the Share Entitlement Note.

At an extraordinary general meeting of the Company held on 7 December 2007, Shareholders voted overwhelmingly in favour of the transaction. This was a concrete endorsement of the Group's efforts to unlock value for Shareholders.

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As part of the transaction which was completed on 17 December 2007, a distribution in specie per share of the entitlement to 0.209 Henderson Land share allotted under the Share Entitlement Note and a cash distribution of HK\$1.03 per share was made to Shareholders. With the share premium reduction having become unconditional, a further cash distribution of HK\$1.21 per share was made to Shareholders on 25 January 2008, making total cash distributions of HK\$2.24 per share or approximately HK\$6,826 million in aggregate. A gain of HK\$33,781 million from the transaction was recorded by the Group.

Following completion of the transaction, the Group has remained as a listed company focusing on the infrastructure business in mainland China.

Business Review

Continuing Operations

Infrastructure

The Group's infrastructure business comprises interests in Hangzhou Qianjiang Third Bridge and Maanshan City Ring Road, which are both held through China Investment Group Limited except for certain shareholdings in the toll bridge which the Group holds directly. In September 2007, the Group acquired the remaining 35.94% interest in China Investment Group Limited for a cash consideration of approximately HK\$145 million, making it a wholly-owned subsidiary of the Group. The Group's effective interests in Hangzhou Qianjiang Third Bridge and Maanshan City Ring Road have thus increased to 60% and 49% respectively.

Hangzhou Qianjiang Third Bridge is situated on National Highway No. 104, a major trunk route linking Beijing and Fujian Province. Completed in 1997, this toll bridge spans approximately 5.8 km over the Qiantangjiang River in Hangzhou, Zhejiang Province and connects the urban parts of Southern Hangzhou and Xiaoshan and Binjiang. It is also an important nodal point for access to major roads leading to the Hangzhou Airport. During the period under review, its toll revenue rose by 110% to HK\$101 million reflecting the increased traffic volumes following the completion of major repair and maintenance work in October 2006.

Maanshan City Ring Road is a class I highway that stretches approximately 40.5 km around Maanshan, a leading industrial city in Anhui Province. Completed in 1997, it is also the major artery in the National Highway No. 205 network with connections to Nanjing-Maanshan Expressway in the North and the Wuhu-Maanshan Expressway in the South. Toll revenue generated from this highway grew to HK\$28 million for the period, representing an increase of 12% over the same period of the last financial year.

Discontinued Operations

A review of the discontinued operations is contained in the section headed "Financial Review" of this report.

Post Balance Sheet Event

In view of the increases in the price and trading volume of the shares of the Company on 26 March 2008, the Company made an announcement on that day to the effect that the Company had received an expression of interest from a joint-venture partner of a business project of the Company to acquire the Company's interest in that project. Nevertheless, the Company is awaiting further information on the detailed terms and no agreement has been reached with the interested party.

Prospects

Through the realisation of the market value for its holding in Hong Kong and China Gas, the Group successfully unlocked value for Shareholders and enabled them to realise part of this value in Henderson Land shares and cash through the distributions. As explained in the circular dated 20 October 2007 to Shareholders, the disposal of the Group's stake in Hong Kong and China Gas has led to the establishment of a standalone infrastructure group with a more focused business operation.

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Condensed Interim Financial Statements

Consolidated Profit and Loss Account – unaudited

	Note	For the six months ended 31 December	
		2007	2006 (re-stated)
		HK\$ million	HK\$ million
<i>Continuing operations:</i>			
Turnover	6	129	73
Direct costs		(34)	(25)
		95	48
Other income/other gains		48	119
Administrative expenses		(36)	(16)
Profit for the period of disposal group	17	5	6
Net gain on disposal of disposal group	17	21	–
Profit from operations		133	157
Finance costs	7(a)	(4)	(2)
Profit before taxation	7	129	155
Income tax	8	(15)	(8)
Profit for the period from continuing operations		114	147
<i>Discontinued operations:</i>			
Profit for the period from discontinued operations	4(b)	35,265	1,835
Profit for the period		35,379	1,982
Attributable to:			
Equity shareholders of the Company			
– Continuing operations		66	122
– Discontinued operations		35,265	1,830
		35,331	1,952
Minority interests			
– Continuing operations		48	25
– Discontinued operations		–	5
		48	30
Profit for the period		35,379	1,982

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Condensed Interim Financial Statements

Consolidated Profit and Loss Account – unaudited (cont'd)

	Note	For the six months ended 31 December	
		2007	2006 (re-stated)
		HK\$ million	HK\$ million
Dividends payable to equity shareholders of the Company attributable to the period			
Distribution approved and paid during the period	9(a)	46,575	–
Interim dividend declared after the interim period end		61	396
		46,636	396
		HK\$	HK\$
Earnings per share – basic and diluted	10		
From continuing operations		0.02	0.04
From discontinued operations		11.57	0.60
		11.59	0.64

The notes on pages 10 to 26 form part of these condensed interim financial statements.

