

Listed Associates

Hong Kong & China Gas

Miramar Hotel & Investment

Hong Kong & China Gas — Towngas Pipeline



Hong Kong & China Gas

33.34%-owned by the Group. With a customer base of over 1,360,000, this is the earliest established local utility company and the sole supplier of towngas in Hong Kong. The company has continued to expand its gas supply network to ensure that its capacity keeps up with growing demand and invest in LPG supply operations in Hong Kong to meet with the Government's long-term development. In recent years, the company has actively extended its gas supply operations into Mainland China and diversified its business by participating in a number of sizeable joint venture property development projects such as the International Finance Centre Project, King's Park Hill Development and Sai Wan Ho Development Project.



Miramar Hotel & Investment

39.53%-owned by the Group. This company owns and manages the 525-room Hotel Miramar as well as the adjacent Miramar Tower of 696,000 sq.ft. and Miramar Shopping Centre of 350,000 sq.ft. located in the busy commercial and retail shopping area in Tsimshatsui, Kowloon. Miramar Shopping Centre enjoys an average occupancy rate of over 95%. Further, all units at the adjacent No. 6 Knutsford Terrace owned by this company were fully leased.



Miramar Hotel



Commentary on Annual Results

The following comments should be read in conjunction with the Audited Consolidated Financial Statement of Accounts of Henderson Investment Limited and the related notes on the accounts.

Results of Operations

COMPARISON OF FINANCIAL YEAR 2001 TO FINANCIAL YEAR 2000

Total turnover for the Group amounted to approximately HK\$1,051 million in financial year ended 30th June, 2001, showing an increase of 29% over that recorded in the previous financial year. Profit from operations was recorded at approximately HK\$366 million in the financial year under review. In comparison with Financial Year 2000 during which a significantly large profit of a non-recurrent nature relating to profit made on disposal of investment in securities was included, the figure of profit from operations recorded during the Financial Year 2001 showed a substantial decrease of 70%. Main sources of profit contribution to the Group during the financial year under review included rental income and profit contributions from the three listed associates of the Group. Other significant sources of profit contribution included profits from a subsidiary engaging mainly in infrastructural projects in Mainland China as well as the hotel and department store operations of the Group. Further, an amount of HK\$582 million in profit on disposal of interest in a subsidiary was recorded in respect of the successful spin-off of Henderson Cyber Limited in the financial year under review. Share of results of associates and jointly controlled companies continued to grow by 9.3% from that recorded in the previous financial year and amounted to HK\$1,489 million. The Group's profit attributable to

shareholders in Financial Year 2001 amounted to HK\$1,978 million and showed an increase of 23% over that recorded in Financial Year 2000.

During the financial year under review, the Group's income from property investment reached approximately HK\$447 million and showed an increase of 17% as compared to that recorded in Financial Year 2000. Share of results of associates recorded at HK\$1,481 million in the period under review and showed an increase of 11% as compared with that recorded in Financial Year 2000. This figure mainly included profit contribution from the three listed associate companies of the Group that was reflected on the Group's results on an equity accounting basis which amounted to HK\$1,411 million during the financial year under review.

Satisfactory return from investments made mainly in infrastructural projects in Mainland China held by the Group contributed HK\$161 million and HK\$108 million in turnover and operating profit respectively during the period under review. Hotel operation of the Group showed continuous improvement in operating results with a profit of HK\$33 million recorded in Financial Year 2001, representing an increase of 43% as compared to that recorded in Financial Year 2000. As changes were made in the accounting treatment of the consignment commission received from the contracted consignees of the retailing operation of the Group in Financial Year 2001, such commission receipts were recognised and included as part of the rental income of the Group instead of constituting the turnover of the retailing business during the financial year under review. As a result, the operating profit of the department stores was mainly attributed to the net sale proceeds of the trading goods

Commentary on Annual Results (cont'd)

sold directly by the Group's own retailing counters and amounted to approximately HK\$8 million in the financial year ended 30th June, 2001. The newly listed subsidiary of the Group, Henderson Cyber Limited, reported an operating loss of approximately HK\$131 million during the early phase of the launch of services offered by this company before counting interest income, fee income and minority interests totalling HK\$47 million. Interest expenses incurred by the Group amounted to HK\$136 million in Financial Year 2001 representing a 12.9% decrease as compared to that incurred in Financial Year 2000.