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Condensed Interim Financial Statements

Consolidated Balance Sheet

	Note	At 31 December 2007 (unaudited) HK\$ million	At 30 June 2007 (audited) HK\$ million
Non-current assets			
Property, plant and equipment	11	594	596
Toll highway operation rights	12	180	179
Interests in associates	3(c)	–	14,444
Other non-current assets		113	119
		887	15,338
Current assets			
Trade and other receivables	13	438	353
Amounts due from affiliates		76	68
Cash and cash equivalents	14	4,590	3,684
		5,104	4,105
Assets classified as held for sale	17	–	420
		5,104	4,525
Current liabilities			
Bank loans and overdrafts		–	23
Trade and other payables	15	73	186
Amounts due to affiliates	16	194	1,801
Current taxation		55	51
		322	2,061
Liabilities associated with assets classified as held for sale	17	–	255
		322	2,316
Net current assets		4,782	2,209
Total assets less current liabilities		5,669	17,547

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Condensed Interim Financial Statements

Consolidated Balance Sheet (cont'd)

	Note	At 31 December 2007 (unaudited) HK\$ million	At 30 June 2007 (audited) HK\$ million
Non-current liabilities			
Bank loans		6	6
Deferred tax liabilities		13	14
		19	20
NET ASSETS		5,650	17,527
Capital and reserves	18		
Share capital		609	609
Reserves		4,674	16,353
		5,283	16,962
Total equity attributable to equity shareholders of the Company		5,283	16,962
Minority interests		367	565
		5,650	17,527
TOTAL EQUITY		5,650	17,527

The notes on pages 10 to 26 form part of these condensed interim financial statements.

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Condensed Interim Financial Statements

Consolidated Statement of Changes in Equity – unaudited

	Note	For the six months ended 31 December	
		2007 HK\$ million	2006 HK\$ million
Total equity at 1 July	18	17,527	28,280
Net income for the period recognised directly in equity			
Exchange difference on translation of accounts of subsidiaries outside Hong Kong		49	70
Changes in fair value of available-for-sale securities		–	69
Net income for the period recognised directly in equity		49	139
Transfers from equity			
Realisation of exchange reserve on disposal of subsidiaries		(14)	–
Profit for the period		35,379	1,982
Total recognised income and expenses for the period		35,414	2,121
Attributable to:			
– Equity shareholders of the Company		35,353	2,060
– Minority interests		61	61
		35,414	2,121
Distribution approved and paid during the period		(46,575)	–
Final dividend paid		(457)	(457)
Dividends paid to minority shareholders		(3)	(16)
Minority interests in relation to increase in shareholding in a subsidiary		(148)	–
Minority interests in relation to disposal of subsidiaries		(108)	–
Total equity at 31 December	18	5,650	29,928

The notes on pages 10 to 26 form part of these condensed interim financial statements.

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Condensed Interim Financial Statements

Condensed Consolidated Cash Flow Statement – unaudited

	Note	For the six months ended 31 December	
		2007	2006
		HK\$ million	HK\$ million
Net cash generated from operating activities		7	135
Net cash generated from investing activities			
Cash consideration received in relation to the disposal of two subsidiaries		6,828	–
Payments for the acquisition of additional interests in associates		(601)	(16)
Payment for the acquisition of additional interest in a subsidiary		(145)	–
Dividends received		1	336
Other investing cash flows		56	(9)
		6,139	311
Net cash used in financing activities			
Distribution and dividends paid to shareholders		(3,602)	(457)
Repayment to a fellow subsidiary		(1,599)	(73)
Other financing cash flows		(44)	(28)
		(5,245)	(558)
Net increase/(decrease) in cash and cash equivalents		901	(112)
Cash and cash equivalents at 1 July	14	3,686	5,127
Effect of foreign exchange rate changes		3	7
Cash and cash equivalents at 31 December	14	4,590	5,022

The notes on pages 10 to 26 form part of these condensed interim financial statements.

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Notes to the Unaudited Condensed Interim Financial Statements

1 Basis of preparation

These 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, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), and the same accounting policies adopted in the 2007 annual accounts.

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. Actual results may differ from these estimates.

The condensed interim financial statements contain condensed consolidated accounts 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 Company and its subsidiaries (together referred to as the “Group”) since 30 June 2007, being the last accounts reporting date to which the 2007 annual accounts were prepared. The condensed interim financial statements and notes thereon do not include all of the information required for full set of accounts prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

The condensed interim financial statements are unaudited but have been reviewed by PricewaterhouseCoopers (“PwC”) in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. PwC’s review report to the Board of Directors is set out on page 38.

2 Significant accounting policies

The HKICPA has issued a number of new and revised HKFRSs, which term collectively includes HKASs and Interpretations, that are first effective or available for early adoption for the current accounting period of the Group. The Group so far has concluded that the adoption of these new and revised HKFRSs, to the extent that they are relevant to the Group and which are expected to be reflected in the 2008 annual accounts, would not have a significant impact on the Group’s results of operations and financial position except for the adoption of the amendment to HKAS 1 and HKFRS 7 which require additional disclosures to be made in the 2008 annual accounts.

The Group is in the process of making an assessment of what the impact of amendments, new standards and new interpretations, which are not yet effective for the annual accounting period ending 30 June 2008 and which have not been adopted in these condensed interim financial statements, is expected to be in the period of initial application. So far it has concluded that the adoption of HKFRS 8 “Operating Segments” may result in new or amended disclosures in the accounts. In respect of other amendments, new standards and new interpretations, the Group is not yet in a position to state whether they would have a significant impact on the Group’s results of operations or financial position.

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Notes to the Unaudited Condensed Interim Financial Statements

3 Material acquisitions and disposal during the period

- (a) On 29 August 2007, Uniland Development Limited, a wholly-owned subsidiary of the Company which beneficially owned 64.06% interest in China Investment Group Limited (“CIG”), entered into a sale and purchase agreement with certain parties in relation to the acquisition of the remaining 35.94% interest in CIG, for a cash consideration of HK\$145 million. The transaction was completed in September 2007 and CIG became a wholly-owned subsidiary of the Company.
- (b) During the period from 1 July 2007 to 10 August 2007, Macrostar Investment Limited, a wholly-owned subsidiary of the Company, acquired 31,159,000 shares of The Hong Kong and China Gas Company Limited (“HKCG”), an associate of the Group, at a price range of between HK\$16.59 and HK\$18.15 per share, for an aggregate consideration of HK\$545 million. As a result of these acquisitions, the Group was beneficially interested in approximately 39.06% of the issued share capital of HKCG.
- (c) On 2 October 2007, the Company as vendor and Henderson Land Development Company Limited (“HLD”), the Company’s intermediate holding company, as purchaser entered into a conditional agreement (as supplemented by a supplemental agreement dated 7 November 2007) pursuant to which HLD and its certain subsidiaries acquired the Group’s entire interest in HKCG (representing 2,366,934,097 shares of HKCG or approximately 39.06% of HKCG’s issued share capital) through the acquisition of the Company’s interests in two wholly-owned investment holding subsidiaries, namely, Macrostar Investment Limited and Timpani Investments Limited (together referred to as the “Sale Companies”), and the shareholder’s loans owing by the Sale Companies (the “Transaction”). The Transaction was approved pursuant to an ordinary resolution passed at an extraordinary general meeting of the Company held on 7 December 2007 and was completed on 17 December 2007.

The consideration of the Transaction comprised (i) the issue to the Company of the share entitlement note, which conferred on the holder thereof the right to call for the issue of 636,891,425 ordinary shares of HLD (including entitlement to be paid by HLD of an amount which is equal to HLD’s final dividend for the year ended 30 June 2007); and (ii) cash of HK\$6,828 million. Further details are set out in the Company’s circular dated 20 October 2007 and supplementary circular dated 14 November 2007.

The consideration of the Transaction amounted to HK\$50,264 million and a gain on disposal of HK\$33,781 million was recognised by the Group.

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Notes to the Unaudited Condensed Interim Financial Statements

4 Discontinued operations

(a) The Group's discontinued operations comprised the following:

For the six months ended 31 December 2007:

- the Group's interest in HKCG, an associate, with details set out in note 3(c).

For the six months ended 31 December 2006:

- the Group's interests in certain subsidiaries and associates which were engaged in the businesses of property leasing, hotel operation, security guard services, sale of properties and other businesses, as well as certain associates including Miramar Hotel and Investment Company, Limited and Hong Kong Ferry (Holdings) Company Limited; and
- the Group's interest in a subsidiary which was engaged in property investment.

Details of the aforesaid discontinued operations are set out in the Company's annual report for the year ended 30 June 2007.

After the disposal of the above discontinued operations, the Group's principal activity is infrastructure business in mainland China.

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Notes to the Unaudited Condensed Interim Financial Statements

4 Discontinued operations (cont'd)

(b) The results of the discontinued operations for the six months ended 31 December 2007 are as follows:

	Note	For the six months ended 31 December	
		2007 HK\$ million	2006 HK\$ million
Turnover	6	-	434
Direct costs		-	(237)
		-	197
Other income/other gains		-	3
Selling and distribution costs		-	(12)
Administrative expenses		-	(30)
Profit from operations before changes in fair value of investment properties		-	158
Increase in fair value of investment properties		-	219
Profit from operations after changes in fair value of investment properties		-	377
Finance costs		-	-
Share of profits less losses of associates		1,484	1,516
Profit before taxation		1,484	1,893
Income tax	8	-	(58)
Profit for the period		1,484	1,835
Net gain on disposal of Sale Companies and related shareholder's loans	3(c)	33,781	-
		35,265	1,835

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Notes to the Unaudited Condensed Interim Financial Statements

5 Segmental information

No segmental information for the six months ended 31 December 2007 is presented as the Group's turnover and trading results for the period are generated solely from its infrastructure business in mainland China, the turnover of which amounted to HK\$129 million during the period (2006: HK\$73 million) and the segment results of which amounted to HK\$88 million during the period (2006: HK\$43 million).

Segmental information for the six months ended 31 December 2006 presented in respect of the Group's business and geographical segments is as follows:

Business segments

For the six months ended 31 December 2006

	Continuing operations		Discontinued operations				Elimination HK\$ million	Consolidated HK\$ million
	Infrastructure HK\$ million	Property leasing HK\$ million	Hotel operation HK\$ million	Security guard services HK\$ million	Others HK\$ million			
Income and results								
Turnover	73	193	52	36	153	–	507	
Other income	–	–	–	–	6	–	6	
External income	73	193	52	36	159	–	513	
Inter-segment income	–	–	–	–	2	(2)	–	
Total income	73	193	52	36	161	(2)	513	
Segment results	43	134	21	2	4		204	
Interest income							115	
Dividend income from listed investments							1	
Profit for the period of disposal group							6	
Increase in fair value of investment properties							219	
Unallocated expenses, net							(11)	
Finance costs							(2)	
Share of profits less losses of associates							1,516	
Profit before taxation							2,048	
Income tax							(66)	
Profit for the period							1,982	

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Notes to the Unaudited Condensed Interim Financial Statements

5 Segmental information (cont'd)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue was based on the geographical location of the business operations.