As at 30th June, 2001, non-current assets of the Group amounted to HK\$21,202 million and showed an increase of 6.0% as compared to that recorded in the previous financial year. These assets consisted mainly of interests in associates totalling HK\$13,600 million and investment properties of HK\$4,273 million as well as investments in securities amounting to HK\$821 million.

FINANCIAL RESOURCES AND LIQUIDITY

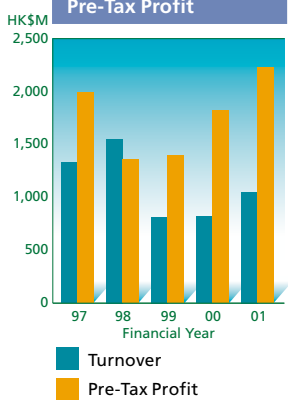
The Group is in a strong financial position and

possesses a large capital base whilst its net debt position remains low in comparison. As of 30th June, 2001, shareholders' fund of the Group amounted to HK\$18,912 million showing an increase of 3.4% from the HK\$18,285 million recorded at 30th June, 2000. Funding for the Group's activities in the financial year under review was mainly generated from cashflows from the property rental of the Group and return from its diversified strategic investments. The Group's total net external borrowing reduced substantially by 44% to HK\$899 million at the end of the financial year under review. Total net external borrowings to shareholders' fund of the Group as at the end of the financial year under review was thus recorded at 4.8% as compared to the 8.7% level registered at the end of the previous financial year. Except for a portion of the bank borrowings of a newly converted subsidiary of the Group, the majority of the Group's bank borrowings were unsecured and were mostly obtained on a committed term basis of longer than one year. The maturity profile of the Group's bank loans and borrowings outstanding as at the end of Financial Year 2001 and Financial Year 2000 is summarised respectively as follows:

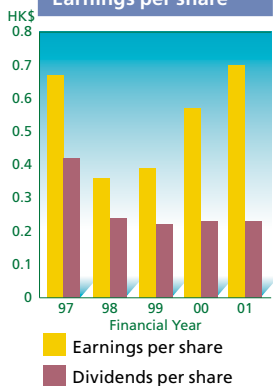
	2001 HK\$'000	2000 HK\$'000
Bank Loans and Borrowings Repayable:		
Within 1 year	273,150	40,800
After 1 year but within 2 years	751,421	1,276,320
After 2 years but within 5 years	858,170	500,000
After 5 years	96,980	—
Total Bank Loans and Borrowings	1,979,721	1,817,120
Less: Bank balances, deposits and cash	(1,080,547)	(219,970)
Total Net Borrowings	899,174	1,597,150

Commentary on Annual Results (cont'd)

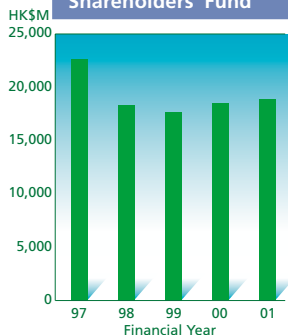
Turnover and Pre-Tax Profit



Dividends and Earnings per share



Shareholders' Fund



The vast majority of the financing facilities obtained by the Group are denominated in Hong Kong Dollars. Interests on bank loans and borrowings of the Group are chargeable mainly based on certain agreed interest margin over the Hong Kong Interbank Offer Rate, which are therefore of floating rate in nature. Only bank borrowings incurred by two of the Group's subsidiaries in Mainland China are denominated in Renminbi, with interest payable fixed on the base rates promulgated by The People's Bank of China from time to time. As a whole, the core operations of the Group can be considered as not exposed to foreign exchange rate risk to any significant extent.

Further, current assets of the Group which included an amount of \$1,056 million in bank balances and cash was recorded at HK\$1,730 million as compared to current liabilities of HK\$1,115 million, reflecting the financially liquid position of the Group as at the end of the period under review.

With the adoption of a conservative financial management policy by the Group management, the capital base and retained profits of the Group will continue to be put to good use to finance the Group's operations. The Group has adequate sources of shareholders' fund and abundant unutilised banking facilities for funding its ongoing operations as well as future expansion.