	For the six months ended 31 December 2006		
	Hong Kong HK\$ million	Mainland China HK\$ million	Consolidated HK\$ million
Turnover	434	73	507
Other income	6	–	6
External income	440	73	513
Attributable to:			
– Continuing operations	–	73	73
– Discontinued operations	440	–	440
	440	73	513

6 Turnover

Turnover recognised during the period is analysed as follows:

	For the six months ended 31 December	
	2007 HK\$ million	2006 (re-stated) HK\$ million
Continuing operations		
Toll fee income	129	73
Discontinued operations		
Rental income	–	193
Hotel operation	–	52
Security guard services	–	36
Sale of properties	–	29
Others	–	124
	–	434

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Notes to the Unaudited Condensed Interim Financial Statements

7 Profit before taxation

Profit before taxation in respect of continuing and discontinued operations is arrived at after charging/(crediting):

	For the six months ended 31 December	
	2007	2006 (re-stated)
	HK\$ million	HK\$ million
(a) Finance costs		
<i>Continuing operations</i>		
Bank loans and overdrafts	1	1
Other borrowings wholly repayable within five years	3	1
	4	2
(b) Other items		
<i>Continuing operations</i>		
Amortisation of toll highway operation rights	5	5
Depreciation	19	11
Interest income	(42)	(114)
<i>Discontinued operations</i>		
Amortisation of prepaid lease payments	-	1
Depreciation	-	6
Cost of sales		
- trading inventories	-	31
- completed properties for sale	-	18
Loss on disposal/write off of property, plant and equipment	-	17
Interest income	-	(1)
Dividend income from listed investments	-	(1)

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Notes to the Unaudited Condensed Interim Financial Statements

8 Income tax

	For the six months ended 31 December	
	2007	2006 (re-stated)
	HK\$ million	HK\$ million
Current tax – Hong Kong Profits Tax	1	24
Current tax – mainland China	16	8
Deferred taxation – origination and reversal of temporary differences	(2)	34
	15	66
Attributable to:		
– Continuing operations	15	8
– Discontinued operations	–	58
	15	66

Provision for Hong Kong Profits Tax is calculated at 17.5% (2006: 17.5%) of the estimated assessable profits for the six months ended 31 December 2007.

Taxation for subsidiaries outside Hong Kong is calculated at the rates prevailing in the relevant jurisdictions. The Group's certain subsidiaries operating in mainland China are eligible for certain tax holidays and concessions for the period.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "new CIT Law"), under which all domestic-invested enterprises and foreign-invested enterprises will be subject to a standard corporate income tax rate of 25% with effect from 1 January 2008. The new CIT Law provides preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. The new CIT Law did not have significant impact on the Group's results of operations and financial position for the current period presented in these condensed interim financial statements.

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9 Dividends

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

	For the six months ended 31 December	
	2007	2006
	HK\$ million	HK\$ million
Distribution approved and paid during the period of HK\$15.2838 (2006: HK\$Nil) per share	46,575	–
Interim dividend declared after the interim period end of HK2 cents (2006: HK13 cents) per share	61	396
	46,636	396

Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company held on 7 December 2007, immediately following the completion of the Transaction (see note 3(c)), a distribution in the aggregate amount of HK\$46,575 million was paid which comprised, for each issued share of the Company, (i) a distribution in specie of the entitlement to 0.209 share of HLD together with all rights under the share entitlement note; and (ii) a cash distribution of HK\$1.03 per share (amounting to HK\$3,139 million). Such aggregate distribution was paid on 17 December 2007 out of the proceeds from the Transaction. A further cash distribution of HK\$1.21 per share was made after the balance sheet date as disclosed under “Non-adjusting post balance sheet events” in note 22(a).

The interim dividend declared after the interim period end has not been recognised as a liability as at 31 December 2007.

(b) Dividends attributable to the previous financial year, approved and paid during the interim period

	For the six months ended 31 December	
	2007	2006
	HK\$ million	HK\$ million
Final dividend in respect of the previous financial year, approved and paid during the period, of HK15 cents (2006: HK15 cents) per share	457	457

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Notes to the Unaudited Condensed Interim Financial Statements

10 Earnings per share – basic and diluted**(a) From continuing operations**

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$66 million (2006 (re-stated): HK\$122 million) and the weighted average number of ordinary shares of 3,047,327,395 (2006: 3,047,327,395) in issue during the period.

(b) From discontinued operations

The calculation of basic and diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$35,265 million (2006 (re-stated): HK\$1,830 million) and the weighted average number of ordinary shares of 3,047,327,395 (2006: 3,047,327,395) in issue during the period.

11 Property, plant and equipment

During the period, the Group acquired items of property, plant and equipment of an aggregate amount of HK\$1 million (2006: HK\$28 million).

12 Toll highway operation rights

At 30 June 2007 and 31 December 2007, the toll highway operation rights are pledged to secure the Group's certain bank loan.

13 Trade and other receivables

	At 31 December 2007 HK\$ million	At 30 June 2007 HK\$ million
Trade debtors	402	278
Deposits, prepayments and other receivables	17	48
Consideration receivable	19	27
	438	353

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Notes to the Unaudited Condensed Interim Financial Statements

13 Trade and other receivables (cont'd)

The ageing analysis of trade debtors (net of impairment loss for bad and doubtful debts) of the Group as at 31 December 2007 is as follows:

	At 31 December 2007 HK\$ million	At 30 June 2007 HK\$ million
Current or less than 1 month overdue	21	17
1 to 3 months overdue	42	35
More than 3 months overdue but less than 6 months overdue	53	45
More than 6 months overdue	286	181
	402	278

Trade and other receivables comprise toll fee income receivable and other trade and other receivables. In respect of toll fee income receivable, the amount is collected on behalf by a relevant government body in Hangzhou in accordance with the terms of agreement entered into between the Group and the 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.

The Group maintains a defined credit policy and the exposure to credit risk is monitored on an ongoing basis. Regular review and follow-up actions are carried out on the overdue amounts. Adequate impairment losses have been made for the estimated irrecoverable amounts.

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Notes to the Unaudited Condensed Interim Financial Statements

14 Cash and cash equivalents

	At 31 December 2007 HK\$ million	At 30 June 2007 HK\$ million
Deposits with banks	4,551	3,609
Cash at banks and in hand	39	75
Cash and cash equivalents in the consolidated balance sheet	4,590	3,684
Cash and cash equivalents classified as assets held for sale	–	2
Cash and cash equivalents in the condensed consolidated cash flow statement	4,590	3,686

Included in the cash and cash equivalents at 31 December 2007 is a total sum being the equivalent of HK\$65 million (30 June 2007: HK\$76 million) which was maintained in mainland China and is subject to exchange control regulations.

15 Trade and other payables

	At 31 December 2007 HK\$ million	At 30 June 2007 HK\$ million
Trade creditors	64	37
Accrued expenses and other payables	9	149
	73	186

The ageing analysis of trade creditors of the Group as at 31 December 2007 is as follows:

	At 31 December 2007 HK\$ million	At 30 June 2007 HK\$ million
Due within 1 month or on demand	–	5
Due after 1 month but within 3 months	47	20
Due after 3 months but within 6 months	11	10
Due after 6 months	6	2
	64	37

Henderson Investment Limited

Notes to the Unaudited Condensed Interim Financial Statements

16 Amounts due to affiliates

	At 31 December 2007 HK\$ million	At 30 June 2007 HK\$ million
Amount due to a fellow subsidiary	54	1,653
Amounts due to minority shareholders	136	148
Amount due to an investee company	4	–
	194	1,801

Amounts due to affiliates are unsecured, bear interest by reference to Hong Kong Interbank Offered Rate and repayable on demand except for the amounts due to minority shareholders and an investee company which are interest-free.

17 Disposal group

The Group previously entered into a sale and purchase agreement with Fenghua Transportation Investment Co., Ltd 奉化市交通投資公司, a minority shareholder of Ningbo Subsidiaries (as defined below), to dispose of its entire interests in Ningbo Nickwell Highway Development Company Limited, Ningbo Wise Link Highway Development Company Limited and Ningbo Rayter Highway Development Company Limited (collectively referred to as the “Ningbo Subsidiaries”) at a cash consideration of RMB70 million (approximately HK\$75 million).

During the period, the Group recorded a profit of HK\$5 million (2006: HK\$6 million) from the Ningbo Subsidiaries. The transaction was completed during the period and a net gain on disposal of approximately HK\$21 million was recognised.

Although the Ningbo Subsidiaries belong to the infrastructure segment (which is a continuing operation of the Group), completion of the disposal of the Ningbo Subsidiaries took place during the period after which the Group ceased to be interested in the operations of Ningbo Subsidiaries.

Henderson Investment Limited

Notes to the Unaudited Condensed Interim Financial Statements

18 Capital and reserves

The Group

	Attributable to equity shareholders of the Company									Total equity HK\$ million	
	Share capital HK\$ million	Share premium HK\$ million	Property		Fair value		Exchange reserve HK\$ million	Retained profits HK\$ million	Total HK\$ million		Minority interests HK\$ million
			revaluation reserve HK\$ million	Capital reserve HK\$ million	reserve HK\$ million	reserve HK\$ million					
At 1 July 2006	609	9,216	12	13	53	-	17,749	27,652	628	28,280	
Final dividend approved and paid in respect of the previous financial year (note 9(b))	-	-	-	-	-	-	(457)	(457)	-	(457)	
Exchange difference on translation of accounts of subsidiaries outside Hong Kong	-	-	-	-	-	39	-	39	31	70	
Changes in fair value of available-for-sale securities	-	-	-	-	69	-	-	69	-	69	
Profit for the period	-	-	-	-	-	-	1,952	1,952	30	1,982	
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	(16)	(16)	
At 31 December 2006	609	9,216	12	13	122	39	19,244	29,255	673	29,928	
Exchange difference on translation of accounts of subsidiaries outside Hong Kong	-	-	-	-	-	23	-	23	23	46	
Reduction of share premium	-	(5,000)	-	-	-	-	5,000	-	-	-	
Transfer to retained profits on disposal of subsidiaries	-	-	(12)	-	-	-	12	-	-	-	
Available-for-sale securities:											
- changes in fair value	-	-	-	-	114	-	-	114	-	114	
- impairment loss transfer to profit or loss	-	-	-	-	14	-	-	14	-	14	
- transfer to profit or loss on disposal of subsidiaries	-	-	-	-	(250)	-	-	(250)	-	(250)	
Profit for the period	-	-	-	-	-	-	3,439	3,439	48	3,487	
Dividends declared in respect of the current financial year											
- interim dividend (note 9(a))	-	-	-	-	-	-	(396)	(396)	-	(396)	
- cash distribution	-	-	-	-	-	-	(15,237)	(15,237)	-	(15,237)	
Distribution to minority shareholders	-	-	-	-	-	-	-	-	(90)	(90)	
Dividends paid to minority shareholders	-	-	-	-	-	-	-	-	(89)	(89)	
At 30 June 2007	609	4,216	-	13	-	62	12,062	16,962	565	17,527	

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Notes to the Unaudited Condensed Interim Financial Statements

18 Capital and reserves (cont'd)

The Group (cont'd)

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Property		Fair value		Exchange reserve	Retained profits	Total	Minority interests	Total equity
			revaluation reserve	Capital reserve	reserve	reserve					
HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	
At 1 July 2007	609	4,216	-	13	-	62	12,062	16,962	565	17,527	
Final dividend approved and paid in respect of the previous financial year (note 9(b))	-	-	-	-	-	-	(457)	(457)	-	(457)	
Exchange difference on translation of accounts of subsidiaries outside Hong Kong	-	-	-	-	-	30	-	30	19	49	
Realisation of exchange reserve on disposal of subsidiaries	-	-	-	-	-	(8)	-	(8)	(6)	(14)	
Profit for the period	-	-	-	-	-	-	35,331	35,331	48	35,379	
Distribution approved and paid during the current period (note 9(a))	-	-	-	-	-	-	(46,575)	(46,575)	-	(46,575)	
Dividend paid to a minority shareholder	-	-	-	-	-	-	-	-	(3)	(3)	
Increase in shareholding in a subsidiary	-	-	-	-	-	-	-	-	(148)	(148)	
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(108)	(108)	
At 31 December 2007	609	4,216	-	13	-	84	361	5,283	367	5,650	

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Notes to the Unaudited Condensed Interim Financial Statements

19 Capital commitments

At 31 December 2007, the Group did not have any capital commitment not provided for in these condensed interim financial statements (30 June 2007: Nil).

20 Material related party transactions

In addition to the transactions disclosed elsewhere in these condensed interim financial statements, the Group entered into the following material related party transactions during the period:

(a) Transactions with related parties

	Fellow subsidiaries	
	For the six months ended 31 December	
	2007	2006
	HK\$ million	HK\$ million
Continuing operations		
Interest expense	3	1
Discontinued operations		
Building management fee paid	–	3
Maintenance fee paid	–	5

(b) Key management personnel remuneration

Except for certain of the directors and key management personnel who received their remuneration from the Company's intermediate holding company for their services provided to the Group, no remuneration was paid to other directors and key management personnel of the Company. No apportionment has been made as the directors are of the opinion that it is impracticable to apportion this amount between their services to the Company's intermediate holding company and its subsidiaries.

21 Comparative figures

Certain comparative figures have been adjusted or re-classified to conform with the disclosure requirements in respect of the discontinued operations set out in note 4.

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Notes to the Unaudited Condensed Interim Financial Statements

22 Non-adjusting post balance sheet events

- (a) Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 7 December 2007 and an order of the High Court of the Hong Kong Special Administrative Region dated 16 January 2008, the Company's entire share premium of approximately HK\$4,216 million was reduced on 17 January 2008 and the same amount was credited to the Company's retained profits in accordance with the provisions of the Hong Kong Companies Ordinance.

Pursuant to the ordinary resolution passed at the extraordinary general meeting of the Company held on 7 December 2007, following the reduction of the share premium on 17 January 2008, a further distribution of HK\$1.21 in cash per issued share of the Company, or HK\$3,687 million in total, was paid on 25 January 2008 out of the proceeds from the Transaction (see note 3(c)).

- (b) In view of the increases in the price and trading volume of the shares of the Company on 26 March 2008, the Company made an announcement on that day to the effect that the Company had received an expression of interest from a joint-venture partner of a business project of the Company to acquire the Company's interest in that project. Nevertheless, the Company is awaiting further information on the detailed terms and no agreement has been reached with the interested party.
- (c) Subsequent to the balance sheet date, the directors declared an interim dividend, further details of which are disclosed in note 9(a).

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Financial review

The following discussions should be read in conjunction with the Company's unaudited condensed interim financial statements for the six months ended 31 December 2007.

Material acquisitions and disposals

Acquisition of remaining interest in a subsidiary

On 29 August 2007, the Group entered into a sale and purchase agreement with certain parties in relation to the acquisition of the remaining 35.94% interest in China Investment Group Limited ("CIG") for a cash consideration of approximately HK\$145 million. The acquisition was completed in September 2007 and CIG became a wholly-owned subsidiary of the Company.

Disposal of interest in an associate

Pursuant to an agreement dated 2 October 2007 (as supplemented by a supplemental agreement dated 7 November 2007) entered into between the Company and its intermediate holding company, Henderson Land, the Company disposed of its entire interest in Hong Kong and China Gas to Henderson Land. Details of the transaction are given in the section headed "Management Discussion and Analysis" of this report.

Disposal of interests in subsidiaries

The Group previously entered into a sale and purchase agreement with Fenghua Transportation Investment Co., Ltd. 奉化市交通投資公司, a minority shareholder of the Ningbo Subsidiaries (as defined below), to dispose of its entire interests in Ningbo Nickwell Highway Development Company Limited, Ningbo Wise Link Highway Development Company Limited and Ningbo Rayter Highway Development Company Limited (collectively referred to as the "Ningbo Subsidiaries") for a cash consideration of RMB70 million (approximately HK\$75 million). The transaction was completed during the period and a gain on disposal of approximately HK\$21 million was recognised.

Save as disclosed above, the Group did not undertake any significant acquisition or disposal of subsidiaries or assets during the six months ended 31 December 2007.

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Results of operations

Continuing operations

The Group's continuing operations comprise the infrastructure business in mainland China, being the operation of a toll bridge in Hangzhou and the operation rights of a toll highway in Maanshan, Anhui Province. Turnover for the six months ended 31 December 2007 amounted to HK\$129 million (2006: HK\$73 million), representing an increase of HK\$56 million, or 77%, over that for the same period in the last financial year. This was mainly attributable to the increase in traffic volume of the toll bridge in Hangzhou following the completion of major repair and maintenance work in October 2006. Profit contribution (representing turnover less direct costs) from the infrastructure business for the period increased by HK\$47 million, or 98%, to HK\$95 million (2006: HK\$48 million).

Discontinued operations

The results of the Group's discontinued operations for the six months ended 31 December 2007 comprised mainly (i) the Group's share of post-tax profit of Hong Kong and China Gas of HK\$1,484 million for the period; and (ii) the gain on disposal of its entire interest in Hong Kong and China Gas of HK\$33,781 million (as referred to in the section headed "Management Discussion and Analysis" of this report).

The Group's share of post-tax profit of Hong Kong and China Gas of HK\$1,484 million for the period (2006: HK\$1,290 million) represents an increase of HK\$194 million, or 15%, over that for the same period in the last financial year. Such increase is mainly attributable to the increase in profit contribution from the property development segment of Hong Kong and China Gas, for the reason that there were increased property sales of the Grand Waterfront project during the period when compared with the same period in the last financial year.

Profit attributable to equity Shareholders

Profit attributable to equity Shareholders for the six months ended 31 December 2007 amounted to HK\$35,331 million (2006: HK\$1,952 million), representing an increase of HK\$33,379 million over that for the same period in the last financial year.

Profit attributable to equity Shareholders from continuing operations for the six months ended 31 December 2007 amounted to HK\$66 million (2006: HK\$122 million), representing a decrease of HK\$56 million, or 46%, from the same period in the last financial year. This was mainly attributable to the fact that the Group earned less bank interest income during the period, for the reason that the Group maintained a lower average cash balance during the period when compared with the same period in the last financial year, subsequent to the Group's cash distribution of HK\$15,237 million (or HK\$5 per share) to Shareholders in June 2007. During the period, the effect of reduced bank interest income to the Group was partially offset by an increase in profit contribution from the infrastructure business to the Group.

Profit attributable to equity Shareholders from discontinued operations for the six months ended 31 December 2007 amounted to HK\$35,265 million (2006: HK\$1,830 million). The increase of HK\$33,435 million was mainly attributable to the gain on disposal of the interest in Hong Kong and China Gas of HK\$33,781 million.

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Financial resources, liquidity and loan maturity profile

At 31 December 2007, the aggregate amount of the Group's bank borrowings was HK\$6 million (30 June 2007: HK\$29 million). The cash and bank balances, the maturity profile of the bank borrowings and the gearing ratio of the Group were as follows:

	At 31 December 2007 HK\$ million	At 30 June 2007 HK\$ million
Cash and bank balances	4,590	3,684
Less: Bank borrowings repayable:		
- Within 1 year	-	23
- After 1 year but within 2 years	6	-
- After 2 years but within 5 years	-	6
Total bank borrowings	6	29
Net cash and bank balances	4,584	3,655
Gearing ratio	Nil	Nil

Finance costs for the six months ended 31 December 2007 amounted to HK\$4 million (2006: HK\$2 million) which was immaterial to the Group's operations.

Based on the Group's net cash and bank balances of HK\$4,584 million at 31 December 2007, 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. The Group's bank borrowings bear floating interest rates and are denominated in Renminbi to finance its infrastructure business in mainland China. During the period, 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 investments 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 2007 and 31 December 2007.

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Charge on assets

Assets of the Group were not charged to any third parties at 30 June 2007 and 31 December 2007, except that certain project financing facilities which were extended by banks to a subsidiary of the Company engaged in infrastructure projects in mainland China were secured by the Group's toll highway operation rights. At 31 December 2007, the outstanding balance of the Group's secured bank loans was HK\$6 million (30 June 2007: HK\$29 million).

Capital commitments

At 30 June 2007 and 31 December 2007, the Group did not have any capital commitments.

Contingent liabilities

At 30 June 2007 and 31 December 2007, the Group did not have any contingent liabilities.

Employees and remuneration policy

At 31 December 2007, the Group had approximately 240 (30 June 2007: 330) full-time employees. The remuneration of the employees is in line with the market and commensurable 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 continuing and discontinued operations for the six months ended 31 December 2007 amounted to HK\$7 million (2006: HK\$66 million).

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Other Information

Review of Interim Results

The unaudited interim results for the six months ended 31 December 2007 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, the report of which is included on page 38.

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 March 2008 and reviewed the systems of internal control and compliance and the interim report for the six months ended 31 December 2007.

Code on Corporate Governance Practices

During the six months ended 31 December 2007, 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 under 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 the property 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.

By Order of the Board

Timon LIU Cheung Yuen

Company Secretary

Hong Kong, 27 March 2008

As at the date of this report, the Board comprises: (1) executive directors: Lee Shau Kee (Chairman), Lee Ka Kit, Colin Lam Ko Yin, Lee Ka Shing, Lee Tat Man, Suen Kwok Lam, Lee King Yue, Eddie Lau Yum Chuen, Li Ning, Patrick Kwok Ping Ho, Augustine Wong Ho Ming and Sit Pak Wing; (2) non-executive directors: Woo Po Shing, Philip Yuen Pak Yiu, Leung Hay Man and Jackson Woo Ka Biu (as alternate to Woo Po Shing); and (3) independent non-executive directors: Gordon Kwong Che Keung, Ko Ping Keung and Wu King Cheong.

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Disclosure of Interests

Directors' Interests in Shares

As at 31 December 2007, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or which were notified to the Company or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Ordinary Shares (unless otherwise specified)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Investment Limited	Lee Shau Kee	1	34,779,936		2,076,089,007		2,110,868,943	69.27
	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
	Li Ning	1		2,076,089,007			2,076,089,007	68.13
	Lee Tat Man	2	6,666				6,666	0.00
	Lee King Yue	3	1,001,739				1,001,739	0.03
Henderson Land Development Company Limited	Lee Shau Kee	4	7,269,006		1,124,111,866		1,131,380,872	52.70
	Lee Ka Kit	4				1,124,111,866	1,124,111,866	52.36
	Lee Ka Shing	4				1,124,111,866	1,124,111,866	52.36
	Li Ning	4		1,124,111,866			1,124,111,866	52.36
	Lee Tat Man	5	111,393				111,393	0.01
	Lee King Yue	6	252,263		19,800		272,063	0.01
	Woo Ka Biu, Jackson	7			2,000		2,000	0.00

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Ordinary Shares (unless otherwise specified) (Cont'd)

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	8			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Chau Kee	9			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Chau Kee	10	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	8				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	9				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	10				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	8				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	9				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	10				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Li Ning	8			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Li Ning	9			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Li Ning	10			15,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)	30.00

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Ordinary Shares (unless otherwise specified) (Cont'd)**Long Positions**

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Drinkwater Investment Limited	Leung Hay Man	11			5,000		5,000	4.49
	Woo Po Shing	12			3,250		3,250	2.92
Henfield Properties Limited	Lee Ka Kit	13			4,000	6,000	10,000	100.00
Heyield Estate Limited	Lee Chau Kee	14			100		100	100.00
	Lee Ka Kit	14				100	100	100.00
	Lee Ka Shing	14				100	100	100.00
	Li Ning	14		100			100	100.00
Pettystar Investment Limited	Lee Chau Kee	15			3,240		3,240	80.00
	Lee Ka Kit	15				3,240	3,240	80.00
	Lee Ka Shing	15				3,240	3,240	80.00
	Li Ning	15		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.

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Arrangements to Purchase Shares or Debentures

At no time during the six months ended 31 December 2007 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 31 December 2007, 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:

	No. of shares in which interested	% Interest
Substantial Shareholders:		
<i>Long Positions</i>		
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:		
<i>Long Positions</i>		
Elliott Capital Advisors L.P. (Note 16)	238,521,122	7.82
Gainwise Investment Limited (Note 1)	217,250,000	7.13
UBS AG (Note 17)	159,139,620	5.22
<i>Short Positions</i>		
UBS AG (Note 18)	146,980,156	4.82

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Notes:

1. Of these shares, Dr. Lee Shau Kee was the beneficial owner of 34,779,936 shares, and the remaining 2,076,089,007 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 52.30% held by Henderson Development Limited (“HD”); and (ii) 5,615,148 shares were owned by Fu Sang Company Limited (“Fu Sang”). 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 Securities and Futures Ordinance (“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. As Director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.
2. Mr. Lee Tat Man was the beneficial owner of these shares.
3. Mr. Lee King Yue was the beneficial owner of these shares.
4. Of these shares, Dr. Lee Shau Kee was the beneficial owner of 7,269,006 shares and for the remaining 1,124,111,866 shares, (i) 570,743,800 shares were owned by HD; (ii) 7,962,100 shares were owned by Sandra Investment Limited which was a wholly-owned subsidiary of HD; (iii) 145,090,000 shares were owned by Cameron Enterprise Inc.; 222,045,300 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 61,302,000 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 55,000,000 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 55,000,000 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 39.06% held by HL which in turn was 52.30% held by HD; and (v) 1,366,066 shares were owned by Fu Sang. 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. As Director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.
5. Mr. Lee Tat Man was the beneficial owner of these shares.
6. Of these shares, Mr. Lee King Yue was the beneficial owner of 252,263 shares, and the remaining 19,800 shares were held by Ngan Hei Development Company Limited which was 50% each owned by Mr. Lee King Yue and his wife.
7. These shares were owned by the wife of Mr. Woo Ka Bui, Jackson.
8. These shares were held by Hopkins as trustee of the Unit Trust.
9. These shares were held by Hopkins as trustee of the Unit Trust.
10. 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.

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11. These shares were held by Gilbert Investment Inc. which was wholly-owned by Mr. Leung Hay Man.
12. These shares were held by Coningham Investment Inc. which was owned by Fong Fun Investment Inc. of which 50% was owned by Sir Po-shing Woo and 50% by his wife.
13. Of these shares, (i) 4,000 shares were owned by Applecross Limited which was wholly-owned by Mr. Lee Ka Kit; and (ii) 6,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andco Limited which was wholly-owned by Henderson China Holdings Limited, an indirect wholly-owned subsidiary of HL.
14. 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, both of which were wholly-owned subsidiaries of Jetwin International 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. As the spouse of a discretionary beneficiary of the discretionary trusts holding units in such unit trust, Mr. Li Ning was taken to be interested in such shares by virtue of the SFO.
15. 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, both of which were wholly-owned subsidiaries of Jetwin International Limited.
16. Elliott Capital Advisors L.P. was the beneficial owner of these shares.
17. Of these shares, UBS AG had beneficial, security and corporate interests in 157,491,120 shares, 1,290,000 shares and 358,500 shares respectively, and interests in 146,444,656 shares were derived from physically settled derivatives.
18. UBS AG had beneficial interests in these shares, of which interests in 146,442,156 shares were derived from physically settled derivatives.

Henderson Investment Limited



羅兵咸永道會計師事務所

PricewaterhouseCoopers
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Central, Hong Kong

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

Introduction

We have reviewed the interim financial statements set out on pages 4 to 26, which comprise the condensed consolidated balance sheet of Henderson Investment Limited (the "Company") as at 31 December 2007 and the related condensed consolidated profit and loss account, consolidated statements of changes in equity and cash flow for the six months then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial statements 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 these interim financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim financial statements 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 the interim financial statements 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 statements are not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong, 27 March 2008



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